

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1975-76)**

**(FIFTH LOK SABHA)**

**SEVENTY-NINTH REPORT**

**FILM FINANCE CORPORATION LIMITED**

**(Ministry of Information and Broadcasting)**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*March 1976/Phalguna, 1897 (Saka)*

*Price : Rs. 4.65*

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C O R R I G E N D A

Seventy-Ninth Report of the Committee on  
Public Undertakings (Fifth Lok Sabha) on  
Film Finance Corporation Ltd.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
3	1.09	6	studies	studios
		Item(ii)		
5	1.13	8	<u>Delete</u> the word 'and' in the beginning of the line.	
20	2.45	4	Rs.771.11	Rs.271.11
36	2.67	12	Rs.20.26	Rs.29.26
38	2.74	12	came	come
41	Col.(2) Line.6		shuould	should
42	Item7, Col.1 Line 1		spending	opening
43	2.82	4	suggestion	suggestions
45	Item (C), Col.8		<u>Delete</u> Asterisk mark on figure 36.18. Instead put asterisk mark on figure 32.15 in Col.7.	
45	Item A(ii)(b) Col.8		2.25	1.25
47	2.91(d)	7	reply	rely
49	2.96	2	Rs.17.19	Rs.74.19
52	2.104	7	successul	successful
52	2.106	7	wre	were
53	2.107	2	therfor	therefor
54	2.113	1	ost	out
55	2.115	8	<u>Add</u> the word 'and' between the words 'loans' and 'unsuccessful'	
56	2.118	13	measure	means
56	2.118	19	Rs.7.176	Rs.7,176
57	2.120	4	all	11 (eleven)
57	2.121	3	Rs.85.65	Rs.35.65
61	2.131	1	affect	effect
62	2.135	11	on	of
62	2.135	15	loans	loances
62	2.137	3	loan as	loances
62	2.137	6	wousd	would
63	2.139	17	precautions	precarious
64	2.139	7	rationalbe	rationale
66	2.145	12	literates	literateurs
66	2.147	10	perios	period
67	2.149	11	come	came

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Road</u>
69	2.156	4	promptied	prompted
69	2.156	8	invigorating	invigorating
77	2.181	4	<u>Add</u> the word 'of' between the words 'amount' and loans'	
77	2.181	10	in industry	industry
79	2.185	3	wastful	wasteful
84	3.14	3	or	on
90	4.05	12	got	go
93	4.12	5 from bottom	Put "/" (oblique mark) between the words 'character' and 'situations'	
94	4.13	4	faciltieis	facilities
98	5.12	21	started	stated
98	5.14	bottom	distribution	distribution
99	5.16	3	Board(s)	Board's
100	5.17	4	<u>Delete</u> the brackets before and after the words 'December, 1972'	
100	5.20	1	Asashvani	Akashvani
106	5.36	31	<u>Add</u> the word 'man' in the beginning of line	
106	5.37	3	cinema	cinemas
107	5.37	13	distribute	distributors
111	6.05	1	is	are
113	6.13	18	kept	keep
114	6.16		Table Col 3 against the year 1975-76. <u>Add</u> Rs.15.00 lakhs.	
120	6.31	15	and	and
122	6.37	3	the	then
123	6.41	26	filums	films
124	6.44	4	or	on
125	6.47	12 & 15	caialising	canalising
125	6.47	14	<u>Add</u> the word 'not' after the words 'we are'	
126	6.34	bottom	selectively	selectivly
128	6.56	19	patriation	repatriation
128	6.56	32	reptriation	repatriation
129	6.57	3	diquidation	liquidation
131	6.60	5	if	of
131	6.60	7	Bugaria	Bulgaria
131	6.62	2 from bottom	providings	providing
133	6.66	2	result	results
137	Foot note	4	<u>Add</u> "increase in operating expenses during 1972-73 is due to increase in salaries and other expenses" before the start of the sentence, "At the time of factual verificati .....as follows":	

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
138	-	26	Rs.4,53,420½	Rs.4,53,420/-
138	7.11	4	doutful	doubtful
141	7.18	18	casts	costs
182	Col.3	11	<u>Delete</u> the word 'and' occurring before the word 'surprisingly'	
182	-do-	20	with	without
190	second para		Under Col.1 <u>add</u> '18' and under Col.No.2 <u>add</u> 2.109.	
194-95	Last line on page 194 and first line on page 195	on	<u>For</u> 'Financial Adviser and the General Manager' <u>substitute</u> 'Finance and Management'	
195-96	Col.3		Delete last three lines on page 195 and the first 6 lines on page 196	
197	Col.3	bottom	<u>Add</u> the words 'particularly the nationalised banks' after the word 'Banks'	
198	-do-	23	<u>Add</u> the word 'coming' <u>before</u> the word 'forward'	
201	-do-	7	of	or
202	-do-	1	<u>For</u> 'Question of Films' <u>Read</u> 'Quality of Films'	
204	-do-	4 from bottom	<u>Put</u> '/' (oblique mark) between the words 'character' and 'situations' its the	
213	-do-	1	expension	expansion
213	-do-	4	retrict	restrict
213	-do-	6	<u>Add</u> the word 'not' after the word 'have'	
213	-do-	10	permed	performed
220	-do-	5	<u>For</u> '7.17' <u>read</u> 7.17-7.18'	
220	Col.2	against Sl.No.66		
221	Col.3	Lines 19-20	<u>For</u> the words 'also find that the operating expenses are creasing at a faster rate from 1970 to 1970' <u>substitute</u> 'is too high, The expenses have been increasing at a faster rate from 1970 to 1974	

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**COMMITTEE ON PUBLIC UNDERTAKINGS**

(1975-76)

**CHAIRMAN**

**Shri Nawal Kishore Sharma**

**MEMBERS**

2. Shri Dinen Bhattacharya
3. Shri Bhogendra Jha
4. Shrimati Sheila Kaul
5. Shri V. Mayavan
6. Shri Surendra Mohanty
7. Shri Damodar Pandey
8. Shri Paokai Haokip
9. Shri Natwarlal Patel
10. Shri Ram Surat Prasad
11. Shri K. Narayana Rao
12. Shri Vasant Sathe
13. Shri C. K. Jaffer Sharief
14. Shri Atal Bihari Vajpayee
15. Shri Amarnath Vidyalankar
16. Shri Sriman Profulla Goswami
17. Shri Harsh Deo Malaviya
18. Shri Jagdish Prasad Mathur
19. Shri Bhola Prasad
20. Shri Veerendra Patil
21. Shri Sultan Singh
22. Pandit Bhawani Prasad Tiwary

**SECRETARIAT**

**Shri Avtar Singh Rikhy—Additional Secretary.**

**Shri M. A. Soundararajan—Chief Financial Committee  
Officer.**

**Shri K. S. Bhalla—Senior Financial Committee Officer.**



## STUDY GROUP ON FILM FINANCE

(1975-76)

1. **Shri Vasant Sathé—Convener**
2. **Shrimati Sheila Kaul—Alternate Convener**
3. **Shri Veerendra Patil**
4. **Shri Surendra Mohanty**
5. **Shri Damodar Pandey**
6. **Shri C. K. Jaffer Sharief**
7. **Pandit Bhawani Prasad Tiwary**
8. **Shri Ram Surat Prasad**

## INTRODUCTION

1. I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Seventy-ninth Report on the Film Finance Corporation Ltd.

2. This Report of the Committee is based on the comprehensive appraisal of the working of Film Finance Corporation Ltd. as contained in the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Commercial) Part II—Film Finance Corporation Ltd. and also on an examination in depth of the working of the Film Finance Corporation Ltd. upto the year ending 31st March, 1975.

3. The Committee took evidence of the representatives of the Film Finance Corporation Ltd. on the 25th September, 1975 and of the Ministry of Information and Broadcasting on the 14th November, 1975.

4. The Committee considered and finalised the Report at their sittings held on the 16th and 17th February, 1976.

5. The Committee wish to express their thanks to the Ministry of Information and Broadcasting, Film Finance Corporation Ltd. and the Associations of film producers, distributors and exhibitors for placing before them the material and information which they desired in connection with the examination of Film Finance Corporation Ltd. They wish to thank in particular the representatives of the Ministry and the Undertaking who gave evidence and placed their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered to them by the Comptroller and Auditor General of India in connection with the examination of the Film Finance Corporation Ltd.

NEW DELHI;  
March 10, 1976.  

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Phalgun 20, 1897 (S).

NAWAL KISHORE SHARMA,  
*Chairman,*  
*Committee on Public Undertakings.*

## INTRODUCTORY

### A. Historical Background

1.01. Having regard to the importance of cinema in modern life and the magnitude and complexity of the problems relating to films, the Government of India appointed a Film Enquiry Committee in August, 1949 with the following terms of reference:—

- (a) To enquire into the growth and organisation of the film industry in India and to indicate the lines on which further development should be directed;
- (b) To examine what measures should be adopted to enable films in India to develop into an effective instrument for the promotion of national culture, education and healthy entertainment; and
- (c) To enquire into the possibility of manufacture of raw film and cinematograph equipment in India and to indicate what standards and principles should be adopted for the import of raw film and equipment and for floatation of new companies.

1.02. Some of the major defects to which the Film Enquiry Committee drew Government's attention (March, 1951) were:

- (i) Absence of an organisation to provide central direction and coordination of activities spread over a vast area;
- (ii) Lack of planning in production leading to stereotyped themes, piracy of ideas, poor scripts and avoidable delays and wastage;
- (iii) Deterioration of artistic, aesthetic and cultural standards;
- (iv) Conception of film purely as entertainment and tendency to ignore responsibility to society;
- (v) Non-availability of finance on reasonable interest;
- (vi) Absence of facilities for training of technicians and artists; and

(vii) Inadequate and unsatisfactory exhibition facilities.

1.03. The main recommendations made by the Film Enquiry Committee with regard to organisation and financing of film industry were:

- (a) Establishment of a Film Council including a Production Code Administration and Film Institutes; and
- (b) Setting up of a Film Finance Corporation.

1.04. Government considered the above recommendations in November, 1953 and decided as follows:—

- (i) The proposal regarding the establishment of a Film Council need not be pursued.
- (ii) The establishment of a Production Code Administration was accepted in principle but details of its constitution and functions were required to be worked out.
- (iii) The setting up of a Film Institute was approved.
- (iv) Government should not contribute any funds towards the establishment of Film Finance Corporation which the film industry might, if it so desired, establish on a voluntary basis.

1.05. In pursuance of the above decisions, the Cinematographic Bill was introduced in Parliament in December, 1956 but was withdrawn in 1957 on grounds of economy.

1.06. The earlier decision of November, 1953 regarding the establishment of a Film Finance Corporation was reviewed by Government in May, 1956. It was felt that most of the producers were dependent on private financiers and the terms on which finance was made available left very little profit for the producer. Besides, the financier wanted to ensure that the film appealed to the largest number of people and tried to cater to the lowest common denominator of taste. It was difficult even for established producers to withstand the influence of the financier in the matter of theme and treatment of the film. The establishment of a Finance Corporation was considered to be the only way in which constructive help could be given to deserving producers. It was also thought that by this method it would be possible to influence the trend of production and stimulate films of cultural and artistic merit. Government's initiative in the formation of a Corporation was, therefore, considered

necessary. It was accordingly decided by Government in May, 1956 to set up a Film Finance Corporation.

1.07. In pursuance of Government's decision to set up a Film Finance Corporation, an Inter-Departmental Committee was appointed in November, 1956 to examine the form and details of the organisation and the method of financing the producers. The Committee recommended in May, 1957 the formation of a statutory corporation established under law by Parliament in preference to a Company, having regard to the following factors:—

- (i) Film financing could be brought more directly under Parliamentary control than in the case of the companies.
- (ii) The risk of film financing being unique, the organisation considered necessary for the purpose, be set up after full discussion in Parliament.
- (iii) Since firms and individuals engaged in film production were mostly units with no tangible assets, it might be necessary, in the light of experience gained, to confer special powers on the Corporation for recovery of loans.

1.08. Government, however, decided in November, 1957 to set up a company and the Film Finance Corporation was registered on 25th March, 1960 as a company (hereinafter referred to as a Corporation) under the Indian Companies Act, 1956. The Corporation which was initially under the control of the Ministry of Finance, was transferred to the Ministry of Information and Broadcasting in August, 1964.

### B. Objectives

1.09. The main objects of the Corporation are:—

- (i) to promote and assist the film industry by providing, affording, or procuring finance, financial or other facilities for the production of films of good standard and quality with a view to raising the standard of films produced,
- (ii) to own, take on lease studies, theatres, films scripts, world copy rights of films, which may seem to be conducive to the Company's objects or to securing its interest, and
- (iii) to carry on in India or elsewhere the business of cinematograph and film producers, distributors, renters, importers, exporters and manufacturers..... (This objective was

added to the Memorandum of Association, through an amendment approved by the share-holders on 23rd September, 1967 and by Government on 14th February, 1968).

1.10. In October/November, 1973, Government entrusted to the Film Finance Corporation Ltd. the work of canalisation of import and distribution of cine raw films and export of films. The former work was previously being handled by the State Trading Corporation of India Ltd. The import of feature film has also been assigned to the Corporation with effect from March, 1974.

1.11. In regard to laying down of objectives and obligations of the Corporation, as required in terms of Ministry of Finance, Bureau of Public Enterprises O.M. dated 3rd November, 1970, it was stated that the Corporation was not aware of the directive issued by the Bureau of Public Enterprises in this matter and that the objectives and obligation of the Corporation were already also specified in the Memorandum of Association. In this connection, the Ministry of Information and Broadcasting have, in a written reply, stated that the objectives and obligations of the Corporation were laid down as far back as October, 1971 and furnished to the Ministry of Finance, Bureau of Public Enterprises and that Film Finance Corporation were aware of the instructions in this regard.

1.12. According to the Ministry, the objectives and obligations of the Corporation as laid down in Ministry's O.M. No. A.12012/21/71-F(I) dated 22nd October, 1971 are—

- (i) to promote and assist film industry by providing, affording or procuring finance, financial or other facilities for the production of films of good standard and quality with a view to raising standards of films produced;
- (ii) to develop the film in India into "an effective instrument for the promotion of national culture, education and healthy entertainment" and this is to be achieved by granting loans for modest but off-beat films of talented and promising people in the field;
- (iii) since the role of the Corporation is more promotional than of commercial nature, to give due consideration to making films of artistic merit;
- (iv) to extend the activities of the Corporation to other two inter-related fields of exhibition and distribution, so that

the films financed by the Corporation get a fair chance of release;

- (v) to acquire theatres on lease in the four metropolitan cities.

**1.13. The Committee regret to note that the Film Finance Corporation do not appear to be aware of the directives issued by the Bureau of Public Enterprises in November, 1970 requiring each public undertaking to lay down its objectives and obligations with the approval of the Government. Although the Ministry of Information and Broadcasting have laid down the objectives and obligations of the Film Finance Corporation as far back as October, 1971, and surprisingly these have not been communicated to the Film Finance Corporation nor are they in precise terms so as to enable a critical evaluation of the performance of the Corporation with reference to these objectives. The Committee recommend that the Ministry should lay down the objectives and obligations of the Corporation in clear and precise terms, bring them to the notice of the Corporation without further delay and ensure that proper records and documents are maintained by the Corporation in a manner so as to enable an assessment of the performance of the Corporation with reference to these objectives and obligations. The Committee would like to be informed of the action taken in the matter.**

## II

### FINANCING OF FILMS

#### A. Guidelines for grant of loans

2.01. The Inter-Departmental Committee recommended in 1957, the following criteria to be adopted in deciding on loan applications received:—

- (i) Loan should not be given to persons who had no previous experience as producers or directors;
- (ii) Loan assistance by the Corporation should be confined to films produced at a moderate cost which did not involve payment of large sums of money to film stars. Excluding the cost of prints and publicity, the financial assistance by the Corporation should be generally confined to films whose estimated cost did not exceed Rs. 3,50,000 in the case of Hindi films, Rs. 2,75,000 in the case of Tamil or Telugu Films and Rs. 1,50,000 in the case of films in other languages;
- (iii) The Corporation should sanction loans in respect of only such films as had a reasonable prospect of being commercially successful;
- (iv) Preference should be given to producers who proposed to produce films as were both instructive and entertaining.

2.02. While generally adopting the above, the Board of Directors decided in June, 1960 on the following modified criteria also to be adopted in regard to items (i) and (ii):

- (a) The Corporation might also, in special cases, finance producers who had not produced any picture in the past provided, looking to their technical and other qualifications, the Board of Directors was satisfied that the producer was likely to produce even as a first venture, a good quality film which would also be commercially successful; and
- (b) A loan limit of Rs. 3.5 lakhs for each picture without a limit on the total budgeted cost of the films to be financed.



2.03. The Committee were informed that the Corporation kept the following general criteria in view while granting loans:—

- (1) Human interest of the story.
- (2) Indianness in theme and approach.
- (3) Characters with whom the audience can identify itself.
- (4) Dramatic content.
- (5) Background and capability of the applicant.

2.04. It was stated that the Corporation was satisfied with the existing criteria for the grant of loans and they had not received any complaints.

2.05. The Secretary of the Ministry of Information and Broadcasting, also confirmed during evidence that the existing criteria laid down by the Corporation in granting loans seemed to be adequate.

2.06. Although the Board of Directors had decided in September, 1960 that in special cases only producers who had not produced any picture in the past might also be provided assistance, it is seen that out of 56 films for which loans amounting to Rs. 162.11 lakhs were sanctioned upto June, 1969, loans were given to persons with no previous experience in 18 cases. As against the outstandings of Rs. 41 lakhs at the end of March, 1972 out of Rs. 124.21 lakhs given to 38 experienced producers, the outstandings in the case of others who had no previous experience were Rs. 18.06 lakhs out of the sanctioned loans amounting to Rs. 37.90 lakhs for 18 films. Thus the recovery effected in respect of the loans given to experienced persons was better than in the case of those who had no previous experience.

Out of loans sanctioned to 30 films after June, 1969, only in one case the loan was sanctioned to producer who had no previous experience of producing films. The amount of loans sanctioned is Rs. 2.02 lakhs and the film is under completion.

2.07. When asked as to how the Corporation selected producers for purposes of financing and how it satisfied itself that the producers to whom loans were granted were bonafide producers, it was stated in a written reply as under:—

“The Corporation's basic idea is to encourage talented and promising new comers. However, we have financed estab-

lished film personalities like Satyajit Ray, V. Shantaram, Bimal Roy, Mohan Sehgal and others.

If the project is otherwise good, the Corporation satisfies itself with the background information about the producer submitted in the loan application form."

2.08. The Committee were further informed that since 1969, utmost precaution was being taken to verify the bonafides of the people asking for loans. Necessary investigation was conducted and only after they satisfied themselves that the applicant was serious about making the film, they granted him loan. It was further stated that people without experience had also been financed after 1969.

### *Monetary Limit*

2.09. The original bye-laws of the Corporation (approved by Government) inter-alia provided that loans exceeding an amount of Rs. 3.5 lakhs would not be granted without the approval of the President and the amount of loan to be given in each case would be decided by the Board but normally the loan sanctioned would not cover the entire budgeted cost of the film. 25 per cent of the cost would have to be borne by the applicant which could be increased by the Board in suitable cases. The bye-laws were modified in August, 1962, with the approval of Government, according to which the limit of producer's share of 25 per cent of budgeted cost could be increased or decreased by the Board of Directors in individual cases, subject to a report being made to Government.

2.10. It is stated that in 19 cases (Appendix I) the Producer's share was decreased from 25 per cent of the budgeted cost by the Board of Directors under the powers vested in it.

2.11. It is further stated that an amount of Rs. 4.77 lakhs outstanding and classified as doubtful of recovery was in respect of films in which the producers' share was allowed to remain below 25 per cent of the budgeted cost.

2.12. In 13 cases (Appendix II) out of the 19 cases of such films, the producer had to depend on outside finance to meet the shortfall in the budgeted cost which was in excess of his own share and Corporation's loan put together.

2.13. The ceiling for assistance was reviewed by the Board in September, 1965 keeping in view the following factors:—

- (i) Out of 45 sanctions of loans made upto 31st August, 1965, in 9 cases loans were sanctioned above Rs. 3.5 lakhs and in 7 cases, although loans were sanctioned upto Rs. 3.5 lakhs, additional loans were subsequently given so as to enable the producers to complete the films; and
- (ii) The accounts submitted by the producers for 19 completed films for which loans were sanctioned by the Corporation, showed the cost of production as under:—

5	Hindi films cost ranging from Rs. 5,10,000 to Rs. 38,00,000
4	Bengali films cost ranging from Rs. 2,44,000 to Rs. 4,50,000
6	Marathi films cost ranging from Rs. 1,11,000 to Rs. 2,67,500
2	Kannada films cost ranging from Rs. 3,21,000 to Rs. 4,75,000
1	Gujarati Film cost coming to Rs. 2,25,000
1	Punjabi film cost coming to Rs. 4,02,150

2.14. Having regard to the above, it was decided that the limit above which the President's approval was required, should be raised from Rs. 3.5 lakhs to Rs. 7 lakhs. As Government did not agree to this proposal, the Board subsequently (October, 1966) requested for enhancement of the limit from Rs. 3.5 lakhs to be Rs. 5 lakhs which was accepted by Government in December, 1966.

2.15. The policy for giving loans was again reviewed by the Board of Directors in June, 1969 in the context of the Corporation's serious financial situation and non-availability of funds. It was decided to restrict loans to Rs. 2 to 2.5 lakhs on each film with a view to reducing losses by way of erosion of capital arising from non-repayment of loans and that Government should be requested to subsidise 10 per cent of such losses. Loans in excess of Rs. 2.5 lakhs were to be granted only on collateral security besides the negative of the film.

2.16. The financial limit for granting loans without collateral security was raised with effect from 27th November, 1973 to Rs. 3 lakhs for black and white films and Rs. 4.5 lakhs for colour films, on account of overall increase in the cost of production of films.

On 8th March, 1975, the Board of Directors also approved, in principle, the proposal that the loans should be granted only to those applicants who could give adequate tangible security for the

entire loan with interest thereon and in cases where the applicants were not in a position to give adequate tangible security, the Corporation should take upon itself the burden of production of the film whereby the entire profit or loss made on the film would be on Corporation's account.

2.17. The Committee were informed that the general feeling among the entrepreneurs and the Film Finance Corporation was that the lower the budget of the film, the less is the risk involved.

#### *Low Budget Films*

2.18. The Inter Departmental Committee had recommended in 1957 that loan assistance by the Corporation should be confined to films produced at a moderate cost which did not involve payment of large sum of money to film stars. The financial assistance by the Corporation should be generally confined to films whose estimated cost did not exceed Rs. 3.50 lakhs in the case of Hindi films, Rs. 2.75 lakhs in the case of Tamil or Telugu Films and Rs. 1.50 lakhs in the case of films in other languages.

2.19. The Board of Directors decided in June, 1960 that the loan limit for each picture should be of Rs. 3.5 lakhs without a limit on the total budgeted cost of the films to be financed.

2.20. The decision of the Board of Directors in 1960 was a marked departure from the recommendations of the Inter Departmental Committee in that instead of low budgeted films the emphasis was on prescribing a ceiling on the loan without any reference to the cost of film. As a result, upto June, 1969, the Corporation had largely financed high budgeted films and the outstandings for repayment have been higher in regard to such films as will be evident from the table below:—

(Rs. in lakhs)			
Average Budgeted Cost	No. of films	Amount Dis-bursed	Balance Out-standing
5 lakhs and above . . . . .	24	97.13	*19.11
3.5 lakh and above . . . . .	9	28.96	** 5.58
Below 3.5 lakh . . . . .	23	35.05	@11.49
	56	161.14	36.18

\*Excludes Rs. 24.19 lakhs written off but includes Rs. 18.58 lakhs as doubtful of recovery.

\*\*The entire amount is doubtful of recovery.

@Excludes Rs. 5.07 lakhs written off but includes Rs. 7.99 lakhs doubtful of recovery.

2.21. It will be seen that a major portion of the loans written off and classified doubtful of recovery is out of loans sanctioned for high budgeted films.

2.22. When pointed out that a film 'Amar Jyoti' was financed by the FFC to the tune of Rs. 5.52 lakhs and there was no guarantor barring the borrower, the representative of the FFC stated, "This was the practice. This no more is the practice. This is 14 years old. The policy was different. The policy was to encourage commercial film makers and it was a wrong policy. That is the reason why there are so many debts."

"Now the loans are given for low budgeted films. For ordinary films, the finance is to the tune of Rs. 3 lakhs; and for coloured films, it is Rs. 4-1/2 lakhs."

2.23. The Corporation informed the Committee in a note after evidence that after reviewing the Corporation past performance, the Board of Directors had decided about five years ago, to finance, in the main, low budget artistic films based on literary works of eminent writers.

2.24. Asked about the steps taken or proposed to be taken by the Corporation now to encourage production of artistic and quality films and low budget films and to raise the standard of film., the Corporation stated that in the light of the above policy decision, many low-budget black and white films had been made by new and talented film-makers, with the financial assistance of the Corporation. The Corporation has added, the fact that these films are artistic and quality films is amply proved by the awards, both national and international, won by these films and the critical acclaim at home and abroad.

*Type of films to be financed*

2.25. The Film Enquiry Committee (1951) was of the view that to reduce to the minimum the element of risk involved in financing films, the corporate authority should be satisfied that the picture (financed by it) collected in and around it all elements which would make it a box office success without at the same time sacrificing the canons of propriety and good taste. The Inter Departmental Committee recommended (1957) that the Corporation should sanction loans in respect of only such films as had a reasonable prospect

of being commercially successful and preference should be given in making loans to producers who proposed to produce films which were instructive as well as entertaining. In their meeting held in June, 1960, the Board of Directors of the Corporation adopted the Inter-Departmental Committee's recommendations.

2.26. In the Board meeting held in November, 1964, a view was expressed that the Corporation's objectives "should be to encourage production of artistic films and not merely financing the production of the usual type of films which may be a commercial success".

2.27. In the course of discussion with film producers at Bombay, it was suggested that FFC films should combine quality with public acceptability.

2.28. During evidence, the Chairman, FFC, stated as under:—

"We are trying to make films which depict life as we live it. This is a very fundamental and primary objective with our Corporation. We feel that by encouraging our young film makers to film works of our own eminent writers in Hindi, Bengali and other regional languages, we are contributing to improve the standards of film making.

I am convinced that if you show good films, the audience reacts favourably. It is a fact that in the post-war years the taste of our audience has to an extent been degenerated by those commercial films, but that is no reason to say that we should go on making bad films. Some effort has to be made to raise the taste of our audience and I think that the Corporation has made a fairly good beginning in that direction.

The trouble with most of our commercial films is that they are mostly copies of Hollywood films. I do not want to mention names, but of the 7 new films in Bombay now, not less than five are blatant copies of Hollywood films. So, the first thing that we look for in a script is whether it is original, contains real human interest, portrays characters with whom we can identify ourselves and has dramatic content."

2.29. When asked whether any attempt had been made to make films which could meet the requirement and taste of the common people viz., workers and peasants, and provide better understanding

of their social and economic problems, the Chairman, FFC stated during evidence, as under:—

“We have not really produced many films on workers’ problems but there are some which deal with village life. Several of our films depict village life like Bhuvan Shome, Uski Roti etc. We have occasionally considered such subjects. Thikkattra Parvati was a rural film. I would say again that we are to an extent inhibited by the sort of scripts that come to us. But we will bear in mind the suggestions. If we come across good script, we hire whatever talent we can to make a film on that. That is the latest progress we made when we became producers ourselves. But uptill now, we relied on the script submitted to us. We are now keen to go out of our way to look for good scripts.”

He further added:—

“.....If our cinemas become socially conscious, it can have a social impact. To be socially conscious, there should be a greater social awareness on the part of film makers. I would say that not all our films but several of them have dealt with burning social problems.....So, I could not be more emphatic than you have been that we have to develop social consciousness in our cinemas. Only when our cinemas become completely social conscious, hundred per cent, then only we will be able to make a worthy impact. I agree with you. But I feel we have made a sincere beginning in this regard. We propose to expand.”

2.30. Explaining the role of the film industry in this context the Secretary, Ministry of Information and Broadcasting stated during evidence as follows:—

“The Ministry is alive to its responsibility of setting the film industry on a proper course by which it can really be used as a very powerful medium for social purpose. The FFC is one of the efforts made in this direction”.

2.31. When asked whether the Ministry would spell out more concretely what was meant by social purpose, the Secretary of the Ministry stated that they were working out the guidelines.

2.32. As regards producing films which promote scientific knowledge, the Chairman, FFC, stated:—

“I don't think we have made such a film for the simple reason that we have not got such subjects. We are inhibited by the scripts submitted to us. We don't go out to the people and say 'you write this script on such and such a subject'. They send the scripts to us and we approve of them. To that extent, our initiative is somewhat limited.”

2.33. When asked whether the prospective entrepreneurs knew what kind of films were encouraged and financed by the FFC and whether FFC had brought out any guidance manual for the benefit of the entrepreneurs, the Chairman, FFC, stated during evidence, “We have not put it down in black and white. We have published a brief note for guidance in regard to technical matters. Perhaps it might be a good idea to lay down very broad criteria.”

2.34. The Committee note that the Inter-Departmental Committee had recommended in 1957 that the loan assistance by the Corporation should be confined to films produced at a moderate cost which did not involve payment of large sums of money to film stars. It was laid down that, excluding the cost of prints and publicity, the financial assistance should be generally confined to films whose estimated cost did not exceed Rs. 3.50 lakhs in the case of Hindi films, Rs. 2.75 lakhs in the case of Tamil or Telugu films and Rs. 1.50 lakhs in the case of films in other languages. The Board of Directors of the Corporation modified this criterion in June, 1960 and decided to lay down a loan limit of Rs. 3.5 lakhs for each picture without a limit on the total budgeted cost of the films to be financed by the Corporation. The bye-laws of the Corporation (approved by the Government) provided that loan exceeding an amount of Rs. 3.5 lakhs would not be granted without the approval of the President and 25 per cent of the cost of the film which could be increased or decreased by the Board in individual cases subject to a report being made to the Government, would have to be borne by the applicant. The ceiling for assistance was reviewed by the Board in September, 1965, and it was decided in 1966 with the approval of the Government that the limit above which President's approval was required should be raised from Rs. 3.5 lakhs to Rs. 5 lakhs. The limit was again reviewed in 1969 in the context of the Corporation's serious financial situation and non-availability of funds and it was decided to restrict loans to Rs. 2 to Rs. 2.5 lakhs on each film beyond which loans should be granted only on collateral security, besides the nega-



tive of the film. The financial limit for granting loans without collateral security was raised in 1973 to Rs. 3 lacs for black and white films and Rs. 4.5 lakhs for colour films on account of overall increase in the cost of films. On 8th March, 1975, the Board of Directors approved in principle the proposal that loans should be granted only to those applicants who could give adequate tangible security for the entire loan with interest thereon. While insistence on taking tangible security for loans advanced for the production of quality films is desirable, the Committee would like the Corporation to see that the approach as to what should constitute the "tangible security" should be flexible so that really worthwhile and promising producers are not shut out on account of any rigidity in the procedure to be followed in this regard.

2.35. The Committee regret to note that the Board of Directors departed in 1960 from the recommendations of the Inter-Departmental Committee (1957) in that, instead of low budgeted films, it laid emphasis on prescribing a ceiling on the loans without any reference to the cost of films, with the result that upto June, 1969 the Corporation had largely financed high budgeted films and a major portion of the loans written off and classified as doubtful of recovery (Rs. 48.35 lakhs out of a total balance outstanding of Rs. 65.44 lakhs including the loans written off) was out of the loans sanctioned for high budgeted films. The Committee were informed that the policy then was to encourage commercial film makers and the Corporation has admitted that "it was a wrong policy. That is the reason why there are so many debts. Now the loans are given for low-budgeted films."

2.36. The Committee find that even now when the Corporation has decided to finance only low budgeted films, the term 'low budgeted film' has not been clearly defined nor any guidance given to the entrepreneurs regarding production of artistic films at low cost. The Committee recommend that this should be done immediately.

2.37. The Committee also note that the Corporation had been changing the maximum limit of the loans for the films to be financed from time to time for one reason or another. The Committee recommend that the ceilings for loans should be systematically reviewed periodically consistent with the definition of 'low budget films', and that the Corporation should take prior approval of Government before modifying the ceilings for loans or the basic criteria therefor. At the time of the review an opportunity may be given to the film industry to place their view point before the Corporation.

2.38. The Committee would also like that the Corporation should, for the benefit of the prospective entrepreneurs bring out a comprehensive manual in all regional languages explaining the criteria for financing of films, the type of films for which assistance may be available, the monetary limits prescribed therefor, etc. so that it may serve as a useful guide to the entrepreneurs who approach the Corporation for finances.

2.39. The Committee note that the Board of Directors of Film Finance Corporation adopted the Inter-Departmental Committee's (1957) recommendations that loans should be sanctioned in respect of only such films as had a reasonable prospect of being commercially successful and preference should be given in making loans to producers who proposed to produce films which are instructive as well as entertaining. The Committee also note that a view was expressed by the Board in 1964 that the Corporation's objectives should be to encourage production of artistic films and not merely financing production of usual types of films which may be a commercial success. The Committee note that accordingly the Corporation keeps the following criteria in view for granting loans—

- (1) Human interest of the story;
- (2) Indianness in theme and approach;
- (3) Characters with whom the audience can identify itself;
- (4) Dramatic content; and
- (5) Background and capability of the applicant.

2.40. The Committee are of the view that there is no inherent contradiction between artistic films of good standard and films successful at the box office and that films should combine quality with public acceptability. The Committee recommend that the Corporation should take a balanced view of the films for which the loans are sought from it and, before sanctioning loans, satisfy itself in all possible ways that the films would, in all probability, be not only artistic but also have a reasonable prospect of being commercially successful, as in their opinion, it neither serves the film industry nor the purpose for which the Corporation has been set up if the Corporation helps any entrepreneur in the production of a film, however artistic, which does not attract the public.

2.41. The Committee are informed that the Corporation has not produced many films on workers' problems though there are some

films which deal with village life and social problems. They note that the Corporation is conscious of the need to develop social consciousness amongst film makers in order to create social impact. The Committee recommend that the Corporation should encourage films which depict life as it is lived and create social awareness amongst film makers so as to help them produce films on socio-economic problems, family planning, generation of fellow-feeling for weaker sections of society and on themes highlighting unity in diversity in the country etc. and also films which may promote scientific knowledge. They would like the Corporation to encourage production of films based on the works of eminent Indian writers and discourage films which are apparent or disguised imitation of foreign films.

2.42. The Committee are very greatly disturbed at the rising trend in Indian films to depict the unwholesome aspects of foreign styles of living which are not in consonance with the Indian way of life and would urge the Corporation to curb such tendencies in the films financed by it.

2.43. The Committee note that the Inter-Departmental Committee had recommended in 1957 that the loans should not be given to persons who had no previous experience as producers or directors. The Board of Directors decided in June, 1960 that the Corporation might also, in special cases, finance producers who had not produced any picture in the past provided looking to their technical and other qualifications the Board was satisfied that the producer was likely to produce as a first venture a good quality film which would also be commercially successful. The Committee are informed that the people without any experience had also been financed by the Corporation after 1969. The Corporation claims that it takes all the pains that are humanly possible to see that the money is given only to the deserving people. While the Committee are not opposed to the grant of loans to persons who have had no previous experience as producers or directors, they feel that the Corporation has an added responsibility in such cases to make sure that the new entrepreneur has been actively connected with or involved in the production of documentary films or feature films or has been connected with film industry in some such capacity as can inspire confidence. The Corporation should thoroughly scrutinise the range and depth of film projects of such persons to satisfy itself that these are of high standard and also look to the antecedents and standing of such entrepreneurs and their past experiences and take all possible precautions to ensure that the public funds will be put to fruitful use and achieve the purposes for which they are intended.

### B. Sanction and Recovery of Loans

2.44 The year-wise details of the number of applications received, withdrawn/rejected, accepted and pending for consideration since the inception of the Corporation upto 31-3-1975 are given below:—

Year	Applications received		Applications rejected or withdrawn or where sanctioned loans were subsequently cancelled		Applications accepted and loans sanctioned		Amount disbursed		Applications under consideration at the end of the financial year	
	Number	Rs.	Number	Rs.	Number	Rs.	Number	Rs.	Number	Rs.
1960-61	16	48.34	3	10.50	1	3.50	..	..	12	34.34
1961-62	16	48.63	9	22.84	8	28.38	10.74	10.74	11	31.75
1962-63	46	152.62	24	89.05	25	67.29	24.80	24.80	8	28.08
1963-64	36	91.81	28	83.95	8	16.96	24.18	24.18	8	18.93
1964-65	10	36.27	16	38.78	(—)1	5.51	21.05	21.05	3	10.91
1965-66	37	103.79	21	73.29	5	13.58	27.82	27.82	14	27.83
1966-67	36	96.68	35	106.67	12(10)	12.48	11.94	11.94	3	5.36
1967-68	36	109.93	24	81.45	11(3)	15.84	15.05	15.05	4	18.00
1968-69	28	82.82	26	73.46	1	9.36	19.06	19.06	5	18.00

1969-70 . . . . .	43	87.90	23	66.58	12(4)	14.28	17.37	13	25.04
1970-71 . . . . .	56	115.23	35	81.22	14(4)	20.75	18.08	20	38.30
1971-72 . . . . .	59	120.94	39	79.40	9(3)	12.39	11.96	31	67.45
1972-73 . . . . .	43	87.75	38	82.41	9(3)	14.62	16.94	27	58.17
1973-74 . . . . .	37	81.23	25	53.05	8(2)	13.48	11.19	31	72.87
1974-75 . . . . .	21	67.76	33	80.23	7(2)	22.69	4.43	12	37.71
	520	1331.70	379	1022.88	129(31)	271.11	234.61		

NOTE 1. The number of applications accepted and the amount of loans sanctioned as shown in columns 6 and 7 are the net*i.e.* exclusive of those sanctioned but subsequently cancelled or withdrawn.

- The figures in brackets in Column 6 indicate the number of documentary films while the remaining are the feature films.
- During 1974-75 fresh applicants for 8 films (including 2 documentary) were accepted for sanction of loans, As, however, one application accepted in earlier year was cancelled during 1974-75, the number of applications accepted has been shown as 7 (including 2 documentary).
- No disbursement was made in regard to any of the 8 films for which loan was sanctioned during 1974-75.
- The figures for the year 1974-75 are subject to finalisation of accounts and audit.
- The minus figure in column 6 against 1964-65 is on account of the withdrawal of more applications for loans sanctioned earlier than the new applications accepted during the year.
- A list of feature films for which loans were disbursed by the Corporation upto the end of March, 1974 is given in Appendix III.
- The amount in column 8 includes also the amount paid against loans sanctioned in earlier years
- The applications rejected/withdrawn/cancelled include 49 applications withdrawn by the applicants themselves involving an amount of Rs, 129.52 lakhs.

2.45. It will be seen from the above statement that since the inception of the Corporation till March, 1975, out of 520 applications amounting to Rs. 1331.70 lakhs received for loan, only 129 applications amounting to Rs. 771.11 lakhs representing 24 per cent have been accepted and loan sanctioned and the amount disbursed as on 31-3-1975 is Rs. 234.61 lakhs.

2.46. Asked about the reasons for the withdrawal of 49 applications by the applicants, as mentioned in foot-note (9) above, the Corporation stated as under:—

“The 49 applications withdrawn include some withdrawn before sanction and some after sanction. No specific reason can be attributed to the withdrawal of the applications. Normally, an application is withdrawn by the applicant, after sanction, when he is not able to fulfil the conditions precedent to the release of the loan.”

2.47. In reply to another question, the Committee were informed that occasionally the applicants whose loan applications are rejected, ask for the reasons for such rejections, and request for re-consideration. Since the reasons for rejections are not recorded, and applications once rejected are not formally re-considered, the Corporation informs the parties accordingly.”

2.48. During the course of discussion between the Committee and the Film producers at Bombay in September, 1975 it was suggested to the Committee that the rate of interest on loan should be 6 per cent as against 15 per cent being charged at present.

2.49. A leading organisation of Film Producers in its Memorandum submitted to the Committee, has stated:

“As regards financing feature films, FFC should change its present pattern, terms and conditions. It should have its Board at every film making region, like Bombay, Calcutta and Madras. They have now only in Bombay and they should open such branches in Madras and Calcutta. Present offices of FFC in Madras and Calcutta can be enlarged suitably. Quick decisions and immediate payments without wasting time on unnecessary formalities as is being done now, should be the main criterion for FFC financing.”

It has been further stated by this organisation that the “most important factor in financing is the ‘TIME’ factor. It is not observed

or given effect to in FFC. They take a long time to satisfy themselves before making every further payments. The FFC should make available the payments like a private financier... decision to finance a film should be made known to the applicant within a maximum of 15 days from the date of receipt of this application.

2.50. In this connection the Corporation stated that 'normally, it takes three months to dispose of a loan-application. Disbursement of loans depends on the time taken by the applicants to comply with the conditions precedent to the release of loan-instalment.

2.51. On being asked, the Corporation submitted the following statement showing the time taken in sanctioning/rejecting applications for loans during the last three years:—

Year	No. of applications received	No. of applications sanctioned and rejected /withdrawn				No. of applications pending at the end of accounting year
		Within 3 months	In over 3 months but less than 6 months	Between 6 months and one year	Over one year	
1	2	3	4	5	6	7
<i>SANCTIONED</i>						
1972-73	43	5	..	4	2	} 27
<i>REJECTED/WITHDRAWN</i>						
		4	4	24	6	
		9	4	28	8	
<i>SANCTIONED</i>						
1973-74	37	2	3	3	1	} 31
<i>REJECTED/WITHDRAWN</i>						
		..	4	14	9	
		2	7	17	10	
<i>SANCTIONED</i>						
1974-75	21	1	..	5	2	} 12
<i>REJECTED/WITHDRAWN</i>						
		2	11	9	10	
		3	11	14	12	

2.52. From the details of applications pending on the last date of the years 1972-73, 1973-74 and 1974-75 (Appendix IV) submitted by the Corporation, it is seen that the applications had been pending for the following periods:—

	No. of applications	Period for which pending
<hr/>		
Pending as on 31-3-1973	1	34 months
	2	9 months
	4	7 months
	3	5 months
	8	3 months
	3	2 months
	3	1 month
	3	Less than a month
	<hr/> 27 <hr/>	
Pending as on 31-3-1974	1	46 months
	1	15 months
	1	13 months
	1	12 months
	1	11 months
	4	10 months
	2	9 months
	8	8 months
	3	6 months
	2	5 months
	2	4 months
	1	3 months
	4	2½ months
	<hr/> 31 <hr/>	



No. of applications	Period for which pending
Pending as on 31-3-1975	
1	58 months
1	25 months
1	22 months
1	20 months
2	8 months
1	5 months
1	4 months
2	3 1/2 months
2	Less than 2 months
12	

2.53. When asked about the procedure followed by the Corporation in the matter of financing, it was stated as under:—

“Normally, 25 per cent of the budgeted cost is to be borne by the applicant either in cash or in cash and credits. This percentage may, however, be decreased or increased at the discretion of the Board of Directors. Decision about sanction of loan is communicated to the applicant who is requested to comply with various conditions precedent to the release of the first loan-instalment. These include, submission of accounts certified by Chartered Accountants, submission of letters of credit/contracts with the artistes and technicians, submission of shooting script, text of songs to be recorded and/or picturised, confirmatory letters from the laboratory where the negatives of the film are stored (agreeing to act according to the Corporation's instructions and to hold the negatives in the Corporation's name) rushes of the completed portion of work, if any, for preview etc. Subsequent instalments of loan, are released only after satisfying that the earlier instalment has been properly utilised. Periodical visits to the studios (where shootings are held) or the laboratories (where song recordings are held) are undertaken by the officials of the Corporation.

Loans carry interest at the rate of 15 per cent per annum on the day-to-day balance outstanding in the loan account.”

2.54. When asked whether the Corporation had received any complaints or suggestions from parties whose application had been accepted, it was stated that 'generally there is no complaint from the applicants whose applications are accepted. Only recently, the Corporation has sanctioned loans in some cases subject to availability of funds, and in these cases, the parties are requesting us to release the loans sanctioned. Since the Corporation's funds position is not satisfactory, we inform these parties that the loans will be released as soon as adequate funds are available with the Corporation'.

2.55. The Committee note that out of 520 applications received till the end of 1974-75 for a loan of Rs. 1331 lakhs, the Corporation had, till 31-3-1975 accepted 129 applications representing about 24 per cent of total number of applications and sanctioned loans amounting to Rs. 271 lakhs. Even out of this sanctioned amount, only a sum of Rs. 234 lakhs had been disbursed. The Committee are informed that after the loan is sanctioned; the applicant is required to comply with certain conditions precedent to the release of the first instalment of loan and subsequent instalments are released only after satisfying that the earlier instalment has been properly utilised. The Committee recommend that the Corporation should undertake a review of the conditions and formalities laid down for disbursement of loan instalments and inquire into the reasons for non-drawal of the second and subsequent instalment of loans with a view not only to streamline the procedures but to ensure that even the first instalment of loans which have been disbursed had not become irrecoverable.

2.56. The Committee also find that out of the applications rejected or withdrawn by the applicants, there were some 49 applications which were withdrawn after the loans were sanctioned. The Committee would like Government to investigate whether in these cases loans were sanctioned after careful check of the antecedents, the technical ability and the financial worth of the applicants and whether the applicants were at all *bonafide*.

2.57. The Committee further note that the reasons for rejection of applications for loan are not recorded by the Corporation and the applications once rejected are not normally reconsidered. They feel that since it is a public institution, it is but proper that reasons for rejection are kept on record for future use and reference though these reasons may not be communicated to the applicants.

2.58. The Committee are informed that while the headquarters of the Corporation are at Bombay, it has offices also at Madras and Calcutta. They hope that the offices at Madras and Calcutta are fully equipped to render all assistance and guidance to the entrepreneurs in making applications for loans and establishing meaningful communication between the Corporation and the applicants. They would like the Corporation to examine the question of setting up offices at other suitable places also as and when the financial position of the Corporation permits and it is considered necessary to do so to facilitate quicker disposal of the applications for loans.

2.59. The Committee are further informed that the Corporation has sanctioned loans in certain cases subject to availability of funds and since the Corporation's funds position is not satisfactory, parties in these cases have been informed that loans will be released as soon as funds are available with the Corporation. The Committee feel that unless a definitive indication about the time by which loan will be released is given to the parties concerned, mere sanction of loans subject to availability of funds, may not serve the purpose.

2.60. The Committee suggest that in the light of experience, the Management should evolve a check-list so that each application for financial assistance is thoroughly checked from all angles before it comes up for final approval. The check list may be reviewed periodically on the basis of experience to ensure that it reflects all the conditions which should be fulfilled by the applicants before a loan is sanctioned.

2.61. The Committee were informed that normally the Corporation took three months to dispose of loan applications. From the statistics received from the Corporation, however, the Committee find that as against 9, 2 and 3 applications sanctioned/rejected within three months during the years 1972-73, 1973-74 and 1974-75 respectively, 40, 34 and 37 applications, respectively, took more than three months during these years for disposal. They also find that 10, 26 and 10 applications were pending with the Corporation for more than three months on the last date of the years 1972-73, 1973-74 and 1974-75 respectively. One application has been pending for nearly 5 years and three applications for nearly 2 years. The Committee regret to note that the claim made by the Corporation that it normally took three months to dispose of loan applications is not supported by facts. Time being the most important factor in financing, the Committee would like to stress that loan applications should be disposed of in the minimum possible time without cam-

promising in any way the critical scrutiny of the worth of the film and standing of the producer, so that *bonafide* producers are not put to difficulties for want of funds at the appropriate time.

### Recovery of loans

2.62. The table given below indicates the amount of loans disbursed for the feature films and documentary films separately upto the end of March, 1975, the amount recovered, written off, outstanding (including the amount classified as doubtful) and the amount which has already become due but not yet recovered:

(Rs. in lakhs)					
No. of Films	Amount disbursed	Amount recovered	Amount written off	Amount outstanding	Amount due but not recovered (out of the amount shown in Col. 5)
1	2	3	4	5	6
(a) Feature Films 87	227.24	109.52	29.26	88.46 (34.64)*	81.28
(b) Documentary Films 27	7.46	6.76	..	0.70	0.02
	**234.70	116.28	29.26	89.16	81.30

NOTES : 1. The figures in brackets indicates the amount classified as doubtful of recovery.

\*2. Exclusive of interest amounting to Rs. 3.50 lakhs and Rs. 6.09 lakhs written off and classified as doubtful respectively.

3. The amount of Rs. 3.50 lakhs is exclusive of Rs. 13.69 lakhs due in respect of three films but not classified as doubtful although the interest thereon (Rs. 5.18 lakhs) has not been taken into account due to doubtful nature of the debt.

The amount of Rs. 13.69 lakhs referred to above has since been treated as doubtful of recovery.

4. The figures for the year 1974-75 are subject to finalisation of accounts and audit.

\*\*5. This figure does not tally with the figure given under column 8 of the Table in para 2.44. There is a difference of Rs. 9000. Both the figures have been supplied by the Corporation.

2.63. It is seen from the above table that out of Rs. 234.70 lakhs disbursed to the loanees till March, 1975, an amount of Rs. 116.28 lakhs has been recovered, Rs. 29.26 lakhs have been written off (Rs. 11.83 lakhs upto March, 1972 and Rs. 17.43 lakhs in 1973-74), and the total amount outstanding (exclusive of interest) as on 31st March, 1975 amounted to Rs. 89.16 lakhs (i.e. Rs. 88.46 lakhs for feature films and Rs. 0.70 lakh for documentary films) against the paid up capital of Rs. 50 lakhs.

4.64. The details of cases in which loans were written off to the extent of Rs. 29.26 lakhs upto 31-3-1974 are given below:—

Name of the Film and Producer	Date of sanction of loan	Loan advanced	Amount recovered	Amount outstanding	Amount written off		Remarks
					Principal	Interest	
I	2	3	4	5	6	7	8
1. Go Daan (Hindi) (Shri Trilok Jetty)	22-2-1961	5.03	1.74	3.29	3.29	..	The film was released in Delhi and U.P. in 1963 and in Bombay in 1965 but it did not prove successful at the box office.
2. Begana (Hindi) (Shri Sardashiv J. Row Kavi)	17-11-1961	3.50	2.25	1.25	1.25	..	There is no other security except the negative of the film. The producer had no assets and was reported to be heavily under debt. Against the amount written off (Rs. 3.29 lakhs) in 1964-65 to 1966-67, a sum of Rs. 0.01 lakh was subsequently recovered.
3. Te Maze Ghar (Marathi) (Shri Chitra Sharda)	6-4-1962	1.02	0.40	0.62	0.51	0.02	The film was released on 24-3-1963 but did not prove successful

Out of the outstanding amount of Rs. 62,000 a sum of Rs. 51,000 was considered bad and was written off in 1964-65. The balance amount has been classified as recoverable and a decree is being executed for recovery of the amount including the amount written off against some partners of the firm who are reported to have some assets. The loan was guaranteed by the borrower and other sureties.

The film was released in C.F. Berar on 1-4-1965 and later on in Mysore but did not prove successful. No other distributor took interest for releasing the film in other territories.

The only security taken was the negative of the film. The producer had no assets and was declared insolvent. The amount of Rs. 3.72 lakhs (Principal and interest was written off in 1966-67).

A sum of Rs. 0.08 lakhs was subsequently recovered.

The film did not fare well at box office although it won the President's Silver Medal

4. Punar Milan (Hindi) . 20-7-1962 3.52 0.13 3.39 3.39 0.33

5. Sant Tukaram (Kannada) 20-7-1962 2.00 1.36 0.64 0.64 ..

(Shri B. Radhakrishna)

under Regional Awards Section in 1963.

According to the arbitrator's (Chairman) award, final settlement was made with the producer at Rs. 50,000 against the outstanding amount of Rs. 1,13,662. The amount written off in 1966-67 represents the balance amount not recovered.

The loan was advanced against the security of film's negative.

The production of the film did not proceed for three years. Subsequently it became stale and was not considered worth completing.

The only security taken for the loan was the negative of the film. The producer did not have any assets from which the recovery could be made. The amount was, therefore, written off in 1965-66.

The film did not prove successful at the box office. The loan was advanced against the security of film's negative. The amount was written off in 1965-66. A decree was obtained on 26-4-1968 against the three partners. One of whom is stated to possess some immovable property at Calcutta. The decree is being executed.

0.16

0.80

0.80

0.08

0.88

7-9-1962

6. Char Dham (Hindi)  
(Shri G. R. Gualani)

0.28

1.73

1.73

0.02

1.75

7-9-1962

Ghaam Bhangar Gann  
(Bengali)  
(Shri Vidushak)

8. Sukhachi Savali (Marathi) (Shri Gajanan Jagirdar)	8-1-1963	0.89	0.21	0.68	0.66	0.04	The film was released on 14-2-1964 but did not prove successful. The only security taken was the negative of the film.
9. Amar Jyoti (Hindi) (Bombay Movietone Pvt. Ltd.)	17-11-1961	5.52	0.04	5.48	5.48	0.54	A sum of Rs. 0.66 lakh was written off in 1964-65 and the balance of Rs. 0.02 lakh is considered good. The loan was guaranteed by the borrowers only. The decree was obtained on 11-9-1971 but could not be executed against the producers who have no assets. The entire amount was written off during 1973-74.
10. Maratha Tituka Malvava (Marathi) (Shri B. G. Padkharkar)	15-11-1962	0.90	0.18	0.72	0.72	0.02	The film did not prove successful at the Box Office. Suit has been filed against the producer for recovery of dues and the distributors for not paying the amount in terms of distribution agreement. Entire loan was written off during the year 1973-74, as there was no other collateral security from which advance could be recovered.
11. Nawab Sirajuddinulla (Hindi) (Shri Ramchandra Thakur)	18-1-1963	5.00	0.21	4.79	4.79	0.17	The film did not prove successful at the Box office, Decree was obtained on 23-2-1971



but could not be executed as the producer has no assets. There was no other security except negative of the film. Entire loan with interest was written off during 1973-74.

The entire loan with interest was written off. The film has been completed but its release is considered doubtful in the near future.

12. Umred (Hindi) . . . 1-6-1963 . . . 5.99 . . . 5.99 1.93  
(Shri R. S. Rajan)

NOTE:—In the case of film at Sl. No. 1 originally a loan of Rs. 3.50 lakhs was sanctioned on 22-2-1961, Additional loan of Rs. 1.53 lakhs was subsequently sanctioned on 11-2-1963,

2.65 Details of outstanding loans as on 31-3-1974 which have been classified by the Corporation as doubtful of recovery are given below:—

Film's Name	Date of sanction of loan	Amount advanced	Amount R-covered	Amount Outstanding	Amount classified as doubtful of recovery	Security taken at the time of sanctioning of loan.	Remarks
1	2	3	4	5	6	7	8
Vijayanagartha I. Veeraputtra	5-4-1961	2.50	2.24	0.26	0.26	Negative from Print	The film has failed at Box Office. A decree has been obtained. Negotiations for settlement are in progress.

I	2	3	4	5	6	7	8
2. Nekira . . . . .	20-7-1962	1.50	0.32	1.18	1.18 (0.02)	2.87 (0.02)	Film did not prove successful at the Box Office although it won third prize in Maharashtra State award. Decree has been obtained against seven producers of the film. Some of the partners have expired.
3. S. Sitlej De Kande . . . . .	25-5-1962	3.04	0.17	2.87	2.87	2.87	The producer has expired. The film failed at Box Office. A decree has been obtained against the heirs on record to the extent of estates of deceased partner.
4. Anokhi Bant . . . . .	25-5-1962	2.02	0.02	2.00	2.00 (0.20)	2.00	The film remained incomplete. A decree has been obtained against the partners. Solicitors have been instructed to initiate insolvency proceedings.
5. Nai Umar Ki Nai Fasal . . . . .	19-10-1962	5.12	2.95	2.17	2.17	2.17	As the film failed at Box Office, the matter was referred to arbitration against the Company and the guarantor. The arbitration was successfully challenged by the guarantor and the Corporation has filed the suit against the Company and the Guarantor which has been transferred to long cause. In the meantime guarantor has expired and his heirs have been brought on record,
6. Aug Aur Pani . . . . .	19-10-1962	2.34		2.34	2.34 (0.32)	2.34	There are no prospects for completion of film. Decree was

obtained on 20-12-68 against the directors of producers Company who have got landed property at Gujarat. The party was attached by the Corporation. The attachment has been challenged by third party. The matter is pending in the Court.

Film has not been completed. A decree has been obtained but not executed.

The film failed at Box Office. Decree in terms of award has been obtained against the Company and its Managing Director. The Solicitors have been instructed to execute the decree personally. The guarantor has challenged the decree in Bombay High Court.

Court decree was obtained on 6-2-69 but not yet executed. Application has been made for transfer of decree to Bangalore for execution.

Film was released in 3 territories but did not do well at the Box Office. The remaining territories have been assigned for distribution on commission basis.

The chances of recovery of due are remote. The matter has been referred to Arbitration.

Negative of the film

3.42  
(0.14)

3.42

0.08

3.50

8-4-1963

7. Arman Bhara Dil

Guaranteed by Borrowers

0.46  
(0.06)

0.56

1.44

2.00

13-7-1963

8. Swarg Hotey Biday

Negative of the film

1.38  
(0.01)

1.38

0.22

1.60

3-4-1964

9. Subha Shastry.

Negative of the film

3.50  
(1.39)

3.50

0.25

3.75

29-5-1965

10. Do Dune Char

1	2	3	4	5	6	7	8
11. Rang Mahal	20-8-1965	2.02	1.25	0.77	0.77 (0.25)	Guaranteed by the Borrowers & other Sureties,	There are no prospects for completion of film. The loan was guaranteed by the Maharaja of Chota Udaipur who had paid part amount. One of the partners has expired and according to Income Tax Authorities whereabouts of other partners are not known.
12. Janm Bhoomi	3-12-1966	2.00	..	2.00	2.00 (0.11)	Guaranteed by the Borrowers and other sureties.	The arbitration award was challenged by the guarantor and two of the partners of film and the matter is subjudice.
13. Naya Jamana	24-6-1968	2.00	..	2.00	2.00 (0.36)	Do.	The decree was obtained on 12-11-71 but not yet executed. The Solicitors are instructed to initiate insolvency proceeding.
14. Pyras	23-4-1962	5.32	..	5.32	5.32 (2.63)	Negative of the film	The Arbitration award has been passed and application is being filed in court for obtaining of decree.
15. Kaduvil Thantha Selvam	14-8-1967	2.38	..	2.38	2.38 (0.61)	Do.	Producer has expired, and the Corporation has referred the claim against legal heirs of the Producer for arbitration.
16. Satha	28-11-1970	2.49	..	2.49	2.49	Do.	The Corporation has not been satisfied with the quality of this incomplete film, while the entire loan has been disbursed it has been decided not to disburse any further amount

to the producer. The producer has not taken any steps for completion of the film. In view of this the recovery of dues appears to be doubtful.

NOTES: 1. The figures in bracket indicate the interest due but classified as doubtful.

2. In the case of the film at Serial No. 2, originally a loan of Rs. 3.50 lakhs was sanctioned on 17-11-61. Additional loans of Rs. 1.15 lakhs and Rs. 0.87 lakhs were subsequently paid on 3-4-1964 and 22-6-1964.

2.66. It has been stated that all the 12 cases in which bad debts amounting to Rs. 29.26 lakhs had been written off related to the pre-Bhuvan Shome period.

2.67. When asked about the reasons for larger sums having been written off or declared as bad debt the representative of the FFC stated during evidence as under:—

“Some of the films were not completed. So far as these incomplete film are concerned, nothing could be done except to write off. However, some of the films had very bad luck at the box office. They flopped and the money could not be recovered from the producers. So only these films were written off under the instructions of the Sub-Committee on Recovery of Loans, Auditors and our Board of Directors....”

“Rs. 20.26 lakhs refer to films which were either not completed or has flopped. If a particular film has flopped, then no distributor picks it up. I think you will bear with us that it is not within our power to complete the film. It is the producer who completes the film....”

In this connection, the Chairman of the Corporation stated during evidence as follows:—

“These are incomplete films which were started in 1962. We have no means of knowing why they were not completed. This was much before our time. Loans were given for wrong sort of films. What can the present Board do about it....”

“The Board and the Management are trying to recover whatever they can. This is a new Board which has inherited this legacy. What can the new Board do. It has appointed a Recovery Sub-Committee which goes into the technicalities. There are six films left incomplete since 1962. Would you hold the present Board responsible for this. The present Board has inherited this legacy for which we cannot hold the Board of Directors responsible.”

2.68. When asked on whose recommendation the amounts were written off, the Chairman FFC stated:—

“There is a Recovery Sub-Committee which is appointed by the Board of Directors and they gave their recommenda-

tion that the loans should be written off... The Recovery Committee recommends to the Board of Directors and it depends on the discretion of the Board of Directors either to write off or not to write off."

2.69. When asked about the action proposed to be taken and guidelines drawn up for the future in this regard, the representative of the FFC stated:—

"We have been advised by the solicitors that, even after having written off certain amounts of money against certain films, if he or she makes another films, we can try our best to recover whatever moneys we can against that written off loan also. We will not relent, we will follow. But if he goes completely out of business and he has no assets to declare and there is nothing to his credit, naturally, the amount has to be written off."

"From 8th March, 1975 the position is either we will produce the films or the loanee will have to produce tangible guarantees and sureties. We hope that, in future, nothing of this sort will happen. In the past, this has happened as you have rightly pointed out. Huge amounts of money had to be written off under the advice of the Sub-Committee on Recovery of Loans and also auditors."

2.70. The Estimates Committee in their 58th Report (1973-74) on Films, recommended that the cause of heavy outstanding loans granted by the Corporation should be gone into detail and guidelines should be evolved for granting loan in future to obviate recurrence of such cases. In this connection the Corporation stated in a note that "in May, 1969, a Note containing proposals for counter-balancing the losses in financing the production of films was submitted to the Board of Directors. The Board of Directors felt that the losses could be reduced by following the policy of granting small loans, and it also agreed with the proposal for opening distribution offices and construction or purchase of theatres with moderate capacity and low cost all over the country."

2.71. 'Again at its meeting held on 24th June, 1972, the Board decided that details of each film relating to the pre-Bhuvan Shome period from which loans were outstanding, indicating the position of recovery expected, should be given at the subsequent meeting, and the Board may then consider appointing a Sub-Committee for reviewing the recovery position.

2.72. At the subsequent meeting held on 26th August, 1972 the Chairman suggested to the Board that appointment of a Sub-Committee for reviewing the recovery position might only prove an exercise in futility and might cause unnecessary embarrassment to past Chairman. He further added that Shri S. D. Nargolwala, former Director of the Corporation had already commented that past sanctions of loan had been errors of judgement.

Finally it was decided that the Corporation should write to the Government making the position very clear that huge outstandings from the pre-Bhuvan Shome films were now doubtful of recovery and seek their advice whether the debts pertaining to those films which were doubtful of recovery should be written off as bad debts.

2.73. Subsequently, in pursuance of the decision of the Board of Directors at its meeting held on 24th November, 1973, a Sub-Committee on recovery of loans was constituted, which also consisted of 2 Government representatives. This Sub-Committee reviewed from time to time the outstanding loans and gave its recommendations which were implemented by the Corporation. In the light of the Sub-Committee's recommendations, loans aggregating to Rs. 20,10,108/- (including interest) in five cases relating to the pre-Bhuvan Shome period were written off as bad debts in the year 1973-74.

2.74. As regards the steps taken for the recovery of loans and to avoid such situations in future, the representatives of the Corporation stated during evidence as follows:—

“The first step that we take against a defaulter is to take the case to the arbitrator. If the arbitrator gives his award it is then taken for a decree; and then the decree is implemented. It means, in some cases, that the persons not having any tangible assets are declared insolvents. In many cases, the Corporation had done it. And this is the action that we take to recover our loans. We have even employed private detective agencies to find out the assets of certain defaulters; and the reports have come back to us. In other cases, we have asked for the cooperation of the income-tax authorities and requested them to indicate whether the defaulters have got any tangible assets. The reports of the income-tax authorities are very helpful.”

2.75. It was further stated that in order to ensure timely recovery of loans advanced to film producers; the Corporation propo-



ees to enter into the distribution and exhibition fields provided adequate funds, staff and office space are made available. Besides, the Corporation also proposes to take upon itself the burden of producing some of the films. The responsibility of exploiting the films through the University Circuits is also being vigorously explored.'

### *Disbursement of loans*

2.76. In May, 1969 when a note containing proposals for counterbalancing the losses in financing the production of films was submitted to the Board of Directors, Government representative made certain suggestions, which are contained in Appendix V. The main observations made by the Government representatives are as follows:—

"It is true that production of films is always a risky venture and, therefore, the business of financing the production of films has an inherent element of risk in it. It should, however, be appreciated that the Film Finance Corporation Limited with its expert Technical Staff should be in a position to assess the financial risk involved in the production of particular films which the Corporation proposed to invest in.

There may, however, be cases where the Film Finance Corporation may knowingly accept the risk of financing production of a film which they expect to be of high artistic value, though it may not turn out to be a financial success at the box office.

It would perhaps be not quite correct to say that all the films or even most of the films financed by the FFC have been films of high artistic value.

A more detailed analysis of films already financed by the FFC should be made so as to identify the films which are of high artistic value calculated to improve the tone of Indian films generally. That done, a detailed scrutiny should be made to ascertain which of these films incurred losses and how much and also whether any of them were box-office successes."

2.77. The last portion of para 6 of the note submitted to the Board of Directors in May, 1969 and referred to by Government representative in his observations reads as follows:—

“It may be added that the big quantum of bad and doubtful debts is involved in the old cases whereas the sanctions of the recent past appear to be sound in the matters of completion and recovery, both. It is, however, very difficult to say any thing about further losses with any accuracy. It is hoped that with more vigorous efforts for recovery of loans through various measures and by exercising greater precautions before sanctioning loans losses would get progressively reduced.”

Government representative on this para of the note observed as follows—

“What has been stated in the last sentence of para 6 of the note is very important. This statement points to the obvious conclusion that until recently vigorous efforts were not made for recovery of loans and adequate precaution was not exercised before sanctioning loans. This is rather serious.”

2.78. These views were placed before the Board of Directors which decided in June, 1969 that the Corporation should sanction loans for low budget films.

When asked whether the matter was investigated to find out the weaknesses in the procedure for sanction of loans and recovery thereof during the earlier period, the Corporation in reply stated:—

“Yes, it was observed that the scripts are not thoroughly examined and the background of the applicants was not properly looked into.”

2.79. In this connection, the Ministry of Information and Broadcasting stated as follows:—

“On May 30, 1969, the then Joint Secretary, Shri S. K. Ghosh, submitted a note on the proposal of counter-balancing the losses suffered by the Corporation. In the meeting of the Board of Directors on 7th June, 1969, this note was discussed in detail. The recommendations of Government

representative and the action taken by the Board are as follows:—

Recommendation/Comments of Shri S.K. Ghose Former Joint Secretary Ministry of I&B and former Director Board of Directors Film Finance Corporation

Action Taken

- | (1)  | (2)  |
|--|--|
| <p>1. Film Finance Corporation should be in a position to assess the financial risk involved in the production of particular films which the Corporation proposed to invest in.</p>  | <p>1 to 4<br/>The Board of Directors of FFC in its meeting held on 7-6-69 agreed in principle that there was an element of risk in the business and losses were therefore inevitable. It was then decided that Government should be requested to subsidise some portion of losses suffered in carrying out the promotional activities. It was decided by Government in October 1970 to grant the Corporation annual subvention equal to 10% of the loans sanctioned (subsequently amplified to 'disbursed') by the Corporation every year for a period of 5 years. By now Govt. have paid a total amount of Rs. 5,85,413/- for the loans disbursed by the Corporation during 1970-71, 1971-72, 1972-73 and 1973-74. For the loans disbursed by the Corporation in 1974-75 an amount of Rs 44-316/- is being paid in 1975-76.</p> |
| <p>2. (a) In case of films of doubtful commercial but high artistic potentialities it should be ensured that the script is of really artistic quality and the Director Photographers and other technicians and the artists are really competent people.</p>                    |  |
| <p>(a) Film Finance Corporation need not go into the business of financing films in which leading roles are played by top flight film stars in the country because their charges are very high.</p>  |  |
| <p>(c) In the case of films of high artistic quality a rigorous standard should be followed in estimating costs so that the investment of the Corporation may be kept down to the minimum and the actual cost does not exceed the estimated cost.</p>                          |  |
| <p>3. (a) A more detailed analysis of films financed by Film Finance Corporation should be made so as to identify the films of high artistic value as also films affording opportunities to really talented artists designed to improve the tone of Indian film generally.</p> |  |
| <p>(b) Detailed scrutiny of films of high artistic value to ascertain the amount of losses incurred/profits made.</p>  |  |
| <p>4. Preparation of statements of figures of total cost of investment by Film Finance Corporation, total sale proceeds etc. of a few films each year (selected at random) instead of the annual statement of total profit or loss.</p>  |  |
| <p>5. (a) Greater details about the steps being taken in every case for timely</p>   | <p>5. The Board felt that if the Corporation could concentrate on financing low-</p>   |

(1)	(2)
recovery of loans should be furnished to the Board of Directors.	budget films and occasionally financed high budget films with proper security. the percentage of loss of 23% on investment could be slightly reduced.
(b) Precautionary measures adopted before sanctioning loans should be indicated to the Board of Directors.	The Board decided that the Government should be approached to subsidise 100% of the loss and the balance should be borne by the Corporation. As stated earlier 4 instalments of subvention have so far been paid to FFC by the Government.
6. Subject to availability of funds FFC should go in for building of utilitarian relatively low-cost cinema houses in good number to provide exhibition outlets to its films. FFC should consider taking over the management of theatres languishing for business on long-term lease instead of outright purchase.	6. The Board agreed that FFC should construct or purchase theatres with moderate capacity and low cost all over the country. Though inspite of their best efforts the Corporation has not so far been able to construct or purchase a theatre, it has made a small beginning by starting film shows at the Akashvani Auditorium from November 1974. However, it has been exploring avenues and taking vigorous steps to acquire theatres at Bombay, Indore, Delhi and Calcutta.
7. In the matter of spending distribution offices in all territories FFC should hasten slowly.	7. The Board agreed with the proposal for opening distribution offices in all territories for distributing FFC-financed films. However as it was not considered profitable the FFC has since closed its only distribution office at Jullundur in July, 1971.
8. (a) Financial help for purchase of production/projection equipment should be made available only to dependable and competent but impecunious directors and producers.	8. The Board approved that FFC should finance purchase of production and projection equipments to theatre labora-tory and studio owners. So far the Corporation has disbursed an amount of Rs. 1.27 lakhs for purchase of equipment.
(b) FFC might also grant adequate financial help to well-organised co-operative Societies formed by the really competent film directors, technicians etc.	

2.80. It was further stated that the procedures for sanctioning of loans and recovery thereof had since been streamlined.

2.81. When asked whether the Ministry was aware of the drawbacks in the system of sanction of loans and recovery thereof and if so the action taken by them in the matter, the Ministry stated in a note as under:—

“No review of this matter was made by Government earlier than 1969, when the Government representative on the

Board of Directors submitted a note on the subject to the Board. The very fact that the Government representative on the Board was alive to the situation shows the soundness of the institutional arrangements. Since then, as mentioned earlier, the Performance Review Committee was set up in 1973 and a Recovery Sub-Committee in 1974".

2.82. As regards the heavy outstanding loans of the Film Finance Corporation, the Ministry of Information and Broadcasting stated in a note that having known the heavy outstanding loans the Performance Review Committee made a number of suggestion at the three meetings taken by it in 1973, 74 and 75, the important ones of which are as follows:—

- (i) A thorough and critical scrutiny of cases relating to loans considered doubtful should be made with a view to deciding pragmatic steps which might lead to the recovery of loans.
- (ii) A critical review of the legal steps taken so far to recover the loans may also be undertaken with a view to recovering the maximum amount expeditiously.
- (iii) All future loan agreements must be tightened up to provide a stipulation on the part of the distributors that FFC's loans should be the first charge on the earnings of the films.
- (iv) The Corporation should obtain distribution rights of films financed by it.
- (v) In the notes to be circulated to the members of the Committee, the break-up of the dues recovered should also be given indicating the details of doubtful debts and debts not considered doubtful.

2.83. It was stated that on the basis of the recommendations made by the Performance Review Committee in August, 1973, a sub-Committee was set up consisting of a Deputy Secretary, Ministry of Information & Broadcasting, Deputy Legal Adviser, Department of Law and Legal Affairs, Bombay, as members. This Recovery

Committee met on June 8, 1974 and made the following recommendations:—

- (1) No loans should be written off until all legal steps have been exhausted.
- (2) Distribution rights from producers without any payment should be obtained.
- (3) Where distribution rights had already been assigned, the Corporation should obtain these rights by making some payments to the distributors.
- (4) To Combine the meetings of the official committee with the meetings of the sub-committee on recovery of loans to co-ordinate all efforts."

2.84. It was further stated that 'the guidelines laid down by the Committee are being followed by the Corporation. As a result, every meeting of the Board of Directors discusses every case concerning the bad and doubtful debts and suggests ways and means. The minutes of the meeting are sent to the Ministry for further scrutiny regularly. The pace of recovery in general has improved; an amount of Rs. 5,77,521 was recovered during 1974-75, of this only Rs. 7,176 represent bad and doubtful debts. In the preceeding year 1973-74 recovery of bad and doubtful debts was nil. In the earlier year 1972-73 the recovery was of the order of Rs. 18,980. In the current year the recovery is expected to be above Rs. 10 lakhs; so far a sum of Rs. 7 lakhs has been recovered up to the end of October, 1975.'

#### Completion & Release of Films

2.85. The latest break up in respect of loans granted prior to June, 1969 (i.e. 'Pre-Bhuvan Shome' period) and their recovery is indicated below:—

(Rs in lakhs)							
Details	No. of films	Loans Dis-bursed	Loans re-covered	Loans written off	Loans Out-standing	Loans doubtful	Loans in arrears
1	2	3	4	5	6	7	8
<b>(A) Completed and released</b>							
<b>(i) Loans recovered fully</b>							
	23	68.49	68.49	..	..	..	..

	1	2	3	4	5	6	7	8
(ii) Loans not recovered fully								
(a) Unsuccessful at Box Office . . . . .	24	70.27	25.79	22.46	22.02	19.24	22.02	
(b) Under exploitation (other than above) . . . . .	1	1.25	..	..	1.25	..	2.35	
(B) Completed but not released . . . . .	1	5.99	..	5.99	..	..	..	
(C) Under Production								
(i) Having no chance of completion . . . . .	6	12.75	1.42	0.81	10.53	10.53	10.53	
(ii) Stuck up . . . . .	1	2.38	..	..	2.38	2.38	2.38	
	56	161.14	95.70	29.26*	36.18	32.15	*36.18	

\*Amount of interest classified as doubtful (Rs. 6.09 lakhs) and written off (Rs. 3.50 lakhs) not included.

2.86. It is seen from the above table that in respect of loans sanctioned before June, 1969, 24 films have proved unsuccessful at Box Office, 1 film completed but not released, 6 films having no chance of completion and 1 film stuck up. Recovery of loans in all these cases has fallen in arrears to the extent of Rs. 34.93 lakhs.

2.87. As regards one film completed and not released viz., Umeed), it has been stated that the 'producer had created first charge over the collections in favour of private financier who got a Court Receiver appointed for realisations. The film had since been released in East Punjab. In view of the doubtful nature of debt, the entire amount outstanding had been written off.'

2.88. As regards the six films having no chance of completion and one film (Kadavul Thantha Selvam) stuck up the Corporation explained the latest position in respect of each of these films as under:

**"(1) Having no chance of completion:**

1. *Anokhi Baat*: One of the partners of the producer film has been declared as insolvent.
2. *Char Dhaam*: The producer has been declared as insolvent.
3. *Rang Mahal*: One of the partners of the film has expired and according to the report received from the Commis-

sioner of Income-Tax, the whereabouts of the other partner are not known. The negatives of the film have been destroyed by the laboratory due to non-payment of its dues amounting to over Rs. 20,000. The Corporation has already recovered a sum of Rs. 1.25 lakhs from the guarantors by way of a settlement arrived at through the good offices of one of the Directors, Shri S. R. Vakil. In view of the doubtful nature of the debt, the Sub-Committee for recovery of loans has recommended that the amount should be written off as non-recoverable.

4. *Aag Aur Pani*: Execution proceedings are in progress.
  5. *Arman, Bhara Dil*: We have instructed our Solicitor to initiate insolvency proceedings against the producer.
  6. *Naya Janam*: Same as 5 above.
- (ii) Stuck up: (Kadavul Thantha Selvam): An Arbitration award has been obtained against the legal heirs of the late producer, which has been sent to Solicitors for obtaining a decree in terms thereof."

2.89. An analysis of the eight films for which loans were disbursed prior to June, 1969, but which are incomplete or stuck up indicated the following features:

- (a) Loans were given to people with no previous experience (five films);
- (b) Insufficient disclosure of facts at the time of application for loan i.e. previous commitments not fully disclosed, etc (two films);
- (c) Subsequent instalments of loans were released without fulfilment of obligations against the previous instalments (seven films);
- (d) Reliance on outstanding finance (six films); and
- (e) stoppage of release of loans sanctioned in view of the poor quality of the picture and inability to secure distribution arrangement (five films).

2.90. The reason for releasing subsequent instalments of loans without having all the conditions of the earlier instalments fulfil-



led, was the anxiety of the Corporation to get the pictures completed and released under any circumstances so as to recover the loan advanced.

2.91. As regards the improvements made since 1969, in respect of items (a) to (e) above, the Corporation has stated as under:—

- (a) It is true that loans have been given to people with no previous experience after June, 1969 also. However, such loans were given because the people behind the projects, possessed creative talents. While some of them had obtained diploma from the Film & TV Institute of Poona, in the different fields of film-making, or they had obtained training abroad, some others had worked as Assistants to established film directors. Moreover, it is the Corporation's policy to encourage new talents.
- (b) In view of the past experience, the Corporation discourages grant of loans for films already under production, because such productions might carry liabilities which are not disclosed at the time of the application for loan, but which might create complications later on.
- (c) Subject to effective control being exercised by the applicants over the production and budget of the film, loans are released in suitable instalments, without hampering the schedule of programme. However, when exigencies so demand, some relaxations have to be made in the conditions for release of instalments.
- (d) The Corporation normally does not entertain projects with big budgets, which rely on outside finance. Moreover, with the rise in the cost of production, the limits of grant of loans without collateral security have been increased to Rs. 3 lakhs for Black and White films and Rs. 4 1/2 for colour films. (This provision needs revision). In view of this, the need for the applicants to rely on outside finance has diminished.
- (e) There was no occasion after 1969 for stoppage of release of loans sanctioned in view of the poor quality of the picture and inability to secure distribution arrangements. The Script is being examined by a Committee, members of which are selected from a broad based panel. The pre-

sent, panel consists of persons eminent in different sections of the film industry, such as producers, directors, film critics language experts, etc. Since the Corporation has already entered the distribution field, it considers taking over the distribution rights of those films which are not sold, and distributes the films through sub-distributors."

2.92. The latest break-up in respect of loans granted after June, 1969 and their recovery is as under:—

Details	No. of films	Loans disbursed	Loans recovered	Loans w/o O/s	Loans O/s	Loans doubtful	Loans in arrears
I	2	3	4	5	6	7	8
<b>(A) Completed and released</b>							
(1) Loans recovered fully	2	2.50	2.50	..	..	..	..
(2) Loans not recovered fully							
(i) Unsuccessful at Box Office	10	18.30	0.52	..	17.78	..	17.78
(ii) Under exploitation	4	11.76	8.74	..	3.02	..	1.05
<b>(B) Completed but not released</b>	9	18.67	0.09	..	18.58	..	15.30
<b>(C) Under Production</b>							
(i) Having no chance of completion	..	..	..	..	..	..	..
(ii) Stuck-up	2	3.88	..	..	3.88	2.49	3.88
(iii) Progressing	3	7.43	..	..	7.43	..	..
	<u>30</u>	<u>62.54</u>	<u>11.85</u>	<u>..</u>	<u>50.69</u>	<u>2.49</u>	<u>38.01</u>

**NOTE:** Classified as doubtful in March, 1975.

2.93. The Management stated in May, 1972 that "the script of the films was now being examined by a Committee members of which were selected from a broad based panel unlike in the past when it was a routine affair". It was further claimed that "unlike in the past the loan instalments are released at suitable intervals after checking how the earlier instalments have been spent and how the fresh instalment is going to be spent." In spite of this, the details given

in the above table in respect of loans sanctioned after June, 1969 will indicate that 10 films have already proved unsuccessful at Box Office, while 2 films are stuck up. Another 12 films have been completed but not released. The recovery of loans in all these cases has fallen in arrear to the extent of Rs. 36.96 lakhs out of the total of Rs. 48.28 lakhs. A sum of Rs. 2.49 lakhs out of loans in arrears has been classified as doubtful of recovery.

2.94. The Committee enquired whether there was any clause in the agreement that if the producer did not produce the films within a prescribed time limit, there will be penalty imposed on him, the representative of the Corporation stated:—

“There is no such clause in the agreement penalising the producer who does not complete the film.”

It was further stated that in the recent past except a film ‘Sasha’ all the films had been completed and were awaiting release.

2.95. When asked whether there was any clause giving maximum time for completion of the films, the representative of FFC stated:—

“I think that would give a leeway or advantage to the producer. If we say, for example, five years time. It is not to our advantage, he will linger on..... Every film gets completed in two years, this is the only case where it has taken four years.”

2.96. The year-wise break-up of loans in arrears amounting to Rs. 17.19 lakhs (Rs. 36.13 lakhs in respect of films financed upto June, 1969 and Ra. 38.01 lakhs for post June, 1969 period) out of the outstanding loans of Rs. 86.87 lakhs is given below:—

Year	Rs. in lakhs
1	2
1962-63 . . . . .	0.26
1963-64 . . . . .	8.21
1964-65 . . . . .	11.22
1965-66 . . . . .	0.56
1966-67 . . . . .	4.88
1967-68 . . . . .	0.89

I	2
1968-69 . . . . .	0.87
1969-70 . . . . .	..
1970-71 . . . . .	7.09
1971-72 . . . . .	10.34
1972-73 . . . . .	14.86
1973-74 . . . . .	14.92
	74.19

2.97. It is stated that the amount of loan in arrears out of loans advanced upto June, 1969 has come down on account of the fact that a further amount of Rs. 17.43 lakhs (in addition to Rs. 11.83 lakhs written off upto March, 1972) has since been written off.

2.98. In respect of loans granted after June, 1969 the position of loans in arrears has further worsened.

2.99. According to the original bye-laws of the Corporation approved by Government in January, 1961, repayment of a loan was to commence either on the date of expiry of one year from the date of payment of the first instalment or two months after the Central Board of Film Censors or the Regional Board of Film Censors, as the case may be, had granted the certificate for exhibition of the film whichever was earlier. The bye-laws were revised in August, 1967 stipulating that the recovery would commence either on completion of two years from the date of payment of the first instalment of the loan or on the expiry of 30 days from the release of the film whichever is earlier. The Board of Directors could, however, in special cases and for adequate reasons extend the period of repayment by a maximum of 6 months provided that the period of repayment of the entire loan did not exceed three years from the date of the payment of the first instalment. The details of the loans in arrears indicate that the maximum amount pertains to the instalments which fell due for repayment during 1963-64 to 1966-67. These amounts will be out of the loans the first instalment of which was disbursed during 1962-63 to 1965-66. Besides, the details as given in the Tables at paras 2.64 and 2.65 of this Report will also indicate that all the loans (excepting two cases) written off and classified as doubtful of recovery were out of the loans sanctioned upto the end of 1965-66. Adequate precautions were not apparently taken before

sanctioning loans in the initial period after the formation of the Corporation. This was also the view of the Government representative on the Board of Directors expressed in May, 1969.

2.100. It will also be seen that a substantial amount of loans has fallen in arrears in 1971-72 to 1973-74. This was in respect of loans granted after June, 1969 the recovery of which, however, fell due even before the expiry of the normal period of two years due to early completion and release of the films.

2.101. The Committee were informed during evidence that the 10 films in respect of which loans were granted after June, 1969 and which did not prove successful at the Box Office, were released in the last 3-4 years and were being exploited and the return on these films was coming in instalments.

2.102. When asked about the reasons for the failure of these films, the Chairman, FFC stated as under:—

“Talking as a layman, they must not have been liked like Buggi by the audience.....Either they were too much experimental in nature or it was due to the faulty execution of the script. In some cases, the script is wonderful but the implementation of the script is not upto the mark. These are the only two reasons one can advance. As a matter of fact 80 per cent of the commercial films flopped last year according to the statistics supplied by the Indian Motion Pictures Producers' Association and the Film Federation.”

He further stated:

“The Script Committee came into existence in 1967 and since then all these films have been given loans. As 60 per cent of those which have been released have brought back profits, it shows that the script Committee has worked.”

2.103. When asked about the intrinsic worth of these ten films which have flopped or which were unsuccessful at the Box Office the representative of FFC, stated in reply:—

“Nobody wants to decry his own ware but, objectively speaking, may be one or two were not good films, not well made but others were all of a good quality.”

2.104. As regards the reasons for so many films being unsuccessful, the Corporation further stated in a note as under:—

“The objective of encouraging serious films may not always tally with the box office results in the existing exhibition-distribution set up and the ever changing audience taste.

Art films are not always successful, but there is an audience for such films—younger, more demanding, not easily deceived by all, the make-believe of the commercial cinemas—a minority audience, still, whose needs, tastes and temperaments can only be guessed.”

2.105. The Committee note that the Film Finance Corporation has disbursed loans amounting to Rs. 234.70 lakhs to 87 feature films and 27 documentary films out of which loans to the extent of Rs. 116.28 lakhs had been recovered, Rs. 29.26 lakhs written off and Rs. 89.16 lakhs were outstanding.

2.106. The Committee further note that loans to the extent of Rs. 161.14 lakhs were disbursed till June, 1969 for 56 films out of which loans amounting to Rs. 65.44 lakhs have either been written off (Rs. 29.26 lakhs) or have fallen in arrears (Rs. 36.18 lakhs) on account of unsuccessful/incomplete/unreleased films. Out of 56 films financed before June, 1969, 48 films were completed and released and 24 out of the released films were not successful at the box office; one film was completed but not released, 6 films have no chance of completion and one film was stuck up.

2.107. From the analysis of the 8 films, the Committee are pained to note that amongst other things (a) the loans were given to people with no previous experience, (b) subsequent instalments were released without fulfilment of obligations against previous instalments and (c) the producer was allowed to rely on outside finance also. The Chairman of the Film Finance Corporation stated during evidence that “.....we have no means of knowing why they were not completed. Loans were given for wrong sort of films. What can the present Board do about it....” The Committee cannot appreciate such a statement coming from a person of the standing of the Chairman, as functionaries may change but the Corporation is a continuing body and it was the bounden duty of the Corporation to have kept a close watch on the progress of a film being made by a person who had taken loan from it and to have taken positive measures to safeguard the interests of the Corporation. They desire that the case of

each and every incomplete film may be investigated and responsibility therefor fixed on the officials of the Corporation and appropriate procedures devised to prevent the recurrence of such cases in future.

2.108. The Committee further note that in May, 1969, when certain proposals for counter-balancing the losses in financing the production of films were submitted before the Board of Directors, Government representative on the Board of Directors stated that "it would perhaps be not quite correct to say that all, the films financed by the Corporation have been films of high artistic value." He also appears to have come to the conclusions that, "... until recently vigorous efforts were not made for the recovery of loans and adequate precaution was not exercised before sanctioning loans." The Committee are informed that the whole matter was investigated by the Corporation and "it was observed that the scripts were not thoroughly examined and the background of the applicants was not properly looked into." The Committee would like the Government to investigate the cases in which scripts were not thoroughly examined, where the background of the applicants was not properly looked into, adequate precautions were not taken before sanctioning of loans and vigorous efforts were not made for the recovery thereof and take action to fix responsibility for the lapses on the officials of the Corporation and Government representatives on the Board and inform the Committee of the action taken in the matter.

2.109. As regards the sum of Rs. 29.26 lakhs written off, the Committee are informed that according to the legal opinion there is no bar to the recovery of amounts even after they are written off against certain films. If the producer of such a film makes another film, the Corporation can recover the loan from the earnings of his new film. The Committee, therefore, recommend that the Corporation should keep a strict watch on the defaulting producers and take appropriate steps to recover the dues from such defaulters from the earnings of their new films.

2.110. The Committee find that in the case of one film 'Umeed' completed and not released, the producer had created first charge over the collections in favour of a private financier. The Committee see no justification for allowing this arrangement. The FFC should have in its favour first charge over the earnings, as it has advanced loans. The Committee suggest that the FFC should examine whether there is any similar lacunae in the agreement with other producers and if so, take steps to immediately rectify the same by in-

roducing suitable clause in the agreement to ensure that the FFC gets top priority over the collections in adjustment of the loans granted by it.

2.111. The Committee also find that this film (Umeed) had since been released in Punjab. The Committee feel that the Corporation should have made all attempts to recover the loans through the collections instead of writing off the loan as doubtful of recovery. Since the film has been released, the Committee would like the Corporation to take immediate steps for the recovery of the loans from the producer concerned and inform the Committee of the action taken.

2.112. The Committee are constrained to note that inspite of the drawbacks in the system of sanction of loans and recovery thereof prior to June, 1969, as admitted by the Ministry, no review of this was made by Government earlier than 1969 when the Government representative on the Board of Directors submitted a note on the subject to the Board. The Committee are convinced that there had not been a systematic procedure by which the shortcomings in the working of the Corporation could be brought to the notice of Government and that the Government's representatives on the Board were not as alert and vigilant as they ought to have been. Had they been so, it would not have taken the Corporation Government eight years (1961 to 1969) to take corrective steps which they took in 1969 after incurring heavy losses (Rs. 29.26 lakhs written off and Rs. 32.15 lakhs classified as doubtful of recovery). The Committee need hardly stress that Government's representatives on the Board of Directors of Public Sector Undertakings should act as eyes and ears of the Government on the Boards and bring to the notice of Government not only the goings on but also the shortcomings in the working of the undertakings so that suitable remedial measures may be initiated in time for improving performance and overcoming the difficulties. The Committee would like Government to issue suitable instructions in this regard.

2.113. The Committee are informed that out of a total loan of Rs. 62.54 lakhs disbursed after June, 1969 for 30 pictures, recovery of loans to the extent of Rs. 38.01 lakhs has fallen in arrears. Out of these 30 films financed by FFC, 16 films were completed and released and 10 films out of the released films have not proved successful at box office (as compared to 24 films out of 48 films completed and released before June, 1969, which did not prove successful), 9 films have been completed but not released and 2 films are stuck up.



2.114. The Committee note that while before June, 1969 there was only one film stuck-up involving a sum of Rs. 2.38 lakhs, after June, 1969 two films are stuck up and out of a sum of Rs. 3.88 lakhs advanced as loan to these films, which is in arrears, a sum of Rs. 2.49 lakhs has been declared to be doubtful of recovery. They recommend that the cases of these two stuck up films may also be investigated along with those of the incomplete films relating to the period prior to June, 1969, as desired by the Committee in paragraph 2.107 of this Chapter. The Committee further recommend that the Corporation should keep a close watch on the progress of the films for which it has advanced loans and, if any film does not appear to be making satisfactory progress, the Corporation should, in its own interest, arrange to render all help and give all guidance to complete the film without attracting any fresh financial liability on itself.

2.115. The Committee are informed that since 1969, the Corporation has made a number of procedural improvements. It does not now entertain films with big budgets which rely on outside finance and it arranges to distribute films through its sub-distributors where necessary. Moreover subject to effective control being exercised by the applicants over the production and budget of the film loans are released in suitable instalments. In spite of this the Committee regret to observe that the position regarding recovery of loans unsuccessful films has in fact deteriorated after June, 1969, and the results do not support the claim made by the Management that greater care is being taken in examining the scripts and procedures for sanctioning of loans and recovery thereof have been streamlined after June, 1969. The Committee recommend that the matter should be thoroughly investigated with a view to finding out the reasons for the failure of such a larger number of FFC films even after June, 1969, and whether the scripts of the films were thoroughly and objectively scrutinised before grant of loans and fix responsibility for the lapses and laxity in disbursing money.

2.116. The Committee regret to note that, even after 1969 when the procedure for sanction of loans and recovery thereof is stated to have been streamlined, there have been cases in which producers who had not repaid the earlier loans advanced by the Corporation were given fresh loans for production of other pictures and the loans given even for these pictures remained in arrears. To cite an example, they find that Shri Gajanan Jigirdar who had been sanctioned a loan for a Marathi picture 'Sukhachi Savali' in 1963, part of

which had to be written off, was sanctioned another loan in 1970 for another Marathi Film 'Donhi Gharcha Pahuna' and the subsequent loan is also still in arrears.

2.117. The Committee cannot but conclude that even after 1969 the loans have been sanctioned by the Corporation without thorough scrutiny and without regard to the antecedents and the past performance of the applicants. They strongly deprecate the lack of elementary commercial prudence shown by the Corporation in such case and recommend that all such cases relating to the period after 1969 should also be investigated with a view to fix responsibility and the Committee informed of the action taken. The Committee need hardly point out that it is not advisable for the Corporation to advance fresh loans to producers unless they have repaid their earlier loans to the Corporation.

2.118. The Committee further note that in regard to the heavy outstandings, the Performance Review Committee, which was set up in 1973 and the Recovery Sub-Committee which was set up in 1974, made a number of suggestions which included a thorough and critical review of the outstanding loans with a view to taking active steps to recover them, ban on writing-off of any loan till all legal steps have been exhausted, tightening up of future loan agreements to secure the interests of the Corporation, obtaining of distribution rights of films financed by it, etc. The Committee are informed that the guidelines laid down by the Performance Review Committee and Recovery Sub-Committee are now being followed by the Corporation, each case of bad and doubtful debt is being examined by the Board of Directors and ways and measure suggested for recovery and the Ministry is also being kept informed of the progress. Though it is claimed by the Corporation that the pace of recovery in general has improved, the Committee find that the recovery of bad and doubtful debts has not made much progress. In 1972-73, recovery of bad and doubtful debts was of the order of Rs. 19,980 only; in 1973-74 it was nil; in 1974-75 it was Rs. 7,176 only. In view of the fact that the position regarding recovery of loans and unsuccessful films has worsened after June, 1969, the Committee would like that the guidelines for recovery of loans should be carefully reviewed and the lacunae, if any, in the procedure should be identified with a view to taking suitable action to ensure that the procedures for sanction of loans and recovery thereof are streamlined so as to obviate the chances of declaring them as bad and doubtful debts and writing them off ultimately.

2.119. The Committee need hardly point out that it should be the prime responsibility and concern of the Corporation which is hard pressed for funds to recover the outstanding loans in time as recovery of the loans will not only help restore confidence in the financial health of the Corporation but also facilitate the raising of greater resources.

#### Arbitration Proceedings

2.120. Out of 44 films where repayment of loans became due till March, 1974 but not received (Appendix VI), arbitration proceedings had been initiated in 40 cases, after a delay of 2 to 12 months in 10 cases, 13 to 24 months in all cases, 25 to 48 months in 9 cases, 49 to 60 months in 5 cases and 61 to 98 months in 5 cases. In the remaining 4 cases no action has been taken.

2.121. Although arbitration awards were obtained in 40 cases out of 44 cases, court decrees could be obtained only in 20 cases covering an amount of Rs. 85.65 lakhs (principal). None of the decrees has, however, been executed. The decrees are awaiting execution from 1965 (1 case), 1967 (2 cases), 1968 (6 cases), 1969 (1 case), 1970 (2 cases), 1971 (7 cases) and 1972 (1 case).

2.122. The Management explained (April, 1971) that "after the court passes decree, it takes time to obtain certified copies of the same. Before execution of the decree against the borrower(s) the film has to be got auctioned."

2.123. The Management stated (October, 1971) that their normal practice was not to initiate action till the films were completed or where there were prospects of completion or where the films had been recently released and were not fully exploited.

2.124. When asked about the reasons for not initiating arbitration proceedings in the remaining 4 cases, the Corporation stated in a note as under:—

"Suitable legal action has already been taken in respect of the remaining 4 cases as shown below:—

(1) "Maratha Titulu Melvava" (Sr. No. 9 of the Appendix VI)	. . . . .	As per the settlement the distributor has paid Rs. 30,000/-. In view of the prospects of recovery being bleak, the balance outstanding amount has been written off.
(2) "Pyas" (Sr. No. 28)	. . . . .	Arbitration Award has been obtained which has been sent to Court for obtaining a decree.

- (3) "Aliya Tufan Daryala" (Sr. No. 32). Arbitration Award has been obtained against the producer with the distributor made a party to it. The distributor has, however, filed a petition in the Court challenging the Award. The matter is therefore *sub judice*.
- (4) "Uski Roti" (Hindi) (Sr. No. 36) The Corporation has been advised by the Solicitors against arbitration proceedings in view of the peculiar background of the case. The solicitors have recommended institution of a Suit for the recovery of Corporation's money. To save the Corporation's claim from limitation a suit has been filed in the Bombay High Court.

The Sub-Committee on recovery of loans has recommended that the Corporation should continue legal proceedings and obtain a decree against the producer.

2.125. As regards non-execution of court decrees obtained in the 20 cases covering an amount of Rs. 35.65 lakhs, it was stated:—

"It is not correct to say that none of the decrees obtained so far has been executed. Some of the decrees have been executed, and in other cases they are either in the process of execution or the execution proceedings have been held in abeyance in view of the litigation or settlement proposals submitted and/or accepted by the Corporation."

2.126. Details regarding progress made with regard to the execution of decrees obtained against the loanees are given in (Appendix VII).

2.127. In regard to arbitration proceedings for recovery of loans, Secretary, Ministry of Information and Broadcasting stated during evidence as under:—

"I must confess that this is really very unsatisfactory state of affairs....."

"In six cases I would say that the decrees have been executed in a sense that in one case property was attached in execution of that decree but, subsequently, it was challenged in the court by some alleged true owners of the property. In another case the film was auctioned for a very small amount—of Rs. 10,000/- —the film called 'Nawab Sirajud-daulah'. In four cases, the parties were declared insolvent and nothing could be done in two cases. It was de-

cided to write off the amount by the Directors of the Board.”

In the remaining cases, the position is that in three cases, the solicitors are in the process of executing the decrees. In another three cases, the decrees have been transferred from Bombay to Bangalore branches and therefore these cases have been followed up in three cases, the proposals have been accepted but the amount has not been paid. In two cases, the guarantors—distributors—have challenged the decrees and the matter is *sub-judice*.”

“The Ministry is very much concerned about the situation. What we now suggest is to take up the matter at a higher level with State Governments and also to depute a senior officer to visit some of these places and see that the appropriate authorities execute the decrees with expedition.”

2.128. The Committee note that out of 44 films where loans became due for repayment till March, 1974 but were not repaid, arbitration proceedings had been initiated in 40 cases after delay of 2 to 12 months in 10 cases, 13 to 24 months in 11 cases, 25 to 48 months in 9 cases, 49 to 60 months in 5 cases, and 61 to 98 months in 5 cases. Suitable legal action is reported to have since been taken in respect of the remaining four cases also. The Management have stated that their normal practice is not to initiate action till the films are completed or where there are prospects of completion or where the films have been recently released and are not fully exploited. The Committee agree, as admitted by the Secretary of the Ministry during evidence, that “this is really a very unsatisfactory state of affairs.” Although they agree that full opportunity should be given to the producers to refund the amounts, the Committee see no justification for the practice followed by the Management which had resulted in delays ranging upto 8 years in initiating arbitration proceedings affecting the interests of the Corporation adversely. The Committee deprecate the lack of sense of urgency on the part of the Corporation in initiating arbitration proceedings in this regard. The Committee recommend that the criteria followed in taking recourse to legal action/arbitration should be reviewed expeditiously and definite time limit laid down for starting legal proceedings against the defaulters if other avenues of recovering the amounts in the normal course fail. No exception to these time limits should be made without the express approval of the Board of Directors.

2.129. The Committee feel that there should be a regular system under which a detailed statement showing the actual recovery made from the loanees together with the total recovery due of principal and interest should be submitted to the Board with the suggestions of the "Finance and Management" so that the matter could receive detailed consideration and specific directions could be given about the action to be taken and the action taken in pursuance of these directions should be reported back to the Board. The Committee feel that if such system is observed in letter and spirit, there should be no occasion for any avoidable delay taking place in initiating proceedings against defaulting parties for recovery of loans.

2.130. The Committee further note that although arbitration awards were obtained in 40 out of 44 cases, court decrees could be obtained only in 20 cases involving a sum of Rs. 35.65 lakhs. Some of these decrees are reported to have been executed and others are in the process of execution or the execution proceedings have been held in abeyance in view of the litigation or settlement proposals submitted or accepted by the Corporation. The Committee find that though decrees in the case of 4 films (viz Te Maze Ghar, Vijayanagardha Veeraputhra, Subha Shastry and Ghoom Bangar Gaan) were obtained as far back as 1968, the only progress made so far by the corporation in these cases is to ask its solicitors to execute the decree (1 case) or to transfer the decrees to some other stations for execution (3 cases). In another case (Fakira), the work of execution of the decree (obtained in 1970) has made hardly any progress. The Committee are informed that the Ministry is now concerned with the situation and has proposed to take suitable action for execution of decrees. The Committee deprecate the dilatory manner in which the execution of decrees even in cases where they had been obtained has been processed. They feel that such laxity gets to be known and reduce the urgency and importance the producers should attach to repayment of loans to the Corporation. They recommend that the reasons for the delay in the execution of decrees should be thoroughly investigated by Government with a view to finding out how far these delays were avoidable and fix responsibility for delays/inaction and take deterrent action against delinquent officials.

2.131. The Committee are also informed that in regard to the remaining 4 cases, suitable legal action had already been taken. In one case after recovery of part amount, the balance had been written off two cases had been submitted to court for obtaining the decree; and in one case, the matter is sub-judice. The Committee

would like the cases to be conclusively pursued so as to affect maximum recovery.

### Security

2.132. It is seen from the statements at paras 2.64 and 2.65 of the Report that out of 28 cases in which loans had either been written off or classified as doubtful on recovery, in 19 cases, the only security taken from the loanees at the time of granting loans was the negative of the films, in 8 cases the loans had been guaranteed by the borrowers/other sureties, while in the remaining one case the Corporation had collateral security.

2.133. Regarding the utility of the negative of the films as security, the Management stated in May, 1972 as follows:—

“.....the negative is the main asset of a producer when film is completed. A Producer can recover the money invested in the film only through its exploitation for which he needs a print. . . . Printing of a new print is done by the Laboratory. As the negative is secured for the loan, the Corporation is taking an undertaking in writing from the laboratory that it shall not make and deliver any print to the producer without the written instruction of the Corporation till it recovers its entire dues. It may, therefore, be seen that a producer cannot get any returns from his film directly as long as the negative is pledged to the Corporation.”

“The objective of the Film Finance Corporation is to finance production of films of good standard and quality with a view to raising the standard of films produced. Keeping this aspect in view it would not be possible to secure all debts as some of the talented new producers are not in a position to give any security at all except their initial investment and the negative print when completed. If the securities are strictly demanded, most of these new comers will not be in a position to produce films at all as such production of quality films will hamper.”

2.134. Asked whether the Management still considered the negative of the films as an adequate security for loans advanced when cases in which loans had either been written off or classified as doubtful of recovery mostly pertained to the category in which the

Corporation had only negative of the films, the representatives of the Corporation stated in reply:

“In some cases the Board has taken security and in some others, they have not taken security.”

2.135. In reply to another question about the idea of standardising the method of security taken at the time of sanctioning loans, the representatives of the Corporation stated as under:—

“Negatives are always with us. About guarantee by others, there are two types. Suppose a film maker who is very talented but has no security to offer, applies to us. The procedure is, it is gone into to find out whether it is a fit case, whether he is a talented, creative artist and just because he is not able to offer any security, whether he should be helped or not. There are also others who are talented, creative artists but have the possibilities on giving collateral security. We have considered both the cases because ‘talent’ was sponsored. Of course, in one case we were better placed because there was the possibility of giving security. . . . . From 8th March, 1975, the loans will have to give tangible security for the entire loan amount. . . . . From 8-3-1975, if we think that the man is talented and he has no money, we would produce the film ourselves, we would hire his talents. That is the decision. If he has the wherewithal to give us security, he should take the loan after giving us the security.”

He however, added that from 8th March, 1975 they had not financed anybody, because they had no money.

2.136. The representative of the Corporation informed the Committee that the old cases in respect of which loans had been sanctioned subject to availability of funds, would have to be treated in the old manner. When the loan was sanctioned, they were given to understand that they would not be required to give any tangible security.

2.137. When asked whether the Corporation had thought of any other means of securing the recovery of loans advanced when the form of security now being taken from the loan as had proved insufficient, the representative of the Corporation stated as under:—

“There is a clause in the agreement that if the producer fails to pay our money, he would not be allowed to make any



film under that banner. We can attach that film, or bring an injunction and stop the making of that film.....”

The usual course is, of course, to attach his property and auction his assets. But this clause has a certain safeguard for us. If he wants to come back to the line, he must pay off our loans.....because if he does not make a film, he cannot pay lakhs of rupees.....The producer of ‘Pyas’ owes us 6-7 lakhs of rupees. He says if you take an instalment of Rs. 200/- per month and give us clearance to make a film, unless I make a film, I cannot pay this amount. Now he has a point, but we have not given him any clearance.”

2.138. In reply to another question whether the loans, which had been sanctioned but had not yet been disbursed, would be covered under the new security arrangements, the Chairman FFC, stated as under:—

“The Board will have to take necessary decision in this respect. We will convey your views to the Board and the Board will have to revise its original decision. They will have to say that in respect of nine cases, new rules will apply.”

2.139. The Committee note that out of 28 cases in which loans had either been written off or classified as doubtful of recovery, in 19 cases the only security taken from the loanees at the time of granting of loans was the negatives of the films, in 8 cases the loans had been guaranteed by the borrowers/other sureties, while in the remaining one case the Corporation had collateral security. The Committee are informed that in view of the objective of the Corporation to finance production of films of good standard and quality the Corporation did not consider it possible to secure all debts as some of the talented new producers were not in a position to give any security except their initial investment and the negative print when completed. The Committee are not satisfied that the Corporation took due care or precaution in selecting right type of producers or scrutinising the scripts and stories properly before sanctioning loans and it is this fact as well as their encouragement to the high budgeted films which has been mainly responsible for the losses suffered and the present precarious financial position of the Corporation. While the Committee agree to encouragement being given to talented new producers, they would like to reiterate, as already recommended in para 2.43 of this Report, that this should be on the

basis of thorough scrutiny and objective standards and after the Corporation satisfies itself about the standing and competence of the new entrepreneur so that the public money is utilised only for public good. The Committee are informed that so long as the negative is pledged to the Corporation the producer cannot get any return for the film and to this extent the negative constitutes a security. The Committee are not able to appreciate the rationale behind the grant of loans either with a meagre security or the negative of the film or without a tangible security even on the plea of production of good quality and standard films. The Committee are informed that since 8th March, 1975 the Corporation has laid down that the loanees will have to give tangible security for the entire loan amount and the interest thereon and if an applicant is talented but cannot give security, the proposed film will be produced by the Corporation itself or the talents would be hired. The new conditions will apply to loans sanctioned and disbursed after 8th March, 1975. While insistence on taking tangible security for loans advanced for the production of quality films is desirable as already recommended in para 2.34 of this Report, the Committee would like the Corporation to see that the approach as to what should constitute the 'tangible security' should be such that really worthwhile and promising producers are not shut out on account of any rigidity in the procedure to be followed in this regard. ..

### C. Script Committee

2.140. According to the procedure laid down by the Corporation, the script of the film is scrutinised by a Script Committee consisting of persons distinguished in the field of art, culture and education and/or who have a background of film production, direction and appreciation.

2.141. The Management stated in May, 1972 as follows:—

“The script is being examined by a Committee, members of which are selected from a broad-based panel unlike in the past when it was a routine affair. The present panel consists of persons eminent in different sections of the film industry such as producers, directors, film critics, language experts etc.

The Script Committee members have been given special instructions regarding processing of these scripts and a special form, has been devised for their report... The Script

Committee, if it finds that the film is not worth financing recommends rejection of the application.

According to the bye-laws of the Corporation, the Script Committee is selected by the Board of Directors whereas the members of the Board of Directors are appointed by Government in terms of the Articles of Association of the Corporation."

2.142. Details regarding constitution of new Script Committee and number of meetings to which the members of the Script Committee were invited and the number of meetings which they attended are given in Appendices VIII and IX.

2.143. When asked whether it would not be advisable for the Film Finance Corporation to have Script writers in the Advisory Board, the Chairman, FFC stated:—

"We have several eminent script writers like Shri Rajendra Singh Bedi in our script committee. It is very much in our mind now that we are entering into the third phase of our activity. In other words, when we become producers, we shall be ourselves looking for good scripts. When we do that, we could have good script, as suggested by you."

2.144. In regard to a suggestion for having a commercial Film producer and a commercial film distributor as members in the script Committee to help selection of good scripts, it was stated that "although we do have a commercial film producer on the script committee panel, the suggestion to have a commercial film distributor on this panel is imbued with inherent pit-falls and dangers, because his suggestions may harm the artistic worth of the projects. At the same time an out-of trade distributor could be of guidance."

2.145. As regards examination of script by the Script Committee, the Chairman, FFC explained during evidence:—

"As soon as the script is submitted, we ask for a synopsis as well as the detailed screen plan, scene by scene breakdown of the story. This is something which is not done in our Hindi cinema. The Artist comes and mentions

the lines which he likes because the star is the main force in the commercial cinema. But we insist on written screen play. After the screen play is submitted, myself and the Technical Officer in our Corporation go through the script and we exchange views. After we have come to some consensus, we prepare a detailed report which is submitted to the script committee on which there are well-known producers, directors, writers, and also a Member of the Censor Board. After the Script Committee comments on the script either in favour of a loan being granted or otherwise, we take it to the Board. Even in the Board we have three of our members who are literates in the sense that they are in a position to pronounce whether the script is worth filming or not. So, it is at the final stage of the Board meeting that a decision is taken whether a loan should be given or not."

2.146. In this connection, the Ministry of Information and Broadcasting stated in a note that upto November, 1967, the scripts submitted by the applicants to the Corporation were looked into and processed by the Secretary, the Technical Adviser and a Script Committee of 2 to 3 persons drawn from the eminent film producers including the Chairman. The decision to enlarge the Script Committee was implemented from 1st December, 1967 after a Board decision of 25th November, 1967. Since then, because of the composition of the Script Committees, better scripts had been granted loans.

It was further stated that a senior official of the Ministry is a Director of the Board of Directors of the Corporation. No specific instance of any member of the Script Committee not being selected with proper care was brought to the notice of the Government.

2.147. When asked as to how the films, the scripts of which were examined by the new Script Committee, fared at the box-office, *vis-a-vis* earlier films, the Corporation stated in a note as under:—

"In the existing exhibition distribution set up, the fate of a film at the box-office is absolutely uncertain. However, it will be seen that in the recent past, the quality of the films financed by the Corporation has improved.

Out of the 22 films (relating to the post-Bhuvan Shome period), released upto 31st March, 1974, 10 films were fully exploited upto that period and loans were fully recovered in 5 cases and loan account of one more film was settled,

after the end of the financial year. Thus, it will be heartening to note that recovery rate of the Corporation in respect of films which have been released and fully exploited is 60 per cent."

2.148. The Chairman, FFC informed the Committee that 'in case the producer fails to comply with the term of the contract, we take legal action. We cannot get back the money otherwise.'

2.149. Asked about the reasons for the non-release of a film 'Mansara Bilap' even after five years, the Chairman FFS stated as under:—

"Some parts of the film 'Mansara Bilap' which have been produced have been seen by our Technical Adviser and his contention is that the film has deviated from the original script which was very strongly recommended by our Screening Committee. There are six representatives in this Committee....."

".....In this case it was pointed out to the producer that you are deviating from the original script, after he comes to Bombay with the rushes of the films. The film was shot in Orissa....."

2.150. The Chairman, FFC stated that deviations from the original script of the film 'Mansara Bilap' had taken place possibly due to the laxity on the part of their Technical Adviser who had admitted his mistake and he had also been warned.

2.151. As regards the steps taken to ensure that the films financed by the Corporation remained true to the contract, script or the tender agreed upon, the Chairman, of the Corporation stated:—

"After the two experiences out of the several, we have instructed our Technical Adviser to exercise the greatest caution to see at every stage of production that there is no deviation. So far, such deviations have come to our notice at a very late stage."

2.152. The Committee note that prior to the constitution of the new Script Committee in December, 1967, the script of a film for which finance was sought was looked into and processed by the Secretary, the Technical Adviser and the Script Committee consisting of 2 or 3 persons drawn from eminent film producers including the Chairman and it has been admitted that it was a routine affair. After the constitution of the new Script Committee in December, 1967, the script is scrutinised by the Chairman and Technical Officer

of the Corporation and thereafter by the Script Committee consisting of persons distinguished in the field of art, culture and education and/or having a background of film production, direction or appreciation who are selected from a broad based panel. The final decision, it is stated, is taken by the Board of Directors in the light of the views of the Script Committee. In view of the fact that films financed after June, 1969 have fared worse than those financed earlier, as already stated in para 2.115 of this Chapter, the Committee are unable to accept the claim of the Corporation that since the constitution of the new Script Committee better scripts have been granted loans. Without commenting upon the personalities on the Script Committee they recommend that the system of selection of scripts should be reviewed and revised and the Script Committees reconstituted with imaginative persons distinguished in the field who have proven standing in the film production and those who are eminent men of letters so as to ensure that films financed by the Corporation are not only of high standard but are also accepted by the people and have a fair chance of becoming commercially successful. As most of the cinema goers are young men and women and mostly the films deal with the lives and problems of the young people, the Committee feel that it would be in the fitness of things if the Corporation also associates with the Script Committees creative and perceptive persons who are conversant with ideas of the youth about the quality films, the themes which go to make such quality films and the treatment and presentation of such themes so that their ideas are also reflected in the selection of scripts. The Committee would like that Government may, while selecting such persons, also think of nominating to the Script Committees persons representing the youth organisations.

2.153. The Committee are informed that one of the reasons for the non-release of the Oriya film "Mansara Bilap", for which loan was provided by the Corporation, was that the final script used for production deviated from the originally approved script. The Chairman of the Corporation stated during evidence that the deviation from the original script had taken place possibly due to laxity on the part of their Technical Adviser who had been warned. The Committee recommend that the Corporation should take all the necessary steps to ensure that the films financed by it, on the basis of scripts approved, do not deviate materially from such approved scripts.

#### **D. Financing Agencies**

2.154. It is observed that some of the State Governments/State Financial Corporations/State Industrial Investment and Develop-

ment Corporations have also given financial aid in the form of loans for production of films. It also appears from the Annual Report of the Corporation for the year 1973-74 that the Corporation had entered into co-financing arrangements with Dena Bank a nationalised bank, under which films are jointly financed by the Corporation and the Bank, the bank advance being guaranteed by the Corporation. A number of other scheduled banks also appear to have followed this lead and independently entered the field of financing films.

2.155. As regards financing of loans the Corporation stated in a note that during the hearings of the Film Inquiry Committee convened by the Government of India in 1951, several witnesses had repeatedly suggested that the Reserve Bank of India's Instructions to the scheduled Banks for their conduct of business should be so revised as to enable them to advance money to film producers. The basic principles underlying these instructions were that the sums which are generally on short call with the Banks should be invested in enterprises from which it would not be difficult to recover the advances in times of emergency or crisis. The Film Enquiry Committee was convinced that "Investment in a film is not of such a nature; the normal period of exploitation of a film varies from two to three years and in a forced sale, a film rarely fetches any large proportion of its market value." The Film Enquiry Committee did not support this suggestion as a possible solution of the problem of financing the film industry.

Nevertheless, banks have been known to finance films in other countries, and bank finance alone can improve the very necessary financial discipline in a highly speculative business.

2.156. It was added that the fact that the FTC did not indulge in 'black' deals, that it insisted on a detailed screenplay and on a rigid shooting schedules, and the further fact that it initiated a new movement in cinema in the country, prompted three leading nationalised banks, the Dena Bank, the State Bank of India and United Commercial Bank, to show their readiness to co-finance films with/without the Corporation or to provide the Corporation with additional finance at a reasonable interest. Certainly it was invigorating to discover a community of ideas between nationalised banks and this social medium.

2.157. It was also stated that while the first proposal of the Dena Bank for Co-finance was approved by the Board, the second proposal of the State Bank of India for giving cash-credit was dropped because the rate of interest charged by the said Bank was very high (11½% at that time).

2.158. When asked about the comparative advantage of the system of having multiple financing agencies *vis-a-vis* only one financing agency, where in all interested parties could have financial participation, the Chairman, FFC stated as under:—

“It would be an excellent idea if there could be only one financing agency, whether FFC or any other financing agency, wherein all interested parties could approach with their financial propositions. I will tell you what is happening. Mr. Mrinal Sen approached us for loan for a film of his. We gave the loan and the Dena Bank also gave Rs. 75,000 on our guarantee. Now, this money was not returned by Mr. Mrinal Sen. This was because the film did not do well at the box office. The name of the film was ‘PADATIK’. In the meantime, he started another film taking money from the United Commercial Bank. The film’s name was Chorus. Had there been proper coordination, the commercial banks could have gained from the experience of the Dena Bank which has financed the film PADATIK. Therefore, your suggestion that there should be only one agency, I think, is an excellent suggestion.”

2.159. On an enuiri, the Committee were informed that the Corporation had not considered any other method of raising funds from sources other than banks for financing production of good quality films.

2.160. Asked whether the Corporation had considered the idea of extending guarantee to the individual film producers for the finances advanced by the Banks for a particular film and thereby the Corporation could earn a little commission for standing guarantee to the bank, the representative of the Corporation stated during evidence as under:—

“We have informally discussed it with the Dena Bank, Bombay. They said they would be ready to pay a part of the total budgeted cost but not completely finance the film. Guarantee for that part has to be given by us. That would mean that if the party does not pay back the loan, we would have to pay it. This happened in the case earlier mentioned when they had not paid. Last week the bank asked us to pay that amount.”

2.161. The Chairman, FFC, however, stated that they would explore the possibility of having an agreement with film producers for a commission for standing guarantee to the Banks.



2.162. The Committee note that, besides Film Finance Corporation, three nationalised Banks, namely, Dena Bank, State Bank of India and the United Commercial Bank, have shown their readiness to co-finance the production of films and to provide the Corporation with additional finance. The Committee also note that the Film Inquiry Committee in 1951 did not support the idea of Banks financing the films producers though Banks are known to be financing films in other countries. The Committee do not agree to this view in the present context as they feel that there has been significant development since 1951 in as-much-as the leading Banks of the country have been nationalised and the emphasis has shifted from mere financial standing of the applicants for loan to the worth of the projects for which loans are sought. The Committee understand that banks have been known to finance films in other countries and bank finance can improve the very necessary financial discipline in a highly speculative business. The Committee are therefore of the opinion that the Banks, particularly the nationalised Banks, should play an important role in the financing of quality films. This is all the more necessary to save talented entrepreneurs from the clutches of private financiers who not only exploit the situation by compelling the needy entrepreneurs to pay exorbitant rates of interests but also indirectly force them to produce cheap and unwholesome films to cater to low tastes and make quick money at the box office. The Committee feel that, if films of good standard have to be produced and if the people, particularly the youth, have to be protected against the harmful effects of cheap films depicting unwholesome sex and violence, the nationalised Banks should come forward to play a meaningful and constructive role in the production of quality films and encourage the production of such films by providing funds to talented producers who approach them with worthwhile projects. They would like the Government (Department of Banking in the Ministry of Finance) to advise the nationalised Banks to take initiative in this regard and see that talented and promising entrepreneurs coming forward with sound and good film projects which are certified to be good by the Film Finance Corporation, are not denied funds by the Banks.

2.163. The Committee would also like the Banks to evolve a suitable system of coordination amongst themselves to guard against the same producer taking loans for the same project from more than one source

2.164. The Committee note with satisfaction that the Corporation has entered in to co-financing arrangements with Dena Bank for the production of quality films, under which films are jointly financed by the Corporation and the Bank, the Bank advance being guaranteed

by the Corporation. They urge that the Corporation should also take advantage of the readiness shown by the United Commercial Bank and State Bank of India to provide funds for the production of films and sponsor good and sound film projects of talented and promising producers for the grant of loans by these Banks also at reasonable terms. They also hope that the Corporation would be able to persuade other Banks also to extend similar facility to the film producers whose cases may be sponsored by the Corporation.

#### E. Constraints in financing of films

2.165. On an average 350 films are produced annually in the country, involving an investment of about Rs. 35 crores. The average number of films financed annually by the Corporation comes to 6 to 7 and the average amount of loans sanctioned works out to Rs. 18-19 lakhs.

2.166. The Management stated in May, 1972 that "were bigger funds available with FFC, it could finance more than the seven or eight feature films it now finances every year. Its impact on the commercial film industry would then be far stronger."

2.167. The Chairman, FFC stated during evidence that "the reason why the Corporation has not been able to make a sizeable impact on the film industry is not because of any inherent fault in the working of the Corporation but for the simple reason that its funds are very limited; its total investment is less than  $\frac{1}{4}$  per cent of the investment of the film industry and the number of films made by it is  $1\frac{1}{2}$  per cent of the number of films made by the film industry. Even so, while we have not made an impact, we have certainly made some sort of a dent in the commercial sector of the film industry. The success of the non-FFC films like Rajnigandha, Ankur, Nishant, and several others is the result of the dent made by the FFC in the films industry. Even the commercial film makers are now following the objectives of the Corporation making low budget films."

2.168. In a note, the Corporation stated that due to paucity of funds, the Corporation could not play bigger role in the matter, though in order to have greater impact on the film industry, the Corporation would like to play a larger role. During evidence, the Chairman, FFC stated: "our Board of Directors have approved 8 excellent scripts, but we have not been able to finance them because

There are no funds. There are many eminent writers in this country who come to us, but we are helpless because we do not have the money."

2.169. When asked whether the Corporation approached the Government for more finances, the Chairman, FFC, stated as under:—

"We have approached the Government several times for more finances, but as you know, films do not have a very high priority. There are more urgent national needs than films. But what has recently happened is that we have been given some additional trading activities like distribution of raw stock, import and export of films, on which we get certain percentage of commission, which is now being utilised to finance good cinema. That way, Government has come to our aid."

2.170. In this connection, the Ministry stated in a written reply as under:—

"In the context of the production of a little over 400 feature films in the country, FFC's financing six films, however, entertaining and wholesome they may be, would no doubt be a drop in the ocean. The desired impact on the film industry in the country by FFC would rest upon the availability of resources to produce purposeful, low-budget, artistic films. In the present situation of extreme financial difficulties, the FFC has not been able to raise the adequate resources to give loans to a larger number of films for production in a year.

The Corporation has been, over the years, successful in creating a new climate for the production of films not only by its own efforts but also by setting a trend for off-beat purposeful films like 'Ankur', 'Rajnigandha' and 'Nishant'. The Corporation has thus been coming closer to its principal goal of improving the quality of Indian films.

The Corporation took up the question of availability of more funds with the Government a number of times. The issue was discussed at length on the basis of a note prepared by Dr. D. K. Rangnekar, the Editor, *Economics Times*, and a sitting Director in the Board of Directors of FFC. On this, the Ministry of Finance in October, 1974, opined that so far as the proposal of any conversion of loan into

equity was concerned, it would amount to giving a hidden subsidy to the Corporation and the grant of hidden subsidies is not favoured. As an alternative, Ministry of Finance suggested that a subvention calculated at 10 per cent of the loans sanctioned in each year by the FFC for a period of five years may be given. This recommendation of the Ministry of Finance was accepted by the Ministry of Information and Broadcasting and since 1970-71, this subvention at the rate of 10 per cent on the total annual disbursement of loans during the previous financial year was being given to FFC."

2.171. The Ministry in a subsequent note stated that this subvention was currently under review and the FFC had already been asked to send a detailed statement giving full facts and figures to support the need or otherwise of the system of subvention.

2.172. On being asked to indicate the latest position regarding the extension of the subvention after the year 1974-75, the Ministry stated (January, 1976) that "the position remains unchanged." This Ministry is in correspondence with the Film Finance Corporation for the required facts and figures."

2.173. It was further stated that a proposal was under consideration for giving interest-free loan of Rs. 45 lakhs to the FFC out of the earnings on import of American films through MPEAA. Before granting loans it was necessary that Government should stand guarantee for these loans. This loan would be subject to a moratorium of 5 years so far as payment was concerned. The repayment would be in five annual instalments beginning from the 6th year and they would have to be paid in 5 instalments in foreign currency. The matter was under consideration of the Ministry of Finance who have asked for further clarifications which were still awaited from the Corporation. This amount, it was stated, would enable the Corporation to finance production of good, healthy, yet entertaining films so that it could play a bigger role in achieving its objectives.

2.174. When asked whether Government proposed to allow FFC to use funds available with the Corporation from trading activities (import of raw Cine films and feature films and export of films) for the purpose of financing the production of films, it was stated in a note that Government was aware of the amounts realised by the

FFC by way of commission charges on import and distribution of raw films and import and export of exposed feature films. The amount so far realised was roughly Rs. 33 lakhs since October 1973 onwards and kept in fixed deposit. A part of this amount had already been allowed by the Board of Directors from the trading activities to the financing activities. The Board was competent to decide about its proper utilisation; no Government permission was needed.

2.175. In this connection, the representative of the Ministry of Finance stated during evidence as under:—

“The FFC has been financed so far by loans and equity. The equity and loans today stand at about 1:2. Some statement was made earlier that the Finance Ministry at one Stage stated that it was not desirable to convert loans into equity because that could have been a sort of subsidy. Unfortunately, I could not get hold of those papers in the Ministry. But basically we feel—at least now—there should not be any fundamental objection to the conversion of a portion of the loans into equity if that is really helpful to the Corporation but conversion of mere loans into dead stock of equity does not help any Corporation unless the Corporation is having its own earnings and is in a position to repay further loans advanced to it. In any case FFC is over the years re-paying all the loans and interest. The Finance Ministry would be certainly agreeable to this question of conversion of loans into equity.

There is the other source of revenue-blocked funds of Rs. 5 crores. Out of it Rs. 2 crores can be given to FFC. There is basically no objection to that also. The formal proposal that we have received in the Finance Ministry from the Administrative Ministry is for grant of interest-free loan of Rs. 45 lakhs. We have not received any proposal for grant of Rs. 2 crores. So far as Rs. 45 lakhs is concerned we have asked the FFC through the Ministry to let us know how they propose to utilise this Rs. 45 lakhs whether by giving it as a sort of finance to other film producers or for their own production of films because we have got some reservations on production of films by the FFC.

There are two kinds of earnings. One is as a result of their own trading activity as a canalising agent. The FFC does not require any Government approval for the application of that earning to its projects. The other is the money that is in blocked deposits because of the agreement between the American Companies and the Government of India. It does not belong to FFC."

2.176. The Secretary of the Ministry of I & B stated:

"...to start with the organisation was getting only Rs. 10 or Rs. 15 lakhs. Suddenly if it is given Rs. 2 crores when it does not have the necessary organisation that will be taking too much of a risk".

2.177. The Estimates Committee in para 2.14 of their 59th Report (5th Lok Sabha) on Films—Part I noted that the Government proposed to create a fund for the film industry by imposing cess of 5 paise on every cinema ticket and that this fund would be spent for the improvement of film industry. The Committee stressed that Government should provide specific guidelines clearly laying down the purposes for which the fund would be spent for the improvement of film industry.

2.178. In this connection the representative of the FFC stated during evidence as under:—

"Actually that can be of a tremendous help to the FFC for propagating good cinemas in our country, but here again there would be opposition from the film industry. We have to be prepared for that. There has been opposition because the former Minister for Information and Broadcasting did make some suggestions in Parliament and there was a lot of controversy, otherwise the suggestion is basically sound."

"Could not a certain percentage of this levy of 5 paise be diverted to the FFC? The Central Government can help in this matter.... My suggestion is that this levy of 5 paise per ticket should be realised from the exhibitors.— Because next to the State Exchequer, they are the highest recipient of the money coming in.... The exhibitor has nothing at stake."

2.179. In this connection, the Secretary of the Ministry informed the Committee during evidence as under:—

“The question of cess was examined and again the Ministry of Law advised that it was not possible to make this levy; that could be considered as entertainment tax, directly covered by entries 33 and 62 of the State List. So, the proposal was dropped.”

2.180. Asked whether it could not be put in the Concurrent List by amending the Constitution as the cess was nominal, only 5 paise, the Secretary of the Ministry stated:—

“I believe that even this was suggested. It was not considered feasible at that time. In the changed scheme of things, we can again press for it.”

2.181. The Committee note that out of about 350 films on an average produced annually in the country involving an investment of Rs. 35 crores, the average number of films financed by the Corporation comes to about 6 per year and the average amount loans sanctioned by it works out to about Rs. 18 lakhs. The Committee feel that the extent of yearly contribution made so far by the Corporation in regard to the financing of films and the impact the Corporation has made on the film industry has not been significant. The Committee are informed that the reason why the Corporation has not been able to make a sizeable impact on the film industry is “not because of any inherent fault in the working of the Corporation but for the simple reason that its funds are very limited”. According to the Ministry the Corporation has however been over the years successful in creating a new climate for the production of films not only by its own efforts but also by setting a trend for off-beat purposeful films like ‘Ankur’, ‘Rajnigandha’ and ‘Nishant’ and the Corporation has thus been coming closer to its principal goal of improving the quality of Indian films. The Committee feel that the production of a few films like ‘Ankur’, ‘Rajnigandha’ and ‘Nishant’, over a period of a couple of years during which 700 films must have been made, cannot be taken to have set a new trend or created a new climate nor are they sure how far the Corporation can rightly claim credit for the production of these off-beat films by others.

2.182. It has been stated that financial difficulties stood in the way of Corporation giving loans to a larger number of films. The Corporation is reported to have taken up with Government the

question of funds a number of times. The Committee are informed that, as a result of these efforts, Government agreed to give the Corporation for a period of five years from 1970-71, a subvention at the rate of 10 per cent on the total annual disbursement of loans during the previous financial year. The Committee regret to note that the question of its extension beyond the year 1974-75 has been under protracted correspondence with the Corporation and no final decision in the matter has been taken till January, 1976.

2.183. The Committee are also informed that a proposal to grant an interest-free loan of Rs. 45 lakhs from out of the earnings on import of American films through Motion Pictures Export Association of America (MPEAA) was under the consideration of the Ministry of Finance who had some reservation in regard to the proposed utilisation of funds by the Corporation for production of films on its own and some clarifications had been asked for from the Corporation. The Committee would like that this matter should be examined carefully with reference to the objectives of the Corporation before decision in this regard is taken. The Committee recommend that Government should decide the question of continuance of subvention and the grant of interest-free loan of Rs. 45 lakhs expeditiously so that the Corporation may be clear about its position in regard to its finances and it may arrange its commitments suitably, and fulfil the role for which it was set up.

2.184. The Committee also note that the FFC has so far been financed by loans and equity in the ratio of about 2 : 1. They are informed that the proposal for conversion of loan into equity is acceptable to the Ministry. The Committee would like that Government should communicate their decision in this regard to the Corporation expeditiously.

2.185. The Committee further note that the Corporation has so far realised roughly Rs. 33 lakhs since 1973 as commission charges on its trading activities (i.e. import of new cine films and feature films and export of films) and a part of this amount for which no Government permission was necessary has already been used for financing the production of approved films. The Committee hope that with the conversion of loans into equity, grant of subvention and interest-free loan of Rs. 45 lakhs and the availability of funds from the trading activities of the Corporation as also from nationalised Banks, the constraint of funds that was stated to have prevented the Corporation in the past from making a sizeable impact on the film industry, would disappear to a considerable extent. The



Committee, however, wish to sound a note of caution that larger availability of funds with the Corporation should not result in misuse or wastful use of funds for production of films of substandard quality. The Committee recommend that the Corporation should prepare a comprehensive and phased scheme for the optimum and judicious use of the larger funds that will become available so as to ensure that not only larger number of artistic, low-budget films of good standards are financed by it but that the films for which it provides funds are also completed in the shortest possible time, exhibited all over the country and the loans are paid back by the entrepreneurs regularly so that the Corporation may be in a position to recycle the funds for the benefit of other entrepreneurs from year to year.

2.186. The Committee are informed that the proposal to impose a levy of cess of 5 paise on every cinema ticket to be used for the improvement of film industry was examined but had to be dropped as it might be construed as entertainment tax directly covered by the State List and was therefore not feasible at the central level. While the Committee would not like to comment on the merits of the decision, they would certainly like that the Corporation's resources are augmented to the requisite level by providing funds from other sources like trading activities including import of cine raw films and other film materials to enable it to make an impact on the film industry and to fulfil the objects for which it was set up.

### III

## QUALITY OF FILMS

### A. Films winning National and International Awards

3.01. The year-wise details of the feature films released upto 31st March, 1974 out of 86 films financed by the Corporation upto that date are as under:—

Year of release	Number of films released
1961-62	2
1962-63	2
1963-64	7
1964-65	4
1965-66	6
1966-67	7
1967-68	5
1968-69	3
1969-70	7
1970-71	4
1971-72	5
1972-73	6
1973-74	6
	64

3.02. Out of the films released, 34 proved unsuccessful at the Box office, while 21 won recognition and awards (including one film which also won international award.) In addition, one film won international award but did not get any recognition within the country.

Out of 27 documentary films for which loans were released by the Corporation upto 31st March, 1974, 2 have won awards.

3.03. Thus the total number of feature films winning national and international awards recognition (out of 64 films released upto 31st March, 1974) works out to 22, i.e., 34 per cent and the number of documentary films winning recognition and awards (out of 27 films) works out to 7 per cent.

3.04. According to the Ministry, details of the awards won by the FFC sponsored films and the number of non-FFC films which have won national awards are as under:—

Year	No. of FFC feature films winning awards	National Awards	International Awards	Others	Total awards	No. of non-FFC films which won national awards
1969	4	7	..	..	7	Not available
1970	2	4	..	..	4	13
1971	3	2	..	6	8	14
1972	5	7	2	2	11	14
1973	5	7	2	5	14	16
1974	2	2	..	..	2	9
	21	29	4	13	46	56

3.05. Government feel that the "awards won by FFC sponsored films clearly go to show that the Corporation has indeed assisted in producing worthwhile films, thereby setting a movement, though on a very modest scale and is hopeful that if more films could be sponsored by it, the performance of the Corporation both at the awards level and at audience acceptability level, will improve. For the first time, local as well as foreign distributors of films obtained exploitation rights of 11 of the FFC sponsored films, thereby earning a modest foreign exchange to the tune of Rs. 5 lakhs."

3.06. It is seen that five of the award winning films financed by the Corporation did not prove successful at the box office and substantial part of the loans could not be recovered.

3.07. As regards the impact the films financed by the Corporation were making, the Management stated in May, 1972 that "the impact of FFC films on the commercial films makers is too early to determine. Further in the absence of an audience survey conducted on scientific lines one cannot arrive at definite conclusions. But that FFC films are having some sort of an effect on the commercial film maker is obvious from the box-office success of several FFC films."

3.08. In this connection, Chairman, FFC stated during evidence as under:—

".....While we have not made an impact, we have certainly made some sort of a dent in the commercial sector of the films industry. The success of non-FFC films, like Rajnigandha, Ankur and several others is the result of the dent made by the FFC in the films industry. Even the commercial film makers are now following the objective of the Corporation, making low budget films. It means that the Corporation is having some sort of an indirect effect on film making in our country."

It was further stated:—

"So far as public acclaim is concerned the final arbiter is the public with regard to the cinema as a medium of mass communication, and I am very happy to see that our films do receive a fair measure of audience acceptance. We have calculated that 60 per cent of our released films have brought back our loans with interest. In the highly speculative films industry this is a very high percentage, higher than in the commercial sector of the industry. So, I beg to submit that the reasons why our films won awards and critical acclaim not only in India but abroad is because we have received a fair measure of audience acceptance....."

3.09. The Committee note that out of 64 FFC financed films released upto 31st March, 1974, 22 won recognition and awards including two films winning international awards while 34 proved unsuccessful at the Box Office. The Committee further note that out of 27 documentary films for which loans were released upto 31st March, 1974, 2 have won awards. The Committee understand that though 22 FFC films have won awards, five of the award winning films did not prove successful at the Box Office and substantial part of the loans could not be recovered. The Ministry have claimed that the awards won by FFC sponsored films clearly go to

show that the Corporation has assisted in producing worthwhile films, thereby setting a movement though on a modest scale."

3.10. While the Committee note with satisfaction that 22 out of the 64 feature films released upto 31st March, 1974 won awards, they regret that as many as 34 films out of these 64 films have proved unsuccessful at the Box Office and even five of the award winning films also failed at the Box Office.

3.11. They feel that award/recognition won by a film, which is given by a professional body of experts, should not create a sense of complacency about the quality of the films sponsored by FFC. One of the tests of quality of a film is its acceptability by the public for whom the film is primarily made. The Committee are concerned to find that a large number of the films sponsored by the Corporation have failed at this test.

3.12. In view of the fact that 17 out of 22 award winning films have proved successful at the box office, the Committee feel that it should be possible to combine quality with public acceptability. It is high time that the Corporation/Ministry should critically go into the factors which accounted for the failure of 34 out of a total of 64 films including 5 out of 22 award winning films financed by it and in the light of the review take positive measures to improve the system of selection of scripts and the manner and quality of production to ensure that the films financed by the Corporation should, besides being of high standard, also have public acceptability.

### B. Audience Survey and Review of Films

3.13. When asked whether audience survey of films financed/produced by FFC had been conducted, the representative of FFC stated during evidence as under:—

“We have not conducted a survey.... There are agencies to whom this work can be entrusted. It is quite an expensive proposition, we in ‘Filmfare’ did conduct a survey only at certain places in Maharashtra and that itself had cost us about Rs. 50,000. It was a very limited survey that we did.”

3.14. As regards the desirability of conducting a periodical audience survey on scientific lines in order to judge the impact of Corporation financed films on the public, the Secretary, Ministry of I & B stated during evidence:

“Government agree that it is necessary to conduct a scientific study on those lines, it has not been done so far. We have the Evaluations Directorate of the Ministry. We shall set up a study team consisting of eminent people to study the effect of films financed by FFC on the audience. We shall take up the study.”

3.15. The Estimates Committee in their 58th Report (1973-74) on Films had recommended that the films produced by the FFC should be reviewed periodically by a high level panel of experts, once in two years at least so as to make sure that finances are being channelised for approved objectives and would not result in adding films to shelves which do not have adequate public appeal and therefore do not get screened on an adequate scale to pay back the loans incurred.

3.16. In this connection, Chairman, FFC stated during evidence as under:—

“We admit that there is no review as such, but every year there is the National Awards Committee which is constituted. This is itself a committee of experts. In these national awards our films have won. We have won number of awards like these. Therefore, we say, why have another Committee, otherwise we have nothing against it.”

3.17. The Committee on Public Undertakings pointed out that the National Awards Committee did not serve the purpose which the Estimates Committee had in view. Even though a large number of awards had been won by FFC—financed films, that by itself was not a guarantee that all films sponsored by FFC were of good standard and quality or that no change was necessary in procedure in regard to script or financing etc. When the Committee on Public Undertakings stated that the proposed panel of experts could make certain suggestions to the advantage of the Corporation, the representative of the Corporation stated, "there is no objection".

3.18. In view of the fact that a large number of films financed by FFC had proved unsuccessful at the box office and huge amounts of loans were still outstanding against the film producers, the Committee asked whether the Ministry could not consider it necessary for a periodical review of FFC financed films by an independent agency, the Secretary, Ministry of I & B stated during evidence:—

"We will accept this view. We shall consider setting up a review panel as suggested by you."

3.19. The Committee note that no audience survey of FFC films has been conducted on scientific lines so far in order to judge the impact of these films on the public. The Secretary of the Ministry stated during evidence that "Government agree that it is necessary to conduct a scientific study.... We shall set up a study team consisting of eminent people to study the effect of films financed by FFC on the audience."

3.20. The Committee recommend that Government should expedite the setting up of a study team to survey the impact of FFC financed films on the audience and, in the light of the results of the survey ask the Corporation to re-shape its approach towards selection and financing of films so as to achieve the objects for which the Corporation has been set up.

3.21. The Committee also note that the Ministry and the Corporation have accepted the view that there is need for a high level panel of experts to review periodically FFC films in order to make sure that finances are being channelised for approved objectives of making good quality films which have adequate public approval and are successful at the box office. The Committee trust that the review panel will be set up soon and the panel would give early their suggestions in regard to selection of scripts and financing keeping the objective of FFC to produce good quality and standard films in view.

### C. Films in Regional Languages

3.22. Besides Hindi films, Film Finance Corporation has also financed feature films in different regional languages like Bengali, Kannada, Tamil, Marathi, Gujarati, Oriya, Malayalam and Punjabi.

3.23. An organisation of Film Exhibitors has stated in its Memorandum submitted to the Committee that the scope of films made in regional languages is rather limited to the linguistic region and it may be difficult to show such films throughout India.

3.24. Asked about the proposal to make regional language films popular all over the country, the representative of the Corporation stated during evidence as under:—

“There was a pilot project undertaken by us on the recommendations of a committee to dub two films to start with—they were done only last year in respect of the films Nirmalayam and Kaadu. We approached two parties for dubbing the film Nirmalayam and the person who agreed to do it was the Director on the Board of Directors of the FFC. . . . He said that he would do that today, tomorrow or day after. He never reached to it favourably.”

3.25. The FFC stated in a note after evidence that the Corporation had recently approved a scheme for granting loans for dubbing and para-dubbing of regional films into Hindi, to provide all India market, but lack of funds was the major hurdle.

3.26. In regard to the suggestion for dubbing regional language films financed by FFC in Hindi and to make them popular throughout the country, the Ministry of I & B stated in a note as under:—

“It is definitely desirable to exhibit regional language films throughout the country. To facilitate this, FFC have already chalked out a scheme for financing dubbing of two regional films into Hindi as an experimental measure. The two films are ‘Komal Gandhar’ (Bengali) and ‘Meghe Dhaka Tara’ (Bengali) by Shri Ritwick Ghatak.

Under the scheme of National Awards, a subsidy of Rs. 3,000 per film is also given to the producers of award winning films for subtitling in other languages. The cost of subtitling of a film in India is between Rs. 5,000 to Rs. 6,000.

Dubbing of a film in India cost Rs. 50,000 to Rs. 60,000. Unfortunately, dubbing facilities are not available in adequate measure. However efforts are being made to



sub-title the films in other languages. Regional language films are, however, being shown on TV network."

3.27. The Committee note that in order to facilitate exhibition of regional language films throughout the country, FFC has chalked out a scheme for financing dubbing of two such films into Hindi as an experimental measure but lack of funds was stated to be a major hurdle. They are informed that dubbing of a film costs Rs. 50,000 to Rs. 60,000 and dubbing facilities are not available in adequate measure in India. The Committee need hardly stress that films made in regional language reflect the diversified culture and aspirations of the people of the various regions of the country. In their view dubbing of regional language Films into Hindi will not only increase exhibition circuit of these regional language films in the rest of the country but will also provide an opportunity to the people in these areas to see these films and become acquainted with the culture and art of the various regions and will also lead to greater national integration. It will also provide wider opportunities to project worthwhile themes and encourage quality production.

3.28. The Committee recommend that the Government should see that dubbing facilities are made available in the country in adequate measure and the Corporation/Government should finalise the scheme of dubbing of films without delay. They hope that with the expected availability of larger funds in the near future from trading and other activities of the Corporation, it would have no difficulty in finding adequate funds for the dubbing of selected regional language films in India. The Committee would like to sound a note of caution that the Corporation should select only such regional language films for dubbing as have been successful at the box office and have a wider audience appeal. In fact it would be better to try this first on a pilot basis, gain experience of audience reaction, improve the criteria for selection as necessary and then extend it prudently to more regional films, so as to obviate the chances, of FFC incurring losses on this account.

## IV

### PRODUCTION OF FILMS BY FFC

4.01. Articles 37 and 38 of the Memorandum of Association of the Corporation read as under:—

**Article 37:**

“To carry on in India or elsewhere the business of cinematograph and film producers, distributors, renters, importers, exporters, and manufacturers; and to buy, sell, manufacture, refine, repair and deal in all kinds of substances, chemicals preparations and materials required or capable of being used in connection with the production, manufacture and use of films plates, papers, records, rolls or other articles for cinematograph, photographic, musical sound or vision reproduction or other purposes.”

[Art. 37 was added to the Memorandum of Association through an amendment approved by the shareholders on 23rd September, 1967 and by Government on 14th February, 1968].

**Article 38:**

“Generally to do all such other matters and things as may appear to be incidental or conducive to the attainment of the above objects or any of them or consequential upon the exercise of its powers or discharge of its duties. And it is hereby declared that, in the interpretation of this clause the powers conferred on the Company by any paragraph or to the name of the Company, or by the juxta-position of two or more objects and that, in the event of any ambiguity this clause and every paragraph hereof shall be construed in such a way as to widen, and not restrict, the powers of the company.”

4.02. At the meeting held on 8th March, 1975, the Board of Directors of the Corporation had approved of the proposal in principle of one of the Directors that the Corporation should grant

loans only to those applicants who can give adequate tangible security for the entire loan advanced with interest and in all other cases the Corporation should take upon itself the burden of production of the film whereby the entire profit or loss from the venture would accrue to the Corporation.

4.03. The above point was also discussed at an informal meeting of the local Directors with the Minister for Information and Broadcasting on 22nd March, 1975 when the Minister stated that it would be advisable for the Corporation to be the producer of all films financed by it. The Minister also stated that by going in for actual production of films, the profits from the successful films could be utilised by the Corporation to write off the losses of the unsuccessful or experimental films.

The Committee are informed that the matter was considered at some length by the FFC and the following salient features had emerged out of the said discussions:—

“Corporation could hire a technical crew and necessary equipments for the production of its own films. The main advantage of this method would be to ensure complete control over the expenses incurred. The main drawbacks would be substantial initial capital expenses and possibly a lack of new creative ideas.

Alternatively, the Corporation could engage artistes and production-unit on contract basis for production of the film. The main advantage would be Corporation may not have to incur initial expenses on capital equipment as also continuing salary of technicians. The major disadvantage would be a very loose control over the expenses.

Even though the Corporation has by now sufficient expertise in the budgeting etc. of films as also completion of films, actual production is a new activity and it would be wise to go into the production in a phased manner, i.e., the Corporation may set a time bound programme, say for 5 years, during which it could gradually switch over from financing to production of films, and thereby learn from experience.

Until and unless we actually decide to produce a picture, we need not employ any production-manager or other staff, whom we may employ only on a contract basis for a particular picture. Thus, we can go on having different production managers for different pictures, if we so desire. After a few pictures are produced and when pro-

duction becomes our regular activity, we may consider the matter for having a small salaried staff.

A Sub-Committee consisting of Chairman, Dr. Rangnekar Shri Jagdish Parikh, Shri Hrishikesh Mukherji and the General Manager of the Corporation was formed on the 8th March, 1975 and was asked to work out the details of the scheme."

4.04. The Chairman, FFC stated during evidence as under:—

".....The Corporation has recently undertaken several new development which are the logical conclusions. What we have been trying to do upto now is that we have been merely financing. Very recently, we have taken a decision at the Board of Directors' meeting that we should become producers ourselves. In other words, we will hire creative talent so that if a picture is successful, then we will get a share of the profit. What is happening today is that while we share loss on non-successful films, we do not get a share of the profit of successful films. Some of our films are extremely successful.... We do not have the required staff to undertake production in a big way. We have just taken three films ourselves."

4.05. The Committee pointed out that the original object of the Corporation is only to assist in raising the standard films by financing films and asked about the justification for entering into film production. The Chairman, FFC stated as under:—

"I can reassure you that before taking this decision to produce films ourselves we studied very carefully our Articles of Association. This provision is there very clearly in our Articles to make good films of good standard and quality. We feel this is the logical outcome of the very objectives which the Government has entrusted this Corporation with. Because, what is the point of making a good film if nobody sees that. We have to get out of our way to see that good films are made, distributed and seen."

".....I would justify it for the reason which I will explain to you. First of all, the risk in financing or making a film is the same; investment is the same. We are not going to invest more in financing a film than we are going to spend when we make it ourselves. The more important consideration is that today by merely being financiers we are out off from the sources of profits of

successful films. We feel that if we make films ourselves, we will have a control on the profits. Lucratively it may be a better proposition than just being financiers. Our Board has gone into it in considerable details. We have considered every possible aspect and this is the unanimous conclusion which we have arrived at. There are films produced by us which have not been released because the distributors want to exhibit only the films which they themselves like."

"The fact that we are entering film-making does not mean that we are stopping financing. For instance, the position today is that out of nine applications pending with us only three have been taken up for production by us. All the other six are going to be financed by us. We are proceeding with the utmost caution because we realise we lack the expertise for production."

4.06. When asked about the criterion proposed to be adopted for selecting films for production by FFC, the Chairman, FFC stated:—

"There is always a degree of preference; where we feel that the film is likely to be successful at the box office, we do that. Nobody can, of course, prophesy with certainty, but when we feel that it is a profitable proposition, only then we do that. Out of nine, we have decided to take up for production only 3 films."

4.07. As regards the types of films which the FFC proposed to produce, the Chairman, FFC stated as under:—

"We would like to take any social problem which agitates our nation and we would like to make film on that, provided we get a good script. We have recently approved the script of 'Pratishod' a very interesting subject. Unfortunately, because of lack of funds, we have not been able to finance it. This is one of the three films which we want to produce ourselves.....The subject deals with the exposition of bureaucracy."

4.08. The Corporation informed the Committee in a note after evidence that a list of 11 sanctioned applications was placed before the sub-committee of the Board of Directors at its meeting held on 22nd July, 1975. The sub-Committee decided that the Corporation could consider three films for production by itself. It was stated that the norms, criteria and contractual arrangements pertaining to the new activity of production of films were being worked out.

4.09. As regards the FFC entering into the field of production, the Secretary of the Ministry of I & B stated during evidence as under:—

\*“The Corporation is competent enough to enter into film production and other activities under Articles of Association Nos. 37 and 38. It is our view, in view of these Articles, the Corporation has not transgressed the limits of the objectives laid down under the Articles of Association by entering into the field of film production. They would continue to maintain and raise the standard by assisting in producing good quality films. They will improve their position by way of earnings on successful films and by diversifying their activities.”

4.10. When enquired whether the Corporation had taken Government's specific approval for undertaking production of films, the Ministry stated in a note after evidence that the Film Finance Corporation had apprised the Ministry of its decision to undertake production of films which was approved by them. It was further stated that the Government was also aware of the thinking of the Corporation of producing films by themselves through the Government Directors of the Board and Minutes of the meetings of the FFC Board of Directors furnished to the Ministry.

4.11. In regard to advancement of larger funds to FFC, the Financial Adviser of the Ministry of I & B stated as under:—

“.....So far as Rs. 45 lakhs is concerned, we have asked the FFC through the Ministry to let us know how they propose to utilise this Rs. 45 lakhs whether by giving it as a sort of finance to other film producers or for their own production of films because we have got some reservations on producing of films by the FFC.”

4.12. The Committee note that the Board of Directors of the Corporation at its meeting held on 8th March, 1975 approved in principle the proposal made by one of the Directors that in cases where applicants could not give adequate tangible security for the entire loan with interest, the Corporation should take upon itself the burden of production of the films, whereby the entire profit or loss from the ventures would be the responsibility of Corporation. They are informed that, for production of films, the Corporation could hire a technical crew and necessary equipment or it could engage artistes

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\* At the time of factual verification, the undertaking has intimated as follows:—  
“..... vide the Ministry's subsequent letter No. 12-9-74-FI dated 12-12-1975, the Corporation has been advised not to undertake production of films.

**and production-unit on contract basis.** The Corporation has admitted in a written reply that though it has by now sufficient expertise in the budgeting etc. of films as also completion of films, actual production is a new activity and it would be wise to go into the production in a phased manner. The Chairman of the Corporation stated during evidence that "risk in financing or making a film is the same. Lucratively it (making a film) may be a better proposition than just being financier. . . We are proceeding with utmost caution because we realise we lack the expertise for production." The Committee are informed that the Financial Adviser of Ministry of I. & B. has reservations on production of films by FFC. The Secretary, Ministry of Information and Broadcasting informed the Committee during evidence that "the Corporation is competent enough to enter into film production and other activities under Articles of Association Nos. 37 and 38". The Ministry also stated that the Corporation had apprised the Ministry of its decision to undertake production of films which was approved by them. The Committee are informed that when a list of 11 sanctioned applications for finance was placed before a sub-Committee of the Board in July, 1975 it was decided that the Corporation could consider three films for production by itself. It has been stated that the main criteria and contractual arrangements pertaining to the new activity are still being worked out.

4.13. The Committee feel that production of films is a very complex project which, besides funds, requires selection of good scripts, engagement of artistes and technical experts in various fields, arrangement of production and processing facilities and, above all, a moving spirit in the form of a Director who not only has the true concept and vision of the ideas underlying the film but can also organise the diverse elements involved in the production to work smoothly as a team and inspire them particularly the artistes so as to bring out the best in them. The Committee do not think that a financing agency like FFS, as it is constituted at present, can perform such highly complex functions successfully, when it has admitted that it lacks the expertise for production. Film is a work of art and works of art can hardly be produced on 'contract basis' or by hired crew working under the supervision of Board of Directors or full-time officers of the Corporation all of whom may not see eye to eye with one another on the details of the films, selection of artistes or the portrayal of certain character situations. The Committee would like to stress that at a time when Film Finance Corporation is likely to get more funds it should not fritter them away by undertaking programme of production of films in which admittedly it has no experience and which may not really sub-serve

the larger public objective of raising the quality, contents and message of films. The Committee are, therefore, of the opinion that the Corporation should continue to concentrate on the primary object of providing finances and other facilities for production of films of good standard and quality with a view to raising the standard of films instead of utilising its meagre resources on the speculative business of direct production of films which may result in heavier losses as was the experience of another Government sponsored organisation, the Children's Film Society.\*

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\* Forty-second and Sixty-second Report of PAC (3rd Lok Sabha).  
Eighty-first Action Taken Report of E.C. (5th Lok Sabha)



**DISTRIBUTION AND EXHIBITION****A. Distribution of Films**

5.01. The Memorandum of Association of the Corporation was amended in 1968 so as to enable the Corporation to undertake the distribution of films. Accordingly a distribution office was opened in Punjab from 1st September, 1968 for the distribution of six films financed by the Corporation where huge amounts were outstanding for repayment.

5.02. An annual five year plan submitted to the Board of Directors on 15th June, 1970, envisaged the following:—

- (i) Opening of distribution offices should be in accordance with a phased programme.
- (ii) Such offices should be opened only after the Corporation has set up its own cinema houses in that territory.
- (iii) These offices should control the three activities of the Corporation, viz. production, distribution and exhibition.

5.03. The Board, however, approved the opening of distribution offices elsewhere only after the office in Punjab at Jullundur which was opened in September, 1968 was given a fair trial for a year more. It was also decided that when a theatre was acquired in Bombay on lease, a small distribution office should be opened there.

5.04. The working of the Jullundur office was reviewed by the Board of Directors in April, 1971 and it was found that out of an investment of Rs. 39,456 made by that office for the release of four films a sum of Rs. 24,876 was yet to be recovered. The distribution was closed from 15th July, 1971 by which time an expenditure of Rs. 18,878 was incurred on it.

5.05. The reasons for the failure of the distribution office of the Corporation at Jullundur were stated to be (i) the films had already been unsuccessful in other territories, and (ii) the Jullundur office was not managed on a professional basis.

5.06. In 1973-74, the Corporation again entered into the distribution field and acquired distribution rights in respect of 4 films financed by it. For this purpose a loan of Rs. 5 lakhs was granted by Government in 1974-75. The Corporation is also stated to have acquired distribution rights of a few other films in respect of which loans are outstanding. It is also understood that the Corporation has acquired various imported films in respect of which distribution rights vest in it. The Distribution is actually made through sub-agents on commission basis.

5.07. The Committee were informed in a note that the Corporation had acquired distribution rights of the following films financed by it (some of which had already been released through sub-distributors):—

1. Garm Hava (released)
2. 27 Down (released)
3. Dak Bangla (released)
4. Trisandhya
5. Grahan
6. Ashad Ka Ek Din (released)
7. Jukti Takko Aar Gappo
8. Parinay (released)
9. Maya Darpan (released)
10. Duvidha

5.08. In regard to FFC entering into the field of distribution of films, the Chairman, FFC stated during evidence:—

“..... Apart from production, we have recently entered into distribution and exhibition field also. In India we feel that there is some sort of barrier between the genuine film makers and the audience. The persons who have just raised these barriers are distributors and the exhibitors belonging to the commercial sector. They are absolutely businessmen who have no consideration for artistic value of cinemas. We have recently started cinema called 'Akashvani' in Bombay. As far as experience goes it is running very successfully..... Similarly in the distribution field, we feel that if we ourselves distribute

films, then the film makers will get a fair chance of the box office."

5.09. When asked about the result of this fresh venture of the Corporation after facing a failure in similar work in the past, it was stated that "so far as the Corporation's films are concerned, it is too early to make an assessment of the result of the new venture, since the Corporation has distributed some of the films only through sub-distributors, to gain experience, and not on its own."

5.10. In justification for FFC entering into the field of distribution and exhibition, it was stated in a written reply that 'distribution and exhibition by the Corporation would definitely afford exploitation outlets for serious films which will be more in tune with FFC's objectives. More capital, extra staff and larger space are essential for these activities.'

5.11. In regard to the distribution system of the Film Finance Corporation, the Ministry of I & B stated in a note as under:—

"In 1970 the financial position of the Film Finance Corporation was considered by Government and it was not found satisfactory. It was decided by Government to give loan for the Corporation's activities including acquiring theatres on lease and distribution.

When the Corporation has its own leased theatres, it will naturally have to enter into the field of distribution for publicising its pictures among the public. The proposal would enable the Corporation to expand its distribution activities, and to enter in a limited way, the exhibition business mainly to provide a ready outlet for films financed by it. To enable the Corporation to achieve the objectives of distribution of films a loan of Rs. 12.5 lakhs was given in March, 1971 for acquiring cinema houses on lease. Later in March, 1974 another loan of Rs. 5 lakhs was given to the Corporation for distribution activities. Distribution rights of 10 FFC films have been acquired by FFC so far, out of which 6 films have been released through sub-distributors. Regular distribution wing of the Film Finance Corporation will start functioning from December, 1975 when distribution officers are expected to join."

The Committee have been informed in a subsequent reply that the 'distribution cell of the Corporation started functioning from 9th December, 1975 when the Distribution officer took over.'

5.12. The Committee note that the Memorandum of Association of the Corporation was amended in 1968, to enable it to undertake among other things, the distribution of films. The Corporation opened a distribution office at Jullundur (Punjab) for the distribution of six films in respect of which huge amounts were outstanding. On reviewing the working of the Jullundur office in 1971, it was found that out of an investment of Rs. 39,456 made by that office for release of four films, a sum of Rs. 24,876 was yet to be recovered. The distribution office was closed from 15th July, 1971 by which time an expenditure of Rs. 18,878 was incurred on it. The Committee were informed that the failure of this office was due to (i) the films had already been unsuccessful in other territories and (ii) the Jullundur office was not managed on a professional basis.

The Committee are constrained to conclude that the failure of the Jullundur experiment was entirely due to the negligence of the management in not deputing professionally competent persons to run the Jullundur office and in not selecting right sort of films for distribution by that office at the very outset. They feel that but for this negligence, the Corporation would have, by now, established itself in the distribution field and would have succeeded to a significant extent to demolish the barrier which is started to have been raised by the commercial distributors and exhibitors between the genuine film makers and the audience and thus paved the ways for the genuine film makers to get suitable outlets for their serious films and have a fair chance of being successful at the box office. The Committee would like the Government to enquire into the reasons for the failure of Jullundur experiment and fix responsibility therefor and inform the Committee of the action taken in the matter.

5.13. The Committee are informed that the Corporation again entered the distribution field in 1973-74 and has so far acquired the distribution rights in respect of ten films financed by it, six of which have already been released through sub-distributors, and for this purpose a loan of Rs. 5 lakhs was granted by Government in 1974-75. The Committee are informed that a regular Distribution Wing of the Corporation has started functioning from 9th December, 1975 when the Distribution Officer took over. The Committee would stress that the Corporation should keep the lessons drawn from the past experiments in mind while developing the new Distribution Wing so as to ensure that the expenses on distribution are kept to the minimum and at least now the new venture proves a success.

5.14. The Committee would also like the Corporation to examine the advisability and feasibility of extending the net work of its new Distribution Wing in due course to the distribution of good quality,

low budget films sponsored by bodies other than the Corporation if such an extension of its net work will be financially rewarding, promote the production and exhibition of films of high standard in the country and help it in creating the desired impact on the film industry as a whole without in any way sacrificing the interests of the FFC financed films.

### B. Exhibition of Films

5.15. In March, 1965 the Board of Directors felt that the exhibition facilities for the films financed by the Corporation were inadequate and it was necessary to establish an organisation either as a subsidiary of the Corporation or as an independent corporation which would construct, purchase or lease theatres (including open air theatres) where films produced with the financial assistance of the Corporation could be shown. In May, 1965, a scheme was approved for the setting up of a separate organisation in the form of a company under the Companies Act, 1956, the equity capital of which was to be subscribed by the Central Government and the State Governments for providing exhibition facilities to films financed by the Corporation and for other good films. The Scheme was forwarded to Government in June, 1965 who informed the corporation (January, 1966 that in the then state of financial stringency, it was not possible to agree to it. The scheme was not reconsidered by Government in view of continued financial stringency.

5.16. The need for having adequate exhibition facilities again came up before the Board of Directors in June, 1969. The Management *inter alia* brought to the Board(s) notice that the producers who had been given financial assistance by the Corporation were finding great difficulties in exhibiting their films even in small and inconveniently situated theatres and a pressing request was being made by them that the Corporation should help them in the matter. On account of shortage of theatres, many films remained unexhibited. Therefore, a beginning in this direction could be made by constructing or purchasing theatres in principal cities like Bombay, Delhi, Madras and Calcutta in central localities. The Board agreed with the suggestion to construct or purchase theatres with moderate capacity and low cost all over the country and a proposal was forwarded (in June, 1969) by the Corporation to Government to lease one theatre each in the 4 metropolitan cities of Bombay, Madras, Calcutta and New Delhi and later, subject to availability of funds and experience gained, to put up 10 cinemas in each of the major State capitals on a long term basis. It was further proposed to put up 86 theatres with a small sitting capacity at other places.

5.17. Government approved in October, 1970 the proposal for the lease of 4 theatres in Metropolitan towns and released a sum of Rs. 12.5 lakhs for this purpose in March, 1971. No theatre had been secured on lease by the Corporation till (December, 1972).

5.18. The Ministry stated (January, 1973) that a beginning had been made by exhibiting the FFC financed films at the All India Radio Auditorium in Bombay from 14-11-1972 and efforts were being made to acquire the use of the suitable theatres in Delhi, Calcutta and Madras for the purpose.

5.19. In addition to All India Radio Auditorium at Bombay, the Corporation took on lease another auditorium "Maharashtra Rangan" at Delhi on a temporary lease for 3 months for exhibition of Corporation financed films. The arrangement at Delhi was terminated after exhibiting a few films during February, 1974 to May, 1974 and the Corporation incurred a loss of Rs. 77,400 in this arrangement. In respect of All India Auditorium at Bombay also, the Corporation incurred a loss of Rs. 59,227 upto 31st March, 1974, (Rs. 5,328 in 1972-73 and Rs. 53,899 in 1973-74.) The cinema functioned from 15th November, 1972 till 26th June, 1975.

5.20. It was stated that the working of the Asashvani cinemas at Bombay had since improved but it had to be closed down under the orders of the Ministry of Information and Broadcasting, due to present emergency, AIR being a protected area.

5.21. The Committee were informed that the Corporation had been sanctioned in the Five Year Plan, a grant in aid of Rs. 75 lakhs for the purpose of acquiring Art cinemas in various parts of the country. It was also stated that 'at an informal meeting held with the Minister for Information and Broadcasting and the local Directors of the Corporation in March, 1975, the Ministry suggested that the Corporation should initially go in for cinemas in cinematically backward areas. In this connection, the Corporation had requested the Ministry of Information and Broadcasting to depute a representative to make an initial survey of various towns and cities in the film territory as known as Delhi, U.P. The Ministry had promised to take immediate action in this matter. In the meanwhile it was stated, the Corporation was also pursuing the matter of acquiring Art Cinemas with various parties which matters were under consideration of the Board of Directors.

5.22. In this connection the Ministry stated in a note that "on an informal direction from the former Minister, a few visits were made to places in U.P. like Faizabad, Aligarh, Agra etc. but it was found

that the cost of running the theatres concerned at those places was too high for FFC to meet. Thus, after informal enquiries at those places, the Ministry did not pursue the matter further. However, the FFC has recently appointed a distribution officer who is expected to undertake a survey more vigorously especially in the backward areas in the country."

5.23. The Management stated in a note that 'the Corporation did not propose to purchase the existing theatres because such purchases would involve under the table payments. FFC proposed to construct theatres or acquire theatres on lease. With a sum of Rs. 75 lakhs at the most 5 art cinemas in metropolitan cities could be constructed. Efforts were being made to acquire/construct art cinemas at different places with the help of National Institute of Design, Ahmedabad.

5.24. As regards the exhibition of FFC financed films and steps proposed to be taken in this regard, the Ministry stated in a note as under:—

"Lack of adequate exhibition facilities has been a major problem with the film industry. Films financed by the Film Finance Corporation being not necessarily of commercial potentialities, may not be easily acceptable to exhibitors and distributors. It will, therefore, be necessary to arrange exhibition facilities for such artistically prepared and aesthetically satisfying off-beat films. One way of doing this is to set up a chain of art theatres all over the country. This requires considerable financial investment and can be achieved only over a period of time. The Film Finance Corporation has been allotted a Plan provision of Rs. 75 lakhs for this purpose but with this provision it will hardly be able to set up 5 or 6 art theatres in the metropolitan cities of the country. The problem will, therefore, have to be tackled from a different angle as well. The nationalisation of cinemas is a desirable step but it is fraught with legal and constitutional difficulties. Therefore, the only feasible solution for the moment is to persuade the State Governments to construct on their own or to encourage the setting up of art theatres in each State, in which the FFC films could be exhibited on priority basis. The efforts of the State Governments in this behalf will also have to be supplemented by the FFC by diverting funds for construction of cinemas or by taking more cinemas on lease."

5.25. When asked whether lack of exhibition outlets of FFC films could not be overcome by exhibiting films through hired theatres, touring talkies, open air theatres, film societies, university halls, etc., the Management stated in a note that the Corporation had already made headway in exhibiting its films through (i) film societies, (ii) Television Stations (iii) Auditorium like Akashvani Cinema and Maharashtra Rangayan. It was further stated that the Corporation also proposed to exhibit these films through the University circuits all over the country. A cell for this purpose was being set up.

5.26. In this connection, the Ministry of Information and Broadcasting stated in a note as under:—

“Though it is true that the problem of exhibiting FFC films through hired theatres, touring talkies, film societies, etc. can be overcome to a limited extent, it is for the State Governments for providing facilities to exhibit films mostly sponsored by FFC. In fact, the Government of West Bengal is contemplating to direct the exhibitors to earmark certain days in a week for showing their films. Further, the Governments of Punjab, Karnataka and Andhra Pradesh have recently taken steps to set up art theatres, etc. with a view to achieve this goal.

The suggestion made above will be pursued with the State Governments and other concerned authorities.”

5.27. Asked about the feasibility of screening of FFC films through Directorate of Field Publicity, the Ministry stated in a note as under:—

“Under the directions from the Ministry, the Directorate of Field Publicity ordered prints of two films of FFC. The names of the films are as under:—

1. Punar Milan
2. Dikkatara Paravathi

Also the Ministry of External Affairs have ordered prints of five films sponsored by FFC. The names of the films are:—

1. Bhuvan Shome
2. Kanku (Gujarati)
3. Sara Akash
4. Swayamvaram (Malayalam)
5. Anubhav



The Television wing have telecast so far 8 FFC films... The total budget of DFP is a very small one to the tune of about Rs. 5 to Rs. 8 lakhs a year for purchase of films (16 mm).

In view its small budget they cannot buy a large number of FFC films because for each film they have to acquire a large number of prints. Besides till the facilities of sub-titling/dubbing are available in the country at a very cheap rate, it would not be possible even for the DFP to undertake this job. The dubbing of a film today in India cost between Rs. 50,000 to Rs. 60,000. So far as sub-titling is concerned (costing about Rs. 5,000/-) quality apart, which is postively poor, the DFP approaches rural audience where the percentage of literacy is very low. Thus, even if the FFC sponsored films are sub-titled expensively, it will not appeal to the rural audience through the agency of DFP."

5.28. Asked about the feasibility of enforcing some conditions on cinema houses or on distributors with a view to finding place for FFC films for exhibition in these cinema houses, the Ministry stated in a note as under:—

"'Cinema' is State subject under Entry 33 of the State List and it includes production, distribution and exhibition. Only sanctioning of cinematograph films is the responsibility of the Central Government under Entry 60 of the Union List.

The conditions governing the exhibition of films are imposed by the District authorities of the State Governments under whose jurisdiction the cinemas are functioning. It will, therefore, be necessary for the State Governments to impose a suitable provision in the licenses to be issued to the cinemas to the effect of compelling the exhibitors to show the films financed by the FFC. Such a condition is likely to be objected to by the exhibitors on ground of financial inviability. However, in public interest, such a condition can be imposed if there is no constitutional or legal impediments. This aspect of the matter will be examined by Government."

5.29. In regard to the need for construction of cinema houses, the Ministry informed the Committee as under:—

"India leads among the largest producers of features films in the world, but it lags far behind in so far as cinema theatres are concerned. With a population of about 360 mil-

lions there are only about 8,000 theatres. The shortage of cinema houses in the country has been considered as one of the major causes for increasingly felt difficulties of the Indian Film industry. The paucity of cinema houses and the uneven dispersal of this socio-dynamic facility has been the subject matter of discussion in the conferences of State Information Ministers held annually. The Central Government have all along stressed upon the State Governments the need for encouraging cinema construction in the country. The Government cannot directly undertake construction of cinema houses since cinema comes under the jurisdiction of State Governments. The Central Government have also suggested to the Planning Commission that while considering the State Plans, the subject of construction of cinema houses may be considered sympathetically. During the debate in the Lok Sabha on 21-3-1973 in connection with the starred question No. 403 regarding "Good films not screened owing to shortage of cinema houses," former Minister I & B stated "we are keen that there should be more and more investment, not only by public sector, but by private sector. The present pattern whereby cinema houses are there in big cities and metropolitan areas will change and they will filter into the rural areas."

5.30. The Committee are informed that considering the inadequate exhibition facilities for the films financed by the Corporation, a scheme formulated by the Corporation for setting up a separate company to provide exhibition facilities for films financed by the Corporation was forwarded in 1965 to the Government who did not agree to it in view of the financial stringency. In 1969, the Corporation as part of its scheme for construction or purchase of theatres of moderate capacity and low cost all over the country submitted a proposal to the Government to lease one theatre each in the 4 metropolitan cities of Bombay, Madras, Calcutta and New Delhi and later, subject to availability of funds and experience gained, to put up 10 cinemas in each of the major State capitals on a long term basis. It was further proposed to put up 86 theatres with a small seating capacity at other places. The Committee learn that in 1970, Government approved the proposal for the lease of 4 theatres in metropolitan towns and released a sum of Rs. 12.5 lakhs for this purpose in March, 1971.

5.31. In addition to Akashvani Cinema in Bombay at which the Corporation started exhibition of the films financed by it from November, 1972, the Corporation took on lease another auditorium "Maharashtra Rangayan" at Delhi on a temporary lease for 3 months for

exhibition of its films. The arrangement at Delhi was terminated after exhibiting a few films during February to May, 1974 and the Corporation suffered a loss of Rs. 77,400 in this arrangement. It also suffered a loss of Rs. 59,227 upto 31st March, 1974 from the Akashwani Cinema at Bombay. It has been stated that the working of Akashwani Cinema had since improved but All India Radio premises being a "protected area", this cinema also had to be closed down in June, 1975 on the promulgation of Emergency.

5.32. The Committee would like that the Corporation/Government should go into the reasons for the losses and failure of the exhibition of the FFC films through the leased theatres in Bombay and Delhi so that the Corporation may draw lessons and take all possible precautions to ensure that the cinemas leased by the Corporation do not incur losses in future.

5.33. The Committee are informed that the Corporation has already made some headway in exhibiting the films through film societies and television stations. They are also informed that the Corporation proposes to exhibit its films through the University circuit all over the country and a cell for this purpose is being set up. The Committee desire that the Corporation should continue its efforts to find out exhibition outlets for its films through these channels. The Committee would like to be informed of the developments in this regard and the extent to which films financed by FFC have actually been exhibited and the audience appeal gained by them.

5.34. The Committee learn that the Government of West Bengal are contemplating to direct the exhibitors to earmark certain days in a week for exhibiting the FFC financed films. They feel that this is a step in the right direction and if properly implemented in letter and spirit, it will go a long way in providing the much needed exhibition outlets to the quality films financed by FFC. They would like the Government to persuade other State Governments also to issue instructions to direct the exhibitors/cinema houses to earmark certain popular shows in a week for exhibition of the FFC financed films.

5.35. The Committee are informed that the Governments of Punjab, Karnataka and Andhra Pradesh have recently taken steps to set up art theatres. The Committee feel that there should be no difficulty for the Corporation in reaching an understanding with the State authorities in due course that certain popular timings in their Art Theatres should be earmarked for exhibiting quality films sponsored by FFC. The Committee would urge that the Government should persuade other State Governments also to follow the examples of Governments of Punjab, Karnataka and Andhra Pradesh in

setting up on their own or encouraging the setting up of art theatres in their States so that the Corporation or the producers of the FFC financed films find no difficulty in reaching an agency in each State for the exhibition of their films.

5.36. The Committee are informed that lack of adequate exhibition facilities has been a major problem with the film industry and the Central Government have all along stressed upon the State Governments the need for encouraging cinema construction in the country. The Minister of Information and Broadcasting in the course of debate in Lok Sabha on 21st March, 1973 in connection with Starred Question No. 403 regarding shortage of cinema houses for screening good films stated that "we are keen that there should be more and more investment, not only by the public sector, but by private sector". The Committee feel that in order to ease the shortage of cinema houses in the country, the Central Government may persuade the State Governments to increase suitably the number of cinema houses particularly in mofussil areas, care being taken to locate them judiciously, having regard to larger public interest. They also feel that in the interest of encouraging production of good films and providing healthy and wholesome entertainment to the people, the State Governments should ensure through a clause in the lease agreements or in the licenses granted under the Cinematograph Act that the cinema houses coming up with the assistance from the State authorities including local bodies are required to provide exhibition outlets to quality films on priority basis. They would also like the Central Government to examine in consultation with the public financial institutions the feasibility of introducing a clause in the loan agreements to the effect that the private entrepreneurs constructing cinema houses with financial assistance from the public financial institutions would have to exhibit quality films sponsored by the Film Finance Corporation on priority basis. They feel that owners or lessees of all such cinema houses should be required to keep in mind the paying capacity of a common man while fixing the admission rates so that the common man can also give to himself the pleasure and satisfaction of seeing quality films at reasonable rates and the objective of making healthy and recreation films available to ordinary and under-privileged persons is also fulfilled.

5.37. The Committee are informed that the Corporation has been sanctioned, in the Fifth Five Year Plan, a grant-in-aid of Rs. 75 lakhs for the purpose of acquiring art cinema in various parts of the country. The Minister of Information and Broadcasting is stated to have suggested at an informal meeting held with the Directors of

the Corporation in March, 1975 that the Corporation should initially go in for cinemas in cinematically backward areas which the Committee find have not been identified so far. It has been stated that the Corporation does not propose to purchase the existing theatres as such purchases would involve 'under the table' payments; and it proposes to construct theatres or acquire theatres on lease. However, according to the Corporation/Ministry, with a sum of Rs. 75 lakhs, at the most five art cinemas in metropolitan cities could be constructed and the efforts to acquire/construct art cinemas are stated to be under way. While the Committee recognise the need for exhibition facilities for the aesthetically prepared and artistically satisfying off-beat films which may not be easily acceptable to commercial distribute and exhibitors, the Committee feel that the construction of only 5 cinema houses and those too in the metropolitan cities where there are cinema houses already, is hardly going to serve any useful purpose. They also feel that now when the Corporation has entered the distribution field for its films and when the Governments of certain States have also decided to set up art theatres of their own, and are also contemplating to ask the commercial theatres to ear-mark certain popular shows, for the exhibition of quality films, it is not necessary for the Corporation to embark upon any scheme of construction of cinema houses of its own.

5.38. The Committee are of the opinion that if the Corporation considers it necessary to have more exhibition outlets of its own, instead of constructing new cinema houses, they should take on lease theatres/cinema houses which are well known and well established and are situated in popular areas or are otherwise easily accessible to people. They feel that 'Art Theatres' should not be taken on lease as 'Art Theatres' are not well known amongst the general public and are therefore likely to be losing propositions as has been seen in the case of 'Maharashtra Rangayan' in Delhi. The Committee suggest that the Corporation should also bear in mind the type of clientele which a leased cinema house is likely to attract while selecting the range of films to be shown in each such cinema house so that the audience patronising it can see the films which it likes and the cinema house can attract large audience which it needs not only for its own profitable operation but also for the success of the films at the box office.

5.39. The Committee are also of the opinion that, instead of constructing cinemas of its own, the Corporation may also consider the advisability of introducing a new loan scheme to help local bodies or State agencies to construct low-cost cinema houses and

to encourage the setting up of open air cinemas or improvised cinemas in big multipurpose halls in cities and small towns all over the country (in which the Corporation may acquire an interest in consideration for the loan advanced by it) where FFC financed films can be screened on priority basis. Such a scheme will be doubly advantageous in not only providing additional exhibition outlets for FFC films but also bringing about involvement of local authorities and bodies which is very necessary for the efficient running of such theatres at places far off from the headquarters of the Corporation. The Committee would suggest that the Corporation may set up panel of experts to evolve a concrete plan of action in this regard and implement it on a pilot basis prudently and cautiously so as not to incur any losses and then extend it gradually in the light of experience.

5.40. The Committee would like the Corporation to make a survey of the exhibition facilities which are presently available or which should be made available in the various parts of the country for screening FFC financed films and see that as far as possible the art theatres coming up under the State Governments or constructed with loans from the Corporation or acquired on lease by the Corporation itself, are evenly spread over all the regions in the country and the cinematically backward areas are not neglected.

5.41. The Committee feel that, having entered the distribution and exhibition fields, the Corporation should be able to provide adequate publicity and exhibition outlets for its films. They need hardly point out that the distribution and exhibition business which is stated to be lucrative business should not result in losses if undertaken prudently and efficiently. They would like the Corporation to do regular monitoring of its distribution and exhibition activities and take remedial action without delay wherever necessary. They recommend that the Corporation should reflect the working results of its activities in the distribution and exhibition fields in its Annual Report and the Government should include the performance of the Corporation in these fields as a separate item in their Annual Review on the working of the Corporation.

### C. Exemption of Entertainment Tax

5.42. As regards payment of entertainment tax by the art cinemas, the Chairman, FFC informed the Committee that, "no art cinema anywhere in the world can function if it has to pay such heavy amounts as entertainment tax. In fact some art cinemas are always exempted from payment of tax".

He added, "another important factor is the reluctance of the State Governments to grant exemption of entertainment tax to the Art cinemas, unlike other places in the world where art cinemas are granted such exemption enabling them to screen classic and Archive Films."

5.43. The Corporation stated in written reply that "they desired exemption of all FFC financed films from entertainment tax. They proposed to hold one show per day on membership basis. In tune with the practice followed in foreign countries, films shown in Art Cinemas which were run on membership basis should be exempted from payment of entertainment tax."

5.44. When enquired about the films which deserved exemption in the Corporation's view, but were not granted exemption by the States, it was stated that "latest example is 'Parinay' which was denied exemption by all the States excepting Gujarat and Maharashtra (although the films has won National Award for best film in National Integration). Another film 'Dikkatra Parvathi' (Tamil) financed by the Corporation was not granted exemption even in the home State (Tamil Nadu) although the film was based on Late Rajaji's story and won the National Award for best regional film of the year 1973. Earlier 'Pyas' was granted entertainment tax exemption in four States but the film had failed. Recently 'Garam Hava' was given exemption in Mysore, Maharashtra, Delhi and U.P. States.

5.45. In this connection, Secretary, Ministry of I & B stated during evidence as under:—

"So far as the entertainment tax is concerned, this again is a State subject, and the States are very reluctant to forge any amount of entertainment tax. On certain occasions and for certain kinds of films they have exempted collection of entertainment tax. On the one hand the Centre asks the State Governments to raise resources and on the other, we advise them to exempt one activity after another from entertainment tax. That becomes rather a difficult exercise. All the same, we have been pressing the State Governments that some of these films which are artistic in nature should be exempted from entertainment tax. But it is really very difficult to persuade any State Government to agree to this suggestion."

5.46. The Committee are informed that art cinemas in other countries are granted exemption from payment of entertainment tax. They are further informed that the Corporation proposes to hold

one show per day on membership basis and it would like that in tune with the practice followed in foreign countries, films shown in art Cinemas which are run on membership basis should be exempted from payment of entertainment tax. The Committee feel that this suggestion which does not involve a big amount merits sympathetic consideration and they have no doubt that the Central Government would be able to bring round the State Governments to agree to this small concession.

547. The Committee feel that in order to promote the spirit of national integration, national harmony and such other objectives of social importance, it will be desirable that larger number of cinema goers see quality films produced around such themes. Keeping this objective in view, the Committee feel that it would be desirable that in the case of such films as are able to project such themes in highly aesthetic and artistic manner and win critical acclaim at national or international level, the incidence of entertainment tax is reduced or they are given total exemption from entertainment tax. They are however surprised to note that, while on the one hand, film, 'Parinay' for instance, which has won national award for best film on national integration, has been denied exemption from entertainment tax by all the States except Gujarat and Maharashtra, on the other hand, such an exemption has not infrequently been granted to other films. The Committee would like that Central Government should, in consultation with the State Governments, evolve guidelines to help the latter adopt a uniform yardstick in considering the cases of such films of high standard for exemption from entertainment tax and persuade them to have a liberal approach towards such films in this matter in larger national interest.



## VI

### CANALISATION OF IMPORT AND EXPORT OF FILMS

6.01. The Government of India declared the Film Finance Corporations the canalising agency for import and distribution of raw cine films and import and export of films on 27th October, 1973. This work, which was being handled by the State Trading Corporation, was transferred to the Corporation in November, 1973.

#### A. Import and distribution of cine raw films

6.02. The film industry which produces every year about 400 feature films and over one thousand shorts, requires large quantities of cine raw stock positive, black and white and Colour negative, reversal, sound etc. and equipment needed by studios, laboratories and cinemas.

6.03. Till 1968, all raw films used were imported from abroad. During the year 1968, the Hindustan Photo Films Manufacturing Company Ltd., (HPF), a Government of India Undertaking, started production of B & W raw film positive. The HPF is stated to be now in a position to meet entire demands of the country for B&W Negative in 35 mm and 16 mm sizes, as also of sound negative.

6.04. For allocation of raw film, an Advisory Committee has been set up at each of the centres at Delhi, Calcutta, Bombay and Madras which include representatives of the film industry. Release of raw film to the actual users is made on the basis of the decision taken at the meeting of the Advisory Committees.

6.05. It is stated that the B&W films is now made in India and there is no difficulty in meeting such demands.

6.06. As stated earlier, the work relating to import and distribution of raw cine films had been taken by the FFC in November, 1973. During the remaining period of the fiscal year 1973-74 the balance of goods due were imported from abroad against the licences issued and remaining licences were also obtained and distribution of the stocks on the established lines was carried out.

6.07. During the year 1974-75, a significant step was taken in the shape of import of ORWO Colour Positive Cine films in Jumbo rolls. The HPF in collaboration with the ORWO Technicians carried out successfully tests in cutting and converting these rolls in standard 35 mm size rolls. These were introduced in the market in October, 1974. The HPF is now in a position to convert and supply nearly 10,000 rolls per month. This is little over 50 per cent of the country's requirements. This step is calculated to save 20 per cent in foreign exchange.

6.08. Another important step taken to save foreign exchange was to reduce wastage allowance permitted to laboratories, during making of positive prints, from 8 per cent to 3 per cent.

6.09. It is stated that FFC has also kept effective and systematic watch over release of raw stock to avoid wastage by issuing the user's requirements in instalments and thus rationing the supply.

6.10. It is stated that a further step is being taken to save the foreign exchange. Agfa Gevaert of Belgium has agreed to supply Agfa-Geva Colour Positive in Jumbo Rolls form. Tests have already been carried out and it is expected that the entire Geva Colour Positive requirement of the country will be met by HPF by the end of this year.

6.11. The Ministry of I & B informed the Committee in a note that the Film Finance Corporation has handled import of film material of the value as under:—

Year	Value of imports	Earnings of FFC from canalisation fee
1. 1973-74	Rs. 4.55 crores	Rs. 4.50 lakhs (approx.) (canalising work entrusted in Nov., 1973)
2. 1974-75	Rs. 6.90 crores	Rs. 16.00 lakhs (approx.).
3. 1975-76	Rs. 7.70 crores	Rs. 19.00 lakhs (approx.) (expected to be the total earnings by the end of March, 1976).

6.12. The Committee find that the FFC has been appointed as the canalising agency for import and distribution of cine raw films and import and export of films on 27th October, 1973 and this work which was being handled by the STC earlier was transferred to this Corporation in November, 1973.

6.13. The Committee are informed that after the Hindustan Photo Films Manufacturing Company Ltd. (HPF) had gone into produc-

tion, it is stated to be in a position to meet the entire demands of the country for B&W Negative in 35 mm and 16 mm sizes, as also of sound negative. The HPF is also stated to be in a position to convert and supply 10,000—35 mm rolls per month thus meet about 50 per cent of the country's requirements. The Committee are also informed that the entire Geva Colour Positive requirements of the country will be met by HPF by the end of 1975-76. They find that the Corporation has been handling import of film material to the extent of Rs. 4.55 crores in 1973-74; Rs. 6.90 crores in 1974-75 and Rs. 7.70 crores in 1975-76 and earning canalisation fee of Rs. 4.50 lakhs, Rs. 16 lakhs and Rs. 19 lakhs respectively. The Committee feel that in view of availability of the different types of films from the Hindustan Photo Films Manufacturing Co. Ltd., the FFC should plan its import after a careful review of the requirements of the various types of films and their availability through the HPF so that the import of these films should be kept to the barest minimum and there is no unnecessary stock piling of the imported film material. They would like the Corporation to keep the HPF informed of the demand of the various types of films in the country so as to enable the latter to regulate its production and expansion accordingly. The Committee would also like the Government to restrict the import of colour films to the barest minimum.

#### B. Export of Films

6.14. Export of Indian films is handled by the film producers directly or arranged through the established film exporters. The export houses secure overseas rights from producers and negotiate with firms abroad and obtain contracts for various territories. The shipping bills are prepared and submitted by the exporters to the canalising agency i.e. Film Finance Corporation which scrutinises the shipping bills and endorses the shipping bills for permitting the export. These shipping bills are then submitted by the exporters to the Reserve Bank of India and customs and shipments effected.

6.15. The Committee were informed that "selling of picture in the overseas market is becoming a difficult problem now-a-days. Countries like Burma, Kenya, Tanzania, Syria, Uganda, Ghana, Afghanistan, Tunisia, Algeria, Nigeria, have set up State Agencies to handle the import and distribution of films. Countries like Ceylon, Iran etc. are producing more films and are therefore anxious to protect their home industry. Countries like Indonesia, Cambodia etc. have imposed import restrictions in various degrees to conserve foreign exchange. Turkey and Sudan have imposed remittance

restrictions. The markets that are really active are U.K. West Indies, Arabian Gulf, Thailand etc."

6.16. It is stated that even in the face of stiff competition and various political and economical changes and restrictions, the Indian films exports have not only been maintained but have also registered small gains as will be seen from the export figures given below:—

Year	Value of	Earnings of FFC from canalisation fee
1. 1973-74 .	Rs. 5.58 crores	Rs. 5.50 lakhs (approx)
2. 1974-75 .	Rs. 6.62 crores (provisional)	Rs. 15.00 lakhs (approx) Rs. 15.00 lakhs
3. 1975-76 .	Rs. 6.00 crores (expected)	(Expected to be the total earnings by the end of March, 1976)

6.17. In reply to Starred Question No. 229 dated 27th November, 1974, the Deputy Minister of Information & Broadcasting stated that from July, 1973 to August, 1974, 21 feature films of the value of Rs. 5.26 lakhs were seized while being smuggled out of the country.

6.18. The following FFC films have been exported so far to overseas:—

1. Padatik	8. Charulata
2. Parinav	9. Nayak
3. Dikkatra Parvathy	10. Ek Adhuri Kahani
4. Shantata Cort Chalu Ahe	11. Duvidha
5. 27 Down	12. Devar
6. Garam Hava	13. Sajan
7. Dak Bangla	14. Heer Ranjha
	15. Sutlej De Kande

6.19. The Committee were informed that 'with a view to step up and bring better awareness of the Indian films to the Overseas countries, the FFC utilised the Fifth International Film Festival held at New Delhi during December, 1974/January, 1975. The Corporation took active steps to organise the Marketing Section of the Festival. During the festival period lasting 14 days—30th December, 1974 to 12th January 1975—screening of 80 Indian films were arranged for the overseas customers. On this occasion the photographic exhibition depicting the growth of Indian films industry was also arranged.

This step, it is stated, led to opening of new territories—specially for regional films for the first time, rights of Telugu films were negotiated and contracts completed with countries like Algeria, Nigeria and other North African areas. The Committee were informed that “International and National recognition to the “other cinema” by a handful of film makers has brought in a better awareness of the New Indian Cinema among the U.K. and Continental buyers. It is expected that this will now lead to sales of such films for art cinema circuits/television net works.

6.20. Other steps taken during the period to galvanize exports were:—

- (a) Holding of Indian Film Weeks abroad.
- (b) Participation in various International Film Festivals and Markets held abroad.

6.21. Since 1973, FFC has, in collaboration with foreign organisations arranged Indian Film Weeks. Recently—May/June, 1975—FFC had arranged a week long festival at the National Film Theatre in London. A number of prize winning films both sponsored by FFC and outsiders, such as ‘Kaadu’, ‘Ankur’, ‘Rakhto’, ‘27 down’, ‘Duvidha’, ‘Garam Hawa’ and ‘Rajnigandha’ were screened. This one week long festival attracted considerable attention of the public and also resulted in extensive and highly favourable press coverage.

6.22. The Committee are informed that the Corporation screened 80 Indian films for the overseas customers and took certain other steps to popularise Indian films at the Fifth International Film Festival held at New Delhi during December, 1974/January, 1975 with a view to step up and bring better awareness of the Indian films to the other countries. The Corporation is also stated to have held Indian films weeks abroad and participated in various International Film Festivals and markets held abroad. The Committee are informed that in May/June, 1975 the Corporation arranged a week long festival at the National Film Theatre in London at which a number of prize winning films both sponsored by the Corporation and outsiders were screened and at which the films attracted considerable attention of the public and got highly favourable press coverage. The Committee, however, regret to note that the export promotion efforts made by the Corporation have not led to any substantial increase in the export earnings of the Corporation on films. In fact the export earnings on films in 1975-76 (Rs. 6 crores) are likely to be less than that in the previous year i.e. 1974-75 when these were Rs. 6.62 crores. The Committee would like the Cor-

poration to review its export promotion efforts and see as to why these have not resulted in promoting the exports in any substantial manner and to take concerted measures to concentrate its efforts in markets like those of UK, West Indies, Arabian Gulf, Thailand etc., which are stated to be really active for Indian films.

6.23. The Committee are informed that countries like Burma, Kenya, Tanzania, Syria, Uganda have set up State agencies to handle the import and distribution of films. They feel that setting up of State Agencies in these countries should have made the Corporation's task easier in-as-much-as it will now have only one agency to deal with rather than dealing with numerous private distributors in these countries. The Committee feel that there is great scope for expanding exports of Indian films in these countries and also in other countries where persons of Indian origin have settled in large numbers. They would like the Corporation to make a study in consultation with the Indian Embassies abroad of the tastes of the audience, and the trends of the films in other countries, survey the needs of the export markets for Indian films in terms of quantity as well as quality and in the light of this study/survey, chalk out a comprehensive exports promotion programme for the export of Indian films including documentaries for all such countries and also explore the possibility of dubbing Indian film in foreign languages and make systematic and concerted efforts to make it a success. In chalking out and implementing this programme, the Corporation should see that artistic films are exported to sophisticated markets where such films will be appreciated better. The Committee would urge that artistes/producers should also be involved in the programme to project and promote the image of Indian films in foreign countries. They would stress that the Corporation should allow export of only such Indian films as project the image of India in the correct perspective. The Committee need hardly point out that the success of the Corporation in exports field will be judged by its foreign exchange earnings and all its export promotion efforts should be directed to produce results in the shape of higher export earnings.

6.24. The Committee note that from July 1973 to August 1974, as many as 21 feature films of the value of Rs. 5.26 lakhs were seized while being smuggled out of the country. They feel that the decline of export earnings of Indian films from Rs. 6.62 crores in 1974-75 to an estimated amount of Rs. 6 crores in 1975-76 might also be due to smuggling of films outside the country or unauthorised multiplication of the number of prints of Indian films in foreign countries.

They feel that now when the FFC is the sole canalising agency to export films and it has, as such, a complete record of the number and names of films exported, it should not be difficult for the Government/Corporation to gather information, through Indian Embassies abroad or otherwise, about the Indian films screened abroad and find out with reference to their own records as to which of these films went out of India through unauthorised channels. The Committee would like the Government/Corporation to take effective and coordinated measures, legal and otherwise, to plug all loopholes so as to root out smuggling of films.

#### Indian Motion Pictures' Export Corporation

6.25. Another Government Company viz. Indian Motion Pictures Export Corporation Ltd., which was set up in September, 1963, also deals with the export of films. This company was originally under the administrative control of the Ministry of Commerce but was transferred to the Ministry of Information & Broadcasting with effect from 30th July, 1973. Initially this company was a subsidiary of the S.T.C. of India Ltd., but became an independent Government Company from 28th February, 1974.

\*6.26. Asked about the consideration which weighed with the Government in assigning the work of export of films to the FFC, when the Indian Motion Pictures Export Corporation was already dealing with the export of films, the representative of FFC stated during evidence that the work of export of films which was handled by IMPEC was given to them by STC. The IMPEC was acting as sub-agents of S.T.C. The STC was acting under the Ministry of Commerce at that time but at one stage the way of working of IMPEC was found not to be satisfactory and, as such, the STC took back the work. When FFC took up this work, they were given the work by STC directly and not from IMPEC.

6.27. The Committee were informed that the IMPEC was almost at the stage of being wound up. Till it was wound up, it was functioning as any other exporter in Bombay. It was further stated that FFC was giving commission to IMPEC. When asked about the

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\*At the time of factual verification, the Ministry intimated that IMPEC was canalising agency for export of films only for a short period in 1966. The STC was the canalising agent for export of films before the canalising work was entrusted to FFC in October, 1973. When STC was the canalising agent, IMPEC was also exporting films as any other trading concern. The canalisation work was transferred to FFC by the order of Ministry of Commerce and not by STC.

reasons for giving commission to IMPEC, it was stated in reply as under:—

“Now STC does not feature anywhere because the work has been taken over by the Ministry of Information and Broadcasting. IMPEC has also been taken over by the I&B Ministry. Since the IMPEC resources have dwindled the I&B Ministry requested us to help them by giving them some percentage. We get 2-1/2 per cent and they are given 1 per cent.

6.28. In this connection, the Secretary of the Ministry of I&B stated during evidence as under:—

“The Indian Motion Pictures Export Corporation came into existence in 1964. This was under the administrative control of the Ministry of Commerce till October 1973 and that Ministry in 1966 declared IMPEC as the canalising agent for export of Indian films. This is not a wholly Government owned Corporation in the sense that 22.4 per cent of the total shares are held by private individuals and 77.6 per cent of the total shares are held by the Government of India. The Ministry of Law then advised the Ministry of Commerce that until and unless the Corporation is wholly owned by the Government, it could not be declared as a canalising agency for the purpose of import and export of films. In fact in one case I understand the High Court of Bombay passed order declaring that IMPEC cannot function as a canalising agent of exposed films. This was on a writ petition filed by certain exporters of Bombay. Now FFC is mainly concerned with the financing of the production of good quality and purposeful films. In addition it is acting as the canalising agent for the import of raw stock of the feature films and also export of Indian films. IMPEC is mainly concerned at the moment with the promotion of export of films in both established areas as well as new territories around the globe.

The exact relationship between FFC and IMPEC in the field of export is that the FFC is concerned with associating itself with export deals getting the licences, scrutinising the agreements entered into between the producers of the Indian films and exporters and overseas buyers. After the exporters get Registration Certificates, then they examine the number of prints for export, the price fixed for the purpose of actual export



and then approach IMPEC who examine the papers, endorse shipping bills. In other words IMPEC acts as a special agent of FFC for servicing as exporter of films, in physically handling the export. It is for this reason that FFC is giving 1 per cent out of its 2½ commission on the value of exports of films to IMPEC to run their establishment. I would say that IMPEC is an agency for promotion of exports. Since it is not wholly owned by Government, it has not been declared as a canalising agency. FFC is the canalising agency at the moment but part of the work of export is being handled by IMPEC and they are also exploring other avenues for export and other areas of export. Recently IMPEC has made an agreement with Afghanistan for export of 40 films which would fetch us £92,000 a year for five years. IMPEC is also making efforts to export the Indian Films to Latin American and African countries.

Regarding winding up of IMPEC, there was a proposal when we were thinking of setting up National Film Development Corporation. But this proposal itself is now under examination and re-consideration. It is true that multiplicity of agencies is not desirable. But for the present there is no intention for the time being of bringing into being the National Film Development Corporation."

**6.29.** When asked whether it would not be advisable to combine the work of export into one Corporation instead of having two separate organisations—one for export promotion and the other for doing the work of actual export, the Secretary of the Ministry stated as under:—

"I would say that the decision of the shape of things to come i.e. whether the National Film Development Corporation will be set up or not has not yet been taken. It may be that when the final decision is taken, we may not require an organisation like IMPEC. But I want to submit that there can be two organisations—one for promotion and another for actual export. In Maharashtra State and in several State Governments there is a promotional organisation for setting up small scale industries and at the same time there is a financing Institution and an institution to supervise the small scale industries."

**6.30.** The Committee note that while FFC is the canalising agency for the export of films, the Indian Motion Pictures Export

Corporation (IMPEC) which was set up in September, 1963 as a subsidiary of State Trading Corporation (STC) also deals with the export of films, and for doing this work, it is given a commission of 1 per cent out of the 2-1/2 per cent commission received by FFC on export of films. This arrangement, it is stated, was arrived at the instance of Ministry of Information and Broadcasting. IMPEC was originally under the administrative control of the Ministry of Commerce but was transferred to the Ministry of Information and Broadcasting in July, 1973. It became an independent Government Company in February, 1974. The Committee are also informed that there was a proposal to wind up the IMPEC when Government were thinking of setting up National Film Development Corporation but the latter proposal itself is stated to be now under examination and reconsideration.

6.31. The Committee do not see any special advantage in having two independent Government undertakings in the field of exports of films as multiplicity of agencies in the same field results in the setting up of parallel services and adding to the overheads without any corresponding gain to the nation and is also likely to create avoidable problems of coordination and inter-se relationship at various levels. The Secretary, Ministry of Information and Broadcasting stated during evidence that "there can be two organisations—one for promotion and another for actual exports but he also conceded that it is true that multiplicity of agencies is not desirable". The Committee recommend that now when "there is no intention for the time being of bringing into being the National Film Development Corporation" and the Film Finance Corporation has been made the canalising agency for imports and exports, Government should take an early decision to end the over-lapping of responsibility and make the Film Finance Corporation fully accountable for the entire work in the field of export of films in the interest of better results and higher efficiency.

### C. Import and Distribution of Feature Films

6.32. The work in regard to import of feature films was commenced in the first quarter of 1974 and the actual import of feature films started in July, 1974.

6.33. So far 28 films from Canada, France, Italy and Japan have been imported by the Corporation.

Out of the above 28 films, 15 films had already been released. The distribution arrangements for the remaining films (some had been cleared very recently) are being made.

6.34. The Committee were informed that the Corporation was negotiating for import of films from U.K.

6.35. As regards the financial returns obtained by the FFC out of the 15 imported films released, the Corporation stated in a note as under:—

“The number of films released upto September 30, 1975 is 15 and financial gross returns obtained thereon till that date is Rs. 17,50,000 approx. It may be stated that the distribution of imported films on regular basis commenced after holding of Fifth International Film Festival December/January, 1975. The circulation and earnings on film take up considerable time—anything between three to five years. Some films continue to run even for much longer period. Now that the releases of imported films are taking place on regular basis, it is expected to take further momentum and quantum of earning is also likely to go up. It is perhaps too early to judge within such a short period about profitability of the new venture. However, the returns of preliminary period indicate that the venture will be profitable on the whole.”

6.36. The FFC earned Rs. 3.00 lakhs during 1975-76 (June onwards) by way of commission from import of films by MPEAA (Motion Picture Export Association of America) and expect to earn Rs. 7.00 lakhs during 1975-76 from import of films from sources other than MPEAA.

6.37. As regards the procedure/criteria followed for selection of films for import, the Corporation stated in a note as under:—

“The policy of the Government is to bring to India good quality films from different film producing countries of the world. After studying the literature received from foreign film producers, the library prints are called for the purpose of viewing. The panel for selection of films previews the library film prints received. (List of members of selection panel which see the film and advises the Corporation on the import of films is at Appendix X) If the film is well acted, possesses a good theme and is entertaining and if it is not dominated by violence, sex and political colours then it is selected for the purpose of negotiating the terms. If the producers are willing to supply them at reasonable prices then details of agreements

are negotiated and indents for supply of prints are placed. The procedure of getting the literature first and then pre-view prints and the negotiating for price, terms and conditions is a time-consuming process. The only other alternative to this would be to send a team of Selection Committee to the important production centres of the world, such as London, Paris, Rome, Oslo, Moscow, Warsaw, Belgrade, Tehran, Cairo, Algeria, New York, Montreal, South America, Tokyo, Hong Kong etc. But this is perhaps not easily feasible. The tour can be taken in parts of Western Europe, Eastern Europe and other neighbouring countries, and separate trip to the Far East and America. If this is done, we may be able to select larger number of recent films. This will prove to be a better and quicker method."

6.38. The following guidelines are kept in view while selecting films for import to India:—

- (1) The films should provide good, healthy and wholesome entertainment to the public.
- (2) Films, the thematic content of which may have the effect of undermining our national institutions and our value system, should not be imported, even if they are otherwise of good quality and not objectionable from the censors' point of view.
- (3) The films imported should be of high quality both technically and in terms of the cinematic art.
- (4) They should not depict violence, nudity or sex.
- (5) They should contribute to the healthy development of public taste and the promotion of goodwill and harmony among all sections of the people and among peoples of different countries.

6.39. The Committee note that since the first quarter of 1974 when the work of import of feature films was commenced by the Corporation, it has imported 28 films from Canada, France, Italy and Japan, of which 15 films had been released upto September, 1975. It is also negotiating for import of films from U.K. The Committee are informed that the circulation and earnings on films take up anything between three to five years and though it is perhaps too early to judge within such a short period the profitability of the new venture,

the returns of preliminary period indicate that the venture will be profitable on the whole. They note that the Corporation has earned Rs. 3.00 lakhs during 1973-76 (June onwards) by way of Commission from import of films by MPEAA (Motion Picture Export Association of America) and expect to earn Rs. 7.00 lakhs during 1975-76 from import of films from sources other than MPEAA.

6.40. The Committee are informed that the policy of the Government is to bring to India good quality films from different film producing countries of the world. After studying the literature received from foreign film producers, the library prints are seen by the Selection Panel and selections of films made.

6.41. The Committee note that according to the guidelines for selecting films for import, only such films as provide good and healthy entertainment, are of high quality technically and artistically and contribute to the healthy development of public taste and harmony among all sections of people and are not objectionable from Censor's point of view, are to be considered fit for import. Films which depict violence, or sex or which have the effect of undermining our national institutions and our value system are not to be imported. If the producers are willing to supply the selected films at reasonable prices, details of agreement are negotiated and indents for supply of prints are placed. The Corporation thinks that as the existing selection procedure is time-consuming, it will be better and quicker to send a team of Selection Committee to the important production centres of the World and select larger number of recent films. The Committee need hardly point out that import of films is a more or less speculative venture in which the Corporation has had no previous experience. It is therefore absolutely necessary for the Corporation to proceed with this work very cautiously and gradually. The Committee feel that the Corporation must first establish itself, gain sufficient experience in this new venture and show encouraging results before it should think of sending its teams all over the world to make selections of films. The Committee do not think any special advantage can be derived by sending out selection teams from country to country in search of good films when the same work can be done with the help of film journals and magazines in which critical reviews of all good films are published. They feel that if the Corporation is able to manage its affairs efficiently, the foreign producers/distributors would themselves be attracted to supply their latest films to the Corporation.

6.42. The Committee feel that the Corporation can make use of the experience of knowledgeable people in Indian Embassies abroad

and other such persons well-versed with film world who frequently go abroad to enable it to get preliminary information regarding good and worth-while films which should receive the attention of its Selection Committee.

6.43. The Committee would like that the films selected for import should be latest and have public acceptability so as to be successful at the box office. They suggest that the films selected should be re-appraised in the light of public reaction and response to the films after they are exhibited and lessons learnt for the future. If any film fails at the box office, the Selection Panel should review the film which has failed in order to detect the deficiencies and avoid them while selecting films in the future.

6.44. The Committee note that the films to be imported are decided by a Selection Panel which consists of two Directors of the Corporation, three film critics and two officers of the Corporation. They hope that the selection of film critics to serve on the Selection Panel is made with due regard to their standing in the profession and their knowledge of trends in the film world in foreign countries and after making sure that their approach towards films does not run counter to the philosophy underlying the guidelines issued by the Government/Corporation in this regard. The Committee feel that in order to bring in fresh approach and new outlook to the task of selecting films for import, the Selection Panel should be reconstituted from time to time and opportunity given to other knowledgeable and experienced persons in the line to help the Corporation in making a proper selection of foreign films.

6.45. The Committee recommend that the Government should monitor the performance of the Corporation in this new field and see that not only the quality is maintained but also no losses are incurred on the whole.

#### MOTION PICTURES EXPORT ASSOCIATION OF AMERICA (MPEAA)

6.46. Apart from FFC being the sole canalising agency for import of feature films there is a separate agreement with 8 American companies known as Motion Pictures Export Association of America (MPEAA) having their own office in India who are distributing their films through their respective offices.

6.47. Explaining the role of the FFC *vis-a-vis* MPEAA, the representative of FFC stated during evidence as under:—

“The Government has appointed us as sole canalising agents of imported films. There is separate agreement with 8 American Companies which is called MPEAA. The Ministry has entered into direct agreement with them. We are the sole licensing agency or rather, the licence is given only to FFC and FFC imports films from all over the world on a global basis. These 8 American companies have their own office in India. They are distributing their films through their respective offices....”

“We are not the sole distributing agency. We are the calalising agency in so far as the non-American films are concerned. So far as the American films are concerned, we are the calalising agency because we do not review those films and we are not in the Selection Panal of those films.”

6.48. The following are the main distributors of U.S.A. and U.K. Films.

1. Allied Artistes of India Inc.
2. Columbia Films of India Ltd.
3. Metro-Goldwyn-Mayer India Ltd.
4. Paramount Films of India Ltd.
5. 20th Century Fox Corporation (I) Ltd.
6. United Artistes Corporation
7. Universal Pictures India Pvt. Ltd.
8. Warner Bros (F.E.) Inc.
9. General Film Distributors

These are essentially American Films distributors, who have also financial interest in U.K. and other overseas countries. They collaborate, as also, co-produce films with the producers in overseas, especially U.K. and Western European countries. They consequently acquire distribution rights of such films.

6.49. In India, they have Regd/Head Offices mostly at Bombay, They have also their Branch Offices in other cities like Calcutta, Madras, New Delhi and representations in other important towns.

6.50. Asked whether these American companies should be allowed to continue to be in India when they were not producing the films

here, the representative of FFC stated during evidence as under:—

“If you ask me about my opinion, I would say that we or for that matter, anybody under the Ministry in Government of India should be the sole canalising agent and they should be able to import films from America also and distribute them. Whether they would like to distribute them or not these distributors of American companies can stay back or they may even wind up the same. But the choice should not be given to them.”

6.51. The Committee were informed that these 8 American companies had been in India for over 30 years.

6.52. The Chairman, FFC suggested during evidence that all the films could be imported by one agency and the American films could be distributed by the American distributors. If the FFC was made the distributors for American films also, then for that they would have to build up necessary organisation.

6.53. The Committee pointed out that if the FFC could build up their distribution organisation they could earn out of that and being the distributing agents for the whole country, they could force cinema hall owners to screen certain English films also. The representative of FFC stated in reply as under:—

“In a small way we have done this also and to some people who have taken imported films we have also given our FFC films.”

He however, agreed to the suggestion that it could be done in a systematic way.

6.54. In regard to these 8 American Companies, the Secretary, Ministry of Information and Broadcasting stated during evidence (1975) that “they were allowed to repatriate an amount of Rs. 25 lakhs per year for all the companies taken together out of the realisation for the import from the distribution and exhibition of their imported films. The balance amount was blocked in India for the purchase or rental of Indian films production and co-production in India, travelling expenses of their executives etc. The last agreement was concluded in July, 1967 and expired in June, 1971 and was not renewed till May, 1975 for two reasons. One was that this block fund which had accumulated to about Rs. 5.87 crores, was becoming a problem as to how to liquidate and utilise this fund. Furthermore



export of Indian films to U.S.A. on reciprocal basis was not agreed to by any firm of the U.S.A.....”

“After protracted discussions and negotiations, in May, 1975 another agreement (Appendix XI) was executed between these eight American companies and the Ministry on more or less similar terms dropping the proposal of reciprocating export of Indian films. In this agreement necessary measures to liquidate block funds were also envisaged. This agreement of import of U.S. films into the country really dates back to 1952 whereas FFC came into being in 1960. FFC was declared a canalising agency for importing feature films only in October, 1973.”

6.55. The reasons for allowing these eight companies to function as importers and distributors of their films even after appointment of FFC as canalising agency were stated to be as under:—

- (1) The FFC cannot make financial investment necessary for importing American films into the country numbering about 120 to 150 a year. They have to make an outright purchase of these films whereas these American companies bring these films for exhibition and then take back.
- (2) FFC does not have manpower to handle the job of distribution and exhibition of these films in this country.
- (3) They do not have the outlay necessary for handling this business.

6.56. When asked about the justification for allowing the 8 American companies a licence for import of films in future, the Ministry of Information and Broadcasting stated in a note as under:—

“The import of films from U.S.A. was governed by an agreement with the MPEAA which expired on 30th June, 1971 and was not renewed on the ground that the said agreement had resulted in accumulation of blocked funds to the tune of Rs. 5.87 crores whose liquidation was becoming a problem.

After the transfer of work regarding import-export of films to this Ministry from the Ministry of Commerce in October, 1973 some preliminary discussions were held with the French, the Italian, the Hong Kong and the Japanese film exporters in order to ensure import of foreign films in pursuance of our new policy of non-discriminatory global imports canalised through the public sector agency i.e. Film Finance Corporation with stress on selectively based

on quality subject to commercial viability. The foreign exporters were keen to sell their films only on outright sale basis. However, the prices of really good films being prohibitive it was felt that our foreign exchange allocation of Rs. 35 lakhs would hardly be enough to feed the requirements of our cinema circuit which is a minimum of 200 titles.

In March, 1973 the representatives of American film importers and distributors approached the Ministry to explore ways and means of establishing new procedure in conformity with the new import policy of the Government. After several rounds of discussions with the representative of MPEAA and later with the Department of Economic Affairs, the present agreements was signed on 2nd May, 1975. The arrangements were finally entered into keeping in mind the best interests of the canalising agency i.e. Film Finance Corporation because the arrangements limit their initial investments, cover their risks, permit limited repatriation and give us sure profits in larger proportion than otherwise possible in a highly speculative business about which the Film Finance Corporation have practically little or no experience. The present arrangements do not revive the monopoly rights of the MPEAA. The Film Industry in the country including producers, distributors and exhibitors had urged from time to time that the pipeline having completely dried up and the prices of foreign films generally rising at a rapid rate due to increased cost of production, it would be desirable to revive the import of foreign films. Under the present agreement (copy at Appendix XI) there is not likely to be any accumulation of the earnings in the shape of rupee blocked fund which existed earlier and the repatriation has been kept as low as 15 per cent in the gross earnings or Rs. 25 lakhs per annum whichever is less."

6.57. When asked about the steps proposed to be taken to liquidate the rupee holdings of these foreign companies in India and to make FFC viable to enter into import business, the Ministry stated in a note as under:—

"Present agreement provides for remittance annually in half yearly instalments to the MPEAA companies the dollar equivalent of Rs. 25 lakhs against liquidation of the blocked funds as on 31st March, 1975 until the said fund is fully

liquidated. The agreement also provides that the Government agrees to consider proposals in ventures other than film by the MPEAA designed to expedite the early liquidation of the blocked funds. The blocked funds can also be utilised for the expenditure etc. mentioned in section 4 of the present agreement which, in fact, is designed to ensure speedy liquidation of the blocked fund."

6.58. It was stated that the previous agreement with MPEAA expired on 30th June, 1971 and the present agreement came into effect only from May, 1975 and there were no imports during the intervening period. As regards their earnings during the next five years, it was stated:

"No definite idea of the earnings during the next five years is possible at this stage. However, since the agreement provides for import of 100 to 150 films per annum, it is expected that the normal gross billings per annum shall be of the order of Rs. 1.75 crores to be utilised in the following manner:—

(a) Operation expenses	45 per cent
(b) Approved usages including Air-India travel, production/co-production of films in India	20 per cent
(c) Purchases of Indian films etc. Separate approved usages in which a part of the earnings would be placed at the disposal of FFC or NFPC as interest-free loan with the provision of a moratorium on repayments for five years and repatriation repayments of the loan over the next five years.	20 per cent
(d) Repatriation	15 per cent or Rs. 25 lakhs whichever is less
	<hr/> <u>100 per cent</u> <hr/>

6.59. When enquired whether these American firms, who have their centres here would also be importing films through the FFC, the Secretary of the Ministry stated in reply as under:—

"Yes, Sir, they get a Commission on this, which is a source of income to the FFC and I think in their present financial conditions, they need a little diversification of these activities and a diversification of their sources of revenue."

6.60. As regards the selection of these American films, the Secretary of the Ministry stated during evidence as under:—

"It is no doubt true that in the selection of these films we do not have a dominant role. They do show their cultural milieu/way of life. I do not know whether these American or Western pictures brought into the country really preach or aim at denigration of our culture or our country. They are not political; they are apolitical; they are mainly commercial ventures based on stories which fit in with their type of society. They have nothing to do with the preaching of any particular way of life/thinking. As long as a class of people exist in this country which wants to see this type of movies, I believe Government have to make some arrangement to get these films although we try to see that we also get some films from socialist countries like the USSR and Czechoslovakia and others where purposeful socially-oriented pictures are produced. Some of these are excellent, but they are not yet very popular with the class of people for whom these films are intended."

"Now the American companies are ready to accept the principle of global selectivity, that is to say, they would not bring in any films they like, but only those we approve and select and our imports of foreign films will not be limited to the products of these member-companies but to all other countries in whose products we are interested in importing."

"They (MPEAA) also agreed to the import of these films through our canalising agency, FFC and later when the National Film Corporation is set up through them. They agreed not to ask for enhancement of the ceiling placed on repatriation. They also agreed that their rupee funds could be utilised for the production of foreign films in India using not only Indian locations but also Indian technicians and artistes. They agreed that they would function in conformity with Government's policy of Indianisation."

"As regards, the question of FFC's viability in the import business, as already stated above, the present arrangement with MPEAA does not revive any monopoly rights in favour of these companies and the Corporation is free to import from any other country on the basis of outright

purchase or in the shape of the arrangements like the one entered into with MPEAA. In pursuance of this role assigned to FFC they have already entered into formal arrangement with Paris Asia Films of France for import of about 10 French films on the basis of profit-sharing and have also imported 28 films from U.K., Japan, Italy, Yugoslavia, Poland, Indonesia and Bulgaria. Thus the FFC are already very much in the import business."

6.61. When asked whether there was any proposal to make FFC as sole agency for the import and distribution of feature films from all over the world, the Secretary of the Ministry stated as under:-

"Since the Corporation does not have either the man-power or the financial resources to enter the distribution system of films, the import of foreign films and distribution into the country with these eight American companies was agreed to. FFC is now busy setting up its own distribution agency for showing its own films in the country. Till the FFC is adequately equipped and gains necessary experience in this area and sets up a chain of cinema houses either on lease or on their own, it will not be feasible proposition to entrust import and distribution of feature films from all over the world to FFC."

6.62. The Committee note that apart from FFC being the sole canalising agency for import of feature films, there is a separate agreement with 8 American companies known as Motion Pictures Export Association of America (MPEAA) who are essentially American films distributors in India working in this field for over 30 years. Under the last Agreement concluded in July, 1967 and which expired in June, 1971, these companies taken together were allowed to repatriate an amount of Rs. 25 lakhs per year out of the earnings from the distribution and exhibition of their imported films and the balance amount was blocked in India for meeting expenditure for certain recognised purposes. The Committee are informed that this agreement was not renewed till 1975 because of two problems. One was that the blocked fund of the companies amounting to Rs. 5.87 crores was becoming a problem and secondly export of Indian films to USA on reciprocal basis was not agreed to by any firm of USA. A fresh Agreement was executed in May, 1975 for four years on more or less similar terms after dropping the proposal of reciprocating export of Indian films, incorporating measures to liquidate the old blocked funds, providing for the import of 100 to 150 films per annum, and permitting repatriation of 15 per cent of gross billings

or Rs. 25 lakhs whichever is less and earmarking 20 per cent of the gross billings for advancing loans to quasi-Government or Government sponsored organisations. The Committee are informed that these American companies have been allowed to function as importers and distributors even after appointment of FFC as canalising agency for the reasons that (1) FFC cannot make financial investment necessary for importing 100 to 150 films a year as it has to make an outright purchase of these films whereas the American companies bring these films for exhibition and then take back; (2) FFC does not have man-power to handle the job of distribution and exhibition of films in this country; and (3) FFC does not have the outlay necessary for handling this business.

6.63. The Committee feel that the reasons advanced by the Government for extending the agreement with MPEAA by four years are not at all convincing. The non-availability of adequate man-power with FFC to handle the American films is a very poor argument. As the FFC has already established an organisation, what was required was addition of suitable manpower to strengthen the organisation which in the view of the Committee could be easily done. With regard to the question of availability of funds, they do not find any reason for adequate funds not being made available to the Corporation for import of American films when MPEAA has been allowed to repatriate a sum of Rs. 25 lakhs per year which is quite a high sum according to the Committee. They feel that it should not have been difficult for Government/Corporation to have arrived at some suitable arrangements directly with American producers to import their films on returnable basis without having to make outright purchase of the films which would not have required large funds. The Committee are surprised that the FFC has not been considered to be in a position to import and distribute American films merely because the number of such films is large i.e. 100 to 150, as in their opinion less number of films could be imported to start with. The provision in regard to the disposal of accumulated funds of MPEAA will, in the opinion of the Committee, not solve the problem as further imports through MPEAA are likely to result in accumulation of fresh amounts and this would create a vicious circle. The Committee feel that this is one of those cases which have been dealt with by the authorities in a very casual manner.

6.64. The Committee would like that the Government should examine the financial and organisational aspects of the matter expeditiously and make timely arrangements so as to ensure that, on the expiry of the present Agreement with MPEAA in March, 1979,

**FFC will be able to handle the work of import and distribution of all foreign films, including American films.**

**6.65. The Committee are informed that while distributing foreign films the Corporation has also given FFC financed films to the exhibitors for exhibition. They would like the Corporation to draw out an integrated plan to promote the exhibition of FFC financed films along with foreign films and implement it systematically with a view to providing more exhibition outlets for the FFC financed films.**

**6.66. The Committee also recommend that the Corporation should annually review the result of trading activities performed by it as canalising agency in each of the three fields separately and place an analysis of the results before the Board of Directors to enable the Board to judge whether the trading activities have been carried out efficiently and economically. They would like the Corporation to keep a close watch, particularly, on the overheads on these activities and ensure that these are kept to the minimum. They would also like the Corporation to incorporate an analysis of these trading activities in the Annual Report.**

## FINANCIAL MATTERS

## A. Capital Structure

7.01. The authorised capital of the Corporation as on 31st March, 1974 was Rs. one crore divided into 10,000 equity shares of Rs. 1,000 each and the paid up capital which was initially Rs. 20 lakhs was raised to Rs. 50 lakhs. In addition, Government had sanctioned loans, from time to time, against which the amount outstanding as on 31st March, 1974 was Rs. 76.11 lakhs.

7.02. Out of Rs. 76.11 lakhs, a sum of Rs. 9.30 lakhs (Rs. 5.71 lakhs towards principal and Rs. 3.59 lakhs towards interest) had fallen due for repayment/payment during 1973-74 but was not paid. The Corporation is stated to have requested the Government of India for postponement of repayment/payment of above amounts. The debt equity ratio as on 31st March, 1974 was 1.5:1.

7.03. In regard to reasons for not making timely repayment of instalments of principal and interest by the Corporation, the Ministry of Information and Broadcasting stated in a note as under:—

“A sum of Rs. 5.71 lakhs towards principal and another sum Rs. 3.59 lakhs towards interest had fallen due for repayment to Government during the year 1973-74. The Corporation was not in sound financial position to make repayment of the above amount to Government. However, the Corporation has now decided to repay the interest. They are being advised to repay the loan instead of interest. Besides, the Corporation is having a fixed deposit of about Rs. 33 lakhs from the earnings from the trading activities. The Board of Directors have decided to avail of a part of this amount for meeting the cost of producing three films very recently. It is expected that a part of earnings from trading activities can be utilised for repaying principal and interest due to the Government in the near future.”



7.04. Asked whether the failure in making timely repayment/payment of principal/interest attracted any penalty, it was stated "till 1971, the rate of interest on the Government loan was 5 1/2 per cent and penal interest for default was 2 1/2 per cent. Since 1972 the normal rate has been raised to 6 1/4 per cent and the penal interest remained at 2 1/2 per cent."

7.05. Asked about the proposals for re-structuring the capital of the Corporation, the Ministry stated in a note that the proposal regarding re-structuring the capital of Film Finance Corporation had already been considered by Ministry of Information and Broadcasting in consultation with the Ministry of Finance who had commented on the proposal as follows:—

"As regards the conversion of loans to the extent of Rs. 50 lakhs as equity, this is not a new suggestion. In the year 1970 suggestions were received for such a conversion and the same was repeated last year also. We did not agree to the proposal on the ground that any conversion of the loan into equity would amount to giving a hidden subsidy to the Corporation and the grant of such hidden subsidies have been adversely commented upon by the PAC who have recommended that if any subsidy is to be paid, it should be direct and not hidden. As an alternative we granted a subvention calculated at 10 per cent of the loans sanctioned in each year to the Film Finance Corporation for a period of 5 years. This subvention is being paid to the Corporation every year. Regarding the debt equity ratio, in 1970 the question was referred to the Department of Economic Affairs, who observed that the principle of maintaining parity between the equity and the loan in the matter of financing the requirements of public sector undertakings is no longer to be rigidly followed in pursuance of the recommendation of the Committee on Public Undertakings (which was accepted by Government). As such the conversion of loans into equity on this basis is not considered necessary."

7.06. In this connection the Financial Adviser of the Ministry of Information and Broadcasting stated during evidence as under:—

"The FFC has been financed so far by loans and equity. The equity and loans today stand at about 1:2. Some statement was made earlier that the Finance Ministry at one

stage stated that it was not desirable to convert loans into equity because that could have been a sort of subsidy. Unfortunately, I could not get hold of those papers in the Ministry. But basically we feel at least now—there should not be any fundamental objection to the conversion of a portion of the loans into equity if that is really helpful to the Corporation but conversion of mere loans into dead stock of equity does not help any Corporation unless the Corporation is having its own earnings and is in a position to re-pay further loans advanced to it. In any case FFC is over the years re-paying all the loans and interest. The Finance Ministry would be certainly agreeable to this question of conversion of loans into equity.”

7.07. The Committee note that the debt equity ratio of the Corporation as on 31st March, 1974 was about 2:1. The proposal regarding re-structuring the capital of FFC had been considered in 1970 by the Ministry of Information and Broadcasting in consultation with the Ministry of Finance who had not agreed to the proposal of conversion of loans into equity as it would amount to giving a ‘hidden’ subsidy to the Corporation. Subsequently the Corporation was being paid subvention at 10 per cent of the loans disbursed in each year for a period of 5 years. The Financial Adviser of the Ministry of Information and Broadcasting stated during evidence that ...“... basically we feel—at least now—there should not be any fundamental objection to the conversion of a portion of the loans into equity if that is really helpful to the Corporation.” He added, “the Finance Ministry would be certainly agreeable to this question of conversion of loans into equity.”

7.08. The Committee stress the Government should take an early decision in regard to the conversion of loans into equity and communicate it to the Corporation to remove any uncertainty in this matter.

7.09. As already recommended in para 2.182 of this Report, the Committee would also like Government to decide without any further delay the question of the continuance of the subvention so that the Corporation is clear about the position in regard to finances and it may arrange its commitments suitably.

## B. Working Results

7.10. The Corporation's financial results till 31st March, 1974 are summarised below:—

In lakhs of Rupees						
Year ending 31st March	Interest on loans	Other receipts	Operating expenses	Bad debts written off	Provision for doubtful debts	Annual profit/loss
1	2	3	4	5	6	7
1961 . . .	..	0.37	0.55	..	..	(—)0.1
1962 . . .	0.51	0.61	0.89	..	..	(+)0.23
1963 . . .	1.39	1.28	1.10	..	0.56	(+)1.01
1964 . . .	3.34	0.64	2.70	..	1.00	(+)0.28
1965 . . .	4.07	0.56	2.05	3.87	..	(—)1.29
1966 . . .	3.57	0.54	3.10	3.41	0.05	(—)2.45
1967 . . .	3.64	1.08	3.78	5.38	1.00	(—)5.44
1968 . . .	3.55	1.77	4.40	..	0.89	(+)0.03
1969 . . .	3.95	1.14	4.34	..	0.62	(+)0.13
1970 . . .	5.66	0.55	4.31	..	1.73	(+)0.17
1971 . . .	4.86	0.48	4.62	..	0.54	(+)0.13
1972 . . .	4.75	2.71	5.93	..	1.26	(+)0.27
1973 . . .	5.51	3.84	8.86	..	0.49	..
1974 . . .	0.58	17.55	13.36	20.10	..	(—)15.33
Cumulative position upto 31st March, 1974 . . .	45.38	33.12*	59.99	32.76	8.14	(—)22.39

## NOTE\* :

1. The other receipts represents (a) interest on bank deposit Rs. 8.29 lakhs (b) application, licence fees and service charges—Rs. 19.60 lakhs (Rs. 10.61 lakhs on account of import and export of raw films during 1973-74), (c) subventions from Governments—Rs. 5.85 lakhs (Rs. 1.81 lakhs for 1970-71, Rs. 1.23 lakhs for 1971-72, Rs. 1.69 lakhs for 1972-73 and Rs. 1.12 lakhs for 1973-74)
2. The increase in operating expenses during 1963-64 was mainly due to tax provision of Rs. 1.30 lakhs and increase of general office expenses from Rs. 0.27 lakhs in 1962-63 to Rs. 1.63 lakhs.
3. The operating expenses during 1965-66 and onwards increased as compared with earlier years on account of higher incidence of interest on Government loans.
4. At the time of factual verification, the undertaking intimated as follows:—  
 “Increase in operating expenses during 1972-73 is due to increase in expenses incurred for getting other income”

It has been stated by the Corporation that the "main reason for increase of over Rs. 7 lakhs in the operating expenses between 1972 and 1974 is the additional activities undertaken by the Corporation. Till the year 1971-72, the Corporation was engaged only in the activity of financing production of films and purchase/import of production/projection equipments. From November 1972, the Corporation entered the exhibition field with the opening of Akashvani Cinema, Bombay, where films sponsored by the Corporation were shown. In October 1973, the Government of India entrusted the Corporation with the following trading activities:—

- (i) Import & distribution of raw cine films.
- (ii) Import & distribution of foreign films.
- (iii) Canalisation of export of Indian films.

against a nominal service charge. The major items of increase in operating expenses are as under:—

	Rs.
Payment to and provisions for employees . . . . .	59,000
Legal Expenses . . . . .	31,000
Remuneration to Auditors . . . . .	4,000
General Office Expenses . . . . .	25,000
Fees to Committee Members . . . . .	4,000
Film Festival Expenses . . . . .	49,000
Film Exhibition Activity . . . . .	5,67,000
	7,39,000

It has however been stated that the 'increase in the operating expenses has been offset by the increase on the revenue side also. While the revenue from the film exhibition activity was nil during 1971-72, it went upto Rs. 4,53,420/- in the year 1973-74. The income from the marketing activity (by way of service charges) in the year of its commencement, 1973-74 was Rs. 10,64,773/-."

7.11. It will be seen from the above table that upto 31st March, 1974, the Corporation suffered a cumulative loss of Rs. 22.39 lakhs against its paid up capital of Rs. 50 lakhs, after providing for Rs. 8.14 lakhs against doubtful debts amounting to Rs. 32.15 lakhs. The total amount of loans in arrears upto 31st March, 1974 was Rs. 86.99 lakhs

(including interest of Rs. 12.80 lakhs) after write-off of Rs. 32.76 lakhs (principal Rs. 29.26 lakhs and interest Rs. 3.50 lakhs).

7.12. Loans in arrears of Rs. 86.99 lakhs are exclusive of cumulative interest from 1964-65 due on doubtful debts as the Corporation decided to account for interest on accrual basis only in respect of debts considered good and on cash basis in respect of debts considered doubtful. From 1973-74, the Corporation is accounting for interest on cash basis in respect of all debts. The year-wise details of interest not accounted for on accrual basis are given below:—

Year	Amount (Rs.)
1964-65 . . . . .	14,227
1965-66 . . . . .	1,54,130
1966-67 . . . . .	1,45,529
1967-68 . . . . .	96,437
1968-69 . . . . .	1,10,734
1969-70 . . . . .	1,33,228
1970-71 . . . . .	2,15,262
1971-72 . . . . .	2,67,266
1972-73 . . . . .	2,76,712
1973-74 . . . . .	8,17,863 (inclusive of Rs. 5,50,545 interest on debts considered good)
	22,32,388

7.13. The total loans outstanding in respect of both feature as well as documentary films (exclusive of interest not taken into account) as on 31st March, 1975 amounted to Rs. 89.16 lakhs (principal) against the paid-up capital of Rs. 50 lakhs.

7.14. The Management stated in a written reply that the Corporation was not satisfied with its present financial position.

7.15. As regards the steps taken to improve the financial position, it was stated:—

“We expect funds from the Government under its agreement with MPEAA (Motion Pictures Export Association of

America). Also the income from the trading activities is proposed to be utilised for the financing activity."

7.16. In this connection, the Ministry of Information and Broadcasting stated in a note as under:—

"It is no doubt true that the financial position of the Corporation is not satisfactory. Nevertheless, lately the Corporation has been earning money by way of commission charges on its trading activities. With a view to improving the financial position, the Corporation propose to inter into the field of exhibition and distribution of the films financed by it in a more business like manner. As mentioned earlier, it is also proposed to give an interest-free loan of **Rs. 45.00 lakhs** to the Corporation.

The former Minister for Information and Broadcasting while replying to supplementaries to Starred Question No. 302 answered in the Lok Sabha on the 12th March, 1975 observed:—

"The Film Finance Corporation has been primarily set up, not so much as to raise money or get back the money but for promoting certain types of films. /Everywhere in the world wherever such institutions have been set up, the consideration of monetary gains is secondary to improvement of standards. The Film Finance Corporation should not be judged from the money that might not have come back or which has also come back but primarily from the point whether they have been able to influence the cinema scene as a whole or not. It has to be looked at from that point."

The Prime Minister, when she was holding charge of portfolio of the I&B Ministry in her letter dated 22st January, 1965, addressed to the then Finance Minister, observed:—

"The Film Finance Corporation does not have merely an investment angle, even more important is the promotional aspect. In spite of its heavy losses, the U.K. Corporation has succeeded in rehabilitating the British Film Industry and in enabling it to successfully withstand competition from Hollywood. We also feel that the Indian Corporation should be in a position to encourage the production of artistic and quality films."

No doubt there is an element of loss in the running of such promotional activities and it is hoped that the passing years, it should be possible to break even."

7.17. The Committee are distressed to find that the Film Finance Corporation has suffered an accumulated loss of Rs. 22.39 lakhs as on 31st March, 1974 against the paid up capital of Rs. 50 lakhs, and the loss suffered in 1973-74 alone amounted to Rs. 15.33 lakhs. The loss would be more by another Rs. 17 lakhs if the interest on the bad debts had been taken into account. The Committee find that while interest on loans is reckoned on an accrual basis on debts considered good, it is taken on cash basis on debts considered doubtful. The Committee do not see the rationale behind the difference in procedure for reckoning interest, as the terms and conditions of loans are the same in either case.

7.18. The Committee also find that the interest is accounted for on cash basis in respect of all debts from 1973-74. The Committee feel that the interest on loans should be on accrual basis only on the balance of loans outstanding from time to time. The Committee suggest that interest be credited on accrual basis. In order, however, to exhibit the fair position, it would be necessary to make provision for such doubtful interest. The Committee also find that the operating expenses are of the order of 25 per cent of loans granted to end of 1973-74 and this in the opinion of the Committee is too high. The expenses have been increasing at a faster rate from 1970 to 1974. The Committee feel that, in view of Government's increased participation by way of equity and the enhanced finances which are being made available, there is need for stricter control over expenditure. For this purpose the Corporation should lay down percentage of expenditure which may be incurred on operations as compared to the total business handled and this percentage may further be subdivided under various activities, like (a) staff and establishment casts, (b) Travelling Allowance, (c) honoraria and fees etc. The Corporation should introduce the system of management accountability and also press into service such management tools as would evolve a contemporaneous scrutiny of the financial operations.

7.19. The Committee suggest that Government's representatives on the Board should also specially go into the financial results of the Corporation and review the performance of the Corporation critically at least once in a quarter with special reference to financial position on the basis of factual data and memorandum circulated in advance by the Management.

7.20. The administrative Ministry should periodically (at least once in six months) review the results of the consideration of the financial position by the Board together with the action taken by the Management on the suggestions of the Board and give their critical comments to the Corporation.

7.21. It has been admitted both by the Management as well as the Ministry that "the financial position of the Corporation is not satisfactory." The Ministry have, however, informed the Committee that with a view to improving the financial position, the Corporation proposes to enter into the field of exhibition and distribution of the films financed by it in a more business-like manner. They also proposes to enter into the field of exhibition and distribution of the

The Committee have given their recommendations in the respective chapters of this report to improve the financial position of the Corporation, streamline the procedure for the grant of loans and bring about an all round efficiency in the working of the Corporation. They have no doubt that if the Management address themselves seriously to the task of implementing the measures recommended by the Committee and the Government also keep a close watch on the implementation of the recommendations and review the performance of the Corporation from time to time, it would be possible for the Corporation to become a viable institution and achieve the objectives for which it was set up.

NEW DELHI ;  
 March 10, 1976  
Phalguna 20, 1897 (S)

NAWAL KISHORE SHARMA,  
 Chairman  
 Committee on Public  
 Undertakings.



## APPENDIX I

(Referred to in Para 2.10)

*Statement showing the cases where 'producers' share was less than 25 per cent of the budgeted cost*

Sl. No.	Name of the film	Date of sanction of loan	Budgeted cost	Producers share	Percentage of Col. 5 to Col. 4	Amount of Corporations outstanding as on 31-3-1974
1	2	3	4	5	6	7
8						
1	Anokhi Beas	25-5-1962	10,04,000	1,50,000	14.94	3,50,000
2	Suktachi Sawali	8-1-1963	1,11,000	22,000	19.82	89,000
3	Nawab Sirajuddaula	8-1-1963	6,47,000	96,000	14.84	4,99,870
4	'Devr	28-9-1964	1,06,500	1,75,000	15.81	5,00,000
5	Sambandh	20-8-1965	17,38,000	2,50,000	14.38	3,50,000
6	Rang Mahal	29-10-1966	21,48,000	5,28,000	24.58	7,00,000
7	Sajan	14-8-1967	37,39,000	8,59,000	22.97	5,00,000
8	Mazli Didi	12-6-1967	14,45,000	1,15,000	7.96	4,00,000
9	Naya Janam	24-6-1968	8,70,000	67,000	7.70	2,00,000
10	Trivandhya	20-3-1970	3,79,750	49,500	13.03	2,15,500
11	Phir Bhi	20-3-1970	4,20,000	45,000	10.71	2,50,000
12						58,186
						Completely written off

1	2	3	4	5	6	7	8
12	Shantana Court Chalu Aabe . . . . .	9-9-1970	1,50,000	35,000	23.33	1,15,000	1,15,000
13	Sambalp . . . . .	16-1-1971	6,80,000	1,00,000	14.71	3,08,964	3,08,964
14	Ek Adhuri Mahani . . . . .	20-3-1970	[2,60,000	60,000	23.08	2,45,913	2,45,913
15	Dak Bangla . . . . .	27-10-1972	3,75,000	62,500	16.67	2,91,000	2,90,990
16	Karant . . . . .	30-8-1971	1,90,000	35,000	18.42	1,60,000	1,60,304
17	**27 Down . . . . .	28-3-1972	[2,75,000	25,000	9.00	3,07,000**	3,06,591
18	Jukti Takko Aar Gappo . . . . .	6-5-1972	2,75,000	50,000	18.19	2,02,200	2,01,508
19	Padatik . . . . .	27-10-1972	3,00,000	50,000	16.67	1,75,000	1,75,000

\*Classified as doubtful of recovery.

@The outstanding amount is exclusive of Rs. 544601 written off in respect of the film (Rs. 65715—Sukhachi Savali and Nawab Sijuddaula Rs. 478886).

\*\*Budgeted cost exceeded and the Corporation granted further loan by releasing distribution rights.

NOTE: In the above cases, the producer's share was decreased from 25 per cent of the budgeted cost by the Board of Directors under the Powers vested in it.

## APPENDIX II

(Referred to in Para 2.12)

*Statement showing the cases where the producer had to depend on outside finance...*

S. No.	Name of the film	Date of sanction of loan	Budgeted cost	Producer's share	Outside finance	Amount of Corporation's Loan	Loan amount as on 31-3-1974
1	Anokhi Baat	25-5-1962	10,04,000	1,50,000	5,04,000	3,50,000	2,00,203 <sup>a</sup>
2	Devar	28-9-1964	11,06,500	1,75,000	4,31,500	5,00,000	..
3	Rang Mahal	20-8-1965	17,38,000	2,50,000	11,38,000	3,50,000	76,823 <sup>a</sup>
4	Sambandh	29-10-1966	21,48,000	5,28,000	9,20,000	7,00,000	53,334
5	Majhli Didi	12-6-1967	14,45,000	1,15,000	9,30,000	4,00,000	..
6	Sajan	14-8-1967	37,39,000	8,59,000	23,80,000	5,00,000	..
7	Naya Janam	24-6-1968	8,70,000	67,000	6,03,000	2,00,000	2,00,000 <sup>a</sup>
8	Trishandhya	20-3-1970	3,79,750	49,500	1,34,250	2,15,500	2,15,500
9	Phir Bhi	20-3-1970	4,20,000	45,000	1,25,000	2,50,000	58,186
10	Sankalp	16-1-1971	6,80,000	1,00,000	3,30,000	3,08,964	3,08,964
11	Dak Bangla	27-10-1972	3,75,000	62,500	21,500	2,91,000	2,90,980
12	Padatik	27-10-1972	3,00,000	50,000	75,000	1,75,000	1,75,000
13	Mansora Bilap	30-8-1971	2,60,000	80,000	30,000	1,50,000	1,38,021

<sup>a</sup>Classified as doubtful of recovery.

### APPENDIX III

(Referred to in Foot Note 7, Para 2-44)

Features Films for which Loans were disbursed upto 31st March, 1974.

Sl. No.	Name of producer	Name of film	Language	Date of sanction of loan	Whether the film released or not	Remarks
1	Shri Trilok Jetly	Go-Daan	Hindi	23-2-1961	Released but did not prove successful at box office.	Part of the loan written off.
2	Rajkumar Kalamandir P. Ltd. Street		Hindi	19-5-1961	Released on 23-12-1961	Loan fully recovered with interest.
3	Shri Sadashive J, Row Kavi Begaana		Hindi	17-11-1961	Released but did not prove successful at box office.	Loan classified as doubtful of recovery and also partly written off.
4	Bombay Movieton P, Ltd.	Amar Jyoti	Hindi	17-11-1961	Do.	Do.
5	Rachna-Films	Pyas	Hindi	9-1-1962	Do.	Loan in arrears.
6	Akash Ganga	Anokhi Beat	Hindi	25-5-1962	Under production from 25-5-1962 and has no chance of completion.	Loan classified as doubtful of recovery.
7	R. R. Dave	Pumar Milan	Hindi	20-7-1962	Released but did not prove successful at box office.	Part of loan written off.
8	A. K. Chakravarti	Apne Huye Paraye	Hindi	20-7-1962	Released on 10-7-1964	Loan fully recovered with interest.

9	Emage films	Char Dham	Hindi	7-9-1962	Under production from 18-10-1962 and has no chance of completion.	Part of loan written off.
10	Gyp. Productions	Biradari	Hindi	7-9-1962	Released on 9-9-1966	Loan fully recovered with interest.
11	Shri Vishwa Bharti Films P. Ltd,	Nai Umar Ki Nai Fasal	Hindi	19-10-1962	Released but did not prove successful at box office	Loan classified as doubtful of recovery.
12	Anand Films P. Ltd,	Asg Aur Pani	Hindi	19-10-1962	Under production from 11-2-1963 and has no chance of completion.	Loan classified as doubtful of recovery.
13	Runchandra Thakur	Nawab Sirajuddaula	Hindi	8-1-1963	Released but did not prove successful at box office.	Do.
14	Raj Rajhi	Arman Bhare Dil	Hindi	8-4-1963	Under production since 1-11-1963 and has no chance of completion.	Do.
15	Rajan Films	Umeed	Hindi	1-6-1963	Under production from 1965	Loan of Rs. 5.99 lakhs is outstanding.
15	Zarith Productions	Noorjehan	Hindi	29-9-1964	Released but did not prove successful at box office.	Loan recovered fully with interest.
17	Mohan Sehgal	Devar	Hindi	28-9-1964	Released on 11-3-1966.	Do.
18	Bimal Roy Pictures	Do Duni Char	Hindi	29-5-1965	Released but did not prove successful at box office.	Part of the loan classified as doubtful of recovery.
19	Indian National Pictures	Prapanch	Bengali	21-6-1965		Loan recovered fully with interest.
20	U. N. Productions	Rang Mahal	Hindi	20-8-1965	Under production from 29-9-1966 and has no chance of completion.	Loan classified as doubtful of recovery.
21	K. G. Pictures	Majhli Didi	Hindi	12-6-1967	Released on 9-2-1968.	Loan recovered fully with interest.

22.	Mohan Segal	.	Sajan	Hindi	14-8-1967	Released on 1-8-1969	Do.
23.	Vidushak	.	Ghoom Bhangar Gaan	Bengali	7-9-1962	Released but did not prove successful at box office.	Part of the loan written off.
24.	R.D.B. & Co.	.	Saat Pake Bandha	Bengali	19-10-1962	Released on 22-3-1963	Loan recovered fully with interest.
25.	Dibitri Films P. Ltd.	.	Swarga Hotey Bidey	Bengali	13-7-1963	Released but did not prove successful at box office.	Loan classified as doubtful of recovery.
26.	Filmkraft P. Ltd.	.	Panchaswar	Bengali	3-4-1964	Released but did not prove successful at box office.	Loan of Rs. 35703/- is outstanding.
27.	R.D.B. & Co.	.	Charulata	Bengali	11-2-1964	Released on 17-4-1964	Loan fully recovered with interest.
28.	Do.	.	Kaanch Kata Heeray	Bengali	30-11-1964	Released in 18-2-1966.	Do.
29.	Do.	.	Nayak	Bengali	28-1-1966	Released on 6-5-1966.	Do.
30.	Sudhir Mukherji	.	Andhar Surya	Bengali	28-4-1967	Released but did not prove successful at box office.	Loan of Rs. 9948/- is outstanding.
31.	Purnima Pictures	.	Goppy Gyne Begha Byne	Bengali	8-3-1968	Released on 8-5-1969.	Loan fully recovered with interest.
32.	R. Nagendra Rao	.	Vijayanagaradha Veeraputhra	Kannada	5-4-1961	Released but did not prove successful at box office.	Loan classified as doubtful of recovery.
33.	B. Radhakrishnan	.	Sant Tukaram	Kannada	20-7-1962	Do.	Part of the loan written off.
34.	M. V. Krishnaswamy	.	Subba Shastry	Kannada	3-4-1964	Do.	Loan classified as doubtful of recovery.

44. M. Laxmipathy	. Kadavul Thantha Selvam	Tamil	14-8-1967	Under production from 15-11-1968.	There are no chances of completion of the film. Even if the film is com- pleted, the chances of re- covery of the loan are sta- ted to be dim on account of several disputes, claims and liabilities attached to the film.
36. Chitra Sharda	. Te Maze Ghar	Marathi	6-4-1962	Released but did not prove successful at box office.	Part of the loan written off.
37. Chitra Niketan	. Fakira	Marathi	20-7-1962	Do.	Loan classified as doubtful of recovery.
38. B. G. Pendharkar	. Maratha Tituka Melvava	Marathi	15-11-1962	Do.	Do.
39. Gejjanan Jagirdar	. Suthachi Savali	Marathi	8-1-1963	Do.	Part of the loan written off.
40. M. G. Datar	. Tuka Zalase Kalas	Marathi	8-1-1963	Released on 2-4-1965	Loan fully recovered with interest.
41. Rajkamal Kalamandir P. Ltd.	. Iye Marathichiye Nagari	Marathi	11-2-1964	Released on 18-3-1966	Do.
42. V. M. Jogekar	. Shevacha Malusara	Marathi	29-11-1965	Released on 19-8-1966	Loan fully recovered with interest.
43. Subhod Chitra	. Chhota Jawan	Marathi	1-6-1963	Released on 13-3-1964	Do.
44. Rajat Films	. Akhand Saubhagyavati	Gujarati	20-7-1962	Released on 1-5-1964	Do.
45. Smt. Parabati Ghose	. Kas	Oriya	14-7-1963	Released on 15-4-1966	Do.
46. P. P. Maheshwary	. Sutlej De Kande	Punjabi	25-5-1962	Released but did not prove successful at box office	Loan classified as doubtful of recovery.
47. S. Mubherji Film Syn- dicate P. Ltd.	. Sambandh	Hindi	29-10-1966	Do.	Do.

1	2	3	4	5	6	7
48.	Roopa Rekha	Janmabhoomi	Malayalam	3-12-1966	Released but did not prove successful at box office.	50 per cent of loan classified as doubtful of recovery.
49.	Panchasaka Pictures	Kie Kabara	Oriya	25-2-1967	Released on 30-8-1968.	Loan fully recovered.
50.	Zul Vellani	Naya Janam	{Hindi	24-6-1968	Under production from 18-9-1968 and has no chance of completion.	Loan classified as doubtful of recovery.
51.	Mrital Sen	Bhuvan Shome	Hindi	13-9-1968	Released on 16-10-1969.	Loan fully recovered.
52.	Basu Bhattacharya	Anubhav	Hindi	30-12-1968	Released in April, 1972.	Do.
53.	Girnar Chittrakala	Bahuroopi	Gujarati	30-12-1968	Released on 25-12-1970 but did not prove successful at box office.	Part of the loan in arrears.
54.	Rajinder Singh Bedi	Dastak	Hindi	17-2-1969	Released in August, 1971.	Loan fully recovered.
55.	L. D. Manohar	Aliya Toofan Daryala	Marathi	17-2-1969	Under production from 28-3-1969.	Loan in arrears.
56.	Kantilal Rathod	Kamku	Gujarati	17-2-1969	Released on 5-3-1971.	Loan in arrears
57.	Beasu Chatterji	Sara Akash	Hindi	2-8-1969	Released in April, 1971.	Do.
58.	Babu Lal Doshi	Adina Megha	Oriya	7-6-1969	Released on 30-1-1970.	Loan fully recovered.
59.	Rochak Pandit	Uski Roti	Hindi	27-9-1969	Completed but not released.	Loan in arrears.
60.	Arun Kaul	Ek Adhuri Kahani	Hindi	20-3-1970	Completed and released in November, 1972.	Do.



61. Shivendra Sinha	. Phir Bhi	Hindi	20-3-1970	Completed and released in December, 1972.	Loan not yet due for recovery.
62. Prem Kapoor	. Badnam Basti	Hindi	20-3-1970	Released in January, 1972.	Loan in arrears.
63. Raj Marbros	. Trisandhya	Malayalam	20-3-1970	Under production from 1-10-1970.	Do.
64. Chetan Anand	. Heer Ranjha	Hindi	27-9-1969	Completed and released in June, 1970.	Loan in arrears in part.
65. Smt. Arundhati Devi	. Padi Pisir Barmi Baksha	Bengali	15-6-1970	Completed and released in November, 1972.	Loan in arrears.
66. Maani Kaul	. Ashad Ka Ek Din	Hindi	9-9-1970	Completed but not released.	Do.
67. Satyadev Govind Prod	. Shantate Court Chalu Ahe	Marathi	9-9-1970	Released in November, 1971.	Loan in arrears.
68. Arjun Dev Rashk	. Sha-Sha	Hindi	28-11-1970	Under production from 26-3-1971.	Loan has not fallen due for repayment.
69. Gejanan Jagirdar	. Donhi Gharcha Pabuna	Marathi	20-11-1970	Released in October, 1971.	Loan in arrears.
70. Chidananda Desgupta	. Bilet Pherat	Bengali	20-3-1970	Under production from 28-6-1970.	Loan in arrears.
71. Suresh Saigal	. Senhalp	Hindi	16-1-1971	Under production from 3-2-1971.	Loan has not fallen due for repayment.
72. Arvind Kumar Sinha	. Grabhan	Hindi	3-4-1971	Under production.	Do.
73. Kumar T. Sahani	. Mays Durpan	Hindi	3-4-1971	Completed but not released	Do.
74. Chitraketha Films Co-opera-tive Ltd.	. Swaysambaram	Malayalam	15-6-1970	Released on 24-11-1972.	Loan in arrears.
75. Shri Niraajan Patnalk	. Mansara Bilap	Oriya	30-8-1971	Under production from May, 1972.	Loan has fallen in arrears from May, 1974.

1	2	3	4	5	6
76.	Shri Girish Vaidya	. Aakrant	Hindi	30-8-1971	Released in Oct., 73 and the entire loan has fallen in arrears.
77.	Shri M/s. Unit 3 MM	. Garam Hawa	Urdu	28-3-1972	Released in March, 74 and is under exploitation.
78.	Shri Avtar Kishan Kaul	. '27 Down'	Hindi	23-3-1972	Completed and released in April, 1975.
79.	Shri Rameshwaraiya	. Guno Sundari No Ghar Samasar	Gujarathi	28-3-1972	Loan fully recovered.
80.	M/s. Rito Productions	. Jukti Takko Aar Gappo	Bengali	6-5-1972	Completed but not released. Loan fallen in arrears July, 1974.
81.	M/s. Kavya Chitra	. Dhakom	Tamil	3-4-1971	Failed at Box Office, Loan in arrears.
82.	Shri Mirnal Sen	. Padatik	Bengali	27-10-1972	Failed at Box Office. Loan in Arrears.
83.	Shri Grish Ranjan	. Dak Bangla	Hindi	27-10-1972	Completed but not released.
84.	Semantar Chitra P. Ltd.	. Parinay	Hindi	10-3-1973	Completed and released in March, 1975.
85.	Shri Mani Kaul	. Dwivadhya	Hindi	28-6-1973	Completed but not released.
86.	Shri S. S. Rao	. Dikbatra Parvati	Tamil	28-6-1973	Failed at Box Office.

\*In respect of these films Dena Bank had advanced Rs. 75 lakhs each on giving guarantee of repayment by the Corporation.

## APPENDIX IV

(Referred to in para 2.52)

(i) Pending Applications as on 31-3-1973

S. No.	Name of Producer	Name of film & language	Loan applied for	Date of receipt
1.	Standard Films . . .	"Kahani Ek Payar Ki" (Hindi)	5,00,000	15-5-1970
2.	Shri Inder Tekchandani	"Diary Ka Khel" (Hindi)	2,50,000	20-6-1972
3.	Shri Shyamal Guha . . .	"Taser Desh" (Bengali)	2,50,000	12-6-1972
4.	Chandra Prasad Films . . .	"Do Mahine" (Hindi)	2,50,000	{ 18-8-1972
5.	Shri Jata Shankar . . .	"Shri Krishna Shankar Yudha" (Hindi)	1,45,000	28-8-72
6.	Shri Bimal Dutt . . .	"Shyamalee" (Hindi)	2,50,000	{ 28-8-1972
7.	Shri Janardhan Naik . . .	"Maze Jeevan Gene" (Marathi)	2,50,000	30-8-1972
8.	Shri Manjit Singh . . .	"Ek Inch Muskan" (Hindi)	1,50,000	13-10-1972
9.	Shri K. Premsinh Verma	"Himalayan Wilderness" (DoC. in English)	2,50,000	26-10-1972
10.	M/s. Film-o-Pub . . .	"Barna Biberna" (Bengali)	1,37,340	26-10-1972
11.	Shri Bireswar Bose . . .	"Bisarjan" (Bengali)	1,50,000	9-12-1972
12.	Shri Jagdish Saivpuri . . .	"Agat" (Hindi)	1,50,000	9-12-1972
13.	Bangalore Films Int. . .	"Dr. Shanta in Bengla Desh" (Kannada)	75,000	9-12-1972
14.	Shri A. G. Hiregeudar . . .	"Ratnakara" (Kannada)	2,45,000	9-12-1972
15.	Shri Suvendu Ghose . . .	"Dwip" (Hindi)	2,50,000	19-12-1972
16.	Shri Prashant . . .	"Chameli" (Hindi)	2,50,000	21-12-1972
17.	Shri S. Magarajan . . .	"Pournima Nilayu" (Tamil)	1,50,000	21-12-1972
18.	J.K. Productions . . .	"Is Desh Ka Yaro Kya Kahna" (Hindi)	2,50,000	23-12-1972
19.	S.R.B. Productions . . .	"Jeevan Ke Rakam" (Bengali)	1,50,000	9-1-1973

S. No.	Name of Producer	Name of film & language	Loan applied for	Date of receipt
20.	Shri S.P. Nathan	"Pudiya Padhai" (Tamil)	1,50,000	9-1-1973
21.	Bimal Dey	"Je Jekhane Dunria" (Bengali)	1,90,000	23-1-1973
22.	Ram Gabale	"Vande Mataram" (Hindi)	2,50,000	23-2-1973
23.	M.C. Binayake	"Tyag Patra" (Hindi)	2,50,000	3-3-1973
24.	Kumar Vasudev	"Wah Re Insaan" (Hindi)	2,52,000	10-3-1973
25.	T.N. Bhardwaj	"Teen Kinare" (Hindi)	2,50,000	17-3-1973
26.	Miss Suhasini Mulay	"Nana" (Marathi)	2,50,000	28-2-1973
27.	Singitam Srinivasa Rao	"Dikkatra Parvathi" (Tamil)	1,50,000	16-2-1973
			58,17,340	

## (ii) Pending Applications as on 31-3-1974

1.	Standard Films	"Kahani Ek Pyar Ki" (Hindi)	5,00,000	15-5-1970
2.	A.G. Hiregoudar	"Ratnakara" (Kannada)	2,45,000	9-12-1972
3.	T.N. Bhardwaj	"Teen Kinare" (Hindi)	2,50,000	17-3-1973
4.	Miss Suhasini Mulay	"Nana" (Marathi)	2,50,000	28-2-1973
5.	Urvashi Chitram	"Barbodhu" (Bengali)	2,50,000	18-4-1973
6.	C.D. Udayan	"Aswathy" (Malayalam)	1,50,000	12-5-1973
7.	Mobin Ansari	"Garhwali" (Hindi)	2,50,000	26-7-1973
8.	Vinay Shukla	"Ek Aur Hindustan" (Hindi)	2,50,000	26-5-1973
9.	R. Jayaraman	"The Rain Must Come" (Tamil)	1,47,895	29-5-1973
10.	Ismail Merchant	"Train to Pakistan" (Hindi)	5,00,000	4-6-1973
11.	Sankar Bhattacharya	"Kolkata Ek Ritu" (Bengali)	2,00,000	18-6-1973
12.	S. Venugopal	"Jagruthi" (Telugu)	1,50,000	12-7-1973
13.	M/s. Pallavi	"Mayil" (Tamil)	1,54,889	12-7-1973
14.	Chandrakant Lotia	"Sanjiv" (Hindi)	2,50,000	14-7-1973
15.	Hari S. Gupta	"Production No. 2" (Bengali)	1,90,000	14-7-1973
16.	M/s. Films (V.V. Ghotge)	"Parikrama" (Marathi)	2,00,000	14-7-1973
17.	Usha International	"Neem Tree" (Hindi)	2,50,000	19-7-1973

S. No.	Name of Producer	Name of film and language	Loan applied for	Date of receipt
18.	Satyanand Rao . . .	"KyaNaam" (Hindi)	1,50,000	26-7-1973
19.	Unity Films . . .	"Sapne" (Hindi)	2,50,000	26-7-1973
20.	Hindustan Films . . .	"Tinka Aur Tufan" (Hindi)	2,50,000	11-9-1973
21.	Udgam Chitra P. Ltd. . .	"Chani" (Hindi)	2,50,000	13-9-1973
22.	Ramesh Dani . . .	"Mansai Na Diwa" (Kannada)	2,00,000	13-9-1973
23.	T.P. Rama Reddy . . .	"The Wild Wind" (Kannada)	1,50,000	15-10-1973
24.	Anamika Arts . . .	"Deh Gandh" (Hindi)	1,48,995	15-10-1973
25.	R. Dharamsingh . . .	"Antardvand" (Hindi)	2,50,000	9-11-1973
26.	Sharat Productions . . .	"Kohima" (Hindi)	2,50,000	9-11-1973
27.	Vithaldas Panchetla . . .	"Bada Kaun" (Hindi)	2,41,000	1-12-1973
28.	K. Kanekar . . .	"Mamachya Gavala Jao Ya" (Marathi)	1,41,635	1-1-1974
29.	K.R. Mohanan . . .	"Aswathamavu" (Malayalam)	1,50,000	1-1-1974
30.	Suraj Purohit . . .	"Teetra Gavah" (Hindi)	2,16,000	6-1-1974
31.	Bimal Dutt . . .	"Kasturi" (Hindi)	4,50,000	24-1-1974
			72,86,414	

(iii) *Applications pending as on 31-4-1975*

1.	Standard Films . . .	"Kahani Ek Payar Ki" (Hindi)	5,00,000	15-5-1970
2.	MissSubasini Mulay . . .	"Naa" (Marathi)	2,50,000	28-2-1973
3.	Mobin Ansari . . .	"Gharwali" (Hindi)	2,50,000	26-5-1973
4.	V.V. Ghotge . . .	"Parikrama" (Marathi)	2,00,000	14-7-1973
5.	R. Gopalakrishnan . . .	"Amma Vanthal" (Tamil)	3,50,500	2-7-1974
6.	Sagar Sarbadi . . .	"Sham-e-Ghas m" (Hindi)	4,50,000	10-7-1974
7.	Prashant . . .	"Mangala" (Hindi)	2,50,000	28-10-1974
8.	Chitra Bharat . . .	"Sooravali" (Tamil)	4,55,010	4-11-1974
9.	Anand Chitra . . .	"Manvrindavan" (Marathi)	4,50,000	6-12-1974

S. No.	Name of Applicant	Name of film and language	Loan applied for	Date of receipt
10.	Kavita Chitra	"Pratishod" (Hindi)	2,15,300	16-12-1974
11.	Joy Mathew	"Vrishchikkattil" (Malsyalam)	1,50,000	2-2-1975
12.	B.R. Rout]	"Neela Hrada" (Oriya)	2,50,000	6-3-1975
			<u>37,80,810</u>	

## APPENDIX V

(Referred to in Para 2.76)

*Suggestions by the Government Representative on the Board of Directors on the note prepared by Corporation on the proposals for counter balancing the losses in financing the production of films.*

It is true that production of films is always a risky venture and, therefore, the business of financing of the production of films has an inherent element of risk in it. It should, however, be appreciated that the Film Finance Corporation Ltd. with its expert technical staff should be in a position to assess the financial risk involved in the production of particular films which the Corporation propose to invest in.

2. There may, however, be cases where the Film Finances Corporation may knowingly accept the risk of financing production of a film which they expect to be of high artistic value, though it may not turn out to be a financial success at the box-office. In such cases it should be ensured that the script is of really high artistic quality, the Director is a highly competent person and the photographers and other technicians and the artistcs are really competent people. It is not necessary in such cases that the stars should be 'famous films stars in fact the FFC need not go into the business of financing films in which leading roles are played by top flight film stars in the country because their charges are very high.

2.1. In the case of films of high artistic quality, a rigorous standard should be followed in estimating costs so that the investment of the FFC may be kept down to the minimum and in actual practice the cost of the film does not as often happens exceed the cost estimates before the sanction.

3. It would perhaps be not quite correct to say that all the films or even most of the films financed by the FFC have been films of high artistic value.

4. A more detailed analysis of films already financed by the FFC should be made so as to identify the films which are of high artistic value calculated to improve the tone of Indian films generally. That done, a detailed scrutiny should be made to ascertain which of these

films incurred losses and how much and also whether any of them were box office successes.

5. Instead of lumping of the figures of profits and losses on annual basis it would have been better if the figures of total cost, investment by FFC, total sale proceeds, etc. of few films each year (selected at random) could be stated so that the Directors could have an idea as to how risky that the business of financing films really is.

6. What has been stated in the last sentence of para 6 of the note is very important. This statement points to the obvious conclusion that until recently vigorous efforts were not made for recovery of loans and adequate precaution was not exercised before sanctioning loans. This is rather serious. The directors, would, therefore, like to know in greater detail the steps that are being taken now in every case for timely recovery of loans. They would also like to know exactly what precautions are being adopted now before sanctioning any loans.

7. In regard to the statement in para 8 of the note, I, for one, am not prepared to accept the vague statement that "It is stated generally that 60 to of 100 films fail to recover their investment". Such a statement can only be accepted on the basis of convincing data. It is also to be remembered that it is not easy to get accurate accounts relating to the income and expenditure for films produced by private Producers.

8. In para 8 of the statement a comparison has been sought to be made with the National Film Finance Corporation of the United Kingdom. Such a comparison will not be very relevant unless the context is stated clearly. I mean, the details of the activities of the National Film Finance Corporation of the United Kingdom, their aims and objectives and so on have to be compared with the relevant traits of the FFC along with a comparison between the British Film Industry and Indian Film Industry as a whole. It is only in a such context that a comparison of the nature that is sought to be made in para 8 of the note can become meaningful and convincing.

9. There is no doubt, as has been stated in para 10, that the promotional aspect of films of artistic value should be given due consideration by the FFC. It is also necessary to support talented artistes who wish to produce films of non-conventional (i.e., avant grade) types but have no resources of their own and cannot get any financial help from private financiers. But I would like to know how many of the films produced by the FFC are of really high artistic



value and in how many of these films have really talented artistes taken part.

10. It has been stated, *inter alia*, in para 12 that "the films financed by the Corporation generally do not have well-known artistes, directors, or music directors, who often act as magnets at the box-office". Is this statement quite correct? I have my doubts. As a case in point I will quote the example of the film "Nayak".

11. I do not very much appreciate the idea of the FFC entering into the business of constructing opulent theatres in metropolitan cities at a cost of rupees 45 lakhs each. That, would perhaps run counter to the basic aims and objects of the FFC. The FFC should, rather, go in for building (if funds are made available to it for the purpose) of relatively low-cost cinema houses in good number so that it may have within five years or so at its command a sizeable exhibition out let for the films in which it invests money.

12. In regard to the conclusions noted in para 17 summarising the proposals for counter-balancing the losses suffered by the Corporation, I must express my disagreement. I could not agree more with Shri B. K. Karanjia that "A distinction between commercial and artistic films is not a valid one. A commercial film can be artistic, and *vice versa*".

13. In the matter of opening distribution offices in all territories, I think that FFC should only hasten slowly. In the course of time the FFC will, of course, have to have, if it is to service, distribution offices at various metropolitan centres, if not also at all the State Capitals. To start with, however, FFC should concentrate on finding adequate exhibition outlets.

13.1. That is why I would recommend the 4th suggestion noted in para 17 of the note about construction of new theatres. Subject to what I have stated in para 11 above. The FFC theatres should be utilitarian and low-cost ones so that over a period of 10 years from now, the FFC may have (if funds are made available for an initial investment) at least 50 if not 100 theatres of its own spread in different parts of the country. There are not a few theatres languishing for business in different parts of the country. I have seen some such theatres even in Calcutta. FFC should consider taking over the management of these theatres on long-term lease instead of outright purchase.

14. I would recommend a scheme of financing purchase of production/projection equipment only if the scheme does not amount to

carrying coal to new castle. Such financial help should be made available only to dependable and competent but impecunious directors and producers. FFC might also consider grant of adequate financial help to well-organised cooperative societies formed by really competent film directors, technicians etc."

*Extracts from the Minutes of the Board meeting held on 7th June, 1969 at Bombay.*

4. (Item 7 of the Agenda).

*Proposals for counter-balancing losses;*

The Board considered the Secretary's note dated 1st May, 1969, the acting Chairman's comments thereon and the views expressed by Shri S. K. Ghose circulated to it.

The Board agreed in principle that there was an element of risk in the business and losses were therefore inevitable. It was then decided that Government should be requested to subsidise some portion of losses suffered, in carrying out the promotional objectives of the Corporation.

After discussion, the Board made the following recommendations on the proposals indicated in the Secretary's Note and directed that the same be forwarded to the Government:—

(i) The Board did not favour maintenance of 2 separate accounts—one for grant of loans to producers for production of films of commercial value and the other for giving grants or subsidies to producers for making films of artistic value.

The Board felt that the losses could be reduced by following the policy of granting small loans upto Rs. 2 to 2-1/2 lakhs and the Government should be requested to subsidise 10 per cent of such losses. It was decided that loans in excess of Rs. 2-1/2 lakhs should be granted only if there was some collateral security, besides the negatives of the film.

(ii) The Board approved the proposal to finance purchase of production and projection equipment to theatre, laboratory and studio owners. It was decided to consider allotting further funds for the purpose, after the entire amount of Rs. 5 lakhs set apart for the same, was disbursed.

(iii) The Board agreed with the proposal for opening distribution offices in all the territories for distributing films financed by the Corporation, as and when necessary.

(iv) The Board also agreed with the proposal to construct or purchase theatres with moderate capacity and low cost all over the country, and directed that these proposals should be forwarded to Government, after taking into consideration, comments of Shri K. Subramanyam, submitted to the Corporation earlier.

The Board directed that the Secretary should work out the financial implications of the proposals approved by the Board at (ii), (iii), and (iv) and forward the same to the Government, after getting the same approved by the Acting Chairman.

APPENDIX VI

(Referred to in Para 2-120)

Statement of Awards and Decrees

Sr. No.	Film	Due Date of repayment	Date when referred to Arbitrator	Date of Award from Arbitrator	Date of obtaining Decrees from the Court	Period of delay	Amount outstanding
1	Umeed . . . . .	25-2-66	23-11-66	18-4-67	22-12-67	9	5'99 written off
2	Amar Jyoti . . . . .	6-6-63	7-5-70	14-8-70	11-9-71	83	5'48 " "
3	Begana . . . . .	19-6-63	26-4-65	14-7-65	24-9-65	22	1'25 " "
4	Te Maze Ghar . . . . .	28-4-63	12-10-65	5-4-66	10-4-68	18	0'62 (0'51 written off)
5	Fakira . . . . .	30-6-63	24-4-65	14-7-65	10-12-70	22	1'18 (Doubtful)
6	Vijayanagaradha Vecraputhra . . . . .	19-1-62	1-8-67	31-8-67	31-8-68	67	0'26 (D.O.)
7	Nai Umar Ki Nai Fasal . . . . .	22-1-64	14-5-68	..	..	52	..
8	Sukhechi Savali . . . . .	8-2-64	12-8-65	2-3-66	9-11-68	18	0'68 (0'66 written off)

9	Maratha Tituka Melvava	19-3-74	..	..	30-11-71	..
10	Swarga Hotey Biday	12-4-64	22-8-67	15-2-68	31-8-68	40 0.56 (doubtful)
11	Nawab Sirejuddaulah	31-3-65	7-5-70	26-8-70	23-3-71	61 4.79 (written off)
12	Sutlej De Kerde	30-10-63	22-8-68	4-8-70	..	58 (written off)
13	Subba Shastri	5-3-67	22-3-68	24-4-68	6-2-69	12 1.38 (doubtful)
14	Panchaswar	13-3-68	4-11-81	1-4-71	12-9-71	32 22.19
15	Jenmabboomi	14-3-69	30-9-70	13-2-71	..	18 0.36
16	Andhar Sacya	25-8-69	4-11-70	1-4-71	12-11-71	15 0.10
17	Bahuroopi	5-1-71	2-7-71	21-11-71	25-8-72	5 0.71
18	Anokhi Baat	18-2-65	20-6-69	29-7-69	3-5-71	52 2.00 (doubtful)
19	Arman Bhara Dil	31-10-64	20-6-69	29-7-69	24-4-70	56 3.42 ( " )
20	Rang Mahal	26-9-68	19-6-69	..	..	9 ..
21	Naya Janan	13-9-70	4-11-70	1-4-71	12-11-71	2 2.00 ( " )
22	Char Dham	18-2-65	18-10-65	4-8-66	23-6-67	8 (0.80 (Written off))
23	Punar Milan	4-9-65	24-11-65	..	..	2 1.
24	Ghum Bangar Gaan	23-3-65	30-10-65	16-11-66	26-4-68	7 1.73 (written off)
25	Go Daan	23-2-64	2-9-65	31-1-67	..	18
26	Sant. Tubaram	19-10-65	17-3-65	30-11-66	..	5
27	Aag Aag Punt	10-2-64	3-11-66	20-2-67	20-12-68	33 2.34 (doubtful)
28	Pyaas	14-10-63	..	..	..	..

1	2	3	4	5	6	7	8
29	Do Dooni Char . . . . .	14-6-66	6-9-74	..	..	98	..
30	Sembesadh . . . . .	..	..	31-3-68	29-11-74	1-4-65	80
31	Kadavul Thantha Schwam	..	..	15-11-70	5-3-75	..	51
32	Aliya Tufan Daryala . . . . .	..	..	28-3-71	..	..	..
33	Kanku . . . . .	..	..	15-5-71	11-9-74	1-11-74	40
34	Sara Abash . . . . .	..	..	23-9-71	10-5-74	5-6-74	31
35	Heer Ranjha . . . . .	..	..	31-10-71	24-4-73	26-8-73	18
36	Utki Roti . . . . .	..	..	20-11-71	..	..	..
37	Ek Abdul Kahani . . . . .	..	..	22-10-72	8-11-74	14-2-75	24
38	Trisandhya . . . . .	..	..	1-10-72	25-3-75	3-5-75	30
39	Ellet Phetat . . . . .	..	..	20-6-72	8-11-74	6-3-75	28
40	Sadhun Besti . . . . .	..	..	3-9-72	4-12-74	28-2-75	26
41	Shantata Court Chalu Aabe . . . . .	..	..	15-12-72	25-3-75	..	28
42	Padi Pahir Barmi Bakshe . . . . .	..	..	30-12-72	29-11-74	14-3-75	23
43	Dhakom . . . . .	..	..	23-3-74	7-4-75	..	12
44	Dombi Gharcha Pahuna . . . . .	..	..	20-1-73	8-10-74	1-11-74	20

NOTE 1. Two films "Noorphan" and "Gopi Gyne sand Begha Byne" which featured in the list upto 1971-72 have been fully rapid and therefore deleted.

NOTE 2. Court decrees awaiting execution since 1967 are 2 cases instead of 1 case shown earlier in the Review by reducing one case since 1969. Film at Srl. 19—court decree taken on 24-4-70 was not taken in the review earlier.

APPENDIX VII

(Referred to in para 2.126)

*Progress made with regard to the execution of decrees obtained against the loanes,*

S. No.	Name of film	Progress made
1	2	3
1	"Umeed"	The decree was not executed because after obtaining arbitration award. the Corporation spent further funds and allowed the Producer to raise loans from private financier for completion of the film.
2	"Amir Jyoti"	Decree passed on 11-9-1971. The certified copy of the decree was obtained by our Solicitors only in September 1972 as a length-procedure had to be undergone by then. The decree was against the Producer-Company. The Managing Director (Shri Ramanlal B. Desai) was guarantor, against whom it was necessary to file a suit. The Company had no assets & execution of decree would not have brought back our dues. The entire outstanding amount has been written off as bad debt, and we have asked our Solicitors to take winding up proceedings against the Producer Company.
3	"Begaana"	There was no delay in obtaining mining decree. But the same was not executed because the Producer was repeatedly making settlement proposals which were being accepted by the Board, and hence the execution kept in abeyance.
4	"Te Maze Ghar"	"The Corporation's Solicitors have been advised to transfer the decree to wait for execution.
5	"Fakira"	Delay in obtaining decree was due to office procedure involved. Some of the partners/guarantors resided out of Bombay, and hence the Solicitors were requested to transmit the decree to the respective courts. We also appointed legal practitioner who gave his report about the partners/guarantors properties out of Bombay. The work of execution could not be done by Mr. Anitirdu, to ill-health. In the meantime, the Sub-Committee on recovery of loans, decided in June 1974, not to have the decree transferred to Ahmednagar.

1	2	3
5	"Vijayanagaradha Veeraputhra"	The decree is being transferred to Madras for execution. The producer came forward with a settlement proposal. If there is undue delay on the part of the producer in taking action as per the settlement proposal, the Corporation will initiate insolvency proceedings against him.
7	"Sukhachi Savali"	The decree was not executed because the producer's settlement proposal was accepted by the Board, and he has repaid the dues as per settlement.
8	"Swarga Hotey Biday"	The guarantor has challenged with decree and the matter is <i>sub-judice</i> . Hence it is not possible to execute the decree.
9	"Nawab Sirajudaulah"	The film was auctioned in terms of decree which did not fetch appreciable amount. The non-commercial rights were sold for Rs. 10,000/-. Enquiries revealed that the Producer has no assets. Hence the outstanding amount was written off as bad debt.
10	"Sulej De Kande"	A decree has been obtained against the heirs of the Production (who has expired). The Sub-Committee has recommended that further legal action would not be in the interest of the Corporation and the amount should be written off.
11	"Subba Shastry"	Our Solicitors have been requested to transfer the decree to Bangalore for execution.
12	"Pancharwar"	Substantial portion of the dues has been recovered from the guarantors viz. West Bengal Govt. A nominal amount is received from them for which the matter is being pursued. In view of this the decree is not executed.
13	"Andher Surya"	Same as in the case at Serial No. 18.
14	"Bahuroopi"	The decree has not been executed because one of the judgements debtors, the distributor has made a settlement proposal which has been accepted.
15	"Anokhi Baat"	The Sub-Committee of recovery of loans directed that insolvency proceedings should be initiated against one of the partners which has been done and he has been declared insolvent.
16	"Arman Bhaare Dil"	The decree was not executed because the producer came forward with a settlement proposal. Since no positive reasons has been



1	2	3
		received from the producer in this respect, the Corporation has instructed its Solicitors to proceed further with the insolvency proceedings against the Producer.
17	"Naya Janam"	Insolvency proceedings have been instituted against the Producer through our solicitors.
18	"Char Dhamm"	The producer has been declared as insolvent.
19	"Ghoom Banga Gaan"	The Solicitors at Calcutta have been requested to execute the decree.
20	"Aag Aur Pani"	The Corporation as attached certain properties in Anand and Nadiad in execution of the decree and the application for raising the attachment filed in the Court at Baroda by certain parties who claim to be the true owners of the attached properties is still pending. In view of the protracted nature of legal proceedings, the Corporation is considering settling the matter with the producers.

## APPENDIX VIII

(Referred to in Para 2.142)

### CONSTITUTION OF SCRIPT COMMITTEE

1. Chairman of the Corporation.

2. A Producer or Director from the film industry to be coopeded by the Chairman for every meeting from the following panel:—

1. Shri Subodh Mukherji
2. Shri Vasant Joglekar
3. Shri Rajinder Singh Bedi
4. Shri Givind Saraiya
5. Shri Nasir Hussain Khan

3. Regional Officer or Additional Regional Officer or Shri V. S. Shroff of the Board of Film Censors.

4. Three members from the Panel of Referees to be co-opetd by the Chairman for every meeting, keeping in view the language of the script to be examined from the following panels:—

HINDI :

1. Shri Krishanan Chander
2. Shri Inder Raj Anand
3. Miss Leela Naidu
4. Shri B.D. Garga
5. Shri Bikram Singh
6. Princess Indira Dhanraj Girji
7. Shri Akhtar Mirza
8. Shri S. J. Banaji
9. Shri Ajit Merchant
10. Shri Feroz Rangoonwalla
11. Shri Minaxi Mehta
12. Smt. Urvashi J-Sur

13. Shri Arun Kaul
14. Mrs. Irene Hereia
15. Shri Nabendu Ghosh
16. Shri Pragji Dossa
17. Shri Vijay Tendulkar
18. Shrimati Kapila Khandcala
19. Shri Dnyaneshwar Nadkarni
20. Shri Murli Trakur
21. Shri Phanni Majumdar
22. Smt. Laxmi Krishna Mohan (Wabi)
23. Shri Narendra Sharma
24. Smt. Kusum Chhatrapathi
25. Shri Styendra Sherat
26. Shri Arvind Kumar
27. Shri Kamleshwar
28. Smt. Shama Zaidi
29. Shri C.L. Dbeer
30. Smt. Kumud Mehta
31. Shri Sagar Sarhadi

#### BENGALI :

1. Shri Nabendu Ghosh
2. Shri Phani Majumdar
3. Bengali Com. Writer of F.D.
4. Mrs. Irene Heredia
5. Shri A.K. Banerjee
6. Shri Bimal Dutt
7. Smt. Monobina Roy

#### MARATHI :

1. Shri A. Bhaslar Rao
2. Shri G.D. Madgulkar
3. Smt. Kapila Khandwala
4. Smt. Sarla Banerjee
5. Smt. Minaxi Mehta
6. Shri Dajee Bhatwadekar
7. Shri Vijay Tendulkar
8. Shri Dnyaneshwar Nad Kar
9. Smt. Leela Jog
10. Dr. (Mrs.) Charusheela Gupta
11. Shri S. G. Tamhankar
12. Smt. Kumud Mehta

#### GUJARATI :

1. Smt. Sarla Banerji
2. Shri A.B. Yajalk
3. Gujarati Commentary Writer of F.D.

4. Smt. Kapila Khandwala
5. Smt. Minaxi Mehta
6. Smt. Madhuri R. Shah
7. Shri Gulabdas Broker
8. Prof. Mutli Thakur
9. Shri Pragji Dossa
10. Smt. Kumud Mehta
11. Smt. Kusum Chhatrapathi

**TAMIL :**

1. Tamil Com. Writer of F.D.
2. Shri. R.K. Ramachandran
3. Shri J.A. Dharmā
4. Shri C.V. Gopal
5. Shri Subrahmanya Shastri
6. Prof. T.V. Ramanujam
7. Shri V. Ishwaran
8. Shri T.V. Chidambaram
9. Smt. Kamala Raman
10. Shri S.R. Kasturi
11. Shri Panchu
12. Shri A. Lakshmanan

**TELUGU :**

1. Telugu Commentary Writer of Films Division
2. Smt. Indira Satyamurthi
3. Shri K. Ramachandra Rao
4. Shri S.M. Y. Sastry
5. Shri L.G.K. Murthy
6. Shri J.R. Varmali

**KANNADA :**

1. Kannada Commentary Writer of Films Division
2. Miss Lata Pooviah
3. Shri J.A. Dharmā
4. Shri Vyasaraya Ballal
5. Shri K.K. Suterna

**MALAYALAM :**

1. Shri R.S. Raghavan
2. Malayalam Com. Writer of F.D.
3. Prin. Joseph John
4. Smt. Saraswathiamma

5. Shri T. Parameshwar
6. Smt. Sarla Rama Varma
7. Smt. Kamla Das
8. Shri K. Subhas Chandra
9. Shri P.K. Ravindranath

**ORIYA :**

1. Oriya Commentary Writer of Films Division
2. Shri Promod Pati
3. Shri K.C. Das
4. Shri Ganesh Mohapatra. Oriya Com. Speaker of F.D.

## APPENDIX IX

(Referred to in para 2·142)

*Particulars of the No. of meetings to which the members of Script Committee were invited and the No. of meetings which they attended and No. of cases in which they sent their written views.*

### *Panel of Producers/Directors*

S.No.	Name	No. of meetings invited	No. of meetings attended	Number of cases where views sent
1	2	3	4	5
1.	V. N. Joglekar .	14*	14	
2.	Subodh Mukherjee	10	9	..
3.	Rajinder Singh Bedi	9	5	1
4.	Govind Sariya .	4	3	..
5.	Nasir Hussain Khan	2		2
		39		

\*Invited twice for considering the same application.

### *Panel of Reference :*

#### **HINDI :**

1.	Pragji Dosa* .	4	4	..
2.	Smt. Laxmi Wahi* .	4	3	1
3.	Akhtar Mirza*	2	2	
4.	Bikram Singh .	4	4	
5.	A. K. Banerji . .	1	1	
6.	Narendra Sharma . .	4	3	
7.	Arun Kaul . .	4	4	..
8.	B. D. Garga . . .	1	1	
9.	S. J. Banaji . . .	2	..	..

\*Same application was considered at two meetings and the members were invited twice.

"These members were also co-opted by Chairman for considering a loan application in Punjabi.

1	2	3	4	5
10.	Arvind Kumar . . . .	4	4	..
11.	Mrs. Irene Herdia . . . .	3	3	..
12.	Kamleshwar . . . . .	1	..	..
13.	Navendu Ghosh . . . . .	4	2	1
14.	Feroz Rangonwalla . . . .	2	1	1
15.	Smt. Kusum Chatterpathi . .	3	3	..
16.	Krishan Chander . . . . .	1	..	
17.	C. L. Dheer . . . . .	2	2	..
18.	Vijay Terudulkar . . . . .	1	..	..
19.	Smt. Shama Zaidi . . . . .	2	1	1
20.	Smt. Kapila Khandwal . . . .	2	2	
21.	Smt. Kumu Mehta . . . . .	1	1	..
22.	Smt. Urvashi Surti . . . . .	1	1	..
23.	Inder Taj Anand . . . . .	1	..	..
24.	Dnyaneshwar Nadkarni . . . .	2	2	
25.	Sagar Sarhadi . . . . .	1	1	
26.	Ajit Merchant . . . . .	2	2	..
27.	Smt. Minaxi Mehta . . . . .	1	1	
		60		

**GUJARATI :**

1.	A. B. Yajnik . . . . .	1	1	
2.	Pragji Dossa . . . . .	1	1	
3.	Smt. Minaxi Mehta . . . . .	1	1	
		3		

**ORIYA :**

1.	Shri K. C. Das . . . . .	1	1	
2.	Shri Ganesh Mohapatra . . . .	1	1	..
		2		

1	2	3	4	5
<b>BENGALI :</b>				
1.	Mrs. Irane Heradia	2	2	..
2.	A. K. Banerjee	3*	3	..
3.	Bimal Dutt	1	1	
4.	Smt. Monobina Roy	1	1	..
		7		

\*H: was also Co-opted for considering a Oriya loan-application.

<b>TELUGU</b>				
1.	Shri L. G. K. Murthy	2	2	
2.	J. R. Vanmali	2	1	
3.	Telugu Com Writer of F.	1	1	
4.	S. M. Y. Sastri	1	..	
		6		

<b>MARATHI :</b>				
1.	K. Bhaskar Rao	1	..	1
2.	Dnyaneshwar Nadkarni	2	2	
3.	Smt. Kumud Mehta	2	2	
4.	Dejee Bhatwadekar	1	1	
		6		

<b>KANNADA :</b>				
1.	Vyasaray Ballal	1	1	
2.	J. A. Dharma	2	1	..
3.	A. Bhaskar Rao	2	..	2
4.	K. K. Suverna	1	1	
		6		

<b>MALAYALAM :</b>				
1.	Prin. Joseph John	2	2	..
2.	Smt. Sarla Rama Varma	1	..	
3.	K. Subhas Chandran	2	2	
4.	P. K. Ravindranath	1	1	..
5.	Smt. Kamla Das	1	..	..
6.	T. Parmeshwar	1	1	
7.	Smt. Saraswathiamm	1	1	..
		9		



1	2	3	4	5
<b>TAMIL :</b>				
1. Smt. Kamla Raman	.	2	2	..
2. S. R. Kasturi	.	2	1	..
3. J. A. Dharma	.	2	2	..
4. A. Lakshmanan	.	3	2	..
5. Pan chu	.	3	3	..
6. V. Ishwaran	.	1	1	..

## APPENDIX X

(Referred to IN Para 6·37)

*List of names of members of Selection Panel which sees the films and advises the Corporation on the import of films :*

- (1) Dr. V. K. Narayana Menon—Executive Director, National Centre for the performing Arts. He is also a Director on the Board of FFC.
- (2) Dr. D.K. Rangnekar, Editor, Economic Times. Also Director on the Board of FFC.
- (3) Smt. Abad Karanji . . . . . Film Critic
- (4) Shri Ajit Merchant . . . . . Film Critic
- (5) Shri Bikram Singh . . . . . Film Critic
- (6) Shri Nitin Sethi . . . . . General Manager, FFC,  
Ex-Officio Member.
- (7) Shri H.D. Dewan . . . . . Marketing Manager, FFC  
Ex-Officio Member.

## APPENDIX XI

(Referred to in Para 6.54)

*Arrangement agreed upon between the Government of India and the Motion Picture Export Association of America*

**PARTICIPANTS:** The following represents the arrangement reached between the Government of India and the Motion Picture Export Association of America, Inc., hereafter referred to as the "MPEAA" regarding the distribution of motion picture films.

The following are the member companies of the said Association:—

Allied Artists International Corporation

Columbia Pictures Industries Inc.

Metro-Goldwyn-Mayer Inc.

Paramount Pictures International

Twentieth Century—Fox International Corporation.

United Artists Corporation.

Universal International Films, Inc.

Warner Bros. International, 4 division of Warner Bros. Inc.

This arrangement will be binding on the Government of India and the organisations which distributes films in India for the aforesaid companies.

**2. SCOPE OF THE ARRANGEMENT.** This arrangement applies to all films distributed in India by the aforesaid companies of the MPEAA, whether imported in prior years or during the term of this arrangement.

### **3. DISTRIBUTION:**

(a) On April 1 of each year the MPEAA shall receive from the Government of India or any other organisation design-

ated by the Government of India authorisation for its member companies jointly to supply and distributed in India (through their local organisations) 100 to 150 motion pictures. The MPEAA shall allocate these films annually among its member companies. The films to be thus imported among its member companies. The films to be thus imported shall be selected by the Government of India or any other agency nominated by them in consultation with the member companies of MPEAA.

- (b) The imported films shall be canalised through such agency as may be designated by the Government of India acting in capacity of film importer, in consequence of which a 15 per cent charge against the CIF value of each print of each title shall be levied by the said agency for this service against the MPEAA Company concerned. Responsibility shall rest with said company for timely customs clearance of such films and payment of all expenses in connection therewith, including customs, countervailing and auxiliary duties, cartage arrangements and other necessary handling fees. Necessary arrangements and other necessary handling fees. Necessary arrangements for censorship clearance and payment of fees in connection therewith shall also be the company's responsibility.
- (c) Member companies shall be allowed a sufficient number of prints of each feature film to meet their marketing requirements as assessed by them. Two trailers and one short subject also may be furnished for each feature print. (A short subject in this context may be documentary or other film which does not exceed 2,000 feet or 619 metres in length). An adequate quantity of accessories of the type which for economic or technical reasons can only be received from their overseas suppliers also may be imported, it being understood that no payment in foreign exchange will be involved.
- (d) Any MPEAA company which so desires may with the concurrence of the Government of India contract with non-member Indian films for distribution of one or more of its films, in lieu of distribution through its established facilities, for all or part of the country. Film rental earnings under such arrangements shall be treated like other film rental income due to the supplier.

#### 4. EARNING EXPENDITURE AND REMITTANCES.

A. *OPERATING ACCOUNT*: From the date of commencement of this arrangement disbursement upto 45 per cent of the annual gross film rental billings of the organisation which distribute the films of the MPEAA companies in India shall be deemed to be for operating account. These funds shall be used to defray any and all types of costs entailed in operating their offices in India, for import charges, payment of any taxes due to Government of whatsoever nature on behalf of themselves or their principals, the distribution fee due to the local company as its share of film rental revenue earned, or for any other expenditures customary or related to the film trade. Any surplus which may accrue in this account shall be transferable to the 4B(1) category below, whereas conversely may any deficit herein shall be offset by transfers from the same category.

B. *Other expenditure in India*: 40 per cent of the gross billings of each MPEAA company, constituting funds are debated cited for the producer/supplier, may be utilised for any of the following purposes.

(1) *Various Usages* (20 per cent of current gross Film Rental Billings).

(a) *Production and Co-production in India*: If a member of MPEAA desires to produce a film in whole or in part in India the production cost in India may be met out of the rupees funds to the extent of 100 per cent of the total expenditure. Government also will allow debiting the production cost of Rupees funds if a member company desires with a second party (Co-production) to produce a film in whole or in part in India, on the same terms. The expedite clearance of such production projects, the sole procedural requirements henceforth shall be:

(1) Script review, with decision regarding acceptability to be forthcoming expeditiously; and (2) presentation of a single accounting for all expenditures by the company concerned upon the project's completion. Members of MPEAA will comply with normal Government regulations covering the shooting of films in India. Indian technical and other personnel, to the extent when films are produced in India.

It is understood that while in India including but not restricted to local shooting, all expenses of both foreign and Indian personnel such as food, housing (medical expenses, if any, etc.), shall be met from Rupee funds.

- (b) *Travel and Living expenses in India:* The Government of India has no objection to allowing travel and living expenses in India of employees of MPEAA audits member companies to be debited to Rupee funds.

Provided that living expenses shall not in any year exceed Rs. 1,50,000 (Rupees one lakh and fifty thousand) provided further that should this amount not prove adequate in any particular year, MPEAA shall be at liberty to apply to the Government of India for the enhancement of the amount and the Government of India shall give due consideration to such application.

- (c) *Air India:* Transportation of employees, including family members and other personnel affiliated with the MPEAA or its member companies by Air India is herewith authorised and may be utilized freely, using funds as specified in this agreement provided that the authorisation in respect of personnel affiliated with the MPEAA or its member companies shall be restricted to travel in connection with the production of films in India. In addition, prints from advertising and other cargo of the MPEAA companies and also air cargo of organisations with which they are corporately affiliated may be shipped.
- (d) Purchases of Indian films in India by the MPEAA member companies for territories agreed upon between Government of India and the company shall be debited 20 per cent in dollar and 80 per cent in rupees.
- (e) *Other Usages:* Specific proposals from Government or advanced by the MPEAA to use these funds for other purposes which would serve to advance the economy, health or welfare of the nation will be considered by both parties on merits.
- (2) **Loans to Quasi-Governmental Sponsored Bodies and for other purposes (20 per cent of Current gross Film Rental Buildings):**
- MPEAA agrees to give loans or funds to quasi-government or government sponsored organisations, without interest, pro-

vided government guarantees repayment of principal and its remittance in annual instalments. This clause contemplates loans to quasi-governmental organisations. The said loans shall run for a term up to ten years with a moratorium on repayment of ten years loans for the first five years and repayment to take place in five annual instalments over the subsequent five years, which shall be remittable.

C. **REMITTABLES:** The balance of the current goes billings (i.e. 15 per cent) shall be remitted in quarterly instalments, but not to exceed Rs. 25,00,000 (Rupees twenty-five lakhs) per annum.

5. **INTERCOMPANY TRANSFERS:** With the approval of the Reserve Bank of India funds may be transferred between accounts of the member companies when a member requires additional funds for expenditure as listed in Section 4.

6. **BLOCKED FUNDS:** The Government of India will permit the remittance annually in half yearly instalments, to the member companies of the Motion Picture Export Association of America, the dollar equivalent of Rs. 25,00,000 (Rupees twenty-five lakhs) against liquidation of the blocked rupee balances of said companies as of March 31, 1975 until unit said funds are fully liquidated.

The Government also agree to consider proposals in ventures other than film by the MPEAA, designed to expedite the early liquidation of the blocked funds. It is also agreed that the blocked funds may be drawn upon to use for any other purpose listed in Section 4 of this arrangement.

7. All remittances of money abroad under this arrangement shall be made at the rate of exchange prevailing on the date of the remittances.

8. The MPEAA and the member companies shall submit to the Government of India such reports, returns and statements of accounts etc. as may be prescribed from time to time.

9. **PERIOD OF ARRANGEMENT:** This arrangement will come into effect from April 1, 1975 and continue until March 31, 1979.

## APPENDIX XII

### *Summary of Conclusions/Recommendations of the Committee on Public Undertakings Contained in the Report.*

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Sl. No.	Reference to paragraphs No. in the Report	Summary of Conclusion/Recommendations
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#### *Objective and obligations*

- 1      1.13      The Committee regret to note that the Film Finance Corporation do not appear to be aware of the directives issued by the Bureau of Public Enterprises in November, 1970 requiring each public undertaking to lay down its objectives and obligations with the approval of the Government. Although the Ministry of Information & Broadcasting have laid down the objectives and obligations of the Film Finance Corporation as far back as October, 1971, and surprisingly these have not been communicated to the Film Finance Corporation nor are they in precise terms so as to enable a critical evaluation of the performance of the Corporation with reference to these objectives. The Committee recommend that the Ministry should lay down the objectives and obligations of the Corporation in clear and precise terms, bring them to the notice of the Corporation with further delay and ensure that proper records and documents are maintained by the Corporation in a manner so as to enable an assessment of the performance of the Corporation with reference to these objectives and obligations. The Committee would like to be informed of the action taken in the matter.



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*Guidelines for grant of loans*

2            2.34            The Committee note that on 8th March, 1975, the Board of Directors approved in principle the proposal that loans should be granted only to those applicants who could give adequate tangible security for the entire loan with interest thereon. While insistence on taking tangible security for loans advanced for the production of quality films is desirable, the Committee would like the Corporation to see that the approach as to what should constitute the "tangible security" should be flexible so that really worthwhile and promising producers are not shut out on account of any rigidity in the procedure to be followed in this regard.

3.            2.35—            The Committee regret to note that the Board  
              2.36            of Directors departed in 1960 from the recommendations of the Inter Departmental Committee (1957) in that, instead of low budgeted films, it laid emphasis on prescribing a ceiling on the loans without any reference to the cost of films, with the result that upto June, 1969 the Corporation had largely financed high budgeted films and a major portion of the loans written off and classified as doubtful of recovery (Rs. 48.35 lakhs out of a total balance outstanding of Rs. 65.44 lakhs including the loans written off) was out of the loans sanctioned for high budgeted films. The Committee were informed that the policy then was to encourage commercial film makers and the Corporation has admitted that "it was a wrong policy. That is the reason why there are so many debts.... Now the loans are given for low-budgeted films."

The Committee find that even now when the Corporation has decided to finance only low budgeted films, the term 'low budgeted film' has not been clearly defined nor any guidance given to

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the entrepreneurs regarding production of artistic films at low cost. The Committee recommend that this should be done immediately.

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2.37

The Committee also note that the Corporation had been changing the maximum limit of the loans for the films to be financed from time to time for one reason or another. The Committee recommend that the ceilings for loans should be systematically reviewed periodically consistent with the definition of 'low budget films', and that the Corporation should take prior approval of Government before modifying the ceilings for loans or the basic criteria therefor. At the time of the review an opportunity may be given to the film industry to place their viewpoint before the Corporation.

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2.38

The Committee would also like that the Corporation should, for the benefit of the prospective entrepreneurs, bring out a comprehensive manual in all regional languages explaining the criteria for financing of films, the type of films for which assistance may be available, the monetary limits prescribed therefor, etc. so that it may serve as a useful guide to the entrepreneurs who approach the Corporation for finances.

6.

2.39—

2.40

The Committee are of the view that there is no inherent contradiction between artistic films of good standard and films successful at the box office and that films should combine quality with public acceptability. The Committee recommend that the Corporation should take a balanced view of the films for which the loans are sought from it and, before sanctioning loans, satisfy itself in all possible ways that the films would, in all probability, be not only artistic but also have a reasonable prospect of being commercially successful, as in their opinion, it neither serves the film industry nor the purpose for

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which the Corporation has been set up if the Corporation helps any entrepreneur in the production of a film, however artistic, which does not attract the public.

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2.41

The Committee recommend that the Corporation should encourage films which depict life as it is lived and create social awareness amongst film makers so as to help them produce films on socio-economic problems, family planning, generation of fellow-feeling for weaker sections of society and on themes highlighting unity in diversity in the country etc. and also films which may promote scientific knowledge. They would like the Corporation to encourage production of films based on the works of eminent Indian writers and discourage films which are apparent or disguised imitation of foreign films.

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2.42

The Committee are very greatly disturbed at the rising trend in Indian films to depict the unwholesome aspects of foreign styles of living which are not in consonance with the Indian way of life and would urge the Corporation to curb such tendencies in the films financed by it.

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2.43

The Committee note that the Board of Directors decided in June 1960 that the Corporation might also, in special cases, finance producers who had not produced any picture in the past provided looking to their technical and other qualifications the Board was satisfied that the producer was likely to produce as a first venture a good quality film which would also be commercially successful. The Committee are informed that the people without any experience had also been financed by the Corporation after 1969. While the Committee are not opposed to the grant of loans to persons who have had no previous experience as producers or

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directors, they feel that the Corporation has an added responsibility in such cases to make sure that the new entrepreneur has been actively connected with or involved in the production of documentary films or feature films or has been connected with film industry in some such capacity as can inspire confidence. The Corporation should thoroughly scrutinise the range and depth of film projects of such persons to satisfy itself that these are of high standard and also look to the antecedents and standing of such entrepreneurs and their past experiences and take all possible precautions to ensure that the public funds will be put to fruitful use and achieve the purposes for which they are intended.

#### Sanction and Recovery of Loans

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2.55

The Committee note that out of 520 applications received till the end of 1974-75 for a loan of Rs. 1331 lakhs the Corporation had, till 31-3-1975 accepted 129 applications representing about 24 per cent of the total number of applications, and sanctioned loans amounting to Rs. 271 lakhs. Even out of this sanctioned amount, only a sum of Rs. 234 lakhs had been disbursed.

The Committee are informed that after the loan is sanctioned, the applicant is required to comply with certain conditions precedent to the release of the first instalment of loan and subsequent instalments are released only after satisfying that the earlier instalment has been properly utilised. The Committee recommend that the Corporation should undertake a review of the conditions and formalities laid down for disbursement of loan instalments and inquire into the reasons for non-drawal of the second and subsequent instalment of loans with a view not only to streamline the procedures but to ensure that

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even the first instalment of loans which have been disbursed had not become irrecoverable.

**11****2.56**

The Committee find that out of the applications rejected or withdrawn by the applicants, there were some 49 applications which were withdrawn after the loans were sanctioned. The Committee would like Government to investigate whether in these cases loans were sanctioned after a careful check of the antecedents, the technical ability and the financial worth of the applicants and whether the applicants were at all bonafide.

**12****2.57**

The Committee note that the reasons for rejection of applications for loan are not recorded by the Corporation and the applications once rejected are not normally reconsidered. They feel that since it is a public institution, it is but proper that reasons for rejection are kept on record for future use and reference though these reasons may not be communicated to the applicants.

**13****2.58**

The Committee are informed that while the headquarters of the Corporation are at Bombay, it has offices also at Madras and Calcutta. They hope that the offices at Madras and Calcutta are fully equipped to render all assistance and guidance to the entrepreneurs in making applications for loans and establishing meaningful communication between the Corporation and the applicants. They would like the Corporation to examine the questions of setting up offices at other suitable places also as and when the financial position of the Corporation permits and it is considered necessary to do so to facilitate quicker disposal of the applications for loans.

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14.        2.59—        The Committee are further informed that  
            2.60        the Corporation has sanctioned loans in certain  
                 cases subject to availability of funds and since  
                 the Corporation's funds position is not satisfac-  
                 tory, parties in these cases have been informed  
                 that loans will be released as soon as funds are  
                 available with the Corporation. The Committee  
                 feel that unless a definitive indication about the  
                 time by which loan will be released is given to  
                 the parties concerned, mere sanction of loans  
                 subject to availability of funds, may not serve  
                 the purpose.

The Committee suggest that in the light of experience, the Management should evolve a check-list so that each application for financial assistance is thoroughly checked from all angles before it comes up for final approval. The check-list may be reviewed periodically on the basis of experience to ensure that it reflects all the conditions which should be fulfilled by the applicants before a loan is sanctioned.

- 15        2.61        The Committee were informed that normally  
                 the Corporation took three months to dispose  
                 of loan applications. They regret to note that  
                 the claim made by the Corporation that it nor-  
                 mally took three months to dispose of loan ap-  
                 plications is not supported by facts. Time being  
                 the most important factor in financing, the Com-  
                 mittee would like to stress that loan applica-  
                 tions should be disposed of in the minimum pos-  
                 sible time without compromising in any way the  
                 critical scrutiny of the worth of the film and  
                 standing of the producer, so that bonafide pro-  
                 ducers are not put to difficulties for want of  
                 funds at the appropriate time.
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16	2.105— 2.107	<p>The Committee note that loans to the extent of Rs. 161.14 lakhs were disbursed till June, 1969 for 56 films out of which loans amounting to Rs. 65.44 lakhs have either been written off (Rs. 29.26 lakhs) or have fallen in arrears (Rs. 36.18 lakhs) on account of unsuccessful/incomplete/unreleased films. Out of 56 films financed before June, 1969, 48 films were completed and released and 24 out of the released films were not successful at the box office; one film was completed but not released, 6 films have no chance of completion and one film was stuck up. The Chairman of the Film Finance Corporation stated during evidence that "...we have no means of knowing why they were not completed, loans were given for wrong sort of films. What can the present Board do about it...." The Committee cannot appreciate such a statement coming from a person of the standing of the Chairman, as functionaries may change but the Corporation is a continuing body and it was the bounden duty of the Corporation to have kept a close watch on the progress of a film being made by a person who had taken loan from it and to have taken positive measures to safeguard the interests of the Corporation. They desire that the case of each and every incomplete film may be investigated and responsibility therefor fixed on the officials of the Corporation and appropriate procedures devised to prevent the recurrence of such cases in future.</p>
17	2.108	<p>The Committee further note that in May, 1969, Government representative on the Board of Directors stated that "it would perhaps be not quite correct to say that all the films financed by the Corporation have been films of high artistic value." He also appears to have come to the conclusions that, "...until recently vigorous efforts were not made for the recovery of</p>

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loans and adequate precaution was not exercised before sanctioning loans." The Committee are informed that the whole matter was investigated by the Corporation and "it was observed that the scripts were not thoroughly examined and the background of the applicants was not properly looked into." The Committee would like the Government to investigate the cases in which scripts were not thoroughly examined, where the background of the applicants was not properly looked into, adequate precautions were not taken before sanctioning of loans and vigorous efforts were not made for the recovery thereof and take action to fix responsibility for the lapses on the officials of the Corporation and Government representatives on the Board and inform the Committee of the action taken in the matter.

The Committee are informed that according to the legal opinion there is no bar to the recovery of amounts even after they are written off against certain films. If the producer of such a film makes another film, the Corporation can recover the loan from the earnings of his new film. The Committee, therefore, recommend that the Corporation should keep a strict watch on the defaulting producers and take appropriate steps to recover the dues from such defaulters from the earnings of their new films.

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2.110—  
2.111

The Committee find that in the case of one film 'Umeed' completed and not released, the producer had created first charge over the collections in favour of a private financier. The Committee see no justification for allowing this



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arrangement. The FFC should have in its favour first charge over the earnings, as it has advanced loans. The Committee suggest that the FFC should examine whether there is any similar lacunae in the agreement with other producers and if so, take steps to immediately rectify the same by introducing suitable clause in the agreement to ensure that the FFC gets top priority over the collections in adjustment of the loans granted by it.

The Committee also find that this film (Umed) had since been released in Punjab. The Committee feel that the Corporation should have made all attempts to recover the loans through the collections instead of writing off the loan as doubtful of recovery. Since the film has been released, the Committee would like the Corporation to take immediate steps for the recovery of the loans from the producer concerned and inform the Committee of the action taken.

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2.112

The Committee are constrained to note that inspite of the drawbacks in the system of sanction of loans and recovery thereof prior to June, 1969, as admitted by the Ministry, no review of this was made by Government earlier than 1969. The Committee are convinced that there had not been a systematic procedure by which the shortcomings in the working of the Corporation could be brought to the notice of Government and that the Government's representatives on the Board were not as alert and vigilant as they ought to have been. The Committee need hardly stress that Government's representatives on the Board of Directors of Public Sector Undertakings should act as eyes and ears of the Government on the Boards and bring to the notice of Government not only the goings-on but also the shortcomings in the working of the un-

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		dertakings so that suitable remedial measures may be initiated in time for improving performance and overcoming the difficulties. The Committee would like Government to issue suitable instructions in this regard.
21	2.113 2.114	<p>The Committee are informed that out of a total loan of Rs. 62.54 lakhs disbursed after June, 1969 for 30 pictures, recovery of loans to the extent of Rs. 38.01 lakhs has fallen in arrears. Out of these 30 films financed by FFC, 16 films were completed and released and 10 films out of the released films have not proved successful at box office (as compared to 24 films out of 48 films completed and released before June, 1969, which did not prove successful), 9 films have been completed but not released and 2 films are stuck up.</p> <p>The Committee note that while before June, 1969 there was only one film stuck-up involving a sum of Rs. 2.38 lakhs, after June, 1969 two films are stuck-up and out of a sum of Rs. 3.88 lakhs advanced as loan to these films, which is in arrears, a sum of Rs. 2.49 lakhs has been declared to be doubtful of recovery. They recommend that the cases of these two stuck up films may also be investigated along with those of the incomplete films relating to the period prior to June, 1969, as desired by the Committee in paragraph 2.107 of this Chapter. The Committee further recommend that the Corporation should keep a close watch on the progress of the films for which it has advanced loans and if any film does not appear to be making satisfactory progress the Corporation should, in its own interest, arrange to render all help and give all guidance to complete the film without attracting any fresh financial liability on itself.</p>

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22	2.115	<p>The Committee regret to observe that the position regarding recovery of loans and unsuccessful films has in fact deteriorated after June, 1969, and the results do not support the claim made by the Management that greater care is being taken in examining the scripts and procedures for sanctioning of loans and recovery thereof have been streamlined after June, 1969. The Committee recommend that the matter should be thoroughly investigated with a view to finding out the reasons for the failure of such a larger number of FFC films even after June, 1969, and whether the scripts of the films were thoroughly and objectively scrutinised before grant of loans and fix responsibility for the lapses and laxity in disbursing money.</p>
23	2.116— 2.117	<p>The Committee regret to note that, even after 1969 when the procedure for sanction of loans and recovery thereof is stated to have been streamlined, there have been cases in which producers who had not repaid the earlier loans advanced by the Corporation were given fresh loans for production of other pictures and the loans given even for these pictures remained arrears. They strongly deprecate the lack of elementary commercial prudence shown by the Corporation in such cases and recommend that all such cases relating to the period after 1969 should also be investigated with a view to fix responsibility and the Committee informed of the action taken. The Committee need hardly point out that it is not advisable for the Corporation to advance fresh loans to producers unless they have repaid their earlier loans to the Corporation.</p>
24	2.118— 2.119	<p>In view of the fact that the position regarding recovery of loans and unsuccessful films has worsened after June, 1969, the Committee would</p>

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like that the guidelines for recovery of loans should be carefully reviewed and the lacunae, if any, in the procedure should be identified with a view to taking suitable action to ensure that the procedures for sanction of loans and recovery thereof are streamlined so as to obviate the chances of declaring them as bad and doubtful debts and writing them off ultimately.

The Committee need hardly point out that it should be the prime responsibility and concern of the Corporation which is hard pressed for funds to recover the outstanding loans in time as recovery of the loans will not only help restore confidence in the financial health of the Corporation but also facilitate the raising of greater resources.

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2.128—  
2.129

The Committee see no justification for the practice followed by the Management which had resulted in delays ranging upto 8 years in initiating arbitration proceedings for recovery of loans affecting the interests of the Corporation adversely. The Committee deprecate the lack of sense of urgency on the part of the Corporation in initiating arbitration proceedings in this regard. The Committee recommend that the criteria followed in taking recourse to legal action/ arbitration should be reviewed expeditiously and definite time limit laid down for starting legal proceedings against the defaulters if other avenues of recovering the amounts in the normal course fail. No exception to these time limits should be made without the express approval of the Board of Directors.

The Committee feel that there should be a regular system under which a detailed statement showing the actual recovery made from the loanees together with the total recovery due of principal and interest should be submitted to the Board with the suggestions of the Financial Ad-

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viser and the General Manager so that the matter could receive detailed consideration and specific directions could be given about the action to be taken and the action taken in pursuance of these directions should be reported back to the Board. The Committee feel that if such a system is observed in letter and spirit, there should be no occasion for any avoidable delay taking place in initiating proceedings against defaulting parties for recovery of loans.

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2.130—  
2.131

The Committee further note that although arbitration awards were obtained in 40 out of 44 cases, court decrees could be obtained only in 20 cases involving a sum of Rs. 35.65 lakhs. The Committee deprecate the dilatory manner in which the execution of decrees even in cases where they had been obtained has been processed. They feel that such laxity gets to be known and reduce the urgency and importance the producers should attach to repayment of loans to the Corporation. They recommend that the reasons for the delay in the execution of decrees should be thoroughly investigated by Government with a view to finding out how far these delays were avoidable and fix responsibility for delays/inaction and take deterrent action against delinquent officials.

The Committee are also informed that in regard to the remaining 4 cases, suitable legal action had already been taken. In one case after recovery of part amount, the balance had been written off; two cases had been submitted to court for obtaining the decree; and in one case, the matter is sub-judice. The Committee would like the cases to be conclusively pursued so as to affect maximum recovery.

While the Committee agree to encouragement being given to talented new producers, they would like to reiterate, as already recom-

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mended para 2.43 of this Report, that this should be on the basis of thorough scrutiny and objective standards and after the Corporation satisfies itself about the standing and competence of the new entrepreneur so that the public money is utilised only for public good.

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2.139

The Committee are not satisfied that the Corporation took due care or precaution in selecting right type of producers or scrutinising the scripts and stories properly before sanctioning loans and it is this fact as well as their encouragement to the high budgeted films which has been mainly responsible for the losses suffered and the present precarious financial position of the Corporation. While the Committee agree to encouragement being given to talented new producers, they would like to reiterate as already recommended in para 2.43 of this Report, that this should be on the basis of thorough scrutiny and objective standards and after the Corporation satisfies itself about the standing and competence of the new entrepreneur so that the public money is utilised only for public good.

The Committee are informed that since 8th March, 1975 the Corporation has laid down that the loanees will have to give tangible security for the entire loan amount and the interest thereon and if an applicant is talented but cannot give security, the proposed film will be produced by the Corporation itself or the talents would be hired. The new conditions will apply to loans sanctioned and disbursed after 8th March, 1975. While insistence on taking tangible security for loans advanced for the production of quality films is desirable as already recommended in para 2.34 of this Report, the Committee would like the Corporation to see that the approach as to what should constitute the 'tangible security' should be such that really worthwhile and promising producers are not shut out on account of any rigidity in the procedure to be followed in this regard.

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28.	2.152	<p>In view of the fact that films financed after June, 1969 have fared worse than those financed earlier, as already stated in para 2.115 of this Chapter, the Committee are unable to accept the claim of the Corporation that since the constitution of the new Script Committee better scripts have been granted loans. Without commenting upon the personalities on the Script Committee they recommend that the system of selection of scripts should be reviewed and revised and the Script Committees reconstituted with imaginative persons distinguished in the field who have proven standing in the film production and those who are eminent men of letters so as to ensure that films financed by the Corporation are not only of high standard but are also accepted by the people and have a fair chance of becoming commercially successful: As most of the cinema goers are young men and women and mostly the films deal with the lives and problems of the young people, the Committee feel that it would be in the fitness of things if the Corporation also associates with the Script Committees creative and perceptive persons who are conversant with ideas of the youth about the quality films, the themes which go to make such quality films and the treatment and presentation of such themes so that their ideas are also reflected in the selection of scripts. The Committee would like that Government may, while selecting such persons, also think of nominating to the Script Committee persons representing the youth organisations.</p>
29.	2.152	<p>The Committee recommend that the Corporation should take all the necessary steps to ensure that the films financed by it, on the basis of scripts approved, do not deviate materially from the approved scripts.</p>
30.	2.162— 2.163	<p>The Committee are of the opinion that the Banks, should play an important role in the fin-</p>

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ancing of quality films. This is all the more necessary to save talented entrepreneurs from the clutches of private financiers who not only exploit the situation by compelling the needy entrepreneurs to pay exorbitant rates of interests but also indirectly force them to produce cheap and unwholesome films to cater to low tastes and make quick money at the box office. The Committee feel that, if films of good standard have to be produced and if the people, particularly the youth, have to be protected against the harmful effects of cheap films depicting unwholesome sex and violence, the nationalised banks should come forward to play a meaningful and constructive role in the production of quality films and encourage the production of such films by providing funds to talented producers who approach with worthwhile projects. They would like the Government (Department of Banking in the Ministry of Finance) to advise the nationalised Banks to take initiative in this regard and see that talented and promising entrepreneurs forward with sound and good film projects which are certified to be good by the Film Finance Corporation, are not denied funds by the Banks.

The Committee would also like the Banks to evolve a suitable system of coordination amongst themselves to guard against the same producer taking loans for the same project from more than one source.

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2.164

The Committee note with satisfaction that the Corporation has entered into co-financing arrangements with Dena Bank for the production of quality films, under which films are jointly financed by the Corporation and the Bank, the Bank advance being guaranteed by the Corporation. They urge that the Corporation should also

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		take advantage of the readiness shown by the United Commercial Bank and State Bank of India to provide funds for the production of films and sponsor good and sound film projects of talented and promising producers for the grant of loans by these Banks also at reasonable terms. They also hope that the Corporation would be able to persuade other Banks also to extend similar facility to the film producers whose cases may be sponsored by the Corporation.
32.	2.181	According to the Ministry, the Corporation has been over the years successful in creating a new climate for the production of films not only by its own efforts but also by setting a trend for off-beat purposeful films like 'Ankur', 'Rajnigandha' and 'Nishant' and the Corporation has thus been coming closer to its principal goal of improving the quality of Indian films. The Committee feel that the production of a few films like 'Ankur', 'Rajnigandha' and 'Nishant', over a period of a couple of years during which 700 films must have been made, cannot be taken to have set a new trend or created a new climate nor are they sure how far the Corporation can rightly claim credit for the production of these off-beat films by others.
33	2.182	It has been stated that financial difficulties stood in the way of Corporation giving loans to a larger number of films. The Corporation is reported to have taken up with Government the question of funds a number of times. The Committee are informed that, as a result of these efforts, Government agreed to give the Corporation for a period of five years from 1970-71, a subvention at the rate of 10 per cent on the total annual disbursement of loans during the previous financial year. The Committee regret to note that the question of its extension beyond the year 1974-75 has been under protracted corres-

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pondente with the Corporation and no final decision in the matter has been taken till January, 1976.

34.

2.183

The Committee are also informed that a proposal to grant an interest-free loan of Rs. 45 lakhs from out of the earnings on import of American films through Motion Pictures Export Association of America (MPEAA) was under the consideration of the Ministry of Finance who had some reservations in regard to the proposed utilisation of funds by the Corporation for production of films on its own and some clarifications had been asked for from the Corporation. The Committee would like that this matter should be examined carefully with reference to the objectives of the Corporation before decision in this regard is taken. The Committee recommend that Government should decide the question of continuance of subvention and the grant of interest-free loan of Rs. 45 lakhs expeditiously so that the Corporation may be clear about its position in regard to its finances and it may arrange its commitments suitably, and fulfil the role for which it was set up.

35.

2.184—  
2.185

The Committee note that the FFC has so far been financed by loans and equity in the ratio of about 2 : 1. They are informed that the proposal for conversion of loan into equity is acceptable to the Ministry. The Committee would like that Government should communicate their decision in this regard to the Corporation expeditiously.

The Committee hope that with the conversion of loans into equity, grant of subvention and interest-free loan of Rs. 45 lakhs and the availability of funds from the trading activities of the Corporation as also from nationalised Banks,

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the constraint of funds that was stated to have prevented the Corporation in the past from making a sizeable impact on the film industry, would disappear to a considerable extent. The Committee, however, wish to sound a note of caution that larger availability of funds with the Corporation should not result in misuse of wasteful use of funds for production of films of sub-standard quality. The Committee recommend that the Corporation should prepare a comprehensive and phased scheme for the optimum and judicious use of the larger funds that will become available so as to ensure that not only larger number of artistic, low-budget films of good standards are financed by it but that the films for which it provides funds are also completed in the shortest possible time, exhibited all over the country and the loans are paid back by the entrepreneurs regularly so that the Corporation may be in a position to recycle the funds for the benefit of other entrepreneurs from year to year.

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2.186

The Committee are informed that the proposal to impose a levy of cess of 5 paise on every cinema ticket to be used for the improvement of film industry was examined but had to be dropped as it might be construed as entertainment tax directly covered by the State List and was therefore not feasible at the central level. While the Committee would not like to comment on the merits of the decision, they would certainly like that the Corporation's resources are augmented to the requisite level by providing funds from other sources like trading activities including import of cine raw films and other film materials to enable it to make an impact on the film industry and to fulfil the objects for which it was set up.

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*Question of Films*

37. 3.09—  
8.12 While the Committee note with satisfaction that 22 out of the 64 feature films released upto 31st March, 1974 won awards, they regret that as many as 34 films out of these 64 films have proved unsuccessful at the Box Office and even five of the award winning films also failed at the Box Office.

The Committee feel that award/recognition won by a film, which is given by a professional body of experts, should not create a sense of complacency about the quality of the films sponsored by FFC. One of the tests of quality of a film is its acceptability by the public for whom the film is primarily made. The Committee are concerned to find that a large number of the films sponsored by the Corporation have failed at this test.

In view of the fact that 17 out of 22 award winning films have proved successful at the box office, the Committee feel that it should be possible to combine quality with public acceptability. It is high time that the Corporation/Ministry should critically go into the factors which accounted for the failure of 34 out of a total of 64 films including 5 out of 22 award winning films financed by it and in the light of the review take positive measures to improve the system of selection of scripts and the manner and quality of production to ensure that the films financed by the Corporation should besides being of high standard, also have public acceptability.

38. 3.19—  
3.20 The Committee recommend that Government should expedite the setting up of a study team to survey the impact of FFC financed films on the audience and, in the light of the results of the

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survey ask the Corporation to re-shape its approach towards selection and financing of films so as to achieve the objects for which the Corporation has been set up.

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3.21

The Committee note that the Ministry and the Corporation have accepted the view that there is need for a high level panel of experts to review periodically FFC films in order to make sure that finances are being channelised for approved objectives of making good quality films which have adequate public approval and are successful at the box office. The Committee trust that the review panel will be set up soon and the panel would give early their suggestions in regard to selection of scripts and financing keeping the objective of FFC to produce good quality and standard films in view.

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3.27—  
3.28

The Committee recommend that the Government should see that dubbing facilities are made available in the country in adequate measure and the Corporation/Government should finalise the scheme of dubbing of films without delay. They hope that with the expected availability of larger funds in the near future from trading and other activities of the Corporation it would have no difficulty in finding adequate funds for the dubbing of selected regional language films in India. The Committee would like to sound a note of caution that the Corporation should select only such regional language films for dubbing as have been successful at the box office and have a wider audience appeal. In fact it would be better to try this first on a pilot basis, gain experience of audience reaction, improve the criteria for selection as necessary and then extend it prudently to more regional films, so as to obviate the chances of FFC incurring losses on this account.

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41.	4.12— 4.13	<p>The Committee note that the Board of Directors of the Corporation at its meeting held on 8th March, 1975 approved in principle the proposal made by one of the Directors that in cases where applicants could not give adequate tangible security for the entire loan with interest, the Corporation should take upon itself the burden of production of the films. The Committee are informed that the Financial Advisor of Ministry of I &amp; B has reservations on production of films by FFC.</p>

The Committee feel that production of films is a very complex project which, besides funds, requires selection of good scripts, engagement of artistes and technical experts in various fields, arrangement of production and processing facilities and, above all, a moving spirit in the form of a Director who not only has the true concept and vision of idea underlying the film but can also organise the diverse elements involved in the production to work smoothly as a team and inspire them particularly the artistes so as to bring out the best in them. The Committee do not think that a financing agency like FFC, as it is constituted at present, can perform such highly complex functions successfully when it has admitted that it lacks the expertise for production. Film is a work of art and works of art can hardly be produced on 'contract basis' or by hired crew working under the supervision of Board of Directors or full-time officers of the Corporation all of whom may not see eye to eye with one another on the details of the films, selection of artistes or the portrayal of certain character situations. The Committee would like to stress that at a time when Film Finance Corporation is likely to get more funds it should not fritter them away by undertaking programme

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of production of films in which admittedly it has no experience and which may not really subserve the larger public objectives of raising the quality, contents and message of films. The Committee are, therefore, of the opinion that the Corporation should continue to concentrate on the primary object of providing finances and other facilities for production of films of good standard and quality with a view to raising the standard of films instead of utilising its meagre resources on the speculative business of direct production of films which may result in heavier losses as was the experience of another Government sponsored organisation, the Children's Film Society.

#### DISTRIBUTION OF FILMS

42. 5.12— The Committee are constrained to conclude  
5.14 that the failure of the distribution office at Jullundur was entirely due to the negligence of the management in not deputing professionally competent persons to run the Jullundur Office and in not selecting right sort of films for distribution by that office at the very outset. They feel that but for this negligence the Corporation would have, by now, established itself in the distribution field and would have succeeded to a significant extent to demolish the barrier which is stated to have been raised by the commercial distributors and exhibitors between the genuine film makers and the audience and thus paved the ways for the genuine film makers to get suitable outlets for their serious films and have a fair chance of being successful at the box office. The Committee would like the Government to enquire into the reasons for the failure of Jullundur experiment and fix responsibility therefor and inform the Committee of the action taken in the matter.
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The Committee are informed that the Corporation again entered the distribution field in 1973-74 and that a regular Distribution Wing of the Corporation has started functioning from 9th December, 1975, when the Distribution Officer took over.

The Committee would stress that the Corporation should keep the lessons drawn from the past experiments in mind while developing the new Distribution Wing so as to ensure that the expenses on distribution are kept to the minimum and at least now the new venture proves a success

The Committee would also like the Corporation to examine the advisability and feasibility of extending the network of its new Distribution Wing in due course to the distribution of good quality, low budget films sponsored by bodies other than the Corporation if such an extension of its network will be financially rewarding, promote the production and exhibition of films of high standard in the country and help it in creating the desired impact on the film industry as a whole without in any way sacrificing the interests of the FFC financed films

#### EXHIBITION OF FILMS

43. 5.30— The Committee would like that the Corporation/Government should go into the reasons for the losses and failure of the exhibition of the FFC films through the leased theatres in Bombay (Akashwani Cinema) and Delhi (Maharashtra Rangayan) so that the Corporation may draw lessons and take all possible precautions to ensure that the cinemas leased by the Corporation do not incur losses in future.
- 44 5.33 The Committee desire that the Corporation should continue its efforts to find out exhibition



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outlets for its films through film societies, television stations and University Circuit. The Committee would like to be informed of the developments in this regard at the extent to which films financed by FFC have actually been exhibited and the audience appeal gained by them.

-45.

5.34—  
5.35

The Committee learn that the Government of West Bengal are contemplating to direct the exhibitors to earmark certain days in a week for exhibiting the FFC Financed films. They feel that this is a step in the right direction and if properly implemented in letter and spirit, it will go a long way in providing the much needed exhibition outlets to the quality films financed by FFC. They would like the Government to persuade other State Governments also to issue instructions to direct the exhibitions/cinema houses to earmark certain popular shows in a week for exhibition of the FFC financed films.

The Committee are informed that the Governments of Punjab, Karnataka and Andhra Pradesh have recently taken steps to set up art theatres. The Committee feel that there should be no difficulty for the Corporation in reaching an understanding with the State authorities in due course that certain popular timings in their Art Theatres should be earmarked for exhibiting quality films sponsored by FFC. The Committee would urge that the Government should persuade other State Governments also to follow the examples of Governments of Punjab, Karnataka and Andhra Pradesh in setting up on their own or encouraging the setting up of art theatres in their States so that the Corporation or the producers of the FFC financed films find no difficulty in reaching an agency in each State for the exhibition of their films.

-46.

5.36

The Committee are informed that lack of adequate exhibition facilities has been a major

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problem with the film industry and the Central Government have all along stressed upon the State Governments the need for encouraging cinema construction in the country. The Committee feel that in order to ease the shortage of cinema houses in the country, the Central Government may persuade the State Governments to increase suitably the number of cinema houses particularly in mofussil areas, care being taken to locate them judiciously, having regard to larger public interest. They also feel that in the interest of encouraging production of good films and providing healthy and wholesome entertainment to the people, the State Governments should ensure through a clause in the lease agreements or in the licenses granted under the Cinematograph Act that the cinema houses coming up with the assistance from the State authorities including local bodies are required to provide exhibition outlets to quality films on priority basis. They would also like the Central Government to examine in consultation with the public financial institutions the feasibility of introducing a clause in the loan agreements to the effect that the private entrepreneurs constructing cinema houses with financial assistance from the public financial institutions would have to exhibit quality films sponsored by the Film Finance Corporation on priority basis. They feel that owners or lessees of all such cinema houses should be required to keep in mind the paying capacity of a common man while fixing the admission rates so that the common man can also give to himself the pleasure and satisfaction of seeing quality films at reasonable rates and the objective of making healthy and recreational films available to ordinary and under-privileged persons is also fulfilled.

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5.37

The Committee are informed that the Corporation has been sanctioned, in the Fifth Five

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Year Plan, a grant-in-aid of Rs. 75 lakhs for the purpose of acquiring art cinemas in various parts of the country. According to the Corporation/Ministry, with a sum of Rs. 75 lakhs, at the most five art cinemas in metropolitan cities could be constructed and the efforts to acquire/construct art cinemas are stated to be under way. While the Committee recognise the need for exhibition facilities for the aesthetically prepared and artistically satisfying off-beat films which may not be easily acceptable to commercial distributors and exhibitors, the Committee feel that the construction of only 5 cinema houses by the Corporation and those too in the metropolitan cities where there are cinema houses already, is hardly going to serve any useful purpose. They also feel that now when the Corporation has entered the distribution field for its films and when the Governments of certain States have also decided to set up art theatres of their own, and are also contemplating to ask the commercial theatres to ear-mark certain popular shows, for the exhibition of quality films, it is not necessary for the Corporation to embark upon any scheme of construction of cinema houses of its own.

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5.38

The Committee are of the opinion that if the Corporation considers it necessary to have more exhibition outlets of its own, instead of constructing new cinema houses, they should take on lease theatres/cinema houses which are well known and well established and are situated in popular areas or are otherwise easily accessible to people. They feel that 'Art Theatres' should not be taken on lease as 'Art Theatres' are not well known amongst the general public and are therefore likely to be losing propositions as has been

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seen in the case of 'Maharashtra Rangayan' in Delhi. The Committee suggest that the Corporation should also bear in mind the type of clientele which a leased cinema house is likely to attract while selecting the range of films to be shown in each such cinema house so that the audience patronising it can see the films which it likes and the cinema house can attract large audience which it needs not only for its own profitable operation but also for the success of the films at the box office.

49.

5.39

The Committee are also of the opinion that, instead of constructing cinemas of its own, the Corporation may also consider the advisability of introducing a new loan scheme to help local bodies or State agencies to construct low-cost cinema houses and to encourage the setting up of open air cinemas or improvised cinema, in big multipurpose halls in cities and small towns all over the country (in which the Corporation may acquire an interest in consideration for the loan advanced by it) where FFC financed films can be screened on priority basis. Such a scheme will be doubly advantageous in not only providing additional exhibition outlets for FFC films but also bringing about involvement of local authorities and bodies which is very necessary for the efficient running of such theatres at places far off from the headquarters of the Corporation. The Committee would suggest that the Corporation may set up panel of experts to evolve a concrete plan of action in this regard and implement it on a pilot basis prudently and cautiously so as not to incur any losses and then extend it gradually in the light of experience.

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5.40

The Committee would like the Corporation to make a survey of the exhibition facilities which are presently available or which should

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be made available in the various parts of the country for screening FFC financed films and see that as far as possible the art theatres coming up under the State Governments or constructed with loans from the Corporation or acquired on lease by the Corporation itself, are evenly spread over all the regions in the country and the cinematographically backward areas are not neglected.

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5.41

The Committee feel that, having entered the distribution and exhibition fields, the Corporation should be able to provide adequate publicity and exhibition outlets for its films. They need hardly point out that the distribution and exhibition business which is stated to be lucrative business should not result in losses if undertaken prudently and efficiently. They would like the Corporation to do regular monitoring of its distribution and exhibition activities and take remedial action without delay wherever necessary. They recommend that the Corporation should reflect the working results of its activities in the distribution and exhibition fields in its Annual Report and the Government should include the performance of the Corporation in these fields as a separate item in their Annual Review on the working of the Corporation.

52.

5.46-  
5.47

The Committee are informed that the Corporation proposes to hold one show per day on membership basis and it would like that in tune with the practice followed in foreign countries, films shown in art Cinemas which are run on membership basis should be exempted from payment of entertainment tax. The Committee feel that this suggestion which does not involve a big amount, merits sympathetic consideration and they have no doubt that the Central Government would be able to bring round the State Governments to agree to this small concession.

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The Committee feel that in order to promote the spirit of national integration, national harmony and such other objectives of social importance, it will be desirable that larger number of cinema goers see quality films produced around such themes. Keeping this objective in view, the Committee feel that it would be desirable that in the case of such films as are able to project such themes in highly aesthetic and artistic manner and win critical acclaim at national or international level, the incidence of entertainment tax is reduced or they are given total exemption from entertainment tax. The Committee would like that Central Government should, in consultation with the State Governments, evolve guidelines to help the latter adopt a uniform yardstick in considering the cases of such films of high standard for exemption from entertainment tax and persuade them to have a liberal approach towards such films in this matter in larger national interest.

#### **Canalisation of Import and Export of Film Import & Distribution cine raw Films**

53.       6.12-       The Committee find that the FFC has been  
          6.13       appointed as the canalising agency for import  
                  and distribution of cine raw films and import and  
                  export of films on 27th October, 1973 and this  
                  work which was being handled by the STC ear-  
                  lier was transferred to this Corporation in Nov-  
                  ember, 1973. The Committee feel that in view  
                  of availability of the different types of films from  
                  the Hindustan Photo Films Manufacuturing Co.  
                  Ltd., the FFC should plan its import after a care-  
                  ful review of the requirements of the various  
                  types of films and their availability through the  
                  HPF so that the import of these films should be  
                  kept to the barest minimum and there is no un-  
                  necessary stock piling of the imported film mate-

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		<p>rial. They would like the Corporation to keep its HPF informed of the demand of the various types of films in the country so as to enable the latter to regulate its production and expansion accordingly. The Committee would also like the Government to retriect the import of colour films to the barest minimum.</p>
		<p><b>Export of Films</b></p>
54	6.22	<p>The Committee regret to note that the export promotion efforts made by the Corporation have led to any substantial increase in the export earnings of the Corporation on films. In fact the export earnings on films in 1975-76 (Rs. 6 crores) are likely to be less than that in the previous year i.e. 1974-75 when these were Rs. 6.62 crores. The Committee would like the Corporation to review its export promotion efforts and see as to why these have not resulted in promoting the exports in any substantial manner and to take concerted measures to concentrate its efforts in markets like those of UK, West Indies, Arabian Gulf, Thailand etc. which are stated to be really active for Indian films.</p>
55	6.23	<p>The Committee are informed that countries like Burma, Kenya, Tanzania, Syria, Uganda have set up State agencies to handle the import and distribution of films. They feel that setting up of State Agencies in these countries should have made the Corporation's task easier in-as-much-as it will now have only one agency to deal with rather than dealing with numerous private distributors in these countries. The Committee feel that there is great scope for expanding exports of Indian films in these countries and also in other countries where persons of Indian origin have settled in large numbers. They would like the Corporation to make a study in consultation</p>

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with the Indian Embassies abroad of the tastes of the audience, and the trends of the films in other countries, survey the needs of the export markets for Indian films in terms of quantity as well as quality and in the light of this study/survey, chalk out a comprehensive exports promotion programme for the export of Indian films including documentaries for all such countries and also explore the possibility of dubbing Indian films in foreign languages and make systematic and concerted efforts to make it a success. In chalking out and implementing this programme, the Corporation should see that artistic films are exported to sophisticated markets where such films will be appreciated better. The Committee would urge that artistes/producers should also be involved in the programme to project and promote the image of Indian films in foreign countries. They would stress that the Corporation should allow export of only such Indian films as project the image of India in the correct perspective. The Committee need hardly point out that the success of the Corporation in exports field will be judged by its foreign exchange earnings and all its export promotion efforts should be directed to produce results in the shape of higher export earnings.

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6.24

The Committee feel that the decline of export earnings of Indian films from Rs. 6.62 crores in 1974-75 to an estimated amount of Rs. 6 crores in 1975-76 might be due to smuggling of films outside the country or unauthorised multiplication of the number of prints of Indian films in foreign countries. They feel that now when the FFC is the sole canalising agency to export films and it has, as such, a complete record of the number and names of films exported, it should not be difficult for the Government/Corporation to gather information, through Indian Embassies.



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abroad or otherwise, about the Indian films screened abroad and find out with reference to their own records as to which of these films went out of India through unauthorised channels. The Committee would like the Government/Corporation to take effective and coordinated measures, legal and otherwise, to plug all loopholes so as to root out smuggling of films.

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6.30—

6.31

The Committee note that while FFC is the canalising agency for the export of films, the Indian Motion Pictures Export Corporation (IMPEC) which was set up in September, 1963 as a subsidiary of State Trading Corporation (STC) also deals with the export of films. The Committee are also informed that there was a proposal to wind up the IMPEC when Government were thinking of setting up National Film Development Corporation but the latter proposal itself is stated to be now under examination and reconsideration. The Committee do not see any special advantage in having two independent Government undertakings in the field of exports of films as multiplicity of Agencies in the same field results in the setting up of parallel services and adding to the overheads without any corresponding gain to the nation and is also likely to create avoidable problems of coordination and *inter-se* relationship at various levels. The Committee recommend that now when there is no intention for the time being of bringing into being the National Film Development Corporation and the Film Finance Corporation has been made the canalising agency for imports and exports, Government should take an early decision to end the over-lapping of responsibility and make the Film Finance Corporation fully accountable for the entire work in the field of export of films in the interest of better results and higher efficiency.

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### Import & Distribution of Feature Films

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6.39—

6.41

The Committee note that since the first quarter of 1974 when the work of import of feature films was commenced by the Corporation, it has imported 28 films from Canada, France, Italy and Japan, of which 15 films had been released upto September, 1975. It is also negotiating for import of films from U.K. After studying the literature received from foreign film producers, the library prints are seen by the Selection Panel and selections of films made.

The Corporation thinks that as the existing selection procedure is time-consuming, it will be better and quicker to send a team of Selection Committee to the important production centres of the world and select larger number of recent films. The Committee need hardly point out that import of films is a more or less speculative venture in which the Corporation has had no previous experience. It is therefore absolutely necessary for the Corporation to proceed with this work very cautiously and gradually. The Committee feel that the Corporation must first establish itself, gain sufficient experience in this new venture and show encouraging results before it should think of sending its teams all over the world to make selections of films. The Committee do not think any special advantage can be derived by sending out selection teams from country to country in search of good films when the same work can be done with the help of film journals and magazines in which critical reviews of all good films are published. They feel that if the Corporation is able to manage its affairs efficiently, the foreign producers/distributors would themselves be attracted to supply their latest film to the Corporation.

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59	6.42	The Committee feel that the Corporation can make use of the experience of knowledgeable people in Indian Embassies abroad and other such persons well-versed with film world who frequently go abroad to enable it to get preliminary information regarding good and worthwhile films which should receive the attention of its Selection Committee.
60	6.43	The Committee would like that the films selected for import should be latest and have public acceptability so as to be successful at the box office. They suggest that the films selected should be re-appraised in the light of public reaction and response to the films after they are exhibited and lessons learnt for the future. If any film fails at the box office, the Selection Panel should review the film which has failed in order to detect the deficiencies and avoid them while selecting films in the future.
61	5.44— 6.45	The Committee note that the films to be imported are decided by a Selection Panel which consists of two Directors of the Corporation, three film critics and two officers of the Corporation. They hope that the selection of film critics to serve on the Selection Panel is made with due regard to their standing in the profession and their knowledge of trends in the film world in foreign countries and after making sure that their approach towards films does not run counter to the philosophy underlying the guidelines issued by the Government/Corporation in this regard. The Committee feel that in order to bring in fresh approach and new outlook to the task of selecting films for import, the Selection Panel should be reconstituted from time to time and opportunity given to other knowledgeable and experienced persons in the line to help the Corporation in making a proper selection of foreign films.

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The Committee recommend that the Government should monitor the performance of the Corporation in the field of import of feature films and see that not only the quality is maintained but also no losses are incurred on the whole.

**Motion Pictures Export Association of America (MPEAA)**

- 62            6.62—        The Committee note that apart from FFC  
                  6.64        being the sole canalising agency for import of  
                  feature films, there is a separate agreement with  
                  8 American companies known as Motion Pictures  
                  Export Association of America (MPEAA) who  
                  are essentially American films distributors in  
                  India working in this field for over 30 years.  
                  The Committee are informed that these American  
                  companies have been allowed to function as im-  
                  porters and distributors even after appointment  
                  of FFC as canalising agency for the reasons that  
                  (1) FFC cannot make financial investment neces-  
                  sary for importing 100 to 150 films a year as it  
                  has to make an outright purchase of these films  
                  whereas the American companies bring these films  
                  for exhibition and then take them back; (2) FFC  
                  does not have man-power to handle the job of  
                  distribution and exhibition of films in this coun-  
                  try and (3) FFC does not have the outlay neces-  
                  sary for handling this business.

The Committee feel that the reasons advanced by the Government for extending the agreement with MPEAA by four years are not at all convincing. The non-availability of adequate man-power with FFC to handle the American films is a very poor argument. As the FFC has already established an organisation, what was required was addition of suitable manpower to strengthen the organisation which in the view of the Committee could be easily done. With regard to the question of availability of funds, they do not find any reason for adequate funds not being made

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available to the Corporation for import of American films when MPEAA has been allowed to repatriate a sum of Rs. 25 lakhs per year which is quite a high sum according to the Committee. They feel that it should not have been difficult for Government/Corporation to have arrived at some suitable arrangements directly with American producers to import their films on returnable basis without having to make outright purchase of the films which would not have required large funds. The Committee are surprised that the FFC has not been considered to be in a position to import and distribute American films merely because the number of such films is large i.e. 100 to 150, as in their opinion less number of films could be imported to start with. The provision in regard to the disposal of accumulated funds of MPEAA will, in the opinion of the Committee, not solve the problem as further imports through MPEAA are likely to result in accumulation of fresh amounts and this would create a vicious circle. The Committee feel that this is one of those cases which have been dealt with by the authorities in a very casual manner. The Committee would like that the Government should examine the financial and organisational aspects of the matter expeditiously and make timely arrangements so as to ensure that, on the expiry of the present Agreement with MPEAA in March, 1979, FFC will be able to handle the work of import and distribution of all foreign films, including American films.

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6.65

The Committee are informed that while distributing foreign films the Corporation has also given FFC financed films to the exhibitors for exhibition. They would like the Corporation to draw out an integrated plan to promote the exhibition of FFC financed films along with foreign films and implement it systematically with a

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view to providing more exhibition outlets for the FFC financed films.

- 64            6.66            The Committee also recommend that the Corporation should annually review the results of trading activities permed by it as canalising agency in each of the three fields separately and place an analysis of the results before the Board of Directors to enable the Board to judge whether the trading activities have been carried out efficiently and economically. They would like the Corporation to keep a close watch, particularly, on the overheads on these activities and ensure that these are kept to the minimum. They would also like the Corporation to incorporate an analysis of these trading activities in the Annual Report.

#### Financial Matters

- 65            7.07—            The Committee stress the Government  
7.09            should take an early decision in regard to the conversion of loans into equity and communicate it to the Corporation to remove any uncertainty in this matter.

The Committee would also like Government to decide without any further delay the question of the continuance of the subvention so that the Corporation is clear about the position in regard to finances and it may arrange its commitments suitably.

- 66            7.17—            The Committee are distressed to find that the Film Finance Corporation has suffered an accumulated loss of Rs. 22.39 lakhs as on 31st March, 1974 against the paid-up capital of Rs. 50 lakhs, and the loss suffered in 1973-74 alone amounted to Rs. 15.33 lakhs. The loss would be more by another Rs. 17 lakhs if the interest on the bad debts had been taken into account. The Committee find that while interest on loans is recko-
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ned on an accrual basis on debts considered good, it is taken on cash basis on debts considered doubtful. The Committee do not see the rationale behind the difference in procedure for reckoning interest, as the terms and conditions of loans are the same in either case.

The Committee also find that the interest is accounted for on cash basis in respect of all debts from 1973-74. The Committee feel that the interest on loans should be on accrual basis only on the balance of loans outstanding from time to time. The Committee suggest that interest be credited on accrual basis. In order, however, to exhibit the fair position, it would be necessary to make provision for such doubtful interest. The Committee also find that the operating expenses are of the order of 25 per cent of loans granted to end of 1973-74 and this in the opinion of the Committee also find that the operating expenses are creasing at a faster rate from 1970 to 1974. The Committee feel that, in view of Government's increased participation by way of equity and the enhanced finances which are being made available, there is need for stricter control over expenditure. For this purpose the Corporation should lay down percentage of expenditure which may be incurred on operations as compared to the total business handled and this percentage may further be sub-divided under various activities, like (a) staff and establishment costs, (b) Travelling Allowance, (c) honoraria and fees etc. The Corporation should introduce the system of management accountancy and also press into service such management tools as would evolve a contemporaneous scrutiny of the financial operations.

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7.19—  
7.20

The Committee suggest that Government's representatives on the Board should also spe-

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cially go into the financial results of the Corporation and review the performance of the Corporation critically at least once in a quarter with special reference to financial position on the basis of factual data and memorandum circulated in advance by the Management.

The administrative Ministry should periodically (at least once in six months) review the results of the consideration of the financial position by the Board together with the action taken by the Management on the suggestions of the Board and give their critical comments to the Corporation.

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7.21

It has been admitted both by the Management as well as the Ministry that "the financial position of the Corporation is not satisfactory." The Ministry have, however, informed the Committee that with a view to improving the financial position, the Corporation proposes to enter into the field of exhibition and distribution of the films financed by it in a more business-like manner. They also propose to give an interest-free loan of Rs. 45 lakhs to the Corporation.

The Committee have given their recommendations in the respective chapters of this report to improve the financial position of the Corporation, streamline the procedure for the grant of loans and bring about an all round efficiency in the working of the Corporation. They have no doubt that if the Management address themselves seriously to the task of implementing the measures recommended by the Committee and the Government also keep a close watch on the implementation of the recommendations and review the performance of the Corporation from time to time, it would be possible for the Corporation to become a viable institution and achieve the objectives for which it was set up.

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