

CPU. No. 948

15

FIFTEENTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS

(2011-2012)

(FIFTEENTH LOK SABHA)

SALE OF SURPLUS LAND AND BUILDINGS BY
NATIONAL TEXTILE CORPORATION LIMITED

MINISTRY OF TEXTILES

(Action taken by the Government on the recommendations contained in the Second Report of the Committee on Public Undertakings (15th Lok Sabha) on Sale of Surplus Land and Buildings by National Textile Corporation Limited)



Presented to Lok Sabha on 27.04.2012

Laid in Rajya Sabha on 27.04.2012

LOK SABHA SECRETARIAT

NEW DELHI

April 2012 / Chaitra 1934 (S)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2011 – 2012)

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Shri Jagdambika Pal

Members, Lok Sabha

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3. Shri Vijay Bahuguna
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19. Dr. Bharatkumar Raut
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21. Vacant #
22. Shri N.K.Singh

SECRETARIAT

- | | | |
|----|----------------------|----------------------|
| 1. | Shri S. Bal Shekar | Additional Secretary |
| 2. | Rajeev Sharma | Director |
| 3. | Shri Ajay Kumar Garg | Additional Director |

* Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha w.e.f. 27.1.2012.

Ceased to be Members of the Committee consequent on their retirement from Rajya Sabha w.e.f. 2.4.2012.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings have been authorized by the Committee to submit the Report on their behalf, present their Fifteenth Report on Action Taken by Government on the recommendations contained in the Second Report of the Committee on Public Undertakings (15th Lok Sabha) on Sale of Surplus Land and Buildings by National Textile Corporation Limited.

2. The Second Report of the Committee on Public Undertakings was presented to Lok Sabha on 5th March, 2010. Replies of the Government to the recommendations contained in the Report were received on 10th May 2011. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 4th April 2012. The minutes of the sitting are given in Appendix-I.

3. An analysis of the action taken by Government on the recommendations contained in the 2nd Report of the Committee (2010-2011) is given in Appendix-II.

**New Delhi
4 April 2012
15 Chaitra 1934(S)**

**JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.**

CHAPTER - I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Second Report (Fifteenth Lok Sabha) of the Committee on Public Undertakings, which was presented to Lok Sabha on 5th March 2010.

2. Action taken notes have been received from the Government in respect of all the 13 recommendations contained in the Report. These have been categorized as follows:

- | | | |
|-------|--|------------|
| (i) | Observations/Recommendations that have been accepted by the Government (Chapter-II)
Sl. Nos. 3,9,10,12 and 13 | (Total 05) |
| (ii) | Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies: (Chapter-III)
Sl. Nos. 1,2,4,6 and 11 | (Total 05) |
| (iii) | Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: (Chapter-IV)
Sl. Nos. 5,7 and 8 | (Total 03) |
| (iv) | Observations/Recommendations in respect of which final replies of the Government is still awaited: (Chapter-V)
Sl. No. | NIL |

3. The Committee will now deal with the action taken by the Government on some of the recommendations in the succeeding paragraphs.

RECOMMENDATION (Sl. No. 5)

Valuations of NTC properties by Government agencies

4. Expressing the need for involvement of Government agencies for valuation of NTC properties being offered for sale, the Committee in their original Report had recommended as follows:

“The audit review reveals that out of 66 cases of sale of land through tender, CBDT valuation of 1994-95 and 1998-99 was considered for fixation of reserve price in 29 cases during April, 2002 to March, 2008. However, the CBDT valuation was not indexed to the year of fixation of reserve price for arriving at realistic value. During his evidence before the

Committee, the CMD, NTC deposed "I have gone through the records of the Company and I have found that CBDT was involved in the valuation of land once in 1995-96 period. After that when the Company approached them, they have not agreed." The Company, however, could not produce any documentary evidence portraying unwillingness by CBDT for undertaking valuation of NTC properties leading the Committee to believe that NTC did not invariably involve CBDT in the process of fixation of reserve price in accordance with their own specific guidelines issued in November, 2002. At this stage, the Committee express their strong displeasure over the manner in which the valuation of CBDT was not given due consideration for fixation of reserve price in all cases as stipulated in the guidelines issued by the Company in November, 2002. The Committee, therefore, desire that the Ministry of Textiles should involve expert agencies of the Government like CPWD and CBDT in the process of valuation of NTC properties to be offered for sale in the coming years."

5. In their action taken reply, the Government has stated as follows:

"The BIFR has issued guidelines vide its order dated 24.08.2009 for valuation and asset sales. The Company is following the same guidelines. Under these guidelines, the ASC is fixing the reserve price on the basis of 4 values obtained from 3 independent Govt. approved valuers and collector's guidelines rates and the highest of the 4 values is approved by the Asset Sale Committee (ASC) as the reserve price for any property."

6. In their vetting on the Reply of the Government, the Office of C&AG observed that the Government has not accepted the recommendations of COPU regarding involvement of expert agencies like CBDT and CPWD for valuation of properties. Reasons for not including recommendations made by COPU in the revised guidelines were not intimated.

7. The Ministry furnished the following reply on the comments of the office of C&AG that earlier when the Company approached CBDT through letters and personal follow-up, no response was received from CBDT. The latest BIFR guidelines dated 12.10.2010 have provided for only one valuation with no specific mention of CBDT.

Comments of the Committee

8. Expressing their strong displeasure over the manner in which National Textiles Limited (NTC) did not involve Central Board of Direct Taxes (CBDT) for fixation of reserve prices in all cases as stipulated in its own specific guidelines issued in November 2002, the Committee had in

their earlier report desired the Ministry of Textiles to involve expert agencies of the Government like CPWD and CBDT in the process of valuation of NTC properties to be offered for sale in the coming years. The Committee are distressed at action taken reply of the Ministry which is completely silent about any follow up action taken in pursuance of the specific recommendation of the Committee for involvement of expert agencies of the Government for valuation of NTC properties to be put on for sale. What has astonished the Committee more is that the Company has once again taken recourse to its earlier pleas made before the Committee that BIFR guidelines do not specifically provide for valuation of properties by CBDT and that no response was received from CBDT when approached by the Company in the past. The Committee are not inclined to accept these assertions made by NTC and they stress that the Ministry of Textiles should take up this matter with BIFR as well as CPWD and CBDT at the highest level so as to involve these agencies in the process of valuation of NTC properties to the best advantage of the Company.

RECOMMENDATION (SI.NO. 7)

Fair Market Value

9. Taking note of absence of an effective system to assess fair market value of NTC properties, the Committee had in their earlier Report recommended as follows:

The Committee note that the GOI directed in April, 2005 that the ASC should take a decision on the reserve price keeping it as close to the market value as possible. The Committee's examination, has, however, brought out that there were wide variations between the reserve price fixed and the actual sale value realized in a number of cases on the basis of valuation done by the ASC. The self-admission of the Company that it has realized 180% to 350% higher than the reserve price fixed for the sale of properties in Mumbai is a clear indicator that no system had been put in place to assess the fair market value of the properties in accordance with the GOI directives. Whatever may be the claims of the Company for sale value realizations for NTC's properties in Mumbai, the fact remains that the reserve prices fixed by the ASC in the instant cases were nowhere near the market prices realized by the Company.

The Committee express their strong displeasure over the failure of the Company to devise an effective system to assess the fair market value of NTC properties before offering them for sale so as to ensure realization of maximum possible revenue. The Committee, therefore, recommend that the Ministry of Textiles should now devise suitable procedures for assessing fair market value of NTC properties being offered for sale and ensure strict compliance of such procedures within the laid down policies.

10. In their action taken reply, the Government has stated as follows:

The Company has received the maximum realization of resources by sale of its 5 properties in Mumbai by fetching Rs.2020.75 crore. The Company engaged 5 of the best real estate consultants in the country to arrive at the Minimum Assured Return (MAR) value for its properties and follow a transparent procedure. However, all future sales of NTC has to be strictly as per the guidelines issued by BIFR vide its order dated 24.08.2009, where the asset valuation is indicated, which is reproduced as follows:-

“(b) All the assets should be got valued (if not already done) by an independent Government approved valuer and having regard to the likely market prices thereof, reserve price should be fixed in respect of each of the assets, if possible.....”

NTC decided to sell these properties as per laid down procedures through a transparent, open public tendering process. The proposals for sale were placed before the Asset Sale Committee (ASC), constituted by the Ministry of Textiles under the directions of the BIFR. The procedure followed were to invite bids by issue of public tenders in leading newspapers on all India basis. Tender documents were made also available on the website of the Company. The Reserve Price (RP) and the EMD were fixed by the ASC. The sealed offers along with EMD were opened on a pre-determined date, on expiry of 30 days in the presence of all intending bidders and the bids quoted by each one of them was read out while opening the tender. In case the price quoted by the bidder is above RP, already fixed by the Company, the bid is accepted by the ASC. The RP was fixed by the ASC on the basis of the valuations arrived at by the reputed Consultants in the country.

As far as Mumbai land is concerned, it had been decided that Reserve Price should not be less than the highest Minimum Assured Returns (MAR) quoted by the consultants, provided that it was above the prevailing circle rates/registration rates. The Company had gone by the directions and achieved 262% of the RP.

The response was purely determined by the market forces, demand and supply position and fierce competition created by NTC.

The following paper cuttings (copies enclosed at Annexure-1) on the land sale which shows that NTC has been breaking the records in every sale in Mumbai and how NTC land sale in Mumbai created a spurt in the real estate market in the country.

1. "It's real: NTC sells plot for record Rs.702 crore" – The Times of India dated 21.06.2005.
2. "NTC's prime plot may bust realty records" – The Times of India dated 20.06.2005.
3. "DLF buys NTC land for Rs. 720 cr." – Business Standard dated 21.06.2005.
4. "DLF- Akruiti Bags NTC Mill for record Rs. 702 crore - Jawala fires up Mumbai realty" – The Economic Times dated 21.06.2005.
5. "India's biggest land deal: Rs.702 crore for city mill plot" – The Times of India dated 21.06.2005.
6. "NTC mills' sale triggers boom in firms with land" – Business Line dated 26.07.2005.
7. "Well done, NTC" – Editorial of Economic Times dated 24.06.2005.

The Company has been correcting its shortcomings / deficiencies regularly and bringing in improvements gradually. The observations of the Committee have also been noted and all possible corrective steps will be taken. The Company has recently conducted two on-line e-auctions of surplus land which was accomplished successfully and received appreciation from all quarters.

11. In their vetting on the Reply of the Government, the Office of C&AG observed that the no further comments please.

12. The Ministry furnished the following reply on the comments of the office of C&AG that no further reply is desired please.

Comments of the Committee

13. Taking note of the failure of the Company to devise effective system to assess fair market value of its properties before offering them for sale, the Committee had in their earlier Report recommended that the Ministry of Textiles should devise suitable procedures for assessing fair market value of NTC properties being offered for sale. The Committee are dismayed at the action taken reply furnished by the Ministry which lays mere emphasis on the sale value realizations of NTC properties in Mumbai during 2005 and reveals nothing about the suitable procedures contemplated to be devised in accordance with the specific recommendation about assessment of fair

market value of NTC properties. The fact brought out elsewhere* in the action taken replies that the reserve prices of the Company's properties for the e-auction finalized in July-August 2010 were also substantially lower than the highest bids received in response speaks volume about the imperative need for devising suitable procedures for assessing fair market value of NTC properties being put on sale. The Committee trust that the Ministry of Textiles would not forsake its responsibility and at least now take appropriate steps in the right direction without further loss of time.

RECOMMENDATION (Sl. No. 8)

Defects in Tender Documents

14. Pointing out defects in Tender Documents in specific cases of the NTC properties offered for sale, the Committee in their original report had recommended as follows:

“The Committee are constrained to observe that the information disclosed in the tender documents issued for sale of assets in a number of cases was either incorrect or ambiguous and that the Company had not established any system for verification of the contents of the tender documents. Prominent among these cases related to Mumbai Textile Mill, Apollo Textile Mill and Chalisgaon Textile Mill where Audit has estimated a loss of Rs.185.10 crore to the Company. The audit observations and the replies of the Ministry in these cases have been briefly enumerated in the following paragraphs:

(i) Mumbai Textile Mill, Mumbai

The audit has pointed out that the tender document for sale of land of the Mill stated that the mill area consisting of 67,293.17 square meter bearing CS No. 464 (admeasuring 65,993.17 square meter) and CS No.4/464 (Marwari Chowka Chawl admeasuring 1300 Square Meter) was offered for sale. While the Company had no intention for sale of land of Marwari Chowka Chawl, it was wrongly included in the tender document. Further, the sale deed and the possession letter specifying the boundaries of the land sold did not include area of Marwari Chowka Chawl. Subsequently, the purchaser asked for possession of Marwari Chowka Chawl also since it was included in the tender document. The ASC

* Action Taken Reply of the Ministry on Recommendation at Sl.No. 6 of the Original Report.

accepted the fact that the parcel of land of 1300 square metre was wrongly included in the tender document and the possession and ownership of this land worth Rs.13.56 crore was given to the private party without any consideration besides the liability of about Rs.5.23 crore to rehabilitate 24 occupants of Chawl was owned by the Company resulting in loss of Rs.18.79 crores.

NTC admitted the fact that land of 1300square metre was occupied by Chawl and had not appeared in the lay out plan due to mistake. While contending that the mistake of non-disclosure of Marwari Chowka Chawl had not been liable for any loss to the Company, the reply of NTC is strangely and conspicuously silent on the audit observations on handing over the possession of 1300 square metre plot without any consideration and the liability owned by the Company for rehabilitation of occupants of Marwari Chowka Chawl.

(ii) Apollo Textile Mill, Mumbai

The Audit has brought out that the Company had received lesser amount in tendered bids by not disclosing the vital information about the feasibility of access to the Main Road which was allowed later on. This enhanced the value of the land resulting in loss of Rs.165.80 crore to the Company after deducting consideration received for right to access to main road.

NTC has informed the Committee that originally, the property was tendered in 2005 giving all the particulars known to the Company. Later on in 2006, a provision for read was made as per the town planning and thus it cannot be presumed as deficiency in tender document.

(iii) Chalisgaon Textile Mill, Chalisgaon

According to the Audit, six plots of land of the Mills were sold to the highest bidder and the purchaser did not pay second and final installment due on the plea that in the tender document the Company had wrongly mentioned the land to be in residential zone though it was in industrial zone. This incorrect information in tender document resulted in delay in receipt of sale proceeds for which no interest was recovered and the Company lost interest of Rs.51 lakh calculated on the basis of 18 percent per annum.

Responding to the Audit observation, NTC stated that the State Government/local municipal authorities were reluctant to grant approvals for change of zone. Since NTC was in financial crunch during that period, it was decided to sell the land on 'as is where is' basis for survival of the Company and the tenders were floated before obtaining change of zone.

Explaining its failure to establish a proper system for verification of all the facts included in tender documents, the Company put forth the plea that NTC had no expertise of sale of land and it had resorted to execute sale of assets only to implement the revival scheme approved by the BIFR.

Going by the self admission of the Company that the defects in the tender documents had occurred due to inadequacy of the system, the Committee are of the firm opinion that the casual approach on the part of the Company and the failure of the Ministry to devise a foolproof system in this regard ultimately proved detrimental to the financial interests of the Company. The Committee, therefore, recommend that all the cases of loss due to defective tender documents as pointed out by Audit should be thoroughly enquired into at the highest level in the Ministry of Textiles and responsibility fixed for such costly lapses. The Committee would like to be informed of the action taken in each such case.

15. In their action taken reply, the Government has stated as follows:

“Each case was considered by the Asset Sale Committee (ASC) on merits. The facts and circumstances of the case is unique and viewed from a commercial angle, the solution as has been arrived at by the ASC to settle the issue is in the best interest of the organization. Marwari Chowka chawls consisting of 0.32 acres is a chawl area under DCR.58. This chawl is to be redeveloped by NTC for accommodation of the existing employees staying there. By mistake, NTC while releasing the tender included this area also for sale. The bidders quoted for the entire area that was offered for sale and the Company got the offer for the entire area including the Marwari Chowka chawl. The only mistake that happened in this case is that NTC has included a property which was not meant for sale. The Marwari Chowka chawls were to be developed by NTC as per Govt. of Maharashtra DCR – 58. The Company had not suffered any loss on account of inclusion of Marwari Chowka chawls in the tender, as the bidder had made payment for this area also.

Each and every case was considered by the Asset Sale Committee (ASC) on merits. The facts and circumstances of the case is unique and viewed from a commercial angle, can only have a solution as has been taken by the ASC to settle the issue is in the best interest of the organization.

Clause 1.3 of the tender document issued by NTC read as under:-

The rear part of the mill stands closed by order No. L-51016/5-121/2004-IR(PG) dated 16.03.2004 of the Deputy Director, Ministry of

Labour, Government of India, under Section 25(O) of the Industrial Disputes Act, 1947. The sub-division of the land shall be got demarcated by the DILR in presence of both the parties (as per condition No. 21 of MCGM). At present, the mill is divided into two parts and the western part adjacent to Jivraj Boricha Marg is under sale. An access could be made available through outside land of Sitaram Mills belonging to NTC (MN) Ltd. to Jivraj Boricha Marg. All the machineries in the surplus area of the mills are in process of sale/disposal other than the retained machineries which are being shifted to sister units shortly, the surplus employees have opted for MVRS.”

At the time of issue of tender and finalization of sale, no other definite information was available with NTC with regard to the access road. After sale of land of 5 mills and during the meeting with Hon'ble Chief Minister of Maharashtra and other officials, it was decided that NTC should appoint Architects/City Planner to carry out Traffic Impact Study of Road Network and Studies on Civil Infrastructure of all the mills and submit the same to State Govt. for implementation till the time no fresh permissions for sale of mill land shall be released. Since this was a lateral development, it cannot be treated as 'non-disclosure of vital information' in the tender. According to DC Regulations, NTC is under statutory obligation to construct the road as per norms and specifications and thus it handed over the same to MCGM for public purpose. It may, therefore, be seen that there was no malafide intention nor any actual loss to the company.

Each case was considered by the Asset Sale Committee (ASC) on merits. The facts and circumstances of the case is unique and viewed from a commercial angle, the solution as has been arrived at by the ASC to settle the issue is in the best interest of the organization.

This case has to be examined with respect to the facts of the case as prevalent in 2002 when the Company was hard pressed for generating enough resources for implementation of the Revival Scheme. The ASC considered the matter in its meeting held on 11.12.2002 and took a conscious decision in the interest of the Company.

In the tender issued by NTC, the zone was indicated as residential. However, the Govt./local Municipal Authorities were reluctant to grant approvals for change of zone. The residential rates are always higher than the industrial rate by around 30% to 40% whereas the sale is 'as is where is' basis, i.e. industrial land. The party had to pay the fee for the change of zone from industrial to residential. The audit had considered the waiver of interest on the delay. If we consider the cost of conversion and the rate obtained for residential as against industrial, the company

would have gained more than the waiver of interest. The non-indication of proper zone in the tender document had not resulted in any loss.

The sale of assets by NTC has been done after approval by a duly constituted broad based Asset Sale Committee comprising of the representatives of BIFR, the State Government, the Implementing Agency, etc. As per the guidelines dated 24.8.09 issued by the BIFR, the Board only can intervene in the matters considered by such ASCs. In a recent order dated 19.2.2010, the BIFR has gone to the extent of mentioning that *“the Ministry has no role in the matter, as the scheme has been sanctioned by BIFR, and its implementation for revival is under direct supervision of BIFR. NTC approached Ministry as per its convenience. The Bench also noted that, in violation of tender conditions / BIFR’s ASC guidelines, the Ministry has intervened in the matter.”*

In view of the above facts, as the ASC comprised of outside Members including BIFR nominee, it may not be proper for the Ministry of Textiles to conduct any enquiry in the matter. In our opinion, if such enquiry has to be conducted, it may be appropriate to have such enquiry conducted either by the BIFR or as per their directions.

16. In their vetting on the Reply of the Government, the Office of C&AG observed that the Government has not accepted the recommendations of COPU regarding enquiry into the cases of loss due to defective tender documents and fixation of responsibility thereof. Further, it was also not intimated whether Government has sought the directions of BIFR for conducting the enquiry in these cases.

17. The Ministry furnished the following reply on the comments of the office of C&AG that there is no loss to the Company in this case as the Company got the price even for the chawl occupied property that was offered for sale. The mistake is limited to the action of the Company in putting a chawl occupied property for sale along with the main mill land. The liability of rehabilitation of the chawl occupants on account of the above action is being sorted out amicably by the 3 parties without any commitment on the part of the NTC to go for rehabilitation of those workers.

In view of the above, M/Textiles requests that the issue may be closed.

Comments of the Committee

18. In their earlier Report, the Committee had recommended that all the cases of loss due to defective tender documents should be thoroughly enquired into at the highest level in the Ministry and responsibility fixed for such costly lapses. The Committee note from the action taken reply that

the Ministry of Textiles does not feel it proper to conduct any enquiry in the matter as the Asset Sale Committee in these instances comprised outside Members including BIFR nominee. Taking into consideration the submissions of the Ministry that it would be appropriate to have such enquiry conducted either by the BIFR or as per their directions, the Committee desire the Ministry of Textiles to work out the manner and parameters in consultation with the agency concerned for conduct of an enquiry into these cases of loss due to defective tender documents with a view to fixing responsibility for the lapses. They would also like to be apprised of the efforts made by the Ministry of Textiles in this regard and the results so achieved.

CHAPTER - II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

The Committee note with satisfaction that in principle, the Government/ NTC have accepted all the recommendations made by the Committee in their original Report. However, on some of the recommendations, where the Committee feel that more prompt action is required to be taken or where the action taken reply has not covered all the aspects mentioned in the recommendation, comments have been made in Chapter-I of the Report. The rest of the recommendations along with action taken replies are reproduced in Chapter-II.

Recommendation No.3

Sale of Properties not identified in the Revival Scheme

The Committee note that in accordance with the revival scheme approved by BIFR / GOI, the Ministry of Textiles constituted Asset Sale Committee (ASC) from time to time for the subsidiaries of NTC for undertaking sale of the properties of the Company. The ASCs for sick subsidiaries so constituted were assigned the specific functions to ensure that the land was sold in such a manner as to generate maximum resources for the revival plan besides ensuring that the sale was conducted in a transparent and fair manner through open notification and as per highest professional standards. Subsequently, a single ASC was constituted after merger of the nine subsidiaries in the Company in the year 2006. The Committee are surprised over the casual manner in which such ASCs functioned as is evident from the audit findings that certain parcels of land not identified as surplus in five cases in the revival schemes were sold by the Company. The Company has tried to justify sale of properties in such four cases on the ground that physical measurement was not done prior to submitting proposal to BIFR and the sale of entire land in these cases was approved by BIFR as a unit for the area appearing in records. NTC has however, admitted that the sale of land in the fifth case was initially not identified but BIFR approved its sale and treated it authorized subsequently. From these facts the Committee can only conclude that the ASCs functioned in an arbitrary manner and resorted to hasty sale of land of NTC mills without paying due attention towards the specific details of NTC properties being offered for sale under the revival schemes approved by BIFR. Since 50 percent of its identified properties are yet to be sold, the Committee desire that the Ministry of Textiles should lay down precise guidelines in this regard so as to obviate recurrence of instances of sale of land and buildings beyond the purview of revival scheme approved by BIFR/GOI. The Committee would also like the Ministry to make it mandatory that land measurements are carried out by the Company before offering any property for sale.

Reply of the Government

The entire resources required for implementation of Revival Scheme are to be generated by the sale of assets of closed mills and surplus assets of the viable mills through the mechanism of a duly constituted broad-based Asset Sale Committee (ASC), comprising of representatives of BIFR, State Govt., IDBI, Ministry of Textiles, etc.

Formation of Asset Sale Committee (ASC) was as per BIFR guidelines. The BIFR has issued revised guidelines on 24.8.2009 for sale of assets. These guidelines are being strictly followed by NTC for all sales. The observations of the Committee have been carefully noted for strict compliance and all future land sale will be made only after proper measurements are carried out by the Company.

Remarks of office of C&AG on the Reply of the Government

The Company could not show the measurement reports in respect of the properties sold after the issue of revised BIFR guidelines.

Reply of the Government on the remarks of office of C&AG

Precise guidelines have been laid down by the Ministry of Textiles (copy of letter No. 9/1/2010-NTC dated 23.09.2010 is enclosed for ready reference) and no property which is not approved for sale under the Revival Scheme will be considered for sale by the Company. Land measurements have been made mandatory before the sale is carried out. Measurement report of 5 properties sold, after July, 2010 are enclosed, as desired.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Recommendation No. 9

Sale below the Registration Rates and Reserve Prices

During the course of their examination, the Committee's attention has also been drawn to certain cases of sale of NTC properties below the prevailing registration rates and the reserve price in contravention of the GOI directives issued in November, 2004. NTC has pleaded that the Company cannot indefinitely keep on retendering if a property after repeated attempts is not taken for the reserve price fixed by the Company. At the same time, NTC has assured the Committee that the "GOI is reviewing the guidelines for fixation of the reserve price with a view to refining and improving the system and achieving optimum realization from sale of assets.

The Committee hope that earnest efforts would be made by the Ministry of Textiles to ensure compliance of their new guidelines in the best financial interest of the Company.

Reply of the Government

The Company in toto adopted guidelines issued by the BIFR vide its order dated 24.08.2009 and in no case, sale would be done when the bid received is less than the reserve price fixed by the ASC. In case, a property is not able to get the bid above the reserve price, no sale will be made in future. The observations of the Committee have been noted for future guidance and all possible efforts will be made to secure optimum returns for the sale of assets.

Remarks of office of C&AG on the Reply of the Government

No further comments.

Reply of the Government

No further comments.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Recommendation No. 10

Sale without following Tender Process

The Committee's scrutiny of the information made available to them brings out that the procedure and guidelines to be followed by ASC, issued in March, 2002 as per BIFR Order-2002 clearly stipulated that the "Sale of assets should be effected by way of public sale through sealed tenders, after adequate notice is given to the public through advertisement...". Further, one of the specific functions assigned to the ASC constituted from time to time was to ensure that the sale was conducted in a fair and transparent manner and through open notification. The audit review has, however, brought out that the sale was made without following tender process in a number of cases. While furnishing the reasons for not following guidelines in these cases, NTC pleaded that the Company could not resort to the public tender system in some cases which were of exceptional nature due to reasons such as accessibility of the plot, size of the plot, consistent litigations, defects in title and orders issued by the local authorities for earmarking the land for road network, etc. While giving due credence to exceptional nature of some of these cases, the Committee cannot accept the accessibility, size and location of some of the properties as valid reasons for not resorting to its sale without following tender process.

While taking a serious view of these instances of deviation from stipulated guidelines, the Committee recommend that the Government should now incorporate an effective system of review of the departure is made from the directions/guidelines issued for the implementation of the revival scheme.

Reply of the Government

It may be stated that each case had been placed before the duly constituted Asset Sale Committee and all decisions were taken after deliberations by the ASC, taking into account various considerations. However, the observations of the Committee have been noted and will be strictly implemented. It may be added that the BIFR has issued revised guidelines on 24.8.2009 for valuation and sale of assets. These guidelines are being strictly enforced for implementation in NTC. The revival scheme is also being monitored more frequently by the Board of Directors, Ministry of Textiles, BIFR, etc.

Remarks of office of C&AG on the Reply of the Government

The compliance with the revised guidelines would be watched in future.

Reply of the Government on the remarks of office of C&AG

The remarks of the o/o C&AG have been noted.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Recommendation No.12

Need for Improving Systems

During the examination of the subject matter, NTC has repeatedly pleaded before the Committee that the Company has never been in the business of selling assets and this has been a new area of activity on account of implementation of the revival scheme. The Committee are constrained to observe that most of the issues/shortcomings pointed out by the Audit could have been avoided had the Company devised systems and procedures strictly in accordance with the BIFR guidelines and acted accordingly thereon. Having taken note of the assurance given by the Company that it will review the existence policy on the basis of suggestions of Audit and make modifications required for implementation in all future cases of sale, the Committee firmly desire that the Company should amend its system of valuation and sale of assets without further delay.

Reply of the Government

As explained earlier, due to lack of experience and shortage of qualified man-power with the Company to undertake the special nature of work of sale of

land, certain procedural shortcomings had taken place. It has to be appreciated that the Company was implementing a time bound revival plan based upon funds to be generated by sale of surplus land / assets. The system of valuation and sale of assets are now being strictly followed on the basis of the guidelines dated 24.8.2009 issued by the BIFR and all possible efforts are made to ensure optimum returns from all such future sale of land. The recently introduced on-line e-auction by NTC was very transparent and has proved to be very successful in achieving our objectives.

Remarks of office of C&AG on the Reply of the Government

Compliance to the revised guidelines will be watched while conducting audit of transaction occurred after the period covered in performance audit and deviations, if any, would be reported separately.

Reply of the Government on the remarks of office of C&AG

The remarks of the o/o C&AG have been noted.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Recommendation No.13

To sum up, the examination of the subject matter relating to sale of surplus properties by NTC has revealed several shortcomings / irregularities. According to the Audit findings, Company either suffered losses or lost opportunities to earn in the following cases:-

- a) Defects in tender documents (loss of Rs.185.10 crore);
- b) Sale below registration rates (loss of potential revenue of Rs.10.43 crore);
- c) Sale below reserve price (loss of potential revenue of Rs.84.35 lakh);
- d) Inconsistencies in the guidelines ((loss of potential revenue of Rs.49.60 crore);

The Committee are of the considered view that the Ministry and the Company have not made any sincere efforts to realize optimum value of the properties sold. The Committee, therefore, strongly desire that the Ministry of Textiles and the Company should take concrete measures to fully exploit the market conditions for optimal gains to the advantage of the Company in respect of the sale of remaining surplus assets.

Reply of the Government

The Company has already taken concrete measures to fully exploit the market conditions to get the best market price for its assets by following the guidelines of BIFR strictly. The Company has recently conducted on-line e-auction for sale of its land as per the BIFR guidelines. In the first e-auction finalized on 31.7.2010, as against the reserve price of Rs.250 crores, the highest bid received was of Rs.474 crores. In the second e-auction finalized on 6.8.2010, as against the reserve price of Rs.750 crore, the highest bid received was of Rs.1505 crores. The e-auction completed by NTC was first of its kind in any central PSU which has set the future trend.

Remarks of office of C&AG on the Reply of the Government

No further comments.

Reply of the Government

No further comments

CHAPTER - III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation No.1

Revival Scheme

National Textile Corporation Limited (Company) incorporated with the main objective of managing the affairs of sick textile undertakings taken over by Government of India (GOI), was managing 119 textile mills through its nine subsidiaries. Of these, eight subsidiaries were declared sick between 1992 and 1994 under the Sick Industrial Companies (Special Provisions) Act, 1985. In the year 2002, the Board for Industrial Finance and Reconstruction (BIFR/GOI) approved revival scheme for these sick subsidiaries envisaging modernization of 53 viable mills and closure of 66 unviable mills at an estimated cost of Rs.3937 crores. The scheme was self-financing and the funds realized from sale of surplus assets of NTC mills were to be utilized for revival/modernization. However, this scheme could not be implemented, as envisaged, due to non-availability of funds through sale of surplus assets mainly on account of delay in getting the permission for sale of land of the mills from the State Governments concerned and implementation period of the scheme was extended from 31st March, 2004 to 31st March, 2006. Meanwhile, the remaining one subsidiary of the Company was also declared sick in December, 2005 and a modified rehabilitation scheme (MS-2006) costing Rs.5267.56 crores was submitted to BIFR in January, 2006 which was approved in March, 2006. The implementation period of MS-2006 was upto 31st March, 2008. The Committee's examination has revealed that the Company could not achieve the precise objectives of modernization/revival of mills, reduced manpower strength and sale of surplus assets as envisaged in the modified scheme even after extension of implementation period for a further period of one year under another modified scheme of 2008 approved by BIFR. Although the Company is stated to have generated Rs.4034.60 crores by sale of assets of the closed mills and surplus assets of the viable mills upto 30th September, 2009, the fact remains that the process of revival/modernization and the sale of almost half of surplus land of NTC mills is yet to be completed. Obviously, the Company and the administrative Ministry have failed to identify the weak spots in the implementation of the scheme from every possible angle despite grant of extension of implementation period from time to time under modified schemes.

Now that a proposal for extension of revival scheme upto 31st March, 2011 is stated to be under consideration for approval of the Union Cabinet, the Committee desire that effective and concrete steps should be taken by the Ministry of Textiles to ensure proper implementation and realization of objectives of the revival scheme within the proposed extended period.

Reply of the Government

The Revival Scheme of NTC is a massive project and has various components. The Company achieved major success in respect of :-

1. The Company had no resources initially to pay the VRS compensation to its employees. NTC successfully mobilised Rs.2028 crores by private placement of bonds in the initial days of implementation of the Revival Scheme during 2002-03. This fund was used mainly for payment of workers compensation on acceptance of MVRS.
2. Offered MVRS to 62218 employees to bring down the number of surplus manpower at a cost of Rs.2290.31 crores.
3. As against 10 Companies in the past, NTC is today a single Company by the merger of 9 subsidiaries with the Holding Company.
4. One Time Settlement (OTS) made for Rs.248.69 crores with 23 Banks and Financial Institutions and cleared the outstanding dues of all financial institutions and banks.
5. Company has paid off all secured creditors and unsecured creditors except where there are disputes;
6. Statutory payments to the tune of Rs.188.07 crores were made to EPF; ESIC, authorities.
7. Waiver of Rs.3448.21 crores of GOI loans and Rs.3316.50 crores of interest as on 31.3.2007 as per scheme.
8. Closed down 77 unviable units;
9. NTC has spent Rs.876.12 crores on modernization.
10. From Rs.385 crores budgetary support for wages in the year 2002-03, there is no budgetary support from the Government for wages in the year 2009-10 and 2010-11. NTC is generating the resources for payment of wages internally.
11. NTC is being transformed into an integrated textile company consisting of ginning, spinning, weaving, processing and garmenting.

The mandate was to modernize 22 mills. The Company has already completed modernization of 18 mills. Three mills are new projects, which are fast progressing, one each at Achalpur (Maharashtra), Hassan (Karnataka) and Ahmedabad (Gujarat). The spinning work of all the three projects is expected to be completed by September, 2010.

For reasons beyond the control of the management, like, permission from the State Governments, there was delay in commencing the modernization work.

The first major break-through in sale of land was achieved only in February, 2005 when the Company sold its first land in Mumbai. Even this was challenged by a PIL in the Hon'ble High Court of Mumbai. NTC lost the case in the High Court of Mumbai and filed an appeal before the Supreme Court. The Hon'ble Supreme Court gave a judgement in favour of the Company in March,

2006. So, the modernization work started only in March, 2006 on generation of sufficient funds.

On account of slow down in the global economy, the real estate market also witnessed recession during 2007-08 and 2008-09 and started showing sign of improvements only in 2009-10.

The 17 mills have completed the modernization as on 31.03.2009 and the modernization of 18th mill was completed on 31.3.2010. Out of the 4 new projects, 3 are at new locations as composite mills. Two projects have already started trial production. The third project is commencing trial run in September, 2010. Therefore, only one mill which is identified for Technical Textiles, has not started.

The Company has started sale of its land through e-auction and is expected to mobilize enough resources in the current financial year for completing the modernization. The Board of Directors of NTC and the Ministry of Textiles is closely monitoring the matter.

Remarks of office of C&AG on the Reply of the Government

As per BIFR schemes, 40 mills were identified for modernization. However, the Government has intimated the progress of modernization of 22 mills only. The progress of balance 18 mills, which were to be modernized through Joint Venture route, was not intimated by the Government/Company.

Reply of the Government on the remarks of office of C&AG

Out of the 18 mills identified for revival through joint venture, 5 mills have already started functioning. After review, the joint venture arrangement for 11 mills has been cancelled, and the matter is now sub judice. 2 mills earlier identified for revival by JV have now been recommended by the Board for Industrial and Financial Reconstruction (BIFR) for revival directly by NTC.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Recommendation Sl.No.2

Audit Review

The Committee note that the revival scheme for NTC envisaged compliance of BIFR/GOI guidelines and instructions issued by the Company for sale of surplus land and buildings. The process of sale was to be operated in such a manner as to generate maximum resources for the revival plan and to

ensure that the sale was conducted in a transparent and fair manner. The findings contained in the Audit review covering the sale of surplus land and buildings between 1st April, 2002 and 31st March, 2008 in six of the nine sub-offices of the Company and further examination of the subject matter by the Committee have brought out several inadequacies in the systems and procedures adopted by the Company during sale process of its surplus land and buildings. Some such important aspects have been dealt with in the succeeding paragraphs of this Report.

Reply of the Government

It may be stated that NTC had no past experience or qualified man-power to handle sale of land and for this reason certain procedural shortcomings / lacunae had occurred. This, however, had no deliberate malafide. The inadequacies and shortcomings in the systems and procedures have been removed over a period of time based on the experience gained, guidelines issued by the BIFR, various audit observations etc.

Remarks of office of C&AG on the Reply of the Government

Specific measures taken to remove the inadequacies and shortcomings in the systems and procedures for sale of surplus land and buildings have not been intimated by Government/Company.

Reply of the Government on the remarks of office of C&AG

The specific measures being followed are as under:-

1. To ensure transparency in sale of assets, the company has introduced E-auctioning, i.e. online competitive bidding with the approval of Assets Sale Committee (ASC). This was initiated in the month of July, 2010, and so far, the Company has conducted 9 e-auctions. Properties are now being sold through e-auction, as E-auction provides a transparent, efficient and cartel free platform for competitive bidding in the sale of assets. The BIFR guidelines are applicable in all respects to e-auction as well.

.2. The guidelines revised by the BIFR from time to time are fully adopted by the Asset Sale Committee for sale of its surplus assets leaving no scope for any discretion. The latest guidelines in supersession of all BIFR guidelines is dated 12.10.2010. The salient features of BIFR guidelines dated 12.10.2010 on sale of assets, being strictly followed by the Company are given below :-

- (i) ASC to get all the assets valued before floating of tender by an independent Govt./bank approved valuer and having regard to the likely market prices thereof, reserve price should be fixed in respect of each of

- the assets. Asset valuation should be completed within a month of the order.
- (ii) The bidder should deposit by means of a bank draft earnest money deposit (EMD) equivalent to 5% of the notified reserve price in respect of each asset/package along with the bid. Bids not accompanied by the EMD shall be rejected.
 - (iii) Where a bid has been finally accepted, the purchaser shall be required to pay the balance of the purchase consideration in two instalments of 50% and balance amount of the total selling price minus the EMD amount, payable, respectively before the end of 45-days and 90-days respectively from the date of which intimation regarding the final acceptance of the bid is dispatched to him by Regd. Post/Speed Post at his notified address.
 - (iv) The successful purchaser shall within 15 days of the receipt of intimation regarding the acceptance of his bid, furnish a bank guarantee, valid for one year, as may be considered satisfactory by the OA/MA, to secure full and timely payment of consideration for the assets purchased.
 - (v) The EMD received from the unsuccessful bidders will be refunded to them without any interest promptly.
 - (vi) The possession of the assets purchased and the title thereof shall be transferred to the purchaser only on receipt of the full payment of the purchase consideration along with interest @ 15% per annum in case of delayed payments, if any.
 - (vii) All advertisements for sale of assets will be issued on the basis of the sale being on "As is where is" basis and reserving the right to accept or reject any offer without assigning any reasons thereof.
 - (viii) The Asset Sale Committee shall obtain the prior permission/approval of the Board, for any relaxation of the above guidelines.

In addition to above, for appropriate valuation, reserve price is fixed on the basis of highest of the four valuations – 3 by Govt. approved valuers and 1 from Collector's guidelines.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Recommendation No. 4

System of Fixation of Reserve Price

(a) Non-observance of procedure for valuation of properties

The Committee note that the procedure devised by the Company in November, 2002 for sale of fixed assets envisaged that the ASC should determine reserve price of land on the basis of average of three valuations, namely valuation in Draft Rehabilitation Scheme (DRS) approved by BIFR, valuation given by Property Consultants and the Valuation by the Central Board

of Direct Taxes (CBDT). In November, 2004, the GOI further directed that the reserve price should not be less than Minimum Assured Return (MAR) in case of properties in Mumbai, where Marketing Consultants had quoted MAR. It was, however, observed in Audit that all the three valuation factors were considered in only 27 cases out of 79 cases of sale of land. Strangely enough, while only one of two valuations factors were considered in 37 cases, none of the prescribed valuation factors are reported to be considered at the time of fixing the reserve price in as many as 15 cases. In the opinion of the Committee, these cases of blatant procedural violations clearly reveal the scant regard shown by the ASC towards Company's precise guidelines for fixation of reserve price.

The Committee, therefore, recommend that the Ministry of Textiles should identify the level at which these lapses had occurred and contemplate establishing an effective monitoring system to ensure that the guidelines/directions issued for sale of remaining surplus land of NTC mills are scrupulously followed in future.

Reply of the Government

NTC had no previous experience of sale of land and other assets. It availed of the services of professional experts wherever possible. The Company in the initial days of implementation of Revival Scheme formulated guidelines on the basis of practices being followed by Companies for sale of assets and on the basis of the guidelines laid down by BIFR.

As regards valuation, the BIFR Scheme envisages valuation only by a single valuer, whereas the Company has been getting valuation done by three Government approved valuers and the Collector's guidelines rate and the highest among the four is taken as the Reserve Price.

It was found that fixation of Reserve Price was not yielding the required results for generation of funds. The ASC, therefore, had to analyze the reasons and bring in modification for fixation of Reserve Price. It has to be noted that the Real Estate market in the country was on a very low key till 2005 January. The Asset Sale Committee engaged professional experts for the first major sale of its property in Mumbai for fixation of Reserve Price. Thus, all possible efforts were taken by the Company to follow professional standards and a transparent system was put in place.

The properties identified in the audit are small pieces of land which have specific problems and the ASC considered these on a case to case basis, assessed the merits and de-merits and has taken certain commercial decision in the best interest of the Company.

The Asset Sales Committee had followed the guidelines in force from time to time on sale of assets. ASC has now taken a decision to follow strictly the

guidelines dated 24.08.2009 issued by BIFR without any dilution. Any instances of non-unanimity in the decision making process of ASC will be referred to BIFR, as per stipulation in the guidelines. Thus, there is an effective system of implementation put in place now.

Remarks of office of C&AG on the Reply of the Government

The Government/Company has not accepted the recommendation of COPU for identifying the level at which lapses in the adherence to guidelines and procedures for sale of land have occurred. Further, no specific reply has been given regarding establishment of an effective monitoring system to ensure adherence to the guidelines and procedures.

Reply of the Government on the remarks of office of C&AG

There is no specific formula available for fixation of reserve price and therefore, the reserve price fixation formula is determined with the utmost care as follows :-

- (i) While the BIFR guidelines stipulate valuation by a single valuer, the Company has been adopting 4 valuations – 3 being from Govt. approved valuers and the Collector's guideline rates. The highest among the 4 was taken as reserve price. All efforts were made by the Company to follow the guidelines and a transparent system was adopted. Thus, it may be seen that an effective system has been put in place to ensure adherence to guidelines & procedures. These are all commercial decisions taken in the best interest of the Company by the ASC which has representatives from BIFR, State Governments and Operating Agency.
- (ii) The Company has introduced a system of vetting the proposal of valuation of reserve price by a Committee of 3 Officers before it is put up in the ASC. The Company also is required to certify that all the guidelines issued by the BIFR on sale of assets have been fully complied with while moving the proposal before the ASC.
- (iii) A check list is introduced and the ASC itself is monitoring the compliance of the guidelines of BIFR and there is no scope for any deviation of the guidelines. It is mandatory for the Company to follow the same.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

RECOMMENDATION (Sl. No. 6)

Valuation of properties on Minimum Assured Returns

7. Commenting on the fixation of reserve price in case of NTC properties on the basis of Minimum Assured Returns (MAR), the Committee in their original report had recommended as follows:

“The Committee note that the GOI’s direction stipulated that the reserve price in case of properties in Mumbai should not be less than MAR, where marketing consultants had quoted the same. They, however, find that the Company had no system of vetting valuation reports and MAR given by the consultants with the result that there were wide variations between sale value realized and MAR quoted by the consultants. According to the Audit, such variations ranged between 94.3% and 279.28% in the case of 5 land parcels for which MAR was obtained. The Committee are not convinced with the reply of the Company that MAR was arrived at by best international real estate consultant and there was no reason for NTC to question their wisdom. On the other hand, the Committee are of firm view that MAR reports obtained by the Company did not give the realistic market value of the land parcels offered for sale as is evident from the substantially high sale value realized by the Company in all these cases. At this stage, the Committee can only conclude that the purpose of obtaining MAR for the purposes of fixation of best price/reserve price could not be achieved.”

8. In their action taken reply to the above recommendation of the Committee, the Government have stated as follows:

“The BIFR has issued revised guidelines on 24.8.2009 for valuation and sale of assets. The company is strictly following these guidelines. The observations have been noted and the Company is making all efforts to secure optimum returns out of land sale within the BIFR approved guidelines. In this context, it is pertinent to point out that the Company has recently conducted on-line e-auction for sale of its land as per the BIFR guidelines. In the first e-auction finalized on 31.7.2010, as against the reserve price of Rs.250 crores, the highest bid received was of Rs.474 crores. In the second e-auction finalized on 6.8.2010, as against the reserve price of Rs.750 crore, the highest bid received was of Rs.1505 crores. The e-auction completed by NTC was first of its kind in any central PSU which has set the future trend.”

Remarks of office of C&AG on the Reply of the Government

The Government has not replied to the observation of COPU. Besides, it has not been intimated whether MAR was considered in fixation of reserve price in case of the sales made through e-auction.

Reply of the Government on the remarks of office of C&AG

It is confirmed that no MAR valuation was considered for the e-auctioning of the properties considered in fixation of reserve price in case of the sales made through e-auction.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Recommendation No. 11**Inconsistencies among Guidelines and the Procedures**

During their examination of the subject, the Committee's attention has also been drawn to the fact that there were inconsistencies among the guidelines issued by the BIFR/GOI and the procedures laid down by the Company resulting in revenue loss to the Company. These included: fixation of earnest money deposit (EMD) by the Company at a lower rate; non receipt of EMD in Demand Draft; and grant of extension ranging from 96 days to 1371 days for payment beyond 60 days from the due date of payment without charging interest leviable on delayed payments. According to the Audit, the Company stated during September, 2008 that ASC was an empowered body to decide the issues relating to the sale of surplus assets and to decide the guidelines depending upon the situation and circumstances. The Company also maintained that the ASC was fully empowered to extend the period beyond 60 days.

During the examination of the subject, the Company however, informed the Committee that the ASC constituted by the Government has no authority to evolve procedures going beyond the guidelines of the BIFR and the deviations pointed out have to be examined on a case to case basis so as to take a final view in the matter. The Committee strongly recommend that the Company/Ministry should fix responsibility for these blatant acts of procedural irregularities.

Reply of the Government

In a revival scheme involving sale of assets of thousands of crores of rupees, there may arise a few cases having specific problems which requires specific solutions. If such cases are not examined on merit and solution found, innumerable number of disputes may arise between the company and the parties. Every such case was considered by the duly constituted ASC and decision taken in the best interest of the Company and from the commercial point of view.

It is important to mention that the Company was implementing a time-bound revival plan as per BIFR approval, the source of funding of which was sale

of surplus land / assets through an Asset Sale Committee. The Ministry of Textiles has been closely following up and monitoring the revival plan. As far as the Ministry is aware, no corruption or malafides were intended or involved in such transactions; nor any actual loss has been caused to the Company.

The observations of the Committee have been noted to ensure that such discretions are not used in future under any circumstances and the revised guidelines dated 24.8.2009 issued by the BIFR are now being strictly followed by NTC.

Remarks of office of C&AG on the Reply of the Government

The Government has not accepted the recommendations of COPU regarding fixation of responsibility for the irregularities pointed out in the audit report.

Reply of the Government on the remarks of office of C&AG

In a revival scheme involving sale of assets of thousands of crores of rupees, there may arise a few cases having specific problems which requires specific solutions. If such cases are not examined on merit and solution found, innumerable number of disputes may arise between the company and the parties. Every such case was considered by the duly constituted ASC and decision taken in the best interest of the Company and from the commercial point of view.

It is important to mention that the Company was implementing a time bound revival scheme as per BIFR approval, the source of funding of which was sale of surplus land/assets through an Asset Sale Committee. The Ministry of Textiles has been closely following up and monitoring the revival plan. There was no loss caused to the Company in the process of fixation of EMD or non-receipt of EMD in Demand Draft.

In view of the above, M/Textiles requests that the issue may be closed.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

CHAPTER – IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation No. 5

CBDT Valuations

The audit review reveals that out of 66 cases of sale of land through tender, CBDT valuation of 1994-95 and 1998-99 was considered for fixation of reserve price in 29 cases during April, 2002 to March, 2008. However, the CBDT valuation was not indexed to the year of fixation of reserve price for arriving at realistic value. During his evidence before the Committee, the CMD, NTC deposed "I have gone through the records of the Company and I have found that CBDT was involved in the valuation of land once in 1995-96 period. After that when the Company approached them, they have not agreed." The Company, however, could not produce any documentary evidence portraying unwillingness by CBDT for undertaking valuation of NTC properties leading the Committee to believe that NTC did not invariably involve CBDT in the process of fixation of reserve price in accordance with their own specific guidelines issued in November, 2002. At this stage, the Committee express their strong displeasure over the manner in which the valuation of CBDT was not given due consideration for fixation of reserve price in all cases as stipulated in the guidelines issued by the Company in November, 2002. The Committee, therefore, desire that the Ministry of Textiles should involve expert agencies of the Government like CPWD and CBDT in the process of valuation of NTC properties to be offered for sale in the coming years."

Reply of the Government

The BIFR has issued guidelines vide its order dated 24.08.2009 for valuation and asset sales. The Company is following the same guidelines. Under these guidelines, the ASC is fixing the reserve price on the basis of 4 values obtained from 3 independent Govt. approved valuers and collector's guidelines rates and the highest of the 4 values is approved by the Asset Sale Committee (ASC) as the reserve price for any property."

Remarks of office of C&AG on the Reply of the Government

The Government has not accepted the recommendations of COPU regarding involvement of expert agencies like CBDT and CPWD for valuation of properties. Reasons for not including recommendations made by COPU in the revised guidelines were not intimated.

Reply of the Government on the remarks of office of C&AG

Earlier, when the Company approached CBDT through letters and personal follow-up, no response was received from CBDT. The latest BIFR guidelines dated 12.10.2010 have provided for only one valuation with no specific mention of CBDT.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Comments of the Committee

Please see para 8 of Chapter I

RECOMMENDATION NO. 7

Fair Market Value

The Committee note that the GOI directed in April, 2005 that the ASC should take a decision on the reserve price keeping it as close to the market value as possible. The Committee's examination, has, however, brought out that there were wide variations between the reserve price fixed and the actual sale value realized in a number of cases on the basis of valuation done by the ASC. The self-admission of the Company that it has realized 180% to 350% higher than the reserve price fixed for the sale of properties in Mumbai is a clear indicator that no system had been put in place to assess the fair market value of the properties in accordance with the GOI directives. Whatever may be the claims of the Company for sale value realizations for NTC's properties in Mumbai, the fact remains that the reserve prices fixed by the ASC in the instant cases were nowhere near the market prices realized by the Company.

The Committee express their strong displeasure over the failure of the Company to devise an effective system to assess the fair market value of NTC properties before offering them for sale so as to ensure realization of maximum possible revenue. The Committee, therefore, recommend that the Ministry of Textiles should now devise suitable procedures for assessing fair market value of NTC properties being offered for sale and ensure strict compliance of such procedures within the laid down policies.

Reply of the Government

The Company has received the maximum realization of resources by sale of its 5 properties in Mumbai by fetching Rs.2020.75 crores. The Company engaged 5 of the best real estate consultants in the country to arrive at the Minimum Assured Return (MAR) value for its properties and follow a transparent procedure. However, all future sales of NTC has to be strictly as per the

guidelines issued by BIFR vide its order dated 24.08.2009, where the asset valuation is indicated, which is reproduced as follows :-

“(b) All the assets should be got valued (if not already done) by an independent Government approved valuer and having regard to the likely market prices thereof, reserve price should be fixed in respect of each of the assets, if possible.....”

NTC decided to sell these properties as per laid down procedures through a transparent, open public tendering process. The proposals for sale were placed before the Asset Sale Committee (ASC), constituted by the Ministry of Textiles under the directions of the BIFR. The procedure followed were to invite bids by issue of public tenders in leading newspapers on all India basis. Tender documents were made also available on the website of the Company. The Reserve Price (RP) and the EMD were fixed by the ASC. The sealed offers along with EMD were opened on a pre-determined date, on expiry of 30 days in the presence of all intending bidders and the bids quoted by each one of them was read out while opening the tender. In case the price quoted by the bidder is above RP, already fixed by the Company, the bid is accepted by the ASC. The RP was fixed by the ASC on the basis of the valuations arrived at by the reputed Consultants in the country.

As far as Mumbai land is concerned, it had been decided that Reserve Price should not be less than the highest Minimum Assured Returns (MAR) quoted by the consultants, provided that it was above the prevailing circle rates/registration rates. The Company had gone by the directions and achieved 262% of the RP.

The response was purely determined by the market forces, demand and supply position and fierce competition created by NTC.

The following paper cuttings (copies enclosed at Annexure-1) on the land sale which shows that NTC has been breaking the records in every sale in Mumbai and how NTC land sale in Mumbai created a spurt in the real estate market in the country.

1. “It’s real: NTC sells plot for record Rs.702 cr” – The Times of India dated 21.06.2005.
2. “NTC’s prime plot may bust realty records” – The Times of India dated 20.06.2005.
3. “DLF buys NTC land for Rs. 720 cr.” – Business Standard dated 21.06.2005.
4. “DLF- Akruiti Bags NTC Mill for record Rs. 702 crore - Jawala fires up Mumbai realty” – The Economic Times dated 21.06.2005.
5. “India’s biggest land deal: Rs.702 cr for city mill plot” – The Times of India dated 21.06.2005.

6. "NTC mills' sale triggers boom in firms with land" – Business Line dated 26.07.2005.
7. "Well done, NTC" – Editorial of Economic Times dated 24.06.2005.

The Company has been correcting its shortcomings / deficiencies regularly and bringing in improvements gradually. The observations of the Committee have also been noted and all possible corrective steps will be taken. The Company has recently conducted two on-line e-auctions of surplus land which was accomplished successfully and received appreciation from all quarters.

Remarks of office of C&AG on the Reply of the Government

No further comments please.

Reply of the Government on the remarks of office of C&AG

No further reply is desired please.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Comments of the Committee

Please see para 13 of Chapter I

RECOMMENDATION No. 8

Defects in Tender Documents

The Committee are constrained to observe that the information disclosed in the tender documents issued for sale of assets in a number of cases was either incorrect or ambiguous and that the Company had not established any system for verification of the contents of the tender documents. Prominent among these cases related to Mumbai Textile Mill, Apollo Textile Mill and Chalisgaon Textile Mill where Audit has estimated a loss of Rs.185.10 crore to the Company. The audit observations and the replies of the Ministry in these cases have been briefly enumerated in the following paragraphs:

(i) Mumbai Textile Mill, Mumbai

The audit has pointed out that the tender document for sale of land of the Mill stated that the mill area consisting of 67,293.17 square metre bearing CS No. 464 (admeasuring 65,993.17 square metre) and CS No.4/464 (Marwari Chowka Chawl admeasuring 1300 Square Metre) was offered for sale. While the

Company had no intention for sale of land of Marwari Chowka Chawl, it was wrongly included in the tender document. Further, the sale deed and the possession letter specifying the boundaries of the land sold did not include area of Marwari Chowka Chawl. Subsequently, the purchaser asked for possession of Marwari Chowka Chawl also since it was included in the tender document. The ASC accepted the fact that the parcel of land of 1300 square metre was wrongly included in the tender document and the possession and ownership of this land worth Rs.13.56 crore was given to the private party without any consideration besides the liability of about Rs.5.23 crore to rehabilitate 24 occupants of Chawl was owned by the Company resulting in loss of Rs.18.79 crores.

NTC admitted the fact that land of 1300square metre was occupied by Chawl and had not appeared in the lay out plan due to mistake. While contending that the mistake of non-disclosure of Marwari Chowka Chawl had not been liable for any loss to the Company, the reply of NTC is strangely and conspicuously silent on the audit observations on handing over the possession of 1300 square metre plot without any consideration and the liability owned by the Company for rehabilitation of occupants of Marwari Chowka Chawl.

(ii) Apollo Textile Mill, Mumbai

The Audit has brought out that the Company had received lesser amount in tendered bids by not disclosing the vital information about the feasibility of access to the Main Road which was allowed later on. This enhanced the value of the land resulting in loss of Rs.165.80 crore to the Company after deducting consideration received for right to access to main road.

NTC has informed the Committee that originally, the property was tendered in 2005 giving all the particulars known to the Company. Later on in 2006, a provision for read was made as per the town planning and thus it cannot be presumed as deficiency in tender document.

(iii) Chalisgaon Textile Mill, Chalisgaon

According to the Audit, six plots of land of the Mills were sold to the highest bidder and the purchaser did not pay second and final installment due on the plea that in the tender document the Company had wrongly mentioned the land to be in residential zone though it was in industrial zone. This incorrect information in tender document resulted in delay in receipt of sale proceeds for which no interest was recovered and the Company lost interest of Rs.51 lakh calculated on the basis of 18 percent per annum.

Responding to the Audit observation, NTC stated that the State Government/local municipal authorities were reluctant to grant approvals for change of zone. Since NTC was in financial crunch during that period, it was

decided to sell the land on 'as is where is' basis for survival of the Company and the tenders were floated before obtaining change of zone.

Explaining its failure to establish a proper system for verification of all the facts included in tender documents, the Company put forth the plea that NTC had no expertise of sale of land and it had resorted to execute sale of assets only to implement the revival scheme approved by the BIFR.

Going by the self admission of the Company that the defects in the tender documents had occurred due to inadequacy of the system, the Committee are of the firm opinion that the casual approach on the part of the Company and the failure of the Ministry to devise a foolproof system in this regard ultimately proved detrimental to the financial interests of the Company. The Committee, therefore, recommend that all the cases of loss due to defective tender documents as pointed out by Audit should be thoroughly enquired into at the highest level in the Ministry of Textiles and responsibility fixed for such costly lapses. The Committee would like to be informed of the action taken in each such case.

Reply of the Government

Each case was considered by the Asset Sale Committee (ASC) on merits. The facts and circumstances of the case is unique and viewed from a commercial angle, the solution as has been arrived at by the ASC to settle the issue is in the best interest of the organization. Marwari Chowka chawls consisting of 0.32 acres is a chawl area under DCR.58. This chawl is to be redeveloped by NTC for accommodation of the existing employees staying there. By mistake, NTC while releasing the tender included this area also for sale. The bidders quoted for the entire area that was offered for sale and the Company got the offer for the entire area including the Marwari Chowka chawl. The only mistake that happened in this case is that NTC has included a property which was not meant for sale. The Marwari Chowka chawls were to be developed by NTC as per Govt. of Maharashtra DCR – 58. The Company had not suffered any loss on account of inclusion of Marwari Chowka chawls in the tender, as the bidder had made payment for this area also.

Each and every case was considered by the Asset Sale Committee (ASC) on merits. The facts and circumstances of the case is unique and viewed from a commercial angle, can only have a solution as has been taken by the ASC to settle the issue is in the best interest of the organization.

Clause 1.3 of the tender document issued by NTC read as under:-

The rear part of the mill stands closed by order No. L-51016/5-121/2004-IR(PG) dated 16.03.2004 of the Deputy Director, Ministry of Labour, Government of India, under Section 25(O) of the Industrial Disputes Act, 1947. The sub-division of the land shall be got demarcated by the DILR in presence of both the

parties (as per condition No. 21 of MCGM). At present, the mill is divided into two parts and the western part adjacent to Jivraj Boricha Marg is under sale. An access could be made available through outside land of Sitaram Mills belonging to NTC (MN) Ltd. to Jivraj Boricha Marg. All the machineries in the surplus area of the mills are in process of sale/disposal other than the retained machineries which are being shifted to sister units shortly, the surplus employees have opted for MVRS.

At the time of issue of tender and finalization of sale, no other definite information was available with NTC with regard to the access road. After sale of land of 5 mills and during the meeting with Hon'ble Chief Minister of Maharashtra and other officials, it was decided that NTC should appoint Architects/City Planner to carry out Traffic Impact Study of Road Network and Studies on Civil Infrastructure of all the mills and submit the same to State Govt. for implementation till the time no fresh permissions for sale of mill land shall be released. Since this was a lateral development, it cannot be treated as 'non-disclosure of vital information' in the tender. According to DC Regulations, NTC is under statutory obligation to construct the road as per norms and specifications and thus it handed over the same to MCGM for public purpose. It may, therefore, be seen that there was no malafide intention nor any actual loss to the company.

Each case was considered by the Asset Sale Committee (ASC) on merits. The facts and circumstances of the case is unique and viewed from a commercial angle, the solution as has been arrived at by the ASC to settle the issue is in the best interest of the organization.

This case has to be examined with respect to the facts of the case as prevalent in 2002 when the Company was hard pressed for generating enough resources for implementation of the Revival Scheme. The ASC considered the matter in its meeting held on 11.12.2002 and took a conscious decision in the interest of the Company.

In the tender issued by NTC, the zone was indicated as residential. However, the Govt./local Municipal Authorities were reluctant to grant approvals for change of zone. The residential rates are always higher than the industrial rate by around 30% to 40% whereas the sale is 'as is where is' basis, i.e. industrial land. The party had to pay the fee for the change of zone from industrial to residential. The audit had considered the waiver of interest on the delay. If we consider the cost of conversion and the rate obtained for residential as against industrial, the company would have gained more than the waiver of interest. The non-indication of proper zone in the tender document had not resulted in any loss.

The sale of assets by NTC has been done after approval by a duly constituted broad based Asset Sale Committee comprising of the representatives

of BIFR, the State Government, the Implementing Agency, etc. As per the guidelines dated 24.8.09 issued by the BIFR, the Board only can intervene in the matters considered by such ASCs. In a recent order dated 19.2.2010, the BIFR has gone to the extent of mentioning that *“the Ministry has no role in the matter, as the scheme has been sanctioned by BIFR, and its implementation for revival is under direct supervision of BIFR. NTC approached Ministry as per its convenience. The Bench also noted that, in violation of tender conditions / BIFR’s ASC guidelines, the Ministry has intervened in the matter.”*

In view of the above facts, as the ASC comprised of outside Members including BIFR nominee, it may not be proper for the Ministry of Textiles to conduct any enquiry in the matter. In our opinion, if such enquiry has to be conducted, it may be appropriate to have such enquiry conducted either by the BIFR or as per their directions.

Remarks of office of C&AG on the Reply of the Government

The Government has not accepted the recommendations of COPU regarding enquiry into the cases of loss due to defective tender documents and fixation of responsibility thereof. Further, it was also not intimated whether Government has sought the directions of BIFR for conducting the enquiry in these cases.

Reply of the Government on the remarks of office of C&AG

There is no loss to the Company in this case as the Company got the price even for the chawl occupied property that was offered for sale. The mistake is limited to the action of the Company in putting a chawl occupied property for sale along with the main mill land. The liability of rehabilitation of the chawl occupants on account of the above action is being sorted out amicably by the 3 parties without any commitment on the part of the NTC to go for rehabilitation of those workers.

In view of the above, M/Textiles requests that the issue may be closed.

[Ministry of Textiles]
(File No. 9/1/2010-NTC dated 10.5.2011)

Comments of the Committee

Please see para 18 of Chapter I

CHAPTER – V

**RECOMMENDATION IN RESPECT OF WHICH FINAL REPLIES OF
GOVERNMENT IS STILL AWAITED**

- NIL -

**New Delhi
4 April 2012
15 Chaitra 1934(S)**

**JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.**

APPENDIX-I**MINUTES OF THE 12th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2011-12)**

The Committee sat on Wednesday, the 04th April 2012 from 1130 hrs to 1345 hrs in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT**Chairman****Shri Jagdambika Pal****Members, Lok Sabha**

- 2 Shri Hansraj G. Ahir
- 3 Shri Ramesh Bais
- 4 Shri Ambica Banerjee
- 5 Shri Shailendra Kumar
- 6 Shri Vilas Baburao Muttemwar
- 7 Shri Ponnam Prabhakar
- 8 Dr. Prabha Kishor Taviad

Members, Rajya Sabha

- 9 Shri Pyarimohan Mohapatra
- 10 Dr. Bharatkumar Raut
- 11 Shri N.K. Singh

Secretariat

- 1 Shri Rajeev Sharma Director
- 2 Shri Ajay Kumar Garg Additional Director

Representatives of Office of C&AG

- 1 Shri Gautam Guha Director General (Commercial)-I
- 2 Ms. Saroj Punhani Director General (Commercial)-II

2. At the outset, the Committee took up for consideration the following two draft action taken reports on:-

- (i). XXX XXXX XXX

- (ii). 2nd Report of 15th Lok Sabha on Sale of Surplus land and Buildings by National Textiles Corporation Limited.

3. The Committee adopted both the aforesaid Action Taken Reports and authorized the Chairman to finalize the Reports in view of the suggestions made by the Members and present the same to the Parliament.

4. *The representatives of the office of C&AG then withdrew.*

5. XXXX XXXX XXXX

6. XXXX XXXX XXXX

7. XXXX XXXX XXXX

The committee then adjourned.

APPENDIX - II*(Vide para 3 of the Introduction)***Analysis of the action taken by government on the recommendations contained in the 2nd Report of COPU (15th L.S.) on “Sale of surplus land and buildings by National Textile Corporation Limited.”**

I.	Total number of recommendations	13
II.	Observations/Recommendations that have been accepted by the Government (vide recommendations at 3,9,10,12 and 13)	05
	Percentage to total:	39
III.	Observations/Recommendations which the Committee do not desire to pursue in view of the Government’s replies. (vide recommendations at 1,2,4,6 and 11)	05
	Percentage to total:	39
IV.	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee which require reiteration (vide recommendations at 5,7 and 8)	03
	Percentage to total:	22
V.	Observations/Recommendations in respect of which final replies of the Government are still awaited	Nil