

C.P.U. NO. 935

2

**SECOND REPORT**

**COMMITTEE ON PUBLIC UNDERTAKINGS**

**(2009 - 2010)**

**(FIFTEENTH LOK SABHA)**

**SALE OF SURPLUS LAND AND BUILDINGS BY NATIONAL TEXTILE  
CORPORATION LIMITED**

**MINISTRY OF TEXTILES**

**[BASED ON CHAPTER IX OF C&AG REPORT NO. PA 27 OF 2009-10  
(PERFORMANCE AUDIT)]**



**Presented to Lok Sabha on 5.3.2010**

**Laid in Rajya Sabha on 5.3.2010**

**LOK SABHA SECRETARIAT**

**NEW DELHI**

**March 2010 / Phalguna 1931 (S)**

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**COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(2009-2010)**

**Chairman**

**Shri V. Kishore Chandra S. Deo**

**Members, Lok Sabha**

- |    |   |
|----|---|
| 2  | Shri K.C. Singh 'Baba'                    |
| 3  | Shri Ramesh Bais                          |
| 4  | Shri Hemanand Biswal                      |
| 5  | Shri Anant Kumar Hegde                    |
| 6  | Shri Sukhdev Singh Libra                  |
| 7  | Dr. Charan Das Mahant                     |
| 8  | Shri Baijayant Panda                      |
| 9  | Shri L. Rajagopal                         |
| 10 | Shri Nama Nageswara Rao                   |
| 11 | Chaudhary Lal Singh                       |
| 12 | Shri Ganesh Singh                         |
| 13 | Shri N. Dharam Singh                      |
| 14 | Shri Rajiv Ranjan Singh alias Lalan Singh |
| 15 | Shri Bhisma Shankar alias Kushal Tiwari   |

**Members, Rajya Sabha**

- |    |                              |
|----|------------------------------|
| 16 | Shri Birendra Prasad Baishya |
| 17 | Shri Bharkumar Raut          |
| 18 | Ms. Mabel Rebello            |
| 19 | Dr. T. Subbarami Reddy       |
| 20 | Shri Vijay Kumar Rupani      |
| 21 | Shri Tapan Kumar Sen         |
| 22 | Shri Amar Singh              |

**Secretariat**

- |   |                    |                         |
|---|--------------------|-------------------------|
| 1 | Shri J.P. Sharma   | Joint Secretary         |
| 2 | Shri Rajeev Sharma | Director                |
| 3 | Shri Girdhari Lal  | Sr. Executive Assistant |

## INTRODUCTION

1. I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to present the Report on their behalf, present this Second Report on Sale of Surplus Land and Buildings by National Textiles Corporation Limited.
2. The Committee's examination of the subject was based on Chapter IX of the Audit Report No. PA 27 of 2009-10 (Performance Audit).
3. The Committee on Public Undertakings (2009-10) took evidence of the representatives of NTC on 12.11.2009 and the representatives of the Ministry of Textiles on 08.12.2009.
4. The Committee on Public Undertakings (2009-10) considered and adopted the Report at their sitting held on 12.02.2010
5. The Committee wish to express their thanks to the Ministry of Textiles and National Textile Corporation Limited for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of the Ministry of Textiles and National Textile Corporation Limited who gave evidence and placed their considered views before the Committee.
6. The Committee also place on record their appreciation for the assistance rendered by the officials of Comptroller & Auditor General of India. They would also like to place on record their sense of deep appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.
7. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in PART-II of the Report.

**New Delhi  
12 February, 2010  
23 Magha, 1931 (S)**

**V. KISHORE CHANDRA S. DEO  
Chairman  
Committee on Public Undertakings**

**PART I**  
**REPORT**

**OVERVIEW**

National Textile Corporation Limited (Company) was incorporated in April 1968 with the main objective of managing the affairs of sick textile undertakings taken over by the Government of India (GOI). The Company was managing 119 textile mills through its nine subsidiaries. All these subsidiaries were declared sick (eight between 1992 and 1994 and one in December 2005) under the Sick Industrial Companies (Special Provisions) Act 1985. Revival schemes (2002) and a modified revival scheme (2006) were approved by the Board for Industrial and Financial Reconstruction (BIFR)/GOI which envisaged closure of unviable mills and revival of viable mills. According to these schemes, 77 unviable mills were to be closed, 40 viable mills to be revived (22 through modernisation and 18 through public private partnership) and two mills in Pondicherry to be transferred to the State Government. The scheme was self-financing and the funds utilized from sale of surplus assets were to be utilized for revival/modernisation. Asset Sale Committee (ASC) was constituted for each subsidiary to take decisions regarding sale of surplus assets. In pursuance of orders of BIFR, all the nine subsidiaries were merged with the Holding Company, thus, making NTC a single Company as against 10 companies before the merger in 2006 and a single ASC was constituted by Ministry of Textiles in October 2006. The erstwhile subsidiaries exist as sub-offices of the Company.

A performance review covering the sale of surplus land and buildings from 1 April 2002 to 31 March 2008 in six of the nine sub-offices of the Company was conducted by Audit between February and September, 2008 and their observations as appearing in Chapter IX of the C&AG's Report No. PA 27 of 2009-10 (Performance Audit) are reproduced at Appendix-I.

The Audit findings and other issues related with the subject matter have been dealt with in the succeeding chapters of this Report.

## CHAPTER – I

### REVIVAL SCHEMES

#### **A. Features of the Schemes**

In the year 2002, BIFR/GOI approved revival schemes for eight sick subsidiaries envisaging modernization of 53 viable units and closure of 66 unviable mills with an estimated cost of Rs. 3937 crores. The scheme was to be implemented upto 31<sup>st</sup> March, 2004 which was further extended upto 31<sup>st</sup> March, 2006.

According to NTC, the salient features of the Scheme 2002 for 8 sick subsidiary were as follows:

- (i). “Identify mills as viable or unviable.
- (ii). Unviable mills will be closed under Industrial Dispute Act after paying Modified Voluntary Retirement Scheme (MVRS) to the employees.
- (iii). Modernisation of 53 viable mills and closure of 66 unviable mills.
- (iv). The Scheme was to be self financed through sale of surplus assets of NTC Mills.
- (v). Financial Institutions and banks to accept payment of outstanding dues under one time settlement by way of Govt. guaranteed 9.5% per annum bonds.
- (vi). Govt. of India to write off interest on its loans to NTC outstanding up to 31.3.2001 and to convert GOI loan outstanding into equity to enable NTC to make its net worth positive.
- (vii). Various Reliefs and Concessions from the offices of State Govts. Electricity Boards, Municipal Corporation, State Govt. etc.
- (viii). To mobilize enough funds initially from banks/financial institutions for payment of MVRS compensation.
- (ix). To offer MVRS to the employees of the mills identified for closure.
- (x). Payment of 1% Guarantee Commission to Ministry of Textiles (MOT) for providing guarantee to mobilise funds through bonds.
- (xi). Payment of all outstanding dues of PF/ESI after waiver of damages.”

Meanwhile, a Modified Rehabilitation Scheme (MRS) was submitted to BIFR by the operating agency IDBI in January, 2006 and the same was approved by BIFR in March, 2006 and communicated by an order in May, 2006. According to the information furnished by NTC, the salient features of the Scheme 2006 are as follows:

- (i). “Merger of 9 subsidiary corporations of NTC with Holding Co.
- (ii). 22 mills to be revived by NTC itself.
- (iii). 30 mills to be offered for joint venture with private partnership.
- (iv). The manpower requirement should be restricted to on roll strength of 10,050 for 22 mills and daily engagement of 12,480.
- (v). The implementation period of scheme will be up to 31.3.2008.
- (vi). Unsecured loans of Rs.2755.36 crores to be converted into equity during the financial year 2006-07.
- (vii). The entire interest of Rs.2166.87 crores on Govt. loans outstanding up to 31.3.2005 to be written off.
- (viii). The net worth of the company to become positive in financial year 2008-09.
- (ix). The sales were projected at Rs.931 crores in the optimum year 2008-09.

The cost of the scheme was Rs.5267.00 crores including redemption of Bonds of Rs.2028 crores which were issued as a bridge arrangement.”

On being asked about the reasons for bringing out a modified revival scheme in 2006 while revival schemes were already issued and approved by BIFR in 2002, the Ministry of Textiles, in a written reply, submitted as follows:

“Modified Revival Scheme (06) was required to get approval of the BIFR for sale of assets in respect of the following to take the Revival Scheme forward.

- (i). Merger of all the nine subsidiaries with the Holding Company.
- (ii). To extend the scheme period upto 31.3.2008 due to delays in modernization of mills on account of delay in mobilizing funds through land sale.
- (iii). To permit construction of integrated textiles/handicrafts plaza in the land of erstwhile Jehangir Textile Mills, International Trade Towers on the land of Indu Dye Works, Mumbai to facilitate the marketing capability due to envisaged higher production from modernized mills and for earning sustained income by effective utilization of assets.
- (iv). To permit surrender of closed mill land taken on lease basis to Govt. of Maharashtra (GOM) in order to get permission from GOM for NTC to sell equal portion of freehold land belonging to closed mills to generate revenue.
- (v). To permit joint venture for rehabilitating identified potentially viable mills.
- (vi). To sanction a scheme of rehabilitation favouring NTC (TN&P).
- (vii). Setting up new composite textile mill in the suburban area of Bangalore, Karnataka in the place of modernizing the Minerva Mills at its existing location.
- (viii). To give a direction of GOI (MOT) for converting Rs. 2755.36 crores into equity during 2006-07 so as to enable the networth turn positive during that year itself.”

## **B. Achievement of Objectives**

Paragraph 7.1 of the 41<sup>st</sup> Annual Report (2008-09) of the Company brings out that in terms of the Revival Schemes of 2002, 65 unviable mills were closed under ID Act, 1947 and 2 mills (one viable and one unviable) were handed over to the Government of Pondicherry w.e.f. 1.4.2005. Employees of 65 unviable mills opted for MVRS and were given compensation. According to this report, the “Scheme could not be implemented due to non-availability of funds through sale of assets because State Governments where the NTC Mills are situated did not give the permission to sell the land of the Mills especially the valuable land in Maharashtra”.

In the context of State Governments’ refusal to give permission for sale of land, the CMD, NTC explained during evidence as under:-

“.....Since the State Governments were not giving permission, in a case before the Supreme Court filed by the employees, the Supreme Court gave notices to the State Governments asking for their consent for sale of land.

Many of the State Governments have given their consent. Of course, some of them gave permission with some conditions. That is how the third attempt of the Government for revival of the NTC has succeeded, at least, should say, partially in implementing the revival scheme.”

On being asked whether the precise objectives for which revival scheme 2006 was conceived, have been achieved, NTC in their written reply inter-alia stated as under:

“The Revival Scheme of NTC has considerably succeeded in achieving the objectives for which the same was conceived for the following reasons.

The company has achieved a positive net worth in the year 2008-09, as was envisaged in the Scheme. NTC has achieved closure of 77 mills (11 more mills, originally decided for revival through joint venture route). NTC has completed modernization of 17 mills and the modernization of 18<sup>th</sup> mill is expected to be completed by November, 2009. Three new composite mills, by relocation from their original locations, will be completing the spinning segment of the project by December, 2009 and weaving by March, 2010. The company has given MVRS to 60800 employees from the 77 mills already closed and the surplus employees of a few of the viable mills, the Head Offices of the various subsidiaries and the Retail Showrooms and Divisional Offices of the Marketing Division. As on date (1.10.2009) the total manpower strength of the company, as a whole is 10,458. NTC has already paid Rs.1910.14 crores on redemption of bonds (including OTS Bonds) and Rs.777.29 crores as interest on these bonds, mobilized for MVRS compensation, in addition to paying Rs.294.11 crores as one time settlement to 23 banks/financial institutions. Rs.188.07 crores was paid for settlement of all its (overdue) PF/ESI and other statutory dues. NTC has paid Rs.89 crores as a Guarantee Commission to Ministry of Textiles for providing guarantee of the Taxable bonds of Rs.1779.35 crores.....

.....The Government has waived of interest of Rs.2727.13 crores and written off loan of Rs.3402.62 crores as on 31.3.2006, after converting Rs.2542.79 crores of loan into equity and also waived off Rs.1454.01 crores interest. The company has generated Rs. 4034.60 crores by sale of assets of the closed mills and surplus assets of the viable mills. In order to bring in economy of operation and synergy in its operations, the BIFR/Govt. have approved merger of all its 9 subsidiaries with the Holding Company and NTC is now only one company as against earlier 10 companies with effect from 1.04.2006. Modernization/ revival through Joint venture has been completed for 5 mills and the process for further 11 mills is going on.”

The Committee pointed out that the Revival Scheme 2002 envisaged closure of 66 unviable mills but NTC has achieved closure of 77 mills and desired to know the reason for closure of more mills than that originally envisaged in the Scheme, in its reply the NTC submitted as follows:

“In the original scheme approved in 2002-2003, 66 mills being unviable were identified for closure. Vide Modified Rehabilitation Scheme (MRS-06), BIFR approved joint venture for 30 mills subject to proper procedure of approval from Government. Subsequently, Group of Ministers(GoM) in its meeting



dated 5.12.2006 approved closure of 12 non-functional mills out of the 30 mills to be revived through joint venture and to offer MVRS to the remaining employees of these mills. BIFR, vide Modified Scheme 2008 (MS-08) dated 4.9.2008 permitted closure of 12 identified mills out of the 30 mills earmarked for revival under joint venture, since the revival of these 12 mills was economically non-feasible. It may be seen that the original decision to close 66 mills was taken by BIFR vide scheme approved in 2002-03. Further decision for closure of 12 more mills has been taken by the BIFR vide MS-08 approved on 4.9.08.”

On being asked as to how the total manpower of the Company as on 1.10.2009 stood at 10,458 when the Revival Scheme 2006 stipulated that the manpower requirement should be restricted to on roll strength of 10,050 for 22 mills, NTC in its written reply submitted

“Number of 10458 employees mentioned on the company’s roll as on 1<sup>st</sup> October, 2009 will come down as employees of some of the closed mills are still in the process of opting MVRS. The Company has a plan to give VRS to 2500 more employees, and to transfer employees of closed mills to the running mills.”

### C. Financial Performance

As regards, the details of expenditure incurred and the funds generated out of the sale proceeds, during the course of the rehabilitation upto 30.9.2009, NTC furnished the following information:

a)	“MVRS payment	-	Rs. 2203.60 crores.
b)	Interest on bonds	-	Rs. 777.29 crores
c)	Settlement with banks and FIS	-	Rs. 294.11 crores
d)	PF/ESIC dues	-	Rs. 188.07 crores
e)	Raw material suppliers and creditors		Rs. 79.68 crores
f)	Government guarantee fee	-	Rs. 89.00 crores
g)	Municipal Taxes		Rs. 32.43 crores
	Purchase of machinery and other	-	Rs. 345.56 crores
	Ancillary items for modernized mills		
h)	Civil Work and modernisation expenses		Rs. 140.47crores
i)	Purchase of plant and machinery for Greenfield projects		Rs. 176.61crores
j)	Civil works		Rs. 73.80 crores”
	Total		Rs. 4400.62 crores

The Committee pointed out that the Company has generated Rs. 4034.60 crores by sale of assets of the closed mills and surplus assets of the viable mills whereas the expenditure incurred by the Company out of sale proceeds during the course of the rehabilitation worked out to Rs. 4400.62 crores. When asked as to how the Company explained incurring of more expenditure on rehabilitation than the revenue generated by sale of assets of the closed mills, the Company in a note stated as follows:

“In addition to revenue generated by sale of assets, Company has earned interest of Rs. 555.62 crores upto 30.9.2009 and also mobilized funds amounting to Rs. 2028.04 crores by issue of bonds.”

In reply to a question about the amount spent on modernization/revival of the viable mills so far, the Ministry of Textiles in their reply stated:

“NTC has so far spent a sum of Rs. 760 crores for modernization of 22 mills.”

As regards the modernization / revival of the mills through Joint Venture, it was, however, learnt from Audit that the process of modernization of four mills in Mumbai has not yet started. When asked about the factors holding up the process of modernization of these four mills in Mumbai, the NTC stated as under:

“INTECH, Mumbai has filed a Public Interest Litigation (PIL) in the High Court of Mumbai and claimed that structure of these five mills decided to be revived through JV are of Heritage nature. As the case is pending in the Court, the process of implementation of business plan is held up.”

To a specific query as to whether the Ministry feel satisfied with the initiatives taken by the NTC towards achievement of objectives of revival schemes, 2002 and 2006, the Ministry replied as under:

“Yes, the milestones achieved under the Revival Scheme of the Company are indicated below:-

1. NTC mobilized Rs. 2028 crores by private placement of bonds, redeemable on 5 years maturity. NTC paid Rs. 248.69 crores as OTS to 23 Financial Institutions/Banks under the Revival Scheme.
2. The entire workers of the mills identified for closure and the surplus employees in the viable mills in addition to those employees who were desirous to go under MVRS in the various offices, were given MVRS at a cost of Rs. 2205 crores. So far, 60859 employees have gone accepting MVRS.
3. The Company identified 77 mills as unviable and closed under the provisions of Industrial Disputes Act (I.D. Act), after following necessary procedure.
4. 43 mills are slated for revival – 24 directly by the Company and balance under joint venture partnership with private sector.
5. The Company has so far spent Rs. 760 crores(as on 30.11.2009) for the modernization of 22 mills, out of a total of Rs. 1155 crores.
6. 17 of the mills have completed modernization. The 18<sup>th</sup> mill, viz., Cannanore Spinning. & Weaving. Mills, Cannanore, will be completing the modernization in December, 2009. The spinning segment of 3 composite mills is expected to be commissioned by March/April, 2010.

7. NTC has completed the process of revival of 5 mills through joint venture companies. Two of the mills have started the activities – one in the Aurangabad Textile Mills for garmenting and work-wear and the other New City of Bombay Mfg. Mills Ltd. has set up a design studio and setting up sampling and garmenting unit.

The process of joint venture for other 11 mills is going on.

8. From Rs. 385 crores budgetary support for wages in the year 2001-02, there is no budgetary support from the Govt. for the wages in the year 2009-10.
9. The Company has sold assets worth Rs. 4035 crores under the Revival Scheme.
10. The Company has paid Rs. 89 crores as 1% commission as Guarantee commission to the Ministry of Textiles.
11. The Company has paid Rs. 224 crores to EPF/ESI to settle the outstanding statutory liabilities.
12. Since NTC was left with less number of mills, merger of all the 9 subsidiaries became necessary and all the subsidiaries were merged with the Holding Company w.e.f.01.04.2006.
13. Net worth of the Company has become positive as on 31.03.2009.
14. All the secured and most of the unsecured creditors have been paid off.
15. NTC has already paid Rs. 1910 crores on redemption of bonds and Rs. 777 crores as interest on these bonds. The last instalment of Rs. 126 crores is payable in January, 2010.”

According to NTC, the implementation period of the scheme 2006 was upto 31.3.2008. When asked whether the Government has granted any extension for completion of the revival scheme 2006, NTC in a written note stated as under:

“As per the approval of BIFR Scheme of MS 2008 (September, 2008), the implementation period was extended upto 31.3.2009. In view of existing status of new projects, further extension of period upto 31.3.2011 is under process for obtaining approval of the Cabinet after completion of inter-Ministerial consultations.”

When enquired as to how the Ministry explained their satisfaction towards achievement of objectives of revival schemes when the NTC could not even sell 50 per cent of surplus land and assets and complete projected modernization and revival of viable mills during the originally stipulated implementation period which is

now stated to be under process for further extension upto 31.03.2011, the Ministry of Textiles in their written reply submitted as follows:

“Since the entire scheme for revival is self financing, funds are to be generated from sale of surplus land and assets of closed mills. The land could not be sold for a number of years mainly due to lack of permission from State Governments and poor response against tenders. However, despite these obstacles, till date, NTC has been able to complete a major part of revival, including modernization of 17 mills out of 22 to be revived by NTC and set in motion joint venture for 16 mills. Balance part of revival is expected to be completed by 31.03.2011.”

On being asked about the measures now being contemplated to achieve the objectives of the revival schemes in a time bound and professional manner to the best advantage of the Government, the Ministry in their reply submitted as under:  
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“NTC was originally a spinning Company and the margin for spinning being very low, the viability of the Company depends on NTC being transformed into an integrated textile Company consisting of spinning, weaving, processing and garmenting. The Revival Scheme modified in 2006 and 2008 proposes to set-up composite textile mills in the States of Karnataka, Maharashtra and Gujarat and this would make the Company a viable Company. Efforts would be stepped up to rationalize the existing manpower so as to achieve ideal manpower requirement. The surplus manpower would be offered MVRS. Sale of assets would be viewed in the context of the market scenario.”

When asked what guidelines have been or are being issued by the Ministry for making concerted efforts towards achievement of the objectives of modified revival schemes within proposed stipulated time frame of 31<sup>st</sup> March, 2011, Ministry in their reply stated as under:

“The proposal for extension of revival scheme upto 31<sup>st</sup> March, 2011 is presently under consideration for approval of the Cabinet. The guidelines in this regard will be issued by the Ministry in accordance with the decision of the Cabinet.”

**D. Monitoring System**

On being asked whether BIFR and GOI had subsequently also issued guidelines at different points of time in order to achieve the objectives of the revival schemes, NTC in a written note informed the Committee that:

“The Revival Scheme was approved in 2002. A Modified Scheme (MS-1-06) was sanctioned by BIFR on 17.5.2006. The same was further approved by BIFR in September, 2008 (MS (2) – 08). The revival scheme has been implemented by NTC under the BIFR / GOI approvals, based on the instructions issued by Ministry of Textiles from time to time. The Empowered Group of Ministers had also been guiding the process and progress in its various meetings.”

As regards constitution of the Empowered Group of Ministers, the Ministry furnished the following information:

“The action plan for revival of NTC was placed before the Cabinet vide agenda note dated 9.6.2000. The Cabinet considered the Note in its meeting held on 20.6.2000 and decided that “the matter may be considered expeditiously by a Group of Ministers consisting of Minister of Finance, Minister of Labour, Minister of Heavy Industries and Public Enterprises, Minister of Textiles, Minister of State (Independent Charge) of the Department of Disinvestment and Minister of State in the Ministry of Statistics and Programme Implementation” Further, in its meeting held on 4.9.2000, the Cabinet authorized the Group of Ministers to take decisions during the implementation period of the scheme. The scope of work of the GOM included review of the progress of the Scheme periodically, directing and guiding the further course of action in the light of orders of BIFR.”

When asked how the Ministry of Textiles has been associated with the GOM and at what regular intervals the meetings of GOM are convened, Ministry stated as under:

“The Minister of Textiles is a member of the Group of Ministers. There was no specific time frame / regular interval for the meetings of GOM, and these meetings were held as and when decision of GOM was required. In all, 13 meetings of GoM have been held. The last meeting of GOM was held on 7<sup>th</sup> August, 2008.”

In reply to a question about specific responsibilities devolved on the Ministry of Textiles for successful and timely implementation of the Revival Schemes in terms of the guidelines issued by the BIFR and Government from time to time, the Ministry stated as follows:

“Since the revival plan approved by BIFR in 2002, subsequently modified in 2006 and latest in 2008, was based on financing the revival through sale of assets, the Ministry was entrusted with the responsibility of constituting the Asset Sale Committee (ASC). Besides this, the Ministry has been entrusted with the responsibility of providing assistance for financial restructuring of the company during the revival period by way of writing off Government loan, waiver of interest thereupon, providing Government guarantees required to raise bonds; and providing wage support in case required during the revival period. Further, as per requirement of the company, the Ministry also coordinates with the various Central/State Ministries/Departments for the reliefs and concessions sought in the Rehabilitation Scheme for ensuring expeditious approvals/ clearances with a view to ensure smooth implementation of the rehabilitation plan. The entire implement action of the revival scheme was monitored by the Group of Ministers (GOM) constituted by the Cabinet. The Cabinet had authorized GOM to guide the revival process and take necessary decisions. The Ministry approached the GOM as and when its decisions were required, and also apprised the GOM of the progress made during the implementation period.”

When asked about the mechanism put in place in the Ministry of Textiles to ensure that the objectives of the revival schemes are achieved in a time bound and

professional manner to the best advantage of the Government and the Company, the Ministry in a written reply stated as follows:

“Cabinet had constituted and authorized a Group of Ministers (GOM) to take decisions during the implementation period. The Ministry of Textiles approached GOM periodically to apprise the progress made during the implementation period, and to obtain its decisions on initiatives, if any, being taken by the company. The decisions of GoM ensured best advantage for the Government, as well as for the company. The last GOM meeting was held on 7.8.2008. Now the GoM is not in existence. Therefore, periodical reviews of progress of implementation have been taken by Secretary (Textiles). The Minister of the Textiles has also reviewed the implementation of revival scheme.”

## CHAPTER – II

### ASSETS SALE COMMITTEE

According to the information made available to the Committee, Asset Sale Committee (ASC) was constituted for each subsidiary to take decisions regarding sale of surplus assets. With effect from 1 April, 2006, all the nine subsidiaries were merged into the Company and a single ASC was constituted.

Replying to a question about formation of ASC for each subsidiary of the Company, the NTC in its written reply stated that the constitution of the Asset Sale Committee for each subsidiary was in accordance with the Schemes approved by the BIFR/GOI.

According to NTC, the composition of ASC at subsidiary level was as under: -

1. Chairman of the Holding Co. would be the Chairman of the ASC.
2. Managing Director of the subsidiary company would be the Member Secretary.
3. BIFR nominee.
4. MOT Nominee.
5. Operating Agency nominee
6. State Govt. nominee (not below the rank of Joint Secretary).

In reply to another question about composition of the single ASC constituted after merger of all the nine subsidiaries into the Company, NTC in its written note stated:

“The single ASC constituted, is having the following composition:-

- Chairman of NTC is the Chairman of the ASC.
- One nominee each from the concerned State Govt;
- One Member from IDBI.
- One Member from the MoT.
- One Member from the BIFR.
- Regional Head of NTC (Southern Region).
- Regional Head of NTC (Western Region).

Members of various State Governments will represent as and when the sale of assets situated in the State is concerned.”

Explaining the rationale that has been followed for deciding the composition of the Asset Sale Committee constituted by the Ministry from time to time, the Ministry in written reply stated as under:

“The composition of the Committee was approved by BIFR which had sanctioned the revival scheme of NTC. The Ministry of Textiles has constituted the Asset Sale Committee (ASC) based on the guidelines issued by the BIFR and being the owner, the Ministry has ensured that representatives of various agencies including the owner of the Company, the Operating Agency, the States where the assets are located, BIFR, being the agency sanctioning

scheme, are all forming part of the Committee as stake-holders. NTC, being the Company for revival, the Chairman of NTC was made as the Chairman of the Asset Sale Committee. Representation of stake holders was decided to ensure sale of assets for successful implementation of the Revival Scheme. The Asset Sale Committee also requires a Convenor for all paper work and hence Managing Directors of the erstwhile Subsidiaries and subsequently the Regional Incharges have been made as Member-Secretary.”

When asked whether the Ministry is considering any change in the composition of ASC, it was informed to the Committee by the Ministry that:

“At present the Committee is fairly represented by various stake-holders. However, in case it needs to be further broad based depending upon the requirement, the same would be considered. At present the Ministry is considering reconstitution of the ASC by including a senior representative of Finance.....”

When desired to know the reasons for reconstitution of the ASC with a revised composition, Ministry in their written reply submitted that:

“The composition of the Committee was approved by BIFR which had sanctioned the revival scheme of NTC. The ASC was constituted by the Ministry of Textiles on the guidelines issued by the BIFR. It has been ensured that representative of the various agencies including the owner of the company, the Operating Agency, representatives of the State Governments at the level of Secretary where the assets are located, the representatives of the BIFR and of the Monitoring Agency(MA) are in the ASC. While constituting the ASC, conditions were prescribed to ensure that the sale is conducted in a transparent and fair manner through open notification. The ASC has functioned in a transparent manner in view of the above conditions. However, issues regarding fixation of reserve price, sale at less than reserve price etc. were observed in the Performance Audit by C&AG which necessitated a review of the existing system to make it more broad-based with increased transparency to function as per the guidelines in a policy which is being formulated.”

As per the information made available to the Committee, the functions of ASC as entrusted by BIFR are as under:

- (i). To ensure that the land is sold in such a manner as to generate maximum resources for the Revival Plan.
- (ii). To ensure that the sale is conducted in a transparent and fair manner and through open notification.
- (iii). To ensure that procedure for sale and maintenance of accounts is as per highest professional standards. To meet this objective, they shall utilize the services of professional agencies for such specific period, as may be necessary.
- (iv). To ensure timely filling of applications for statutory clearances for sale from competent authorities under ULCRA and other urban development/ regulatory bodies and securing their early approval.
- (v). To monitor progress in sale and generation of resources.”



Regarding the precise role actually being played by the Ministry in monitoring and ensuring that the revival schemes are implemented by the management of the Company strictly in accordance with the guidelines issued on the subject matter particularly when a Joint Secretary level officer represents the Ministry in the ASC, the Ministry submitted as under:

“BIFR appointed IDBI as the Monitoring Agency (MA) with the responsibility of monitoring the progress of revival scheme on a quarterly basis through their reporting system. Company has to satisfy the MA that the physical progress and all aspects of cost of the scheme/ means of finance of the scheme are complied with as per the original schedule. The company is also required to furnish to MA such information and data as may be required by it on quarterly intervals. The SS&FA and Joint Secretary, Ministry of Textiles are represented on the Board of NTC and the implementation as above is monitored at the Board level by them. Besides this, the entire implementation of the revival plan was monitored by the Group of Ministers (GoM) constituted by the Cabinet. The progress of implementation was placed before the GoM in the form of Action Taken Report in the next meeting of the GoM. So far 13 meetings have been held by GoM since June, 2000 upto August, 2008.”

## CHAPTER – III

**SALE OF SURPLUS LAND AND BUILDINGS NOT IDENTIFIED IN THE REVIVAL SCHEME**

Audit paragraph reflects that the total surplus land of 2737.99 acres and buildings of 286.70 acres were identified for sale in the revival schemes. Of this, the Company sold 1354.80 acres of land and 257.85 acres of buildings up to 31<sup>st</sup> March, 2008. In the six sub-offices selected for Audit, and there were 110 cases of sale upto March 2008 covering 790.68 acres of land and 100.25 acres of buildings.

Audit examination, however, revealed that certain parcels of land which were not identified as surplus in the revival schemes were sold by the Company. A few cases are:

Sl. No.	Name of the property	Land identified (in acres)	Actually sold (in acres)	Difference (in acres)	Remarks
1	Jyoti Weaving Mills, Kolkata	4.29	4.94	0.65	Increase was due to mutation done at a later date.
2	Shree Mahalaxmi Cotton Mills, 24 paragana	11.24	11.34	0.10	Reasons for sale of land more than identified were not on record
3	Model Mill, Nagpur	40.33	42.09	1.76	
4	Central Cotton Mill, Howrah	11.67	12.06	0.39	
5	Bungalow of New City Mill, Worli Mumbai	---	0.16	0.16	Approval of BIFR was obtained
<b>Total</b>				<b>3.06</b>	

It was also observed in the Audit that there were no specific guidelines for sale of land and buildings beyond those included in the revival schemes approved by BIFR and approval of BIFR was not obtained for sale of such land and buildings (except in the Sl. No. 5 above)

In this context, the Committee desired to know authority under which the management of NTC decided to sell such land not covered in the revival schemes, NTC in its written reply stated as under:

“Conclusion drawn by the audit that “NTC has sold the land which was not identified under revival Scheme” as per observation in respect of five cases of land is not correct. Out of five cases, four were related to mills land identified for sale and where excess sale of land took place due to difference between area as per property record and as per actual measurement of land in possession. Location-wise all these four cases are same as identified in

revival scheme. In fifth case, though the sale of bungalow of New City Mills, Worli was initially not identified but subsequently BIFR approved its sale and treated it authorised.”

According to the information furnished subsequently by the Audit, the Ministry stated that the difference in the area identified in BIFR scheme and the area actually sold is due to error in records of the land and the area sold on the basis of actual measure done before going for sale.

When asked to clarify whether physical measurement of land area was not done before submitting the proposal for revival to BIFR, NTC replied as under:

“Physical measurement was not done prior to submitting proposal to BIFR. In fact NTC became the owner of all such mills land under the three enactments i.e. in the year 1974, 1986 and 1995. It has taken over the mills and its property without doing any measurement. In some of the cases authentic documents of property were also not with NTC. The area appeared in the documents of the Company as well as mentioned in the BIFR Scheme was based on records made available at the time of its takeover.”

Asked as to when approval in all such cases was actually obtained from BIFR, the NTC submitted in a written note as under:

“The land area of 3.06 acres shown by the Audit is belonging to five mills property. Sale of entire land of four mills i.e. Jyoti Weaving Mills, Kolkata, Shree Mahalaxmi Textile Mills, 24, Paragana, Model Mills, Nagpur and Central Cotton Mills, Howrah, was approved by the BIFR as a unit for the area appeared in record.....”

In reply to another related question, NTC furnished the following information:

“In the Revival Scheme approved by the BIFR, entire land of closed mills and the surplus land of viable mills (working mills) were approved for sale. The area was also indicated in the approved scheme. Physical measurement of the area is always done before execution of the sale deed and in this process; minor changes had come to the notice of NTC. Considering the fact that Company has sold 1347 acre of land, this measurement difference is negligible. The Company got more value realized by the above process in respect of these 3.06 acres of land. Approval was obtained from BIFR.”

When asked whether any initiatives for formulation of any guidelines for sale of such land and buildings not covered in the revival schemes of BIFR/GOI has now been undertaken, NTC stated as under:

“No sale of land and buildings beyond the purview of revival plan approved by BIFR/GOI is being done by NTC.”

**CHAPTER – IV****SYSTEM OF VALUATION OF PROPERTIES AND FIXATION OF RESERVE PRICE**

Audit scrutiny revealed that according to the methodology for fixation of reserve price devised (November, 2002) by the Company, reserve price was to be determined on the basis of average of three valuations, namely, valuation in Draft Revival Scheme (DRS) approved by BIFR, valuations given by property consultants and valuation by Central Board of Direct Taxes (CBDT). The GOI further directed (November, 2004) that in case of Mumbai, where marketing consultants (consultants) had quoted Minimum Assured Returns (MAR), the reserve price should not be less than MAR. It was, however, observed in Audit (April, 2008) that out of 79 cases of sale of land, only in 27 cases all the three valuation factors were considered. In 37 cases either two or only one valuation factors were considered while in 15 cases none of the prescribed valuation factors were considered while fixing the reserve price. Further, in 26 cases out of 79 cases, reserve price fixed was less than 30 per cent of the sale value though the GOI had specifically directed (April 2005) that reserve price should be nearer to the market value. It was also noticed that there was wide variation between the actual sale value and valuation done under the three factors used for reserve price fixation.

Commenting upon the Audit observation, NTC in a written reply stated that:

“It has been evolutionary process as regards the fixation of Reserve Price (RP) mainly in respect of land sale. Originally the RP was determined on the basis of the highest value from among the three values of registration/CBDT/CPWD valuation. Subsequently, since the response to the Company's efforts for sale of land by applying the above formula was not encouraging, it was decided that the RP shall be average value of three valuations, viz., CBDT/Draft Rehabilitation Scheme Valuation and Property Consultant valuation. This system of averaging three valuations created a criticism as it is possible to have a wide variation between one value and the other value and the gap between the lowest and the highest is always neutralized by averaging the RP. Again Company has stabilized the system for arriving at the RP by having the collectors guidelines rates and three independent valuations from the Govt. approved registered valuers; the highest of the four being the RP. In any case, the RP is only an indicative figure for the ASC to decide whether the price bid quoted is the RP or above the RP and whether the Committee can confirm the sale. We have found from our experience that irrespective of the RP, it is always the market forces that governs the price bid. For example in Mumbai for the sale of 5 properties, NTC got even as per analysis 180% to 350% increase though the RP was much lower because of its location and the demand of the property. Thus, the RP and the price bid has no relation. In case of no response or the response is less than the RP in repeated three attempts of public tender, the only option available with the Company is to confirm the sale for the value that is quoted which is the best available offer in the market at that point of time. There is no point in repeating tender indefinitely not knowing the market response.

It is a fact that the real estate market in this country was at its peak from January, 2005 to March, 2008, and it had started falling again from April 2008 onwards. There are many factors which are influencing the real estate

market in the country. It may also be noted that NTC has always been arriving at the RP for its land on the basis of the collectors guidelines rates which is always for a developed property for residential use. In fact, The entire land of NTC was having industrial land use. It was an attempt on the part of the Company to see whether it gets the best possible prices, above the RP calculated on the basis of above principle because most of the properties are situated in cities and the industrial use was there long back. Today, the land use depends on the Master Plan of the city and the use of land in the vicinity. There was no case for NTC to fix the lower RP. It is only hypothetical to say that NTC fixed the RP lower, the criteria prescribed by the Company. The criteria was fixed and approved by a duly constituted broad based ASC and improved on the basis of NTC's experience in the sale of land.....”

According to Audit, the following deficiencies in different factors used for fixing reserve price were noticed:

**A DRS Valuation:**

In 66 cases of sale of land through tender, valuation in DRS was made up to 2002 whereas the sales were made between April 2002 and March 2008. This had resulted in fixation of lower reserve price due to timing difference between the date of valuation in DRS and the date of fixation of reserve price.

**B MAR Valuation:**

The Company had no system of vetting valuation reports and MAR given by the consultants. Further, the Company had obtained MAR for five land parcels only (sold up to March, 2008) against the 25 land parcels identified for sale in Mumbai. While quoting MAR for these five parcels, the consultants had stated (February 2005) that it was not a valuation of the property and the Company may take a conscious decision to fix reserve price on the basis of valuation of the property or on the basis of MAR. A comparative position of MAR vis-à-vis reserve price fixed and actual sale value in the five cases is given below:

*(Rs. In crore)*

Sl. No.	Name of the mill	Highest MAR quoted by consultant	Valuation of building structures	Reserve price fixed	Sale value	Variance between MAR and sale value (percentage)
1	2	3	4	5	6	7 (Col 6-Col 3)/Col 3 x100
1	Jupiter Mill	142.32	12.22	155.00	276.60	94.35
2	Elphinston Mill	120.00	3.51	125.00	441.75	268.12
3	Kohinoor Mill No.3	111.00	1.15	120.00	421.00	279.28
4	Mumbai Textile Mill	260.00	5.28	270.00	702.22	170.08
5	Apollo Textile Mill	90.00	5.99	100.00	180.00	100.00

	<b>Total</b>	<b>723.32</b>	<b>28.15</b>	<b>770.00</b>	<b>2021.57</b>	<b>179.49</b>
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It was also observed in the Audit that the variation between sales value realised and MAR quoted by the consultants ranged between 94.35 per cent and 279.28 per cent. The purpose of obtaining MAR was not achieved as it did not give the realistic market value of the land parcels being offered for sale.

**C      CBDT Valuation:**

CBDT valuation of 1994-95 was considered and in one case valuation of 1998-99 was considered for fixation of reserve price during April 2002 to March, 2008. The CBDT valuation was not indexed (based on capital gain index of CBDT) to the year of fixation of reserve price for arriving at realistic value.

Responding to aforesaid audit observations, NTC stated:

**DRS valuation**

“Even the valuations carried out by the Govt. of India valuers show large variations between lowest and highest points due to subjectivity of the valuers. As such the process is to be seen. Reserve Price is not really effective as the market forces drive the sale. DRS valuation was a core valuation mentioned in the Scheme. It was the only reason for taking into account as the Benchmark.”

**MAR valuation**

“MAR valuation was carried out by the Company when there was a proposal for exploring the possibility of joint venture with the private partners in 2004. The consultants chosen were internationally acclaimed Real Estate Authority namely Knight Frank, Salmaan. These consultants submitted the approximate returns for the mills properties within minimum assured returns. In the meantime, the Govt. of Maharashtra permitted the Company to sell of 5 of its mills land in Mumbai and the Government did not consider the JV proposals and opted to dispose of these properties through public tender process. Since the MAR was available at the time of fixation of Reserve Price, it was added in the guidelines by the Competent Authority i.e. Ministry of Textiles that the Reserve Price should not be in any case below the MAR. MoT’s O.M. No. 18021/6/2002-NTC dated 5.11.2004. As per para 2(b) of OM, it is stated that “in case of properties in Mumbai, where Marketing Consultants have quoted a Minimum Assured Return (MAR), the reserve price shall not be less than the quoted MAR”. It was subsequently ratified in O.M. No. 18021/6/2002-NTC dated 7.1.2005 of MOT. As per contents of O.M. “for selling the lands of NTC mills in Mumbai, Reserve Price should not be less than the highest MAR quoted by the Consultants, provided that it is above the latest prevailing circle rates/registration rates”. While arriving at the Reserve Price, it was noticed that among the available valuations of the mills land from CBDT, Real Estate consultants, stamp duty ready reckoner rate, the MAR value was above all of these values and hence ASC decided to fix the Reserve Price on the basis of MAR. Mumbai is the strongest Real Estate market in the country. MAR was arrived by best International Real Estate consultants who are considered to be

the authority on the Real Estate. There is no reason NTC could question their wisdom. Response, as already stated above, is by the market only.”

**CBDT valuation,**

“CBDT was not ready to take up the valuation and hence the approved valuers valuation was adopted. In most of the cases the approved valuers were also approved valuers of CBDT.”

It was observed in audit that out of 66 cases of sale of land through tender, CBDT valuation was considered in 22 cases only and even this valuation was not indexed to the year of fixation of reserve prices for arriving at realistic value. NTC in reply stated that CBDT valuation was done only in 1997 and subsequently CBDT was not willing for any valuation. In this regard, during evidence the CMD, NTC reiterated as under:

“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.”

On being enquired as to when CBDT actually expressed their unwillingness for undertaking any valuation for the properties being offered for sale by NTC and asked to produce a documentary evidence to substantiate its claim, the NTC replied as under:

“NTC does not have any documentary evidence portraying unwillingness by CBDT for undertaking valuation of properties being offered for sale”

The Committee enquired whether the Company does not feel that the valuation by CBDT should be obtained in all cases for the purposes of fixation of reserve price particularly when they have a Valuation Cell for the purpose. In its reply, NTC stated:

“The BIFR in their guidelines of the approved scheme did not suggest for a CBDT valuation, hence CBDT has generally not been associated. Further, a review is under consideration on the policy on sale of surplus assets in respect of fixing of reserve price, to broad base the technical inputs and bring in increased transparency in the system. The policy has been considered by the Board of NTC on 18.11.2009.”

On being asked whether any steps were contemplated to obtain inputs for determining reserve price of properties put on sale by NTC from the Government agencies like CBDT and CPWD which have expertise in valuation of land/properties, the Company stated:

“The BIFR in their guidelines of the approved scheme did not suggest for a CBDT valuation, hence CBDT has generally not been associated.”

In reply to a pointed question why CBDT valuation was stated to have been taken into consideration during the year 1997 when BIFR guidelines on the subject matter were not in existence, the Ministry stated as under:

“The Company was responsible for sale of assets to finance its revival. The valuation by CBDT had been got done by the company in the absence of BIFR guidelines”

Audit pointed out that the guidelines for system of valuation of properties and fixation of reserve price were not followed in a number of cases. In its reply, the NTC stated that the Company has stabilized the system for arriving at the reserve price by having the collectors’ guidelines rates and three independent valuations from the Govt. registered valuers.

On being enquired when the system of valuations was stabilized by the Company, the Company replied as under:

“To begin with the sale of assets, NTC followed one system w.e.f. 2002. Based on observation given by audit, NTC revised the system and have been using to fix the reserve price on the basis of highest amongst the circle rate and valuations done by three government approved valuers.”

In reply to a query whether reserve prices are presently being fixed for all the properties as per revised system of valuation, NTC replied as under:

“Yes. NTC has been fixing the reserve price on the basis of “highest of all the valuation” in all the cases w.e.f. 27.1.2007.”

When further asked whether this revised system of valuation has been approved by Board of Directors/Asset Sale Committee, NTC stated:

“The Board of Directors of NTC has approved the system for valuation of surplus land in their meeting held on 18.11.2009.”

When asked whether any professional help in valuation of sale of surplus property of NTC was obtained, NTC in their post evidence reply furnished the information as under:

“With a view to bring professional help in valuation of sale of surplus property of NTC and to plan the process in a time frame, on the advice of Ministry, five property consultants were appointed on 13.02.2002 for evaluation and providing assistance in the sale of properties. Out of 97 properties entrusted for evaluation, all the five consultants together completed valuation in 69 cases and the balance 28 assignments were cancelled as the work was not completed in time. In fact, none of the consultants actually assisted the Company in sale of land.”

When asked to clarify whether any proposal is now under consideration for seeking assistance of Government or professional agencies for this purpose, the Ministry stated as under:

“NTC has sought the assistance of professional consultants i.e. M/s. Jones Lang Lasalle Meghraj in case of going for sale of Finlay Mills land. At the moment, Government is considering re-constitution of Asset Sale Committee by including a senior representative of Finance. NTC will be advised to seek assistance of CPWD and other professional agencies.”



Asked whether the Ministry feel that the revised system of valuation now put in place would result in optimum realization of revenue to the advantage of the company in a transparent manner without involvement of Government agencies like CBDT and CPWD, the Ministry replied as under:

“The valuation being done as per the revised system approved by the Board of Directors on 18.11.2009 is expected to give the optimum realization of revenue. The BIFR in their guidelines of the approved scheme did not suggest for a CBDT valuation, hence CBDT has generally not been associated. However, the possibility of getting the services of CBDT/CPWD will be explored, if it is felt that their participation would really result in enhanced realization from sale of surplus assets.”

When asked whether any initiative has been taken or proposed to be taken to ensure that the guidelines for determining the reserve price are strictly followed, NTC in a written note stated as under:

“NTC has been very regular in following the guidelines issued by BIFR/Govt. of India in respect of fixation of reserve price. In exceptional cases, where sale of property could not be implemented even after 4-5 attempts, based on unanimous decision taken by ASC, it revisited the reserve price which was the only option to implement the sale and continue the revival process. However, a policy (wherein all the guidelines have been incorporated) on sale of surplus assets i.e. land, building etc. is under finalization in the Ministry of Textiles.”

On being asked to specify the compelling need for finalization of a new policy on sale of surplus assets of NTC in the Ministry of Textiles and in what manner the new policy will be an improvement over the existing guidelines on the subject matter, Ministry in their submission stated as under:

“Ministry of Textiles desired to have a review on the policy on sale of surplus assets in respect of fixing of reserve price to broad base the technical inputs and bring in increased transparency in the system. This is also in view of the observations made by C&AG. The policy was framed and placed before the Board of NTC, who considered the same on 18.11.2009. This policy will then be considered for approval by the Ministry.”

On being further asked whether the new policy on sale of surplus assets has since been finalized by the Ministry, the Ministry stated as under:

“No. The Ministry would examine the policy as approved by the Board when it receives it.”

As regards the salient features of the new policy on sale of assets, the Ministry furnished the following information:

“It may be stated that sale of land and assets is being undertaken by the company in accordance with the decision of Asset Sale Committee constituted as per BIFR directions, and instructions issued by the Government. However, issues regarding fixation of reserve price and sale at less than reserve price were observed in the performance audit of C&AG which necessitated a review

of the existing system, and formulation of a comprehensive policy for sale of assets to make it more broad-based.

Salient features of the new policy on sale of assets are placed at Annexure-I which are under consideration. Subsequent suggestion such as involvement of CBDT, CPWD etc would be examined keeping in view the requirements. The improvements over the existing system are self evident as assessment of valuation, fixation of reserve price etc. are more board based. This does not exist in the present system. In fact the policy being considered is quite comprehensive.”

### **Realization from sale of NTC properties in Mumbai and Delhi**

Attention of the Committee was drawn to a report that NTC sold a piece of land in Delhi at Rs.2.5 crore per acre at a time when the market price was Rs.30.42 crore per acre according to the DDA. When asked to furnish comment in the matter, the Ministry clarified as under:

“NTC has informed that they sold 4.54 acre of land of Ajudhia Textile Mills, Azadpur, Delhi. The 4.54 acre area of the property was sold at Rs.67.01 crore in February, 2005 in 3<sup>rd</sup> attempt. The sale rate of this land comes to Rs.14.76 crore per acre; in other words, Rs.36,462 per sq. Mtr. As per ..... letter No. PS/Dir.(RL)/ DDA/2004/15 dated 23.1.2004 ..... received from Shri D.P.Dwivedi, Director (RL), Delhi Development Authority addressed to Shri Sudhir Bhargava, CMD, NTC, the prevalent DDA rate of the land at that point of time in the nearby residential colony (Shalimar Bagh) was Rs. 22,000 per sq. Mtr. It may be observed that the rate fetched by the above sale to the company were about 1.5 times of the DDA rates. (The company has no comments on the authenticity of the market price of Rs. 30.42 crore per acre). Needless to mention that the rates of Rs. 22000/- per sq. Mtr. were for developed residential plot in a comparatively better locality (Shalimar Bagh), whereas land of Ajudhia Textile Mill was undeveloped industrial and encroachment prone. It would, therefore, be seen that the realisation of land-value by NTC was 1.5 times more than that of developed residential area.”

The Committee also pointed out that in Mumbai, the sale realization of NTC was Rs.42.78 crore per acre against the reported market price realization of Rs.87.12 crore per acre which resulted in lower realization of approximately Rs.2400 crore less than the amount that should have been realized for 54 acres.

When sought clarification, the NTC submitted that

“We are not aware of any private land sale during the period February to July, 2005, which fetched more value per acre in Mumbai city.”

**CHAPTER - V****SYSTEM OF VALUATION OF BUILDING STRUCTURES / MATERIALS**

According to Audit, no uniform system for fixation of reserve price of buildings as adopted. As per the information furnished to the Audit, the Ministry stated that most of the buildings are in a dilapidated condition and have to be disposed off at the salvage value so that the land can also be sold.

In response to a question about evolution of any system to determine the reserve price of buildings for sale, NTC in a written note stated as under:

“By and large NTC has taken over very old sick mills having dilapidated structures. Only the salvage value of the retrievable material from the debris has been taken into account which was valued by various approved agencies including M/s. Handicon promoted by IDBI, IFCI and other companies etc. The overall sale for building salvage material till date has been to the tune of Rs.77.10 crores for 44 structures out of the total asset sale of Rs. 4063.33 crores. The reserve price is fixed on the basis of such valuations and sale is finalized after inviting open tenders.”

On being asked whether any system to determine reserve price of the buildings for sale is under consideration, NTC stated in a written note that:

“There is no proposal to change the existing practice of valuations of disposal of old buildings and fixation of the reserve price.”

## CHAPTER - VI

### DEFECTS IN THE TENDER DOCUMENTS

It was observed in Audit that in the tender documents issued for sale of land and buildings, the information disclosed was either incorrect or ambiguous or vital information was not disclosed. Further, the Company had not established any system for verification of the contents of the tender documents. Consequently, the Company had suffered a loss of Rs.185.10 crores in the following three cases:

**Mumbai Textile Mills, Mumbai:** The tender document for sale of land of Mumbai Textile Mill stated (June 2005) that the mill area consisting of 67,293.17 square metre bearing Cadastral Survey (CS) No.464 and 4/464 was offered for sale. The mill plot consisted of only CS No.464 admeasuring 65,993.17 square metre. The CS No.4/464 admeasuring 1,300 square metre consisted of Marwari chowka chawl. The land was sold for Rs.702.22 crore (July 2005). It was observed in Audit that the Company had no intention for sale of the land of Marwari chowka chawl (CS No.4/464). It was wrongly included in the tender document. This was evident from the fact that in the layout map enclosed with the tender document, only mill land (CS No.464) was depicted. Also, in the terms and conditions of the tender document there was no mention of providing alternative accommodation to the occupants of Marwari chowka chawl as per Development Control Regulations for Greater Bombay, 1991. Further, the sale deed (October 2005) and the possession letter specified the boundaries of the land sold which did not include area of Marwari chowka chawl. In September 2006, the purchaser asked for possession of Marwari chowka chawl (CS No.4/464) also since it was included in the tender document. The ASC accepted the fact (October 2006) that this parcel of land of 1,300 square metre was wrongly included in the tender document but decided to rehabilitate the occupants of the chawl to another plot of land. The possession and ownership of 1,300 square metre of 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. This had resulted in loss of Rs.18.79 crore to the Company.

**Apollo Textile Mill, Mumbai:** Surplus land on rear side of Apollo Textile Mill admeasuring 30073.30 square metre with existing structures and permissible FSI of 39314.58 square metre was sold in July 2005 to the highest bidder at Rs.180 crore. This portion did not have direct access to the main road (N.M. Joshi Marg). Tender document did not disclose about any prospective access to the main road. Instead, it was specified in the tender document that access to Jivraj Boricha Marg (small road on rear side) could be made available. The Jivraj Boricha Marg was heavily encroached and was not motorable. It was observed in Audit that ASC had allowed (October 2006) access of 40 foot approach road to the main road (N.M. Joshi Marg). This had enhanced the value of land (October 2007) to Rs.1,05,448 per square metre (based on the valuation done by government approved valuer after the access to the main road was allowed) from Rs.45,784.54 per square metre. Normal enhancement due to timing difference (the Company charged SBI PLR plus four per cent per annum for timing difference) worked out to Rs.16,535.09 per square metre, the abnormal enhancement due to access to the main road (not disclosed in the tender document) worked out to Rs.43,128.37 per square metre. Thus, by not disclosing the feasibility of access to the main road (which was allowed later on) in the tender document, the Company had received lesser amount in tendered bids.

This had resulted in loss of Rs.165.80 crore after deducting consideration received for right to access to main road.

**Chalisgaon Textile Mill, Chalisgaon:** Six plots of land of Chalisgaon Textile Mill were sold (December 2002) to the highest bidder at the negotiated price of Rs.3.34 crore. The purchaser did not pay second and final instalment of Rs.2.50 crore which was due in January 2003 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. The purchaser asked (February 2003) for extension for payment till industrial zone was converted into residential Zone. The Company decided (July 2003) that purchaser may be permitted to make payment without interest after change of zone. The payment was received in August 2004. Further, it was decided to retain one plot due to resistance from local people and after adjusting the amount receivable for that plot, the net receivable was worked out to Rs.1.90 crore. Thus, incorrect information in tender document resulted in delay in receipt of sale proceeds amounting to Rs.1.90 crore for 18 months for which no interest was recovered. The Company lost interest of Rs.51 lakh calculated on the basis of 18 per cent per annum for the period from 13 February 2003 to 21 August 2004.

When asked to give its comments on the audit observation in each of the cases stated above, the Company furnished the following information:

“Details of land of Mumbai Textile Mills identified for sale in revival scheme approved by BIFR are as under :-

<b>Description of land</b>	<b>CS No.</b>	<b>Acres</b>
Inside mills land	464	16.30
Marwari Chowka Chawl	4/64	0.32
Mathura Land	29	7.21
<b>Total</b>		<b>23.83</b>

Out of above land 16.62 acre land was in Mumbai and 7.21 acre is in U.P. (Mathura). It may be observed that in the tender published for sale of land, we mentioned both the land of the mill situated in Mumbai with a total area of 67293.17 sq. Mtrs. (16.62 acres) along with its CS No. 464 and 4/64 as the same was identified for sale under BIFR Scheme. It is submitted that sale of the property takes places in the form of a contract which requires an offer and an acceptance, the offer by the company is for 67293.17 sq. mtrs. area and the bidder has quoted for that area. It is true that .32 acres (1300 sq. mtrs.) covered for chawl was included for sale. However, while publishing the lay out plan the fact that land of 1300 sq.mtr. (.32 acre) was occupied by chawl has not appeared due to mistake. Anyway the purchaser has quoted the price for tender and as an H-1 bidder executed the sale deed without any objection. As the sale of entire land has been concluded the company has not suffered any loss. The above mistake of non-disclosure of Marwari Chowka Chawl has thus not been liable for any loss to the Company.

As regards Apollo Textile Mill, it is stated that Apollo Textile Mill, Mumbai is one of the mill identified for revival. What was sold was the surplus land of this mill. This land had no access. The textile activities situated at the rear side of the Apollo textile Mills were closed and the land was declared as

surplus and incorporated in the BIFR Scheme for sale. As such there was no access road available to the rear side of the mills. Thereafter, the land was included in the Integrated Development Scheme submitted to MCGM and as per DC Regulation an access of 30' road is required for development of land. During inspection, MCGM officials requested NTC to make available the access road through Shree Sitaram Mill land adjoining to Apollo Mills compound. Since there was no alternative, an access through the rear side of Apollo Mills was made available to obtain approval from the MCGM and the same was incorporated in the tender document. The sale deed was also signed by General Manager of Sri Sitaram Mills for giving access through their land. NTC also received the highest consideration of Rs. 180 crores as against the reserve price of Rs. 100 crores. Hence there is no loss to the company. As informed earlier that in subsequent developments after sale of land of 5 mills and during the meetings with the Hon'ble CM of Government of Maharashtra and other officials, it was emphasised that NTC should appoint Architects/City Planner to carry out Traffic Impact Study of Road Network and Studies on Civic Infrastructure of all the mills and submit the same to State Government for implementation till the time no fresh permissions for sale of mill land shall be released. Since it was a later development, it cannot be construed 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 hand over the same to MCGM for public purpose. Further the Company has realised Rs.180 crores as against the reserve price of Rs.100 crores in the sale through the tender. Hence the company has not suffered any loss in the transaction.

In response to the audit observation regarding Chalisgaon Textile Mill, Chalisgaon, it is submitted that the State Government/local Municipal authorities were reluctant to grant approvals for change of zone. The Revival Scheme sanctioned by BIFR in 2002 and the NTC was in financial crunches during that period, hence it was decided to sell the land of upcountry mills on "as is where is" basis for survival of the company and accordingly the tenders were floated for sale of land before obtaining change of zone. The highest bidder requested that he may be permitted to make the balance payment after obtaining necessary permissions from State Government for change of zone. The charges/expenses required for the process had also been incurred by the purchaser for change of zone. The ASC considered the request of purchaser and allowed them to make the payment after receipt of change of zone."

To a pointed question as to why approach road was not included in the tender for sale of Apollo Mills, the Company in a post evidence reply explained:

"Originally the property was tendered in 2005 giving all the particulars known to the Company. Later on, in 2006, a provision for road was made. The provision for road required as per the town planning was a later development in 2006. Hence, it cannot be presumed as deficiency in tender document."

During the evidence in respect of Apollo Textile Mills, the Committee observed that the land was sold at Rs.180 crore but the tender document did not disclose details of access to the main road on account of which the difference of price was almost 50%. The land was actually sold for Rs.45784 per sq. mtr and after it was

disclosed that it has an access from the main road, price realized was Rs.1,05,448 per sq. mtr. This has resulted in loss to NTC of Rs.165.80 crore.

In the post-evidence reply, the Company stated as under:

“It was indicated in the meeting that the proper location of the property advertised by the NTC, particularly Apollo Mills, was not indicated in the tender. I am enclosing a copy of the tender notice. Tender for sale of part of the land admeasuring 30073.30 sq. mtrs, along with existing structures was issued on 18/19.05.2005. The layout plan was approved by Municipal Corporation of Greater Mumbai (MCGM) under Integrated Development Scheme (IDS) and the Floor Space Index (FSI) sanctioned was 39314.58 sq. mtrs. The location of the property given in the tender under Clause 1.2 is :-

<u>Land Marks</u>	<u>Distance</u>	<u>Travel time (minutes)</u>
Lower Parel Railway Station	1.00 KMs	15 minutes
Chinchpokli Railway Station	0.50 KMs	10 minutes
N.M. Joshi Marg (Delisle Road)	100 mtrs.	05 minutes
Sat Rasta Circle	0.50 KMs	10 minutes

Under Clause of existing position 1.3, further details given are as under :-

The rear part of the mill stands closed by order number L-51016/5-12/2004-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 number 21 of MCGM permission). 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.

In addition, a tender document was also supported with layout plan of the land. ASC had fixed reserve price of this property at Rs.100 crores with EMD of Rs.10 crores after considering highest of the valuation done by CBDT in (1994) valuation given in the draft rehabilitation scheme, Real Estate Consultants (REC) reports, ready reckoner rates and MAR given by marketing consultants. Total 50 tenders were sold. Three bids were received on due date, 20<sup>th</sup> June, 2005. Highest bid was of Rs.180 crores. ASC approved the offer of the highest bid of Rs.180 crores at its 13<sup>th</sup> meeting held on 5<sup>th</sup> July, 2005.

When asked whether any standard tender form was prescribed to avoid defects in tender documents issued for sale of land and buildings, the Corporation has informed the Committee in a written reply that:

“Tender form was standardised which had been vetted by the legal experts in respect of terms and conditions. Company has been taking maximum care to provide all the information in the tender document. In addition in respect of major properties, pre bid meeting is also held with the prospective buyers to clarify the doubts so that the defects if any in the tender documents could be avoided. As per practice, the tender documents were vetted by the officials concerned and the map is certified by the engineer in respect of the survey numbers, areas locations etc. In fact, Company is taking maximum care to avoid any defects in the tender documents giving all the information as required in the standard tender form in addition to the any information specific to the particular property.”

On being asked how the Company explains their failure to establish a proper system for verification of all the facts included in tender documents which ultimately proved detrimental to the financial interest of the company, the Company stated as follows:

“NTC was dealing with the textile had no expertise of sale of land. It has resorted to execute sale of assets only to implement the Revival Scheme approved by the BIFR. Defects in the tender document have occurred due to inadequacy of the system. However, NTC is now strengthening the system by framing the Asset Sale Policy approved by the Board.”

On being enquired why the right to reject or accept clause inherent in the tender was not exercised if the price was lower than the reserve price, NTC in its reply stated as under:

“It has been the experience of NTC that in a few cases, even after repeated tender, the Company was not able to get the reserve price. The first case was in 2005, which was referred to the Ministry for a decision when the Ministry advised vide its letters dated 29.04.2005 and 12.05.2005 that ASC should do this. Accordingly, the Company, instead of keeping the property idle with the chances of encroachment, analysed the responses received and wherever it found that the price received is the best possible in the then market scenario, it was sold at that price. Such cases are very few.”

In reply to a question whether any initiatives have now been taken to avoid such defects in the tender documents, NTC replied:

“Steps have been taken by NTC to review the suggestions given by the Audit for improvement in the existing system.”

In reply to a specific query whether any responsibility for defects in tender documents as pointed in audit, has been fixed against the erring officials/consultants by the Government, NTC stated:

“NTC has improved the implementation process of sale of assets in the company on the basis of past experience and the recommendations made by the Audit.”



**CHAPTER-VII****WEAKNESSES IN INTERNAL CONTROLS OF ACCOUNTING SYSTEM**

According to Audit, the Company did not have any Control Register to monitor the receipt and deposit of Demand Drafts (DDs)/Pay Orders (Pos) received as Earnest Money Deposit (EMD). The DDs/Pos received with the tenders were kept in Technical Division and DDs/Pos of unsuccessful bidders were returned in original without knowledge of Finance Division.

When asked about the reasons for non-maintenance of any control register to monitor the receipt and deposit of demand drafts/Pos received as EMD, NTC in a note stated:

“Respective departments of the units in NTC maintained a record for having received the EMD from the tenderers. They used to return the EMD of the unsuccessful tenderers’ same day and keep the EMD of successful bidder with the company. This was done as per the request of all the tenderers to refund the deposit if they were not successful except the highest tenderer. In order to have more response this system was adopted.”

In response to a question about the measures proposed to be taken by the Company to strengthen the internal control in accounting system, NTC stated in a written reply as under:

“The Company and its units would maintain the control register to monitor the receipts of the Demand Drafts/Pay Orders received and deposited EMD in coordination with the Finance Division.”

When desired to know whether any system for accounting demand drafts/postal orders received from tenderers has since been introduced by the Company, NTC replied in affirmative as under:

“Yes.”

## CHAPTER - VIII

## SALE BELOW REGISTRATION RATES AND RESERVE PRICE

It was observed in Audit that the GOI directed (November 2004) that the reserve price fixed (or re-fixed) for any property should not be less than the circle rates/registration rates fixed by the District Collector. It was observed in Audit (April 2008) that in contravention of the GOI directions; sale was made below the prevailing registration rates in the following cases.

(Rs. in crore)

Sl. No.	Name of the mill	Valuation as per registration rates	Reserve price fixed by the Company	Actual Sale price	Loss
1	Edward Mill	10.55	4.00	5.85	4.70
2	Shree Bijay Cotton Mill	3.79	1.92	1.95	1.84
3	Jahangir Textile Mill	26.83	25.00	25.00	1.83
4	Coimbatore Murugan Mill	3.04	1.73	1.89	1.15
5	Kishnaveni Textile Mill	5.50	4.80	5.20	0.30
6	Sri Rangavilas Mill	8.61	3.33	8.00	0.61
<b>Total</b>					<b>10.43</b>

The Company lost an opportunity to earn Rs.10.43 crore due to fixing reserve price and sale below the prevailing registration rates.

As per the latest information submitted by the Ministry to Audit, the sale was effected below the circle rates due to the non-receipt of any response despite repeated tenders issued by the Company.

In reply to a clarification sought by the Committee for any exemption obtained by NTC from GOI for sale of properties below prevailing registration rates in all such cases, NTC informed the Committee that:

“First time when a sale was considered by the Asset Sale Committee, it was decided to refer the matter to the Ministry of Textiles for their approval. The Ministry vide their letter No18021/6/2002-NTC dated 29.4.2005 authorized ASC to take a decision on the reserve price, keeping it as close to the market value as possible, considering therein the net usable area and the stamp duty rate in the vicinity for the related land use. After repeated attempts if a property has not taken for the reserve price fixed by the company, the Company cannot indefinitely keep on re-tendering and has come to the conclusion that the market has shown the best price for the property. Therefore, there was a felt need for the company to re-fix the reserve price and dispose of the property. The company has to fix the realistic reserve price after making the few attempts. It is very relevant to point out that NTC has always been fixing the reserve price on the basis of developed residential used property while in fact the property the property was for ‘industrial’ use.

The company has been making earnest efforts to sell its assets and wherever it does not succeed it used to re-fix the reserve price for disposal of the property.”

When asked about the steps taken by the Company to ensure adherence to GOI guidelines for fixation of reserve price at par or above the registration rates, NTC in a written reply has stated that:

“GOI is reviewing the guidelines for fixation of the reserve price with a view to refining and improving the system and achieve optimum realization from sale of assets.”

### **Sale below Reserve Price**

According to Audit, the GOI directed (November 2004) that no sale should be confirmed where the highest bid falls below the reserve price. In all such cases, the tenders should be called again. It was observed in Audit that in contravention of the GOI directions, sale was made below the reserve price. This could be seen from the sale of building of Om Parasakthi Mills, Kishnaveni Textile Mills and Somasundaram Mill. The reserve price for demolition of the buildings of Om Parasakthi Mills, Kishnaveni Textile Mills and Somasundaram Mill and carting away of debris was fixed (April 2003) for Rs.54 lakh, Rs.46 lakh and Rs.90 lakh respectively based on the highest of the salvage value (as per valuation done by government approved valuer), six per cent of the cost of replacement as assessed by the said valuer and Rs.40 per square foot. The highest offers received (June 2003) was Rs.28.25 lakh for Om Parasakthi Mills, Rs.25.20 lakh for Kishnaveni Textile Mills and Rs.52.20 lakh for Somasundaram Mill. Though the bids were lower than the reserve price the ASC approved (June 2003) the sale resulting in loss of potential revenue of Rs.84.35 lakh. The ASC had justified its decision stating that value arrived based on six per cent of the cost of replacement would be appropriate for comparison and bids received were more than that criteria. The contention of ASC was not in conformity with the GOI directions.

## CHAPTER - IX

### SALE WITHOUT FOLLOWING TENDER PROCESS

As per BIFR guidelines, sale of assets was to be affected by way of public tender. The Audit, however, pointed out that in 11 cases, the sale was made without following the tender process.

Explaining the reasons for not resorting to public tendering in all the cases to fetch the maximum value in a transparent and competitive manner, NTC in a written reply submitted as under: -

“Company could not resort to the public tender system in some cases considering the various reasons viz., 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. It can be said that the decision for sale of land in these cases was taken by the Asset Sale Committee on case to case basis considering the specific nature. The item wise detailed reasons for not following guidelines in these cases are as follows:

#### **Apollo Mills – sale of FSI against 40’ & 60’ D.P. Road**

The Apollo Mill land was sold in June’05. The decision to conduct an infrastructure study was taken on 13.05.06, after one year, in a meeting held on 13.05.06 between the then Chief Minister of Maharashtra and the Hon’ble Union Minister of Textiles, where NTC was asked to undertake certain infrastructure studies. The Municipal Commissioner expressed the need for proper road network in this meeting. Infrastructure study was accordingly carried out by NTC and report submitted to Municipal Corporation of Greater Mumbai (MCGM). MCGM vide letter dated 14.09.06 informed about the approval of the layout of the internal road network in the mill area, with the request to hand over the land to them for the same. The 40 and 60 ft. D.P. Roads were proposed in the area of Apollo Mills. The matter was placed before the Asset Sale Committee in its 32nd 36th and 38th meetings and the Asset Sale Committee was informed of the surrender for such a land for D.P. Road on NTC getting 100% FSI, which can be loaded on the adjoining/remaining plots. NTC was expected to develop the road and hand-over the same to MCGM. M/s. Macrotech Constructions Pvt. Ltd., the buyer of the Apollo Mill land, submitted a proposal to NTC for purchase of FSI generated out of D.P. Road land to be surrendered to MCGM. The proposal was discussed by ASC and it was approved for the following reasons:

- a) No new construction was to take place on the retained area of Apollo Mills and hence the said FSI could have remained unutilized.
- b) FSI cannot be loaded on any other property of NTC as the same is to be utilized on the remaining plot.
- c) In the event of not selling FSI the same can be sold only as TDR in the suburbs at substantially lower rate.
- d) The rate of Rs.9800/- per sq.ft. of FSI, based on the 3 valuation reports obtained by NTC, was offered to the buyer as against their offer to buy the said FSI at the rate of Rs. 7000/- per sq.ft. After deliberations with

ASC, the buyer agreed the rate of Rs. 9800/- per sq.ft. which is higher than the ready reckoner rate of Rs. 5574/- per sq. ft.

- e) The D.P. Road was constructed by the purchaser which in normal course would have been the obligation of NTC.
- f) Instead of NTC the purchaser of FSI will develop the road and handover the same to MCGM in lieu of the FSI.

The decision to conduct the infrastructure study was undertaken after one year of the sale of Apollo Mill land. It was on the basis of the directions of the MCGM that the D.P. Road had to be constructed for meeting the road network in the mill and surrender of land for D.P. Road is mandatory. Acceptance letter for sale of land with FSI for 40 and 60 ft. D.P. Roads were issued on 16.10.07 and 14.01.08. The buyer undertook the responsibility to develop the D.P. Roads and hand-over the same to MCGM, which was originally the responsibility of NTC.

### **Apollo Mills: Triangular Plot**

The Company sold 7.30 acres of land of Apollo Mills by public tender to M/s. Macrotech Constructions Pvt. Ltd., after retaining 23393 sq. mtrs. for the working of Apollo Mills. There is a triangular portion measuring 2736 sq. mtrs. with a dilapidated godown which is of no use (later on corrected as 2202 sq.mts., after measurement) which is situated between the land sold to M/s. Macrotech Constructions Pvt. Ltd. and the Western side of the proposed 60 ft. D.P. Road. The party proposed to purchase the same triangular portion of the land at Rs. 7525 per. sq. ft. The Asset Sale Committee (ASC) considered the proposal on the following grounds:-

- a) Considering the heavy development in the area, it would be mandatory for the Corporation to surrender the space for Electric Sub Station to BEST for a larger public interest. However, if the Company directly surrender the land to BEST, NTC would not get any consideration for the same.
- b) The triangular plot of land is hardly buildable as the requirement of open space as per DC Regulation is mandatory and the construction is allowed only after keeping open space of 15' from road.
- c) As per Rehabilitation Scheme sanctioned by BIFR, total 9.51 Acres land of Apollo Textile Mills has been earmarked as surplus land for sale. So far 8.63 Acres land has been sold leaving balance of 0.88 Acres. The subject triangular plot is admeasuring 0.68 Acres i.e. much below the balance land for sale.
- d) The plot cannot be sold through Public Tender Process as it is situated at the rear side and at present there is no access to the plot as the access shall be available only after development of 60' DP Road and further connectivity of the proposed road network in the area.
- e) The plot was not in use of Apollo Mills and separated from the mills land because of development of 60' DP Road.
- f) Since the high rise development in the vicinity is highly objected by the Home Ministry of Government of Maharashtra, any permission for development on plot is subject to NOC from Central Jail Authority of the State Government.

- g) The triangular portion is adjoining to the land sold to M/s. Macrotech and if the same is disposed of to them, then it would be merged in their land and becomes useable/buildable.

The ASC decided to sell this land at the highest valuation rate of Rs. 9800/- per sq. ft. of the Government approved valuer, which was more than the ready reckoner rate of 2008 i.e. Rs. 4599/- per sq. ft., which was in the best interest of the Company.

#### **Apollo Mills (182.64 SQ. MTRS.)**

In the course of measurement of land to give 22' right to way, a small strip of the land measuring 1966.44 sq. ft., measured by Shri N.B. Dharmadhikari, Architect, situated towards the side of the land was purchased by M/s. Macrotech Constructions Pvt. Ltd. This parcel of land cannot be used/availed by the Company, the ASC deliberated on the issue and was of the view that such a small piece may not be able to be sold as independent plot with so much value, considering the constraint of access, etc. if sold to another party. Hence, this was sold to the earlier purchaser on the same rate at which the mill land was sold through public tender process earlier, subject to charging of simple rate of interest at 9% per annum for the appropriate period.

#### **Apollo Mills (Measurement difference – 1742 sq. ft.)**

The Corporation has sold 7.43 acres (323709 sq. ft.) of land of Apollo Mills to Macrotech Constructions Pvt. Ltd., by following tender process. In addition, a small portion of land for Roads, right to way, triangular portion admeasuring 72315 sq.ft. was also sold to them, which was subject to final measurement and subject to exact quantum of FSI, to be approved by MCGM. Difference, if any, was to be adjusted on pro-rata basis by the party and finally settled by proper payment/return, as the case may be. After the joint survey, it was noticed that difference in the area sold was 1742 sq. ft. more and ASC decided that the payment may be calculated for the actual area, as agreed upon and hence this small plot of 1742 sq. ft. was not put for sale but for measurement difference consideration was received, as agreed upon at the rate sold for triangular plot.

In the case of other properties, mentioned in the report, as not followed the tender system, we would like to submit that each case of the land attached with the different kinds of problem which were to be sorted out. The reasons for the same were given below in respect of each case:

#### **New Jack Printing Press**

This is a case where the ASC of the Company had taken a decision on the basis of the policy approved by the Company for sale of leasehold

property. The opinion for sale of leasehold property was taken from the Solicitor General of India.

The party was called for negotiation by the ASC and the rate was enhanced in the meeting for vesting the ownership rights for the above consideration. The Committee also deliberated as to whether this subject matter needs to be referred to the Ministry of Textiles when the then Joint Secretary informed the Committee that since the ASC of NTC is constituted by the Ministry of Textiles/NTC in line with the Revival Scheme approved by the BIFR, reference of matters to MOT on sale of assets will only result in delay, in arriving at a final decision on the disposal of assets. Since the Ministry of Textiles is represented by a senior level IAS Officers, viz., Joint Secretary, and its views are anyways reflected in the meeting of the ASC by the Joint Secretary. All the decisions of sale of assets are finally and fully rested with the ASC. Accordingly, no reference to Ministry of Textiles is required and the ASC is fully empowered to take all decisions on sale of assets of the Company under the Revival Scheme in the best interest of NTC.

### **Elphinstone Mill Chawls**

NTC sold land and building of Elphinstone Mills staff quarters through public tender process at a price more than the RP. As per the tender conditions, the purchaser had to provide six tenements of approx. 750 sq. ft. carpet area to NTC free of cost in lieu of the area occupied for showroom and godown.

NTC thus acquired the rights to receive the constructed plot from the purchaser. The purchaser has been allowed 3 years time for providing the six flats after a construction. The purchaser had proposed to purchase the rights from NTC. The rates have been valued by 3 approved Govt. valuers and the highest of the same was Rs. 351 lakhs which was above the stamp duty ready reckoner rates, 2006, of Rs. 280.96 lakhs. The ASC negotiated with the party and approved the sale of relinquishment of the rights for Rs. 355 lakhs which was above the fixed RP. In this particular case, the sale is only relinquishment of the right and not the real property and further to get the rights, we have to wait for more than three years. There is no loss also as the price realized was more than the stamp duty ready reckoner rates and also more than the highest value of the 3 valuers, i.e., Rs. 351 lakhs.

### **Model Mills, Nagpur (762 Sq. Mtrs)**

The mill land was sold to M/s. Kashmiri Developers Pvt. Ltd. by following the public tender process. During the survey done through Govt. City Survey Department, Nagpur, a small strip of 762 sq. mtrs. was available in between the two plots sold to the party. This particular plot was not having direct access from the road. Hence, ASC decided to sell the land to the same party on the same tender rate which was obtained by following the tender process earlier. The ASC in its meeting held on 19.12.2006 also decided to charge interest at the rate of SBI PLR rate from the date of the execution of the earlier land sale deed.

The small plot was sold at the same tender rate and terms of the earlier process.

### **Tata Mills FSI Sold To RBI**

RBI had taken a lease of 1,71,000 sq. ft. from the erstwhile management of Tata Mills and in turn RBI sub-leased 1,51,079 sq. ft. with the condition that Tata Mill should maintain area vacant during the tenure of the lease. With the leasehold rights of the Tata Mill was sold to RBI at a compensation settled between the officials of the Ministry of Textiles and RBI, it is not the ownership right but only surrender of the lease rights to another arm of the Government by settlement between two companies of the Govt. Hence, no tender procedure was followed in this case.

### **Worli Mills, Bungalow**

The property is in the form of Bungalow constructed on the land of MCGM taken on lease by erstwhile owners since March, 1971. The title of the property was doubtful as NTC was not having possession and the tenant and sub-tenant have been paying the property tax etc. since long. The bungalow was also not registered in the name of NTC with the MCGM. Sale was implemented to avoid litigation which was pending in Court for last 22 years.

### **Jyoti Weaving Factory**

NTC had sold 4.29 acres of land of 2 surveys, No. 69 and 30. In the meantime, the unit got the mill land mutated from the appropriate authorities in the name of NTC (WBABO) Ltd. As per the mutation certificate, the land area was found to be 4.98 acres instead of 4.13 acres. In view of the difference in area, the Company engaged authorized surveyor to measure the actual area of both the plots. The party was disputing that they had purchased the land on "as is where is and on as is what is basis" without measuring the land and there was no scope of paying extra for the increase of 0.85 acre as per the mutation certificate.

After discussion in the ASC meeting held on 22.10.2005, the party agreed to pay in principle for the excess quantum of land on pro-rata basis. This is the case of dispute and settled through negotiation and hence, the Company followed a tender process in this case and the highest bidder was asked to pay the balance for the excess land, on pro-rata basis, on physical measurement."

In reply to another related question, NTC in a written note stated as under:

"These are cases which are of exceptional nature and not a normal process of sale of land. Properties subject to sale in these 11 cases were associated with peculiar problems related to its existence/title/location/possession/development etc."



**CHAPTER - X****INCONSISTENCIES IN THE GUIDELINES**

As pointed out by Audit, the inconsistencies between the BIFR/GOI guidelines and the procedures laid down by the Company were as follows:

- (a) The BIFR guidelines provided that bidders should deposit the EMD equal to 10 percent of the offer while the Company fixed (July 2002) the amount of EMD equivalent to five percent of the reserve price which was increased to 10 percent in March, 2003
- (b) The BIFR prescribed that the Company should receive Bank Draft for the EMD. However, the Company provided (July 2002) that in case EMD was above Rupees one crore unconditional and irrevocable Bank Guarantee (BG) could be accepted in lieu of the Bank draft.
- (c) BIFR guidelines provided that the Company should charge interest at the rate of 18 percent per annum on the delayed payments. However, the Company instructed (March, 2003) the sub-offices to charge interest at the rate prevailing SBI PLR plus four percent per annum on delayed payments. It was stipulated in the tender document that ASC could extend the payment schedule up to 60 days.
- (d) The schedule of payment of sale consideration by the purchaser as prescribed by the Company in the tender documents was not in conformity with the BIFR guidelines.

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.

Asked about the reasons for deviating from BIFR/GOI guidelines regarding fixation of EMD, mode of receipt of EMD, payment of sale consideration by the purchase, receipt of interest on delayed payment and interest to be charged in case of delay, NTC in its written reply stated as under:

“BIFR has given guidelines for fixation of EMD @ 10% of offer whereas at the time of formulating tender conditions EMD @10% of the reserve price was fixed so that EMD would be uniform without any discrimination from one party to another. Guarantee in place of DD for more than Rs.1 crore has been permitted as per the tender with the intention to enable more parties to participate so that NTC could get the competitive rates. The tender conditions were framed after considering the prevailing conditions in the real estate markets. The interest rates were fluctuating and it has been decided to put on the tender conditions that interest rate @SBI PLR+4% will be collected in case of delay in payment. The tender conditions were framed and vetted by various legal experts. The conditions are more or less same as per guidelines issued by BIFR and also placed before the ASC of the various erstwhile subsidiary corporations for deliberations and approval. After approval this had been followed unilaterally in all the erstwhile subsidiary corporations and even after merger.”

When enquired whether the aforesaid matters were placed in the Central ASC meeting for consideration as agreed to by the management, NTC stated as follows:

“After taking the views of all ASC Members which has emerged during the tender process, the guidelines were reviewed and modified by the management. Such modifications are only for the better interest of the company.”

As regards the steps being taken by the Company to bring uniformity between the BIFR/GOI guidelines and the Company’s procedures, NTC in a written reply stated that:

“The matter is taken up with Ministry for framing the policy guidelines in respect of fixing the reserve price and also sale of FSI policy. The tender conditions will also be taken up for review and modifications, if any.”

When asked whether ASC constituted by the Government has the authority to evolve procedures going beyond the guidelines of BIFR, NTC stated as follows:

“No. The deviations pointed out have to be examined on a case to case basis, and then only, a final view can be taken.”

Audit pointed out that guarantee in place of DD for more than Rs. 1 crore has been permitted as per the tender with the intention to enable more parties to participate so that NTC could get the competitive rates and the tender conditions were framed after considering the prevailing conditions in the real estate markets. When sought a clarification as to how the provision of Bank guarantee could increase the response from more parties to participate in the tender, the Company replied as under:

“As the provision of Bank guarantee does not need monetary outflow of the funds, response to participate in the tender with such condition was obvious to increase. This was only to facilitate more competition by getting more offers by changing the threshold limit of furnishing EMD in the form of Bank Guarantee instead of Demand Draft.”

## CHAPTER - XI

### FUND MANAGEMENT

It has been pointed out in Audit that no separate account was maintained by NTC for deposition of sale proceeds of surplus assets and subsequent utilisation of money received which was against BIFR guidelines. According to the information furnished to the Audit, the Ministry has accepted the observation for compliance to make system more efficient.

Asked about the instructions, if any, issued to open separate accounts to keep records of the funds generated from sale of surplus assets, NTC in a written stated:

“Further instructions are issued to transfer the funds of sale of land and sale of other assets separately to two different banks accounts bank. In the books of accounts separate accounts are maintained to account for the sales proceeds of land and building and other surplus assets.”

As regards the steps to synchronize the schedule of sale of surplus assets with the fund requirements for modernization, NTC stated in a written reply that:

“Sources and Utilization of fund Statement are prepared on monthly basis in addition to the cash flow statement to synchronize the fund requirement for modernization with sales of surplus assets.”

When enquired how was it ensured that the sale process carried out by NTC was competitive and transparent, NTC stated as under:

“The sales were made through a transparent manner by giving wide publicity. Company’s core business is not sale of assets. However, company has made all efforts to get better realisations from sale of assets. NTC has never been in the business of selling assets. This has been a new area of activity for the company on account of implementation of the revival Scheme. The professional Managers of the company have done their best and taken decisions in good faith to get the best valuations for its properties. NTC is committed to refine and improve the system further, based upon its experience, audit observations etc. The suggestions given by the Audit and the valuable observations of the Hon’ble Members will be taken into account for further improving the existing system.”

## CHAPTER XII

### LESSONS LEARNT

Replying to a question about the lessons learnt by the Company from the deficiencies and shortcomings pointed out by Audit from time to time for affecting improvements in the system of sale of land and buildings to the best financial advantage of the Company in a transparent and prudent manner particularly when almost 50 per cent of the land and buildings are yet to be sold by the Company, NTC replied as under:

“The Company has never been in the business in selling assets and this has been a new area of activity on account of implementation of the revival scheme. NTC will review the existing policy and bring out modifications wherever required for implementation in all future cases of sale, taking into account the observations. (Suggestion of Audit & COPU) NTC has now framed a policy for fixation of reserve price and sale of its surplus land which has been approved by its Board of Directors on 18.11.2009. NTC is also framing a policy for additional FSI and for chawl development. These are expected to ensure maximum realization for NTC in a transparent and prudent manner. NTC has also been advised to work out its minimum requirement of funds for implementation of revival scheme and to identify properties for realizing that amount.”

As regards the engagement of professional experts for marketing of its properties, NTC stated as under:

“NTC also contemplates to engage professional experts for marketing of its properties in an efficient manner to maximize the realization of resources in case of high value properties i.e. exceeding Rs. 100 crore.”

**PART-II****OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE****Sl. 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 the 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 crore. 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 31<sup>st</sup> March, 2004 to 31<sup>st</sup> 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 crore was submitted to BIFR in January, 2006 which was approved in March, 2006. The implementation period of MS-2006 was upto 31<sup>st</sup> 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 crore by sale of assets of the closed mills and surplus assets of the viable mills upto 30<sup>th</sup> 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 31<sup>st</sup> 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.

**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 1<sup>st</sup> April, 2002 and 31<sup>st</sup> 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.

**Sl. 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.

**Sl. 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 or 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.

**Sl. No. 5****(b). 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.

**Sl. No. 6****(c). MAR Valuation**

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.

**Sl. No. 7****(d). 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 had 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.

**Sl. 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 CSNo.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 crore.

NTC admitted the fact that land of 1300 square 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 road 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 instalment 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 per cent 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.**

**Sl. 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.

**Sl. 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 advertisements.....". 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 decisions taken by the Company in all such cases where any departure is made from the directions/guidelines issued for the implementation of the revival schemes.

**Sl. 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.

**Sl. 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 existing 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.

**Sl. 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 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.

New Delhi  
12 February, 2010  
23 Magha, 1931 (S)

V. KISHORE CHANDRA S. DEO  
Chairman  
Committee on Public Undertakings

<b>MINISTRY OF TEXTILES</b>
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**CHAPTER IX****National Textile Corporation****Limited Sale of surplus land and buildings *Highlights*****System issues**

The prescribed criterion for fixation of reserve price was followed in 27 cases only out of 79 cases of sale of land examined in audit. This had resulted in fixation of lower reserve price.

**(Para 9.7.2.1)**

Absence of system for vetting of 'Minimum Assured Return' reports resulted in under-fixation of reserve price by Rs.493.46 crore in five cases.

**(Para 9.7.2.1B)**

Defects in the tender documents resulted in the loss of Rs.185.10 crore in three cases.

**(Para 9.7.3)****Compliance issues**

The Government of India (GOI) directives of not selling below the prevailing registration/circle rates were not followed resulting in loss of opportunity to earn Rs.10.43 crore in six cases.

**(Para 9.7.5)**

Land and buildings were sold below reserve price in contravention of the GOI directions.

**(Para 9.7.6)**

Land was sold without following the tender process in contravention of guidelines of Board for Industrial and Financial Reconstruction (BIFR).

**(Para 9.7.7)**

Fixation of earnest money deposit (EMD) at a rate lower than that prescribed in the BIFR guidelines resulted in loss of opportunity to earn Rs.89 lakh in case of Aurangabad Textile Mill.

**(Para 9.7.8(a))**

Non-receipt of EMD in demand drafts in contravention to BIFR guidelines resulted in loss of revenue of Rs.57.70 lakh in 19 cases.

**(Para 9.7.8(b))**

Extension of 96 to 1371 days for payment beyond 60 days from the due date of payment resulted in loss of interest of Rs.46.79 crore in four cases. Interest of Rs.1.34 crore was recovered less in six cases while granting extension within 60 days.

**Para 9.7.8(c))**

**Summary of recommendations**

1. **Specific guidelines, for sale of surplus land and buildings not considered in the revival schemes approved by BIFR, may be framed.**
2. **The valuation by Central Board of Direct Taxes should be obtained in all cases and given due consideration in fixation of reserve price.**
3. **The GOI may lay down guidelines for valuation of building structures/materials and the same may be applied uniformly in all the sub-offices.**
4. **The Company may establish a proper system for verification of all the facts included in tender documents to avoid defects in tender documents.**
5. **The internal controls in accounting system be strengthened.**
6. **All the properties identified should be sold through public tender to fetch the maximum value.**
7. **The Company should adhere to the guidelines prescribed by the BIFR.**
8. **The GOI may consider specifying modalities where the delay in payment exceeds 60 days.**
9. **The schedule of sale of surplus assets should be synchronized with the fund requirements for modernisation. The Management may ensure that fund realised from the sale is accounted for as per BIFR guidelines.**

**9.1 Introduction**

National Textile Corporation Limited (Company) was incorporated in April 1968 with the main objective of managing the affairs of sick textile undertakings taken over by the GOI. The Company was managing 119 textile mills through its nine subsidiaries. All these subsidiaries were declared sick (eight between 1992 and 1994 and one in December 2005) under the Sick Industrial Companies (Special Provisions) Act 1985. Revival schemes (2002) and a modified revival scheme (2006) were approved by the Board for Industrial and Financial Reconstruction (BIFR)/GOI which envisaged closure of unviable mills and revival of viable mills. According to these schemes, 77 unviable mills were to be closed, 40 viable mills to be revived (22 through modernisation and 18 through public private partnership) and two mills in Pondicherry<sup>1</sup> to be transferred to the State Government. The scheme was self-financing, the funds realised from sale of surplus assets were to be utilised for revival/modernisation. Asset Sale Committee (ASC) was constituted for each subsidiary to take decisions regarding sale of surplus assets. With effect from 1 April 2006, all the nine subsidiaries were merged into the Company and a single ASC was constituted (July 2008). The erstwhile subsidiaries exist as sub-offices of the Company.

<sup>1</sup> **Now Puducherry.**



**9.2 Scope of Audit**

The performance audit covered the sale of surplus land and buildings from 1 April 2002 to 31 March 2008 in six<sup>2</sup> of the nine sub-offices of the Company. Performance audit on sale of surplus land and buildings by the sub-office (Andhra Pradesh, Kerala, Karnataka and Mahe) was included in C&AG Audit Report No.4 of 2005. Sale of surplus land and buildings by sub-office Uttar Pradesh (17.01 acres) and sub-office Madhya Pradesh (35.33 acres) were not significant and therefore, not included in the performance audit.

The main issues considered in performance audit were identification of surplus land and buildings, fixation of reserve price, tender process, receipt of sale proceeds, internal control system and fund management.

**9.3 Audit objectives**

The performance audit was conducted to examine:

- the existence and effectiveness of the system for identification of surplus land and buildings, fixation of reserve price, tender process, receipt of sale proceeds, internal control system and fund management (System Issues);
- the extent of compliance of BIFR/GOI guidelines and instructions issued by the Company for sale of land and buildings (Compliance Issues);
- that the whole process of sale, systems and procedures were designed and operated in a manner that promotes transparency and the decisions were taken in the best interests of the Company.

**9.4 Audit criteria**

The following criteria were adopted to examine whether:

- (i) BIFR/GOI guidelines were followed regarding: (a) Fixation of reserve price.  
 (b) Fixation of Earnest Money Deposit and its forfeiture. (c) Drafting of the tender documents.  
 (d) Receipt of sale proceeds and recovery of interest in cases of delayed receipts. (e) Accounting of sale proceeds.
- (ii) Instructions issued by the Company were in compliance with the BIFR/GOI guidelines.

**9.5 Audit methodology and sample size**

**9.5.1** After a preliminary study and collection of background information, an Entry conference was held with the Management on 28 February 2008 to discuss the audit objectives, scope of audit and audit criteria. Based on the examination of records relating to identification, valuation, tender and sale of surplus land and buildings, a preliminary

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<sup>2</sup> **NTC (Delhi, Punjab and Rajasthan), NTC (Maharashtra North), NTC (Maharashtra South), NTC (West Bengal, Assam, Bihar and Orissa), NTC (Tamil Nadu and Pondicherry) and NTC (Gujarat).**

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report was issued to the Management on 18 August 2008. Exit conference to discuss the audit findings was held on 9 September 2008. The Management's reply to the performance audit report was received in September 2008.

**9.5.2** Total surplus land of 2737.99 acres and buildings of 286.70 acres were identified for sale in the revival scheme. Of this, the Company sold 1354.80 acres of land and 257.85 acres of buildings upto 31 March 2008. In the six sub-offices selected for Audit, there were 110 cases of sale upto March 2008 covering 790.68 acres of land and 100.25 acres of buildings. An amount of Rs.3819.44 crore was realised upto 31 March 2008 by sale of surplus assets. All 110 cases (79 cases of land and 31 cases of buildings) were reviewed in Audit.

**9.6 Acknowledgement**

Audit acknowledges the cooperation and assistance extended by the Management at various stages of performance audit.

**9.7 Audit findings and recommendations****System Issues****9.7.1 Sale of surplus land and buildings not identified in the revival scheme**

Certain parcels of land which were not identified as surplus in the revival schemes were sold by the Company. A few cases are:

**Table 9.1**

Sl. No.	Name of the property	Land identified (in acres)	Actually sold (in acres)	Difference (in acres)	Remarks
1.	Jyoti Weaving Mills, Kolkata	4.29	4.94	0.65	Increase was due to mutation done at a later date.
2.	Shree Mahalaxmi Cotton Mills, 24 paragana	11.24	11.34	0.10	Reasons for sale of land more than identified were not on record
3.	Model Mill, Nagpur	40.33	42.09	1.76	
4.	Central Cotton Mill, Howrah	11.67	12.06	0.39	
5.	Bungalow of New City Mill, Worli Mumbai	---	0.16	0.16	Approval of BIFR was obtained
	<b>Total</b>			<b>3.06</b>	

There were no specific guidelines for sale of land and buildings beyond those included in the revival schemes approved by BIFR. Approval of BIFR was not obtained for sale of such land and buildings (except in the Sl. No. 5)

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**Recommendation No. 9.1**

***Specific guidelines, for sale of surplus land and buildings not considered in the revival schemes approved by BIFR, may be framed.***

**9.7.2 System of valuation of properties and fixation of reserve price**

Out of 110 cases of sale, the reserve price was fixed only in 66 cases of land and 31 cases of buildings. Two mills were transferred to the Government of Pondicherry at the price agreed in the Memorandum of Understanding. In the remaining 11 cases, the sale was made without following the tender process.

**9.7.2.1 System of fixation of reserve price of land**

According to the methodology for fixation of reserve price devised (November 2002) by the Company, reserve price was to be determined on the basis of average of three valuations, namely, valuation in draft revival scheme (DRS) approved by BIFR, valuations given by property consultants and valuation by Central Board of Direct Taxes (CBDT). The GOI further directed (November 2004) that in case of Mumbai, where marketing consultants (consultants) had quoted Minimum Assured Return<sup>3</sup> (MAR), the reserve price should not be less than MAR.

It was observed in Audit (April 2008) that out of 79 cases of sale of land, only in 27 cases all the three valuation factors were considered. In 37 cases either two or only one valuation factors were considered while in 15 cases none of the prescribed valuation factors were considered while fixing the reserve price. Further, in 26 cases out of 79 cases, reserve price fixed was less than 30 *per cent* of the sale value though the GOI had specifically directed (April 2005) that reserve price should be nearer to the market value. It was also noticed that there was wide variation between the actual sale value and valuation done under the three factors used for reserve price fixation.

The Management stated (September 2008) that the reserve price was only an indicative figure for decision making. Moreover, there was no relation between the reserve price fixed and the price bid. In sale of properties in Mumbai, the Company had realised 180 *per cent* to 350 *per cent* higher than the reserve price fixed because of location and demand of the property. Also, in case of no response or less response than the reserve price in three repeated attempts of tender, the Company had confirmed the sale for the value that was best available at that point of time.

The reply of the Management was not convincing. Though the reserve price was only indicative it should not be less than the valuation as per guidelines of the Company. Further, wide variation between reserve price and sale realisation in Mumbai indicates that there was no system to assess the demand and market value of the properties despite the GOI directives in April 2005. Also, the Company should have built the mechanism for change in the methodology for fixation of reserve price in case response was unsatisfactory.

Deficiencies in different factors used for fixing reserve price were as follows:

<sup>3</sup> ***The value of the land was derived from the value of built-up area after deducting cost of construction and development and other ancillary charges.***

**Report No. PA 27 of 2009-10****(A) DRS valuation**

In 66 cases of sale of land through tender, valuation in DRS was made upto 2002 whereas the sales were made between April 2002 and March 2008. This had resulted in fixation of lower reserve price due to timing difference between the date of valuation in DRS and the date of fixation of reserve price.

**(B) MAR valuation**

The Company had no system of vetting valuation reports and MAR given by the consultants. Further, the Company had obtained MAR for five land parcels only (sold upto March 2008) against the 25 land parcels identified for sale in Mumbai. While quoting MAR for these five parcels, the consultants had stated (February 2005) that it was not a valuation of the property and the Company may take a conscious decision to fix reserve price on the basis of valuation of the property or on the basis of MAR. A comparative position of MAR *vis-à-vis* reserve price fixed and actual sale value in the five cases is given below:

**Table 9.2**

<i>(Rs. in crore)</i>						
Sl. No.	Name of the mill	Highest MAR quoted by	Valuation of building structures	Reserve price fixed	Sale value	Variance between MAR and
1	2	3	4	5	6	7 (Col 6-Col 3)/Col 3 x100
1.	Jupiter Mill	142.32	12.22	155.00	276.60	94.35
2.	Elphinston Mill	120.00	3.51	125.00	441.75	268.12
3.	Kohinoor Mill No.3	111.00	1.15	120.00	421.00	279.28
4.	Mumbai Textile Mill	260.00	5.28	270.00	702.22	170.08
5.	Apollo Textile Mill	90.00	5.99	100.00	180.00	100.00
	Total	723.32	28.15	770.00	2021.57	179.49

It was observed that the variation between sale value realised and MAR quoted by the consultants ranged between 94.35 *per cent* and 279.28 *per cent*. The purpose of obtaining MAR was not achieved as it did not give the realistic market value of the land parcels being offered for sale.

A test check of MAR had revealed the following:

- (i) During valuation of MAR in 2005, market rates of Rs.5400 *per square foot* in one case (Sl. No.1) and Rs.7000 *per square foot* in other cases (Sl. No.2 to 5), prevailing

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during 2002-03 in the area where these mills were situated were adopted. The real estate market was sluggish in 2002-03 but had started booming in 2005; as such market rates were much higher in 2005 than in 2002. This deficiency in MAR was not observed by the Company. In case the market rates of 2002 were upgraded by charging the interest at the rate of State Bank of India Prime Lending Rates (SBI PLR) *plus four per cent* for time difference the MAR would have increased by Rs.336.34 crore.

(ii) While calculating saleable floor space index (FSI)<sup>4</sup> for estimating revenue realisation, the consultants had increased the allowable FSI by 20 *per cent* available for lift, stairs, balcony, *etc.*, under the Development Control Regulations for Greater Bombay, 1991 (DCR) but had not considered additional FSI allowable for car parking and basement under Regulation 35 of DCR. Due to this the MAR was understated by Rs.19.77 crore.

(iii) Cost of construction for arriving at MAR was considered as Rs.13,988 *per square metre* in respect of four cases (Sl.No.2 to 5) and Rs.13,450 *per square metre* for one case (Sl.No. 1), whereas ready reckoner rate<sup>5</sup> (2005) for the best construction was Rs.8,500 *per square metre*. There was, thus, over estimation of cost of construction and under estimation of MAR by Rs.137.35 crore.

Thus, absence of any system for vetting MAR reports by the Company had resulted in under fixation of reserve price by Rs.493.46 crore in the above five cases.

The Management while accepting (September 2008) that vetting of MAR was not considered by the Company stated that MAR was obtained to determine the best price/reserve price. Further, price realised was much higher than the reserve price fixed for these land parcels.

The reply of the Management was not acceptable. Best price/reserve price could not be determined from unrealistic MAR reports. Also, high realisation could not be taken as a plea for acceptance for such MAR reports.

**(C) CBDT valuation**

It was observed in Audit that out of 66 cases of sale of land through tender, CBDT valuation was considered in 29 cases only. In 28 cases CBDT valuation of 1994-95 was considered and in one case valuation of 1998-99 was considered for fixation of reserve price during April 2002 to March 2008. The CBDT valuation was not indexed (based on capital gain index of CBDT) to the year of fixation of reserve price for arriving at realistic value.

The Management stated (September 2008) that the CBDT valuation was done only in 1997 and subsequently CBDT was not willing for any valuation.

The reply of the Management was not tenable. Even the valuation of 1997 was not relevant during the year of fixation of reserve price and should have been indexed to the

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<sup>4</sup> **Floor Space Index (FSI) in Mumbai = Carpet Area x 1.33**

<sup>5</sup> **Ready reckoner is a compilation of prevailing market rates in various areas of Mumbai. This is compiled by a group of government approved valuers and forwarded by the Deputy Inspector General of Registration Mumbai Division.**

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year of fixation of reserve price. Further, the Management could not produce any record in support of their reply that CBDT was not willing for any valuation.

The following cases highlight the impact of deficiencies in the system of fixation of reserve price.

**(i) Udaipur Cotton Mill**

The reserve price of land of Udaipur Cotton Mills was initially fixed (October 2002) at Rs.51.97 crore based on DRS valuation. This was reduced to Rs.12.57 crore in July 2005 based on prevailing registration rates in the district whereas, in accordance with the Company's guidelines, the reserve price comes to Rs.32.28 crore<sup>6</sup>. The reserve price fixed was thus, lower by Rs.19.71 crore as compared to the reserve price based on the Company's guidelines. The land was sold at Rs.15.12 crore to private party in October 2005.

The Management stated (May 2008) that values of property had dropped considerably due to slow down of the economy and land could not be used for residential/commercial purpose.

The reply was not tenable. The real estate market was booming in 2005 when reserve price was re-fixed.

**(ii) Rajkot Textile Mill**

The reserve price of land of Rajkot Textile Mills was fixed at Rs.36.00 crore (February 2003) based on DRS valuation. It was re-fixed at Rs.27.68 crore<sup>7</sup> (July 2003) on the basis of Company's guidelines but was further reduced to Rs.23.00 crore in May 2005 at the prevailing registration rate. The land was sold at Rs.18.20 crore (July 2006). The reserve price fixed was thus, lower by Rs.4.68 crore as compared to the reserve price based on the Company's guidelines.

**(iii) Himadri Textile Mill**

The reserve price of Himadri Textile Mill was fixed (January 2007) at Rs.8.80 crore considering the highest value given by the three government approved valuers. Due to revision of registration rates in February 2007, the reserve price was increased to Rs.14.00 crore (April 2007). In contravention of the Company's guidelines, the DRS and CBDT valuations<sup>8</sup> were not considered. The land was sold at Rs.11.20 crore in August 2007.

**Recommendation No. 9.2**

***The valuation by CBDT should be obtained in all cases and given due consideration in fixation of reserve price.***

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<sup>6</sup> The average of DRS valuation (Rs.51.97 crore), indexed CBDT valuation to the year of sale (Rs.18.31 crore) and valuation by government approved valuer (Rs.26.57 crore).

<sup>7</sup> The average of DRS valuation (Rs.35.30 crore), CBDT valuation (Rs.30.15 crore) and valuation by valuers (Rs.17.60 crore).

<sup>8</sup> DRS valuation (Rs.8.77 crore) and CBDT valuation (not available).

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### **9.7.2.2 System of valuation of building structures/materials**

Sub-offices were adopting different methodology for valuation and consequent fixation of reserve price of buildings structures/materials identified for sale. In all the 31 cases of sale of buildings during April 2002 to March 2008 in six sub-offices selected for audit, it was observed that DRS valuation and valuation by the government approved valuers were considered for fixation of the reserve price as given in the table below:

**Table 9.3**

<b>Sub-office</b>	<b>Total case</b>	<b>Higher of the two</b>	<b>Lower of the two</b>	<b>Above both</b>	<b>Between two</b>
Delhi, Punjab and Rajasthan	2	--	1	1	--
Gujarat	11	5	2	2	2
West Bengal, Assam, Bihar and Orissa	9	1	--	8	--
Tamil Nadu and Pondicherry	8	4*	--	2	2
Maharashtra North	1	--	--	1	--

*\*DRS valuation was not done in three cases. Out of these, in one case reserve price was fixed at the valuation given by the registered valuer and in two cases the same was fixed at above the valuation given by the valuer.*

It was noticed that no uniform system for fixation of reserve price of buildings was adopted.

The Management stated (September 2008) that buildings were always sold on the basis of retrievable items like bricks, wooden items, steel structures, wires, etc. The system was to go by professional experts, which was followed in all cases.

The Management reply was not convincing as the reasons for adopting different criteria for valuation of different buildings were not clarified.

#### **Recommendation No. 9.3**

***The GOI may lay down guidelines for valuation of building structures/materials and the same may be applied uniformly in all the sub-offices.***

### **9.7.3 Defects in the tender documents**

It was observed in Audit that in the tender documents issued for sale of land and buildings the information disclosed was either incorrect or ambiguous or vital information was not disclosed. Further, the Company had not established any system for verification of the contents of the tender documents. Due to non-existence of such system, the Company had suffered a loss of Rs.185.10 crore.

The cases in which the Company incurred loss are discussed below.

**Report No. PA 27 of 2009-10****(A) Mumbai Textile Mill, Mumbai**

The tender document for sale of land of Mumbai Textile Mill stated (June 2005) that the mill area consisting of 67,293.17 square metre bearing Cadastral Survey (CS) No.464 and 4/464 was offered for sale. The mill plot consisted of only CS No.464 admeasuring 65,993.17 square metre. The CS No.4/464 admeasuring 1,300 square metre consisted of Marwari chowka chawl. The land was sold for Rs.702.22 crore (July 2005).

It was observed in Audit that the Company had no intention for sale of the land of Marwari chowka chawl (CS No.4/464). It was wrongly included in the tender document. This was evident from the fact that in the layout map enclosed with the tender document, only mill land (CS No.464) was depicted. Also, in the terms and conditions of the tender document there was no mention of providing alternative accommodation to the occupants of Marwari chowka chawl as per Development Control Regulations for Greater Bombay, 1991. Further, the sale deed (October 2005) and the possession letter specified the boundaries of the land sold which did not include area of Marwari chowka chawl.

In September 2006, the purchaser asked for possession of Marwari chowka chawl (CS No.4/464) also since it was included in the tender document. The ASC accepted the fact (October 2006) that this parcel of land of 1,300 square metre was wrongly included in the tender document but decided to rehabilitate the occupants of the chawl to another plot of land. The possession and ownership of 1,300 square metre of 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. This had resulted in loss of Rs.18.79 crore to the Company.

The Management stated (September 2008) that though there was mistake in the tender that information regarding Marwari chowka chawl was not incorporated, however, the land was sold on "as is what is" basis. Further, the responsibility of rehabilitation of 24 occupants of Marwari chowka chawl was on the purchaser and hence any expenditure on that account was to be borne by the purchaser.

The Management had accepted the mistake in the tender document. However, as the liability of rehabilitation was not disclosed in the tender document, the purchaser could not be forced to own the liability. Further, the ASC had decided (October 2006) that the Company may rehabilitate the occupants of the Marwari chowka chawl.

**(B) Apollo Textile Mill, Mumbai**

Surplus land on rear side of Apollo Textile Mill admeasuring 30073.30 square metre with existing structures and permissible FSI of 39314.58 square metre was sold in July 2005 to the highest bidder at Rs.180 crore. This portion did not have direct access to the main road (N.M. Joshi Marg). Tender document did not disclose about any prospective access to the main road. Instead, it was specified in the tender document that access to Jivraj Boricha Marg (small road on rear side) could be made available. The Jivraj Boricha Marg was heavily encroached and was not motorable. It was observed in Audit that ASC had allowed (October 2006) access of 40 foot approach road to the main road (N.M. Joshi Marg). This had enhanced the value of land (October 2007) to Rs.1,05,448 *per* square metre (based on the valuation done by government approved valuer after the access to the main road was allowed) from Rs.45,784.54 *per* square metre. Normal enhancement due

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to timing difference (the Company charged SBI PLR plus four *per cent per annum* for timing difference) worked out to Rs.16,535.09 *per square metre*, the abnormal enhancement due to access to the main road (not disclosed in the tender document) worked out to Rs.43,128.37 *per square metre*. Thus, by not disclosing the feasibility of access to the main road (which was allowed later on) in the tender document, the Company had received lesser amount in tendered bids. This had resulted in loss of Rs.165.80 crore after deducting consideration received for right to access to main road.

The Management stated (September 2008) that due to improper access through Jeevraj Boricha Marg, ASC accepted the proposal of purchaser to grant them right of way on 22 foot (and not the 40 foot) through the retained land of Apollo Mill on payment of appropriate consideration. Subsequently, the DP Road network of 40 foot and 60 foot in and around Apollo and Sitaram mills were incorporated by Municipal Corporation Greater Mumbai (MCGM).

The reply of the Management was not convincing. By giving access from the main road, the value of the land had increased substantially (more than 94 *per cent*). While preparing the tender document, the possibility of access from the main road should have been considered, which was given subsequently.

**(C) Chalisgaon Textile Mill, Chalisgaon**

Six plots of land of Chalisgaon Textile Mill were sold (December 2002) to the highest bidder at the negotiated price of Rs.3.34 crore. The purchaser did not pay second and final instalment of Rs.2.50 crore which was due in January 2003 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. The purchaser asked (February 2003) for extension for payment till industrial zone was converted into residential Zone. The Company decided (July 2003) that purchaser may be permitted to make payment without interest after change of zone. The payment was received in August 2004. Further, it was decided to retain one plot due to resistance from local people and after adjusting the amount receivable for that plot, the net receivable was worked out to Rs.1.90 crore. Thus, incorrect information in tender document resulted in delay in receipt of sale proceeds amounting to Rs.1.90 crore for 18 months for which no interest was recovered. The Company lost interest of Rs.51 lakh calculated on the basis of 18 *per cent per annum* for the period from 13 February 2003 to 21 August 2004.

The Management stated (September 2008) that the State Government/MCGM were not granting approval for conversion. The sale of land was critical for survival of the Company and implementation of revival scheme. Hence, sale was confirmed before change of zone.

The reply of the Management confirmed the Audit contention.

**Recommendation No. 9.4**

<p><b><i>The Company may establish a proper system for verification of all the facts included in tender documents to avoid defects in tender documents.</i></b></p>
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**9.7.4 Weaknesses in internal controls of accounting system**

It was observed in Audit that the Company did not have any Control Register to monitor the receipt and deposit of Demand Drafts (DDs)/Pay Orders (POs) received as Earnest Money Deposit (EMD). The DDs/ POs received with the tenders were kept in Technical Division and DDs/POs of unsuccessful bidders were returned in original without knowledge of Finance Division.

**Recommendation No. 9.5**

**The internal control in accounting system be strengthened.**

The Management had accepted (September 2008) the recommendation.

**Compliance Issues**

**9.7.5 Sale below registration rates**

The GOI directed (November 2004) that the reserve price fixed (or re-fixed) for any property should not be less than the circle rates/registration rates fixed by the District Collector. It was observed in audit (April 2008) that in contravention of the GOI directions; sale was made below the prevailing registration rates in the following cases.

**Table No 9.4**

					<i>(Rs. in crore)</i>
Sl. No.	Name of the mill	Valuation as per registration	Reserve price fixed by the	Actual Sale	Loss
1.	Edward Mill	10.55	4.00	5.85	4.70
2.	Shree Bijay Cotton Mill	3.79	1.92	1.95	1.84
3.	Jahangir Textile Mill	26.83	25.00	25.00	1.83
4.	Coimbatore Murugan Mill	3.04	1.73	1.89	1.15
5.	Kishnaveni Textile Mill	5.50	4.80	5.20	0.30
6.	Sri Rangavilas Mill	8.61	3.33	8.00	0.61
Total					10.43

The Company lost an opportunity to earn Rs.10.43 crore due to fixing reserve price and sale below the prevailing registration rates.

**9.7.6 Sale below reserve price**

The GOI directed (November 2004) that no sale should be confirmed where the highest bid falls below the reserve price. In all such cases, the tenders should be called again. It was observed in Audit that in contravention of the GOI directions, sale was made below the reserve price. This could be seen from the sale of building of Om Parasakthi Mills, Kishnaveni Textile Mills and Somasundaram Mill.

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The reserve price for demolition of the buildings of Om Parasakthi Mills, Kishnaveni Textile Mills and Somasundaram Mill and carting away of debris was fixed (April 2003) for Rs.54 lakh, Rs.46 lakh and Rs.90 lakh respectively based on the highest of the salvage value (as per valuation done by government approved valuer), six *per cent* of the cost of replacement as assessed by the said valuer and Rs.40 *per square foot*. The highest offers received (June 2003) was Rs.28.25 lakh for Om Parasakthi Mills, Rs.25.20 lakh for Kishnaveni Textile Mills and Rs.52.20 lakh for Somasundaram Mill. Though the bids were lower than the reserve price the ASC approved (June 2003) the sale resulting in loss of potential revenue of Rs.84.35 lakh. The ASC had justified its decision stating that value arrived based on six *per cent* of the cost of replacement would be appropriate for comparison and bids received were more than that criteria. The contention of ASC was not in conformity with the GOI directions.

**9.7.7 Sale without following tender process**

As per BIFR guidelines, sale of assets was to be affected by way of sale through public tender.

It was observed in Audit that in case of Apollo Textile Mills, Mumbai, five parcels of land were sold without following the tender process. In addition to the surplus land (39,314.58 square metre of FSI) sold to M/s Macrotech Constructions in July 2005 by following the tender process, 10,105.68 square metre<sup>9</sup> of FSI was also sold to the same party during April 2006 to March 2008 without following the tendering process.

**Recommendation No. 9.6**

***All the properties identified should be sold through public tender to fetch the maximum value.***

**9.7.8 Inconsistencies in the guidelines**

In the revival scheme, guidelines to be followed by ASC for the sale of surplus assets were issued by the BIFR and the GOI. Accordingly, the Company laid down (July 2002) the procedure for sale of surplus assets to be adopted by ASC. This was amended in November 2002 and March 2003. It was observed in Audit that there were inconsistencies among the guidelines issued by the BIFR/GOI and the procedures laid down by the Company. Some of the inconsistencies were as follows:

(a) The BIFR guidelines provided that bidders should deposit the EMD equal to 10 *per cent* of the offer so that the reserve price fixed by the Company was not indicated to the intended bidders. However, the Company fixed (July 2002) the amount of EMD equivalent to five *per cent* of the reserve price which was increased to 10 *per cent* in March 2003. Due to this, reserve price became indicative. Besides, wherever offer was more than the reserve price, less EMD was received by the Company and consequent guarantee cover for performance of the sale contract was reduced.

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<sup>9</sup> 242.91 sq. mt + 3850.28 sq. mt. +1932.21 sq. mt. +441.40 sq. mt. +3638.88 sq. mt.

It was observed in Audit that in case of sale of land of Aurangabad Textile Mills, EMD was fixed at Rs. one crore (being 10 *per cent* of the reserve price) by the Company. The highest bid was offered for Rs.18.90 crore. As *per* BIFR guidelines EMD should have been Rs.1.89 crore. The party failed to pay the instalments even within the extended period as such the deal was cancelled and EMD of Rs. one crore only was forfeited. Thus, the Company lost the opportunity to earn Rs.89 lakh due to non-observance of BIFR guidelines.

The Management stated (September 2008) that the Company could not recover more EMD than fixed by ASC.

The reply was not acceptable. The EMD should have been fixed at 10 *per cent* of the offer as *per* BIFR guidelines instead of 10 *per cent* of reserve price.

**(b)** The BIFR prescribed that the Company should receive Bank Draft for the EMD. However, the Company provided (July 2002) that in case EMD was above Rs. one crore unconditional and irrevocable Bank Guarantee (BG) could be accepted in lieu of the Bank Draft.

It was observed in Audit that in 19 cases of sale, 49 bids (30 unsuccessful and 19 successful) were received with BG as EMD. Amount of Rs.429.85 crore received in BG could not be deposited in the bank. In case the amount was received in bank draft as *per* BIFR guidelines and deposited in the bank, the Company could have earned the interest of Rs.57.70 lakh at the rate of 3.50 *per cent per annum* for 14 days (the time available for refund of EMD after tender opening).

The Management stated (September 2008) that EMD received from the bidders, either by way of bank draft or bank guarantee, was returned to them immediately after opening tender, keeping the EMD of highest bidder in custody. The bank guarantee was immediately converted into bank draft through the highest bidder and the Company received EMD amount by bank draft and deposited the same in Escrow Account.

The Management, however, did not clarify the reasons for deviating from BIFR guidelines

**(c)** BIFR guidelines provided that the Company should charge interest at the rate of 18 *per cent per annum* on the delayed payments. However, the Company instructed (March 2003) the sub-offices to charge interest at the rate of prevailing SBI PLR plus four *per cent per annum* on delayed payments. It was stipulated in the tender document that if the successful bidder did not pay the balance amount of consideration within the payment schedule, the ASC could forfeit the EMD and any other deposits made and can proceed to resell the property. However, the ASC could extend the payment schedule upto 60 days.

It was observed in Audit that there were deviations from these provisions in 10 cases as discussed below:-

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(i) In four cases<sup>10</sup> extension beyond 60 days for instalments receivable of Rs.630.21 crore was granted by ASC. The extension ranged from 96 days to 1371 days, thus, giving undue benefit of the price escalation to the private parties. Besides, interest of Rs.46.79 crore (upto 31 March 2008) leviable on delayed payments as per BIFR guidelines was not charged on different grounds. Further, in one case (bungalow of Apollo Textile Mill at Napean Sea Road, Mumbai), the title was passed (March 2007) without receiving the full consideration of Rs.281.71 crore (including interest), against the BIFR guidelines.

The Management stated (June 2008) that ASC was fully empowered to extend the period beyond 60 days.

The reply of the Management was contrary to the decision of ASC (February 2008) taken in the case of Ahmedabad Jupiter Textile Mill, where it was clearly mentioned that they could not extend the period of payment beyond 60 days.

(ii) In six cases<sup>11</sup> extension upto 60 days was granted by ASC. In two cases (Kohinoor Mill No.3 and Old labour chawl of Model Mill), the interest of Rs.1.20 crore chargeable as per BIFR guidelines was not levied on the delayed payments. In other four cases, the total interest of Rs.1.94 crore was charged against the leviable interest of Rs.2.08 crore. This resulted in non recovery/under recovery of interest on delayed payment by Rs.1.34 crore.

The Management stated (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 reply was not tenable. ASC was not empowered to take any decision in contravention of BIFR/GOI guidelines. Interest should have been charged on the delayed payments.

(d) As per BIFR guidelines the purchaser was required to pay the purchase consideration after adjusting the EMD received in two instalments of 50 *per cent* before the end of 60 days and 40 *per cent* of the sale value before the end of 90 days from the date of intimation of acceptance of the bid. However, the Company provided (July 2002) that in case sale value was less than Rs.100 crore, the payment should be made in two instalments of 25 *per cent* (after adjusting EMD) within 15 days and 75 *per cent* of the sale value within 60 days from the date of issue of acceptance letter by the Company. For sale value of more than Rs.100 crore, the Company provided that the payment should be made in three instalments of 25 *per cent* (after adjusting EMD) within 15 days, 40 *per cent* within 45 days and 35 *per cent* of the sale value within 90 days respectively from the date of issue of acceptance letter by the Company.

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<sup>10</sup> *Elphinstone Spinning & Weaving Mill, Panipat Woollen Mill, bungalow of Apollo Textile Mill at Napean Sea Road and Tata Textile Mill.*

<sup>11</sup> *Kohinoor Mill No.3, Old labour chawl of Model Mill, Rampuria Cotton Mill, Bengal Fine Spinning & Weaving Mill No.1, Gaya Cotton & Jute Mills, Bangasri Cotton Mill.*

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**Recommendation No. 9.7**

- (i) **The Company should adhere to the guidelines prescribed by the BIFR.**
- (ii) **The GOI may consider specifying modalities where the delay in payment exceeds 60 days.**

The Management stated (September 2008) that in the light of recommendations made by the Audit, this matter will be placed in the Central ASC meeting for consideration.

**9.7.9 Fund management**

According to the BIFR guidelines, all the funds generated from sale of assets were to be credited to a separate account and all expenses related to Modified Voluntary Retirement Scheme and modernization were to be debited to that account. As on 31 March 2008, Rs.3819.44 crore was generated by the Company from the sale of surplus assets (including machinery). Surplus fund of Rs.1,452.60 crore was invested in term deposits with Banks and an interest of Rs.430.43 crore was earned as on 31 March 2008.

It was observed in Audit that:

- No separate account was maintained for deposition of sale proceeds of surplus assets and subsequent utilisation of money received which was against BIFR guidelines.
- There was delay of 2 to 25 days in remitting the sale proceeds from one of the sub-offices (West Bengal Assam Bihar and Orissa) to the Corporate office resulted in locking of fund.
- The GOI had provided Rs.1,321.34 crore only for wage support against which the Company had expended Rs.1,362.53 crore for shortfall in wages and Rs.13.00 crore for back wages upto 31 March 2008. This had resulted in irregular expenditure of Rs.54.19 crore from the funds generated from the revival scheme.

**Recommendation No. 9.8**

**The schedule of sale of surplus assets should be synchronized with the fund requirements for modernisation. The Management may ensure that fund realized from the sale is accounted for as per BIFR guidelines.**

**9.8 Conclusion**

After analysing the whole process of sale and disposal of land and buildings, it was observed that:

- The GOI/BIFR guidelines for determination of reserve price were followed in 27 cases only out of 79 cases of sale of land examined.
- Reports of consultants were not evaluated and the tender documents had certain irregularities.

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- Properties were sold below registration/circle rates; below reserve price and without following the tender process.
- No prescribed procedure for valuation of building structures was in existence.
- There were inconsistencies among the guidelines issued by BIFR/GOI and the procedure laid down by the Company.

The matter was reported to the Ministry in December 2008; reply was awaited.

**MINUTES OF THE 7<sup>th</sup> SITTING OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS (2009-10) HELD ON 12<sup>TH</sup> NOVEMBER 2009**

The Committee sat from 1030 hrs to 1230 hrs.

**PRESENT**

**Chairman**

**Shri V. Kishore Chandra S. Deo**

**Members, Lok Sabha**

- |   |   |
|---|---|
| 2 | Shri K.C. Singh 'Baba'                    |
| 3 | Shri Ramesh Bais                          |
| 4 | Shri Sukhdev Singh Libra                  |
| 5 | Dr. Charan Das Mahant                     |
| 6 | Shri Nama Nageswara Rao                   |
| 7 | Shri N. Dharam Singh                      |
| 8 | Shri Rajiv Ranjan Singh alias Lalan Singh |

**Members, Rajya Sabha**

- |    |                              |
|----|------------------------------|
| 9  | Shri Birendra Prasad Baishya |
| 10 | Shri Bharatkumar Raut        |
| 11 | Ms. Mabel Rebello            |
| 12 | Dr. T. Subbarami Reddy       |
| 13 | Shri Tapan Kumar Sen         |

**Secretariat**

- |    |                         |                     |
|----|-------------------------|---------------------|
| 1. | Shri J.P. Sharma        | Joint Secretary     |
| 2. | Shri Rajeev Sharma      | Director            |
| 3. | Shri Ravindra Garimella | Additional Director |
| 4. | Shri Ajay Kumar         | Additional Director |
| 5. | Shri Paolienlal Haokip  | Under Secretary     |

**Office of the Comptroller & Auditor General of India**

- |    |                       |  |
|----|-----------------------|--|
| 1. | Shri Sunil Verma      | Dy. C&AG (Comm.) & Chairman, Audit Board |
| 2. | Shri K.P. Sashidharan | Director General (Commercial)            |
| 3. | Shri R.M. Johri       | Principal Director Commercial Audit      |

**Officials of National Textile Corporation Limited**

- |   |                             |                      |
|---|-----------------------------|----------------------|
| 1 | Shri K. Ramachandran Pillai | CMD                  |
| 2 | Shri R.K. Sharma            | Director (Technical) |
| 3 | Shri B.K. Mishra            | Director (Finance)   |



2. At the outset, the Chairman welcomed the representatives from the Office of C&AG and requested them to brief the Committee on Chapter IX regarding 'Sale of Surplus Land and Building by NTC' of Audit Report No. PA 27 of 2009-10 (Performance Audit). Accordingly, the Chairman, Audit Board (Deputy C&AG) briefed the Committee on the subject matter.

3. Thereafter, the Chairman welcomed the representatives of National Textile Corporation Limited (NTC) and drew their attention to direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committees. The representatives of NTC made a brief power point presentation on the subject. The Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were given by the representatives of NTC. Information on some of the points raised by the Committee was not readily available with the representatives of NTC. They were therefore asked to furnish the same to the Committee Secretariat at the earliest possible.

4. At the end, the Chairman thanked the representatives of NTC for providing all the information on the subject matter as desired by the Committee.

5. *Verbatim record of evidence was kept.*

6. *The witnesses then withdrew.*

**MINUTES OF THE 11<sup>th</sup> SITTING OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS (2009-10) HELD ON 17<sup>TH</sup> DECEMBER 2009**

The Committee sat from 1700 hrs to 1745 hrs.

**PRESENT**

**Chairman**

**Shri V. Kishore Chandra S. Deo**

**Members, Lok Sabha**

- |   |   |
|---|---|
| 2 | Shri Ramesh Bais                          |
| 3 | Shri Sukhdev Singh Libra                  |
| 4 | Shri Nama Nageswara Rao                   |
| 5 | Shri Ganesh Singh                         |
| 6 | Shri Rajiv Ranjan Singh alias Lalan Singh |

**Members, Rajya Sabha**

- |    |                              |
|----|------------------------------|
| 7  | Shri Birendra Prasad Baishya |
| 8  | Shri Bharatkumar Raut        |
| 9  | Ms. Mabel Rebello            |
| 10 | Shri Tapan Kumar Sen         |
| 11 | Shri Amar Singh              |

**Secretariat**

- |    |                        |                     |
|----|------------------------|---------------------|
| 1. | Shri J.P. Sharma       | Joint Secretary     |
| 2. | Shri Rajeev Sharma     | Director            |
| 3. | Shri Ajay Kumar        | Additional Director |
| 4. | Shri Paoliental Haokip | Under Secretary     |

**Office of the Comptroller & Auditor General of India**

- |    |                       |  |
|----|-----------------------|--|
| 1. | Shri K.P. Sashidharan | Director General (Commercial)                                      |
| 2. | Y.N. Thakare          | Principal Director (Commercial) & Member<br>Secretary, Audit Board |
| 3. | Shri R.M. Johri       | Principal Director Commercial Audit                                |

**Officials of Ministry of Textiles**

- |    |                     |                 |
|----|---------------------|-----------------|
| 1. | Smt. Rita Menon     | Secretary       |
| 2. | Dr. Sutanu Behuria  | AS&FA           |
| 3. | Smt. Monika S. Garg | Joint Secretary |
| 4. | Shri J.K. Prasad    | Director        |

2. At the outset, the Chairman welcomed the representatives of Ministry of Textiles and drew their attention to direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committees. Then, the Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were given by the representatives of Ministry. Information on some of the points raised by the Committee was not readily available with the representatives of Ministry. They were therefore asked to furnish the same to the Committee Secretariat at the earliest possible.

3. At the end, the Chairman thanked the representatives of Ministry for providing all the information on the subject matter as desired by the Committee.

4. *Verbatim record of evidence was kept.*

5. *The witnesses then withdrew.*

6. *The Committee then adjourned.*

**MINUTES OF THE 15<sup>th</sup> SITTING OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS (2009-10) HELD ON 12<sup>th</sup> FEBRUARY 2010**

The Committee sat from 1300 hrs to 1315 hrs.

**PRESENT**

**Chairman**

**Shri V. Kishore Chandra S. Deo**

**Members, Lok Sabha**

- 2 Shri Sukhdev Singh Libra
- 3 Shri Nama Nageswara Rao
- 4 Shri Bhisma Shankar alias Kushal Tiwari

**Members, Rajya Sabha**

- 5 Shri Bharatkumar Raut
- 6 Ms. Mabel Rebello
- 7 Shri Tapan Kumar Sen

**Secretariat**

- |    |                         |                     |
|----|-------------------------|---------------------|
| 1. | Shri J.P. Sharma        | Joint Secretary     |
| 2. | Shri Rajeev Sharma      | Director            |
| 3. | Shri Ravinder Garimella | Additional Director |
| 4. | Shri Ajay Kumar Garg    | Additional Director |
| 5. | Shri Paolienlal Haokip  | Under Secretary     |

**Office of the Comptroller & Auditor General of India**

- |    |                      |                               |
|----|----------------------|-------------------------------|
| 1. | Shri Sunil Verma     | Chairman, Audit Board         |
| 2. | Shri K.P. Sasidharan | Director General (Commercial) |

2. The Committee first took up for consideration Draft report on 'Sales of surplus Land and Buildings by National Textile Corporation Ltd.' based on Chapter IX of C&AG Report No. PA 27 of 2009-10 (Performance Audit of activities of selected PSUs) and adopted the same with some minor modifications.

3. XXXX XXXX XXXX

4. The Committee authorised the Chairman to finalize the Reports for presentation.

5. *The Committee then adjourned.*