

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1981-82)**

(SEVENTH LOK SABHA)

FORTY-FIRST REPORT

ON

HINDUSTAN PHOTO FILMS MFG. CO. LTD.

(Ministry of Industry)

(Department of Industrial Development)

Presented to Lok Sabha on

Laid in Rajya Sabha on



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1982/Chaitra, 1904 (Saka)

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CORRIGENDA

TO

41st REPORT OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS ON HINDUSTAN
PHOTO FILMS LTD. CO. LTD.

<u>Page</u> <u>No.</u>	<u>Para</u> <u>No.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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72	18	9	Rs. 81.65 lakhs	Rs. 81.56 lakhs

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
COMPOSITION OF THE STUDY GROUP I	(v)
INTRODUCTION	(vii)
PART I—BACKGROUND ANALYSIS	
I. GENERAL	1
A. Ooty Project	1
B. Loss of Silver	2
C. Allegations against Management	4
II. SELF SUFFICIENCY	7
A. Present Position	7
B. New Schemes	9
C. Corporate Plan	12
III. PRODUCTION PERFORMANCE	14
A. Capacity utilization	14
B. Machine utilization	18
C. Raw materials consumption	20
D. Rejections	21
E. Quality Complaints	27
IV. MARKETING AND SALES	28
A. Direct Distribution	28
B. Credit Policy	33
C. Take over of unsold stocks	37
D. Hiring of Accommodation	39
E. Clandestine Sale	41
F. Export of Silver Nitrate	44
V. COSTS AND PRICES	47
A. Pricing Policy	47
B. Price Revision	50
C. Cost of Imports of Jumbo Rolls	58

	Page
VI. WORKING RESULTS	59
A. Accumulated Losses	59
B. Capital Structure	61
C. Trade Credits and Inventory	61
D. Performance Review meetings	63
PART II—CONCLUSIONS/RECOMMENDATIONS	65
OF THE COMMITTEE	

COMMITTEE ON PUBLIC UNDERTAKINGS (1981-82)

CHAIRMAN

Shri Bansi Lal

MEMBERS

2. Shri Gulam Nabi Azad
3. Shri Niren Ghosh
4. Shri Harikesh Bahadur
- *5. Shri Arif Mohammad Khan
6. Shri S. M. Krishna
7. Shri B. K. Nair
8. Shri Rameshwar Neekhra
9. Shri Hiralal R. Parmar
10. Shri Darur Pullaiah
11. Shri Nagina Rai
12. Shri K. Ramamurthy
13. Shri Ravindra Varma
14. Shri Chandradeo Prasad Verma
15. Shri Phool Chand Verma
- **16. Shri Lal K. Advani
- **17. Shri Swami Dinesh Chandra
18. Shri Piare Lal Kureel urf Piare Lal Talib Unnavi
19. Shri R. R. Morarka
20. Shri R. Ramakrishnan
- **21. Shri Shrikant Verma
- **22. Shri Ramanand Yadav

SECRETARIAT

1. Shri H. G. Paranjpe—*Joint Secretary*
2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri S. P. Chanana—*Senior Financial Committee Officer.*

*Ceased to be a Member consequent on his appointment as a Deputy Minister on January, 1982.

**Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha on 2-4-1982.

**Study Group I on India Tourism Development Corporation Ltd.,
Indian Airlines Corporation, Hindustan Photofilms Mfg. Co. Ltd. and
certain aspects of Indian Rare Earths Ltd. and Oil Companies.**

1. Shri K. Ramamurthy—*Convener*
2. Shri Harikesh Bahadur—*Alternate Convener*
3. Shri Hiralal R. Parmar
4. Shri R. Ramakrishnan
- *5. Shri Ramanand Yadav

*Ceased to be a Member of the Committee consequent on his
retirement from Rajya Sabha on 2-4-1982.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Forty-first Report on Hindustan Photo Films Mfg. Co. Ltd.

2. The Committee also examined paragraph XVI of the Report of the Comptroller & Auditor General of India, Union Government (Commercial) 1979, Part V on Hindustan Photo Films Mfg. Co. Ltd.

3. The Committee took evidence of the representatives of Hindustan Photo Films Mfg. Co., Ltd. on 10 and 12 November, 1981, Ministry of Industry (Department of Industrial Development) on 16 November, 28, November, 1981 and 5 January, 1982. The Committee also took evidence of Shri Appa Rao, (former Chairman of Hindustan Photo Films Mfg. Co. Ltd.), on 4 January, 1982.

4. The Committee considered and adopted the Report at their sitting held on 12 April, 1982.

5. The Committee wish to express their thanks to the Ministry of Industry (Department of Industrial Development) and the Hindustan Photo Films Mfg. Co. Ltd. for placing before them the material and information which they desired in connection with the examination of the subject. They wish to thank in particular the representatives of the Ministry of Industry (Department of Industrial Development) and Hindustan Photo Films Mfg. Co. Ltd. who gave evidence and placed their considered views before the Committee.

6. The Committee also wish to thank Shri Appa Rao, former Chairman, Hindustan Photo Films Mfg. Co. Ltd. for giving evidence and making valuable suggestions.

7. The Committee also place on record their appreciation of the assistance rendered to them by the Comptroller & Auditor General of India.

NEW DELHI;
April 17, 1982

Chaitra 27, 1982 (Saka)

BANSI LAL
Chairman
Committee on Public Undertakings.

PART I
BACKGROUND ANALYSIS

I. GENERAL

Hindustan Photo Films Mfg. Co. Ltd., Ootacamund was set up on 30 November, 1960. The Company has at present two manufacturing plants. The main factory at Ootacamund where the manufacture of films/paper is taken up in all its stages for integrated production, set up under the Technical Collaboration Agreement with M/s. Bauchet of France went into production in 1967. The Company's Finishing Plant at Ambattur near Madras, where finishing of industrial X-ray films and Graphic Arts film is carried out from imported wide stock, was set up in 1977.

A. Ooty Project

2. The working of the Hindustan Photo Films Mfg. was examined by the Committee on Public Undertakings earlier and reported upon in their 55th Report (1973-74). Their 70th Report (1975-76) dealt with the action taken by Government on their recommendations. A Committee under the Chairmanship of Shri Bazle Karim, Adviser, Bureau of Public Enterprises was constituted on 29 December, 1975 to investigate and fix responsibility for the various lapses of the management in regard to implementation of the Ooty Plant Projects as recommended by the Committee on Public Undertakings in their 70th Report (1975-76). Bazle Karim Committee submitted its Report to Government on 25 July, 1977. The findings and recommendations of Bazle Karim Committee were accepted by the Government and the summary of conclusions were placed before the Lok Sabha on 11 April, 1979 in response to an Unstarred Question.

3. Asked about the action taken on the recommendation of that Committee, the Ministry of Industry explained in a note, that:—

“the delay in commissioning the project was due to multiplicity of factors. The management of H.P.F. were operating under highly trying situations due to construction delay, claim for compensation from foreign collaborators for delay in construction, change in management of collaborating firm and inadequacies in the collaboration agreement leading to protracted negotiations. H.P.F. could not invoke penalty clauses for non-fulfilment of certain obligations by the foreign party due to various reasons. Invoking penalty clause would have led to litigation to be carried through French Courts adding further delay and uncertainty. The collaboration agreement was not of turnkey nature whereby

responsibility could be pin-pointed on the collaborators. The Company management were constantly seized of the problem of delay and sought directions from the Board of Directors from time to time. The collaborators had no managerial control and holding them responsible for achieving or non-achieving a certain production level would not have been of much help in such a highly sophisticated industry as manufacture of photo films. With the rapid change in demand for types of photo films, incorporation of capacity build up would hardly have served as a useful guidance to H.P.F. management for watching progress because of the rapid change in demand for types of photo films."

4. As regards inadequacies, in collaboration Agreements, Bazle Karim Committee had, *inter-alia*, recommended that (i) role of the foreign collaboration should be clearly spelt out to avoid any ambiguities in the interpretation of agreement with foreign parties; (ii) future agreements should be split up into separate schemes for separate products; (iii) future agreements should provide for preshipment inspection of equipment and materials imported for use by H.P.F. (iv) Agreements should ensure performance tests of capacity, quality and suitability of process; (v) Agreements should include provision for arbitration in case of dispute between the Indian party and foreign collaborator to be settled in India, as far as possible.

5. The Committee enquired why the collaborator (M/s. Bauchet) could not be held responsible for having supplied defective equipment for Ooty Plant. The representative of the Ministry pointed out that in this case the collaboration agreement was not of a turnkey nature and hence the responsibility could not be pin-pointed on the collaborators. Asked whether action could not be taken even under the implied provisions of the Contract Act, the Secretary, Department of Industrial Development stated that this could be done provided the provisions of the contract Act had been adopted in the agreement.

6. Asked what steps had been taken by Government to guard against the possibility of public undertakings entering into faulty Agreements with foreign collaborators, the Secretary, Ministry of Industry (Department of Industrial Development) stated in evidence "Guidelines have been issued from time to time."

Loss of Silver

7. In pursuance of the recommendation of the Committee on Public Undertakings in their 55th Report (1973-74), a high powered Committee under the Chairmanship of Prof. K. V. Subramaniam was appointed in October 1974 to investigate the process loss of silver of the value of Rs. 1

crore during 1966—73. The high powered, Committee submitted its report in May, 1976. The report, along with the comments of the H.P.F., was forwarded to Government in January, 1977.

8. The Committee wanted to know why Government had taken as many as 5 years to consider the Report of the High Powered Committee on Silver Losses and lay it on the Table of Parliament. In reply, the Secretary, Ministry of Industry (Deptt. of Industrial Development) explained:—

“When the Government lays any Report on the Table, the Government also has to submit to Parliament the action taken. Action has been taken in this case as a result of that action whether substantial prevention of loss of silver has occurred needs to be explained. I am glad to inform the Committee that as against 34.96 per cent loss in 1972-73, it has been brought down to 8 per cent. We are now completely satisfied. Not only that, even this 8 per cent is going to be further reduced. We have reached stage where we can say with a certain degree of confidence that the steps which were suggested have not only been implemented but there is a substantial reduction in loss of silver.....In terms of real compliance, we should have placed the report much earlier. But we shall place it very soon.”

9. In reply to the questions as to whether the high powered Committee had able to fix responsibility on any individual for the loss of silver worth a crore of rupees, the witness said:—

“As far as this aspect is concerned, the Committee has said that most of the senior personnel had since left the Company and so, it was not possible for the Committee to enquire into the question of fixing the responsibility for various lapses without collecting evidence of those who were concerned with the decision making during the crucial period. Therefore, the Committee has suggested that it is not possible to follow up.”

10. Asked that when the Committee on Public Undertakings had been able to detect loss of silver worth a crore of rupees, how is it that the administrative Ministry was supposed to monitor the functioning of H.P.F. could not notice it earlier, the witness said:—

“This was a situation where this august body or the predecessor Committee very rightly did a very great help to the company by pointing out this loss. A Technical Oriented Committee was formed and it went into the process and suggested some action. As to why the Ministry, as constituted then, did not

earlier wake up to the situation and waited for the recommendation of the COPU. I am not in a position to answer today. The only thing I can say is during those years their main concern was to establish and stabilise. Perhaps in that pre-occupation this has been done."

Allegations against the Management

11. A Committee of officers was appointed by the Ministry of Industry (Department of Industrial Development) to conduct enquiry into certain charges levelled by Shri K. Ramani, MLA (Tamil Nadu) and Shri K. Ramamurthy, M.P. against the management of Hindustan Photo Films Mfg. Co. In all there were 13 charges. The Enquiry Committee submitted its Report to Government on 23 August, 1980. The Committee consisted of the following officers of the Ministry:—

- (1) Shri N. Rajan, Addl. Secretary and Financial Adviser.
- (2) Shri Manish Bahl, Joint Secretary
- (3) Shri C. Mallikarjunan, Chief Vigilance Officer.

12. The Committee asked if the Rajan Committee had followed the procedure of enquiring from all concerned, giving opportunities to hear both points of view, perusing the relevant documents, looking for circumstantial evidence and form conclusions. The Secretary, Department of Industrial Development replied in the negative. He, however, added:—

"The Committee of officers visited the premises of the Company at Bangalore, Ooty and Madras. The dates (of visit) have not been given in the report. They have examined such original documents as were found necessary for discharge of the enquiry. About meeting people nothing has been recorded."

13. Asked if it was a fact that 2 out of 3 members of the Rajan Committee were Government Directions on the Board of the Company during the period to which these charges relate and if so how could an enquiry by such a Committee be regarded as an independent one, the witness said:—

"It was not intended to be an independent full dress enquiry. What was intended was that a group of officers including the Chief Vigilance Officers should go into the charges and find out whether there was any *prima-facie* evidence and whether there was some element of truth in the charges. Shri Rajan was on the Board since 1976-77. Shri Bahl was a Member of the Board upto the time he went back to Madhya Pradesh in 1981. He was Joint Secretary incharge. The Minister was fully aware that Mr. Rajan and Mr. Bahl were on the Board of HPF and in

taking this decision the Minister obviously did not think that either the independence or the objectivity of the enquiry will be impugned by the fact that they were on the Board during the period. The enquiries did not relate to charges which were consequent on or contingent upon Board of Directors."

14. The Committee wanted to know what action had been taken on the findings of Rajan Committee, the Ministry of Industry (Department of Industrial Development) intimated in a note furnished after evidence as under:—

"Central Vigilance Commission advised closure of the case in respect of all the allegations except the following three:—

- (i) Special favours shown to M/s. Gopal Films, Bangalore;
- (ii) Award of contract and enhancement of rent for hoardings at New Delhi; and
- (iii) Large sales to fictitious parties for purposes of sales in the black market, in particular sales made on 30-6-1980 from Madras Sales Office.

In regard to (i) above the Commission advised that Government may have a proper investigation made into the whole matter with a view to determining the roles and responsibilities of officers who dealt with this firm, whether adequate steps were taken to realise the dues or any special favours were shown to the firm. The C.V.C. desired that the case may be referred to the Commission thereafter for advice. As regards (ii) the Commission advised that the matter may be referred to them for its advice, after making further investigations as recommended by the Committee. In regard to (iii) the Commission desired that the facts of the case may be reported to it as soon as CBI report is available.

In regard to the award of contract for the hoardings, the matter was considered by the HPPF. Board at its meeting held on 29-6-1981 and came to the conclusion that it was not possible to furnish full clarifications on the subject since the senior officers involved and associated with the case were not in the service of the company. It may be mentioned in this connection that Shri S. Nagarajan, Financial Controller expired on 28-5-1981 following a heart attack. In regard to the allegation of large sales to fictitious parties on 30th June, 1980, the CBI came to the conclusion that there was sufficient material for launching prosecutions against three officers of HPPF.

and Shri P. Ramaswamy, Director, M/s. Gemini Pictures Circuit (P) Ltd., Madras and sought the company's permission specifically for prosecuting their officers. Therefore, the Company referred the case to C.V.C. for advice along with their views.

The C.V.C., however, advised on 16-1-1982 that the case may be referred to the Commission through the Department of Industrial Development. Accordingly, the matter is under consideration of the Department of Industrial Development.

The entire matter relating to the Rajan Committee Report has again been referred to the C.V.C. by the Department of Industrial Development for advice on 11.1.1982, explaining the position as obtaining on that date."

15. In a memorandum submitted to the Committee, a non-official (former Chairman of HPF) *inter alia* made the following points regarding the functioning of the Company:—

- (1) Complaints regarding insufficiency of supplies, low quality of products, corrupt practices, artificially created shortages, high prices unrelated to cost and mismanagement.
- (2) There have been instances of complaints of sales of X-ray films to non-existing hospitals during period of shortages.
- (3) Denial of information and true facts by the management.
- (4) Misleading information was given in regard to the prices although these were considerably higher than in accordance with the BICP report's fair price formula.
- (5) Appointment of a Marketing Director was deliberately avoided.
- (6) The agreements in relation to Forte Colour conversion Forte, jumbo roll conversion, Ilford jumbo roll conversion and silver nitrate sales in GDR were never placed before the Board of Directors. Agents were engaged without need in regard to some of these agreements without sanction from the Board.
- (7) As against the speed of a coater of around 150 metres per minute in any modern plant the speed of the coater proposed to be acquired by the HPF for creating additional coating capacity is around 20 metres per minute.

- (8) There was no Vigilance Department as such in the HPF and the Director, Vigilance was the Managing Director and the Vigilance Officer was the Finance Controller 'both being charged and complained against.'

II. SELF SUFFICIENCY

A. Present Position

Hindustan Photo Films Mfg. Co. was set up with the objective of attaining self-sufficiency in the manufacture of photographic products such as cine films, X-ray films, photographic Bromide paper and other allied products to meet country's requirements in education, health and entertainment.

The Company claimed, in a note, that:—

"HPF is 98 per cent self reliant. HPF is a fully integrated manufacturing unit. All the requirements of Black and White Cine positive in the country are met by HPF since 1974. The demand for cine sound negative is met by the HPF since 1975. The entire requirement of Bromide paper is met from indigenous sources and HPF has map or share of the market."

2. The Company has at present integrated production capability only of (a) cine film positive B&W, (b) cine film sound, (c) Medical X-ray film and (d) Photographic paper. There is no such production facility in respect of (i) Cine Film Positive Colour; (ii) Amateur Roll Film; (iii) Industrial X-ray film and (iv) Graphic Arts Film. The later are imported in semi-finished form and converted. According to the Company's Annual Report for the year 1980-81, out of total production of 11.08 m.sq.m., as much as 3.53 m. sq. m. of production comprising of cine film positive colour Amateur Roll film, Industrial X-ray film and graphic arts is based on imported jumbos.

3. HPF had commenced jumbo conversion programme of different products in the year mentioned against each:—

<i>Product</i>	<i>Year of commencement of production</i>
1. Medical X-ray	1972-73
2. Amateur Roll Film	1973-74
3. Cine Colour Positive	1974-75
4. Graphic Arts	1979-80
5. Industrial X-ray	1979-80

4. In a Memorandum furnished to the Committee, a non-official witness observed "the first mistake was, to take to importing Jumbo Rolls of Roll film and cine colour positive and scuttle the efforts at developing technology in the plant itself." Asked if instead of starting conversion programme the easy way by importing jumbo rolls it would not have been better to develop indigenous production of these items and make the country self reliant, the Company stated:—

The logical step towards manufacture of photographic products as per the prevalent practice with the leading manufacturers in the world has been to start from the Conversion stage. The conversion of new products from the bulk rolls (jumbo rolls) is a preliminary step towards the manufacture of such products at a later date, by setting up additional facilities involving huge investment."

5. The Committee pointed out that jumbo conversion programme had made the company perpetually dependent on imports. In reply to a query as to who had suggested undertaking of such a programme, the Managing Director said in evidence:—

"A team of Kodak came here. It was they who made the suggestion to start a conversion plant and go backwards. It came out from there. It was in 1972."

6. The Committee wanted to know when more than 30 per cent of company's production was dependent on import, how could the Company claim to have become 98 per cent self-reliant. In reply, the Managing Director of HPF said. "That is in the overall performance and in general." Asked if it was so, was not the claim of having achieved 98 per cent self reliance misleading, the witness said "the intention was not that."

7. The Committee desired to know what are the products the demand for which is not being met by the Company in full even now. In reply, the Managing Director gave the following details in evidence:

- (i) According to the Market Survey conducted by the Company, the current demand for cine colour positive which is 2.67 million sq. m. is expected to go over to 5.50 million sq. m. by 1989. The present level of total import of Cine Colour Positive is of the order of Rs. 12 crores (cif), i.e., about 3 million sq. m.
- (ii) the demand for roll films and sheet film in the country is 0.9 m. sq. and 0.12 m. sq. m. respectively. HPF is totally dependent on imports. It is difficult to manufacture Roll Films. Its manufacture requires total darkness conditions.

- (iii) The demand for Bromide paper in the country is 4.5 million sq. meters. HPF meets between 50 to 55 per cent of this demand. The base paper (Baryta paper) for Bromide Paper manufacture forms about 20 per cent of the content and is wholly imported. The import costs the company Rs. 1½ crore annually. From 1962 efforts were made with the DGTD for its manufacture but without success. DGTD tried to get the paper manufacturers enter this field. Since the volume of demand was so small after assessment of the situation it was found that no paper making unit could sustain economically by manufacturing only this type of paper. No paper manufacturer is willing to make it.
- (iv) The demand for cine negative is 1/10 of the demand for cine positive. HPF does not manufacture cine negative at present. Therefore it is being imported by the trade directly.
- (v) The demand for document copying papers is about 3 lakh sq. mtrs. HPF is manufacturing 2 lakh sq. mtrs. The rest is manufactured by Agfa.

8. Asked whether the collaboration Agreement with M/s. Bauchet of France had not envisaged indigenous manufacture of cine colour positive, amateur roll film, Industrial X-ray film and graphic arts film and if so, why the Company had not been able to develop indigenous production of these items all these years. The Company explained that though the collaboration Agreement had provided for production of these films, the Company decided to concentrate on Cine film positive (B & W) and Medical X-ray films. Collaborators had produced samples on the equipment supplied by them for Roll Film, Leica Film Flat (Portrait) film and Bromide paper put out of this group the Company chose only one item viz. Bromide paper for commercial production. Manufacture of other items like Graphic Arts Film, Sound Cine film, Negative Cine film etc. envisaged in the Agreement was not taken up as extensive trials were called for before even quality samples could be produced.

9. The Committee asked if non supply of samples was attributable to the collaborator or the management. The Managing Director said "Best possible was done by the then Management. There may be some lacunae and weakness in it. In retrospect it may look out but at that time nothing was moving. It was a compromise formula."

B. New Schemes

10. The Committee wanted to know whether the Government considered it a satisfactory position that a large quantity of semi-finished photo sensitised produces were continued to be imported with very little of value added in terms of material and labour within the country and if not what initiative was taken by Government so far in establishing integrated production of all such products. In reply, the Secretary, Ministry of Industry stated that the Company had since formulated specific schemes for taking up integrated production of the items which are being produced at present by importing jumbo rolls. The latest position of each of these schemes was stated to be as under:—

- (i) The company's proposal (August, 1981) for manufacture of cine colour positive is in final stages. The project will cost Rs. 100 crores. Economic cost analysis was done for this project.
- (ii) Based on a Project Report drawn up in October, 1976, HPF had entered into an Agreement with M/s. VEB Film, Fabrik Wolfen, GDR in February, 1977 for manufacture of Amateur Roll films in all its stages. The entire amount of Rs. 57 lakhs due under the Agreement was paid to the collaborators. The Company realised later in 1978-79 that with existing coating capacity having been utilised to meet the spurt in demand for X-ray films. They would need additional coating capacity to implement this Agreement and establish commercial production of Amateur roll films for which only trial production had been established so far. The scheme of HPF to create additional coating capacity to the extent of 4-5 million sq. metres to meet the demand for X-ray films and also take up the manufacture of Amateur Roll films (B & W) has been cleared by the Government recently. The investment on this project is Rs. 2.00 crores. The lead time is 2 years.
- (iii) Industrial X-rays are necessary for metallurgical industries. Project for manufacture of Industrial X-ray is estimated to cost Rs. 50 crores. A second market appraisal is being made to see if investment of this magnitude is warranted. Economic cost benefit analysis has not been done for this project.
- (iv) Cost estimate for Graphic Arts project has not been made so far.

11. Asked when these schemes were likely to be implemented, the Company intimated that "when the total arrangements are finalised the estimated lead time for implementing these projects is 5 to 6 years." The Committee enquired that the Government and the Company had been having the perspective of attaining self-sufficiency in view all along, how was it that these schemes were not formulated earlier. In reply, the Secretary, Ministry of Industry, said in evidence:

"The only question is that the investments are so large, the technology is closely held and therefore, we have to go step by step, but I can assure you that the Government at least so far as I am aware, has at no stage lost the perspective that all that is being imported today, whether it is amateur photographic films or industrial X-ray or graphic or cine colour positive, will be made in this country over a time. We were one of the few countries in the world which has established integrated production of four items. In respect of some items they had installed conversion capacity. This was merely the first phase of going into integrated production in three stages—conversion, establishment of coating capacity and the capacity to make base film."

12. As regards Company's proposal for setting up an indigenous coating plant, the Company intimated that the proposal for creation of additional coating capacity was first mooted by the Company as early as in May, 1978. The Board considered the proposal at its meetings held on 29 July, 1978, 23 November, 1979, 19 June 1980. After the proposal was approved by the Project Sub-Committee of the Board on 24 February, 1980, it was sent to Government in March, 1980. Government conveyed its approval in July, 1981. This project is estimated to cost Rs. 200 lakhs.

13. The Committee desired to know why the formulation and approval of such an important schemes had been delayed. In reply, the Secretary, Department of Industrial Development explained in evidence that:—

"It was defective planning on our part. Whether you blame me or the Company, the fact of the matter is that the need for additional coating machine should have been envisaged earlier. I accept. As a matter of fact, I would submit for your consideration as to whether this august committee

could issue certain directions for the sake of public sector in India that innumerable questions which are raised by bodies like the Planning Commission, the Ministry of Finance, could be to some extent curtailed so that the sanction can be given more expeditiously. As you are aware, there are 3 or 4 agencies which have to be consulted before the approval of the Government is conveyed. It is not only the Ministry of Industry. The Planning Commission is involved, the Ministry of Finance is involved. Even after the sanction has been conveyed, the Planning Commission continued to raise a large number of questions. So, it is only due to our perseverance and it is only due to our conviction that any delay in supplying of coating machine is going to seriously affect the roll film project and we were able to finally convey the Government's approval in July, 1981."

14. Asked why the project for manufacture of Cine Colour Positive could not be taken in hand, the Secretary, Department of Industry stated that it had not been possible to locate a suitable collaborator for this project. When the Committee pointed that according to evidence given before them by a non-official witness, HPF, Fuji had evinced interest in this project, the Secretary, Department of Industrial Development stated that it was not so and added that "At the moment we have struck a deal with AGFA and their proposal is in the final stages."

15. The Committee enquired since when the Company's proposal for setting up a full fledged R & D centre with a capital outlay of Rs. 257 lakhs had been under consideration of the Government, the Secretary, Department of Industrial Development stated (Nov. 1981) "it has been sent to us only a month back. We are just now sending it to the Expenditure Finance Committee because this is below Rs. 10 crores."

C. Corporate Plan

16. The Annual Report of the Company for the year 1980-81 indicated that the company had prepared a corporate plan, consistent

with the present outlook redefining the corporate goals, corporate obligations and micro objectives and outlining the strategies and policies to achieve the objectives. The Corporate Plan was submitted to Government in September, 1980. The Corporate Plan covers a period of ten years.

17. The Committee enquired if the Company had since received the Government's approval to the Corporate Plan and if not whether the Ministry was reminded about it. In reply, the Managing Director of HPF said in evidence: "we have not got their actual approval yet, we informally reminded them, not in writing." Asked why Government had not conveyed its approval to the Corporate Plan to enable the Company to go ahead, the Secretary, Department of Industrial Development stated, in evidence:—

"As a matter of fact, we have not only accepted the Corporate Plan, but we have taken necessary action to implement it also. The fact that we have initiated the preparatory action itself shows that it has been approved. We have not of course, formally told the company that there can be approval of a corporate plan in principle but the approval is also needed for specific definitive investment scheme for implementation of the corporate plan. The approval of the corporate plan does not satisfy any particular need. But the fact remains that no approval has been communicated and the company could have gone ahead with the preparation of specific schemes."*

18. The Committee pointed out that if the Government thought that the company could go ahead with implementation of specific schemes covered in the Corporate Plan but the Company was under the impression all along that the Ministry's formal approval in principal was necessary to implement that plan, did not such a situation reveal existence of a communication gap, the witness said. "I am not aware that the company is under such impression. The approval will be conveyed to them tomorrow, if so required".

D. Import content

19. According to the Annual Reports of the Company, the value of imported and indigenous raw materials, stores and spares and

*At the time of factual verification of this Report, Department of Industrial Development clarified "What the Secretary, Deptt. of Industrial Development wished to convey to the Committee was the factual position that non-approval of the Corporate plan not in any way hold up the action to be taken by the Company in pursuance of the corporate plan to put up specific schemes for approval."

components consumed was as under:—

Year	Imported	Indigenous	Total	(Rs. in crores)
				Percentage of Imported to Total consumption
1976-77	14.82	12.47	27.29	54.00
1977-78	15.03	9.85	24.88	60.42
1978-79	18.20	11.54	29.74	61.19
1979-80	21.47	14.22	36.69	60.16
1980-81	30.69	16.15	46.84	65.53

III. PRODUCTION PERFORMANCE

1. The value of production of the Hindustan Photo Films Mfg. Co. as a whole for the period 1971-81 as compared to the budget was as follows:—

Year	Production	
	Budget	Actual
1971-72	528.00	524.95
1972-73	747.00	566.85
1973-74	873.00	698.32
1974-75	1659.00	1380.70
1975-76	2260.00	2304.46
1976-77	3245.64	3408.91
1977-78	3710.00	3557.72
1978-79	4167.78	4052.77
1979-80	5097.96	4850.01
1980-81	6833.00	6567.00

A. Capacity Utilization

2. Asked to indicate *inter alia* the performance of the Company in the matter of utilisation of capacity, it was intimated that as against installed capacity of 6.15 million sq. meters at the Ooty Plant, the actual production was 7.017, 9.179, 9.211, 9.432 9.971, and

11.006 million sq. metres respectively during each of the years from 1975-76 to 1980-81. It was, however, clarified that the installed capacity of 6.15 million sq. metres was for the integrated production related to the 4 successive stages of operation, viz., film base, emulsion, coating and conversion. There was however, surplus capacity in the finishing department. This spare capacity in the last stage of operation had been utilised by importing semi-finished stock in the form of rolls and converting them to required sizes. Thus, the production turned out by the finishing department was stated to be higher than the installed capacity during this period. As against the installed capacity of 3 million sq. metres for conversion at the Ambatur plant the production was stated to be 0.183 and 0.61 million sq. metres during the years 1979-80 and 1980-81 respectively.

3. The integrated production alone at the Ooty plant as against the installed capacity of 6.15 million sq. metres was stated to be as follows:

Year	Integrated production	Capacity utilisation
1976-77	6.67 m. sq. m.	108%
1977-78	6.54 ..	106%
1978-79	6.289 ..	102%
1979-80	6.866 ..	110%
1980-81	7.550 ..	123%

4. The installed capacity for the integrated production at the Ooty plant was fixed as 6.15 million sq. metres in 1966. The effect of the improvements made on the capacity since 1966 was being assessed. A Task Force had reviewed the installed capacity and reported on it. The company intimated (November 1981) that "the Task Force has submitted its report and the report is being placed before the Board very shortly. The integrated capacity assessed by the Task Force works out to 7.673 million sq. metres."

5. The Committee pointed out that though the company claimed to have utilised the installed capacity at Ooty to the extent of more than 100% there was still underutilisation of finishing capacity, capacity for production of silver nitrate, capacity for base and emulsion in respect of amateur roll films etc., and asked whether government agreed that there was need for realistically assessing the underutilisation of the capacity at various stages not withstanding the fact that a Task Force had recently gone into it. The

Secretary, Department of Industrial Development stated as follows:

"As a matter of fact the task force was appointed with this precise purpose. In every quarterly meeting I take this as the principal point which I personally examine because apart from the financial return I am more interested in terms of the production frame and this is a matter under constant review. We have to constantly review our performance."

6. The Committee asked whether creation of surplus conversion capacity at Ooty Plant, was a deliberate decision and if so what was the justification for it at that time. In reply, the Company explained, in a Note, that:

- (i) In the case of conversion department, each product line had its own set of machines which were exclusively meant for converting that particular product. These machines were generally bought out items and had varying capacities higher than the minimum required for the integrated production;
- (ii) The conversion being a batch operation (not a continuous process) was amenable to operations though a chosen number of processes;
- (iii) While the capacity of the plant and equipment at the conversion stage was envisaged to provide coverage for the entire range of products originally contemplated in the Agreement with M/s. Bauchet of France, the Company did not take up production of all the items resulting in excess capacity. The Plant and Machinery at the conversion stage was found to have surplus capacity ranging from 10 to 15%.
- (iv) On an average, the utilisation of conversion capacity has been to the extent of 75-80% of the available capacity in the last five years.

7. Additional finishing capacity of 3 million sq. meters was at Ambattur, Madras in October, 1979 with an investment of Rs. 210 lakhs for conversion of X-ray and Graphic Arts films. The Committee asked why additional finishing capacity was created at Ambattur when Ooty Plant itself was having surplus capacity to the extent of 20 to 25% during the last 5 years. In reply, the Company,

stated that the additional capacity at Ambattur was created on the basis of the following demand projections:

- (a) The demand for Graphic Arts which was a vast potential in the field of mass communication, as revealed by a Market Survey, was estimated at one million sq. metres there.
- (b) The demand for Industrial X-ray was estimated at 2 lakh sq. metres;
- (c) the future demand, taking into account the diagnostic radio graphic on a mass scale under Public Health Scheme was estimated to be of the order of 5 million sq. metres by 1960. This was confirmed by the Ministry of Health. Besides, there was a pressing demand from the Indian Radiological Association for additional facilities for conversion in the plains, to ensure uninterrupted supplies of Medical X-ray film.

8. Asked if the aforesaid demand anticipations had materialised, the Company intimated that:

- (i) The demand for medical X-ray film which was expected to go to a level of 5 sq. million metres did not reach that level, as anticipated. Later when the conversion capacity for medical X-ray was augmented at the Ooty plant itself, the capacity created at Ambattur was not put to use appreciably for this purpose;
- (ii) The anticipation that by creating additional conversion capacity at Ambattur, HPF would be able to take over major share of the market in respect of Graphic Arts and Industrial X-ray in a phased manner did not materialise on account of the OGL provision in the Import Policy, with regard to these products. The directly finished materials imported into the country, particularly, from the Cheaper Japanese sources acted as a major constraint in selling the Company's converted products. The importers could manipulate the prices from consignment to consignment taking advantage of the currency fluctuation in the different markets, which the HPF was unable to do. As all the products have a specified shelf line, maintaining production at the level of rated capacity would be counter productive.

9. The Committee enquired if the projections of profitability envisaged in the Detailed Project Report for Ambattur Project had been achieved. In reply, the Managing Director of HPF said in evidence:

"Our expected profit was Rs. 135 lakhs, turnover Rs. 15 crores and investment Rs. 2.1 crores. We have represented to

them (i.e. Govt.) with all facts and figures. Last year the loss was Rs. 40 lakhs, including the interest on capital and depreciation."

10. According to the company there are demand constraints not only in respect of (a) industrial X-ray film, and (b) graphic art film but also in respect of the cine film positive (colour). This, according to the management, is partly due to import allowed under OGL or on replenishment licences and partly due to adverse duty structure on imports. The Committee have been informed that based on the company's representation, the Ministry of Finance had increased import duty for directly imported finished rolls to some extent but even with this increased the duty on the jumbo rolls is higher. The company's suggestion to shift the industrial X-ray film and graphic art film from OGL to restricted/banned list* is stated to be still receiving the attention of the Chief Controller of Imports & Exports.

11. As regards imports of products under replenishment licence the HPF intimated that until 1977 the replenishment was limited to 25% of the value of exports in the case of black and white feature films and 50% in respect of colour feature films exports. In the Import Policy for 1978-79, REP entitlement was made uniform viz. 50% for exports of both types of films. After representations were made by HPF from time to time, REP entitlement was reduced to 37½% in the import policy 1980-81 and again to 20% of the export value of feature films in the import policy 1981-82.

B. Machine Utilisation

12. The Management Ratios report received from the Ministry of Industry (Department of Industrial Development) indicated that in Hindustan Photo Films Mfg. Co. Ltd. machine hours utilised to those available were 54.55 per cent in 1978-79, 57.30 per cent in 1979-80 and 58.19 per cent in 1980-81. Explaining the reasons for such low level of machine hour utilisation, the Company stated:

- (i) The figures of machine hour utilised reported is a summary of the actual number of hours run by a wide range of equipment not only include those machine which are

*At the time of factual verification of this Report, Department of Industrial Development informed the Committee that "in the latest Import and Export Policy for April, 1982 to March, 1983 announced recently in Parliament, graphic art films and industrial X-Ray films have been included in Appendix V which relates to the list of automatic permissible items i.e. the equivalent of the restricted list of the previous year."

directly in service on the production flow line but also comprise of machines which are operating in different feeder loop lines. This heterogeneous combination does not truly represent the utilisation in the correct perspective.

- (ii) This compendium of machine hours utilisation is mainly intended as a tool for establishing internal control and does not project the actual state of affairs with respect of the overall capacity utilisation.
- (iii) Some of the pieces of equipment whose utilisation has been computed are designed to operate off and on, depending on certain circumstances which are not directly related to the main production line.
- (iv) The machine hours not utilised include the elements of planned idle time, preventive maintenance, down time, time for Annual shut down, Process set up time, product change time and the like. These components of time are inescapable in the running of the plant and these have been reckoned in the computation of the installed capacity of the plant.
- (v) At a level of 100 per cent utilisation of overall capacity of the plant the actual running time of a series of machines would be only around 50 to 60 per cent.

13. The Committee wanted to know the percentage of subsidiary equipment to the total value of machines to actual utilisation of such machines. In reply, the Company intimated that:—

“Approximately 50 per cent of the equipment reckoned for utilisation belong to the subsidiary/auxiliary group such as washing and shredding machines, wrapping, notching and cartoning machines, etc. The utilisation of some of the main machines such as the base casting machines, has been as high as 80 per cent on many occasions. While in the case of coating machines, it has been ranging from 60 to 65 per cent and in the case of X-ray slitting machine, between 60 to 70 per cent.”

Asked if the Company had any subsidiary equipment in excess of their requirements, the Company expressed the view that:

“It is not correct to assess the capacity available in any particular subsidiary equipment as excess because by the very nature of the equipment being auxiliary, it does not form part of the line balancing exercise of the main plant.”

C. Raw Materials Consumption

14. The value of raw materials consumed by the Company each year during the last 5 years is given below:—

(Rs. in lakhs)

Year	Raw materials consumed
1976-77	2450.68
1977-78	2232.48
1978-79	2633.76
1979-80	3520.08
1980-81	4614.98

15. One of the important raw materials used in a photo sensitised industry like the HPF is silver. The actual consumption of silver in physical and financial terms during the last 5 years was as under:

Year	Quantity (Kgs.)	Value (Rs.)
1976-77	50,303	5,81,74,075
1977-78	32,232	3,77,63,099
1978-79	36,561	5,11,42,428
1979-80	33,000	7,11,98,000
1980-81	32,000	8,04,50,000

16. The Company explained that "the increase in the value of silver is only on account of rise in silver price in the recent years." The Company, further, intimated that by intensive R&D efforts over the years, improvement had been brought about in the coating weight in all the products as will be seen from the following data:

(GMS per Square)

Product	Coating weights specified by collaborators	Budgeted coating weights for 1980-81	Actual coating weight in 1980-81
Cine Positive	7.5	5.00	4.99
Cine Sound	7.5	..	..
X-Ray	22.00	17.00	15.26
Bromide Paper	4.0	2.95	2.80

17. The Committee enquired that as the Company recovered about 18 tonnes of silver out of 32 tonnes of silver consumed by it in a year, did it not indicate that the scrap was more than 50 per cent of the total production, the Managing Director said, "The rejections in terms of silver is 50 per cent. Rejections are on the film cycle and silver cycle. In the film cycle it is 30 to 40 per cent. In the silver cycle it is 52 to 53 per cent." Asked if rejections in terms of silver at such a scale were normal for the photo films industry like HPF, the Managing Director said, "That is so". When asked about the DPR stipulation in this regard, the witness stated, "It (i.e. DPR) did not originally provide for recovery of any silver at all."

18. The Committee enquired how the rate of silver consumption in HPF compared with that of other manufacturers abroad for similar products. In reply, the company claimed that their coating weight compares favourably with products of other competitive brands and as a matter of fact in some of their products HPF's coating weight was lower as compared to the imported brands. The company furnished the following comparative data in this regard:—

Product	Value of coating weight (silver Nitrate Gms/Sq. M.) of HPF's Indu Branch.	Coating weight of competitive brands.
Cine Positive	4.99	5.6 (Orwo)
Cine Sound	6.70	8.6 (Orwo)
Medical X-ray	15.26	16.0 (Orwo)
Bromide Paper	2.7-2.8 for different grades	2.5-3.00 (Afga) for different grades

D. Rejections

19. The percentage of rejections at each stage of operation for various products during the last three years vis-a-vis the rejection norms stipulated in the Detailed Project Report and those recommended by the Bureau of Industrial Costs and Prices in their 1974 Report on HPF were as under:

Product	DPR Norm	BICP Norm	1978-79		1979-80		1980-81	
			Budget	Actual	Budget	Actual	Budget	Actual
<i>Cine Positive</i>								
Base	..	15.0	7.00	11.00	6.50	8.67	7.00	8.73
Subbing	3.84	7.0	3.00	4.94	3.00	5.50	3.00	4.41
Coating	2.12	8.15	5.00	5.05	5.00	4.81	3.60	4.40
Conversion	6.06	10.00	12.05	23.12	12.50	15.47	12.50	15.98
Aggregate	11.96	..	24.63	37.85	24.61	30.55	23.91	29.93
<i>Medical X-ray</i>								
Base	..	18.00	8.00	9.71	7.75	10.1	7.75	8.74
Subtraction	6.05	7.00	3.50	3.88	3.50	6.56	3.75	5.35
Coating	8.96	9.1	15.00	14.73	15.00	16.45	19.80	16.61
Conversion	12.00	25.00	18.00	20.07	18.00	18.00	18.00	17.07
Aggregate	27.01	..	38.12	40.84	37.95	42.80	37.24	40.27
<i>Cine Sound</i>								
Base	..	20.0	7.00	9.58	8.00	9.61	8.00	9.97
Subtraction	..	7.0	3.50	3.65	3.50	5.44	3.75	4.51
Coating	..	4.4	5.50	5.10	5.00	5.11	3.60	5.47
Conversion	..	23.0	16.50	32.25	20.00	22.51	20.00	21.47
Aggregate	..	..	29.19	43.98	32.53	37.16	31.71	35.75

Brennide Paper

Coating	3.18	2.3	7.00	6.82	6.67	5.55	6.67	4.68
Conversion	6.0	5.35	9.00	7.53	8.00	6.06	8.00	6.47
Aggregate	9.18	..	15.97	19.04	14.14	11.27	14.14	10.85

20. It will be seen from the above table, that during the last 3 years the rejections at HPF were of the order of 29.9 to 37.85 per cent in the case of cine positive, 40.27 to 42.80 per cent in the case of medical X-ray, 37.25 per cent to 43.48 per cent in the case of sine sound and 10.85 per cent to 13.04 per cent in the case of Bromide Paper as against the DPR norm of 11.3 per cent, 27.01 per cent and 9.18 per cent in respect of Cine Positive, Medical X-ray and Bromide Paper respectively.

21. The Committee wanted to know as to how was it that even after such a long period of setting up of the HPF, the percentage of rejections had not only been brought no where near what was contemplated in the Detailed Project Report but were more than the percentage of rejection estimated at the Budget stage each year. In reply, the Company explained:

"The norms of process rejections viz. 11.3 per cent, 27.01 per cent and 9.18 per cent in respect of cine positive, medical X-ray and bromide paper respectively, mentioned in the DPR should not be taken as reliable references for the simple reason that the rejections in the Detailed Project Report pertain only to manufacturing rejections and do not include unavoidable edge wastes and frimmings arising at the various stages of manufacture whereas, in our compilation, we have taken into account the overall rejections including the unavoidable wastes. If the unavoidable portion of the rejections is excluded from the total figures, the rejections level compare very favourably with the DPR as can be seen from the data for 1980-81 Cine Positive 20.79 per cent, X-ray 24.3 per cent and Bromide paper 4.90 per cent."

22. The Committee enquired if it was a fact that one of the Directors on the Board of the Company had written a letter to the then Minister of State for Industry on 18 July, 1980 about high rate of rejections and that when the Board meeting of 17 August, 1980 where this question was to come up for discussion was cancelled, that Director felt so exasperated that he had to write another letter to that Minister on 22 August, 1980. In reply, the Secretary, Department of Industrial Development said "I am not aware of this communication." When, however, a representative of his Ministry confirmed that "a particular Director wrote and even the then

Chairman of the Company had written a number of letters to the Ministry some times, and also to the Minister sometimes saying that rejections and other things have to be brought under control", the Secretary said:

"Now I recall that there was an earlier letter. They were not only concerned with the rejection, they were also concerned with the price refixation exercise. These letters were received and these two letters have been connected."

23. The Committee invited attention to para 3 of the letter written by the Director on 22 August, 1980 wherein he had stated:

"One of the major sectors affecting the Company's performance is the high rates of rejections accepted as normal and surprisingly also, used as the basis for working out a crucial factor, I had made efforts to obtain data from the price formula in the BICP Report, realising this as the international companies. Fortunately, I have just received the data through a totally reliable source. I am enclosing the norms for acceptable rejection rates obtaining in an international company, juxtaposed, with those acceptance as normal by the HPF along with the actual rates of rejections. You will kindly notice the staggering difference which, if the company succeeds in bringing will not only put the company into profits in all its operations, but would actually make possible reduction of prices. This applies with greater force to the conversion operation where rejection levels are truly astronomical."

24. Asked what was the reaction of the Ministry to aforesaid part of the Director's letter to the Minister of State for Industries, the Secretary, Department of Industrial Development observed:—

"He (Director) has got certain figures from a Company the identity of which is not revealed... I am merely saying that this letter which you read mentioned certain figures which he received from a source which he considers reliable. It cannot be. This is his own observation. Then he has given certain figures which have been passed on to him in confidence."

25. The international rejection levels, reported by the Director in his aforesaid letter of 22 August, 1980 were as under:—

	Cine Positive (35 MM)		Medical X-Ray		Cine Sound (B&W)	
	Min.	Max.	Min.	Max.	Min.	Max.
1. Base Casting/Raw Base	3%	4%	3%	4%	..	..
2. Base Subbing/Sub- tract	1%	2%	2%	4%	..	..
3. Coating . . . . .	..	..	5%	6%	2%	4%
4. Conversion . . . . .	..	..	3%	4%	4%	4%

26. The Committee wanted to know that if the figures of international rejection levels supplied by the Director in this letter to the Minister of State for Industry in respect of an international company were not considered reliable, was any attempt made by the Ministry to cross check these figures from the company or call for information about rejection levels in other international companies engaged in this field, the witness said:

“There are very few production units of this type in the world and we really do not have those details. If this august committee direct us, we will try to get the details. But these companies are not particularly communicative with regard to these details.”

27. Asked that when the Director had complained specifically that BICP had accepted higher level of rejections for working out the price formula, did the Ministry or the Board try to ascertain the basis of norms of rejections recommended by BICP, the witness stated:—

“We have not verified because we were not in a position to verify at this stage. The HPF Board itself has gone into it before as to what is the validity of these figures, of these norms, to apply to Indian conditions. Therefore, if the Board of HPF considers that these norms had a certain application or validity, it was for the HPF Board to refer it to the BICP for further examination.”

28. In reply to a query whether the level of rejections in HPF was reviewed at any time during performance review Meetings—

held by the Ministry of Industry, the Secretary Department of Industrial Development stated:—

“Out of 7 meetings held so far, 3 or 4 meetings have been taken by me in the last one year. And in the preceding two years only 4 meetings took place. So far as these meetings are concerned, the specific question of rejection, was not reviewed. I have not done it.”

E. Quality Complaints

29. The complaints/suggestions relating to the products of Hindustan Photo Film Mfg. Co. are dealt with by the administrative Section of the Ministry of Industry (Department of Industrial Development). The Company is stated to have formed Consultative Committee for each product line to which members from the Consumers and trade are nominated from the respective users bodies. The Committee wanted to know what was the nature of complaints received and what remedial measure were taken by the Company to minimise such complaints. In reply the Company furnished the following information:—

Product	Major causes	Remedial measures taken
1. Medical X-ray	Low speed low contrast fog and chain of black spots	Improved formulations, rigid control in emulsion making to improve the sensitometric characteristics.
2. Cine Positive Film B&W 35 mm	Perforation defects, coating non-uniformity Roller marks	Preventive maintenance of perforators, more frequent testing, tightened level of acceptance improvements on slitting machines, operators training and education. }
3. Cine Positive Film B&W 16 mm	Perforation defect, white spots and pressure marks	Increased inspection, preventive maintenance of perforators, tightened acceptance-level.
4. Cine Sound Film	Pressure marks static marks poor sensitometry	Preventive maintenance of perforators, improvements in slitting machines tightened inspection, standardising operating conditions in emulsion making.
5. Bromide Paper	Paper grade changes, fog and sheets shortage.	Improved formulations, improved testing and inspection, improved safe-light systems, weighing of quantities instead of counting.

1	2	3
6. Roll Film	Film sticking to Bi-colour paper and taping problems.	Standardising operating conditions improved varnish coating better oil sealing tightened inspection of Bi-colour paper.
7. Agfa colour positive	Magneta layer effected causing flicker Defects in Jumbo Manufacture.	Settled with jumbo suppliers.
8. Orow colour Positive	Rolls with different colour quality mixed up perforation defects.	Better care during conversion improved testing. Letter perforators main tenance.

IV. MARKETING AND SALES

A. Direct Distribution

According to the Annual Reports of Hindustan Photo Films Mfg. Co. Ltd. the sales performance of the Company during the last 5 years has been as under:—

Year	(Rs. in lakhs)	
	Sales	Cost of Sales (Sales less profit)
1976-77	3120	2977.76
1977-78	3567	3403.15
1978-79	3963	3731.23
1979-80	4676	4409.78
1980-81	5972	5609.33

2. In paragraphs 5.27 to 5.33 of their 55th Report (Fourth Lok Sabha), the Committee on Public Undertakings (1973-74) had recommended that the Sales Offices already set up by the Company in Bombay, Calcutta, Delhi and Madras for the sale of still materials should be utilised for taking up direct sales and distribution of cine film positive and X-Ray films also as this would result in an annual saving of Rs. 40 lakhs to Rs. 42 lakhs. In their reply dated 1 February 1975, Government informed the Committee that:—

✓ "The recommendations of the Committee have been noted by the Company and will be borne in mind when the sales

agreements come up for renewal. The Management have also reported that under the expert guidance of one of their Directors, the Marketing Division has been fully reorganised and strengthened. They have also drawn up the Marketing Plan for various products for the year 1974-75. They are making efforts to keep the sales over-heads to the minimum."

3. The Company took over distribution of all cine products *w.e.f.* 1 October, 1977 and of other products *w.e.f.* 1 July, 1978. The manner in which the implementation of the recommendations of the Committee was delayed by the Company thereby resulting in further loss to the Company is set out in detail in the Report of the C & AG, Union Government (Commercial), 1979, Part V, on miscellaneous Topics of interest. The following developments referred to in the Audit Report deserve mention:—

- (i) The decision taken at the meeting of the Chief Executives of Public Sector Undertakings that the company should try to deal directly with the Photographers/other consumers instead of through dealers was communicated to the Company by Government in September, 1975.
- (ii) After considering the Management's proposal that the distribution arrangements for cine films positive and X-Ray films should be continued for another 3 year period from 1st July, 1975 to 30 June, 1978, the Board of Directors, at their meeting held in July, 1975, decided that one of the part time Directors (Dr. Krishna Mohan, a partner in a firm of Management consultant) should prepare Comprehensive Report for consideration of the Board and in the meanwhile all existing arrangements should be extended upto 31st December, 1975.
- (iii) The management's proposal was made on the grounds that (i) the company was likely to incur a loss on direct distribution; (ii) the image of the 'IDU' brand name in X-Ray film was not yet established and (iii) strength of the marketing division was inadequate for direct distribution. However, the Consultants report on direct distribution of cine positive B & W (35 MM and 16 MM) was submitted in November, 1975 and that on X-Ray films and other products was submitted in May, 1976. Both the reports favoured taking over direct distribution of these

products and indicated that there would be saving of Rs. 7.6 lakhs in 1976-77, the proposed first year of direct distribution of cine positive and that on X-Ray films and other products, the net savings would amount to Rs. 17.4 lakhs in the first year rising to Rs. 21 lakhs in the fourth year.

- (iv) In spite of the Consultant's report and Government's decision regarding direct distribution, communicated to the Company in 1975, the Board decided in November, 1975 that the distribution arrangements in regard to all the products should be extended upto 30 June 1977.
- (v) In May, 1977, the company itself estimated that on taking over the distribution of all the products, the profitability of the company would improve by Rs. 48.44 lakhs per annum if no credit was extended to customers.
- (vi) In their meeting held in September, 1977, the Board considered in detail the distribution policy in the light of the Report Merchandising Sub-Committee made in May, 1977 and decided to take over distribution of all cine products with effect from 1st October, 1977 and the other products with effect from 1st July, 1978.
- (vii) The recommendation of the Sub-Committee of the Board on Personnel and Merchandising that arrangements in respect of still materials would be continued for one year i.e. upto June 1979 with modifications regarding territory and terms and conditions of sale with parallel operation by the company without entailing any overriding Commission was accepted by the Board on 21 March, 1978. This decision was, however, reversed by the Board in their meeting of 30th May, 1978 and it was decided that the direct distribution of still materials may also be taken over from 1 July, 1978.

4. In a Memorandum furnished to the Committee a non-official witness reported to the Committee that:

"There have been serious violations of Government policies. A most serious example being the sabotaging of the Governmental policy, taken as early as 1975, to abolish distribution of HPF products through the eleven private distributor companies (really held by five families) but not implemented till it was through at the Board level ... much to the relief of the customers and the public at large and a saving nearly Rs. 3 crores for HPF annually on the

then turnover and improving the cash flow position decisively."

5. The Committee wanted to know as to what considerations had weighed with the Board in deciding in November, 1975 that the distribution arrangements in regard to all products should be extended for a period of 18 months i.e. upto 30 June, 1977 despite the Government having already accepted the Committee's recommendations in February, 1975. In reply the Company intimated in a note the following:

- (a) The Company had not made much headway in 1975 in stabilising manufacturing operations;
- (b) It was felt that any decision to take over should be made at the beginning of a financial year and not mid-way through the year;
- (c) The Consultant had, in this report, opined that the lead time for taking over the distribution would not be less than eight months;
- (d) Any notice served during the middle of the year would have a demoralising effect on the distributors;
- (e) Perhaps, a period of 18 months was considered to be reasonable for building up the marketing infrastructure and the right altitude to take on a massive operation such as the direct distribution.

6. Asked that when in February 1975, Government had already intimated that the Marketing Division of the Company had been fully re-organised and strengthened, how could the management plead subsequently in July, 1975 that the strength of the marketing division was inadequate for direct distribution, the Company explained in a note, that "though an attempt was made to re-organise and strengthen the Marketing Division at that time, on a review of the position, it was felt more needed to be done before the actual take over was implemented." The Secretary, Ministry of Industry felt "They (the Company) should have said 'efforts are being made' instead of 'has been strengthened'."

7. The Committee pointed out that there was a further delay of about one year in taking decision on Consultant's report and enquired why that valuable time could not be utilised in re-organising the distribution system. In reply, the company explained that while considering the Consultant's Report in June, 1976, the Sub-Committee of the Board had desired preparation of a detailed note on the eco-

nomics of take over, updating of data furnished by the Consultant in regard to distribution and profitability, critical assessment of details of additional space required for direct sales, etc. Collection of these details is stated to have taken some time. The meetings of Sub-Committee was finally held on 28 May, 1977.

8. The Committee desired to know that when in May 1977, the Company had estimated that after take over profitability of the Company would improve by Rs. 48.44 lakhs per year, if no credit was extended to customers, how did the Management say earlier in July 1975 that take over would result in a loss. The difference in these two estimates has been attributed by the Company to the followings:—

- (i) In July 1975, the economics considered only two product lines viz., Cine Positive (Black & White) and X-ray whereas May '77 estimates include Cine Colour and Still materials also apart from Black and White and X-ray.
- (ii) July 1975 estimates provide for interest on blocked up capital on outstandings alone to the extent of 60 days for Cine Black and White and 90 days for X-ray. On the other hand, the economics of May 1977 provide for cost of stock holding only.
- (iii) In the economics pertaining to July 1975, a turnover of 1,68,000 rolls of Cine Positive (Black & White) was anticipated. In the economics of May 1977, taking into account the latest trend, a turnover of 52,800 roll of Cine Black & White and 2,00,000 Rolls of Colour Positive was anticipated. It may also be mentioned that the commission earned on Black and White Roll was only Rs. 8 per roll whereas in case of Colour Positive, the commission was around Rs. 30 per roll.

9. Asked that when the Company had been dragging its feet all along to implement a recommendation of the Committee and flouting Government's decision thereon, why could not the Ministry of Industry or Government Directors on the Board intervene in this matter, the Secretary, Ministry of Industry said in evidence:—

“Government felt very strongly that this was a commitment which the Government had given to the Committee, whereas the Chairman (of HPF) felt that the stage has not been reached in terms of preparation and image of INDU, the distribution should be further phased. So the Chairman finally resigned.”

10. The Committee enquired that if Government was serious about take over, what its reaction to the various resolutions of the Board which led to delay in the company's take over of distribution, the witness said:

"There was no reaction of the Government to the earlier resolutions of the Board. But there is a recorded reaction by the J. S. Incharge. The minute was recorded on 25th June, 1976. Earlier than that, there was no specific reaction of the Government as such to the resolutions of the Board."

11. The Committee asked whether Government agreed that considering the resistance of the Management of the Company to the take over on one plea or the other some vested interests in the Corporation were opposed to the very idea of take over. In reply, the witness said:—

"I do agree that the implementation of the decision could have been expedited. But in all humility, I may submit that I do not agree that there was a deliberate effort on the part of the Company to resist the implementation of the decision. The Company is quite authorised to place before its own management the points of strength and weakness in implementing a certain decision and its own appreciation as to how the problem has to be faced....If a Chairman of a company in the interest of the Company takes a view, in my submission, I would not call it a resistance from the vested interests."

B. Credit Policy

12. The Company's outstanding against various distributors prior to take over of direct distribution were stated to be as under:—

(Rs. in lakhs)

S. No.	Distributor	Amount of Bank Guarantee	Outstandings as on			
			31-3-76	31-3-77	31-3-78	30-6-78
1	2	3	4	5	6	7
1	Choksi Brothers	5.00	1.03	41.26	69.36	33.70
2	Asiatic Mercantile Agency	1.00	10.20	17.90	19.49	6.97
3	Liberty Marketing Co.	1.00	5.22	16.53	17.30	8.41
4	Gopal Films	2.00	10.84	27.02	34.14	29.05

1	2	3	4	5	6	7
5	Jaimini Indu Distribution	2.00	9.24	18.12	13.38	8.03
6	Central Camera Co.	5.00	1.43	38.46	70.29	21.16
7	Capital Photo Service	3.00	6.48	40.28	43.42	23.25
8	Rage Cine Films	10.00	45.39	215.31	242.35	119.76
9	AR Dutt & Sons	5.00	8.27	45.08	120.78	20.40
10	X-ray & Allied Products	5.00	22.26	46.68	111.40	57.05

13. As the outstanding were more than the bank guarantee in respect of all the erstwhile distributors, the Committee enquired if the credit policy had come up for review by the Board at any time in the past. The Managing Director of H.P.F. recalled in evidence:—

“This was raised in 1973-74 by the Board saying that the quantity supplied to the distributors was not commensurate with the bank guarantee provided by them. So in 1974, the Board decided that the bank guarantees have to be adjusted to the volume of business from time to time and a letter to that effect was issued by the Company to the distributors. It was for the Company to pursue and we pursued with the distributors. However, no progress was made and finally a report was placed before the Board on 5th April, 1976. This was taken note of by the Board. Subsequent to this 1974 decision of the Board, a small Committee consisting of one of the Directors and the Marketing Officer was constituted to review and advise the distributors to revise the bank guarantees so as to be commensurate with the business credit that was prevailing at that time.”

14. Asked if the Board had rescinded its earlier decision of 1974 and if not, why that decision was not implemented by the company, the witness said, “No. Board’s decision took no effect. There was hardly one year left and the distributors agreement was to come to an end in June, 1977. There was no point in enhancing bank guarantees and that is why the Board took no action.”

15. The Committee observed that it appeared as if the writ of the Board had ceased to run in the Company. The Committee wanted to know if it was not a failure on the part of the Managing Director

not to have pursued this matter with the Distributors vigorously. In reply, the witness stated:—

“Yes, it was.....In the beginning the turnover was less than Rs. 1 crore. But in 1974 it was of the order of Rs. 14 crores and in 1976 it was Rs. 31 crores. The whole concept was to make two months' supply. In the process this relationship (between bank guarantee and credit) was lost sight of.”

16. One of the charges, enquired into by Rajan Committee was favouritism shown to M/s. Gopal Films by the Company. The Committee enquired whether it was a fact that during April to November, 1977 Gopal Films had been repeatedly defaulting in honouring the hundies and yet no action was taken by the Company to stop supplies to them. In reply, the Financial Controller of H.P.F. recalled:—

“I think there were a few instances in the case of Gopal Films. I am not able to say that it was consecutive every month.”

17. The Committee wanted to know if the Managing Director had any recollection of the then Financial Controller having apprised him of repeated instances of dishonouring of hundies by Gopal Films, the Managing Director said “I do not recollect.” In a Note furnished after evidence, the Company intimated that:—

(i) many distributors had failed to honour their hundies on the due dates but settled the same subsequently either against specific invoices or by *ad hoc* lump sum payments towards the dues. The value of dishonoured hundies thus settled during the period 1975-76 to 1978-79 (upto 30-6-78) amounted as under:

1. Capital Photo Service	Rs. 120.10 lakhs
2. Gopal Films	Rs. 93.25 lakhs
3. Liberty Marketing Co.	Rs. 75.88 lakhs
4. A.R. Dutt & Sons	Rs. 42.52 lakhs
5. Asiatic Mercantile Agency	Rs. 43.63 lakhs

(ii) Interest @ 18 per cent was charged from these distributors for the defaulted period.

(iii) delayed payments against hundies was, in fact, not an unusual feature in the transactions at that time with almost all the distributors and the case of M/s. Gopal Films was only one among them.

- (iv) In the case of the Gopal Films, Hundies paid by them on due dates during the aforesaid period amounted to Rs. 24.04 lakhs only.
- (v) The number of hundies dishonoured by Gopal Films were 4 in 1975-76, 121 in 1976-77, 46 in 1977-78 and 5 in 1978-79 (upto 30-6-78).

18. In reply to a query from the Committee as to what could be regarded as a safe credit limit, the Secretary, Ministry of Industry opined: "If you consider the bank guarantee more in the nature of Security, then it should be upto 4 times and that itself is quite safe. But as you have pointed out, not only 4 times but it reached astronomical figures."

19. Asked about the credit policy being followed by the Company now, the Secretary, Ministry of Industry stated:—

"The Board has adopted a very firm credit policy. It was in 1979. Credit sales to customers are effected based on bank guarantees provided by them restricting the supplies to 2-3 times the value covered by the bank guarantee. For sales within the bank guarantee limits, interest free credit to a maximum of 60 days is extended while to sales beyond bank guarantee limits, the interest free credit period is restricted to 30 days. The extended credit are got covered under the bill marketing scheme. This is the credit policy enunciated by the Board."

20. The Committee enquired that as the take over was to come into effect from 1 July, 1978, why was special favour shown to Gopal Films by continuing supplies to it right upto the end of June, 1978 despite the fact that huge outstanding were already due from them. In reply, the company explained, in a note, that:—

"The supplies made to the distributors were always against indents placed by them from time to time. So long as the Distribution Agreement was current, it was only fair that the company supplied them materials in line with their indents and therefore were continued on the basis of their projected requirements. Until the last day of the validity of the Distribution Agreement viz. 30 June, 1978. It may be relevant to point out that such supplies were effected to all the distributors and no special favour was shown to M/s. Gopal Films."

21. In this connection, the Company furnished the following data of the supplies of still material by the Company to M/s. Gopal Films and other distributors during April to June, 1978 were as under:—

S. No.	Distributor	Supplies made			Total	Supplies made in the last week of June, 1978
		April 78	May 78	June 78		
1	Capital Photo Service . . .	10.76	10.15	11.42	32.33	2.26
2	AR Dutt & Sons . . .	10.00	18.13	3.50	31.63	1.41
3	Jaimini Indu Distribution . . .	1.25	1.55	1.80	5.00	0.25
4	Asiatic Mercantile Agency . . .	6.50	15.90	4.90	27.30	0.87
5	Gopal Films . . .	2.85	8.00	3.09	13.94	2.07
6	Liberty Marketing Co. . .	9.10	6.06	1.45	16.61	N.A.
7	Central Camera Co. . .	7.24	9.95	7.25	24.44	Do.

C. Take over of Unsold Stocks

22. When the Company took over the direct distribution of all its products with effect from 1st July, 1978 and the distribution arrangements came to an end on that date, some of the erstwhile distributors are stated to have urged the Company to take over unsold stocks of Bromide paper lying unsold with them and give them due credit for its value. These materials were of odd sizes or slow moving. Under Agreements with the distributors the Company had reserved to itself the right to resume all unsold stocks of the products covered by these Agreements in the event of the Agreement being terminated provided the products to be returned are in saleable condition.

23. The following unsold stocks were accordingly taken over by the Company from these distributors:—

S. No.	Name of Distributor	Value of stock	Credit Note No. & Date
(Rs.)			
1	X-ray & Allied Products, Madras . . .	6,67,143	CN65 A/10-8-78
2	Asiatic Mercantile Agency Madras . . .	44,662	CN63 24-7-78
3	Central Camera, Bombay . . .	11,07,398	CN 14/B14/18-8-78
4	Capital Photo Service, Calcutta . . .	79,770	CN 35/C/8-9-78
5	Gopal Films . . .	8,31,000	Taken over from Dec. 79 to April, 1980

24. The Committee wanted to know why were stocks of Gopal Films taken over from December, 1979 to April, 1980, after a delay of 18 months when unsold stocks from other distributors were taken over by the Company in 1978. In reply, the Company explained in a note that:—

- (i) In their letter dated 13-12-1978 to the Company, Gopal Films had, *inter-alia*, stated that in the discussions which they had with the Chairman, HPF during May-June 1978, the Chairman, HPF had agreed to take back the unsold stocks lying with them.
- (ii) However, on 8-12-1978, the Chairman directed in a Telex from Delhi that stocks from Gopal Films should not be taken over.
- (iii) There was difference of opinion between the Senior Manager, Quality Central and the Process Controller about the quality of stocks lying with Gopal Films. The Senior Manager, Quality of stocks lying with Gopal Films. The Senior Manager, Quality Control, in his Report dated 5-4-1979, opined that 60 per cent of the sample material was O.K. and hence could be sold away, Dia positive and Graphic Arts rolls were of poor sensite metric value, and 5 metre Bromide paper rolls of acceptable quality. The process controller however, indicated that according to the statistical analysis tests conducted by his Department, the stocks to be returned by Gopal Films were of poor confidence level.
- (v) In view of the conflicting opinions expressed about the quality of stocks, the matter was reported to the Board. The Board Considered this matter at their sittings held on 11 June, 16 August and 23 November, 1979. At its meeting held on 11 June, 1979, the Board decided to take over unsold stocks giving credit to M/s. Gopal Films only to the extent of the actual sales effected of the photo papers taken from them without any liability for their quality and their saleability burdened on HPF. The Board directed the M.D. to take immediate action to collect the outstandings immediately. At its meeting held on 16 August, 1979, the Board desired that M/s. Gopal Films be informed that though there is no legal liability for the company to take over the stocks in certain terms and conditions. In the meeting held on 3-11-1979, the Board expressed the view that the stocks.

belonging to 1973, 1974 and 1975 if sold by M/s. Gopal Films would adversely affect the image of the Company Accordingly only the stocks relating to 1976, 1977 and 1978 were taken over."

25. The Committee desired to know that when Gopal Films was already in arrears to the tune of Rs. 29 lakhs, was it at all obligatory for the Company to have taken over unsold stocks and that too of doubtful quality from Gopal Films. In reply, the Managing Director said in evidence:

"We had no obligation. But there was an over-riding consideration in the plea of the distributor...Gopal Films had been intimating the Company about accumulation of stocks of Bromide paper since 1976-77. They were sending periodical stock statements."

26. Asked whether the entire unsold stocks taken over from Gopal Films had been sold away, the Company intimated in a note that only 80 per cent of such stocks had been sold away by HPF so far and credit notes amounting to Rs. 5.43 lakhs (out of total credit of Rs. 7.70 lakhs payable for entire stock) had been given to Gopal Films and adjusted against their dues.

27. The Committee enquired whether the difficulty in disposing of the remaining 20 per cent stock was due to the fact that these materials had already outlived their shelf life. In reply, the Managing Director of HPF explained: "The shelf life of these products is four to five years. These are slow moving. The monthly consumption is too small and it takes a long time. It will take time to dispose of these materials."

28. The Committee wanted to know whether Gopal Films had after adjusting the credit notes given to them for the unsold stocks taken over from them, cleared their remaining outstandings and if not what steps had been taken to enforce recovery. The Company intimated in a note furnished after evidence. "We have filed a suit for recovery of dues amounting to Rs. 19.54 lakhs from M/s. Gopal Films."

D. Hiring of Accommodation

29. In view of the decision to takeover direct distribution of all its products from 1 July, 1978, the Company sanctioned setting up of seven Depots including one at Bangalore. The proposal for hiring of ground floor area of 2,800 sq. yard in a building at Lal Bagh

Road, Bangalore at a rent of Rs. 11,000 per month was approved by the Managing Director on 16 June, 1978. Subsequently he approved enhancement of the rent to Rs. 12,000 on additional services being provided. During the Committee's examination of the representatives of HPF, the Managing Director stated:—

“We took it over from Mrs. B. Narayana. It belongs to Shri Madhav Raj, who is a close friend of Shri Jeevraj Alva, a relation of the Regional Manager. We took it on rent from Mrs. B. Narayana, who was a sub-tenant. The State Government has also taken a portion of this building for housing the office of the Backward Classes Commission. When I entered into the contract, I thought it belonged to Mrs. Narayana, because I was guided by the Regional Manager. He gave the names of three parties, who have made offers, with a reasonableness of his own that this building is preferable from the point of view of rent, area and location. At that stage I did not make an enquiry. I relied on the recommendations of the Regional Manager. Later on, there was a complaint about it, I made my own enquiries and got all the facts. The complaint was received by Government, who ordered the enquiry. The Director General of Industrial Contingency conducted the enquiry, which was followed by an Enquiry by two senior officials in the Government.”

30. The Committee pointed out that while according to HPF the owner of the building was Mr. Madhav Raj, Rajan Committee had found that the owner was Shri Bhoja Gowda, a planter who had given it to a contractor on a long lease. Asked when the contractor had sub-let the building to Mrs. Narayana, the witness said “I have no idea. My enquiry was a informal one, with the persons I knew.”

31. The enquiry into the aforesaid allegation made by the Director General Industrial Contingencies indicated that in the same building, Government of Karnataka had occupied the first and second floor and that they were paying a rent of Rs. 11,000/- for both floors for vacant space without comprehensive facilities.

32. Rajan Committee constituted by Government to enquire into various allegations levelled against the Government of HPF in its Report dated 23 August, 1980 found that “the owner of the building is one Shri Bhoja Gowda, a planter who has given on long lease to a contractor the building and the business of the contractor is to take buildings on lease and sub-letting them. The ground floor of

the building has been sub-let to Mrs. V. Narayana, the mother of Mr. Babu, a partner of Gopal Films and she has sub-let the premises further to HPF. We have also ascertained that a formal lease agreement has not yet been signed but the draft has sent to HPF by Mrs. Narayana only recently." The Enquiry Committee also found that though the Board had at its meeting held on 16-8-1979 desired that parties should be contacted for obtaining alternative offers, no such proposal had been placed before the Board as the Regional Manager had not been able to locate suitable alternative accommodation.

33. On the question of reasonableness of rent paid for the godown space hired at Bangalore, the Rajan Committee opined that "in view of the prevailing rent in Bangalore the average rate per sq. ft. after making allowance for the furniture and other services comes to about Rs. 3.50 per sq. ft. and we consider this to be reasonable in this context of the fact that for areas within the Municipal Corporation, the CPWD has assessed rates varying from Rs. 1.75 to Rs. 2.25 per sq. ft. without provision of furniture, additional fixtures, electrical fittings etc. The CPWD had even stated that the above rate applies to office use and may not reflect the commercial rates for hiring between commercial concerns."

34. During examination of the representatives of the Company, the Committee desired to know whether any attempt was made to find out whether Mrs. Narayana, the mother of a partner in Gopal Films had the legal power to enter into an Agreement with HPF for hiring of the building at Bangalore, the Managing Director of HPF said: "No, Sir, the time was short. I relied on the recommendation of my Regional Manager. I only considered the location, the reasonableness of the rent and the area."

E. Clandestine sale

✓ 35. On 30 June, 1980, M/s. Hindustan Photo Films Mfg. Co. Ltd. received the rates of their products including the cine colour films and announced the revision in prices after the sale hours in the Sales Depots with a direction to give effect to the revised rate from 1 July, 1980. According to an allegation, the Chief Marketing Manager, the Assistant Sales Manager, Administrative Assistant and Store Keeper of HPF's Ambattur Central Warehouse and the Managing Director of M/s. Gemini Picture Circuit, Madras, a private limited company, and other entered into a criminal conspiracy and got prepared false invoices at Madras sales Depot purporting

them to have been prepared the sales hours on 30 June, 1980 and thus sold away 1740 rolls of cine colour positive films at the old price thereby causing loss of Rs. 4.01 lakh to the Company.

36. The aforesaid allegation was investigated by the CBI who, in their letter dated 8 June, 1981 forwarding S.P's Report to the Company, found that there was sufficient material for launching prosecution in this case against all the four accused. The Ministry of Industry (Department of Industrial Development) intimated that the main thrust of the CBI Report was that in this case (i) the quantity sold to the customer, viz. 1740 rolls, was an unusual one, (ii) acceptance of an outstation cheque was an unusual thing and (iii) delivery of goods was made at unusual hours after the business hours of the office.

37. The Committee wanted to know if, as recommended by the Company, prosecution had been launched and if so, what its outcome was. The Company intimated (November, 1981):

"The Report of the CBI had made out a *prima facie* case of irregularity in the sale. This Report was carefully considered by a Sub-Committee of the Board. Taking all the factors into account, the Sub-Committee felt that the CBI had not conclusively established the case and therefore the matter has been referred to the Central Vigilance Commission for advice."

38. The Committee pointed out that if in such cases, there was considerable time lag between the submission of CBI Report and launching of prosecution, there was every possibility of the accused tampering with the evidence or even destroying it, the Secretary, Ministry of Industry stated in evidence (5 Jan. 1982):—

"The point is this. The HPF must have kept this aspect in view....According to the vigilance procedure, it is to be decided between the CVC and the HPF Board. Govt. peruse does not go into it. We will have to await the views of the HPF Board as also the view of the CVC."

39. Asked about the latest position of this case, the Ministry of Industry (Department of Industry) intimated on 4 March, 1982:—

"...the HPF Board felt that the case had not been established conclusively for a successful prosecution in a Court and, therefore, sought further advice from the Central

Vigilance Commission. However, the CVC have desired that the case may be referred to the Commission through the Department of Industrial Development. Accordingly, the matter is under the consideration of the Department of I.D."

40. The Committee wanted to know if it was a fact that the Chief Marketing Manager (Shri B. Seetharamiah) who was allegedly involved in clandestine sale to Gemini had figured in CBI enquiries in any other case also. In reply, the Ministry of Industry (Department of Industrial Development) intimates in a Note furnished after evidence that:—

- “(i) Prior to his joining HPF as Manager Purchase Division on 12-4-1976, Shri B. Setharamiah was working as Deputy Materials Manager, Stores & Purchase with the Ramagundani Division of the Fertilizer Corporation of India. Before appointing him in HPF, his character and antecedents were got verified through Collectors concerned.
- (ii) It was only in June 1977 that HPF came to know that while working with the FCI there was a CBI case against Shri B. Seetharamiah for his past misconduct. At the request of CVC, of FCI, HPF took necessary steps in consultation with the CVC to initiate disciplinary proceedings by appointed the Inquiry Officer (Commission for Departmental Inquired CVC, New Delhi) and the presenting officer (Inspector of Police, CBI, Hyderabad). FCI had not indicated about the pending CBI case against Shri B. Seetharamiah while relieving him.
- (iii) At its meeting held on 8-10-1979, the HPF Board decided that a senior officer in the same grade should be laterally transferred and posted as Chief Marketing Manager temporarily for a period of two to three years with immediate effect, pending appointment of a suitably qualified and experienced CMM, after advertising and selection. Shri Seetharamiah was transferred and posted as CMM at Madras w.e.f. 9-10-79 in his existing rate and scale of pay, keeping in mind his commercial background and experience in different public sector undertakings prior to his joining HPF.

(iv) Though at its meeting held at Madras on 24-2-1980, the Sub-Committee of the Board had desired that a Committee consisting of the Chairman, a Senior Marketing Executive from HMT and BHEL, Dr. N. Bhagwandass, Director (HPF) and the Managing Director should be set up to interview the candidates, the Committee that was constituted for this purpose comprised of a Director (International Marketing) from HMT, Deputy General Manager (P&A) from BHEL, HPF's M.D. and Director. After interviewing 4 external and 4 internal candidates and taking into account the relative merits and suitability, the Committee recommended the name of Shri B. Seetharamiah for appointment as the CMM of HPF. This recommendation was accepted by the Board's Sub-Committee on 25/28-5-1980 and confirmed by the Board on 11-7-80. Accordingly he was appointed as CMM w.e.f. 14-7-1980 in his existing scale of pay viz. Rs. 1800—2250."

41. Asked whether public undertakings could appoint persons who were under cloud without approval of Government, the Secretary, Department of Industrial Development assured, "I shall certainly go into this aspect of this case...I shall issue the direction that such appointments must go to the Government."

F. Export of Silver Nitrate

42. The details of exports of silver nitrate made by the company are as follows:—

Year	Quantity Exported	Value (Rs. in lakhs)
1976-77	6500 kgs.	56.62
1977-78	5000 kgs.	44.57
1978-79	2301 kgs.	18.91

43. The Company intimated, in a Note, the following facts relating to silver nitrate exports:

- (1) The Company had surplus production capacity for silver nitrate and was looking for export outlets for the chemical. Consequently a protocol was signed during the visit of the then Chairman Shri M. K. Raju to Hungary during the period 14th—17th April 1976 with Champlimpex Budapest. This protocol covered export of silver nitrate to Hungary. In pursuance of this protocol a quantity of

1.5 tonnes of silver nitrate was exported to Chemplimpex, Hungary in January, 1977.

- (ii) In the meantime in 1975 a sample of silver nitrate was sent to GDR which was found to be unacceptable to them. Around June, 1976 Mr. Jackis Dayal of M/s. Dayalimpex evinced interest in this item and desired to act as a representative for HPF for exports to Eastern Europe. Accordingly, a detailed discussion was held at Madras on 12 July, 1976 and the pricing for Silver Nitrate was given as a ratio of the ruling price in the New York Bullion market plus a conversion charge of Rs. 50/- per Kg. of Silver Nitrate. Shri Jackis Dayal had met the then Chairman (Shri M. K. Raju) and it was at his instance the above discussion took place. The participants in the discussion were S/Shri P. J. Patel, Jackis Dayal, S. N. Nagarajan (Financial Controller) and N. Meenakshisundaram (Chief Marketing Manager).
- (iii) A contract was finalised between M/s. INERAC, Berlin, GDR and HPF wherein an agreement for supply of 5 tonnes of Silver Nitrate was concluded at a price of 0.635 times the ruling price in the London Bullion market plus a conversion charge of Rs. 67/- per kg. on an agreed commission of 2½ per cent. This contract and the payment of commission at 2½ per cent was approved by the Board Sub-Committee on Merchandising, vide Memorandum dated 23 November 1976 sent by circulation.
- (iv) A similar contract was again concluded with M/s. INTRAC on 22 June, 1977 which was approved by the Board's Sub Committee on Merchandising at its 7th meeting held at Madras on 28 May, 1977.
- (v) Another contract was concluded in March 1978 for supply of 2 tonne of Silver Nitrate at the usual formula plus a conversion charge of Rs. 55/- per Kg. The reduction in the selling price, viz., in the conversion charge, was compensated by the reduced commission payable to the agent which was only 1½ per cent.
- (vi) Out of the three consignments supplied to INTRAC, the first consignment was air freighted from Madras to Berlin, West Germany and the second and third consignments to Frankfurt "at the disposal of INTRAC."

- (vii) The commission to Mr. Jackis Dayal for these consignments were paid through State Bank of India in foreign exchange with due approval from the Reserve Bank of India.

Trade plan provision made yearwise for export of silver nitrate to GDR under the Indo-GDR Trade plan are as follows:—

1977	.	.	.	.	Rs. 50 lakhs
1978	.	.	.	.	Rs. 100 „
1979	.	.	.	.	Rs. 50 „

- (viii) The ban on silver compounds/silver chemicals/silver salts with more than 50 per cent silver content was imposed in March, 1979 *vide* Export control amendment order No. E(C) 0.1977/A.M. (106) dated 30 March, 1979.

44. During examination of the representatives of the Company the Committee wanted to know whether as a prudent seller the Company had made any efforts to find out whether the prices at which exports of Silver Nitrate were made to Hungary and GDR was the best price. In reply, the Managing Director stated, "It is true that we did not make any effort."

45. Asked whether even for negotiating an export deal and that too with a Government Company, an Agent was needed by HPF to act as intermediary, the witness said:

"There was some approach required. We did contact through him (trade representative of West Germany in India) but it all failed. We had given up hopes. Dayal came much later. This purchase was meant for ORWO."

V. COSTS AND PRICES

A. Price Policy

1. Hindustan Photofilms Mfg. Co. Ltd. intimated (Oct. 81) that the Company's pricing policy was based on the principle of "What the traffic can bear" in deciding on the pricing pattern for the different products within the overall objective of earning a reasonable return on investment. However, the Company's pricing policy did not necessarily seek profit on every product. Sometimes, the price increase legitimately due on a product was transferred to another product by "cross subsidisation".

2. A statement showing the average cost of production *vis-a-vis* average selling price of various products manufactured by the Company each year since 1976-77 is given below:—

	1976-77		1977-78		1978-79		1979-80		1980-81					
	Cost	Selling Price	Cost	Selling Price	Cost	Selling Price	Cost	Selling Price	Cost	Selling Price				
Cine Positive (35 MM)	22.01	22.03	21.14	22.95	23.57	24.02	24.28	25.08	26.08	27.90	27.85	30.54	34.19	30.04
X-Ray	57.82	58.73	58.68	58.74	55.32	59.00	6.86	60.49	67.19	70.52	69.55	80.53	72.07	73.76
Cine Sound	25.46	27.01	26.67	23.60	26.38	30.06	30.67	28.26	32.02	32.72	31.04	38.69	36.82	34.04
Paper-300	19.44	20.65	21.06	18.29	21.65	20.91	21.79	23.67	23.32	25.24	25.94	25.24	22.91	29.23
Paper-DW	23.02	22.42	24.17	25.53	22.27	24.96	24.89	27.63	27.83	28.99	29.66	32.44	28.17	29.23

3. It will be seen from the above statement that during the last three years (1978-79 to 1980-81) cine sound film was sold below cost and X-ray film as well as cine positive (black and white) film were sold below cost in two years. The cost of production has registered 50 per cent increase in the case of cine positive film and 40 per cent increase in the case of cine sound film during the period 1978-81. Further the cost of production of cine positive film was consistently more than budgeted cost in all these years and the gap was to the extent of more than 10 per cent in 1980-81. The Committee asked whether it did not reflect on the management efficiency of the HPF when 2 or 3 out of the 4 products manufactured by it were sold below cost. The Company explained:

- (i) The main reason for the increase in costs of cine positive, cine sound and X-ray during the last 3 years has been due to general increase in prices of important raw materials such as cellulose Tricecotate, Triphenyl Phosphate, Silver, etc. However, the company without resorting to increase the prices of these products had been making the losses incurred on these products by means of cross-subsidy from the profit earned on cine colour and other converted products.
- (ii) As regard X-ray, the BICP has advised the company that in view of the mass consumption of X-ray films (Indu) by the Hosiptals and the importance of these items on Public Health Programme, this item might be sold on "cash cost basis". This suggestion of BICP is being followed by the Company.

4. The Committee asked that when HPF held the monopoly in regard to cine positive (black and white) film and cine sound film, how could the Company justify the sale of these products below cost. The Managing Director stated in evidence. "It was a deliberate policy of the Board."

5. The Committee wanted to know whether the Ministry was satisfied about the pricing policy being pursued by the HPF and its cost efficiency. In reply, the Ministry of Industry (Department of Industrial Development) intimated that:

"In the case of HPF to BICP have carried out two studies into the cost structure of its products during the Fifth Plan

period and have held that the pricing policy of the Company on an over-all basis is very rational."

B. Price Revision

6. The percentage increase in the Selling Prices of products manufactured by the Company during the years 1978 to 1980 was as under:

Product	1978	Percentage of increase	
		1979	1980
Cine Positive B&W	35 mm	4	3.4
			22 (Dec. 79)
	16 mm	4.5	3.6
			22 (Dec. 79)
Cine Sound Neg.	9.5	3	22 (Dec. 79)
Cine Colour			10 (Feb. 80)
Positive			40 (July, 80)
X-ray		7	3
			22 (Dec.) 79)
		4.5	
Paper	4	12 (Dec. 89)	..
Roll Film			
400 ASA			10 (Feb. 80)
			121 (July, 80)
125 ASA			10 (Feb. 80)
			110 (July, 80)

The price of Cine colour positive was reduced by the Company by 2.5% from 1 September, 1981.

7. The Committee desired to know the justification for the aforesaid price increases. In a note furnished to the Committee, attributed these increases to the following reasons:

- (i) The price revision affected in 1978 in respect of all the products other than X-ray is due to the increase in the rates of Excise Duties and other levies made in the Central Budget for that year on the raw materials used for these products. In respect of X-ray apart from this, the price increase was also intended to take care of the high price of silver prevalent in that period.

- (ii) With regard to the first price increase in 1979 it was due to the increase in price of silver. In regard to the second increase in the same year the increase was due to the escalation in the prices of raw materials including silver, in accordance with the formula of the BICP which had gone into the pricing structure of HPF.
- (iii) The increase in 1980 in respect of Medical X-ray films and Cine Colour (produced by Jumbo Conversion) was due to the increase in the cost of Jumbo cells consequent on the silver prices shooting up all over the world.

8. The Committee enquired whether increase in selling prices which was effected in December, 1979 was approved by the Board of Directors after taking into consideration the selling prices recommended by BICP. In reply, the Joint Secretary, Department of Industrial Development (who is also a Government Director on the Board of HPF) gave the following sequence of events that led to the Board's decision on price revision:—

- (i) The Company submitted a proposal for price revision on the plea that in Films, the price of silver had gone up to Rs. 1900 per kg. This proposal was considered by the Board at its 115th Meeting held at New Delhi on 21 March, 1979. The Board was of the view that no increase in the price of raw materials can be absorbed by the Company and the same had to be necessarily passed on to the consumer. However, as the report of the Bureau of Industrial Costs and Prices on the Cost Structure of HPF was expected shortly the Board decided to keep the proposal pending for the present and indicated that the proposal to increase the price may be taken up for approval by circulation after studying the BICP report by the first week of April, 1979.
- (ii) The question of revision of price of roll film on account of increase in Jumbo costs and additional levy of counter-vailing duty was considered by the Board at its 116th Meeting held on 11 June, 1979 at Madras. The Board decided to defer consideration of this item. The proposal for revision of price for Cine positive colour and Roll was again considered by the Board at its 117th Meeting held on 16 August, 1979 at Madras but no decision was taken.

- (iii) At its 120th Meeting held on 23 November, 1979 at Bangalore, the Board considered the Report of BICP March 1979 and the question of revision of selling prices. According to the minutes of this meeting (as adopted at the 121st Meeting held on 15 December, 1979). The Board decided that "the selling prices of all our products, may be revised taking into account the revised fair selling price as worked out by the BICP prior to taking over the distribution, actual escalation in the prices of raw materials worked out based on the BICP formula and the actual cost of distribution (without taking into account the profit earned on take over of distribution) The Board also authorised a Committee consisting of the Managing Director, Shri M. Bahl and Shri N. Rajan to finalise the revised prices and implement the same at the earliest." Apart from the then Chairman (Shri M. S. Appa Rao and the Managing Director (Shri PRS Rao) this Meeting was attended by 7 Directors. They are Dr. S. P. Aggarwal, Dr. O. P. Bhardwaj, M. Bhaktavatsala, K. P. Geet Krishnan, Manish Bahl, H.M. Nadkarani and S. M. Sundara Raju.
- (iv) The Committee of Directors consisting of S/Shri N. Rajan, Manish Bahl and Managing Director at its Meeting held on 10 December, 1979 approved the proposal for increase in the selling price for implementation w.e.f. 10 December, 1979. The price increases recommended and implemented were 22 per cent in respect of Cine Positive, Cine Sound and X-Ray, and 10 per cent in respect of Bromide paper (SW & DW).
- (v) On the same day i.e. 10 December, 1979 Shri Manish Bahl, Joint Secretary, Department of Industrial Development (Govt. Director on the Board of HPF) recorded the following note:

"The question of revision on prices of HPF products was considered at the 120th Meeting of the Board of HPF on 23-11-1979. The revision in prices of HPFs was considered necessary on account of substantial escalation in the price of raw material during the last six months. The Board accordingly decided that the price of the products may be revised taking into account the revised selling price as worked by the BICP, the actual escalation in the price of raw materials worked out

on BICP formula and the actual cost of distribution (without taking into account the profit earned on distribution). Accordingly the price of HPF products have been raised. The revision is as below:—(i) the price of cine products and medical X-ray have been increased by 22 per cent (ii) the Bromide paper cost has been increased by 10 per cent and (iii) the existing price of cine closure and roll films have been retained and no upward revision done. Secretary (I.D.) has asked me that a very brief note may be put up for information of M(I). M(I) may be apprised of this.”

- (vi) At the 121st meeting of the Board held on 15 Dec., 1979 when the question of revision of selling prices came up for consideration, a controversy arose. The question was whether at its previous meeting held on 23 November, 1979, the Board had authorised the Committee of Directors to take a decision and implement it or authorised them to make a recommendation for consideration of the Board. A portion of the proceedings relating to what Shri Geeta Krishnan stated at the Board's Meeting is reproduced below:—

“Sorry to but in; I wouldn't have done it but for the long speech of the Chairman; there are two different issues as we right in the beginning said. One is what was the decision taken at the last meeting, and the second was to what extent was the decision right or wrong which requires to be modified. As far as what was decided at the last meeting is concerned, we went round the table and it is the clear recollection of six Directors that it was decided that the Sub-Committee will finalise the prices and also adopt it for immediate implementation on the basis of the formulae approved by the Board and dictated by Mr. Bahl. On this the Chairman had a different view. I submit that if the Chairman's understanding was different, I am afraid he should not find fault with the six Directors' understanding because in his long dictation he has made it appear as if all of us were delightfully vague and if he had got us correctly he would have done something. I would, therefore, submit again Sir, that if you understood us incorrectly or if there is a lack of understanding on your part, you should accept the ownership for that, Sir, and not say that we did not

say something correctly. We went round the table and six of us have categorically stated what the decision was. You had a different view. On that particular item therefore, six to one that particular item is decided in favour of what the six Directors said. If your understanding is different, by all means let us discuss it now. The issue can be taken up, reopened at this Board meeting and at the end of it, you as the Chairman could exercise the authority that is vested in you, as the Chairman both in the Articles of Association and the Company Law. But please don't put retrospective effect saying that what we said may be we did not know what we were talking about, we were delightfully vague, so your understanding was different, I am afraid you are not being fair to the other six Directors. If you take this view, I am afraid, there is not much place for six of us in the Board."

- (vii) After detailed discussion, the Board decided at the aforesaid sitting of 15 Dec., 1979 that the enhancement of prices of the products implemented from 10 December, 1979 will be treated as "provisional". After considering the representations made against the enhancement of the price by the various consumers, the Board was of the view that the enhancement of the prices of all cine products excluding colour but including X-ray products may be revised by 12½ per cent instead of 22 per cent and that of Bromide paper both by 7½ per cent instead of 10 per cent. The Board, however, authorised Shri N. Rajan, Director to examine and confirm whether price reduction could be made from 10-12-79 retrospectively without seriously affecting the financial interests of the Company.
- (viii) At its 122nd meeting held on 19 January, 1980, the Board decided that the prices charged since 10 December, 1979 shall continue to be provisional except in the case of Bromide paper where the revised prices as notified should stand till the next revision. It was also resolved to appoint a Standing Price fixation Sub-Committee, consisting of the Chairman, Directors Shri N. Rajan, Shri S. L. Kapur, Shri Manish Bahl and Shri M. C. Bhatt and the Managing Director. The Board authorised this Sub-Committee to review the prices to ensure that the

Company's profitability was not adversely effected and finalise the price of the products in the light of the fluctuations in the Silver prices from time to time and to implement the same as and when required.

9. The Committee wanted to know if Shri Manish Bahl, Joint Secretary, Ministry of Industry who had attended the Board meeting of 23 November, 1979 as a Government Director had recorded any note in the Ministry to show what the Board's decision on the crucial question of revision of prices was. In reply, the representative of the Department of Industrial Development (Shri N. N. Rajan) said in evidence:

"There was no record left by Mr. Bahl after the meeting of 23rd November, 1979. He orally briefed me as I was not present at the meeting. He also briefed the Secretary that the pricing question had been differed and had been remitted to a Sub-Committee for a decision...He did not record immediately his impression but the earliest record by him is dated 10-12-79."

10. The Committee asked if at its meeting of 23 November, 1979 the Board had decided to constitute a Sub-Committee of Directors and authorised it to not only decide on the price revision but also implement that decision, how was it that Shri Bahl's note of 10 December, 1979 to the Ministry of Industrial Development had not referred to such a Sub-Committee at all. The Secretary, Department of Industrial Development conceded that Shri Bahl's note:

"does not tell the Minister, what was the frame work of the decision of the 23rd November, meeting, that a Sub-Committee was appointed. This note does not tell the Minister that according to his understanding the Sub-Committee was authorised to deliberate on prices and come to a decision. On the face of it, on the reading of it, there is no doubt about it."

11. Asked if the witness agreed that Shri Bahl's note of 10 December, 1979 had given an impression that the decision taken on 23 November, 1979 to revise the prices of HPF's products was that of the Board and not of the Sub-Committee of Directors and that such a Note could have the effect of misleading the Minister, the witness explained:—

"This note has been recorded by the Joint Secretary in good faith keeping in view the frame work of the decision and

the use of the word "accordingly" to my mind is a little unfortunate. That he should have said is that the Sub-Committee was formed and it was authorised to take a decision; the Sub-Committee has in accordance taken a decision. A certain degree of absence of requisite elaboration has taken place. I would certainly admit that it was not a note which would be said to have adequately informed the Minister of the total position. I accept that."

12. The Committee desired to know that if at the sitting of 23 November, 1979, the Board had really left it to the Sub-Committee of Directors to take a decision and implement it and Sub-Committee had in pursuance of that authority implemented the price rise from 10 December, 1979, where then was the need for the Board to meet again on 15 December, 1979 and what was its agenda. In reply, the representative of the Department said:

"Only two items; one is to consider the proposal on revision of selling price of our products...."

13. Asked that when the Agenda of the Board's meeting of 15 December, 1979 had referred to the revision of selling prices as only a "proposal", did it not clearly show that the Board was under the impression that the Sub-Committee of Directors was not empowered to take a decision on such vital issue and much less implement that, the Secretary said:

"It was a wrong framing of the agenda head."

In reply to a query as to whether the draft minutes of the Board meeting of 25 November, 1979 were circulated to the Directors promptly, the representative of the Department of Industrial Development stated: "The draft minutes were received by me on 15th December, 1979 at the next Board's meeting."

Asked if it was not strange that the draft minutes of the Board meeting of 23 November, 1979 were circulated so late in this case, the Secretary, Department of Industrial Development stated:

"The draft minutes must be circulated in advance and the confirmation is done later. Here the only explanation we are able to give is that this meeting took place on the 23rd and the next meeting took place on the 15th of the next month and because there were only 22 days left in between this procedure was not followed. I submit that it appears unusual and explainable only because the interval of time between the two

meetings this has happened. I do not say it was strange because it does happen if two meetings come close i.e. within a period of 3 weeks”*

14. The Committee wanted to know what was the actual profit or loss during 1980-81 on each product. In reply, a representative of the HPF gave the following figures in evidence:

Product	Profit(+)/Loss (-)
Cine Film Positive	
35 MM	(-) Rs. 65.63 lakhs
16 MM	(+) Rs. 2.54 lakhs
Cine Film Sound	(-) Rs. 13.09 lakhs
Medical X-ray Film	(+) Rs. 81.66 lakhs
Bromide Paper--	
SW	(+) Rs. 77.77 lakhs
DW	(+) Rs. 17.12 lakhs

15. The Committee observed that these figures indicated that HPF made high profits in medical X-ray film but had been incurring a loss in cine film positive and cine film sound. Asked whether this did not tantamount to subsidisation of entertainment sector at the cost of medical and health programmes. In reply, the Managing Director stated in evidence:—

“Silver takes away 22% of the cost. What happened in February, 1980 was that the Silver prices continued to rise. About 12 per cent was the computed increase which was calculated. What we did without increasing the price of integrated production, we raised 10 per cent on the colour. In 1980-81, in the case of cine film, we remained static but we continued to lose in the case of X-ray films. Subsequently, due to reduction in silver coating weight from 17 to 15 grammes which was not contemplated in the Budget, it gave us economy and the cost of production dropped by itself, though the selling price remained the same.”

*At the time of factual verification of the Report, the Department of Industrial Development intimated that “In view of the sensitive nature of the pricing issue and various complaints made to Ministers on the question of pricing policy, the Government Directors on the Board of the Company had submitted detailed notes to the Ministry and the Ministers on the pricing policy from time to time, though the pricing decisions were within the competence of the Board of Directors of the Company. A writ petition against the Company by various film producers was negated by the Madras High Court in October, 1980 in which the High Court upheld the price increases announced by the Company.”

C. Cost of Imports of Jumbo Rolls

16. The consumption of Imported Jumbo Rolls was as under:

Year	X-ray		Cine Jumbos		Colour	Jumbos		Total
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
1976-77	4.38	150.78	18.51	637.39	3.76	182.80	26.65	970.97
1977-78	2.00	78.12	20.32	713.21	5.42	247.56	27.74	1038.89
1978-79	0.74	28.9	26.02	940.13	5.98	275.58	32.74	1244.61
1979-80	0.99	44.31	25.27	994.92	6.52	450.17	32.78	1469.40
1980-81	..	..	30.46	1620.25	5.37	633.85	35.83	2254.10

17. According to the evidence tendered before the Committee by a non-official, HPF had been paying 40 per cent more prices for imported jumbo rolls. He said: "I enquired from Kodak the prices they were charging in Australia, Canada and in Europe. They were nearly 40 per cent less than the prices that were being charged by Agfa. And the prices of Orwa were higher than Kodak. I said that the purchase/policy should come before the Board."

When the Committee enquired whether the Board of HPF had considered this matter at any time, the witness recalled: "I asked how these purchases were effected. But the Joint Secretary (Finance) said that normally revenue expenditure did not come before the Board."

18. The Committee wanted to know how it was ensured that price paid for jumbo rolls being imported every year the Company were reasonable. In reply, the Managing Director said in evidence:—

"I think there will be some difficulty for us in the sense that we are tied up with two jumbo suppliers only. No other party is willing to supply the jumbo rolls. Kodak is not willing, Fuji is not willing. Like that all others are not willing. So we have no other option. So, there are only two parties willing to supply us these jumbo rolls. The product is also coming into the Indian market directly in finished form. We negotiate the price in such a way that we not only get a reasonable price for jumbo rolls;

but also that the price enables us to sell the product in the market after conversion at a price not more than that of the directly imported rolls. That is the best we could do. Even now I express my difficulties about it, but the prices of jumbo rolls in other countries are absolutely erratic. For example, the finished roll of AGFA is \$55 for 1000—feet roll in India. In Ceylon it was \$53. So, these prices are so manipulated by them that it is extremely difficult for us to ensure that we get the lowest price.”

19. Asked how the Company propose to tackle this problem, the witness said:—

“If we can have the scope for negotiating with two or three parties with comparable technology, we can get the lowest price. We can also check up from the European market and then we will be able to bring the price down.”

“It (American Market) must be even higher. It does not have much of colour positive to supply to us. By comparative study only we can find what is the reasonable price. So, we will make the effort to ensure that we get the best price.”

Asked at what level the negotiations for purchase of jumbo rolls were conducted, the witness said:—

“On the last one or two occasions we had a Sub-Committee of the Board to negotiate with the parties. Consequently, discussions with the GDR Company were going on as usual. For AGFA we associate a sub-committee of the Board and we tried to obtain the competitive price. We will continue to do this and ensure a good price.”

VI. WORKING RESULTS

A. Accumulated Losses

Hindustan Photo Films Mfg. Co. had been incurring losses since inception, upto 1974-75 and has shown profits thereafter. The cumulative losses as the end of 1980-81 amounted to Rs. 7.42 crores.

Year-wise details, as furnished by the Ministry of Industry (Department of Industrial Development) are given below:—

(Rs. in Lakhs)

Year	Profit and Loss		Cumulative loss at the end of year
	Budget	Actual	
1971-72	-282	-264.98	1188.61
1972-73	-181	-297.34	1485.95
1973-74	-176	-273.20	1759.15
1974-75	-156	-167.40	1926.56
1975-76	84	16.05	1910.50
1976-77	202	142.63	1767.86
1977-78	190	164.09	1603.77
1978-79	221	232.34	1371.43
1979-80	244	266.65	1104.78
1980-81	362	362.86	741.92

2. As regards the prospects of wiping off this loss, the Company's annual Report for the year 1980-81 stated:

"It is now reasonably certain that the past losses would be wiped off within the next 2 years."

3. The Committee pointed out that Company was able to come out of the red in 1975-76 not on the basis of its own integrated production but because it started importing Jumbos for conversion which yielded substantial profits to the Company each year. The Managing Director of H.P.F. said in evidence: "The major portion of it (Profit) comes from import." The Company intimated that the Company's percentage share of profit from own production, imported jumbo' rolls and imported finished stock was as under:—

	1978-79	1979-80	1980-81
Own production	23.8	19.8	23.8
Imported Jumbos	75.4	76.5	75.3
Imported finished Stocks	0.8	3.7	0.9

B. Capital Structure

4. The paid up capital of the Company is Rs. 16.32 crores and the loans from Government of India were Rs. 11.34 crores as on 31-3-1981. The working capital (current assets, loans and advances less trade dues and current liabilities) of the Company at the close of the last 3 years ending 31 March, 1981 amounted to Rs. 2074.84 lakhs, Rs. 2559.18 lakhs and Rs. 3069.67 lakhs respectively and represented 6.3, 6.7 and 5.9 month's value of production at cost (excluding depreciation) during these years.

5. The Company has been facing cash flow problems. Its borrowings from banks have gone up from Rs. 1424.85 lakhs in 1978-79 to Rs. 1884.40 lakhs in 1980-81. According to a note furnished by the Ministry of Industry (Department of Industrial Development) as on 31-3-1981 the Company was in arrears to the following extent in the repayment of loans and advances granted by the Central Government:

Outstanding Principal	Rs. 1194.14 lakhs
Outstanding Interest	Rs. 313.37 lakhs
	Rs. 1447.51 lakhs

The earliest period to which the arrears relate is 29-6-1975. The Company is stated to be not in a position to pay the interest on Government loan as enough cash surplus was not generated on account of the margin money to be kept in the bank for working accommodation.

6. The Committee pointed out that according to the guidelines issued by the Bureau of Public Enterprises in September, 1968, the ratio between debt and equity should be 1 : 1 whereas in the case of HPF this ratio was 0.69 : 1. The Ministry of Industry (Department of Industrial Development) intimated:

"The Ministry reviewed the capital structure of the Company in 1975-76 and converted Rs. 10 crores of loan capital into equity.....The Ministry has no immediate plans to re-structure its capital as the Company has been consistently earning profits from 1975-76 onwards."

C. Trade Credits and Inventory

7. A sum of Rs. 13.88 crores is locked up in Trade Credits mainly because of faulty credit policy followed by the Company. Another

factor which has added to the cash flow problems of the Company is the level of its inventory holding. The inventory holding of the Company is stated to have gone up from Rs. 19.02 crores as on 31-3-1978 to Rs. 36.42 crores as on 31-3-1981. Year-wise details of the build up of the inventory are given below:—

	(Rs. in lakhs)			
	1977-78	1978-79	1979-80	1980-81
1. Stores spares	235.98	246.57	183.53	125.21
2. Loose Tools	0.99	1.94	1.18	0.15
3. Raw Materials	496.35	654.91	903.14	1135.62
4. Reclaimable scrap material	347.07	316.58	424.08	264.73
5. Process stock	361.56	393.11	288.01	173.78
6. Finished stock	460.63	722.89	1064.33	1832.98
Total	1903.58	2335.40	2864.27	3642.47

8. The break up of finished inventory as on 1979-80 and 1980-81 was as under:—

	(Rs. in Lakhs)	
Year	Stock of own production	Jumbo converted products
1979-80	759.02	298.33
1980-81	836.00	996.98

9. The Committee wanted to know the reason for the increase in inventories during 1977-78 to 1980-81. The Company intimated:—

“The reason for the increase in inventories between 1977-78 and 1980-81 can be attributed mainly to build up of the finished inventory and that too, in Cine Colour and Roll Films..... This (increase) has been caused by the availability of large quantities of imported finished material in the market obtained under REP licenses in the past two years.”

10. The Committee asked that if the Company was faced with any market constraint in respect of cine colour converted rolls, why could it not slow down production of that item instead of

allowing accumulation of stock and locking up resources in inventory of finished goods. In reply, the Company explained:—

“The entitlement (of import of cine colour) was as high as 37.5 per cent which has since been curtailed to 20 per cent based on Company’s representation to the Finance Ministry. Even this entitlement coupled with the unfavourable duty structure on jumbo rolls creates serious problems to the Company’s sale effort. However, the Company is optimistic that this entitlement will further be reduced shortly. In view of this, it is felt that the market-constraint will not be of a permanent nature warranting adjustment to the production programme of Cine Colour Positive in the factory. Hence, the company has not resorted to a cut back in production.”

D. Performance Review Meetings

11. According to the guidelines issued by the Bureau of Public Enterprises, administrative Ministries should hold 4 meetings in a year to review the performance of public undertakings under their control associating the representatives of BPE and the Planning Commission. The Ministry of Industry (Department of Industrial Development) intimated that during 1977-78 to 1980-81, they had held six appraisal meetings in respect of Hindustan Photo Films Mfg. Co. Ltd. These meetings were held on 14-2-1978, 3-7-1978, 15-1-1979, 25-7-1979, 24-9-1980 and 20-1-1981.

12. The Committee wanted to know why the administrative Department had held only 6 review meetings in the case of HPF. In reply, the Secretary, Ministry of Industry (Department of Industrial Development) stated:—

“It cannot be explained. It is a default which has to be accepted. These could have been a time in the history of the Government of India when these reviews were not considered to be necessary. This system might have fallen into disuse. What I am trying to submit is, not only I appreciate but I consider it my duty also that I must do it. I am doing it. That it has not been done in the past by my predecessor in office it is very difficult for me to furnish an explanation except saying that this has not happened. I took over in October, 1980.”

13. Asked if the witness agreed that these review meetings had practically no impact on the Company’s performance and that if

not be taken up and fresh collaboration had to be sought for with others. A Committee constituted on the basis of a recommendation of the Committee on Public Undertakings (1973-74) was brought out a number of lacunae in the collaboration arrangement. What causes even greater concern is the fact that as dealt with in the succeeding paragraph a subsequent collaboration arrangement also reveals that the management has been failing to exercise the requisite care. Therefore, adequate precaution should be taken while entering into such arrangements in future.

4. An agreement was entered into in 1977 with M/s. VEB Film Fabric, Wolfen, GDR for the manufacture of amateur roll film in all its stages. Although the entire amount of Rs. 57 lakhs due under the agreement was paid to the collaborator the HPE has not been able to take up commercial production as yet for want of coating capacity. A scheme for establishing coating capacity costing Rs. 2 crores is stated to have been cleared by Government only recently. It would take another 2 years to establish production of amateur roll film. In this connection the Committee have been informed by a former Chairman of the company that the speed of the coater proposed to be acquired is only 20 meters per minute as against the speed of 150 meters per minute of a coater in any modern plant. Thus, not only has there been delay in establishing the production facility but the scheme itself appears to be unsound. This requires critical examination and appropriate action by Government.

The black and white cine film is on the way out, and it is already late to start on the production of cine colour films. The Company is stated to have come up with a project costing Rs. 100 crores for establishing manufacture of cine colour positive. There is also a proposal for establishing manufacture of industrial X-ray films at a cost of Rs. 50 crores. The proposal for establishing manufacture of graphic art film is yet to evolve. As lead time of or implementation of the various projects is stated to be around 5 to 6 years after finalisation of all arrangements, the Committee urge that projects should be formulated without delay and early decisions taken on the project proposals. In any case it should not take more than 6 months to clear a project even allowing for time for scrutiny by various agencies of Government.

6. Incidentally, the Committee note that Government's reaction to the corporate plan of the company submitted in September 1980 was not communicated to them though according to the Secretary, Department of Industrial Development, the Government thought

that the company could go ahead with the implementation of specific schemes covered in the corporate plan. The Committee desire that in future Government should leave the company in no doubt as to the direction that it should take in regard to its corporate plans.

7. According to a former chairman it was a mistake to have taken up import of jumbo rolls and "scuttled the efforts at developing technology". It is surprising to the Committee that only recently (October 1981) the company had proposed setting up a full-fledged R&D Centre. The Committee desire that the R&D Centre should be established without loss of time in order that the company may be in a position to absorb and adapt the imported technology in various fields and the kind of difficulties that arose out of the initial collaboration arrangement with M/s. Bauchet of France may not occur in future.

8. The company's claim that the installed capacity has been utilised more than 100 per cent fell through on closer scrutiny. The production at the Ooty plant ranged from 7.017 million sq. meters in 1975-76 to 11.006 million sq. meters in 1980-81. This included conversion of imported jumbo films. The integrated production of films alone ranged from 6.299 million sq. meters to 7.55 million sq. meters. The installed capacity for the integrated production as fixed in 1966 was 6.15 million sq. meters. A task force reviewed the installed capacity and came to the conclusion that it should be refixed as 7.673 million sq. meters. Thus production all these years has been less than the installed capacity as realistically assessed. Further, if each stage of manufacture, i.e. film base, emulsion, coating and conversion is taken into account separately there is considerable underutilisation of capacity of all but the coating capacity. This is because while the capacity of the plant and equipment was provided for the entire range of products originally contemplated, the company did not take up all the items resulting in excess capacity. In spite of taking up conversion of imported jumbos, the conversion capacity is underutilised to the extent of 20-25 per cent at the Ooty Plant. The Conversion capacity at the Ambattur Plant (3 million sq. metres) remain almost wholly unutilised. Efforts should be made to achieve optimum utilisation of capacity in all stages as early as possible. The Committee further desire that in order that Parliament and the public may get the correct picture, the department-wise utilisation of capacity should be brought out in the Annual Reports of the company and the BPE's surveys.

9. Additional finishing capacity of 3 million sq. meters for conversion of X-ray and graphic art films was created at Ambattur,

Madras in 1979. This entailed an outlay of Rs. 210 lakhs. The demand anticipation having not materialised, the plant is grossly under-utilised. The utilisation was only to the extent of 0.183 and 0.061 million sq. meters during 1979-80 and 1980-81 as against the capacity of 0.5 million sq. metres. As against anticipated profits of Rs. 135 lakhs the annual loss was Rs. 40 lakhs. Thus, this is a patent case of bad planning. The Committee would like to know whether there was any reliable market survey before embarking on this project and if not, who was responsible for the omission.

10. According to the Management there are demand constraints in respect of cine colour film positive, industrial X-ray film and graphic arts film. This, according to the management, is partly due to imports allowed under OGL or on replenishment licences and partly due to adverse duty structure on imports. The Committee have been informed that based on the company's representation the Ministry of Finance had increased the import duty for directly imported finished rolls to some extent but even with this increase the duty on the jumbo rolls is higher. The company's suggestion to shift the industrial X-ray film and graphic arts film from OGL to restricted/banned list is stated to be still receiving the attention of the CCI&E. However, the import replenishment entitlement on export of feature films has been reduced progressively from 50 to 20 per cent in 1981-82.* The Committee desire that the fiscal and economic policies of government may be reviewed and such further adjustments as may be necessary in the duty structure, import policy and export incentive made in order to sustain the indigenous industry better.

11. The Committee had drawn attention to the huge loss of silver (Rs. 1 crore) in their 55th Report (1973-74) calling for investigation. A High Powered Committee appointed for this purpose submitted its report in 1976. It is regrettable that responsibility was not fixed for this loss, the senior officers concerned with decision making during the crucial period having left the service of the company. That such a loss did not come to the notice of either the Board of the company or the administrative department of government typifies the way they were functioning at that time. By the time it came to be noticed by the Committee and the investigation was made it became too late to fix responsibility. The Committee, however, note that the loss of silver has now come down to 8 per cent from the level of 34.9 per cent in 1972-73. The Committee recommend that there should be effective monitoring at least in future, and the management information system should be streamlined.

*Please see Foot Note at Page 18.

12. During the last three years the aggregate percentage of rejections in all stages of manufacture of films and paper ranged from 29.9 per cent to 37.85 per cent in the case of cine positive, 40.27 per cent to 42.8 per cent in the case of medical X-ray, 37.25 per cent to 43.48 per cent in the case of cine sound and 10.85 per cent to 13.04 per cent in the case of bromide paper as against DPR norms of 11.3 per cent, 27.01 per cent and 9.18 per cent in the case of cine positive, medical X-ray and bromide paper respectively. According to the management, the rejection norms indicated in the detailed project report pertained only to manufacturing rejections and did not include unavoidable edge wastages and trimmings. However, it was seen that the rejections were also much in excess of the overall norms recommended by the Bureau of Industrial Costs and Prices in 1974 in the case of cine positive conversion (15.47 to 23.12 per cent as against the norm of 10 per cent), medical X-ray coating (14.73 per cent to 16.61 per cent as against norm of 9 per cent), cine sound coating (5.1 per cent to 5.47 per cent as against norm of 4.4 per cent), bromide paper coating (4.63 per cent to 6.82 per cent as against norm of 2.3 per cent) and bromide paper conversion (6.6 per cent to 7.53 per cent as against norm of 5.35 per cent). In this connection the Committee learnt that one of the directors of the Board of the company had written to the then Minister of State for Industry on 18 July, 1980 and again on 22 August, 1980 drawing his attention to the high rate of rejections in the company. Comparing the rejections with those of an international company he had pointed out that one of the major factors affecting the company's performance was the high rate of rejections accepted as normal and surprisingly used also as the basis for working out the price formula in BICP report. However, regrettably no action seems to have been taken on this by the Ministry, nor has the Ministry reviewed the level of rejections at any of its periodical performance appraisal meetings. The Committee feel strongly that the BICP ought to have made international comparisons before suggesting the norms for rejections. In any case the whole question should be gone into afresh by the BICP with a view to laying down realistic norms, not to regularise the existing position but to bring about effective management control.

The quality of the products of the company in general does not appear to have been quite satisfactory to Consumers. There have been a lot of complaints. The Committee desire that the quality control set up in the company should be strengthened and complaints should be attended to with promptitude for making improvements.

✓ 14. The Committee on Public Undertakings (1973-74) had recommended taking over of direct distribution so as to eliminate intermediaries, and government had accepted the recommendation as early as February, 1975. Further, a decision taken by government in a meeting of Chief Executives of public sector undertakings in July 1975 that with a view to ensuring that customers got the right quality of goods the company should try to deal directly with the photographers/other consumers instead of through dealers, was communicated to the company in September 1975. However, the company continued the arrangement with private distributors till about the middle of 1978. The explanation given to the Committee for this long delay in implementing their recommendations is not convincing. Clearly the management has been blowing hot and cold and dragging its feet for long. Though government had intimated to the Committee that the Marketing Division of the company had been fully reorganised and strengthened the management had pleaded subsequently that the strength of the Marketing Division was inadequate for direct distribution. Earlier the management was of the view that direct distribution would result in loss but after nearly 2 years changed its views. There was needless delay in considering the report of the management consultant who was appointed to advise on distribution arrangements. Finally it was stated to be at the instance of the government that direct distribution was taken over by the company. According to a former chairman of the company delay in take over of direct distribution was an act of sabotage of policy directions. He informed the Committee that the 11 private distributor concerns engaged by the company were actually held by 5 families. In view of his allegation and in view of the charges of favouritism shown to some distributors, the Committee suggest that the delay should be investigated and responsibility fixed.

✓ 15. The company has been showing undue accommodation to its erstwhile distributors. The credit limit allowed to them was much in excess of the bank guarantee obtained from them. In a number of cases it exceeded 20 times the guarantee. Despite the Board's decision in 1974 that the bank guarantees should be adjusted to the volume of business from time to time, virtually no action was taken until the company took over the distribution in 1977-78. Further, in a number of cases the distributors had failed to honour their hundis on the due dates. The value of such dishonoured hundis during the period 1975-79 in respect of 5 distributors was of the order of Rs. 3.75 crores. In the case of one distributor (Gopal Films) the number of hundis dishonoured were as high as 121 in one year.

(1976-77). Though there were heavy outstanding dues and their hundis were dishonoured, surprisingly further supplies were made to them. In spite of the fact that in one case (Gopal Films) the then Chairman directed that stock remaining unsold on the date of take over of distribution by the company should not be resumed by the company and there was divergence of opinion regarding the quality of the unsold stock, the stock was finally taken over. Not all of it has been sold yet. The company also hired an accommodation in Bangalore in 1978 for setting up a sales depot from the mother of a partner of Gopal Films. She was only a subtenant of a contractor, who had taken the building on lease. According to the Managing Director, he was entirely guided by the regional manager. Incidentally, the Committee note that allegations of act of favouritism towards Gopal Films were made. All these show that at least some of the distributors were being favoured by the management without safeguarding the interests of the company. Therefore, the Committee would suggest an independent enquiry as mentioned in the foregoing paragraph.

✓ 16. It is surprising that the reasonableness of the price paid for the import of jumbo rolls and the price obtained for the export of silver nitrate has not been ascertained by the management. Annual import of jumbo rolls ranging from Rs. 12.44 crores to Rs. 22.54 crores have been made during the last 3 years. There imports have been made from two sources. According to a former chairman of the company the price paid to them was much in excess of the price of the competitors. Even though the competitors may be unwilling to supply the jumbo rolls the least that is expected of the management is that they should have attempted to settle the price in tune with the international market. This should be ensured at least in future. The Committee have reasons to believe that crores of rupees could have been saved if the management was vigilant.

17. Prior to 1979-80 the company had exported silver nitrate to Hungary and GDR. The export to GDR was through an agent. No effort was made to find out whether the price was the best price available and whether other buyers would offer better price. No tender was called for. Nor was any effort made to negotiate beneficial price with the help of the authorities concerned. The circumstances under which the exports were made without ensuring the reasonableness of price calls for an investigation.

18. The cost of production has registered 50 per cent increase in the case of cine positive film and 40 per cent in the case of cine sound film during the period 1978-81. Further, the cost of produc-

tion of cine positive film was consistently more than the budgeted cost in all these years. The cine sound film was sold below cost in all the three years and X-ray film as well as cine positive black & white film were sold below cost in two years. There were substantial price increases during these years. An analysis of the profits on the company's own products during the year 1980-81 has revealed that heavy losses were incurred on cine film positive and cine film sound but substantial profits were made on medical X-ray film (Rs. 81.65 lakhs) and bromide paper (Rs. 94.89 lakhs). The Committee have been informed that as a matter of deliberate policy there was cross subsidisation in that the black & white films were sold below cost and the loss was covered by profits on cine colour films and other converted products. However, the Committee do not approve of the pricing of medical X-rays with a high margin of profit. Having regard to the social implications the medical X-ray films should be sold, as far as possible, on cost basis as suggested by the BICP. Further, the Committee desire that taking note of the lacunae, effective cost control system should be introduced in the company. They would particularly commend the idea of integrated financial and cost accounting system.

19. A controversy surrounding the price increase given effect to in December 1979 came to the notice of the Committee. Though the price revision was decided upon by a Committee of Directors consisting of Sh. N. Rajan, Sh. Manish Behl (Government Directors) and the Managing Director purportedly on the basis of a decision taken in the Board meeting held on 23 November 1979, this was disputed at the Board's meeting held on 15 December, 1979. In this connection the Committee wish to draw attention to the fact that according to the former Chairman of the company, misleading information was given in regard to the prices although these were considerably higher than those recommended in the BICP report's fair price formula. The Committee feel that the cost structure of the company and the pricing policy require a review. The Committee have already indicated that the norm for rejection should be refixed realistically.

20. One of the price revisions made recently was given effect to from 1 July 1980 and this involved a 40 per cent increase in the case of cine colour films. There was an alleged clandestine sale after the price revision but at the old price which entailed a loss of Rs. 4.1 lakhs. Although CBI which enquired into it recommended prosecution against three officials of the company and a director of a private firm, the management of the company had curiously come to the conclusion that the CBI had not conclusively established a

case for prosecution. The matter was instead referred to the CVC who desired that the case may be referred through the Department of Industrial Development. One of the officers who was allegedly involved in the clandestine sale was involved in a CBI case for his misconduct even before his appointment in the company. This officer, who was initially taken as a purchase manager, was surprisingly appointed as Chief Marketing Manager in the company even after the past antecedents came to the notice of the company. The Committee are, therefore, constrained to urge that prosecution should be launched as suggested by the CBI, if necessary, in consultation with the CVC and the circumstances under which the Chief Marketing Manager was appointed should be enquired into for appropriate action.

21. The sales of the company consistently lagged behind the production in all the years 1977 to 1981, with the result that there was a heavy build up of the inventory of finished goods. The level of finished goods inventory holding was of the order of Rs. 18.32 crores on 31 March, 1981. The outstanding dues to the company were of the order of Rs. 13.88 crores. The heavy inventories and faulty credit policy have combined to push up the working capital needs of the company. The working capital as on 31 March, 1981 was Rs. 30.69 crores and this represented about six months' value of production at cost. The company has been facing cash flow problems. Its borrowings from banks have gone up to Rs. 18.84 crores in 1980-81. The company has not been able to repay the loans and advances granted by government and these overdue instalments together with the interest were of the order of Rs. 14.47 crores as on 31 March, 1981. The default in repayment has occurred since July, 1975. The Committee have no doubt that the production and sales management as well as the cash management in the company are unsatisfactory. They hope that steps would be taken to put the company on a sound financial footing.

22. The Committee's examination of the HPF for the second time left them with the impression that all is not well with the company yet. The image of the company has also suffered on account of a number of allegations made by responsible men. These were enquired into by a team of officers, including two government directors of the company. According to the Secretary the enquiry was not intended to be an independent full dress enquiry. The Committee feel that such an enquiry by officers associated with the Company during the period is neither adequate nor capable of inspiring confidence in all concerned. It can be argued that such a limited

enquiry may not be objective. The Committee after examining the company have inevitably come to the conclusion that there has to be an independent enquiry not only covering the various allegations already made but also the points made by the former Chairman, which as indicated in Section I of Part I of this Report and the points raised by the Committee in this part of the Report. There should be a proper vigilance set up in the company. Further, the Committee wish to stress that there ought to be a better control by the administrative Department and for this purpose atleast the performance appraisal meetings should be held regularly in future.

NEW DELHI;
April 17, 1962
Chaitra 27, 1904 (S)

BANSI LAL
Chairman
Committee on Public Undertakings.