

**COMMITTEE ON PUBLIC UNDERTAKINGS**

**1978-79**

(SIXTH LOK SABHA)

**THIRTIETH REPORT**

**Action taken by Government on the Recommendations contained in the seventy-ninth Report of the Committee on Public Undertakings (Fifth Lok Sabha)**

**ON**

**FILM FINANCE CORPORATION LTD.**

**(Ministry of Information and Broadcasting)**

*Presented to Lok Sabha on 3-4-1979*

*And*

*Laid in Rajya Sabha on 24-4-1979*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*March, 1979/Chaitra 1901(S)*

*Price Rs. 4.25*

## CORRIGENDA

Thirtieth Report of the Committee  
on Public Undertakings(1978-79) on  
Action Taken by Government on the  
Recommendation contained in the  
79th Report of CPU(5th L.S.) on F.F.C.

<u>Page No.</u>	<u>Para</u>	<u>Line No.</u>	<u>For</u>	<u>Read</u>
Contents page	Against Appendix Nos. II to VIII		Pages 93,94,96 98,99 100 and 101	Pages 86,87, 89,91,92,93 and 94 respectively
1		4	hal	had
2	4	4	shoudl	should
5	15	3	firms	films
9	22	4	yoan	Loan
10	25	Heading line 3	2.283	2.183
11	29	9	subversion	subvention
19	-	bottom	at al	at all
25	-	21	Add the word 'by' after the word "financed"	
25	-	10 from bottom	were	where
27	-	12	pages 2 to	para 7
27	-	11	Delete the line "these defaulting producers and take appropriate steps for recovery"	
31	-	17	Add the word 'of' after the word recovery and the word 'and' after the word 'loan'	
32	-	2	slupervi- sion	supervision
34	-	19	specifi	specific
43	-	6	spirits	spirit
43	-	6	was	who
45	-	8	started	stated
51	-	6 from bottom	contracted	constructed
53	-	15	doubtly	doubly
54	-	12	port	Report
62	-	25	approach	approach
63	-	20	basve	have
55	-	2 from bottom	enother	another

## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE . . . . .	(iii)
COMPOSITION OF THE STUDY GROUP ON ACTION TAKEN . . . . .	(V)
INTRODUCTION . . . . .	(VII)
I. Report . . . . .	1
II. Recommendations that have been accepted by Government . . . . .	13
III. Recommendations which the Committee do not desire to pursue in view of Government's reply . . . . .	69
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee . . . . .	72
V. Recommendations in respect of which replies of Government are awaited . . . . .	77
APPENDICES	
I. Charter of activities of Film Finance Corporation . . . . .	83
II. Extracts from Minutes of the meeting of Board of Directors of Film Finance Corporation held on 30-11-1977 at Bombay. . . . .	93
III. Copy of letter No. 12/68/76—FI dated 29-9-1976 containing instructions issued by Government to FFC for keeping on record the reasons for rejection of loan application. . . . .	94
IV. Check List . . . . .	96
V. Copy of letter No. 12/40/76—FTT (IV) dated 16-7-1976 containing instructions issued by Government to the Government's representatives on the Board of Directors that they should act as eyes and ears of the Government on the Boards. . . . .	98
VI. Copy of letter No. 12/54/76—FTT (IV) dated 4-3-1977 regarding instructions to cinema exhibitors to earmark certain days in a week for exhibiting FFC financed films . . . . .	99
VII. Copy of D. O. No. F. 1/DS(C)/BPE dated 7-7-1977 from Ministry of Finance, Bureau of Public Enterprises to Shri N. V. K. Murthy, General Manager, F.F.C. regarding Management accountancy system. . . . .	100
VIII. Analysis of the action taken by Government on the recommendations contained in the 79th Report of C.P.U. (5th Lok Sabha). . . . .	101

## COMMITTEE ON PUBLIC UNDERTAKINGS

(1978-79)

Shri Jyotirmoy Bosu—*Chairman*

### MEMBERS

2. Shri O. V. Alagesan
3. Shri Maganti Ankineedu
4. Shrimati Chandravati
5. Shri Tridib Chaudhuri
6. Shri Hitendra Desai
7. Shri Anant Ram Jaiswal
8. Shri L. L. Kapoor
9. Shri K. Lakkappa
10. Shri Dharamsinhbhai Patel
11. Shri Raghavji
12. Shri Padmacharan Samantasinhar
13. Shri Bhanu Kumar Shastri
14. Dr. Subramaniam Swamy
15. Shri Madhav Prasad Tripathi
16. Shri S. W. Dhabe
17. Shri K. N. Dhulap
18. Shri H. B. Mahida
19. Shri Murasoli Maran
20. Shri Era Sezhiyan
21. Shri Viren J. Shah
22. Shri Sultan Singh\*.

### SECRETARIAT

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

---

\*Elected w.e.f. 26-12-1978 vice Shri Deorao Patil died.

**SUB-COMMITTEE ON ACTION TAKEN OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS**

(1978-79)

1. Shri Jyotirmoy Bosu—*Chairman*
2. Shri O. V. Alagesan—*Convener*
3. Shri Tridib Chaudhuri
4. Shri Hitendra Desai
5. Shri L. L. Kapoor
6. Shri K. Lakkappa
7. Shri Bhanu Kumar Shastri
8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present the Thirtieth Report on Action Taken by Government on the recommendations contained in the 79th Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Film Finance Corporation.

2. The Seventy-Ninth Report of the Committee on Public Undertakings (1975-76) was presented to Lok Sabha on 22nd March, 1976. Replies to all the 68 recommendations contained in the said Report were received in batches from the Ministry of Information and Broadcasting and the last batch was received in October, 1976. Replies duly vetted by Audit were received in batches by 14th December, 1977. Further information in respect of 10 recommendations was called for from the Ministry on 19th January, 1977 and the same was furnished by the Ministry by the 15th March, 1977.

3. As the replies received from the Ministry in respect of certain recommendations required updating, the Ministry was asked on 6th December, 1977 to furnish updated replies, with latest information in respect of 15 recommendations and the same were received from the Ministry in batches by 4th February, 1978.

4. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings and this Report was adopted by them at their sitting held on 26th March, 1979. The Report was finally adopted by the Committee on Public Undertakings on 30th March, 1979.

5. An analysis of the Action Taken by Government on the Recommendations contained in the Seventy-ninth Report of the Committee (1975-76) is given in Appendix VIII.

NEW DELHI;

March 28, 1979

Chaitra 7, 1901 (S).

JYOTIRMOY BOSU

Chairman,

Committee on Public Undertakings.

## CHAPTER I REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the 79th Report of the Committee on Public Undertakings (5th Lok Sabha)—1975-1976 on Film Finance Corporation Ltd. which was presented to Lok Sabha on the 22nd March, 1976.

2. Action taken notes have been received from Government in respect of all the 68 recommendations contained in the said Report. These have been categorised as follows:—

- (i) *Recommendations|Observations that have been accepted by Government:*
- |                   |        |        |        |        |        |       |            |
|-------------------|--------|--------|--------|--------|--------|-------|------------|
| 2                 | 6      | 2      | 3      | 16     |        |       |            |
| Serial Nos. 1—18, | 20—22, | 24—29, | 31-32, | 36—38, | 40—57, | 59—64 | and 66—68. |
- (ii) *Recommendations|Observations which the Committee do not desire to pursue:*
- Serial Nos. 30, 39 and 58.
- (iii) *Recommendations|Observations in respect of which replies of Government have not been accepted by the Committee:*
- Serial Nos. 19 and 23.
- (iv) *Recommendations|Observations to which final replies of Government are still awaited:*
- Serial Nos. 33, 34, 35 and 65.

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

### A. Distribution of Loans

#### Recommendation (S. No. 17, Paragraph 2.106)

4. In May, 1969 Government representative on the Board of Directors had stated that "it would perhaps be not quite correct to say that all the films financed by the Corporation have been films of high artistic value". He had also come to the conclusions that vigorous efforts were not made for the recovery of loans and adequate pre-

caution was not exercised before sanctioning loans. In this context the Committee were informed that the whole matter was investigated by the Corporation and it was observed that the scripts were not thoroughly examined and the background of the applicants was not properly looked into. The Committee desired that the Government should investigate the cases in which scripts were not thoroughly examined, where the background of the applicants was not properly looked into, adequate precautions were not taken before sanctioning of loans and vigorous efforts were not made for the recovery thereof and take action to fix responsibility for the lapses on the officials of the Corporation and Government representatives on the Board.

5. In their reply, Government stated as under:—

“A Study Group of Officials who investigated into the lapses on the functioning of the Film Finance Corporation, felt that it was difficult to pin-point a film or films which would be considered as not having high artistic values, because evaluation of the films differ from person to person. However, on going through the list of films, the Study Group found that a number of films made before 1969 were considered for grant of loans primarily on their commercial appeal rather than artistic merits. The Script Committee also consisted of only a few members, often Directors|producers of the Films Division and one or two outsiders. The outsider-invitees did not always attend the meetings and decisions were taken by one or two persons who attended and recommended the loans.

The responsibility for the grant of loans primarily lies with the Board, who was guided by the recommendations of the Script Committee. As pointed out the Script Committee consisted only of a few persons. To improve this lacuna, the Study Group has recommended that the minimum quorum for the Script Committee should be 5 including the Chairman and excluding the Technical Adviser. The Committee are invariably composed of notable persons in the field of art, literature, social service, film criticism, script writing and film-making. Each member is also asked to record in specific terms whether he or she recommends the grant of loans to the applicant or not with reasons in support thereof. The suggestion of the Study Group is now under consideration of the Corporation.



6. In their subsequent reply furnished on 15-3-1977 Government have stated that on the suggestion of the Study Group that the minimum quorum of Script-Committee should be five including the Chairman and excluding the Technical Adviser, the Script-Committee had since been reconstituted on these lines.

7. The Committee are informed that a Study Group has investigated the lapses in the functioning of the Corporation and on its suggestion the Script-Committee has been reconstituted. But they regret to note that Government have not made investigations to identify specific cases in which the scripts were not thoroughly examined, the background of the applicants was not properly looked into, adequate precautions were not taken before sanctioning of loans and vigorous efforts were not made for the recovery thereof and no action has been taken to fix responsibility for these lapses. The Committee would like to reiterate that the whole matter should be thoroughly investigated with a view to fixing responsibility and drawing lessons for the future and the Committee informed of the final action taken in the matter within 60 days.

#### *B. Completion and Release of Films*

##### **Recommendation (Sl. No. 19, Paragraph 2.110-2.111)**

8. The Committee had observed that in the case of one film "Umeed", the producer had created first charge over the collections in favour of a private financier. The Committee saw no justification for allowing this arrangement as the first charge over the earnings should have been in favour of Film Finance Corporation which had advanced loans. The Committee suggested that the FFC should examine whether there was any similar lacuna in the agreements with other producers and, if so, take steps to immediately rectify the same by introducing suitable clause in the agreement to ensure that FFC got top priority over the collections in adjustment of the loans granted by it.

9. The Committee also found that this film "Umeed" had since been released in Punjab. The Committee felt that the Corporation should have made all attempts to recover the loans through collections instead of writing off the loan as doubtful recovery. They desired that the Corporation should take immediate steps for the recovery of the loans from the producer concerned.

10. In their reply Government have stated that the agreements with producers other than that of film "Umeed" provide that the first charge on earnings on films is due to the Corporation.

11. As regards the recovery of loans from the producer of the film "Umeed", Government stated (October, 1976) that "though the film 'Umeed' was released, its exhibition was subsequently stopped inside Punjab due to litigation. However, the Corporation would initiate legal steps to the extent possible for recovery of its dues."

12. In their subsequent reply (4-2-1978), Government have stated as under:—

"The Corporation's solicitors have advised that the decree obtained by it on 24th December, 1967 against the borrower of film "Umeed" had been replaced and substituted by an agreement dated 1-4-1969 under which the Corporation agreed to make a further loan of Rs. 2.5 lakhs to him and he agreed to pay aggregated amount of Rs. 6 lakhs (which included the decree amount due and payable by him under the decree) within a period of 1½ years from the date of agreement or within one month from the date of release of the film, whichever was earlier. According to the solicitors, this agreement would seem to have become time barred. Other limitations about taking action under the decree had also been pointed out by the solicitors. The result is that the claims against the borrower is not enforceable."

13. The Committee find that the agreements with the producers other than that of the film 'Umeed' provide that the first charge on earnings on films is due to the Corporation. The Committee are surprised to note that there was no such provision in the agreement with the producer of the film 'Umeed'.

14. The Committee regret to note that the Corporation/Government did not make any serious efforts to recover the outstanding loan amounting to Rs. 6 lakhs granted to the producer of Rajan Films for the film 'Umeed', which subsequently had been written off, nor did they take any action when the claim was about to become time barred. The Committee take a serious view of the lapses on the part of the Corporation in not having taken action against the party in time. They recommend that the whole matter should be investigated thoroughly to find out the reasons for the lapses on the part of the Corporation in this case and to fix responsibility for defective agreement with the producer of the film 'Umeed'. The Government should take suitable action against the defaulting officers. The Committee further stress that the Government should ensure that such serious lapses which cause financial losses to the Corporation do not recur in future.

**Recommendation (S. No. 21, Paragraphs 2.113-2.114)**

15. The Committee noted that while before June, 1969 there was only one film stuck-up involving a sum of Rs. 2.38 lakhs, after June, 1969 two films were stuck-up and out of a sum of Rs. 3.38 lakhs advanced as loan to these films, which was in arrears, a sum of Rs. 2.49 lakhs had been declared to be doubtful of recovery. They recommended that the cases of these two stuck-up films might be investigated and the Corporation should keep a close watch on the progress of the films for which it had advanced loans and if any film did not appear to be making satisfactory progress, the Corporation should, in its own interest, arrange to render all help and give all guidance to complete the film without attracting any fresh financial liability on itself.

16. In reply, Government have stated as under:—

“A Study Group of officials went into the details about the two stuck-up films—‘Mansara Vilap’ (Oriya) and ‘Shasha’ (Hindi) after June, 1969. The detailed position about both the films is indicated below:—

***Mansara Vilap***

The producer-cum-Director of the film had no experience either in production or direction of films. Before applying for loan of Rs. 1.5 lakhs, he spent Rs. 11,000 on his own. The Script Committee found the story material excellent but the script weak. The consideration for recommending the loan was that the Oriya film industry was backward and needed help. A sum of Rs. 1.5 lakhs was sanctioned. Rushes of the film were seen by the then General Manager and the Technical Adviser on January 3, 1974, though by that time, the producer had already been given three instalments of Rs. 1,09,500. The then General Manager and the Technical Adviser found the quality of work, direction, casts, etc. in the film falling short of even the average standards. However, the last instalment of Rs. 11,000 was given to the producer on May 2, 1974 with the hope that he would complete the film. It may therefore, be observed that though the film was not coming up to even the average standard, the Film Finance Corporation was aware of the shortcomings but was guided by the consideration that it was financing a film with a view to complete it so that in the limited exhibition circuit for Oriya films,

this film on completion would be able to earn the money and repay the loan.

### *Shasha*

The Script Committee found the script of this film worth consideration as the Director had a creditable record as a writer. As a result, a sum of Rs. 2,50,000 was recommended as a loan, though an amount of Rs. 2,38,000 was given to the Director of the film. The film remained incomplete, as the Director could not either sell the film to any territory, nor was he able to complete the film. There was no proper supervision at every stage of production of this film by the management of the Film Finance Corporation. Though the Film Finance Corporation requested a Committee consisting of three eminent film makers, namely, S/Shri Kantilal Rathod, Kumar Shahni and Girish Ranjan, to preview the film and suggest ways and means, the first two members commented that no Director would be able to rescue the film; while the third member could not see the film and give any opinion. The Study Group felt that if at any stage in the production of this film, Film Finance Corporation would have taken the trouble of employing an experienced Director to complete the film by replacing the existing Director, this film could possibly have been retrieved.

“The recommendation of the Committee that the Corporation should keep a close watch on the progress of the films for which it has advanced loans and if any film does not appear to be making satisfactory progress, the Corporation should in its own interest arrange to render all help and give guidance to complete the film without attracting any fresh financial liability on itself, is accepted.”

17. The Committee note that in pursuance of their recommendation, a Study Group of officials went into the details about the two stuck-up films “Mansara Vilap” (Oriya) and “Shasha” (Hindi). The Committee also note that as per the findings of the Study Group, the producer-cum-Director of the film ‘Mansara Vilap’ had no experience either in production or direction of the film and that in spite of the General Manager and the Technical Adviser having found the quality of work, direction, casts etc. in the film falling short of even the average standard, the producer was given the last instalment of the loan amounting to Rs. 11,000 with the hope that the film would be

completed. As regards the film 'Shasha', the Committee find that as observed by the Study Group, there was no proper supervision at every stage of production of this film by the Management of the Film Finance Corporation Ltd. According to the Study Group, "if at any stage in the production of this film, FFC would have taken the trouble of employing an experienced Director to complete the film by replacing the existing Director, this film could possibly have been retrieved."

18. The Committee trust that the Corporation would have learnt lessons from the findings of the Study Group and taken steps to ensure that not only should it exercise proper care in the selection of scripts and producers/Directors, but also keep close watch on the progress of the films for which it advances loans and arrange to render all help and give all guidance, in its own interest, to complete the films without inviting any fresh liability on itself.

### *C. Sanction and recovery of loans*

#### **Recommendation (S. No. 23, Paragraph 2.116-2.117)**

19. The Committee noted with regret that, even after 1969 when the procedure for sanction of loans and recovery thereof was stated to have been streamlined, there had been cases where producers who had not repaid the earlier loans advanced by the Corporation were given fresh loans for production of other pictures and the loans granted even for these pictures remained in arrears. To cite an example, they found that Shri Gajanan Jagirdar who had been sanctioned a loan for a Marathi picture 'Sukhachi Savali' in 1963, part of which had to be written off, was sanctioned another loan in 1970 for another Marathi Film 'Donhi Gharcha Pahuna' and the subsequent loan was also still in arrears.

20. The Committee felt that even after 1969 the loans had been sanctioned by the Corporation without thorough scrutiny and without regard to the antecedents and the past performance of the applicants. They strongly deprecated the lack of elementary commercial prudence shown by the Corporation in such cases and recommended that all such cases relating to the period after 1969 should also be investigated with a view to fix responsibility and the Committee informed of the action taken. The Committee pointed out that it was not advisable for the Corporation to advance fresh loans to producers unless they had repaid their earlier loans to the Corporation.

21. In their reply Government have stated as follows:—

"A Study Group of officials constituted to go into the lapses on the functioning of the Film Finance Corporation, in-

vestigated into the cases of advance of second loan to the producers, when the earlier loan was still in arrears. According to the Chairman, there are only 2 such cases, namely that of Shri Gajanan Jagirdar and Shri Mani Kaul, for the production of their second films, namely, 'Donhi Gharcha Pahuna' and 'Duvidha' respectively.

Shri Gajanan Jagirdar applied for a second loan of Rs. 1,20,700/- on 8th October, 1970, for producing the film entitled 'Donhi Gharcha Pahuna'.

\* \* \* \*

The Board at its meeting held on the 28th November, 1970, considered the second loan application of Shri Jagirdar and decided to grant the loan applied for in instalments. The facts about the earlier loan must have been known to some of the members of the Board at the time of presenting the case for the second loan. The officers of the Corporation notably, the Secretary and the Assistant Technical Advisor were not new at the time of presenting the case for second loan.

In the second case, the applicant Shri Mani Kaul first applied for a loan of Rs. 2.5 lakhs for producing the film 'Ashad Ka Ek Din' in June, 1970.

\* \* \* \*

The Board examined the proposal at the meeting held on 9th September, 1970 and decided to grant a loan of Rs. 1,75,000/- to Shri Mani Kaul, for making the film. Subsequently, an additional loan of Rs. 20,000/- was also sanctioned by the Board at its meeting held on the 5th June, 1971.

\* \* \* \*

On 24th May, 1973, Shri Mani Kaul wrote to the Chairman, Film Finance Corporation, requesting that he may be given a loan of Rs. 65,000/- for completing the film 'Duvidha'.

\* \* \* \*

In this proposal Shri Mani Kaul suggested that the proposed loan should be inter-locked with the earlier loan for the film 'Ashad Ka Ek Din' and that the earnings of the film 'Duvidha' could be utilised towards the repayment against the loan taken for the first film. The Board at its meeting held on 28th June, 1973 considered the propo-

sal and decided to grant the loan of Rs. 65,000/-. There has been no concealment of facts in this case at the time of sanctioning the second loan. The Board consciously sanctioned the second loan.

The Government accept the above findings of the Study Group. No responsibility is proposed to be fixed for the sanction of the second loan as the decision was that of the Board and not of any individual.

To prevent such lapses in future, it is proposed to amend the loan application form to include a provision to indicate the earlier loans if any applied for by the applicant and if so, with what results. The amendment of the loan agreement including insertion of the following provisions has been suggested:—

- (i) The Corporation will have the first charge over the earnings of the films for which the loan is granted as well as subsequent film or films to be made by the same producer;
- (ii) A provision to the effect that the assets of the loanees are made inalienable till the Corporation's dues are finally paid and settled.

This is under consideration of the Corporation, in consultation with their legal experts.

22. In their further communication dated 19-1-1978, the Government stated that 'the bye-laws and regulations for the grant of loan are being revised in consultation with the Corporation's legal advisors. Loan application forms are also being revised simultaneously.

23. The Committee note that the Study Group of officials constituted to go into the cases of advance of second loan to the producers has found that there were two cases where the producers (Shri Gajanan Jagirdar and Shri Mani Kaul) were given fresh loans for production of their second films when their earlier loans advanced by the Corporation were still in arrears. The Committee are informed by the Ministry that "no responsibility is proposed to be fixed for the sanction of the second loan as the decision was that of the Board and not of any individual." It seems that the applicants here were able to influence the Members of the Board who had granted them the second loan whilst they were in arrears for their earlier loans

---

At the time of factual verification, the Ministry of Information and Broadcasting informed that 'the bye-laws and the loan application forms have since been revised and approved by the Board of Directors and are under the consideration of Government'.

advanced by the Corporation. Individual explanations of all the Board Members concerned should be obtained and it should be ensured that they are not put on the Membership of the Board in future.

24. The Committee are informed that in order to prevent such lapses in future, "the bye-laws and regulations for the grant of loan are being revised in consultation with the Corporation's Legal Advisors. The loan application forms are also being revised simultaneously". The Committee urge that expeditious action should be taken to suitably amend the bye-laws and regulations as also the loan application and loan agreement forms in order to guard against the grant of second loan before repayment of the first loan and to ensure recovery of the loans advanced by the Corporation.

#### *D. Constraints in financing of films capital structure*

**Recommendations (Serial Nos. 33, 34, 35 and 65 Paragraph Nos. 2.182, 2.283, 2.184, 2.185, 7.08 and 7.09)**

25. The Committee were informed that as a result of the efforts made by the Corporation, Government had agreed to give the Corporation for a period of five years from 1970-71, a subvention at the rate of 10 per cent on the total annual disbursement of loans during the previous financial year. The Committee regretted to note that the question of its extension beyond the year 1974-75 had been under protracted correspondence with the Corporation and no final decision in the matter had been taken till January, 1976 (Para 2.182).

26. The Committee were also informed that a proposal to grant an interest-free loan of Rs. 45 lakhs from out of the earnings on import of American films through Motion Pictures Export Association of America (MPEAA) was under the consideration of the Ministry of Finance who had some reservations in regard to the proposed utilisation of the funds by the Corporation for production of films on its own and some clarification had been asked for from the Corporation. The Committee desired that this matter should be examined carefully with reference to the objectives of the Corporation before decision in this regard was taken. The Committee recommended that Government should decide the question of continuance of subvention and the grant of interest-free loan of Rs. 45 lakhs expeditiously so that the Corporation might be clear about its position in regard to its finances and it might arrange its commitments suitably and fulfil the role for which it was set up. (Paragraph 2.183 & 7.09).



27. The Committee noted that the FFC had been financed by loans and equity in the ratio of about 2:1. They were informed that the proposal for conversion of loan into equity was acceptable to the Ministry. The Committee desired that Government should communicate their decision in this regard to the Corporation expeditiously. (Paragraph 2.184 and 7.08).

28. The Committee hoped that with the conversion of loans into equity, grant of subvention and interest-free loan of Rs. 45 lakhs and the availability of funds from the trading activities of the Corporation as also from nationalised Bank, the constraint of funds that was stated to have prevented the Corporation in the past from making a sizeable impact on the film industry, would disappear to a considerable extent. The Committee recommended that the Corporation should prepare a comprehensive and phased scheme for the optimum and judicious use of the larger funds that would become available so as to ensure that not only larger number of artistic low-budget films of good standards were financed by it but that the films for which it provided funds were also completed in the shortest possible time, exhibited all over the country and the loans were paid back by the entrepreneurs regularly so that the corporation might be in a position to recycle the funds for the benefit of other entrepreneurs from year to year. (Paragraph 2.185).

29. In their reply to all the above recommendations (Serial Nos. 33, 34, 35 and 65) Government have stated as under:—

“On the basis of different observations made by Committee on Public Undertakings and expert opinion otherwise obtained, the charter of functions of the Film Finance Corporation is being revised. The question of ways and means is linked with the pattern of schemes the Film Finance Corporation would implement. Proposals such as subvention, interest free loan or conversion of outstanding loan into equity are being reviewed in the light of the schematic proposals being evolved. Final decisions on these will be taken shortly and conveyed to the Committee on Public Undertakings.”

30. The Committee enquired (19-1-1977) about the latest position in the matter. In reply to an enquiry made, Government stated (15-3-1977) that “the matter is still under consideration.”

31. In a further communication dated 19-1-1978 received from Government, it has been stated as under:—

“The question of raising the equity share capital of the Film Finance Corporation or giving financial assistance in the

form of subvention, interest free loan|conversion of outstanding loan into equity etc. was kept pending until the new charter of activities, in terms of Recommendation No. 1, of the Committee was finalised and put into operation. The matter will now be examined."

32. The Committee enquired (20-9-1978) about the latest position regarding the Government's decision on the continuance of subvention, grant of interest free loan and conversion of outstanding loan into equity. In reply, Government stated (27-9-1978) that "the various proposals relating to strengthening of the financial position of FFC are in an advance stage of consideration and efforts are being made to finalise decisions on these proposals at the earliest. The decision when taken will be communicated to the Lok Sabha Secretariat in due course."

33. The Committee feel that if the Corporation has to organise its activities and perform its part efficiently and purposefully it should have as early as possible a clear idea about the funds that will be made available to it by the Government. Since new charter of activities of the Corporation has been finalised, the Committee recommend that Government decisions on the continuance of subvention, grant of interest free loan and conversion of outstanding loan into equity should be taken expeditiously.

---

"At the time of factual verification, the Ministry of I & B informed as under :—

"Government have since raised the paid up capital of Film Finance Corporation from Rs. 50 lakhs to Rs. 1 crore. It has also been decided to procure a loan of Rs. 1 crore from the blocked account of Motion Pictures Export Association of America, but formalities such as execution of loan agreements etc. remain to be completed. The questions regarding grant of subsidy (and not subvention) and conversion of loans into equity are, however, still under consideration."

## **CHAPTER II**

### **RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation No. 1 (Para No. 1.13)**

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

#### **Reply of the Government**

Government have accepted the recommendation. The charter of activities of the Film Finance Corporation has been studied in consultation with the Chairman in the light of various recommendations of the Committee on Public Undertakings and expert opinion otherwise obtained. This would be laid down in clear terms, along with methods of assessment. Government decision on this would be taken shortly and conveyed to the Committee on Public Undertakings.

[Ministry of Information and Broadcasting Office  
Memorandum No. 12/58/76-FI (Vol.I) dated 22.11.1976

### **Further information called for by the Committee**

Government's decision on laying down, in clear terms, the charter of activities of the Film Finance Corporation may be intimated.  
[L.S.S. O.M. No. 20-PU/76, dated 6-12-1977]

### **Further reply of Government**

A new charter of activities of the Film Finance Corporation has been drawn up and the same has been approved by the Board of Directors of the Corporation at its meeting held on 30-11-1977. Copy of the charter is annexed (Appendix I). An extract from the Board's meeting held on 30-11-1977 is also annexed (Appendix II).

[Min. of Information and Broadcasting O.M. No. 12|58|76-FI (Vol. III), dated 19-1-78]

### **Recommendation No. 2 (Para No. 2.34)**

The Committee note that on 8th March, 1975, the Board of Directors approved in principle the proposal that loans should be granted only to those applicants who could give adequate tangible security for the entire loan with interest thereon. While insistence on taking tangible security for loans advanced for the production of quality films is desirable, the Committee would like the Corporation to see that the approach as to what should constitute the "tangible security" should be flexible so that really worthwhile and promising producers are not shut out on account of any rigidity in the procedure to be followed in this regard.

### **Reply of the Government**

The recommendation is accepted. Film Finance Corporation will take tangible security wherever and to the extent possible in a manner that really worthwhile and promising producers are not adversely affected.

[Ministry of Information and Broadcasting Office Memorandum No. 12|58|76-FIT (IV), dated 2-11-1976]

### **Recommendation No. 8 (Para No. 2.35-2.36)**

The Committee regret to note that the Board of Directors departed in 1960 from the recommendations of the Inter Departmental Committee (1957) in that, instead of low budgeted films, it laid

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

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

#### **Reply of the Government**

The Corporation has defined a low-budget film on the basis of current cost as a film costing between Rs. 6 to Rs. 9 lakhs in the case of a colour film and costing Rs. 2½ to Rs. 4 lakhs for a black and white film. This definition of low-budget film is being made known to the entrepreneurs for their guidance.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FIT (IV), dated 2-11-1976]

#### **Recommendation No. 4 (Para No. 2.37)**

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

#### **Reply of the Government**

The Recommendation is accepted. The Corporation has been taking the prior approval of the Government before modifying the ceilings for loans, since this involves amendment in the bye-laws and regulations which is subject to the approval of the President.

Since the Corporation's Board of Directors includes film-makers, the viewpoint of the Ministry is taken care of.

[Ministry of Information and Broadcasting Office Memorandum No. 12|58|76-FIT (IV), dated 2-11-1976]

#### **Recommendation No. 5, (Para No. 2.38)**

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

#### **Reply of the Government**

The recommendation is accepted. Film Finance Corporation will bring out a comprehensive Manual in all regional languages explaining the criteria for financing the type of films or the films for which assistance may be available etc.

[Ministry of Information and Broadcasting Office Memorandum No. 12|58|76-FIT (IV), dated 2-11-1976]

#### **Comments of the Committee**

The Committee expect that the comprehensive Manual explaining the criteria for financing the films, the type of films for which assistance may be available etc. would be brought out by the Corporation in all regional languages at the earliest.

#### **.. Recommendation No. 6 (Paras No. 2.39-2.40)**

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

### Reply of the Government

While efforts will be made by the Film Finance Corporation to keep in view the criteria recommended by the Committee in sanctioning loans, it is not always possible for the Corporation to anticipate at the pre-production stage the public acceptability|commercial success of a film.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12|58|76-FIT (IV), dated 2-11-1976]

#### Recommendation No. 7 (Para No. 2.41)

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

### Reply of the Government

The Corporation will encourage films which depict life as it is lived and create social awareness, as recommended by the Committee. In fact, the Corporation is already following this policy. It may, however, be noted that such films are less likely to be commercially successful.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12|58|76-FIT (IV), dated 2-11-1976]

#### Recommendation No. 8 (Para No. 2.42)

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

### Reply of the Government

The observations of the Committee will be kept in view by the Corporation while granting loans for the films financed by them.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12|58|76-FIT (IV), dated 2-11-1976]

**Recommendation No. 9, (Para No. 2.43)**

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

**Reply of the Government**

The observation of the Committee has been noted for guidance of the Corporation.

[Ministry of Information and Broadcasting Office Memorandum No. 12/58/76-FIT (IV), dated 2-11-1976]

**Recommendation No. 10 (Para No. 2.55)**

The Committee note that out of 520 applications received till the end of 1974-75 for a loan of Rs. 1331 lakhs the Corporation had, till 31-3-1975 accepted 129 applications representing about 24 per cent of the total number of applications, and sanctioned loans amounting to Rs. 271 lakhs. Even out of this sanctioned amount, only a sum of Rs. 234 lakhs had been disbursed.

The Committee are informed that after the loan is sanctioned, the applicant is required to comply with certain conditions precedent to the release of the first instalment of loan and subsequent instalments are released only after satisfying that the earlier instalment has been properly utilised. The Committee recommend that



the Corporation should undertake a review of the conditions and formalities laid down for disbursement of loan instalments and inquire into the reasons for non-drawal of the second and subsequent instalment of loans with a view not only to streamline the procedures but to ensure that even the first instalment of loans which have been disbursed had not become irrecoverable.

### **Reply of the Government**

The recommendation is accepted. The Film Finance Corporation has been asked to undertake a review of the conditions and formalities laid down for disbursement of loans.

[Ministry of Information and Broadcasting Office Memorandum No. 12|58|76-FIT (IV), dated 2-11-1976]

### **Further information called for by the Committee**

The result of the review undertaken by the FFC in regard to conditions and formalities laid down for disbursement of loans, may be intimated.

[L.S.S. O.M. No. 20-PU|76 dated 6-12-77].

### **Further reply of Government**

The Corporation has reviewed the conditions and formalities laid down for disbursement of loans. Proper checks are made under the detailed budgetary heads in the application form to ensure that the films will not be stalled after the release of the first instalment of loan. This includes going into the background of the unit and producer. The producer is also required to obtain raw stock permit and payment to raw stock suppliers is made directly.

[Ministry of Information and Broadcasting O.M. No. 12/58/76-FI (Vol. III), dated. New Delhi, 23-1-78]

### **Recommendation (S. No. 11, Para No. 2.56)**

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

### **Reply of the Government**

The Recommendation is accepted.

2. Investigations were carried out by a specially constituted team about the withdrawal of applications after loans were sanctioned. There were only 17 such cases and not 49 cases as mentioned in the Report. In all the 17 cases, the loans had been sanctioned after checking up the antecedents, technical ability and the financial worth of the applicants. The applications were withdrawn mainly for the following reasons:—

- (i) the producers did not agree with the terms and conditions of the loan agreements;
- (ii) the producers were not able to provide guarantors for their proved solvency; and
- (iii) the producers could manage funds from elsewhere and complete the film before the payment of the loan by the FFC could be effected.

[Ministry of Information and Broadcasting, Office Memorandum No. 12|58|76-FI (Vol. II), dated 1-3-1976]

#### **Recommendation No. 12, (Para No. 2.57)**

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

### **Reply of the Government**

The recommendation is accepted. Necessary instructions have been issued to the Film Finance Corporation.

[Ministry of Information and Broadcasting Office Memorandum No. 12|58|76-FIT (IV), dated 2-11-1976]

#### **Further information called for by the Committee**

Please furnish a copy of the instructions issued by the Government to the Film Finance Corporation that reasons for rejection of applications for loan should be kept on record for future use and reference though these reasons may not be communicated to the applicants.

[L.S.S. O.M. No. 20-PU|76 dated 19-1-1977]

### Further reply of Government

\*A copy of letter No 12|68|76-FI, dated 29th September, 1976, addressed to the Film Finance Corporation, is enclosed. (Appendix-III).

[Ministry of Information and Broadcasting Office Memorandum  
No. 12|58|76-FI (Vol. II), dated 15-3-1977]

### Recommendation No. 13, (Para No. 2.58)

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

### Reply of the Government

The recommendation is accepted. The Corporation will take appropriate action when its financial position permits. Meanwhile, a nucleus of an office has been set up at Delhi.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FIT dated 2-11-1976]

### .. Recommendation No. 14, (Paras Nos. 2.59 and 2.60)

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

The Committee suggest that in the light of experience, the Management should evolve a check list so that each application for financial assistance is thoroughly checked from all angles before it

---

\*Not vetted by Audit.

comes up for final approval. The check-list may be reviewed periodically on the basis of experience to ensure that it reflects all the conditions which should be fulfilled by the applicants before a loan is sanctioned.

#### **Reply of the Government**

The recommendation is accepted. The observations of the Committee have been noted by the Corporation for implementation.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12|58|76-FIT, dated 2-11-1976]

#### **Further information called for by the Committee**

The precise action taken to draw up the check-list and also for a review of the same may please be indicated.

[L.S.S. O.M. No. 20-PU|76 dated the 19th January, 1977]

#### **Further reply of Government**

The matter is still under consideration

[Ministry of Information and Broadcasting Office Memorandum  
No. 12|58|76-FIT, dated 15-3-1977]

#### **Further information called for by the Committee**

The latest position about action taken to draw up the check-list and to review the same may be intimated.

[L.S.S. O.M. No. 20-PU|76 dated 6-12-1977].

#### **Further reply of Government**

The check list has been drawn up and its copy is annexed (Appendix—IV). The check-list has been found to be satisfactory. A review would be made in the next financial year.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12|58|76-FI (Vol. III) dated, New Delhi, 19-1-78].

#### **Recommendation (Serial No. 15 Para No. 2.61)**

The Committee were informed that normally the Corporation took three months to dispose of loan application. They regret to note that the claim made by the Corporation that it normally took three months to dispose of loan applications is not supported by facts. Time being the most important factor in financing, the Committee would like to stress that loan applications should be

disposed of in the minimum possible time without compromising in any way the critical scrutiny of the worth of the film and standing of the producer, so that bonafide producers are not put to difficulties for want of funds at the appropriate time.

### **Reply of the Government**

The recommendation is accepted.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FIT (IV) dated 2-11-1977]

### **Recommendation Serial No. 16 Para Nos. 2.105—2.107**

The Committee note that loans to the extent of Rs. 161.14 lakhs were disbursed till June, 1969 for 56 films out of which loans amounting to Rs. 65.44 lakhs have either been written off (Rs. 29.26 lakhs) or have fallen in arrears (Rs. 36.18 lakhs) on account of unsuccessful/incomplete/unreleased films. Out of 56 films financed before June, 1969, 48 films were completed and released and 24 out of the released films were not successful at the box office; one film was completed but not released, 6 films have no chance of completion and one film was stuck up. The Chairman of the Film Finance Corporation stated during evidence that "...we have no means of knowing why they were not completed, loans were given for wrong sort of films, What can the present Board do about it....." The Committee cannot appreciate such a statement coming from a person of the standing of the Chairman, as functionaries may change but the Corporation is a continuing body and it was the bounden duty of the Corporation to have kept a close watch on the progress of a film being made by a person who had taken loan from it and to have taken positive measures to safeguard the interests of the Corporation. They desire that the case of each and every incomplete film may be investigated and responsibility therefor fixed on the officials of the Corporation and appropriate procedure devised to prevent the recurrence of such cases in future.

### **Reply of the Government**

A Study Group was constituted to investigate into the cases of incomplete and stuck-up films. The findings of the Study Group are:

- (i) in several cases, the background of the producer was not investigated as regards their educational qualifications, training, experience, financial standing, reputation as film makers, etc.;
- (ii) in many cases only one or two members of the Script Committee met and took decisions;

- (iii) practically all the above films with the exception of 'Naya Janam' were purely commercial ventures and did not qualify for grant of loan under any criteria of the Film Finance Corporation;
- (iv) in several cases producer had not fulfilled his commitments such as submission of proper accounts, shooting schedules, contract with artistes etc.;
- (v) proper supervision of work being done on the film and the loan expenses was absent;
- (vi) completed reels were not seen from time to time.

2. Government accept the findings of the Study Group. To prevent such lapses in future, the Study Group have made the following recommendations:

- (i) The Script Committees should be more broad-based and a quorum should be a minimum of five including the Chairman and excluding the Technical Adviser;
- (ii) The Script Committee should invariably include knowledgeable persons in the field of art, literature, social sciences, film criticism, script writing and film making;
- (iii) Before circulating scripts to the Committee Members, thorough inquiry should be conducted by the Film Finance Corporation into the background of the Producers/Directors regarding their training, experience and standing as film maker etc.;
- (iv) In case the theme of a film is considered to be acceptable and the script needs to be revised, it should be done before it is sent to the Script Committee; and
- (v) Copies of agreements with Director, Artistes and Technicians should be submitted by the producer along with the applications. Only when full data are made available to the Film Finance Corporation, the Script should be circulated to members of the Script Committee. In case the Script Committee's meeting does not have a quorum, it should be postponed. It was found that recorded opinion of several members were vague. Each member of the Script Committee should be asked to record in specific terms whether he/she recommends grant of loan or not and the reasons in support thereof.

3. The recommendations have been communicated to the Chairman, Film Finance Corporation, for implementation.

4. The responsibility for the lapses mentioned by the Study Group is that the then Chairman and the General Manager were not exercising proper supervision on the day-to-day functioning of the Corporation. The former Chairman has resigned and at the instance of the Government, General Manager has been removed from service. Some other employees have since left the Corporation and their resignations have been obtained and accepted by Government.

[Ministry of Information and Broadcasting Office Memorandum No. 12|58|76-FI, dated 11-4-1977]

#### Comments of the Committee

The Committee hope that recommendations of the Study Group constituted to investigate the cases of incomplete and stuck-up films will be implemented in letter and spirit in order to prevent the occurrence of such lapses in future and the Board will review the progress of implementation periodically.

#### Recommendation (S. No. 17 Para No. 2.18)

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

#### Reply of the Government

A comparison of the loans advanced and recovered prior to June, 1969 and post June, 1969, vide statements at paragraph Nos. 2.85 and 2.92, will indicate that the recovery of loans prior to June, 1969 was

better than post June, 1969. A Study Group of Officials who investigated into the lapses on the functioning of the Film Finance Corporation, felt that it was difficult to pinpoint a film or films which would be considered as not having high artistic values, because evaluation of the films differ from person to person. However, on going through the list of films, the Study Group found that a number of films made before 1969 were considered for grant of loans primarily on their commercial appeal rather than artistic merits. The Scripts Committee also consisted of only a few members often Directors/Producers of the Films Division and one or two outsiders. The outsider-invitees did not always attend the meetings and decisions were taken by one or two persons who attended and recommended the loans.

2. The responsibility for the grant of loans primarily lies with the Board, who was guided by the recommendations of the Script Committee. As pointed out, the Script Committee consisted only a few persons. To improve this lacunae, the Study Group has recommended that the minimum quorum for the Script Committee should be 5 including the Chairman and excluding the Technical Adviser. The Committee are invariably composed of notable persons in the field of art, literature, social service, film criticism, script-writing and film making. Each member is also asked to record in specific terms whether he or she recommends the grant of loan to the applicant or not with reasons in support thereof. The suggestion of the Study Group is now under consideration of the Corporation.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FI, dated 10-12-1976]

**Further Information called for by the Committee**

Please furnish a copy of the Report of the Study Group together with Government's decision thereon.

(L.S.S. O.M. No. 20-PU/76, dated 19.1.1977.)

**Further reply of Government**

A copy of the Report of the Study Group is enclosed (not attached).

---

\*Not vetted by Audit.



2. Government's decision have been incorporated in their reply on the Committee's specific recommendations investigated by the Study Group, vide replies to Recommendation Nos. 11, 16, 17, 21, 22, 23; 26; 42.

3. Regarding Recommendation No. 17, the suggestion of the Study Group was that the minimum quorum of the Script should be 5, including the Chairman and excluding the Technical Adviser. The Script Committee has, since been re-constituted on the above lines.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FI, dated 25-5-1977]

#### Comments of the Committee

Please see pages 2 to 4 of Chapter I of the Report.

#### Recommendation No. 18 Para No. 2.109

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

#### Reply of the Government

The recommendation is accepted.

2. The Film Finance Corporation has been advised to review all the past cases where amounts of unrecovered loans were written off and to institute enquiries where the producer of such films has subsequently made other films on the earnings of which the loan given by the Corporation can be recovered in the light of the legal these defaulting producers and take appropriate steps for recovery opinion. The Corporation will also in future keep a strict watch on these defaulting producers and take appropriate steps for recovery against their future earnings.

(Ministry of Information and Broadcasting Office  
Memorandum No. 12/58/76-FI, dated 25-5-1977)

#### Comments of the Committee

The Committee desire that final result of the action taken in the light of the review of the past cases where amounts of unrecovered loans were written off and the amounts recovered as a result thereof, may be brought to their notice.

**Recommendation (No. 20 Para No. 2.112)**

The Committee are constrained to note that in spite of the drawbacks in the system of sanction of loans and recovery thereof prior to June, 1969, as admitted by the Ministry no review of this was made by Government earlier than 1969. The Committee are convinced that there had not been a systematic procedure by which the shortcomings in the working of the Corporation could be brought to the notice of Government and that the Government's representatives on the Board were not as alert and vigilant as they ought to have been. The Committee need hardly stress that Government's representatives on the Board of Directors of Public Sector Undertakings should act as eyes and ears of the Government on the Boards and bring to the notice of Government not only the goings on but also the shortcomings in the working of the undertakings so that suitable remedial measures may be initiated in time for improving performance and overcoming the difficulties. The Committee would like Government to issue suitable instructions in this regard.

**Reply of the Government**

Recommendation is accepted. Suitable instructions have been issued to the Government Representative in the Board of Directors

[Ministry of Information and Broadcasting Office Memorandum  
No. 12|40|76-FI, dated the 8th Sept., 1976]

**Further information called for by the Committee**

Please furnish a copy of the instructions issued by the Government to the Government's representatives on the Board of Directors that they should act as eyes and ears of the Government on the Boards and bring to the notice of Government not only the goings on but also the shortcomings in the working of the undertakings so that suitable remedial measures may be initiated in time for improving performance and overcoming the difficulties.

[LSS O.M. No. 20-PU|76, dated 19-1-1977]

**Further reply of Government**

A copy of the instructions issued to the Government Director, in the Board of Directors, is forwarded. (Appendix V)

[Ministry of Information & Broadcasting Office Memorandum  
No. 12|58|76-FI (Vol. II) dated 15-3-1977]

### Comments of the Committee

The Committee would like the Government|Bureau of Public Enterprises to issue instructions to all the Ministries/Departments to the effect that Government's representatives on the Board of Directors of Public Undertakings should act as eyes and ears of the Government and bring to the notice of Government not only the goings on but also the shortcomings in the working of the undertakings so that suitable remedial measures may be initiated in time for improving performance and overcoming the difficulties.

#### Recommendation (No. 21 Para Nos. 2.113 & 2.114)

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

The Committee note that while before June, 1969 there was only one film stuck up involving a sum of Rs. 2.38 lakhs, after June, 1969 two films are stuck-up and out of a sum of Rs. 3.38 lakhs advanced as loan to these films, which is in arrears, a sum of Rs. 2.49 lakhs has been declared to be doubtful of recovery. They recommend that the cases of these two stuck up films may also be investigated along with those of the incomplete films relating to the period prior to June, 1969, as desired by the Committee in paragraph 2.107 of this Chapter. The Committee further recommend that the Corporation should keep a close watch on the progress of the films for which it has advanced loans and if any film does not appear to be making satisfactory progress the Corporation should, in its own interest, arrange to render all help and give all guidance to complete the film without attracting any fresh financial liability on itself.

#### Reply of the Government

A Study Group of officials went into the details about the two stuck up films 'Mansara Vilap' (Oriya) and 'Shasha' (Hindi) after June, 1969. The detailed position about both the films indicated below:

### **Mansara Vilap**

The producer-cum-Director of the film had no experience either in production or direction of films. Before applying for loan of Rs. 1.5 lakhs, he spent Rs. 11,000 on his own. The Script Committee found the story material excellent but the script weak. The consideration for recommending the loan was that the Oriya film industry was backward and needed help. A sum of Rs. 1.5 lakhs was sanctioned. Rushes of the film were seen by the then General Manager and the Technical Adviser on January 3, 1974, though by that time, the producer had already been given three instalments of Rs. 1,09,500. The then General Manager and the Technical Adviser found the quality of work, direction, casts, etc. in the film falling short of even the average standards. However, the last instalment of Rs. 11,000 was given to the producer on May 2, 1974 with the hope that he would complete the film. It may, therefore, be observed that though the film was not coming upto even the average standard, the Film Finance Corporation was aware of the shortcomings but was guided by the consideration that it was financing a film with a view to complete it so that in the limited exhibition circuit for Oriya films, this film on completion would be able to earn the money and repay the loan.

### **Shasha**

The Script Committee found the script of this film worth consideration as the Director had a creditable record as a writer. As a result, a sum of Rs. 2.50.000 was recommended as a loan though an amount of Rs. 2.38.000 was given to the Director of the film. The film remained incomplete as the Director could not either sell the film to any territory, nor was he able to complete the film. There was no proper supervision at every stage of production of this film by the management of the Film Finance Corporation. Though the Film Finance Corporation requested a Committee consisting of three eminent film makers, namely, Shri Kantilal Rathod Kumar Shahani and Girish Ranjan, to preview the film and suggest ways would have taken the trouble of employing an experienced Director would be able to rescue the film; while the third member could not see the film and give any opinion. The Study Group felt that if at any stage in the production of this film, Film Finance Corporation would have taken the trouble of employing an experienced Director to complete the film by replacing the existing Director, this film could possibly have been retrieved.

3. The Recommendation of the Committee that the Corporation should keep a close watch on the progress of the films for which

It has advanced loans and if any film does not appear to be making in satisfactory progress, the Corporation should in its own interest arrange to render all help and give guidance to complete the film without attracting any fresh financial liability on itself, is accepted.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FI, dated 10-12-1976]

### Comments of the Committee

Please see paras 17 and 18 of Chapter I of the Report.

### Recommendation No. 22 (Para No. 2.115)

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

### Reply of the Government

A study Group investigated into the mal-functioning of the Film Finance Corporation. They went into the question of failure of large number of FFC films after June, 1969. According to the Study Group, after 1969, there was some improvement in the scrutiny of scripts, by inviting larger number of people from various walks of life to attend Script Committee meetings. Unfortunately, in several cases, the qualified people rarely attended these meetings and the decisions were taken only by a few. According to the Study Group, it is difficult to blame any individual in particular but in most cases, the Chairman, of the Corporation who attended the Script Committee's meetings to recommend, and the Board's meetings to sanction

loans is to take the major share of the blame. As regards the disbursement of funds and supervision of production are concerned, the General Manager and the Technical Adviser should have been more alert. The main emphasis during this period (after June, 1969) appeared to be on artistic merits of individual films. Out of the 25 films completed with the loans granted by Film Corporation after 1969, 22 films have won National/International Awards.

2. The Chairman has since resigned. The General Manager has been removed from service by the Government. The Technical Adviser had tendered resignation and his resignation was accepted before obtaining explanation.

[Ministry of Information and Broadcasting Office  
Memorandum No. 12/68/76-FI, dated 15-4-1977]

#### **Recommendation No. 24 (Paras No. 2.118 & 2.119)**

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

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

### **Reply of the Government**

The recommendation is accepted. The guidelines for recovery of loans have been spelt out in the written answer to question No. 10 of the questionnaire of the Committee and has also been reproduced in paragraph No. 2.82 of the Report of the Committee. The Board of Directors at its meeting held on 14th May, 1976 decided to abolish the sub-committee for recovery and to have more frequent meetings of the Board itself to keep watch on the recovery of loans. The Board also decided that fresh rules for financing production of the films should be drawn up and the policy regarding collateral security should be specifically laid down. This is under consideration of the Corporation. In view of the steps and the Board of Directors taking the matter in its own hands, the guidelines do not need further review.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FII, dated 28-5-1977]

### **Recommendation Serial No. 24 (Paras 2.118-2.119)**

#### **Further information called for by the Committee**

Latest position regarding preparation of fresh rules for financing the production of films and specifically laying down the policy about collateral security, may be intimated.

LSS O.M. No. 20-PU/76 dt. 6-12-77

### **Further reply of Government**

The Board has laid down a new policy regarding granting of loans. Collateral security will be obtained wherever possible and only in these cases where this is not possible will the Corporation go in for profit sharing. This policy will be incorporated in the fresh rules for financing, which are under revision as stated in reply to recommendation No. 23.

[Ministry of Information & Broadcasting O.M. No. 12/58/76-BI  
(Vol. III) dated, New Delhi 23-1-78]

**Recommendation No. 25 (Paras No. 2.128 & 2.129)**

The Committee see no justification for the practice followed by the Management which had resulted in delays ranging upto 8 years in initiating arbitration proceedings for recovery of loans affecting the interests of the Corporation adversely. The Committee deprecate the lack of sense of urgency on the part of the Corporation in initiating arbitration proceedings in this regard. The Committee recommend that the criteria followed in taking recourse to legal action/arbitration should be reviewed expeditiously and definite time limit laid down for starting legal proceedings against the defaulters if other avenues of recovering the amounts in the normal course fail. No exception to these time limits should be made without the express approval of the Board of Directors.

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

**Reply of the Government**

The recommendation of the Committee has been noted and the Corporation will make a study of the time-lag in initiating arbitration/legal action so that a time-limit is laid down for such action. The Corporation is also evolving a system for reporting all such cases to the Board of Directors.

[Ministry of Information & Broadcasting Office Memorandum  
No. 12/58/76-FIT(IV) dated 2-11-1976]

**Recommendation Serial No. 25 (Paras 2.128-129) ..**

**Further information called for by the Committee**

The latest position about laying down a time-limit for initiating arbitration/legal proceedings may be intimated.

L.S.S. O. M. No. 20-PU/76 dated 6-12-77

**Further reply of Government**

The time limit for initiating arbitration/legal proceedings now laid down is 3 months from the time the payment of loan becomes



due. This is the general rule, subject to exceptions in individual cases.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76 (Vol. III), dated 19-1-1978]

#### **Recommendation No. 26 Para Nos. 2.130-2.131**

The Committee further note that although arbitration awards were obtained in 40 out of 44 cases, court decrees could be obtained only in 20 cases involving a sum of Rs. 35.65 lakhs. The Committee deprecate the dilatory manner in which the execution of decrees even in cases where they had been obtained, has been processed. They feel that such laxity gets to be known and reduce the urgency and importance the producers should attach to repayment of loans to the Corporation. They recommend that the reasons for the delay in the execution of decrees should be thoroughly investigated by Government with a view to finding out how far these delays were avoidable and fix responsibility for delays/inaction and take deterrent action against delinquent officials.

The Committee are also informed that in regard to the remaining 4 cases, suitable legal action had already been taken. In one case after recovery of part amount, the balance had been written off; two cases had been submitted to court for obtaining the decree; and in one case, the matter is subjudice. The Committee would like the cases to be conclusively pursued so as to affect maximum recovery.

While the Committee agree to encouragement being given to talented new producers, they would like to reiterate, as already recommended in para 2.43 of this Report, that this should be on the basis of thorough scrutiny and objective standards and after the Corporation satisfies itself about the standing and competence of the new intreprenour so that the public money is utilised only for public good.

#### **Reply of the Government**

A Study Group constituted by Government thoroughly examined the cases in which court decrees have been obtained but there was delay in their execution. Out of 20 cases, settlement had already been arrived at in respect of 3 cases and the settled amount realised. On the basis of the analysis of the study of the remaining cases, the following findings emerged:—

- (i) Delay in obtaining certified copies of the court decrees;

- (ii) Procedural delay for auctioning the firms which are given as assets by the producers before granting the loans;
- (iii) Protracted correspondence with the Solicitors on several legal matters particularly in regard to filing of petitions for obtaining orders for transfer of decrees to other courts etc., instead of personal contacts and fixing up a time-limit for filing such applications in courts;
- (iv) Lack of initiative on the part of management in ascertaining the assets of the producers/Guarantors in the beginning itself from State Governments, instead of initiating action at a later stage;
- (v) Improper selection of Advocates to handle cases at locations where the properties of the defendants were situated and subsequent change of the advocates entailing further delay;
- (vi) Lack of proper scrutiny of the places of assets of the producers and guarantors and the consequent need to transfer the court decrees from one court to another;
- (vii) Default in keeping up-to-date addresses of the defendants and the consequential delay in the serving of notices of insolvency etc;
- (viii) In some cases, the decrees were misplaced either in the office of the Advocate or in the courts and the further need to secure a fresh copy from the concerned court was not realised;
- (ix) Lack of close watch on the validity of the decrees with the result that in several cases the decrees had to be re-validated before action could be taken.

2. Government accept the findings of the Study Group. To improve the working of the Corporation, the Study Group have recommended a close watch on the processing of execution of decrees already obtained. Towards this end, the Study Group has suggested amendments to the loan agreement etc. and appointment of an officer specially designated to follow up the execution of court decrees. It would be his duty to inform the Chairman/Board about the progress of execution of decrees and also take remedial action in the case of anticipated delays. The Study Group has suggested amendment of the loan agreement to include a suitable provision to the effect that the properties shown as assets either by the loanees,

the guarantors are made inalienable till the entire dues of the Corporation are repaid in full and final settlement. The above recommendations have also been accepted and the agreement will be duly amended subject to legal approval.

3. The delay in execution of the decrees was due to lack of supervision on the part of the General Manager, Secretary, and the Supervisor. At the instance of the Government, the General Manager has already been removed from service. The Secretary has since resigned. As regards Supervisor, it has been decided to issue a warning to him.

4. The Corporation are pursuing the four cases conclusively and legal action has already been taken to effect maximum recovery.

5. The suggestion of the Committee that the Corporation should exercise a thorough scrutiny of the standing and competence of the new entrepreneurs before granting loans is accepted.

[Ministry of information & Broadcasting Office Memorandum  
No. 12/58/76-FI (Vol. III) dt. 15-11-1977]

#### **Recommendation No. 27, Para No. 2.139**

The Committee are not satisfied that the Corporation took due care or precaution in selecting right type of producers or scrutinising the scripts and stories properly before sanctioning loans and it is this fact as well as their encouragement to the high budgeted films which has been mainly responsible for the losses suffered and the present precarious financial position of the Corporation. While the Committee agree to encouragement being given to talented new producers, they would like to reiterate as already recommended in para 2.43 of this Report, that this should be on the basis of thorough scrutiny and objective standards and after the Corporation satisfies itself about the standing and competence of the new entrepreneur so that the public money is utilised only for public good.

The Committee are informed that since 8th March, 1975 the Corporation has laid down that the loanees will have to give tangible security for the entire loan amount and the interest thereon and if an applicant is talented but cannot give security, the proposed film will be produced by the Corporation itself or the talents would be hired. The new conditions will apply to loans sanctioned and disbursed after 8th March, 1975. While insistence on taking tangible security for loans advanced for the production of quality films is desirable as already recommended in para 2.34 of the Report, the

Committee would like the Corporation to see that the approach as to what should constitute the 'tangible security' should be such that really worthwhile and promising producers are not shut out on account of any rigidity in the procedure to be followed in this regard.

#### Reply of the Government

The recommendation is accepted.

[Ministry of Information and Broadcasting Office Memorandum No. 12/58/76-FIT (IV), dated 2-11-1976]

#### Recommendation No. 28, Para No. 2.152

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

#### Reply of the Government

Recommendation is accepted. The Film Finance Corporation who are responsible for constituting the Scripts Committee, have been instructed to reconstitute the Script's Committee, in the light of the Recommendations. A copy of the letter written to the FFC in this connection is enclosed.

[Ministry of Information and Broadcasting Office Memorandum No. 12/43/76-FIT(IV) dated the 8th Sept., 1976]

No. 12/43/76-FIT (IV)

GOVERNMENT OF INDIA

Ministry of Information and Broadcasting

Dated New Delhi-1, the 19th July 1976.

The Acting Chairman,  
Film Finance Corporation,  
91, Walkeshwar Road,  
Bombay-400003.

**SUBJECT:—Examination of the Report of Committee on Public Undertakings—Para 2.152 (Recommendation No. 28), submitted to the 5th Lok Sabha.**

Sir,

I am directed to say that the Committee on Public Undertakings, in paragraph No. 2.152 (Recommendation No. 28) of their 79th Report submitted to the 5th Lok Sabha, have stated:

“As most of the cinema goers are young men and women and mostly the films deal with the lives and problems of the young people, the Committee feel that it would be in the fitness of things if the Corporation also associates with the script Committees creative and perceptive persons who are conversant with ideas of the youth about the quality of films, themes which go to make such quality films and the treatment and presentation of such themes so that their ideas are also reflected in the selection of scripts.”

They have recommended that while selecting such persons, the Government may also think of nominating to the Script Committee persons representing the youth organisations. The above recommendation has been accepted by the Government and it is requested that your proposals for reconstituting the Script Committee may be submitted to the Government immediately as the Government desires the reconstitution of the Committee to be completed within a month.

Yours faithfully,

Sd.-

(A. K. Verma)

Director of Films

**Recommendation No. 29, Para No. 2.152**

The Committee recommend that the Corporation should take all the necessary steps to ensure that the films financed by it, on the basis of scripts approved, do not deviate materially from the approved scripts.

**Reply of the Government**

The recommendation is accepted. However, whatever material changes from the approved script are suggested by the producers, the Corporation may consider permitting them only with the approval of the Script Committee.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FIT(IV) dt. 2-11-1976]

**Recommendation No. 31, Para No. 2.134**

The Committee note with satisfaction that the Corporation has entered into co-financing arrangements with Dena Bank for the production of quality films, under which films are jointly financed by the Corporation and the Bank, the Bank advance being guaranteed by the Corporation. They urge that the Corporation should also take advantage of the readiness shown by the United Commercial Bank and State Bank of India to provide funds for the production of films and sponsor good and sound film projects of talented and promising producers for the grant of loans by these Banks also at reasonable terms. They also hope that the Corporation would be able to persuade other Banks also to extend similar facility to the film producers whose cases may be sponsored by the Corporation.

**Reply of the Government**

The Corporation will avail of the facilities offered by the Commercial Banks.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FIT(IV) dt. 2-11-1976]

**Recommendation No. 32, Para No. 2.181**

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

'Nishant', over a period of a couple of years during which 700 films must have been made, cannot be taken to have set a new trend or created a new climate nor are they sure how far the Corporation can rightly claim credit for the production of these off-beat films by others.

### **Reply of the Government**

The observation has been noted.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FIT(IV) dt. 2-11-1976]

### **Recommendation No. 36, Para No. 2.186**

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

### **Reply of the Government**

The recommendation is accepted.

2. The Board of Directors of the Film Finance Corporation at its meeting held on 29-9-1975, had decided to transfer a sum of Rs. 15 lakhs from the marketing activities to the financing activities.

[Ministry of Information and Broadcasting Office Memorandum  
[No. 12/68/76-FI, dated 25-5-1977]

### **Recommendation No. 37, Para Nos. 3.69 & 3.12**

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

The Committee feel that award/recognition won by a film, which is given by a professional body of experts, should not create a sense

of complacency about the quality of the films sponsored by FFC. One of the tests of quality of a film is its acceptability by the public for whom the film is primarily made. The Committee are concerned to find that a large number of films sponsored by the Corporation have failed at this test.

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

#### **Reply of the Government**

The Board of Directors of Film Finance Corporation, have considered the problem critically, as desired by the Committee on Public Undertakings, and in detail. The causes of the box-office failure of the earlier films have been identified. They have formulated a new financing policy which will take care of these factors.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FI, dated 10-12-1976]

#### **Recommendation No. 38, Para Nos. 3.19—3.20**

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

#### **Reply of the Government**

The recommendation is noted.

2. At present, no film financed by the Film Finance Corporation is being shown in the country. Efforts to conduct a study would be made when such films are shown in large numbers.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FI, dated 10-12-1976]



**Recommendation No. 40, Para Nos. 3.27—3.28**

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

**Reply of the Government**

Recommendation is accepted. Detailed schemes are being worked out by the Film Finance Corporation.

[Ministry of Information and Broadcasting Office Memorandum No. 12/49/76-FTT(IV) dated the 8th Sept., 1976]

**Recommendation No. 41 Para Nos. 4.12—4.13.**

The Committee note that the Board of Directors of the Corporation at its meeting held on 8th March, 1975 approved in principle the proposal made by one of the Directors that in cases where applicants could not give adequate tangible security for the entire loan with interest, the Corporation should take upon itself the burden of production of the films. The Committee are informed that the Financial Advisor of Ministry of I & B has reservations on production of films by FFC.

The Committee feel that production of films is a very complex project which, besides funds, requires selection of good scripts, engagement of artistes and technical experts in various fields, arrangement of production and processing facilities and, above all, a moving spirits in the form of a Director was not only has the true concept and vision of idea underlying the film but can also organise the diverse elements involved in the production to work smoothly as a team and inspire them particularly the artistes so as to bring out the best in them. The Committee do not think that a financing agency like FFC, as it is constituted at present, can perform such

highly complex function successfully when it has admitted that it lacks the expertise for production. Film is a work of art and works of art can hardly be produced on 'contract basis' or by hired crew working under the supervision of Board of Directors or full-time officers of the Corporation all of whom may not see eye to eye with one another on the details of the films, selection of artistes or the portrayal of certain character situations. The Committee would like to stress that at a time when Film Finance Corporation is likely to get more funds it should not fritter them away by undertaking programme of production of films in which admittedly it has no experience and which may not really subserve the larger public objectives of raising the quality, contents and message of films. The Committee are, therefore, of the opinion that the Corporation should continue to concentrate on the primary object of providing finances and other facilities for production of films of good standard and quality with a view to raising the standard of films instead of utilising its meagre resources on the speculative business of direct production of films which may result in heavier losses as was the experience of another Government sponsored organisation, the Children's Film Society.

#### **Reply of the Government**

The Corporation will continue to concentrate in providing finance and other facilities for production of films of good standard and quality. However, as and when its organisation and resources are adequate it would consider the possibility of going into production, if thought desirable by the Government.

(Ministry of Information and Broadcasting Office  
Memorandum No. 12/58/76-FIT(IV) dt. 2-11-1976)

#### **Recommendation No. 42 Para Nos. 5.12 to 5.14**

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

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

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

5.14. The Committee would also like the Corporation to examine the advisability and feasibility of extending the net work of its new Distribution Wing in due course to the distribution of good quality, low budget films sponsored by bodies other than the Corporation if such an extension of its net work will be financially rewarding, promote the production and exhibition of films of high standard in the country and help it in creating the desired impact on the film industry as a whole without any way sacrificing the interests of the FFC financed films.

#### **Revised reply of the Government**

The Recommendation is accepted.

2. A Study Group was constituted to investigate into the reasons for failure of the Jullundur Experiment. The Study Group, after a

thorough scrutiny of the files, in the Film Finance Corporation, have reported that the failure of the Jullundur Experiment was due to the fact that the Inspector who was the only regular employee of the Distribution Office was not able to cope up with his work as he was not educationally qualified and did not possess the necessary initiative to sell the films in the market against stiff competition. Due to large number of colour films released and waiting for release and due to paucity of theatres, the market for black and white pictures was very much restricted and the films selected for release in Punjab had also already failed in other territories. He was also not regular in furnishing details of accounts to the head quarters every month, to enable the management to make a correct assessment of the situation. Even within one year it was very clear that the Jullundur Office was not financially successful. However, the Board at their meeting held on 15th June, 1970 decided that the Office in Jullundur should be given a fair trial for a year more and its further continuance should be decided on a review of its working then. The Board at its meeting held on 3rd April, 1971 decided to close down the Jullundur Office. The primary responsibility for appointment of Shri Rao as Inspector *prima facie* appears to be that of the then Administrative Officer, the then Secretary and Chairman; while selection of films for distribution was that of then Chairman.

3. The then Chairman is no longer alive. The Administrative Officer and the Secretary are no longer in service of the Corporation. No action is, therefore, proposed to be taken against anyone of them.

[Ministry of Information & Broadcasting O. M. No. 12/58/76-FI  
(Vol. II) dt. 24-2-1977]

**Recommendation No. 43 Para Nos. 4.31—5.32**

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

**Reply of the Government**

The recommendation is noted.

2. As regards the loss in Bombay Theatre, it may be pointed out that this is mainly due to the embezzlement of funds by the persons employed in running the theatre as revealed in the auditor's

report for the year ending 31st March, 1975. This has already been entrusted to the police for investigation/necessary action. Some of the former employees have already been charged under sec. 409 of the Indian Penal Code (i.e., Criminal Breach of Trust by Public Servants).

3. The loss at the leased theatre at New Delhi is attributable to the following causes:—

- (i) The prints of different films were not available to the Corporation in time from the distributors. It may be stated that due to postponement in the use of the theatre from time to time, no efforts could be made for obtaining the prints on schedule.
- (ii) Good quality films not financed by the Corporation were not shown. There are no papers in the Ministry to indicate that any advice was given to the organisers of the film shows in Delhi to the effect that good quality films not financed by the FFC should not be shown. This was, as reported by the Corporation, a verbal advice by the former Joint Secretary in charge of films.
- (iii) The theatre taken on hire was situated in a very out of the way place and it lacked the look of a cinema and did not attract the public. The position is that the theatre was selected on the consideration that it was situated in a central locality. However, its actual location was out of the way and the building lacked the look of a cinema.
- (iv) The staff appointed at the theatre was extremely raw without any experience in this line.

The loss, it is felt, occurred due to mismanagement. The General Manager has been removed from service at the instance of the Government and the Secretary has since resigned. Moreover, with the approval of the Bureau of Public Enterprises, certain management controls and Information system have been introduced. The Government representative on the Board of Directors has been asked to keep a closer watch on the performance of the Corporation to ensure that such losses do not occur in future. It is hoped that these measures will check recurrence of such losses in future.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/52/76-FI dt. 14-12-1977]

**Recommendation No. 44, Para No. 5.33**

The Committee desire that the Corporation should continue its efforts to find out exhibition outlets for its films through film societies, television stations and University Circuit. The Committee would like to be informed of the developments in this regard at the extent to which films financed by FFC have actually been exhibited and the audience appeal gained by them.

**Reply of the Government**

The films financed by the Film Finance Corporation are now being shown through the Film Societies and Doordarshan. Efforts are being continued by the Corporation to show these films through the University circuit. The audience appeal about these films has not so far been ascertained but steps are being taken to make this analysis.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FIT, (IV), dated 2-11-1976]

**Recommendation Serial No. 44 (Para 5.33)****Further information called for by the Committee**

Latest position about ascertainment of audience appeal of films of the Corporation, may be intimated.

[L.S.S. O.M. No. 20-PU/76, dated 6-12-1977]

**Further reply of the Government**

The matter has been discussed by the Film Finance Corporation with the Indian Institute of Mass Communication, New Delhi. It is, however, felt that it is premature to take up the study at the present juncture unless more exhibition facilities are available for FFC films. The matter will be kept under review periodically and necessary action will be taken at the appropriate juncture.

[Ministry of Information & Broadcasting O. M. No. 12/58/76-FI  
(Vol. III) dated, New Delhi, 23-1-1978]

**Recommendation No. 45, Para Nos. 5.34 & 5.35**

The Committee learn that the Government of West Bengal are contemplating to direct the exhibitors to earmark certain days in a week for exhibiting the FFC financed films. They feel that this is a step in the right direction and if properly implemented in letter and spirit, it will go a long way in providing the much needed exhibition

outlets to the quality films financed by FFC. They would like the Government to persuade other State Governments also to issue instructions to direct the exhibitors/cinema houses to earmark certain popular shows in a week for exhibition of the FFC financial films.

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

#### **Reply of the Government**

'Cinema' is a State subject and as such the Central Government is not in a position to issue or enforce any direction on the lines suggested by the Committee. However, the Central Government agrees with the view that there should be adequate outlets for films of aesthetic and educational value. Accordingly, the State Governments have been requested to issue appropriate instructions to the exhibitors/cinema houses to earmark certain popular shows in every week for the exhibition of FFC financed films. On the question of construction of cinema houses including art theatres for exhibition outlets for quality film, the matter had been taken up with States on more than one occasion and was also discussed in the Information Ministers, Conferences in 1974 and 1976. The position has not however shown any improvement. It is felt that in view of the above and as the subject matter is entirely within the sphere of State responsibility, nothing further can be done from the Centre.

#### **Further information called for by the Committee**

Please state whether Government have persuaded the State Governments (other than West Bengal) to issue instructions to direct the exhibitions/cinema houses to earmark certain popular shows in a week for exhibition of the FFC financed films? If so, what is the result?

Please also state whether the Government have persuaded the State Governments to follow the examples of Governments of Punjab, Karnataka and Andhra Pradesh in setting up on their own or

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

If so, what is the result?

[L.S.S. O.M. No. 20-PU|76 dated 19th January, 1977].

#### **Further reply of Government**

Copy of letter addressed to State Governments is enclosed (Appendix VI).

2. \*Regarding setting up of Art Theatres on the pattern of Punjab, Karnataka and Andhra Pradesh the position has already been explained in Government's reply to Recommendation No. 45.

[Ministry of Information and Broadcasting Office Memorandum No. 12/58/76-F, dated 15-3-1977]

#### **Recommendation No. 46 (Para No. 5.36)**

The Committee are informed that lack of adequate exhibition facilities has been a major problem with the film industry and the Central Government have all along stressed upon the State Governments the need for encouraging cinema construction in the country. The Committee feel that in order to ease the shortage of cinema houses in the country, the Central Government may persuade the State Governments to increase suitably the number of cinema houses particularly in mofussil areas, care being taken to locate them judiciously, having regard to large public interest. They also feel that in the interest of encouraging production of good films and providing healthy and wholesome entertainment to the people, the State Governments should ensure through a clause in the lease agreements or in the licences granted under the Cinematograph Act that the cinema houses coming up with the assistance from the State authorities including local bodies are required to provide exhibition outlets to quality films on priority basis, they would also like the Central Government to examine in consultation with the public financial institutions the feasibility of introducing a clause in the loan agreements to the effect that the private entrepreneurs constructing cinema houses with financial assistance from the public financial institutions would have to exhibit quality films sponsored by the Film Finance Corporation on priority basis. They feel that owners or lessees of all such cinema houses should be required to keep in mind the paying capacity of a common man while fixing admission rates so

---

\*Not vetted by audit



that the common man can also give to himself the pleasure and satisfaction of seeing quality Films at reasonable rates and the objective of making healthy and recreational films available to ordinary and under-privileged persons is also fulfilled.

#### .. Further reply of Government

The recommendation is accepted. The State Governments have already been requested in accordance with the recommendations of the Information Ministers Conference held by the Government of India, to consider the advisability of granting licences for construction of cinema houses in mofussil areas. The State Governments have also been requested to insert a clause in the lease agreement or in the licences granted under the Cinematograph Act that the cinema houses coming up with the assistance from the State authorities would provide the exhibition outlets to quality films on priority basis and also keep in mind the paying capacity of the common man while fixing the admission rates.

2. The Ministry of Finance, Department of Revenue and Banking, who were approached in the matter, have intimated that Nationalised Banks/financial institutions ordinarily do not provide loans for construction of cinema houses. Under the circumstances, it does not seem necessary to bring the recommendation to the notice of the Nationalised Banks or public financial institutions, for introducing a clause in the loan agreement to the effect that private entrepreneurs, constructing cinema houses, with their assistance, would have to exhibit quality films sponsored by the Film Finance Corporation.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FI, dated 17-12-1976].

#### Recommendation No. 47, (Para No. 5.37)

The Committee are informed that the Corporation has been sanctioned, in the Fifth Five Year Plan, a grant-in-aid of Rs. 75 lakhs for the purpose of acquiring art cinema in various parts of the country. According to the Corporation/Ministry, with a sum of Rs. 75 lakhs, at the most five art cinemas in metropolitan cities could be constructed and the efforts to acquire/construct art cinemas are stated to be under way. While the Committee recognise the need for exhibition facilities for the aesthetically prepared and artistically satisfying off-beat films which may not be easily acceptable to commercial distributors and exhibitors, the Committee feel that the construction of only 5 cinema houses by the Corporation and those

too in the metropolitan cities where there are cinema houses already, is hardly going to serve any useful purpose. They also feel that now when the Corporation has entered the distribution field for its films and when the Governments of certain States have also decided to set up art theatres of their own, and are also contemplating to ask the commercial theatres to earmark certain popular shows, for the exhibition of quality films, it is not necessary for the Corporation to embark upon any scheme of construction of cinema houses of its own.

### **Reply of Government**

The recommendation is accepted. The Corporation will not construct its own cinema houses. However, wherever necessary, subject to resources being available, it may finance the construction/renovation/expansion of appropriate cinema houses.

[Ministry of Information and Broadcasting Office Memorandum No. 12/58/76-FIT (IV) dated 2-11-1976].

### **Recommendation No. 48 (Para No. 5.38)**

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

### **Reply of Government**

The recommendation is accepted. Film Finance Corporation is considering taking theatres on lease depending upon the advantages of the terms of offer by such theatre managements and subject to

the funds for construction of theatres being averted for lease purpose. The type of audience will also be taken into consideration while selecting films for such leased cinema houses.

[Ministry of Information and Broadcasting Office Memorandum No. 12/58/76-FIT (IV) dated 2-11-1976].

**Recommendation No. 49, (Para No. 5.39)**

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

**Reply of Government**

As and when larger number of Film Finance Corporation financed films are available, the question of introducing a new scheme to help local bodies or State agencies to construct low cost cinema houses and to encourage setting up of open air cinemas will be considered subject to availability of funds at that time.

[Ministry of Information and Broadcasting Office Memorandum No. 12/58/76-FIT (IV) dated 2-11-1976].

**Recommendation No. 50, (Para No. 5.40)**

The Committee would like the Corporation to make a survey of the exhibition facilities which are presently available or which should be made available in the various parts of the country for screening FFC financed films and see that as far as possible the art theatres coming up under the State Governments or constructed

with loans from the Corporation or acquired on lease by the Corporation itself, are evenly spread over all the regions in the country and the cinematically backward areas are not neglected.

### **Reply of Government**

The recommendation is accepted.

2. For making a survey of the exhibition facilities presently available in India the Distribution Officer who looks after the work of exhibition of the FFC financed films would conduct the survey by going through the records of the films Division, who have the information about the number of cinema houses in the country and their seating capacity. Due to financial constraint, the Corporation is not advancing any loans for the construction of cinemas, but it will be financially assisting the cinemas for improvement or renovation.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58(76-FIT, dated 28-5-1976)]

### **Recommendation No. 51, (Para No. 5.41)**

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

### **Reply of Government**

The Corporation has been directed to reflect the working results of its activities in the distribution and exhibition fields in its Annual Report from the Year 1974-75.

The Ministry would also, in future, include the performance of the Corporation in these fields as a separate item in their Annual Review on the working of the Corporation.

[Ministry of Information and Broadcasting, Office Memorandum  
No. 12/57/76-FIT (IV), dated the 8th Sept., 1976]

**Recommendation No. 52, (Para Nos. 5.46 and 5.47**

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

The Committee feel that in order to promote the spirit of national integration, national harmony and such other objectives of social importance, it will be desirable that larger number of cinema goers see quality films produced around such themes. Keeping this objective in view, the Committee feel that it would be desirable that in the case of such films as are able to project critical acclaim at national or international level, the incidence of entertainment tax is reduced or they are given total exemption from entertainment tax. The Committee would like that Central Government should, in consultation with the State Governments involve guidelines to help the latter adopt a uniform yardstick in considering the cases of such films of high standard for exemption from entertainment tax and persuade them to have a liberal approach towards such films in this matter in larger national interest.

**Reply of the Government**

Recommendation is accepted.

2. The Corporation has been advised to formulate proposals for holding film shows in art cinemas on membership basis. The question of exemption from payment of entertainment tax in respect of these shows will be referred to the State Governments for acceptance when such films shows start being held.

3. The Conference of the Information Ministers' held in August, 1974, has already expressed itself in favour of granting exemption from levy of entertainment tax in respect of award winning films. This recommendation has by now been accepted by 16 States and Union Territories. 9 States (Mysore, Jammu and Kashmir, Uttar Pradesh, West Bengal, Andhra Pradesh, Rajasthan, Haryana, Madhya Pradesh and Tamil Nadu) have not accepted the recommendation.

The observations of the Committee are being brought to the notice of these States for their consideration.

[Ministry of Information & Broadcasting, Office Memorandum No. 12|59|76-FIT(IV) dated the 29th Sept. 1976].

**Recommendation Serial No. 52 (Paras 5.46 and 5.47)**  
**Further information called for by the Committee**

The results of reconsideration by the States of Mysore, J & K., U.P., West Bengal, Andhra Pradesh, Rajasthan Haryana, M.P., and Tamil Nadu of the suggestion for exemption of award winning films from levy of entertainment tax may be intimated.

[L.S.S. O.M. No. 20-PU|76 dated 6-12-1977].

**Further reply of Government**

Of the 9 States which were asked to reconsider their earlier decision regarding grant of exemption from entertainment tax to award winning films, only one State namely Rajasthan has replied and that too in the negative. The recent Conference of Information Ministers has again recommended that such films be exempt from entertainment tax. The matter is again being taken up with these States.

[Ministry of Information & Broadcasting, Office Memorandum No. 12|58|76-FI (Vol. III) dated New Delhi, 1-2-78.]

**Recommendation No. 53. (Paras Nos. 6.12—6.13)**

The Committee find that the Film Finance Corporation has been appointed as the canalising agency for import and distribution of cine raw films and import and export of films on 27th October, 1973 and this work which was being handled by the State Trading Corporation earlier was transferred to this Corporation in November, 1973. The Committee feel that in view of availability of the different types of films from the Hindustan Photo Films Manufacturing Company Limited, the F.F.C. should plan its import after a careful review of the requirements of the various types of films and their availability through the H.P.E. so that the import of these films should be kept to the barest minimum and there is no unnecessary stock piling of the imported film material. They would like the Corporation to keep the HPF informed of the demand of the various types of films in the country so as to enable the latter to regulate its production and expansion accordingly. The Committee would also like the Government to restrict the import of colour films to the barest minimum.

### Reply of the Government

While functioning as the sole canalising agency for the import of cine raw stock, the FFC keeps close liaison with the HPF and also arranges licence applications for HPF. It does not import products manufactured by HPF. It furnishes statistical information to the HPF, relating to import and consumption of raw stock in the country, which helps HPF in planning its production. There is no stock-piling of raw stock with F.F.C. Close coordination is also maintained between the Ministry, FFC, HPF and others aimed at enabling the HPF to expand its capabilities and to reduce import requirements.

[Ministry of Information & Broadcasting F. No. 2/4/76-FTT (III)]

### Recommendation No. 54 (Para No. 6.22)

The Committee are informed that the Corporation screened 80 Indian films for the overseas customers and took certain other steps to popularise Indian films at the Fifth International Film Festival held at New Delhi during December, 1974|January, 1975 with a view to step up and bring better awareness of the Indian films to the other countries. The Corporation is also stated to have held Indian films weeks abroad and participated in various International Film Festivals and markets held abroad. The Committee are informed that in May|June, 1975 the Corporation arranged a week long festival at the National Film Theatre in London at which a number of prize winning films both sponsored by the Corporation and outsiders were screened and at which the films attracted considerable attention of the public and got highly favourable press coverage. The Committee, however, regret to note that the export promotion efforts made by the Corporation have not led to any substantial increase in the export earnings of the Corporation on films. In fact the export earnings on films in 1975-76 (Rs. 6 crores) are likely to be less than that in the previous year i.e. 1974-75 when these were Rs. 6.62 crores. The Committee would like the Corporation to review its export promotion efforts and see as to why these have not resulted in promoting the exports in any substantial manner and to take concerted measures to concentrate its efforts in markets like those of U.K., West Indies, Arabian Gulf, export of films is handled by Indian Motion Pictures Export Corporation Thailand etc. which are stated to be really active for Indian films.

### Reply of the Government

The recommendation is accepted.

2. According to the Department of Commercial Intelligence and Statistics and the office of the Chief Controller of Imports and

Exports, the export value of Indian Feature Films during 1974-75 is Rs. 6,28,97,296/- and during 1975-76, it is Rs. 7,57,38,007/-. The export of films is handled by Indian Motion Pictures Export Corporation as a sub-agent of the Film Finance Corporation. The Film Finance Corporation will always review its export promotion efforts from time to time.

[Ministry of Information & Broadcasting Office Memorandum No. 12/58/76-FI dt. 25-5-1977]

### **Recommendation No. 55 (Para No. 6.23)**

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



### Reply of the Government

The recommendation is accepted.

2. As a part of export promotion efforts, the Chairman, Indian Motion Pictures Export Corporation recently visited Afghanistan and may visit other countries also to identify the export market for Indian films. The Marketing Section which will form part of the International Film Festivals to be held in India every alternate year, will also promote export promotion potentialities of Indian films.

[Ministry of Information and Broadcasting Office Memorandum No. 12/58/76-FI dt. 25-5-1977]

### Recommendation No. 56 (Para No. 6.24)

The Committee feel that the decline of export earnings of Indian films from Rs. 6.62 crores in 1974-75 to an estimated amount of Rs. 6 crores in 1975-76 might be due to smuggling of films outside the country or unauthorised multiplication of the number of prints of Indian films in foreign countries. They feel that now when the FFC is the sole canalising agency to export films and it has as such, a complete record of the number and names of films exported, it should not be difficult for the Government/Corporation to gather information, through Indian Embassies abroad or otherwise, about the Indian films screened abroad and find out with reference to their own records as to which of these films went out of India through unauthorised channels. The Committee would like the Government/Corporation to take effective and coordinated measures legal and otherwise, to plug all loopholes so as to root out smuggling of films.

### Reply of the Government

The Committee's apprehension about the 'decline' in export earnings of Indian films during the year 1975-76 has not come true. The export earnings for this period are stated to be Rs. 7.57 crores as against the 'estimated' amount of Rs. 6 crores.

Government have taken a number of measures to prevent smuggling in general in the country. Our Embassies abroad have been involved now in the task of preventing smuggling of films and information received from them, is brought to the notice of enforcement authorities for further action in appropriate cases. IMPEC is also being made the sole canalising agency for export of films, as multiplicity of exporting agencies was proving to be a major cause of smuggling.

[Ministry of I & B file No. 12/58/76-FI (Vol. II) dt. 24-2-1977]

**Recommendation No. 57 (Para Nos. 6.30-6.31)**

The Committee note that while FFE is the canalising agency for the export of films, the Indian Motion Pictures Export Corporation (IMPEC) which was set up in September, 1963 as a subsidiary of State Trading Corporation (STC) also deals with the export of films. The Committee are also informed that there was a proposal to wind up the IMPEC when Government were thinking of setting up National Film Development Corporation but the latter proposal itself is stated to be now under examination and reconsideration. The Committee do not see any special advantage in having two independent Government undertakings in the field of exports of films as multiplicity of Agencies in the same field results in setting up of parallel services and adding to the overheads without any corresponding gain to the nation and it also likely to create avoidable problems of coordination and *inter-se* relationship at various levels. The Committee recommend that now when there is no intention for the time being of bringing into being the National Films Development Corporation and the Film Finance Corporation has been made the canalising agency for imports and exports, Government should take an early decision to end the overlapping of responsibility and make the Film Finance Corporation fully accountable for the entire work in the field of export of films in the interest of better results and higher efficiency.

**Reply of the Government**

The Film Finance Corporation is mainly concerned with the financing of the productions of good quality of purposeful films. In addition, it is acting as the canalising agent for import of cine raw films as well as feature films into the country and export of films. The work relating to the export of Indian films is, however, not being done mainly through FFC themselves but is being done through IMPEC. The IMPEC is mainly concerned with the promotion of export of films and acts as the sub-agent of Film Finance Corporation (FFC). As such, there is no duplication of work between FFE and IMPEC. IMPEC alone is physically handling the export of films.

2. It has now been decided to demarcate the areas of responsibilities between the FFC and IMPEC. Accordingly, it is being proposed that IMPEC alone would be incharge of all exports of Indian films and FFC of all imports of Foreign films.

3. The IMPEC is not yet a fully Government-owned company, as 22.4 per cent of its shares are held by private individuals. The legal position has, therefore, been that unless the Corporation is wholly

owned by the Government, it cannot be declared as the sole canalising agency for export of Indian films. Government is, taking necessary steps to buy the private shares so as to make the Corporation a 100 per cent Government owned body.

[Ministry of Information and Broadcasting O.M. No. 4|10|76-FIT (III) dated the 24th February, 1977]

**Recommendation (Serial No. 57, Paras 6.30-6.31)**

**Further information called for by the Committee**

Latest position about buying by Government of all shares of the IMPEC held by private individuals may be intimated.

[L.S.S. O.M. No. 20PU/76 Dated 6-12-1977]

**Further reply of Government**

All the shares of the IMPEC held by private individuals has since been purchased by the Government.

[Ministry of Information & Broadcasting O.M. No. 12/58/76-FI (Vol. III) dated, New Delhi, 19-1-78]

**Recommendation (No. 59, Para No. 6.42)**

The Committee feel that the Corporation can make use of the experience of knowledgeable people in Indian Embassies abroad and other such persons well-versed with film world who frequently go abroad to enable it to get preliminary information regarding good and worth-while films which should receive the attention of its Selection Committee.

**Reply of the Government**

The recommendation is accepted. The Corporation would certainly make use of the experience of knowledgeable persons in Indian Missions abroad and be on the look-out for other such persons, when they go abroad, to get preliminary information regarding good and worthwhile films which can be considered for import.

[Ministry of Information & Broadcasting Office Memorandum No. 12/58/76-FI dt. 25-5-1977]

**Recommendation No. 60**

The Committee would like that the films selected for import should be latest and have public acceptability so as to be successful at the box office. They suggest that the films selected should be re-appraised in the light of public reaction and response to the films after they are exhibited and lessons learnt for the future. If any

film fails at the box office, the Selection Panel should review the film which has failed in order to detect the deficiencies and avoid them while selecting films in the future.

### **Reply of the Government**

The observations of the Committee regarding importing only the latest films have been noted for implementation. However, it may not always be possible to obtain the latest films. Moreover, the Corporation wishes to point out that there are older films also which have great merit and deserve to be shown to Indian audiences. Nevertheless, all efforts would be made to import, as far as possible, recent as well as other films which are considered suitable for Indian audience.

[Ministry of Information & Broadcasting Office Memorandum  
No. 12/58/76-FIT (iv) dt. 2-11-1976]

### **Recommendation (No. 61, Para Nos. 6.44-6.45)**

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

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

### **Reply of the Government**

The recommendation is accepted and will be kept in view by the Corporation when the selection panel is re-constituted.

2. As regards monitoring of the performance of the Corporation, the performance in the matter of trading activities is reflected in the quarterly financial reports which are placed before the Board of Directors at their meetings and also sent to the Government. These

are a pointer to where the Corporation is incurring losses on the whole.

[Ministry of Information and Broadcasting, Office Memorandum  
No. 12/58/76-FI dt. 25-5-1977]

**Recommendation (No. 62, Para Nos. 6.62 to 6.64)**

The Committee note that apart from Film Finance Corporation being the sole canalising agency for import of feature films, there is a separate agreement with 8 American Companies known as Motion Pictures Export Association of America (MPEAA) who are essentially American Films Distributors in India working in this field for over 30 years. The Committee are informed that these American Companies have been allowed to function as importers and distributors even after appointment of FFC as canalising agency for the reasons that (1) Film Finance Corporation cannot make financial investment necessary for importing 100 to 150 films a year as it has to make an outright purchase of these films whereas the American companies bring these films for exhibition and then take them back; (2) Film Finance Corporation does not have man-power to handle the job of distribution and exhibition of films in this country; and (3) Film Finance Corporation does not have the outlay necessary for handling this business.

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

of accumulated funds of MPEAA will, in the opinion of the Committee, not solve the problem as further imports through MPEAA are likely to result in accumulation of fresh amounts and this would create a vicious circle. The Committee feel that this is one of those cases which have been dealt with by the authorities in a very casual manner. The Committee would like that the Government should examine the financial and organisation aspects of the matter expeditiously and make timely arrangements so as to ensure that, on the expiry of the present agreement with MPEAA in March, 1979, Film Finance Corporation will be able to handle the work of import and distribution of all foreign films, including American films.

### **Reply of the Government**

The recommendation is accepted. The agreement is already under review. A distribution cell has been set up in the Film Finance Corporation with effect from December 1975. This cell will be responsible for the distribution of imported and FFC Financed Sponsored films. In the long run FFC would establish its own distribution organisation throughout India controlling both imported and FFC Financed films. However, as this will take some time it is proposed to begin with take up direct distribution of certain imported films viz. films imported through M/s Paris Asia Films only in the major cities of Bombay, Calcutta, Madras and Delhi. For the rest of the country sub-distributors would be appointed on a selective basis. The sub-distributors will be selected on the basis of :

- (a) Their experience in the film distribution or allied fields.
- (b) Provision of satisfactory bank guarantee regarding their financial status.
- (c) Ownership/control of theatres, if any.
- (d) Degree of commercial success already achieved in distribution business.
- (e) General reputation in the industry.

It is also proposed to classify foreign films into three categories namely A, B & C grades depending on their commercial potential. It is further proposed that a group of four films consisting of three foreign films and one FFC film would be offered for sale as a package. Offers will be invited zone wise and will be scrutinised by the Corporation and the best offer for each package will be fixed after approval by the Chairman. The distributors while making offers will be called upon to deposit certain amount with the Corporation as earnest money, which would be refunded in case the offers are rejected but would be forfeited if the offers are accepted by the

Corporation but not implemented by the depositors within the stipulated period. In the distribution agreements it will be ensured that the distributors will pay the total amount take and delivery of prints of all the films in the package.

[Min. of I & B O.M. No. 12|58|76-FIT (iv) dt. 29-9-1976]

**Recommendation No. 63 Para No. 6.65**

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

**Reply of the Government**

The recommendation is accepted.

[Ministry of Information and Broadcasting, Office Memorandum  
12|58|76-FIT (iv) dt. 21-11-1976]

**Recommendation No. 64 Para No. 6.66**

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

**Reply of the Government**

The recommendation is accepted.

[Ministry of Information and Broadcasting, Office Memorandum  
12|58|76-FIT (iv) dt. 21-11-1976]

**Recommendation No. 66 Para Nos. 7.17 & 7.18**

The Committee are distressed to find that the Film Finance Corporation has suffered an accumulated loss of Rs. 22.39 lakhs as on 31st March, 1974 against the paid-up capital of Rs. 50 lakhs, and the loss suffered in 1973-74 alone amounted to Rs. 15.33 lakhs. The loss would be more by another Rs. 17 lakhs if the interest on the bad debts had been taken into account. The Committee find that while interest on loans is reckoned on an accrual

basis on debts considered good, it is taken on cash basis on debts considered doubtful. The Committee do not see the rationale behind difference in procedure for reckoning interest, as the terms and conditions of loans are the same in either case.

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

#### **Reply of the Government**

The matter is under consideration in consultation with the auditors of the Film Finance Corporation.

[Ministry of Information & Broadcasting, Office Memorandum  
No. 12/58/76-FI, dt. 10-12-1976]

#### **Further information called for by the Committee**

Have the Corporation introduced the system of management accountancy and also pressed into service such management tools as would evolve a contemporaneous scrutiny of the financial operations? What is the latest position in this regard?

L.S.S. O.M. No. 20-PU/76 Dated the 19th January, 1977

#### **Further reply of Government**

The matter is still under consideration.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76 FI dt. 15-3-1977]



### **Further information called for by the Committee**

Latest position about introduction by the Corporation of the system of management accountancy, may be intimated.

[LSS O.M. No. 20-PU/76 dated 6-12-1977]

### **Further reply of Government**

The question of introducing internal control system of accounts and installation of management information system to suit the requirements of the Film Finance Corporation was entrusted to the statutory auditors of the Corporation. As the auditors were delaying the matter, the Corporation, on its own, introduced control systems and procedures with the approval of the Bureau of Public Enterprises, (Copy annexed Appendix VII). The job of installation of management information system entrusted to the statutory auditors has been cancelled.

[Ministry of Information and Broadcasting Office Memorandum No. 12/58/76-F1 (Vol. III), dated 6-12-1978].

### **Recommendation No. 67 (Para Nos. 7.19—7.20)**

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

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

### **Reply of the Government**

The recommendation is accepted.

2. A quarterly financial report on the income and expenditure and other financial aspects of the Corporation are discussed at the meeting of the Board of Directors, in which there is a representative from the Government of India. Over and above this, a meeting of the Performance Review Committee presided over by the Secretary, Ministry of Information & Broadcasting, is also held every six months which thoroughly goes into the entire working of the

Corporation including the financial as well as the other aspects of its operation.

[Ministry of Information and Broadcasting Office Memorandum  
12/58/76-FI dated 10-12-1976]

### **Recommendation No. 68 (Para No. 7.21)**

It has been admitted both by the Management as well as the Ministry that "the financial position of the Corporation is not satisfactory". The Ministry have, however, informed the Committee that with a view to improving the financial position, the Corporation proposes to enter into the field of exhibition and distribution of the films financed by it in a more business-like manner. They also propose to give an interest free loan of Rs. 45 lakhs to the Corporation.

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

### **Reply of the Government**

The recommendation is accepted.

The Ministry of Information and Broadcasting, in consultation with the Film Finance Corporation, have prepared a comprehensive programme to achieve these objectives and this is under consideration. On the basis of the recommendations of the Committee vide recommendations Nos. 16, 17, 21, 23 and 26 regarding improving financial position, streamlining the procedure for grant of loans, and bringing about all round efficiency, necessary instructions have been issued to the Film Finance Corporation as indicated in the Government's reply on these recommendations.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FI dated 10-5-1977].

---

## CHAPTER III

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

#### Recommendation No. 30 (Para No. 2.162-2.163)

The Committee are of the opinion that the Banks, should play an important role in the financing of quality films. This is all the more necessary to save talented entrepreneurs from the clutches of private financiers who not only exploit the situation by compelling the needy entrepreneurs to pay exorbitant rates of interests but also indirectly force them to produce cheap and unwholesome films to cater to low tastes and make quick money at the box office. The Committee feel that, if films of good standard have to be produced and if the people, particularly the youth have to be protected against the harmful effects of cheap films depicting unwholesome sex and violence, the nationalised banks should come forward to play a meaningful and constructive role in the production of quality films and encourage the production of such films by providing funds to talented producers who approach with worthwhile projects. They would like the Government (Department of Banking in the Ministry of Finance) to advise the nationalised banks to take initiative in this regard and see that talented and promising entrepreneurs coming forward with sound and good film projects which are certified to be good by the Film Finance Corporation, are not denied funds by the Banks. . .

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

#### Reply of the Government

The recommendation was referred to the Department of Banking in the Ministry of Finance, who have stated that in planning credit deployment, banks give primary attention to the requirements of public food procurement, agriculture, small scale industry, exports, public sector manufacturing units, industries in core sector. Sanction as well as supervision of loans for films production are of highly specialised nature and banks do not possess requisite experience to finance film industry. In view of the cons-

traint of resources, and competing demands on them, it will not be possible for the commercial banks to finance the film industry, which occupies a very low priority to an appreciable extent.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/45/76-FI]

**Recommendation No. 39 (Para No. 3.21)**

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

**Reply of Government**

The Government is not in favour of creating any outside panel to make any kind of study, as the Board of Directors have since been reconstituted with eminent persons. They have already taken initiatives in channelising funds for approved objectives of making good quality films.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/10/76-FI]

**Recommendation No. 58 (Para Nos. 6.39—6.41)**

The Committee note that since the first quarter of 1974 when the work of import of feature films was commenced by the Corporation, it has imported 28 films from Canada, France, Italy and Japan, of which 15 films had been released upto September, 1975. It is also negotiating for import of films from U.K. After studying the literature received from foreign film producers, the library prints are seen by the Selection Panel and selections of films made.

The Corporation thinks that as the existing selection procedure is time-consuming, it will be better and quicker to send a team of Selection Committee to the important production centres of the world and select larger number of recent films. The Committee need hardly point out that import of films is a more or less speculative venture in which the Corporation had had no previous

experience. It is therefore absolutely necessary for the Corporation to proceed with this work very cautiously and gradually. The Committee feel that the Corporation must first establish itself, gain sufficient experience in this new venture and show encouraging results before it should think of sending its teams all over the world to make selection of films. The Committee do not think any special advantage can be derived by sending out selection teams from country to country in search of good films when the same work can be done with the help of film journals and magazines in which critical reviews of all good films are published. They feel that if the Corporation is able to manage its affairs efficiently, the foreign producers/distributors would themselves be attracted to supply their latest film to the Corporation.

#### **Reply of Government**

The Corporation has constituted a Selection Panel for selecting feature films for import. Whenever necessary, it will also send teams abroad for selection of films.

(Ministry of Information and Broadcasting Office Memorandum  
No. 12|68|76-FI)

---

## CHAPTER IV

### RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### Recommendation No. 19 (Para Nos. 2.110 & 2.111)

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

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

#### Reply of Government

The agreements with the producers other than that of the film 'Umeed' provide that the first charge on earnings on films is due to the Corporation.

Though the film 'Umeed' was released, its exhibition was subsequently stopped in the side of Punjab due to litigation. However, the Corporation will initiate legal steps to the extent possible for recovery of its dues.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58/76-FIT/(12) dt. 2-11-1976]

### **Further information called for by the Committee**

The latest position about institution of legal proceedings for recovery of its dues in respect of the film 'Umeed' may be intimated.

(L.S.S. O.M.No. 20-PU/76 dated 6-12-1977)

### **Further Reply of Government**

The Corporation's solicitors have advised that the decree obtained by it on 24th December, 1967 against the borrower of film "Umeed" had been replaced and substituted by an agreement dated 1-4-1969 under which the Corporation agreed to make a further loan of Rs. 2.5 lakhs to him and he agreed to pay aggregated amount of Rs. 6 lakhs (which included the decree amount due and payable by him under the decree) within a period of 1½ years from the date of agreement or within one month from the date of release of the film, whichever was earlier. According to the solicitors, this agreement would seem to have become time barred. Other limitations about taking action under the decree had also been pointed out by the solicitors. The result is that the claim against the borrower is not enforceable.

[Ministry of Information & Broadcasting O.M. No. 12/58/76-FI, (Vol. III) dated New Delhi, the 4th February, 1978].

### **Comments of the Committee**

Please see paras 13 and 14 of Chapter I of the Report.

### **Recommendation No. 23 Para No. 2.116**

The Committee regret to note that, even after 1969 when the procedure for sanction of loans and recovery thereof is stated to have been streamlined, there have been cases in which producers who had not repaid the earlier loans advanced by the Corporation were given fresh loans for production of other pictures and the loans given even for these pictures remained in arrears. To cite an example, they find that Shri Gajanan Jagirdar who had been sanctioned a loan for a Marathi picture 'Sukhachi Savali' in 1963, part of which had to be written off, was sanctioned another loan in 1970 for another Marathi Film 'Donhi Gharcha Pahuna' and the subsequent loan is also still in arrears.

**Para No. 2.117**

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

**Reply of the Government**

A study Group of officials constituted to go into the lapses on the functioning of the Film Finance Corporation, investigated into the cases of advance of second loan to the producers, when the earlier loan was still in arrears. According to the Chairman there are only 2 such cases, namely, that of Shri Gajanan Jagirdar and Shri Mani Kaul, for the production of their second films, namely, 'Donhi Gharcha Pahuna' and 'Duvidha' respectively.

2. Shri Gajanan Jagirdar applied for a second loan of Rs. 1,20,700|-, on 8th October, 1970 for producing the film entitled 'Donhi Gharcha Pahuna'. The proposal was examined by the Secretary of the Corporation but he did not make any mention about the previous loan granted to the producer for making his film 'Sukhachi Savali'. The script was examined by the Assistant Technical Adviser and in his note, he made the following comments about the producer's previous dealings with the Corporation:—

"His latest film 'Sukhachi Savali' was financed by us. He produced this film in 1963. We gave a loan of Rs. 89,000. The film was released in February, 1964. Since we could recover only a part of our dues, we obtained an arbitration award and decree against the applicant. Subsequently, we approved his settlement proposal of Rs. 10,000 (vide Board's resolution dated 13-9-1968 as amended on 30-12-1968) and all the rights over the film were taken over by us. The applicant has since paid us the settlement amount of Rs. 10,000."

The Board at its meeting held on the 28th November, 1970, considered the second loan application of Shri Jagirdar and decided to grant the loan applied for in instalments. The facts about the



earlier loan must have been known to some of the members of the Board at the time of presenting the case for the second loan. The officers of the Corporation, notably, the Secretary and the Assistant Technical Adviser were not new at the time of presenting the case for second loan.

3. In the second case, the applicant, Shri Mani Kaul first applied for a loan of Rs. 2.5 lakhs for producing the film 'Ashad Ka Ek Din' in June, 1970. The Secretary of the Corporation examined the proposal and the Assistant Technical Adviser gave his own views about the script of the film and finally recommended that the project fully deserved assistance from the Corporation as the producer was a talented and a promising film maker. In his note, however, he mentioned the fact that for the recovery of the loan, the Corporation will have to look forward to the realisations from the film itself, as there was no way of getting back the loan from the producer's assets. The Board examined the proposal at the meeting held on 9th September, 1970 and decided to grant a loan of Rs. 1,75,000 to Shri Mani Kaul, for making the film. Subsequently, an additional loan of Rs. 20,000 was also sanctioned by the Board at its meeting held on the 5th June, 1971. The film was completed but there was no distributor to come forward to distribute the film. On 24th May, 1973, Shri Mani Kaul wrote to the Chairman, Film Finance Corporation, requesting that he may be given a loan of Rs. 65,000 for completing the film 'Duvidha'. This amount was to be spent on blowing up the film from 16 mm to 35 mm, buying of raw-stock etc. In this proposal Shri Mani Kaul suggested that the proposed loan should be inter-locked with the earlier loan for the film 'Ashad Ka Ek Din' and that the earnings of the film 'Duvidha' could be utilised towards the repayment against the loan taken for the first film. The Board at its meeting held on 28th June, 1973 considered the proposal and decided to grant the loan of Rs. 85,000. There has been no concealment of facts in this case at the time of sanctioning the second loan. The Board, consciously sanctioned the second loan.

4. The Government accept the above findings of the Study Group. No responsibility is proposed to be fixed for the sanction of the second loan as the decision was that of the Board and not of any individual.

5. To prevent such lapses in future, it is proposed to amend the loan application form to include a provision to indicate the earlier loans if any applied for by the applicant and if so, with what results. The amendment of the loan agreement including

insertion of the following provisions has been suggested:—

- (i) the Corporation will have the first charge over the earnings of the films for which the loan is granted as well as subsequent film or films to be made by the same producers;
- (ii) a provision to the effect that the assets of the loanees are made inalienable till the Corporation's dues are finally paid and settled.

This is under consideration of the Corporation, in consultation with their legal experts.

[Ministry of Information and Broadcasting Office Memorandum No. 12/58/76-FI dt 20-5-1977]

**Further information called for by the Committee.**

The latest position about amendment of the loan application forms, to contain a column regarding position in respect of earlier loans due from the applicant and stipulation regarding Corporation's having the first charge etc. may be intimated.

[L.S.S. No. 20-PU/76 dated the 19th January, 1977].

**Further reply of Government**

The bye-laws and regulations for the grant of loan are being revised in consultation with the Corporation's Legal Advisers. The loan application forms are also being revised simultaneously.

[Ministry of Information & Broadcasting O.M. No. 12/58/76-FI (Vol. III) dated New Delhi, 19-1-78]\*.

**Comments of the Committee**

Please see para 23 and 24 of Chapter I of the Report.

---

\*At the time of factual verification, the Ministry of Information and Broadcasting informed that 'the bye-laws and the loan application forms have since been revised and approved by the Board of Directors and are under the consideration of Government.

## **CHAPTER V**

### **RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED**

#### **Recommendation (Serial No. 33 Para No. 2.182)**

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

#### **Reply of the Government**

On the basis of different observations made by Committee on Public Undertakings and expert opinion otherwise obtained, the charter of functions of the Film Finance Corporation is being revised. The question of ways and means is linked with the pattern of schemes the Film Finance Corporation would implement. Proposals such as subvention, interest free loan or conversion of outstanding loan into equity are being reviewed in the light of the schematic proposals being evolved. Final decisions on these will be taken shortly and conveyed to the Committee on Public Undertakings.

[Ministry of Information and Broadcasting Office Memorandum  
No. 12/58776-FI dated 10-12-1976].

#### **Further information called for by the Committee**

It has been stated that proposals such as subvention, interest-free or conversion of outstanding loan into equity are being reviewed in the light of the schematic proposals being evolved and final decisions on these will be taken shortly and conveyed to the Committee on Public Undertakings.

Please state the latest position in the matter.

[L.S.S. No. 20-PU 76 dated the 19th January, 1977].

### Further reply of Government

The matter is still under consideration. -

[Ministry of Information & Broadcasting O.M. No. 12/58/76-FI, dated 15-3-1977]

#### Recommendation (S. No. 34, Para No. 2.183)

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

#### Reply of Government

On the basis of different observations made by Committee on Public Undertakings and expert opinion otherwise obtained, the charter of functions of the Film Finance Corporation is being revised. The question of ways and means is linked with the pattern of schemes the Film Finance Corporation would implement. Proposals such as subvention, interest-free loan or conversion of outstanding loan into equity are being reviewed in the light of the schematic proposals being evolved. Final decisions on these will be taken shortly and conveyed to the Committee on Public Undertakings.

[Ministry of Information and Broadcasting O.M. No. 12/58/76-FI dated 10-12-197\*]

#### Further information called for by the Committee

It has been stated that proposals such as subvention and interest-free loan or conversion of outstanding loan into equity are being reviewed in the light of the schematic proposals being evolved and

final decisions on these will be taken shortly and conveyed to the Committee on Public Undertakings.

Please state the latest position in the matter.

[L.S.S. O.M.No. 20-PU|76 dated the 19th January, 1977.]

#### **Further reply of Government**

The matter is still under consideration.

[Ministry of Information & Broadcasting O.M. No. 12|58|76-FI, dated 15-3-1977]

#### **Recommendation (S. No. 35, Para Nos. 2.184—2.185)**

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

The Committee hope that with the conversion of loans into equity, grant of subvention and interest-free loan of Rs. 45 lakhs and the availability of funds from the trading activities of the Corporation as also from nationalised Banks, the constraint of funds that was stated to have prevented the Corporation in the past from making a sizeable impact on the film industry, would disappear to a considerable extent. The Committee, however, wish to sound a note of caution that larger availability of funds with the Corporation should not result in misuse of wasteful use of funds for production of films of sub-standard quality. The Committee recommend that the Corporation should prepare a comprehensive and phased scheme for the optimum and judicious use of the larger funds that will become available so as to ensure that not only larger number of artistic low-budget films of good standards are financed by it but that the films for which it provides funds are also completed in the shortest possible time, exhibited all over the country and the loans are paid back by the entrepreneurs regularly so that the Corporation may be in a position to recycle the funds for the benefit of other entrepreneurs from year to year.

#### **Reply of Government**

On the basis of different observations made by Committee on Public Undertakings and expert opinion otherwise obtained, the charter of functions of the Film Finance Corporation is being revised. The question of ways and means is linked with the pattern

of schemes the Film Finance Corporation would implement. Proposals such as subvention, interest free loan or conversion of outstanding loan into equity are being reviewed in the light of the schematic proposals being evolved. Final decisions on these will be taken shortly and conveyed to the Committee on Public Undertakings.

[Ministry of Information and Broadcasting O.M. No. 12/58/  
76-FI dt. 10-12-1976]

#### **Further information called for by the Committee**

It has been stated that proposals such as subvention interest-free loan or conversion of outstanding loan into equity are being reviewed in the light of the schematic proposals being evolved and final decisions on these will be taken shortly and conveyed to the Committee on Public Undertakings.

Please state the latest position in the matter.

[L.S.S. O.M. No. 20-PU/76 dated the 19th January, 1977]

#### **Further reply of Government**

The matter is still under consideration.

[Ministry of Information & Broadcasting O.M. No.  
12/58/76-FI, dated 5-3-1977]

#### **Recommendation (S. No. 65, Para Nos. 7.07—7.09)**

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

The Committee would also like Government to decide without any further delay the question of the continuance of the subvention so that the Corporation is clear about the position in regard to finances and it may arrange its commitments suitably.

#### **Reply of the Government**

On the basis of different observations made by Committee on Public Undertakings and expert opinion otherwise obtained, the charter of functions of the Film Finance Corporation is being revised. The question of ways and means is linked with the pattern of schemes the Film Finance Corporation would implement. Proposals such as subvention, interest free loan or conversion of outstanding loan into equity are being reviewed in the light of the schematic proposals being evolved. Final Decisions on these will

be taken shortly and conveyed to the Committee on Public Undertakings.

[Ministry of Information and Broadcasting O.M.  
No. 12|58|76-FI dt. 10-12-1976]

**Further information called for by the Committee**

It has been stated that proposals such as subvention interest-free loan or conversion of outstanding loan into equity are being reviewed in the light of the schematic proposals being evolved and final decisions on these will be taken shortly and conveyed to the Committee on Public Undertakings.

Please state the latest position in the matter.

[L.S.S. O.M. No. 20-PU|76 dated the 19th January, 1977]

**Further reply of Government**

The matter is still under consideration.

[Ministry of Information and Broadcasting O.M.  
No. 12|58|76-FI dt. 15-3-1977]

**Recommendation S. No. 33s (Para 2.182), 34 (Para 2.183), 35 (Para 2.185) & 65 (Paras 7.07—7.09)**

**Further information called for by the Committee**

Latest position about decisions on proposals such as subvention, interest-free loan or conversion of outstanding loan into equity, may be intimated.

[L.S.S. O.M. No. 20-PU|76 dated 6-12-1977]

**Further reply of Government**

The question of raising the equity share capital of the Film Finance Corporation or giving financial assistance in the form of subvention, interest free loan|conversion of outstanding loan into equity etc. was kept pending until the new charter of activities, in terms of recommendation no. 1 of the Committee was finalised and put into operation. The matter will now be examined.

[Ministry of Information & Broadcasting O.M. No.  
12|58|76-FI (Vol. III) dated New Delhi, 19-1-78]

In their subsequent reply dated 27-9-1978, the Ministry have stated as under:—

\*“... The various proposals relating to strengthening the financial position of FFC are in an advance stage of consideration and efforts are being made to finalise decisions on these proposals at the earliest. The decision when taken will be communicated to the Lok Sabha Secretariat in due course”.

**Comments of the Committee**

Please see Para 33 of Chapter II of the Report.

NEW DELHI;

JYOTIRMOY BOSU,

March, 28 1979.

Chairman,

Chaitra, 7 1901 (S).

Committee on Public Undertakings.



## APPENDIX I

(See Reply to Recommendation No. 1, page 14)

### AIMS and Functions of the Film Finance Corporation

#### 1. *Financing of film production:*

Film Finance Corporation should undertake the financing of all the following three types of films:—

- (A) Off-beat or art films which should still be able to acquire some audience.
- (B) Films of good standard which provide healthy entertainment and also take into account social and human values, made by non-commercial producers.
- (C) Films of type 'B' above made by established producers.

2. Generally speaking, profit-sharing should be the basis for financing, wherever possible. The limits of the profit-sharing may be decided by the Board in the best interests of the Film Finance Corporation and of the project. Where profit-sharing is not possible, collateral security may be obtained.

3. A financing policy as above may enable the Film Finance Corporation to adopt an annual financing programme of atleast about 10 films or approximately Rs. 45 lakhs a year.

4. When other financing institutions are agreeable to provide loans, FFC, if called upon to do so, should agree to function as guaranter or consultant or technical adviser to the financing institutions.

#### II. *Exhibition of films:*

5. FFC should enter the area of exhibition in order to acquire playing time for films it has promoted as well as other good films. It should enter into arrangements with cinema houses, wherever possible. Particularly in States where Film Development Corporations have been formed, FFC should acquire playing time in cinema houses, for which, if necessary and possible, State Government's existing legal authority over exhibition can be invoked. FFC may also prepare a project for construction of low-cost cinema

houses, with sanitary conditions but without luxuries, with low rates of tickets. FFC may promote the construction of such cinema houses by acting as guarantors to loans advanced by financing institutions.

### III. *Promotion of 16 mm and 8 mm movement:*

6. FFC should initiate measures to promote 16 mm circuit in the country and eventually take up also 8 mm circuit. Measures may be taken for *production and exhibition* of such films through students organisations in the Universities and through Film Societies and Clubs.

### IV. *Import of foreign films*

7. FFC should aim at maximising the import of foreign films. The films should be selected by a Panel appointed by FFC which may consist of the Chairman, another Director and the representative of the Ministry in the Board. Good foreign films would bring Indian audiences in contact with the best products of film-makers of other countries and allow Indian producers to witness the effect of the advanced techniques. These films may also help FFC in acquiring playing time for good Indian films in which FFC have an interest. Above all, the import can be a source of income for FFC which can be ploughed back into the financing of Indian films.

8. FFC should be the sole agency for import of foreign films. All arrangements with foreign agencies should be through FFC, but should follow consultations between FFC and Government.

### V. *Distribution*

9. FFC should try to enter the distribution market and should try to function in this area directly rather than through sub-agents. For this purpose, it should create its own infra structure at important centres in the country. FFC should aim to be the sole distributor of imported films and, in addition, should also engage in the distribution of Indian films of good standards.

### VI. *Promotion of regional films: Dubbing and sub-titling:*

10. In addition to a preferential policy in the financing of regional films, FFC should promote the dubbing and sub-titling of regional films in order to expand their market both in the country and abroad. Since regional films are generally cleaner and purposive, this itself would have a qualitative influence on films in general. Dubbing facilities are available in the private sector, but sub-titling facilities are not adequately available. FFC should promote and finance

projects for creation of dubbing and sub-titling facilities either under its own auspices or otherwise.

**VII. Creation of opinion: Film Society Movement:**

11. FFC should promote the Film Societies Movement and film clubs in the country by taking different kinds of initiatives. FFC should also organise seminars and conferences to stimulate discussions over various aspects of cinema.

**VIII. Collaboration in Film Festivals:**

11. FFC should promote the Film Societies Movement and film being held in India and festivals of Indian films abroad. It should, therefore, legitimately collaborate with the Directorate of Film Festivals in this field.

**IX. Canalising agency for raw stock:**

13. FFC should continue to be the canalising agency for import of raw stock. However, it should function executively in all efforts for obtaining and distributing the raw stock to producers. It should have contacts with the Ministry of Finance, Department of Economic Affairs and CCI&E and the intervention of the Ministry should be sought generally for high level discussions only. For this purpose, FFC may organise a small office in New Delhi or otherwise strengthen itself. FFC should provide substantial assistance to film industry in this field.

**X. Activities not to be undertaken:**

14. The policy is to relieve FFC of any responsibilities in the matter of export of films so that the export side can be handled entirely by the IMPEC.

15. FFC should not also engage itself in direct production or co-production of films.

---

## APPENDIX II

(See Reply to Recommendation No. 1, page 14)

*Extracts from the Minutes of the meeting of the Board of Directors of the Film Finance Corporation Ltd. held on 30th November, 1977, at Bombay.*

---

**"17. Aims and Objectives of the Corporation:**

The aims and objectives of the Corporation, as incorporated in the letter dated 20-3-1977, received from the Additional Secretary to the Government of India, were noted with approval, with the proviso that the clause regarding collateral security may be suitably amended to say that collateral security may be obtained wherever possible and only where this was not possible should the Corporation go in for profit-sharing."

---

.. **APPENDIX III** ..

(See Reply to Recommendation No. 12, Page 21)

No. 12|68|76-FI  
Government of India

**MINISTRY OF INFORMATION AND BROADCASTING**

*New Delhi, the 29th September, 1976.*

The Chairman,  
Film Finance Corporation,  
91-Walkeshwar Road,  
BOMBAY—400006.

**SUBJECT:**—*Recommendation Nos. 10, 12, 14, 44, 63 and 64 of the Committee on Public Undertakings.*

Sir,

I am directed to say that it has been decided to accept the following recommendations relating to the Film Finance Corporation. It is requested that the Film Finance Corporation may kindly take necessary action to implement the decisions of the Government in this regard.

---

S.No.	Recommendation/Para No.	Brief Subject
1.	10 (para 2·55)	Review of the conditions and formalities laid down for disbursement of loans.
2.	12 (Para 2·57)	Keeping on record the reasons for rejection of loan application.
3.	14 (paras 2·59 & 2·60)	Preparing and review of check list on each application for financial assistance to ensure fulfilment of all conditions by the applicant before sanctioning loans.
4.	44 (para 5·33)	Exhibition outlets for the F.F.C. financed films through film societies and Television and analysis of the audience appeal of these films.

---

S. No.	Recommendation/Para No.	Brief Subjects
5.	63(Para 6-65)	Preparing integrated plan to promote exhibition of Film Finance Corporation financed films along with foreign films.
6.	64 (para 6-66)	Inclusion in Annual Report ; analysis of the trading activities of the Corporation.

2. Action taken in this regard may kindly be reported.

Yours faithfully,

Sd/- (S. GHOSE),

*Dy. Secy. to the Govt. of India.*

## APPENDIX IV

(See Reply to Recommendation No. 14, Page 22)

### CHECK-LIST

(1) Is the application complete in all respects?

(2) Is it accompanied by the requisite number of script copies and synopses?

(3) Are the loan application fee, deposit etc. according to the scale prescribed?

(4) Is the application from an individual, partnership firm or Society or Limited Company?

(5) *If Partnership*—Are copies of Partnership Deed and Memo of Registration enclosed?

Have all the partners signed the application form or have they given the Power of Attorney in favour of one partner?

*If Society*—Are copies of Registration of Society and List of Members enclosed?

*If Ltd. Co.*—Are copies of Articles, Memorandum of Association, Balance Sheet and Profit and Loss Account enclosed?

(6) Are detailed particulars, as under, about the guarantors given?

(a) List of their assets and liabilities

(b) Certified true copies of Income-tax assessment orders for the last completed assessment year

(c) Name(s) of the Bank(s) with which they maintain their bank account(s).

(7) (a) Does the summarised budgetted cost tally with break-up?

(b) Is it realistic under all the heads?

(c) Are any provisions omitted?

(d) Has producer made any provision to himself in any capacity?

(8) Is the Applicant's share 25 per cent of the budgetted cost?

If not, how much is it?

**What is the component of his share in cash and how much in credit?**

**(9) Are details regarding investment already made, available?**

**Is the cash investment actually made or is it a credit transaction in disguise?**

**Is the Producer prepared to spend his component before the loan is given?**

**(10) In the case of credit investment, has applicant given credit letters in our standard form?**

**(11) Is there a shortfall between the total budget of the film, the loan applied for and Applicant's share?**

**If so, how is it to be met?**

**(12) Is the coverage mentioned in the form reasonable, i.e., will the film make a profit or a loss?**

**(13) Has the Applicant given all details about his bank accounts?**

**(14) Is his credit adequate?**

**(15) Is the applicant producing another film?**

**If so, what is the stage of production?**

**What are the liabilities connected with the other film?**

**(16) Are details of previous experience available about the director, cameraman and other technicians associated with the film?**

**(17) Are details of the cast given in the application form?**

**(18) Is any member of FFC's Script Committee connected with the proposed film in any way?**

**(19) In what instalments does not the Applicant want the loan to be disbursed?**

**(20) In what instalments will the Applicant repay the loan?**

**(21) Is the Applicant able to provide collateral security?**

**If so in what form is it?**

---



## APPENDIX V

(See Reply to Recommendation No. 20, Page 28)

No. 12|40|76-FIT (IV)

Government of India

### MINISTRY OF INFORMATION AND BROADCASTING

New Delhi, the 16th July, 1976.

Government Director in the  
Board of Directors of FFC,  
(Shri L. Dayal, Jt. Secretary)  
Ministry of Information and Broadcasting,  
New Delhi.

SUBJECT:—*Examination of Recommendation No. 20 (para 2.112) of the Committee on Public Undertakings, submitted to the Fifth Lok Sabha.*

Sir,

I am directed to say that the Committee on Public Undertakings, in para 2.112 of their Report (Recommendation No. 20) of the 79th Report submitted to the 5th Lok Sabha, while dealing with the financing of films, have observed that there has not been a systematic procedure by which the shortcomings in the working of the Corporation could be brought to the notice of the Government and the Government representatives on the Board were not as alert and vigilant as they ought to have been during the years 1961—69. The Committee has suggested that the Government representatives on the Board of Directors of Undertakings should act as eyes and ears of the Government on the Board and bring to the notice of the Government not only the goings-on but also the shortcomings in the working of the undertaking so that suitable remedial measures may be initiated in time for improving the performance and overcoming the difficulties. This is brought to the notice of the Government Director in the Film Finance Corporation, for compliance.

Yours faithfully,

Sd/- (S. GHOSE),

*Dy. Secy. to the Govt. of India.*

Copy to the Acting Chairman, Film Finance Corporation, 91, Walkeshwar Road, Bombay—400006.

Sd/- (S. GHOSE),

*Dy. Secy. to the Govt. of India.*

## APPENDIX VI

(See Reply to Recommendation No. 45, Page 50)

No. 12/54/76-FIT (IX)

Government of India

### MINISTRY OF INFORMATION AND BROADCASTING

New Delhi, dated 4th March, 1977.

The Chief Secretaries of All State  
Governments/Union Territory Administrations.

**SUBJECT:—Recommendation No. 45 of the Committee on Public Undertakings, on Film Finance Corporation**

Sir,

I am directed to say that the Committee on Public Undertakings, in paragraph No. 5.34 of their 79th Report submitted to the Fifth Lok Sabha, have observed that the Government of West Bengal are contemplating to direct the cinema exhibitors to earmark certain days in a week for exhibiting the Film Finance Corporation financed films. They feel that this is a step in the right direction and if properly implemented in letter and spirit, it will go a long way in providing the much needed exhibition outlets to the quality films financed by the Film Finance Corporation.

2. The West Bengal Government has since been considering issuing an ordinance regulating the compulsory screening of the "West Bengal Films" in the state for at least a minimum period of 26 weeks per year. It has been suggested to the West Bengal Government that the definition of "West Bengal Films" may include Film Finance Corporation financed films also.

3. In view of the small number of films produced in certain languages per year, it may be difficult to follow the pattern adopted by the West Bengal Government for compulsory screening of regional films. It is, however, felt that to ensure adequate exhibition outlets for FFC financed films, a condition may be inserted in the licences of cinema owners to earmark certain popular shows in a week for the exhibition of FFC financed or art films.

Yours faithfully,  
Sd/- (S. M. H. BURNEY),  
Secretary to the Govt. of India.

## APPENDIX VII

(See Reply to Recommendation No. 66, Page 67)

Copy of D.O. No. F.1|DS(C)|BPE, dated 7th July, 1977, from S. Jagannarayanan, Deputy Secretary, Ministry of Finance, Bureau of Public Enterprises, 7th Floor, Mayur Bhavan, New Delhi; addressed to Shri N. V. K. Murthy, General Manager, Film Finance Corporation, White House, 91, Walkeshwar Road, Bombay—400006.

Dear Shri Murthy,

Please refer to your d.o. letter No. FFC|PRC-Misc(REF|FFC|5011|77), dated July 5, 1977. I have gone through the Management Information System. They are okay. I have assisted Shri R. S. Iyer in the drawing up the financial statement and Management Information System. The Finance Division of the BPE has also scrutinised the performance and given the final draft to Shri Iyer. In respect of activity reporting, I wanted FFC to give broad details linking up the target set and the progress attained. In the production units or financial units, before the year starts a broad meeting is held in which the annual target is laid and the quarterly progress report will indicate the achievement against these targets. The target will come up for revision or it continues upto the last quarter before the financial year ends. Therefore, it will be necessary for you to set the targets in advance and giving progress in the quarterly report against the objective. Shri Iyer prepared one note about the activity. It suits us. All other annexures sent by you are in order. I have not received the first report of FFC indicating the ageing of the loans etc. the proforma of which was supplied to you at the meeting.

The Management Information System has been shown to Shri Jayaraman, and he has okayed it.

## APPENDIX VIII

(Vide Para 5 of Introduction)

Analysis of Action Taken by Government on the recommendations contained in the Seventy-Ninth Report of the Committee on Public Undertakings (Fifth Lok Sabha)

I.	Total number of recommendations. . . . .	68
II.	Recommendations that have been accepted by Government—Vide recommendations at Serial Nos:	
	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 24, 25, 26, 27, 28, 29, 31, 32, 36, 37, 38, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 59, 60, 61, 62, 63, 64, 66, 67, and 68 . . . . .	59
	Percentage to total . . . . .	86.76%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply—Vide recommendations at Serial Nos :	
	30, 39 and 58 . . . . .	3
	Percentage to total . . . . .	4.41%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee—Vide Recommendations at serial Nos:	
	19 & 23 . . . . .	2
	Percentage to total : . . . . .	2.94%
V.	Recommendations in respect of which final replies of Government are still awaited.—Vide Recommendations at Serial Nos :	
	33, 34, 35 and 65 . . . . .	4
	Percentage to total . . . . .	5.88%

© 1979 BY LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT  
OF BUSINESS IN LOK SABHA (SIXTH EDITION) AND PRINTED BY THE  
GENERAL MANAGER, GOVERNMENT OF INDIA PRESS,  
MINTO ROAD, NEW DELHI.