C.P.U. No. 462

COMMITTEE ON PUBLIC UNDERTAKINGS

(1981-82)

(SEVENTH LOK SABHA)

FORTIETH REPORT

ON

NATIONAL TEXTILE CORPORATION LTD.

(MINISTRY OF COMMERCE)
(DEPARTMENT OF TEXTILE)

Presented in Lok Sabha and 23 APR 1982
Laid in Rajya Sabha on

सत्यमेव जयते

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NEW DELHI

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(1981-82)

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STUDY GROUP II ON NATIONAL TEXTILE CORPORATION, MINERALS & METALS TRADING CORPORATION AND CERTAIN ASPECTS OF INDIAN TELEPHONE INDUSTRIES LTD., HINDUSTAN TELEPRINTERS LTD., AND ELECTRONIC & TECHNOLOGY DEVELOPMENT CORPORATION LTD.

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2. Shri Darur Pullaiah
3. Shri Niren Ghosh
*4. Shri Arif Mohammad Khan
5. Shri Phool Chand Verma

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*Ceased to be a Member consequent on his appointment as a Deputy Minister on 15 January, 1982.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Fortieth Report on National Textile Corporation Ltd.

2. The Committee took evidence of the representatives of the National Textile Corporation Ltd. on 16, 18, 21 and 22 September, 1981 and of the Ministry of Commerce (Department of Textile) on 24 September, 1981.

3. The Committee considered and adopted the Report at their sitting held on 7 April, 1982.

4. The Committee wish to express their thanks to the Ministry of Commerce (Department of Textile) and the National Textile Corporation Ltd. for placing before them the material and information they wanted in connection with the examination of the subject. They also wish to thank in particular the representatives of the Ministry of Commerce (Department of Textile) and the National Textile Corporation Ltd. who gave evidence and placed their considered views before the Committee.

NEW DELHI;
April 13, 1982
Chaitra, 23 1904 (*S*)

BANSI LAL,
Chairman,
Committee on Public Undertakings.

PART I

BACKGROUND ANALYSIS

I. INSTITUTIONAL FRAME WORK

A. Holding Company

1 The National Textile Corporation was set up in 1968 as a Government Company with the main objective of managing the affairs of the sick textile undertakings taken over by Government and rehabilitating, modernising and expending them. Under the Sick Textile Undertakings (Nationalisation) Act, 1974, 103, textile mills were nationalised and vested in the National Textile Corporation. Section 6 of the Act empowered the NTC to form subsidiary corporations under the Companies Act, 1956. With a view to ensuring effective management on a decentralised basis, the NTC formed nine subsidiary companies with headquarters at Delhi, Kanpur, Indore, Bombay(two), Ahmedabad, Calcutta, Bangalore and Coimbatore.

2. There are on the whole 111 textile mills—103 of them are owned and 8 managed. The holding company is coordinating the activities of subsidiary companies in the matter of purchase of raw materials and machinery, production, plant modernisation, labour rationalisation, providing financial assistance, etc. besides undertaking centralised marketing to some extent and setting up a Staff College. The individual mills are production-centres and the subsidiary companies are stated to have necessary autonomy for the purpose of day-to-day administration of all the mills under each of them.

3. Under the Act, the State Governments could subscribe to the equity capital of the subsidiary companies upto 49 per cent. Each subsidiary is managed by a Board of Directors consisting of Chairman-cum-Managing Director, full time functional Directors and part time Directors. The part time Directors are appointed on the Board of Subsidiaries by the NTC and State Government(s) in proportion to their share holding. The holding company has appointed two of its officers of the level of Advisers as Part-time Directors on each of the nine subsidiary corporations as nominees of the Holding Company. One of the functions of these officers is to see that various policies formulated by the Holding Company are implemented at the subsidiary level. From time to time the Holding Company has been suggesting specific points to be discussed at the Subsi-

diary Board Meeting. The nominee Directors see that along with various agenda items these items are also discussed at the Board Meetings. It has been stated that after attending the Board Meeting the nominee Directors report back to the Managing Director of the Holding Company the important points discussed, at the Subsidiary Board Meeting, and arising out of this follow up action, if any, is taken by the Holding Company and the matter is pursued with the concerned subsidiary Corporation.

4. During examination of the representatives of the National Textile Corporation Ltd., the Committee desired to know if the present three-tier system of management of texile mills, namely, holding company, subsidiary companies and the mills was conductive to efficiency and economy. The Chairman of the Corporation expressed the following view:—

> "I have been Chairman of one of the largest holding companies, then Steel Authority of India and I think, if I may speak freely, this (NTC) is just a holding company in name. There are 10 companies. One is the holding Company and the others are upsidiaries. Actually the holding company holds the fort and I think we are definitely working on proper delineation of authority and responsibility to the holding company which has the accountability. It should set up an organisational structure with suitable financial powers for the Managing Director. It should not be merely a holding company in name. We are working out a programme to make it truly a holding company with subsidiaries."

5. The Committee observed that legally the holding company was the owner of the subsidiaries and it ought to have powers to direct and control the activities of the subsidiaries and enquired whether the Government shared the view that there was a need for strengthening the holding company. The Secretary, Department of Textiles stated:

> "We are not in a position to entirely agree with your observation because the Holding Company as it has been formed now comes very closely in touch with all the subsidiaries. They have regular monitoring session and almost in every Board meeting the working of the subsidiaries is reviewed. The new concept of the Holding Company of course, as you know, is that they will give general guidelines within which the subsidiaries are to act. They are to enforce the implementation of whatever Government policies are to be discharged by the Holding Company as well as by the subsidiaries. But it is not definitely their object to participate in the day-to-day administration or the running of the subsidiaries because that way the initiative of the Executives and other Officers of the subsidia-

ries will also get sapped and nobody likes that somebody else will be all the time behind his back and breathing down his neck. But we are reasonably satisfied even today, that the supervision which is exercised by the Holding Company on the working of the subsidiaries is fairly up to the mark. One can never, of course, deny that there is always some room for improvement and if you have any suggestions for such improvement, we shall be happy certainly to consider them and to implement them."

6. The Committee wanted to know if the Chairman-*cum*-Managing Directors of subsidiary companies were being appointed by the holding company. In reply, the Managing Director explained in evidence:—

"According to Rules and Regulations and Government circulars, a holding company cannot appoint even Directors to the subsidiaries. I will go a step further. It is not only appointment. Today I cannot sift the Chairman-*cum*-Managing Director of U.P. to Gujarat. It has to go again to the Public Enterprises Selection Board. They would listen to me, but I do not have the final say. There have been certain cases where certain recommendations of the Managing Director (Holding Company) regarding such shifts have not been accepted."

The witness informed the Committee that the NTC was taking up with Government the question of allowing the holding company freedom to transfer the Chairman-*cum*-Managing Directors of the subsidiaries. Stating that the powers to appoint the Chairman-*cum*-Managing Directors of the subsidiaries were vested in the Holding Company, he added:

"These have been circumscribed by later instructions issued by the Government on the setting up of PESB. I am not negating this. But this is to go to PESB not only in the case of NTC, but also in the case of SAIL, Coal India and multi-unit organisations. The appointing authority in the case of CMD is the Government. The Government refers it to PESB for advice."

7. To an enquiry of the Committee whether through their officers appointed as part-time Directors, NTC was able to exercise full control over their subsidiaries, the Chairman, NTC stated:

"Please do not think that it is our intention to provide *alibi*. We are sitting together and trying to iron out the cobwebs...... But there are certain problems....There are certain difficulties. We are trying to improve the situation. We would try to keep at least in the key subsidiaries our full time Directors. The management control system requires improvement."

8. The Committee pointed out that while there was a nominee of the holding company on the boards of the subsidiary companies, there was no representation on the Board of the holding company from the subsidiaries and enquired whether it would not be feasible to associate the CMDs of the subsidiaries at least in rotation on the Board of the Holding Company. Agreeing with the implied suggestions, the Chairman, NTC stated as follows:—

> "In my personal capacity I may say that in the SAIL, which was a holding company, we had two Managing Directors at that time. They were called General Managers. They were on the main Board and that went by rotation. I think that helped them."

The Secretary, Department of Textile in his evidence before the Committee also observed "While reconstituting the Board, we shall certainly bear that in mind. We feel that is a good suggestion."

B. Subsidiary Companies

9. To an enquiry of the Committee as to what was the logic behind the organisation of subsidiaries, the Managing Director informed the Committee as follows:—

> "At the time when these subsidiaries were constituted, they went by the criteria of geographic proximity and the other was that the number of spindles should range from 1 to 5 lakhs spindles. These were the two criteria which were adopted at that point of time. We have not made any change. There was no basic change. But in practice this criteria has been causing a little anxiety to us. We have been discussing this matter amongst us. For example the subsidiary in West Bengal covers 4 states of Bihar, West Bengal, Orissa and Assam. Similarly, the subsidiary in Andhra Pradesh covers four areas—Karnataka, Kerala, Andhra Pradesh and Mahe. Barring these two subsidiaries where we went by the criteria of 1 lakh to 5 lakhs spindles, the other subsidiaries are more or les fairly well-balanced."

To a query whether the existing set up could be rationalised on the basis of the work load, the Managing Director NTC observed:

> "The biggest subsidiary would be in South Maharashtra followed by North Maharashtra while the smallest would be NTC (Delhi, Punjab and Rajasthan). We will have to break up the subsidiaries and then attach them to others. A little more serious thinking has to be done on this."

10. The Committee wanted to know whether there was any duplication of efforts between the Government and the holding company in the matter of appraisal of performance of the subsidiary companies on the basis of reports obtained from them. The Managing Director replied in evidence 'I would say there is no duplication as such. Actually, the appraisal of the subsidiary is done by the Holding Company and the appraisal of the Holding Company is done by the Government." Asked if Government did not do any appraisal of subsidiaries companies, the witness stated "sometimes it does but not as a rule." A statement showing the position of review of performance of Subsidiary Corporations taken by the Chairman|Managing Director of the Holding Company has been furnished as follows:

S. No.	Name of Subsidiary Corporation	Dates of review			
		1978-79	1979-80	1980-81	1981-82
1.	NTC (SM) Ltd. . .	31-8-78 7-3-79	22-4-79 10-5-79 24-10-79 3 & 4-2-80	6-6-80 28-11-80	14-8-81 5-10-81 6 & 7-11-81 9-2-82 13-3-82
2.	NTC (MN) Ltd. . .	31-8-78 7-3-79	22-4-79 10-5-79 24-10-79 24-1-80	6-6-80 29-11-80	14-8-81 5-10-81 6& 7-11-81 28-1-82 13-3-82
3.	NTC (APKKM) Ltd. .	1-4-78 27-1-79	21-11-79	11-7-80 17-2-81	21-10-81 29-12-81
4.	NTC (UP) Ltd. . . .	4-10-78	6-11-79	15 & 16-9-80 31-3-81	23 & 24-9-81 18 & 19-2-82
5.	NTC (DPR) Ltd. .	31-7-78	NIL	18-6-80 16-8-80 14-2-81	29-4-81
6.	NTC (MP) Ltd.	13-9-78	4& 5-8-79 28 & 29-2-80	—	25-2-82
7.	NTC (WBABO) Ltd. .	19-9-78	29-7-79	15 & 16-4-80 10-12-80	30-9-81
8.	NTC (GUJ) Ltd.	—	13-4-79	22-7-80 6-9-80 3-12-80	18-4-81 8-7-81 5-11-81 10-2-82
9.	NRC (TNP) Ltd.	—	10 & 11-1-80	29-8-80	4-4-81 8-8-81

C. Managed Mills

11. The Laxmirattan Cotton Mills, Kanpur and Atherton Mills, Kanpur were taken over on 21-7-1976 under Laxmirattan and Atherton Mills (Taking over of Management) Act, 1976. Another six mills of the Swadesh Group were taken over on 14-4-1978 under Industries (Development and Regulation) Act, 1951. Besides, one mill is being managed by the Industrial Reconstruction Corporation. There are also 13 sick textile mills, which were taken over and entrusted to the management of the State Textile Corporations.

12. Section 20 of the Industries (Development and Regulation) Act, 1951 stipulates:

> "After the commencement of this Act, it shall not be competent for any State Government or a local authority to take over the management or control of any industrial undertaking under any law for the time being in force which authorises any State Government or local authority so to do."

13. Among functions of the National Textile Corporation, envisaged, at the time of its setting up in April, 1968, the following is one:

(a) to render advice to Government with reference to reports of Committees of Investigation appointed under the Industries (Development and Regulation) Act and report of the Authorised Persons received by the Government under Section 3 of the Cotton Textile Companies Act (since incorporated in the I(D&R) Act.

14. On an enquiry of the Committee, during the examination of the representative of the Department of Textile, whether the States had powers to nationalise the mills, a representative stated:

> "Yes Sir, It is on the interpretation of the Concurrent List and the Union List. This case came up in Supreme Court in May, 1980. Supreme Court has expressed that States can nationalise the industries mentioned in the First Schedule of the I(D&R) Act."

15. Asked about the policy of the Government in regard to the future of the eight mills being managed by the NTC, a representative of the Department of Textile clarified:

> "Out of 8 mills, 6 mills belong to "Swadeshi Mills Group." These were taken over in April, 1978. After taking over these mills, the mills went to the Supreme Court and they argued that the takeover was 'bad' in law. They said it was because the erstwhile management was not given an opportunity to be heard prior to the passing of the take-over order.

The Supreme Court held that even though the take-over had physically become effective, the erstwhile Management should be given an opportunity of being heard and thereafter they should pass an order under Section 18A of the IDR Act. The Supreme Court ruling came after the hearing was over in May 1981. A committee was constituted. This committee of 2 persons was appointed by the Government. They have submitted their report. This report has only recently been submitted; first week of September. Decision has to be taken whether the sick mills of the Swadeshi Group should continue with the Government or not.

* * * *

As far as the other two mills are concerned, we are going to decide in this very financial year whether to nationalise them or not."

16. Asked why the management of all the sick textile mills taken over after 1974 has not been entrusted to the NTC, the Managing Director stated:

"In 1974 when the nationalisation took place, all the mills which were with the State Textile Corporations came to us. But subsequently they were taken over to State Governments. These mills are non-nationalised."

The Committee wanted to know whether it was possible to integrate the management of these mills by placing them under the NTC, the Chairman NTC stated "I would not like just to give a brave answer 'Yes'."

17. Asked if NTC was consulted before taking over the management of the sick textile mills under the Industries Development and Regulations Act after 1974 the Managing Director of NTC said:

"Informally, not formally. Discussions took place, but there is no formal record of this. Government takes the decision about the take over or non take over of a sick undertaking. NTC has no role to play in this regard. We come into the picture only when the Government decides that mills should be taken over."

18. When the Committee pointed out that one of the objectives and functions of NTC was to render advice to Government with reference to reports of Committees of Investigations appointed under the Industries (Development and Regulations) Act, the Managing Director said "I do not think they have asked for advice subsequent to 1974, after the nationalisation of these mills. I do not think there has been any formal case where they have asked for advice."

II. PRODUCTION & SALES

A. *Production*

1. Out of 111 mills under the NTC, one is yet to start and possession of another one is yet to be taken over on account of court's stay. Out of the remaining 109 mills 38 are spinning mills, 3 are weaving mills, 67 composite units and one is a processing unit. The total installed capacity of NTC mills as on 31 March, 1981 was 3.24 million spindles representing 16 per cent of the spinning capacity and 48,180 looms representing 23 per cent of the weaving capacity of the cotton textile industry in the country. Of the total capacity of the sick mills, NTC has commissioned 96 per cent of spindles and 95 per cent of looms. Production is stated to have gone up from 49 million kgs. of yarn and 764 million metres of cloth in 1975-76 to 70 million kgs. of yarn and 940 million metres of cloth in 1978-79, but went down to 65 and 843 in 1979-80 and recovered to 69 and 941 in 1980-81 respectively.

2. The following table indicates the yearwise targets and production of cloth and yarn of the NTC as a whole for the year 1977-78 to 1980-81:—

Year	Target of cloth (m. metres)	Achievement (m. metres)	Target of market yarn (m. kgs.)	Achievement (m. kgs.)	Total value of production of cloth and yarn (Rs. crores)
1977-78	870	855	57	55	410
1978-79	1000	940	70	70	480
1979-80	1000	843	70	65	467
1980-81 . . .	1000*	941	70*	69	577

*Revised to 950 million metres of cloth and 65 million kgs. of market yarn.

It has been stated that with the implementation of modernisation and expansion schemes involving a total outlay of Rs. 320 crores by the end of 1984-85, the production is expected to go upto 109 million kgs. of market yarn and 1050 million metres of cloth per annum.

B. *Capacity Utilisation*

3. While the capacity utilisation of spindles and looms in the rest of the textile industry had been around 77 per cent, the position in the NTC mills as a whole has been as under:—

	1978-79	1979-80		1980-81	
		Installed capacity	%age utilisation	Installed capacity	%age utilisation
Spindles (Lakhs)	77·3%	32·31	66·9%	32·79	74·3%
Looms (Nos.) . . .	72·5%	47774	67·4%	48180	72·3%

Reasons of low utilisation of capacity are stated to be (a) constaints of power (b) non-availability of spare parts at proper time and (c) non-availability of proper type of cotton.

4. The subsidiary-wise capacity utilisation and productivity as on 31 March, 1981 is given below:

Subsidiary	Capacity Utilisation Index		Yarn produced per spindle shift 40s conver-ted (cms)	Loom produc-tivity Index
	Spindles (%)	Looms (%)		
1. NTC (Andhra Pradesh, Karnataka, Kerala & Mahe) Ltd.	81·7	77·6	62·0	216·0
2. NTC (Delhi, Punjab & Rajasthan) Ltd.	70·2	62·4	53·2	207·0
3. NTC (Gujarat) Ltd. . .	85·4	87·6	56·3	216·4
4. NTC (Madhya Pradesh) Ltd.	71·4	72·1	52·7	221·3
5. NTC (Maharashtra North) .	70·2	72·5	56·6	228·2
6. NTC (South Maharashtra) Ltd. . .	75·2	69·2	54·5	219·0
7. NTC (Tamil Nadu & Pondicherry) Ltd.	73·8	68·2	73·8	247·9
8. NTC (Uttar Pradesh) Ltd. . . .	57·0	65·1	54·1	197·8
9. NTC (West Bengal, Assam, Bihar & Orissa) Ltd.	74·4	59·1	52·1	216·6
TOTAL. .	73·9	71·8	58·4	213·9
10. Swadeshi Group .	79·7	77·6	66·1	194·4

5. The Committee wanted to know how soon NTC mills would be able to reach their installed capacity of spindles and looms, the Managing Director of NTC said:

> "56 mills have already reached their fully utilised capacity. Of these 14 mills have reached their licensed capacity. Remaining Mills are reaching their capacity. By and large we are progressing towards this object and we will be able to reach 100 per cent by the end of the Sixth Plan."

The Chairman, NTC however, added that this target of reaching 100 per cent utilisation of the installed capacity would depend on availability of funds to enable NTC to achieve satisfactory capacity utilisation and efficient management.

6. The Committee desired to know the economic side of looms capacity. The Managing Director NTC informed the Committee as follows:—

> "For spindles we have been able to fix the economic size. For ordinary looms the number would be 400, for automatic looms the number would be smaller. There is no absolute number in terms of loom. By and large, we would say for the kind of looms which we are having in NTC, 400 looms would be an economic size with 25,000 spindles."

7. Under the new textile policy (1978) no expansion in the loomage capacity is allowed. Therefore, no additional looms are to be installed in the NTC mills. However, NTC has proposed to replace 2000 plain looms with wider width automatic looms during the plan period. The Committee were informed that NTC has 23 mills, mostly spinning of uneconomic sizes where the spindles ranged from 11,000 to 22,000. These mills are expected reach the figure of economic size of 25,000 spindles by the year 1984-85.

C. *Standardisation of Varieties*

8. The NTC intimated that as a future strategy, it was necessary to make afforts to reduce the number of varieties and sorts and standardise the products to sell these on NTC brand and type. It has been pointed out that special impetus will have to be given to the product mix on a more rational basis and to concentrate on production of those fabrics and yarn which give better profitability. Asked whether any exercise has been done in this regard, the Managing Director NTC stated in evidence:

> "As far as product mix is concerned, in a number of subsidiaries, we have been able to rationalise the product mix. For example, where in terms of yarn there were several counts in one mill, we brought it down to at the most two or three counts. On

yarn, a large amount of rationalisation has already been done. In terms of cloth, we have been finding it a little more difficult to achieve that kind of rationalisation. By and large, the number of earlier varieties which we used to manufacture have been rationalised depending upon the strength of each mill. Where we find that a particular mill is capable of producing a better type of cloth, that mill has been concentrating on those varieties. In the case of some subsidiaries, we have succeeded and in the case of some others, we have not been able to succeed fully. Continuously, our efforts are to bring about this kind of rationalisation. In regard to yarn about 80 percent of rationalisation has been achieved.

9. The Committee wanted to know if manufacture of polyester blends could be taken up by NTC to improve its profitability. In reply, Managing Director stated as follows:—

"This does not meet our main objective. One aspect of the matter is that the percentage of our cloth manufacture in terms of blended, I mean of the higher value like Polyester. I am talking of this kind. . . is extremely low. If you take the over-all national percentage, it will come to hardly 3 per cent of total production of cloth. We have laid down as one of our objectives that by the end of the Sixth Five-Year Plan, at least 5 per cent of our over-all manufacture should be in terms polyester blends. We should concentrate on this sort which gives profit. We should try to increase the percentage of our profitable sorts within the over-all pattern."

10. The Committee enquired whether it would not have been advantageous to take up processing of blended fabrics as part of the modernisation schemes. In reply, a representative of the NTC said:—

"In a mill where spinning, weaving and processing facilities are available, it is virtually impossible to modernise the mills within one crore rupees and start processing of blended fabrics. I quite agree that products like blended fabrics and superfine should have been put into production for reducing the losses but we have not reached that stage in all the mills. In certain mills, where it is possible we have started it. It is in our line of thinking that we must go in for blended fabrics if we have to survive."

11. In regard to curtailment of varieties, the Secretary Department of Textile stated in evidence:

"The NTC Board is going into this. They are trying to standardise the products in certain areas, where they make a larger amount of profit apart from what they are required to do under the Government policy in the matter of standard cloth. A final decision is yet to be taken. They have been thinking of some standardisation of production pattern, confining themselves to the areas which may yield them better profits, until they reach the break-even point. Then they can go in for further diversification. We feel this is a sensible view, until the losses are reduced and the NTC mills are brought upto the break even level. We have nothing to say so long as the Government policy regarding the standard cloth and cheap cloth are implemented by the NTC."

12. The Committee recalled that one of their Study Groups which visited the NTC was informed that the total volume of seconds, rejects, fents, etc. constituted about 30 per cent of production of NTC. In evidence representative of NTC explained:—

"If you consider that anything which is not sound is a damaged fabric, this statement may be correct. The absolutely damaged free cloth was 77 per cent during the year ending March 31, 1981. There are two aspects damage and the value loss. As we go for the superior varieties, the extent of checking and the criterion for determining damages also changes. While in cloth of Rs. 2 per meter many of the defects are acceptable, that may not be so in the case of cloth costing Rs. 20 per meter. Ultimately the damaged percentage has to be found out on the basis of value loss. These figures we are calculating continuously. In 1976-77 the total value loss in NTC mills was 4.6 per cent, in 1977-78, 4.2 per cent, 1978-79, 3.9 per cent, 1979-80 4 per cent, 1980-81 it is 3.6 per cent. Despite going in for finer and superfine varieties our value loss has reduced substantially and steadily. Under the norms of the textile industries where all kinds of products are included a value loss of 3.2 per cent is considered as a very standard value loss. Ours is 3.6 per cent."

D. *Controlled Cloth Scheme.*

13. The statutory obligation of producing controlled cloth in the varieties of Sarees, Dhoties, Shirting, long cloth and drill is per the specifications stipulated by the Textile Commisisoners' Office has been in operation since June, 1971. With the enunciation of the Textile policy from October, 1978 the obligation stood at 100.0 million sq. mtrs. per quarter. The Textile policy, announced by Government on 9 March, 1981, envisages increase of annual production of controlled cloth from 400 to 650 million sq. metres.

14. Like every other mill in the Textile Industry the NTC mills also had to fulfil this statutory obligation. At certain times, NTC had also taken upon itself production of controlled cloth on transfer basis. According to the guidelines issued by the NTC (Holding Company) the subsidiaries were advised that by the acceptance of controlled cloth from the private sector mill at a premium, if the loss suffered by the NTC mills on the manufacture of their own obligation could, to a certain extent, be minimised, the subsidiary Corporations might accept such transactions after looking into their commercial viability. According to the NTC on the whole there was no loss on undertaking transfer obligations.

15. The quantum of the transfer obligation accepted by the NTC mills and their own production of controlled cloth each year from 1974-75 was as follows:—

Year	Own obligation	Transfer obligation	Total	Remarks
	(in million sq. mts.)			
1974-75 .	181.70	90.47	272.17	
1975-76 .	80.34	72.49	152.83	From October'75, there was no obligation on the NTC mills
1976-77 .		39.94	39.94	There was no obligation on the NTC mills during the period.
1977-78 .		52.75	52.75	NTC was exempted upto the end of September, 1977.
1978-79 .	167.63	29.13	196.76	Covering the period April to September' 78 a new textile policy was announced and during each period NTC did not accept the transfer obligation.
1979-80 .	252.03		252.03	
1980-81	414.69	..	414.69	

16. The difference between the cost and the realisation was paid by Government to the NTC as subsidy. Amount of subsidy paid by the government to N.T.C. for production of controlled cloth was as follows:—

Year	Amount
	(Rs. in lakhs)
1978-79 . . (w.e.f. 1-10-78 to 31-3-79)	1267.14
1979-80	6060.70
1980-81 (Provisional subject to cost verification)	11572.20
	18900.04

17. As regards the methodology adopted for costing, the Managing Director NTC stated that:—

"In the principles which they (Ministry of Finance) have now adopted for giving us our cost, they take into account only the actual capacity utilisation, the actual interest and no return on the capital employed. There are the three points on the basis of which they work out the cost. If you take West Bengal, the capacity utilisation is lower there. If you take Gujarat, there then utilisation is higher. They will take the average of both mills."

18. Asked how selection of mills for working out costs was made and by whom, the representative clarified:

"Initially when the textile policy was announced in 1978, this was the process we had adopted that only the very weak mills *i.e.* those mills which have the highest cost of manufacture of controlled cloth, should be given, and it was challenged by the Finance Ministry that we could not do it. They say that it may be your decision that you may give only to West Bengal, but as far as the cost of controlled cloth is concerned Government will determine on the basis of what it would be if it is given to Gujarat or any other mill."

19. The Committee desired to know if the subsidy given to the NTC by Government on production of controlled cloth included a reasonable return on capital, the Managing Director of NTC revealed:—

"The amount we asked for was the difference in the price of cloth which includes a certain amount of return on capital. They said that we would not get any return on the capital. They said that we would get the actual interest and not the return on capital. As a result of this, we lost that money. The difference amount to Rs. 54 crores from October 1978 to January 1981. This amount was held up by Government, we lost the interest. We did not have the money even to pay the Maharashtra Federation and Cotton Corporation of India for purchasing cotton.

The Managing Director further pointed out that:—

"In the case of fertilizers and in the case of coal when the costing is done, a certain return on capital is permitted—12 per cent after tax but in the case controlled cloth that 12 per cent is not permitted.

20. The Committee enquired if the subsidy calculated on the basis of average costs covered the actual cost incurred by the NTC on production of controlled cloth and if not what was the percentage shortfall, the representative of the NTC said in evidence that the average costs were less by 3 to 5 per cent. However, when attention of the representative of Department of Textile was drawn to the NTC's assessment that the formula of average costs had entailed losses to them, he said:

> "I do not know to which period they meant. Before July 1981 the lost was much more than 3 to 5 per cent and whatever loss was being made was being reimbursed. After July 1981 the formula does not warrant a loss. There is no data available to us to warrant the conclusion that there will be a loss. If there is a feeling that there is going to be a loss, at this point of time at the best it is an opinion, which will have to be tested with data in the future."

21. In view of the difference of opinion between the NTC and the Ministry, the Committee wanted to have an agreed note on this issue. The note furnished by the Ministry of Commerce (Department of Textile) after evidence in this regard is reproduced below:—

> "Under the earlier controlled cloth scheme which was in operation from 1st October, 1978 to 30th June, 1981 the consumer price of controlled cloth had remained static since 1974. The increase in the cost of production of controlled cloth was to be met by increase in subsidy. For this purpose NTC's cost of production was subject to verification by the Cost Accounts Branch of the Ministry of Finance. Pending the final determination of the cost by the Cost Accounts Branch NTC was paid subsidy at a provisional rate of Rs. 1.90 per square metre. Though the cost of production differed from sort to sort the subsidy was calculated on the basis of a "weighted average". On account of the procedure being related to the verification of cost there was for some time a difference between the subsidy which ought to have been paid to NTC and the subsidy which was actually paid at the provisional rate. This position no longer exists since, subsequent to the cost verification by the Cost Accounts Branch NTC have been reimbursed subsidy on the basis of the actual difference between the cost of production and the consumer price calculated on a weighted average basis. On account of delay in payment of subsidy at the full rate to NTC, NTC did incur some loss temporarily by way of interest burden. Even this is taken into account when com-

puting NTC's losses for determination of the amount to be reimbursed to NTC as cash loss, out of budgetary provisions.

Under the new controlled cloth scheme which is in operation from 1st July 1981 the subsidy rates have been fixed at Rs. 2 per square metre for dhotees and sarees and Rs. 1.50 per square metre for long cloth. Increases in the cost of production are to be met by suitable revision in consumer price. Under this scheme the question of NTC's suffering loss does not arise.

It will be seen from the above that it would not be correct to state that NTC have suffered loss on account of the controlled cloth scheme."

22. Under the new Textile Policy announced by the Government on 9th March, 1981 and affective from 1st July, 1981, the responsibility of production of controlled cloth would be shared equally by the National Textile Corporation Limited and the Handloom Sector. The production of controlled cloth would be mainly restricted to sarees, dhoties and long cloth. Roughly, half of the quantity which would be produced under this scheme would represent sarees. It has been proposed to give the Handloom Sector a processively increasing share in the controlled cloth scheme and at the same time the National Textile Corporation Limited will be called upon to manufacture as much of controlled cloth as it is capable of. The target fixed for NTC for controlled cloth for the current year is 325 million metres.

23. The Committee wanted to know whether consequent to introduction of new textile policy number of 108 varieties controlled cloth had been reduced and how many mills were at present engaged in production of controlled cloth. In reply the Managing Director of NTC stated that at present 62 NTC mills were manufacturing controlled cloth. The number of varieties had been reduced from 108 to 36 with effect from 1st July, 1978. The Committee enquired the effect this reduction made on profitability. The Managing Director NTC stated as follows:

"Earlier we were manufacturing four hundred million metres of controlled cloth ocnsisting of five broad varieties Out of this shirting and drill has been totally eliminated. Now I am called upon to manufacture three broad varieties—saries, dhoties and long cloth. Cost of manufacture of drill and shirting was very much higher but Sir, simultaneously from four hundred million it has been reduced to three hundred and twenty million. So it has not been advantageous in this case. Here the reduction that has been brought is in voluntary and not voluntary."

24. In response to a suggestion of the Committee that in order to avoid long distance transport of controlled cloth a mill should be vested with the

responsibility of making and distribution controlled cloth within its adjoining area, the NTC submitted the following note:

> "The National Consumers Cooperative Federation collects the demand of the various sorts from the State Federation, consolidates the same and gives out the quarter-wise demand pattern for production of controlled cloth to the NTC mills. The various sorts and the quantum required by the N.C.C.F. in its totality is made known to the NTC. NTC then allocates the production of controlled cloth required by N.C.C.F. amongst its subsidiary corporations who in turn make further allocations to the Mills depending upon the production capacities and the mixings being run in their Mills."

25. N.T.C. further intimated that it had time and again informed the N.C.C.F. that apart from the demand it should be used if the destinations were also made known. It was only while obtaining the despatch instructions that the subsidiary corporation were informed of the State to which controlled cloth had to be despatched. In fact, NTC was very keen that controlled cloth meant for specific areas should be manufactured in the Mills located in that areas. The only constraint in such a system would be that most of the cloth producing mills under NTC being concentrated in the States of Maharashtra, Gujarat, M.P. some transportation of goods would be inevitable. In spite of this, NTC would definitely give due consideration for producing maximum possible quantity of cloth for the respective areas from the Mills located in the same area.

26. Expressing the view that controlled cloth scheme had given certain advantages to the NTC, a representative of the Department of Textile stated:

> "I would submit that while a lot has been said about the controlled cloth scheme and the burden it has put on NTC, I would very respectfully submit that the controlled cloth scheme also gives certain advantages to the NTC. It is true that 35 per cent of the production capacity is locked up in controlled cloth. But it is equally true that in respect of that 35 per cent sale is no problem. There is no cost on the sale at all. That is lifted by the parties nominated by the NCCF and there is no further responsibility and there is no question of bad debt on that account because the cloth is sold to NCCF."

E. *Cheap Cloth Scheme*

27. The scheme relating to the production of cheaper variety of cloth for augmenting supply of cloth of reasonable prices was made operative from 1st September, 1979. Under the scheme, the cloth is made avoidable

to the consumers within on all including maximum consumer price of Rs. 6.36 per sq. mt. to be uniformly applicable throughout the country.

28. Figures showing the cloth packed under this scheme from September 1979 onwards are given below:—

Year	Production Million (Meters)
1979-80 (September 1979 to March, 1980)	178.75
1980-81	261.04

29. NTC mills produced during 1980-81 about 78 million sq. m. of cloth per month, out of which nearly 35 milion sq.m. were packed by way of controlled cloth and about 22 million sq.m. by way of cheap cloth. Thus, 75 to 80 per cent of the total production of NTC mills is earmarked for meeting the needs of the poorer section of the population.

30. The Committee enquired whether any subsidiary had incurred a loss on production of cheap cloth. In reply, the Managing Director NTC gave the following date in respect of major cloth producing subsidiaries:

(Avg. Profit/Loss per metre in Rs. & Paise)

Subsidiary	1979-80	1980-81
NTC(MN) Ltd.	0.60(—)	0.15(+)
NTC (GUJ) Ltd.	0.31(+)	0.23(+)
NTC (MP) Ltd.	0.97(—)	1.16(—)
NTC (APKK&M) Ltd.	0.10(—)	0.55(—)
NTC (TNP) Ltd.	0.17(—)	0.15(—

F. *Marketing*

31. NTC (Holding Company) started its Marketing Division with the broad objectives of making available to the public NTC fabrics at reasonable rates and eliminating spaculative tendencies in textile market in India, by undertaking function of various traditional intermediaries in the distribution channel. The Marketing Division started working from the beginning of 1975. The Marketing Division is headed by Director (Marketing). He has the supporting staff at the level of Advisers, Managers, Deputy Managers, etc. At present the Marketing Division has 17 Divisional officers-*cum*-Central Distribution Depots in various States. Divisional offices handle sale of cloth to the consumers through various

channels of distribution. At present NTC is running 378 showrooms scatered in all most all the States of India. NTC mills' cloth is sold at these showrooms. The sales of NTC Showrooms have been of the order of Rs. 1700.04 lakhs in 1978-79, Rs. 1866.64 lakhs in 1979-80 and Rs. 2258.48 lakhs in 1980-81.

32. The 9 subsidiary corporation of NTC have their own organisational set up for selling cloth through wholesalers, dealers and retailers etc. Subsidiaries have evolved different policies to dispose of articles produced under their units. Committees have been constituted at different levels to look after sales.

33. NTC intimated that with massive modernisation programme undertaken by NTC it became imperative that new strategy of marketing were adopted and the Holding Company played important role of assisting and guiding the subsidiaries in the larger interest of the Corporation as a whole, with a view to ensuring that there has an increase in the sales realisation and cut-down in the marketing costs between the production centres and consumer level. This included the following:—

(a) Reduction of the distribution costs by reducing the number of intermediaries which inflate the margin between the ex-mill price and the retail price;

(b) Ensuring that the different mills of NTC do not compete with each other in the same market and for the same cloth and avoid excess transportation of different sorts of cloth. For this there should be wholesalers/semi-whole-salers/indenting agents, brokers not for each individual mill or subsidiary but for NTC as a whole and finalise terms and conditions which are most beneficial to NTC, however, depending on regional traditional methods.

(c) Formulating a unified policy for sale of NTC cloth to DGS&D, Defence and other departments of Government of India, and other institutions, both private and public and State Governments and Cooperative Societies. At present individual mills and/or subsidiaries are making efforts at their level and submit tenders to these organisations. The Directorate of Marketing at the holding Company would consolidate all such requirements and enter into long-range arrangements with various purchasing departments and organisations and allocate the production of such required products to NTC mills according to the capacity of production with a view to achieving maximum profitability.

34. According to the guidelines laid down for formulation of sales policies, a sales Committee, should be set up at subsidiary level to formulate the sales policies of the Corporation and oversee the day to day implementation of the same in the mills.

35. The Committee enquired about the marketing set up for the sale of cloth, seconds and rejects. The Managing Director informed the Committee as follows:—

> "As far as sale side is concerned, marketing is done at the subsidiary level. Most of the subsidiaries barring one or two are having centralised Sales Committee for each. The Centralised Sales Committee decides usually as far as cloth is concerned, on a monthly basis and as far as yarn is concerned, mostly either on weekly basis or at the most fortnightly basis. If the fluctuation is not much, it is decided on fortnightly basis. As some place there is no centralised committee for example in U. P. and I asked them to institute Centralised Committee immediately."

36. The Committee were informed that the concept of Centralised Sales Committee was introduced in 1977—and prior to that usually the mills themselves used to do sales. On an enquiry whether NTC excercised any control between 1974-78 on the sales policies of the Mills, the Managing Director stated in reply, "Very little, Sir" and added:—

> "Unfortunately, Sir, right from 1974 onwards are had in our holding company, the post of a Director (Personnal), Director (Technical) and a post of Director (Sales). There was a Marketing Division set up, but this Division was confined to only the running of the ratail outlets started by the NTC iteself."

37. In regard to a Centralised Sales Committee not being set up in U.P., the Managing Director, NTC stated:—

> "No Chairman-*cum*-Managing Director was there in U.P. for some years. I wrote a reminder to the concerned Director and the temporary CMD who was having additional charge at that time. Their reply was that they could not set it up because they lacked the staff with the necessary competence and which can administer it. I don't think the Committee has been set up till now."

38. The Committee enquire about the appointments of dealers and wholesalers by the Mills. The Committee were informed as follows by the Managing Director, NTC:—

> "I was making a distinction from the wholesalers on the one hand and the agents on the other. Now, usually agents are appointed

for the up-country, areas. Now, a mill in Bombay can appoint an agent in Kanpur, the agents duty will be to took orders on behalf of the mills in Bombay for sale of goods in Kanpur area or the U.P. area there the wholesalers will be a direct purchaser of the goods from the mill and selling it in the market. But the agents cannot buy it on their own."

NTC pays 1½ per cent of Commission to the agent and nothing to whole-sellers.

39. Asked whether it would be possible to organise a Central Marketing in a manner that it eliminates the wholesale marchants and direct contact is established with the retailers, the Managing Director, NTC opined:—

"In the present circumstances, I think it will be very difficult job to eliminate the wholesale traders and start our own direct marketing. This system has been in existence traditionally for a long time. The entire textile mills are making use of the wholesale traders for their sale. I do not think it is a feasible proposition as of this moment."

G. *Sale of Cloth*

40. Asked how the NTC had satisfied itself that the price that it was getting for its cloth was a reasonable market price and that it was not a low price, the Managing Director replied:—

"This is done at the subsidiary level. We have reviewed this particular issue in all the subsidiaries. Some where there were lacunae; we have brought it to their notice and asked them to take remedial action. In some cases they have taken and in some cases it has not been done. We pursue this matter. It is a continuous business."

41. The Committee wanted to know if it is a fact that some of the NTC mills had been selling their cloth in the market at far lower prices than the price of the private mills. The Managing Director admitted:—

"This could be true in the case of certain subsidiaries, not in all subsidiaries like Gujarat. This will be true in the case of U.P., Madhya Pradesh and West Bengal."

A representative of the NTC pointed out that:—

"There are two reasons. One is production and quality of cloth maunfactured in these subsidiaries is certainly not as good as that of the others. There have been in the past complaints of goods having been returned because of not proper standards by the wholesalers. Their reputation is not as good as of other private men in Ahmedabad, Bombay or Southern regions. There is also certain amount of weakness on the sales organisations set up. Further because of the heavy losses which the subsidiaries/mills incurred in the past and the fact that they have to keep up their liquidity, they had to do distress sales also. Therefore, they are not able to fetch better price as other subsidiaries have been able to."

42. When the Committee invited attention to the BPE, Report, according to which the management in three subsidiaries was week West Bengal, Madhya Pradesh and U.P. Where sales organisations were making huge losses, the Managing Director explained:—

"In U.P. for two years, we could not get CMD in spite of repeated efforts.

In West Bengal also, we cannot get, even today competent people to go there and take charge."

H. *Purchases by Government and Public Undertakings*

43. The Committee enquired about the percentage of sale of cloth by NTC that went to the Government and other public sector agencies. The Chairman, NTC informed that NTC was selling about 6 per cent of the cloth produced to Government and to public sector undertakings *i.e.*, about 15 to 20 per cent of total government requirement (around Rs. 20 crores worth of supply yearly). The Government purchase was made by the Director General Supplies and Disposals for use as uniforms of the Defence staff and it was through tenders. On being asked whether it was on equal terms with others the Chairman, NTC stated:—

"Every one of us quotes on tender. Earlier upto 1976-77 there was a condition that the public sector mills will enjoy 10 per cent price preference. We do enjoy this 10 per cent price preference. It is on this basis that we have been quoting and getting the orders from DGS&D. I do not see any reason why the Government should not purchase its entire requirements of cloth for the Defence purposes and uniforms entirely from the public sector mills on the basis of cost plus. The price can be fixed by a body like the bureau of Industrial Costs and Prices or the Ministry of Finance under the Cost Accounts Department. We are prepared to supply all requirements of the Government from our mills."

44. The Committee wanted to know if it was a fact that the NTC mills quote below cost to DGS&D and if so the reasons therefor, the Chairman NTC stated:

> "The reason mainly would be that I have got certain built in capacity which is capable of manufacturing that particular variety of cloth. Olive green is being manufactured in one of my South India Mills, I want to utilise my capacity fully."

45. The Committee asked that as a lot of social obligation had been imposed on the NTC, would it not be desirable to ensure that the Government requirements of decontrolled cloth were procured from the NTC at a reasonable rate assuring the NTC a fair return in future. In reply the Secretary, Department of Textile stated:

> "We consider the NTC as a very important Public Sector Organisation discharging a social function. We also do not therefore want it to die of starvation in any manner. If it needs any kind of injection of fresh capital or anything, we shall always be quite alive to the fact and dialogue is all the time going on. The lingering hope of the Government and the philosophy of the Public Sector enterprises is that, even by discharging social functions you may still, with the help of better managerial techniques make reasonable profits. Let us watch for another couple of years."

46. In this connection, a representative of the Department of Textile informed the Committee as follows:—

> "The question has been considered inthe larger context not only of supply of cloth but of any other product which is manufactured by a Government Corporation and purchased by Government Department. If I may submit, there are plenty of other public sector undertakings, equally privileged. This has been carefully considered. The decision of the Government is, if the public sector undertaking is given 10 per cent price of preference and it becomes competitive, it will be given the first preference."

I. *NTC Show Rooms*

47. The Committee enquire about the profit and loss of the show rooms of NTC. The Managing Director, NTC informed as follows:—

> "In 1978-79 we made losses of Rs. 81.58 lakhs, in 1979-80 it was Rs. 107 lakhs; in 1980-81 it was Rs. 76 lakhs. The central marketing organisation is being operated from our

headquarter with 383 shops spread over the length and breadth of the country with people employed on regular salary. The whole system is not conductive to retail sale. Ultimately the reteil sale will have to be done by the private owner. He has got an incentive to make larger profit. It is not possible for us to run shops on that basis."

48. Asked how is it that NTC had been incurring losses on its sales despite a 30 per cent margin, the Managing Director NTC replied:—

"The reason is that we could not increase our sale, the complaint is that the services are not good and the customer is not given a choice. In the beginning, the selection of shops was not at the right places. The rent is high and the staff is employed more than what should be employed. People want to work for 8 hours. The whole system's not very happy. This year we took a decision that we should close down 103 shops which employed around 800 people. We sent this intimation to the Government because this is quite a substantive issue. If we have to retrench about 800 people, it is likely to create problem for us. Most of them will be in Delhi. I am not convinced about the feasibility of running outlets by the holding companies at all."

49. The Committee enquired if it was a fact that one of the reasons why the NTC show rooms were making losses was that they were not being manned by trained personnel. The Managing Director explained that:

"At that time the Corporation wanted to open as many retail outlets as possible. The recruitment was done in a great hurry on an *ad hoc* basis. People were recruited out of the people available at that time. Sometimes rules were not followed. Subsequently we decided to give them training."

J. *Sale of Yarn*

50. The total production of yarn in 1980-81 was 178 milion kg. Out of that, 65 million kg. *i.e.*, about 40 per cent was available to the power loom and the decentralised sector and the remaining 60 per cent was used for conversion into cloth within the mill. A representative of the NTC further explained:—

"Out of 65 million kg. of yarn produced. 33.8 m. kg. were given to the handloom setter in bank form, out of which 21.97 m. kg. were given directly to the handloom nominees as indicated by the Development Commissioner for handloom or agencies. The remaining 11.83 m. kg. were sold through the dealers and our agents, because the Handloom Development Corporation are not asking for the yarn from us all the time. They ask for it only when the prices go away or when there is yarn shortage."

51. NTC has 21 depots for sale of yarn, which were outside the central marketing and were located mostly in areas where yarn was consumed in large quantities. They are stated to be economically viable. Asked whether NTC had any Depot in North Eastern region, the Managing Director replied in the negative.

K. *Sale of Fents and Rags*

52. On an enquiry the Committee were informed that fents and rags constituted 8 per cent of the total sale of NTC and that fents and rags were sold by tenders. Asked whether it was a fact that any tenderer could so organise that the tenderers gave a price in such a way that a particular tenderer was always successful. The Managing Director agreed that that was quite possible. On further probing and on the Committee pointing out that it appeared that NTC had no means to satisfy themselves that the prices they had realised were the competitive ones, the Chairman, NTC observed:

> "Your point is well taken. In fact, for the last 15 days we have been working on a system—in fact, it is finalised for making special and sample checks and even 100 per cent checks in some cases."

However, in a note submitted subsequently, NTC informed that apart from selling fents/rags by tenders, no other foolproof system can be thought of.

L. *Market Intelligence*

53. The Committee wanted to know if any market survey to assess consumer preference for NTC cloth has been carried out, the Managing Director NTC stated:

"We were generally utilising our retail outlets for the purposes of feedback about consumer preferences. Recently, after we established our NTC staff college, we have entrusted to them also the task of going into the consumer preferences survey. They have undertaken one survey and another survey has been decided upon which they will be undertaking."

54. Asked whether market research and study should not be an entegral part of NTC market strategy, the Managing Director, NTC agreed by saying:—

> "I would agree with that that it should be. As I said in the beginning, so far, we did not even have a regular marketing

division to oversee the functioning of the subsidiaries, their market policy and so on. The holding company confined itself mainly to retail outlets until very recently."

55. Asked if the holding company had a functional Director (Marketing) to take care of marketing strategy, the Managing Director, NTC said, "Yes, we have, for the last six months only. Before that the post was there but it was not filled up."

56. On the Committee expressing an apprehension that the marketing was not being taken seriously, the Managing Director NTC pleaded:—

"You will have to make a distinction here. When you say that the Corporation is not taking marketing seriously you are referring to the whole set up.

But what I beg to submit is that this has been taken seriously at the operational level, at the subsidiary level. We have not gone into many of the details, I agree. But you have to make this distinction. You cannot say that the Corporation as a whole has not been taking marketing seriously."

57. Asked if it was a fact that in collecting market intelligence the subsidiaries of NTC were virtually relying on the feed back from their wholesalers instead of making an independent market survey. In reply, the Managing Director of NTC stated:

"My answer was restricted to the holding company. As far as the subsidiary companies are concerned, they have got the regular wholesalers, their agents from whom, they continuously get the market feedback as to the production programme and sales etc. Our total sales from the retail outlets hardly come to Rs. 20 crores out of major sales of Rs. 576 crores done through subsidiaries. The subsidiary is the basic organisation which has its own marketing organisation. Usually, it is the wholesalers who place the orders, on subsidiaries. They know what are goods that are required to be manufactured. They place the order with the subsidiaries. The subsidiaries prepare the production programme according to the feed-back which they get from their own markets regularly. So, the subsidiary has its own organisation to get the information. . . .There is need for a central intelligence marketing system."

M. *Costing*

58. The quidelines issued by the Holding Company provide *inter-alia* that the mills should complete their sales proposals indicating sales rates

for different varieties and work out the profit loss involved on per loom shift basis. The Committee wanted to know if the Holding Company was exercising any control over the cost data being prepared by the subsidiaries. In reply a representative of NTC said:—

> "We give broad guidelines. The individual sort and number of looms are being determined by the subsidiary."

59. Asked if in their review of the performance of subsidiaries, the Holding Company had come across any cases where the guidelines issued by the Holding Company about the costing system had not been followed by the Subsidiaries. In reply the Managing Director stated, "there have been cases."

60. The Committee suggested that instead of taking the overall realisation for loom, it would be better to work out the profitability on per loom per shift basis, so that at the end of the period NTC would know precisely whether past calculations were correct or not, whether market realisations, loom and weaving efficiency were according to expectations.

Accepting this suggestion the Chairman NTC said:—

> "You have given a good suggestion. We are actually grateful to you for this suggestion. Now 111 mills are sending statistics and the data we collect is so much. The question is how this national data could be utilized by the NTC so that the control you have mentioned could be implemented."

III. MODERNISATION

1. Prior to the date of nationalisation *i.e.* upto 31st of March, 1974, a sum of Rs. 9.19 crores only was spent on modernisation. The amounts utilised by some of the mills were mostly for immediate renovations in the old and worn out machinery and also for procuring the balancing equipment. However, most of the money was spent is clearing and overhauling operations for restarting the mills. It is only from the date of nationalisation *i.e.* 1st of April, 1974, that schemes for modernisation were envisaged in a big way. In the nationalised textile mills major part of the plant and equipment was old and some of the machinery obsolete. This was primarily due to the poor maintenance and negligence by the erstwhile management. The Corporate Plan of NTC, as originally envisaged, provided for an outlay of Rs. 250 crores for modernisation and expansion upto the end of the 6th Plan (31-3-1985). Taking into account additional investment proposal for expansion of spindles the outlay was revised as Rs. 320 crores.

2. As at the end of March 1981 modernisation/expansion scheme entailing an outlay of Rs. 242 crores have been sanctioned. Out of this, machinery worth Rs. 145 crores is stated to have been received and installed till 31 March 1981. The remaining machinery worth Rs. 175 crores is expected to be installed by the end of the Sixth Five Year Plan period. The mills incapable of rehabilitation are stated to be two and decision regarding nine other mills is yet to be taken.

3. According to the textile policy statement of August, 1978 "the incidence of sickness has been growing and the progress of modernising obsolete equipment has been tardy. The cost of textiles has been rising steadily while the per capita consumption of cloth has been falling." It was also stated that a definite time-limit would be prescribed for the utilisation of modernisation loans by the mills.

4. A statement showing progress of modernisation as on 31st March, 1981 as furnished by the NTC is given below:

(Rs. in lakhs)

S.No.	Name of the Subsidiary	NTC	Total outlay sanctioned IDBI/ IFCI	Govt.	Total	Value of machinery already received
1	NTC (DP&R) Ltd.	2095.41	..	106.37	2201.78	1013.50
2	NTC (UP) Ltd.	1186.14	537.00	184.81	1907.95	1371.40
3	NTC (WBAB & O) Ltd	2523.66	756.00	311.99	3591.65	1439.66
4	NTC (TN&P) Ltd.	1677.22	1436.00	396.38	3509.60	1826.90
5	NTC (APKK&M) Ltd.	2102.97	195.00	207.06	2505.03	2048.50
6	NTC (SM) Ltd.	1456.07	2101.75	157.49	3715.31	1944.61
7	NTC (MN) Ltd.	2423.05	357.00	546.09	3326.14	2134.20
8	NTC (Gujarat) Ltd.	1025.70	219.00	430.62	1675.32	1865.60
9	NTC (MP) Ltd.	647.25	793.00	225.12	1665.37	855.65
10	Swadeshi Group of Mills	73.90	..	..	73.90	..
		15211.37	6394.75	2565.93	24172.05	14500.02

5. During examination of the representatives of the Department of Textile, the Committee pointed out that implementation of the modernisation of the nationalised mills had been on the whole tardy. Conceding this to some extent the Secretary deposed:—

> "To a certain extent we admit that but we request you to bear in mind that in the beginning in 1974 when all these mills were-nationalised the main problem was to get them going and to cope with the operational problems. They did not have any breathing time till 1977 and it was only in 1977-78 that they could apply their mind for a planned programme of modernisation and since 1977-78 they started thinking, planning and programming. That accounts for the delay in getting the programme of modernisation going."

The Secretary, Department of Textile, however, admitted that modernisation "could have started a bit earlier."

6. The Committee desired to know the number of mills which have been rehabilitated by the NTC. A representative of the NTC said:

> "Till today, we have implemented modernisation schemes to the extent of Rs. 145 crores. In the spinning we have spent Rs. 110 crores. If we distribute the cost of Rs. 110 crores on 3.2 million spindles it would work out to 300 per spindle in a period of 11 years. For modernisation, we require 2 to 3 thousand rupees per spindle against that we have spent Rs. 300 for replacement of very essential items. If you view the performance of NTC in this background it is not possible to bring about a major change in production pattern."

Asked if any units could be said to have been modernised completely by now. The Managing Director of NTC stated "none of them."

7. The Committee pointed out that the NTC had been spreading its resources thinly rather than taking up modernisation on a selective basis with the result that none of the mills could be said to have been modernised fully so far. The Secretary, Department of Textile reacted saying:

> "This is a general question. What would you do when you have limited resources; would you invest in a selected area or would you do it in a wider area so that regional imbalance is removed? One would say, with the resources which the NTC has, it is better to spread it a little thinly. We accept it."

On the Committee enquiring whether this approach was deliberate decision after considering pros and cons, the Secretary stated:

> "Yes, deliberate decision. Investment should not be made in any way which will result in lopsided development of one area and inadequate development in another area."

On the Committee suggesting that the selective modernisation could be spread over all areas and all States, the Secretary opined:

> "If it applies to every State, we would agree, but not one State, at the expense of the other. We can still try to take note of this and try to phase it out accordingly."

8. The Committee enquired if in drawing up modernisation schemes, NTC had given priority to installation of balancing equipment and if so, what was the achievement in this regard. In reply, a representative of NTC stated; "When we prepare a modernisation scheme, it is not only for balancing equipment but it also takes care of other equipments."

9. The Committee enquired about the level at which the investment of Rs. 320 crores for modernisation programme was cleared. The Managing Director of NTC said:—

> "It was done by the holding company, administrative Ministry and the Planning Commission also, but not by the Public Investment Board. As far as we are concerned, the NTC enjoys the powers of sanctioning projects upto Rs. 5 crores per undertaking. We have 103 undertakings."

In reply to a query, the Managing Director clarified that the question of regarding each mill as an undertaking was discussed in the Ministry of Finance and it was held that in the case of NTC, an undertaking meant a mill and that the holding company was the final authority for sanctioning individual projects.

10. Asked whether Government were aware that the modernisation had not been viewed as a single programme in as much as the proposed expenditure of the order of Rs. 320 crores had been split up mill-wise and sanctioned within the powers of the subsidiary companies and the holding company without subjecting the expenditure to the scrutiny by the BPE, the Planning Commission, the Ministry of Finance, the Public Investment Board and the Cabinet and if so what was Government's view in the matter. In reply, the Secretary, Department of Textile explained:

> "320 crores of total financial committment was there. Public Investment Board is called upon to sanction projects costing more than Rs. 5 crores. There was no case of investment of over Rs. 5 crores in any one single project. Investment was made on different projects at different times. So the question of giving sanction by PIB, Cabinet or other authority did not arise. It is within the powers of the NTC and the subsidiaries. The Government, of course, were kept informed of this."

11. The Committee asked if it was possible that had the Government gone to the Planning Commission/Public Investment Board, it could have been suggested that instead of spreading the resources thinly, it would be better to take up modernisation on a selective basis. The Secretary deposed:

> "I would say that I would do anything without infringing the Government directives to expedite sanction and implementation of this scheme and in this particular case, it was not necessary and if we had gone to them, the things would have got delayed which would further slow down the process of modernisation. Already the process of modernisation is slowed down."

12. One of the constraints of rapid modernisation was stated to be the non-availability of textile machinery. The Ministry of Commerce intimated to the Committee, that during the performance Review Meeting held by them, it was suggested to the NTC that they might consider manufacturing in collaboration with other public sector undertakings if necessary items of machinery badly needed by the NTC. The Committee enquired if the possibility of undertaking manufacture of textile machinery in the public sector was examined by the NTC. In reply, the Managing Director, NTC stated:

> "We ourselves wanted to start a public sector unit. The Orissa Industrial Development Corporation which is a public sector body as obtained a letter of intent from the Government of India for setting up a suitable machinery manufacturing unit. We are giving them all necessary technical assistance to start this plant."

13. Asked whether the NTC took up with Government the question of import of new or second hand machinery urgently needed atleast for balancing purposes, the Managing Director stated:

> "The second hand machinery in foreign countries is now going very cheap, because the textile industry in Europe is now in doldrums. We have posed many alternatives to the Government. Government has not given any decision so far."

14. As regards the policy of Government in regard to import of textile machinery, the Secretary, Department of Textile stated:

> "If we can have the machinery manufactured within the country in the interest of self-reliance, we would not import them. This is the general policy of the Government. The delivery time in many cases is very long, say between 12 months and 18 months. But unless it can be shown that something is needed very very urgently and the minimum delivery time is 12 months to 18 months, Government do not accord any approval to any proposal to import. Still in NTC about Rs. 2 crores worth of critical components had been imported. Then for the rotor spinning mills an equipment which would cost about Rs. 60 lakhs they have also obtained permission for importing it. But for other equipments, they are manufactured locally within the parameters of the Government policy."

15. The Committee desired to know if a study of the advantages that have accrued to the NTC as a result of investment of Rs. 145 crores (upto

31st March, 1981) made so far on the modernisation programme has been made. In reply, the NTC claimed, inter alia, in a note, that:—

(i) It has been observed that there has been an overal improvement in productivity coupled with reduction in waste. The quality of the products after modernisation has also improved. To illustrate the spindle productivity per spindle shift in terms of 40s conversion increased from 52.6 grams in 1975-76 to 58.4 grams during 1980-81. Similarly, the Loom productivity index has also shown an increase from the level of 211 in 1975-76 to 219 in 1980-81.

(ii) In the area of quality as well as output, it has been observed, that there has been a reduction of 1 per cent in the value loss in respect of cloth manufactured by the NTC Mills. As against 4.6 per cent value loss in 1976-77 the value loss percentage stood at 3.6 per cent during 1980-81. This in terms of money has saved NTC Rs. 4 crores per annum.

(iii) As a result of modernisation, NTC has launched a scheme in some of the units to produce sophisticated varieties of cloth with Polyester and viscos blends. It is entirely as a result of modernisation that some sorts produced by mills in Bombay region under the NTC have been able to meet with the rigid ISI standards,

(iv) In terms of cloth and yarn production, the modernisation has helped to boost up production. (The cloth production went up from 764 m.mts. in 1975-76 to 941 mts. in 1980-81 and the market yarn production went up from 49 M.kgs to 69 M.kgs).

16. The Committee enquired whether the expected return on investment has started coming in. A representative of the NTC explained that:

"In 1975-76, our total cloth production was 760 million meters thereby giving an increase of 23 per cent straight away. The increase is due to various factors. We are on the question of modernisation. It is not on account of modernisation alone but it includes reactivisation of idle capacity for increasing the productivity at the individual level. In the initial years, the amount spent on modernisation does not necessarily mean that it was spent on providing essential equipments and items for spinning and for replacement of very very necessary items. As far as we understood, we had also considered as part of modernisation programme the expenditure incurred on other purposes. Modernisation is one that will upgrade the technology from what is existing today. Since Rs. 145 crores invested by March, 1981 also includes amount spent on certain items for which there is no tangible return like improvement in the building, protecting the walls from collapse, etc. these have been included in the head for which we could not get money separately. All these things were connected with cloth production and yarn production."

IV. EMPLOYMENT

A. *Surplus Labour*

1. The employment (workers and officers and staff) in NTC mills as on 1-4-74 to 1-4-80 is given below. This also includes the workers employed in Laxmirattan and Atherton Mills, the management of which was taken over in July, 1976.

Year	No. of workers	No. of officers & staff	Total
As on 1-4-1974	161203	12114	173317
As on 1-4-1975	162065	12607	174672
As on 1-4-1976	162102	13002	175104
As on 1-4-1977	166169	13965	180134
As on 1-4-1978	169839	14278	184117
As on 1-4-1979	169405	15011	184516
As on 1-4-1980	168809	14952	183761

2. One of the problems faced by the National Textile Corporation at the time of take-over of the sick textile mills was the higher labour complement in most of these mills in relative terms compared to other textile mills. Under the labour rehabilitation scheme if any worker wanted to retire voluntarily, he got full payment of retrenchment and gratuity compensation and other normal benefits. Prior to the nationalisation of mills, the scheme was introduced in about 23 mills and a sum of Rs. 74.43 lakhs was spent by the NTC/State Governments/State Textile Corporation.

3. NTC intimated that under the Nationalisation Act the sick units were taken over in 1974-75 with their full complement of labour. The excess labour at that time had been estimated as roughly about 10 per

cent. In order to reduce the excess labour, NTC adopted a scheme of 'labour rationalisation without tears.' It was estimated that 15,000 workers would become surplus as a result of implementation of rationalisation scheme. On an average rationalisation/superannuation of worker was expected cost of Rs. 7,500/-.

4. Asked how many workers had been retrenched/superannuated by NTC Mills so far, the NTC intimated that upto 31st March, 1981 NTC had retrenched 4859 workers and superannuated 18,689 workers. All the posts of retrenched workers were abolished and out of 18689 superannuated workers, 10638 posts were abolished. Thus a total number of 15497 posts have been abolished under the labour rationalisation scheme upto 31-3-1981 and a sum of Rs. 13.69 crores spent by Subsidiary Corporations for this purpose.

5. The Committee enquired how the surplus labour strength was determined in 1974 and how it was revised from time to time thereafter taking into account modernisation and expansion programme. In reply, the NTC explained in a note:

> "At the time when the Labour Rationalisation Schemes were introduced, each Subsidiary Corporation was requested to fix up targets of number of persons to be rationalised in mills under them. These were worked out taking into account the capacity of various spindles/looms being utilised at that time (i.e. 1-4-74) and the work load norms agreed to by various Mills keeping in view the regional workload norms, working conditions in the Mills etc. Expected surplus due to modernisation programme was determined on rough estimates. It did not take into account the expansion programme as at the time of formulating the schemes the immediate need was to renovate and modernise machinery. The targets for labour Rationalisation Scheme were fixed in 1974-75. No revised targets fixed in 1974-75 have not been achieved by many subsidiaries."

6. The Committee desired to know that what was likely to be the extent of surplus labour in the NTC as a whole after the modernisation programme was implemented completely. The NTC intimated:

(i) Category-wise surplus labour has not been identified by some of the subsidiary Corporations as it depends on the implementation programme by stages;

(ii) At present the labour employment in the Textile Mills is to the tune of 1.8 lakh persons per day. There is likely to be some surplus strength of workers in the Mills as a result of implementation of modernisation programme, which envisage adoption of standard workloads in the mills and economy in labour cost, but this surplus strength will be utilised in other sections particularly in spinning, where NTC has undertaken a massive expansion programme of adding 6.4 spindles by the end of 6th Five Year Plan. Based on their Corporate Plan the NTC expect that after the modernisation programme is completed the total requirement of labour would be 1.94 lakhs persons;

(iii) Government is yet to take a decision on the proposed two export oriented units. Actual employment would depend on the product mix and level of technology to be adopted for these units;

(iv) There are no surplus officers in any subsidiary Corporations."

7. Funds under the Labour Rationalisation scheme were made available to the Subsidiary Corporations till 1980-81. However, during 1980-81 limited funds were made available to only loss making subsidiaries. It has also been stated that out of a total amount of Rs. 13.69 crores made available to the Subsidiary Corporations under the scheme, an amount of Rs. 10.75 crores has already been repaid/adjusted/converted into equity upto 31-3-1981. In August, 1981, the Subsidiary Corporations are stated to have been advised by the Holding Company to work out unit-wise labour rationalisation programme and take necessary action to rationalise them within their own resources."

8. The Committee asked as to how is it in spite of the labour rationalisation scheme, the effective strength of the NTC workers had gone up from 1.61 lakhs in 1974 to 1.68 lakhs in 1980. In reply, the Secretary, Department of Textile explained:

"When we say rationalisation, we took a decision of weeding out people who were not thought to be of much use to the Company. They were retrenched with a particular view to improving the working of the units. Fresh intakes were taken. The work increased. The volume of production has increased. With almost the same number of people today, we have very much more production, more profit. That has been the gain out of this process of rationalisation. On the one hand, we have been able to remove 15,000 workers and we have taken more, but they are of a trained calibre and the process of selection has been fairer, with a view to having more efficient people."

9. The NTC had furnished the following data in January, 1980 in regard to category-wise labour strength and the extent of surplus in each subsidy:

Subsidiary	Present strength				Estimated surplus labour
	Highly skilled	Skilled	Semi-skilled	Un-Skilled	
1. NTC (MN) Ltd. .	..	13,340	5,479	6,281	2,500
2. NTC (TN&P) Ltd. . .	575	1,338	3,133	6,824	
3. NTC (MP) Ltd. (as on 30-6-79)	606	7,207	4,730	8,146	2,809
4. NTC (Gujarat) Ltd. (as on 1-8-79)	1,858	4,912	5,281	6,392	754
5. NTC (DP&R) Ltd.	344	2,473	3,593	2,612	803
6. NTC (UP) Ltd. . .	414	5,883	5,002	7,063	683

As regards other 3 subsidiaries, the position was stated to be as under:—

(i) The total labour strength of the NTC(SM) Ltd. as on 30-6-79 is 26,054 operatives, 1287 clerical staff, 420 technical and supervisory staff and 171 officers. The surplus labour in the constituent mills under this Corporation was estimated for the year 1980-81 as 667.

(ii) In the case of NTC (APKKM) Ltd. out of total labour strength of 21,850, 500 labour are surplus in the Mills of the Subsidiary in absolute terms.

(iii) The surplus labour in absolute terms in NTC (WBABO) Ltd. is about 3,500 (including 3,332 in 14 mills in West Bengal).

10. The Committee desired to know what is the nature of problems being faced by the subsidiaries of NTC in the matter of smooth and speedy implementation of labour Rationalisation Scheme. In reply, the NTC intimated:

(i) While workers of NTC (MP) Ltd. demand parity of wages with other centres like Ahmedabad and Bombay, they are not agreeable to accept the comparative workloads. The Subsidiary Corporation had taken up the question of fixation of rational work load with the representative unions as well as State Governments.

(ii) Decision of the State Government on the recommendations of the Expert Committee appointed to study the question of introduction of scientific work load norms in textile mills of West

Bengal, is awaited. Meanwhile, workload norms formulated by a Tripartite Settlement (October, 1979) have been introduced in 7 units of the Subsidiary.

(iii) In the case of NTC (MN) Ltd., the Unions are opposing the programme till such time their claims for provident fund relating to pre-nationalisation period are settled without any cut due to non payment of provident fund arrears.

(iv) In the case of NTC (SM) Ltd., the union is demanding full payment of gratuity and retrenchment compensation for the period of service before the closure of mills in the case of Mills which have gone into liquidation. This problem is also being faced by 2 Mills of NTC (MN), 3 Mills of NTC (TN&P), and 1 mill of NTC (DP&R).

11. The Committee desired to know if the Government were not obliged morally, if not legally, to concede to claims of workers for Provident Fund, gratuity and retrenchment compensation for the period of service prior to nationalisation and prior to the closure of mills. In reply, a representative of the Department of Textile stated:

"There are certain other recommendations relating to dues of labour. Some of them are being examined by the Labour Ministry and one or two issues are being examined by us."

In a note furnished, the NTC intimated (December, 1981) that:

"This matter has been under consideration of the Union Ministry of Labour, their Administrative Ministry, the Ministry of Commerce, Employees Provident Fund Organisation and NTC. The last meeting was held with the Labour Secretary on the 20th July, 1981 and the following views were expressed by the Labour Secretary:—

(i) In respect of post-nationalisation period, the NTC would be solely responsible in reporting compliance of the various provisions of the E.P.F. & M.P. Act, 52,

(ii) For the post-takeover and pre-nationalisation period, responsibility for compliance will rest with the Central/State Government, who have appointed the Authorised Controllers, and

(iii) In respect of the pre-takeover period, the arrears of provident fund contribution etc., would have to be Government's liability."

B. *Work Load Norms*

12. NTC intimated (August, 1979) that there were generally no set norms for the employment of labour in textile industry. This was because

of the fact that employment of labour in a textile mill depended on many variables, viz. type and condition of machinery, average count of yarn produced, product mix etc., etc. However, certain broad guidelines have been given by the South India Textile Research Association (SITRA) on the employment of labour in textile mill which were as follows:—

Average Count of the mill	Workers per 1000 spindles upto (spg. point)
16s	9.4
20s	7.9
30s	5.8
40s	4.7
60s	3.5
80s	2.9

The average employment in weaving also depended on many variables, viz. plain or auto looms installed, type of preparatory machinery etc. Broadly, the employment of labour in weaving was indicated as 35 to 40 per 100 looms in the case of mills having all automatic looms and 50 to 55 per 100 looms in the case of mills having all plain looms.

13. The employment of labour in various subsidiaries intimated to the Committee in August, 1979 is as follows:—

Name of Subsidiary	Avg. Count	Men/ 1000 Spindles	Men/100 Looms
NTC (DPR)	20s	9.0	62.4
NTC (UP)	19.9s	10.2	54.1
NTC (WBABO)	27.9s	10.3	82.1
MTC (TNP)	52.0s	5.0	50.6
NTC (APKK&M)	31.4s	6.3	58.3
NTC (SM)	27.4 s	7.8	51.6
NTC (MN)	27.2s	7.8	49.4
NTC (Gujarat)	23.1s	6.7	49
NTC (MP)	23s	9.4	68.5

14. The Committee desired to know why the employment of labour in NTC was far in excess of the SITRA guidelines. In reply, the NTC intimated:

"The employment of labour in NTC mills is higher on account of old and out-dated machinery which are conventional in nature employing longer processes."

15. The Committee pointed out that staffing pattern was not uniform in various subsidiaries and asked if it would not be desirable to have an independent study of the pattern of employment of workmen, staff and officers, the Secretary, Department of Textile replied:—

"Yes, we accept that. But at the same time we have to bear in mind that in this sector the procedure has been always bi-partite negotiations and this has been the customs ever the years. It will be difficult to lay down norms now because those norms have to be discussed in bi-partite negotiations so that the workers can accept them. We cannot impose the new norms on the workers, while we appreciate the need for working out certain norms which can be done objectively. Your basic contention, I have accepted. Certain norms have to be allotted. But, when it comes to implementation it has to be through bi-partite negotiations with the employees."

16. Value of production/Value added per man month in each Subsidiary during 1980-81 was as under:—

	N.T.C. (HC)	N.TC (APKKM)	N.TC (DPR)	NTC (G)	NT (MP)
Value of Production per man month (Rs.)	7998	2726	1908	3260	2035
Value added per man month (Rs.)	2290	1138	679	1382	935

	NTC (MN)	N.TC (SM)	NTC (TNP)	NTC (UP)	NTC (WBABO)
Value of Production per man month (Rs.)	2559	2677	4330	1091	1225
Value of added per man month (Rs.)	2290	1292	1897	695	535

C. Conditions of Service

17. In the year 1970, the National Textile Corporation Ltd., framed National Textile Corporation Recruitment Rules 1970 for posts which were in existence at that time. Subsequently, it was felt that the National Textile Corporation Recruitment Rules 1970 needed revision. Accordingly new rules were drafted. The Draft Recruitment and Promotion Rules were placed before the Board of Directors of NTC Ltd. in their

meeting held on-20 November, 1979. The Board of Directors deferred its consideration. The said Rules were discussed with the representatives of the recognised trade unions. These rules were circulated to the Board for consideration in its meeting held on 24 November, 1980. The Board is, however, yet to take a decision.

18. The Study Group on NTC set up by the Ministry of Industry on 3 July, 1978 has, in its report (May, 1979) pointed out that there existed wide and unjustified disparties in wages between mill to mill even under the same Subsidiary and that the existance of such disparities provided legitimate cause for discontent and unrest. In this connection, the NTC submitted to the Committee a note as follows:—

> "Wages in textile industry are regulated on Region-cum-Industry basis. The bulk of textile industry is in private hands and NTC Mills constitute only about 20 per cent of the organised textile sector. The Cooperative Sector as also the State Governments mills, account for a significant portion of the industry too. There are, therefore, disparities in wages between mill to mill even under the same subsidiary corporation.
>
> As some Subsidiary Corporations have mills under them which are located in different regions, disparities are inevitable in view of the region-cum-industry approach. For instance, the mills located in Maharashtra are speared over in Bombay city and up-country areas. There is a difference in wages panel in mills in Bombay City on one hand and up-country mills on the other. As such, the suggestion that the wages should be standardised on State-wise basis, may not be workable proposition."

19. From the Subsidiary-wise details of salaries and wages paid to staff, officers and workers, it appeared that the relative proportion of staff, officers and workers varied widely from subsidiary to subsidiary. The Committee therefore, asked if NTC had prescribed any norms centrally for employment of staff and officers. The NTC in a note submitted the following facts:—

(i) State-wise wages are being administered by wage-boards or under Minimum Wages Act in textile industry. Therefore, discrepancy in basic wage rates of workers for different categories from State to State is normal.

(ii) The other allowances like D.A., variable D.A., etc. are also not on uniform basis due to basic differences in cost of living index, demand and supply of labour, industrial growth of the locality etc. Under these conditions the total differential in wages from subsidiary to subsidiary exists. For salary also, more or less, the same factor are attributed for having discrepancy in State to State and subsidiary to subsidiary.

(iii) The primary factors responsible for variations of proportion of staff, officers and workers are:—

(a) Size of the units in subsidiaries.

(b) Process involved *i.e.* spinning unit and composite unit.

(c) Lay out and location of the unit.

(d) Average count produced, product mix etc.

(e) Workload norms prevailing in the mills.

As the working conditions of every mill differ from one another, the requirements of each mill and each subsidiary are adjudged on the basis of the regional patterns. Rationalisation programmes are also prepared on the same basis. No uniform norms have been prescribed.

The Department of Textile intimated its views as follows:—

"......There are also Corporations like the National Textile Corporation, which by their very nature have to co-exist, check, by jowl, with large private sectors and ever in location these units are scattered for and wide in the country..

have It will be inappropriate to [illegible] a single yardstock for such widely different complexes. To give an example, the region-cum-industry approach to all labour problems, including wage, bonus, etc. is considered appropriate for NTC since they are situated in all regions of the country and in their product they have been finding it difficult to get this concept (of coordinated and harmonised approach) accepted by the Bureau of Public Enterprises...."

20. The Committee enquired if NTC had been experiencing any difficulty in finding experienced persons to man their Mills, the NTC intimated that:—

"The NTC is managing 1/5th of the Indian Textile Industry and the remaining 4/5 are in the private sector. In the Private sector, the remuneration and perquisites available to managerial personnel, particularly, in technical discipline (weaving, processing, spinning), Finance Costing and Marketing are very attractive *vis-a-vis* those in the NTC Group.

NTC experienced many difficulties in getting qualified managerial personnel on the existing salary structure and fringe benefits."

Further, due to attractive remuneration and better perquisites available in the private sector, the turn-over of managerial personnel from the NTC Group was significant. In the absence of suitable managerial personnel, efficiency in production was affected. The NTC has suggested that the trend can be minimised by taking the following steps:—

(i) Improvement of existing salary structure and fringe benefits of managerial personnel.

(ii) Introduction of scheme of recruitment of management trainees in disciplines in which there is shortage or higher turnover.

(iii) Career planning and improved promotional avenues of managerial personnel, promotions of managerial personnel need not be linked with availability of sanctioned vacant posts but instead managerial personnel may be given promotion on the basis of their satisfactory service for a prescribed period of time on a post and the post may be automatically deemed to have been upgraded along with his promotion.

(iv) Higher degree of participative culture and still better physical conditions of work.

of officers

21. The NTC intimated (January 1980) that efforts to introduce an All India Management Cadre of officers for NTC group as a whole in order to ensure a steady growth in career, and inculcate the feeling of belonging and to provide job security were made. When this matter came up for discussion at the meeting of the Chairman and Managing Directors of all subsidiary corporations held in July, 1979, the general consensus was against the creation of such a cadre. However, it was generally agreed that the recruitment of management trainees in various disciplines which were considered as the first life of executive be centralised at the level of NTC holding company. But the selection and posting of management trainee may be made by the holding company in consultation with the subsidiary corporations.

22. The Committee pointed out that mills became sick because of poor management and enquired if after nationalisation of mills any programme of training the Managers to run the sick textile mills was evolved. In reply, the Managing Director stated:—

"In the beginning there was no persistent programme of training. Now we have set up a Staff College. Our idea is to give them training of all aspects of textiles—production programming, production planning, cost effectiveness etc."

The Chairman of NTC added:—

"Having Staff Training College at Coimbatore is not enough both for technical and supervisory staff. To be meaningful, there should be two colleges. We are trying to have one in Bangalore. Actually, one should be at the craftsman level and other at the supervisory level."

V. WORKING RESULTS

A. *Looses*

The paid up capital of the NTC is Rs. 190.95 crores. As on 31-3-1981, the cumulative loss of the NTC Companies as a whole amounted to Rs. 243.96 crores. Though these enterprises have been collectively running into losses continuously, certain individual subsidiaries have been making profits from their activities. During 1980-81, 5 out of 9 subsidiaries had reported a net profit of Rs. 10.36 crores. The NTC (Gujarat has) been continuously making profits since 1977-78. Similarly, NTC (Tamil Nadu and Pondicherry) Ltd. has been earning profits for the last 3 years (1978-79, 1979-80 and 1980-81). During 1980-81, NTC (Maharashtra North) Ltd. and NTC (South Maharashtra) Ltd. also turned the corner. The following table indicates the profit made or loss incurred by each subsidiary since 1977-78:—

(Rs. in crores)

S.No.	Name	1977-78	1978-79	1979-80	1980-81	Total
1.	NTC Ltd. . .	0·69	1·90	2·19	2·03	6·81
2.	NTC (APKM) Ltd.	—4·46	·37	4·14	—0·36	—0·31
3.	NTC (DPR) Ltd. .	—4·30	—2·46	—1·90	—1·59	—10·25
4.	NTC (G) Ltd.	1·24	—4·66	6·12	1·16	13·18
5.	NTC (MP)Ltd. .	—7·90	—9·20	—7·97	—5·50	—30·57
6.	NTC (MN) Ltd. .	—5·69	—3·30	—5·19	2·34	—11·84
7.	NTC (SM) Ltd. .	—7·02	—1·39	—1·93	2·42	—7·92
8.	NTC (TNP) Ltd. .	—0·89	—4·30	6·29	2·41	12·11
9.	NTC (UP) Ltd. .	—3·12	—0·75	—4·66	—5·83	—14·36
10.	NTC (WBABO) Ltd. . .	—9·72	—10·58	—10·99	—10·92	—42·21
	Total :	—41.17	—16·45	—13·90	—13·84	—85·36

2. The following subsidiaries of NTC have been incurring losses over the years and have in this process wiped out their share capital. The cumulative losses of these subsidiaries as on 31 March, 1981 vis-a-vis their paid up capital were as under:—

(Rs. in lakhs)

S.No.	Name of Subsidiary	Accumulated Losses	Paid up capital
1.	NTC (MP) Ltd	48.32	21·29
2.	NTC (WBABO) Ltd.	65·68	26·38
3.	NTC (DPR) Ltd.	20·32	12·11
4.	NTC (MN) Ltd.	40·44	29·97
5.	NTC (MS) Ltd.	33·58	26·48
6.	NTC (UP) Ltd.	21·30	13·67

3. The Committee wanted to know how many NTC Mills had incurred losses during 1980-81 and whether any systematic study had been made by the NTC to identify the Mills which had been incurring losses year after year, pin point the reasons responsible for these losses and evolve remedial measures. In reply, the NTC intimated that during 1980-81, 51 mills under 8 subsidiaries had reported provisional loss. A study made by the NTC had not only identified 39 major losing mills but also pin-pointed the reasons for the losses in each mill. Remedial measures were taken in consultation with the subsidiary concerned. These included (i) modernisation and renovation of machinery, (ii) expansion wherever needed to make the unit economical, (iii) rationalisation of workload and labour force wherever necessary; (iv) installation of Diesel Generating Sets to overcome power shortage and (v) improving the product mix and developing market strategies.

4. Asked whether progress made in this direction was regularly reviewed and monitored, the NTC reported that subsidiaries concerned had been undertaking regular monitoring of these 39 mills. Periodical reviews were carried out both at the subsidiary and holding company level. As a result 32 out of 39 mills had reduced their losses in 1980-81 though more could earn a profit.

B. *Working Capital*

5. Annual Report of the NTC for the year 1980-81 pointed out, *inter alia*, that "funds for recouping the working capital depleted through losses were made available only as interest bearing loans. This mode of financing has inevitably led to heavy interest burden and over-capitalisation of the nationalised mills." It has also been stated in the Annual Report that "interest burden of nationalised mills is around 7 percent of the turnover whereas in the case of private sector cotton textile industry interest burden does not exceed 4.25 per cent of the turnover."

6. The Committee wanted to know if Government agreed that in a situation of scarcity of working capital and unremiting heavy losses being faced by the NTC the mere recoupment of losses by way of loans with attendant interest liability would aggravate rather than ease the situation. In reply, a representative of the Department of Textile stated in evidence.

> "On the date of nationalisation, the assets were made available to NTC, free from all encumbrances. On that date at least, it cannot be argued that there was in any way shortage of working capital, because there was no bank borrowing. The assets, including cloth, stocks frozen etc. were 100 per cent owned by them.
>
> At the time of nationalisation the assets were free of all encumbrances. Now, the working capital difficulty can arise if a unit make cash losses. As you are well aware, NTC has been making cash losses. The Government is committed to the policy of reimbursing the losses. But the cash losses can only be reimbursed after the cash losses have occurred. In the meanwhile, structurally there can be a lowering of working capital. But in the aggregate the cash losses which have been reimbursed were Rs. 222 crores. In that sense it cannot be said that there is a shortage of working capital."

7. The Secretary, Department of Textile, expressed the following view:—

> "Once we accept this we cut at the roots of the entire nationalisation programme. Why did we nationalise the banks? It was only to enable the banks to provide capital for productive purposes to all these units. Government can possibly make capital loan. Even then, we are not the financing institutions. Government should not

give working capital. At the most, Government has accepted the liability for making up cash losses.

I cannot understand why Government should provide them working capital? The Government will provide equity base. The working capital is not provided by Government. For that the unit should promote and strengthen the equity base. Then if necessary, Government would examine to what extent Government loan can be covered into equity....But for working capital they have to depend on their stock, their marketing position and on the commercial banks."

C. *Capital Structure*

8. The investment of Central Government in NTC—holding company as at the end of March 1981 is as follows:—

(Rs. in crores)

(i)	Paid up capital in the shape of equity (including Rs. 11 crores received in advance pending allotment of share)	190·95
(ii)	Loans	265·75
		456·70

There is no investment of State/Financial Institutions and foreign parties.

9. The State Governments which had been earlier managing or were associated with the working of Sick Textile Undertakings were offered participation upto 49 per cent in the equity capital of Subsidiary Corporations consequent upon the nationalisation and formation of subsidiaries. In each subsidiary NTC is to hold not less than 51 per cent of the equity capital and the State Government/Governments concerned have the option to contribute upto 49 per cent. If there is any shortfall in contribution from State Governments the same is made good by the N.T.C. According to data furnished by the NTC (Holding Company) State Government's share in the equity capital of NTC (Delhi, Punjab, Rajasthan), NTC (UP), NTC (Andhra Pradesh, Kerala, Karnataka Mahe) and NTC (W.B. Bihar, Orissa and Assam is 10.5 per cent, 14.5 per cent, 7.4 per cent and 10.5 per cent only. The investment of NTC (Holding

Company), Central Government and State Government in nine subsidiary Corporations of NTC as on 31-3-1981 is given below:—

(Rs. in lakhs)

Name of the subsidiary	Loan				Equity		
	NTC	Central Govt.	State Govt.	Total	NTC	State	Total
NTC (DPR)	2047.66		..	2047.66	969.08	115.23	1084.31
NTC (UP) . .	2102.12		33.00	2135.12	993.10	169.28	1162.38
NTC (MP) .	4846.09			4846.09	1918.22		1918.22
NTC (Guj)	1899.40	..		1899.40	1343.53		1343.53
NTC (MN)	5088.88	175.00		5263.88	2997.06		2997.06
NTC (SM) . .	3746.04	..	..	3746.04	2591.02	..	2591.02
NTC (APKKM) .	2614.85		7.56	2622.41	1457.05	117.50	1574.55
NTC (T&P)	1582.64		..	1582.64	1335.83	..	1335.83
NTC (WBABO) .	5696.29	..	177.15	5873.44	2357.75	280.68	2638.43
	29623.97	175.00	217.71	30016.68	15962.64	682.69	16645.33

10. The debt-equity ratio of NTC (Holding Co.) as on 31-3-1981 was 1.40:1. The debt equity varied from subsidiary to subsidiary. The debt equity ratio of subsidiary corporations on an overall basis worked out to 1.80:1. The Committee desired to know why there was no uniform debt-equity ratio in the nine subsidiaries. The NTC stated as follows:—

> "The debt equity ratio of subsidiary Companies is uneven on account of different loan complements in case of each Subsidiary Company. The loans have been in proportion to the extent of losses incurred by each company because the replenishment of the cash loss incurred by each subsidiary company has been so far considered by way of additional interest bearing loans only."

Asked if the NTC had reviewed the debt equity ratio of subsidiaries with a view to restructuring the capital base, the NTC stated that it had submitted a detailed proposal to the Government for restructuring the capital base.

D. *Inter Firm Comparison*

11. According to the Public Enterprises Survey 1979-80, there were wide variations in some of the important financial and management ratios of various subsidiaries of the NTC, e.g.:

(i) Labour content as percentage of cost of production ranged from 22 in NTC (DPR) to 41.1, in NTC (WBABO) as against the average of 29.

(ii) Raw material content ranged from 38.8 in NTC (SM) to 55.6 in NTC (APKKM) as against the average of 42.8.

(iii) Finished goods inventory ranged from 30.7 days sale in NTC (DPR) to 95.7 days sale in NTC (WBABO) are against the average of 47.6.

(iv) Value added per employee ranged from Rs. 6530 in NTC (WBABO) to 19004 in NTC (TN&P) as against the average of 8082.

(v) Average emoluments per employee ranged from Rs. 5640 in NTC (DPR) to Rs. 97.51 in NTC (MN) as against the average of 8219.

12. The Committee desired to know how such huge disparities in the performance indices of the various subsidiaries were accounted for. The NTC has explained, *inter alia*, in a note that:—

"The cost of labour depend on the wage structure, work load norms and the extent of rationalisation in each subsidiary (ii) the cost of raw material to production value is different in spinning and weaving mills (iii) the inventory of finished stocks depends on the marketing and trade conditions prevailing in the different areas. The major constraint faced during 1979-80 was due to accumulation of controlled cloth awaiting despatch instructions from the NCOF, (iv) value added per employee again depends on the range of product mix produced by each subsidiary, (v) average emoluments per employee vary because the wage structure of the textile industry differs from region to region."

13. The Committee wanted to know whether there was a regular system of inter-firm comparison of the performance of all the subsidiary companies either at the Ministry level or at the holding company level, in reply, NTC, intimated that:

"The inter-firm comparison of the performance of subsidiary companies is regularly made and reviewed from time to time at the Holding Company level and reviewed by the Board. The work is being coordinated by Subsidiary Coordination Cell created at the Holding Company's level. The Ministry reviews the functioning of the Corporation from time to time."

14. Asked if such reviews were being conducted regularly, why it has not been possible for the Government/Holding Company to remove such disparities, a representative of Department explained in evidence:—

"So far as labour cost is concerned, rationalisation becomes a bilateral matter and it is not possible always to take immediate corrective action. It is only possible to take note of the situation. It is true in some subsidiaries that labour cost as a percentage of receipts is very high; that is because these mills have not been nationalised. We can only take note of it. The present position is between the various subsidiaries there is wide difference on matters of labour nationalisation. This is because in the textile industry the approach has been historically on an industry-cum-region basis, not national basis. SITRA norms may not govern Ahmedabad. Ahmedabad norms may not govern M.P. NTC management division have to go into this and they have to reduce these divergencies gradually. It cannot be done overnight."

15. In a note furnished later, the Department of Textile intimated as under:—

"In the NTC (Holding Company), monthly review reports on technical and financial areas are prepared and presented to the Board of Directors. In the technical reviews prepared, inter-subsidiary comparisons are shown in respect of some of the important parameters of functioning viewed from the technical angle *viz.* production, productivity, efficiency, utilisation, raw materials consumed, mixing, costs etc. These technical and financial reviews give inter-subsidiary comparison on the various parameters and are discussed by the Board of Members in their various meetings. The Board of Directors includes Government representatives also.

NTC is not in a position to make similar comparison with the private sector units as NTC does not have similar data of the private sector mills."

16. The Committee wanted to know whether there should not be a critical study of materials management, inventory control and labour management in National Textile Corporation. In reply, the Secretary, Department of Textiles stated:—

> "We had a study made by Bureau of Public Enterprises. Ultimately the BPE recommended that there is scope for improvement in the sphere of materials management, inventory control and utilisation of manpower. NTC Management Division have to go into this and they have to reduce these divergencies gradually. It cannot be done overnight."

17. From the management ratios Report from the NTC (UP) it was observed by the Committee that the data regarding man hours utilised to those available in that subsidiary was not available. Asked as to how could there be production control without are ascertaining and examining the reasons for under utilisation of labour, the NTC stated, in a note:—

> "Information in respect of the years 1974-75 to 1976-77 could not be compiled for want of authentic records with NTC (UP) Ltd. The textile industry in general exercises control production through capacity utilisation and productivity for which NTC gets regular reports from the subsidiaries."

E. *Study Group on N.T.C.*

18. In pursuance of decision taken in the meeting of the representatives of the Central Trade Union Federation convened by the Ministry of Industry on 3 March, 1978, a Study Group to go into the problems of the undertakings of National Textile Corporation Ltd., was set up in July 1978. The Study Group comprised the nominees of the Central Trade Union Federations. The Study Group submitted its report in May 1979.

19. The Committee desired to know what action was taken by the NTC|Government on the recommendations of the Study Group. The NTC intimated that:—

> "Recommendations of the Study Group were examined by the NTC and the recommendations along with the comments were placed before the Board of Directors of NTC Holding Company at their meeting held on 31-10-1979. The comments of NTC as approved by the Board of Direc-

tors were communicated to the Ministry. These recommendations were further discussed in the Ministry and are under consideration of the Government."

20. Asked about the latest position, the Secretary, Department of Textile stated:—

"Many of the recommendations of the Study Group relating, for example, to modernisation need no acceptance or rejection, because we are already on the job. There are certain other recommendations relating to dues of labour. Some of these are being examined by the Labour Ministry and one or two issues are being examined by us. That leaves only one major issue, *i.e.* set-up of NTC itself. The present set up of NTC is a holding company, subsidiaries and production centres. The Study Group wanted this to be replaced by independent corporations for either a State or a region, directly reporting to Government. We have not taken a final view but the thinking in the Government today is, it would not be possible to accept this recommendation which leads to the abolition of the holding company."

F. *Delay in finalisation of accounts*

21. The NTC intimated that after the textile mills were nationalised with effect from April, 1974, the accounts for the year 1974-75 were finalised by the holding company on 17-11-1976 and by 9 subsidiaries between June 1976 and December, 1977. The delay in finalisation of accounts was attributed to the following reasons:—

(i) Delay in appointment of statutory Auditors. The appointment of Auditors for the year 1974-75 was made as late as October, 1975 in respect of holding company and from October, 1975 to July, 1976 in respect of 9 subsidiary corporations.

(ii) Non-availability of records at the time of takeover.

(iii) Non-availability of requisite qualified officers and staff in the Accounts Department.

22. On the Committee pointing out serious delays in finalisation of subsequent years accounts, the Managing Director stated:—

"This problem of bringing our Accounts up-to-date has been following us right from 1974 when we took over these mills. Our accounts were in arrear in all the subsidiaries and the holding companies continuously for a long period. It was only in 1979-80 that we were able to catch up with our backlog and in one year we have to complete almost three years accounts at once."

23. Asked how soon it will be possible for the NTC to clear the backlog, the witness assured:—

"Now, we are more or less making up past backlog. 1980-81 accounts would be completed by December. We expect that our 1981-82 accounts would be brought upto date."

G. *Performance Appraisal*

24. The Administrative Ministry held only five performance appraisal meetings during the four years from 1977 to 1981 although according to the existing requirement, sixteen meetings should have been held. The Committee enquired from the Secretary whether he agreed that if the performance appraisal meetings had been held as required and in a meaningful manner, the state of the nationalised textile industry could have been better than what it was today. The Secretary replied, "I agree". On being asked whether in future at least looking to the conditions of the NTC and its subsidiaries, Ministry would hold meetings regularly and purposefully, the Secretary said, "The assurance is readily and responsively given."

25. The nationalisation of sick textile mills was resorted to for "organising and rehabilitating such sick textile undertakings so as to subserve the interests of the general public by augmentation of the production and distribution at fair prices of different varieties of cloth and yarn." Further Government regarded NTC as an instrument to control the textile industry as a whole. The Committee asked as to what extent these objectives have been achieved so far. The Secretary, Department of Textile had the following to say:—

"Sir, at least one basic objective of the Government namely, supply of cloth at reasonable prices to the poorest sections of the people is being discharged by the NTC. That itself is a tremendous achievement. As regards modernisation coming up with new techniques gradually they will be entering that field. We believe, if not immediately, during the Seventh Plan period the working of the NTC will have a positive effect on the working of the textile mills in the private sector."

PART II

CONCLUSIONS AND RECOMMENDATIONS OF THE COMMITTEE

1. Under the Sick Textile Undertakings (Nationalisation) Act, 1974, 103 textile mills were nationalised and vested in the National Textile Corporation. The Act also empowered the NTC to form subsidiary corporations under the Companies Act, 1956. There are at present 9 subsidiary companies. The NTC as a holding company and owner of the subsidiaries ought to be in a position to have complete control over the subsidiaries and to monitor and appraise their operations competently with a view to guiding and directing them besides coordinating their efforts in the interest of economy and efficiency. For this purpose it should be clothed with adequiate powers and its organisation strengthened qualitatively. The Chairman, NTC informed the committee that a programme was being worked out to make the NTC truly a holding company. The Committee would await the outcome.

2. In order to exercise meaningful control over the subsidiaries the holding company ought to have power to make top appointments in them. Though this power vests with the holding company under the Articles of Association of its subsidiaries, in reality government make these appointments applying the BPE guidelines in toto to the subsidiaries of a holding company. In the opinion of the Committee the powers of the government in relation to a subsidiary should be exercised by the holding company which should be accountable to government and Parliament through the Committee on Public Undertakings for its commissions and omissions. The BPE should, therefore, reconsider their relevant guidelines in its appplication to the subsidiaries. In any case the holding company ought to be able to make the appointment of Chairman-cum-Managing Directors as well as the appointment of full-time Directors and transfer them within the subsidiaries.

3. Incidently, the holding company could nominate its full-time Directors as part-time members of the Boards of the subsidiaries Further, as agreed to by the Textile Secretary, the Chairman-cum-Managing Directors of subsidiaries should be associated with the Board of the holding company in rotation while reconstituting the Board. These would make for a two way relationship between the holding and the subsidiary companies for their mutual benefit.

4. The Committee are unable to find any sound logic in the organisation of the subsidiaries. The jurisdiction of some of them is unwieldy, e.g., NTC (West Bengal, Assam, Bihar and Orissa) and NTC (Andhra Pradesh, Karnataka, Kerala and Mahe). The workload does not appear to have been evenly distributed among the subsidiaries. As admitted by the Managing Director, TNC, a serious thinking has to be done in regard to reorganisation of the subsidiaries. The Committee hope that whatever the basis, regional or State-wise, any reorganisation of the subsidiaries should be such as to ensure efficient conduct of business.

5. At present there are on the whole 111 textile mills under the NTC. of these mills, 8 are not owned, but managed by the NTC. Government are yet to decide as per a directive of the Supreme Court whether 6 mills belonging to Swadeshi Mills group should continue with government. The future of the remaining two mills, viz., Laxmirattan Cotton Mills and Atherton Mills, Kanpur taken over in 1976 is also yet to be decided. The Committee desire that the nationalisation or otherwise should be decided upon in regard to these two mills early as any further uncertainty would delay the process of rehabilitation.

6. Under the Industries (Development and Regulation) Act, 1959, the Union Government alone are competent to take over the management of an industrial undertaking. One of the objectives of setting up of the NTC was to render advice to Government on such take over. However, after 1974 a number of sick textile mills have been taken over and entrusted to the management of State Textile Corporations without formally consulting the NTC. It is now open to the State Governments to nationalise them. The Committee feel that there should be a unified institutional arrangement for the nationalised textile industry and for managing the mills taken over. In this, State participation could be ensured. The possibility of this arrangement deserves serious consideration. Incidentally, the Committee find that although option was given to the States to have equity participation up to 49 per cent in the subsidiaries of the NTC, the participation has been poor inasmuch as it did not exceed 14.5 per cent and several States did not participate at all.

7. As on 31 March 1981, the total installed capacity of NTC mills was 3.24 million spindles representing 16 per cent of the spinning capacity and 48,180 looms representing 23 per cent of the weaving capacity of the cotton textile industry in the country. The NTC could commission 96 per cent of the spindles and 95 per cent of the looms capacity so far. Only 56 mills have commissioned their instal-

led capacity fully. The commissioned capacity has not also been utilised optimally. The utilisation of capacity has also been on the whole lagging behind that of the rest of the textile industry in the country. The position in this regard is particularly bad in NTC (Delhi, Punjab and Rajasthan), NTC (Uttar Pradesh) and NTC (West Bengal, Assam, Bihar and Orissa). The production on the whole has been less than the modest target set during 1977—81. The overall production of market yarn and cloth was of the order of 69 m. kgs. and 941 m. metres, respectively during 1980-81. The production is expected to go up to 109 m. kgs. of market yarn and 1050 m. metres of cloth by 1984-85 with the implementation of the modernisation and expansion programme. The Committee feel that with better management and control and selective modernisation as indicated elsewhere, it should be possible to achieve higher level of production earlier than now anticipated. They hope that NTC will gear itself to realise this.

8. The Committee agree with the NTC and the administrative Ministry that subject to fulfilment of social obligation of the nationalised textile industry to make available adequate quantity of controlled and cheap colth for the common man, the emphasis in regard to production of decontrolled cloth should be to rationalise the product mix reducing varieties and sorts and concentrate on production of those fabrics and yarn which would give better profitability. This rationalisation in so far as cloth is concerned has been not made satisfactorily. This should be done early. The Committee would commend the idea of stepping up manufacture of blended fabrics Incidentally, the losses of the NTC appear to be solely on account of the production and sale of decontrolled cloth. Unless the NTC companies cut down on cost and improve their sales management, financial viability will be a distant dream.

9. Prior to July 1981, the NTC had an obligation to produce 400 million sq. metres of controlled cloth consisting of five broad varieties. With effect from July 1981 this has been reduced to 325 million sq. metres confined to saris, dhotis and long cloth. Shirting and drill, the cost of manufacture of which was very high, have been totally eliminated. The Committee have been informed that there could be neither loss nor profit on the production of controlled cloth by the NTC. However, the NTC has urged that they be given a fair return in addition to recovering the cost. The Committee desire that the possibility of this should be examined having regard to the need of the NTC to generate some internal resources.

10. Considerable reduction in transportation cost of controlled cloth could be achieved if the NTC mills organise their production in

such a way that each mill meet as far as possible the demand of adjacent areas. Unfortunately the National Consumers Co-operative Federation inform the NTC companies of the States to which the cloth is to be despatched only at the time of giving despatch instructions. The area-wise requirement should in future be indicated to the NTC by the National Consumers Co-operative Federation every quarter in advance.

11. A scheme for production of cheaper varieties of cloth for sugmenting supply of cloth at reasonable prices was made operative from September 1979. Under this scheme, the cloth is made available to the consumers within an all inclusive price uniformally applicable throughout the country. The NTC produced 261 million metres of cloth under this scheme in 1980-81. Considerable losses have been incurred by three out of 5 subsidiaries, who are the major producers. The loss was as high as Rs. 1.16 per metre in NTC (Madhya Pradesh) The Committee desire that the production of cloth under the scheme should be organised in such a way that there is no loss, at least taking NTC as a whole.

12. Marketing and sales do not seem to have been organised well in the NTC companies. Prior to 1978 the mills themselves organised their sales. There was very little control by the holding company over sales policies of the subsidiaries, though there was a marketing division under it. According to the guidelines of the holding company, centralised sales committees should be set up at the subsidiary level. These have however not been set up in some companies as yet. The sales are mostly through wholesalers ~~and agents engaged~~ by each subsidiary. ~~Admittedly, there are~~ lacunae in the system with the result the price realisation cannot be said to be invariably reasonable. Apart from the fact that the quality of cloth is not as good as that of private mills, there is also less realisation on account of certain amount of weakness in the sales organisation and distress sales at low price on account of liquidity problems as in the case of NTC (Uttar Pradesh), NTC (Madhya Pradesh) and NTC (West Bengal, Assam, Bihar and Orissa). The Committee feel that it is the responsibility of the holding company to remedy the situation. Its marketing division should be headed and manned by competent and well-qualified persons.

13. The Marketing Division of the holding company is more or less confining itself to running the retail outlets which do not account for much of sales and which are running into serious losses. This is a sad commentary on the Marketing Division. The Committee recommend that the holding company should rationalise the system

of selecting and appointing wholesalers/agents by the subsidiaries and review the system periodically as at present there appears to be scope for malpractices. Though it may not be possible to organise direct central marketing as such, all indents/contracts for government and other public sector supplies should be handled centrally by the holding company. There should also be centralised market intelligence set up. The Holding Company should ensure that needless competition between the NTC companies is avoided and the transport cost is minimised.

14. The Committee received an irresistible impression that the cost control in the NTC mills was anything but satisfactory. Although the guidelines issued by the holding company provide inter alia that the mills should complete their sales proposals indicating sales rates for different varieties and work out profit/loss involved on per loom shift basis in order to help take up only the loom sorts which yield maximum profit, some of the subsidiaries have not been following the system. The Committee feel that introduction of a system of standard cost for each variety on a per loom shift basis for the purpose of comparison with the actual cost and the market realisation is necessary to have an effective control. The Holding Company should also evolve a system of monitoring and reviewing the costs and prices periodically. The Committee are surprised that this important aspect has been neglected both by the subsidiaries and the Holding Company so far.

15. The percentage of standard cloth manufactured to the total production of NTC is reported to be around 77. The Committee have been informed that though many of the defects are acceptable in cheaper varieties of cloth, it is not the case with superior varieties. As against a value loss of 3.2 per cent, which is the norm of textile industry for all varieties of cloth, the value loss of the NTC is 3.6 per cent. That the value loss should be higher for the NTC despite the fact that more than 75 per cent of the cloth manufactured is of cheaper variety causes concern. The Committee desire that this aspect should be gone into by the Holding Company for making improvement. Incidentally, the Committee noticed that fents and rags constituted 8 per cent of the total sale of the NTC and that the sale is organised through tenders. There is admittedly a possibility of the tenderers forming a ring and cornering these at a low price. The Committee desire that as indicated by the Chairman, NTC, there should be suitable surprise checks to ensure that the price obtained is reasonable and standard cloth is not sold as fents and rags.

16. The NTC companies as a whole have been selling to government and public sector undertakings about 6 per cent of the cloth

produced. This accounted for about 15 to 20 per cent of the total Government requirement and is valued at about Rs. 20 crores per annum. At times the NTC companies are forced to quote against the DGS&D tenders at a price lower than the cost in order to utilise their capacities. In view of the social obligation of producing cheap cloth undertaken and in view of overall huge losses incurred by the NTC, which are eventually recouped by government, the Committee suggest that the question of purchasing from the NTC all cloth to meet the entire requirement of government on a cost plus basis, subject to verification of the cost by the Bureau of Costs and Prices or the Ministry of Finance, should be considered seriously, if it has not been already done.

17. At present the holding company is running 383 showrooms in various parts of the country. The sales are of the order of Rs. 20 crores per annum (overall sales about Rs. 500 crores) and the losses are of the order of Rs. 80 lakhs. The services in these showrooms are reported to be not good and the situation of shops is not at the right places. There is also excess employment and recruitment has not been properly done. The Committee agree that if it cannot be made a success it is better to close down these retail outlet to the extent necessary.

18. The nationalised sick textile mills were plagued by old and obsolete equipment and surplus labour. Rehabilitation of the mills, therefore, warranted imaginative and vigorous efforts to modernise them and to weed out surplus labour or absorb them productively. The efforts of the National Textile Corporation in this regard were, to say the least, not such as to inspire confidence that the nationalised textile industry could be rehabilitated fully in the near future.

19. The corporate plan of the National Textile Corporation envisaged initially an outlay of Rs. 250 crores for modernisation and expansion and this outlay was subsequently raised to Rs. 320 crores covering the period from the date of nationalisation to the end of the Sixth Plan (1984-85). As at the end of March 1981 schemes entailing an out lay of Rs. 242 crores have been sanctioned and machinery worth Rs. 145 crores is stated to have been received and installed. While one of the subsidiaries, viz., NTC (Gujarat) has exceeded the target, the others were lagging behind...The achievement has been about 50 per cent or less in the case of NTC (Delhi, Punjab & Rajasthan), NTC (West Bengal, Assam, Bihar & Orissa), NTC (Tamil Nadu and Pondicherry), NTC (South Maharashtra) and NTC (Madhya Pradesh). Conceding to some extent that the implementation of the modernisation scheme has been tardy, the Textile Secretary

pleaded that in view of the operational problems that cropped up after nationalisation, planned modernisation could be taken up only in 1977-78. However, he agreed that the programme could have been taken up 'a bit earlier'. At this stage the Committee can only express their regret that the most important step in rehabilitating the sick units has been taken belatedly, if not casually.

20. The programme of modernisation has not only been taken up belatedly but it has not also been conceived properly. None of the mills could be said to have been modernised as yet. For instance, as against the estimated requirement of Rs. 3000 per spindle, the amount spent so far is Rs. 300 on an average and the available resources have been spread over the mills thinly. To justify this on the basis that this makes for balanced regional development is a fallacious argument. The Committee feel strongly that the situation called for a selective modernisation and that mills selected from all regions could have been taken up for modernisation fully on a priority basis. This could still have made for balanced development. Agreeing with the strategy suggested by the Committee, the Textile Secretary promised to try to phase out the modernisation programme in future, accordingly. The Committee would await the action taken in this regard.

21. The Committee would suggest that while taking up modernisation on a selective basis priority should be assigned to instal the balancing equipment badly needed by the mills. Efforts should be concentrated on mills that are making continuously heavy losses, mills that could not commission their installed capacity and mills whose available spindles capacity is not of economic size. However, the Committee do not rule out the need for modernising selected profit making mills to take up production of blended fabrics or otherwise improve the quality of products to make them competitive and to make NTC break even on the whole, early. Incidentally the Committee would urge that renovation of factory buildings, which are very old and dilapidated and hence a potential threat to the safety of the workers, should be attended to with a sense of urgency.

22. One of the constraints for rapid modernisation is the non-availability of textile machinery and in time. Here again a belated attempt has been made to establish manufacturing capacity in the public sector. The Committee desire that this should be given the priority. Further, such of the machinery items as are urgently required especially for balancing purposes should be allowed to be imported with out delay. The Committee hope that decision on the proposals in this regard submitted to government by the NTC would be taken soon. The Holding Company should also ensure at least in

future that orders for procurement of indigenous machinery are placed in time on a planned basis.

23. The modernisation and expansion programme entailing an outlay of Rs. 320 crores has not been viewed in its totality but split up mill-wise for sanction within the powers of the subsidiary/holding company in stages. This seems to be incorrect from the point of view of both accountability and expediency. The Committee feel that programme of each subsidiary should be prepared and dovetailed into the overall plan for the nationalised textile industry. Each subsidiary's programme should then be viewed as one scheme for the purpose of scrutiny at the government level. While the overall progress and achievement should be reviewed by the government with the holding company, those of the subsidiaries should be monitored and reviewed by the holding company. Clearly identifiable targets should be laid down for implementation as well as benefits to be derived and the achievement related to these. The Committee desire that action should be taken accordingly. The Committee are constrained to make this recommendation especially because they do not approve of the strategy underlying the investment decisions taken so far at the companies' level.

24. It was estimated at the time of nationalisation that there was a surplus of about 10 per cent in the labour force of 1.61 lakhs. With the modernisation programme taken up for implementation more of the labour would be rendered surplus progressively. A precise assessment of this additional surplus has not been made. Further, if proper workload norms for employment of labour are evolved and adopted, the extent of surplus would further increase. A labour rationalisation/superannuation scheme has been taken up for implementation. Upto 31 March 1981, 15,497 posts have been abolished. However the labour strength of NTC as a whole, instead of decreasing, has increased from 1.61 lakhs in 1974 to 1.69 lakhs in 1980. Some of the subsidiaries have not been able to adhere to the target of rationalisation. These are notably NTC (Maharashtra North), NTC (Tamil Nadu & Pondicherry) and NTC (West Bengal, Assam, Bihar & Orissa). The labour rationalisation scheme is stated to have been opposed by the workers in a number of subsidiaries. Thus the position seems to have become of late somewhat interactable. This calls for a study and energetic action to weed out surplus with the cooperation of the workers. Efforts should also be made to absorb the surplus productively as far as possible by diversifying and expanding the activities of the NTC companies

25. In the case of NTC (Maharashtra North), the labour unions are stated to be opposing the programme till such time their claims for Provident Fund relating to the period prior to nationalisation of mills are settled in full without any cut due to non-payment of provident fund arrears. In the case of NTC (Maharashtra South), the union is stated to be demanding full payment of gratuity and retrenchment compensation for the period of service before the closure of the mills in the case of those which have gone into liquidation.(The Committee have been informed that these are under examination by the Ministry of Labour. The Committee desire that the issues should be sorted out early.

26. There are no set norms for the employment of labour in the textile industry. However, there are certain broad guidelines given by the South Indian Textile Research Association. The position in regard to engagement of men on spindles/looms in the NTC subsidiaries furnished to the Committee shows that the employment was generally much in excess of what was indicated by these guidelines except in a couple of the subsidiaries. In view of all these the Committee desire that as accepted by the Textile Secretary, there should be an independent study of pattern of employment of not only workers but also of officers and staff and certain norms evolved for implementation gradually.

27. A regional-cum-industrial approach to all labour problems, including wages is considered appropriate for NTC both by the management and the administrative Ministry. Having regard to the competitive nature and the traditions of the industry as well as the turnover of the skilled managerial personnel which is stated to have been the result of unattractive conditions of service, the Committee find some force in this. They, therefore, desire that the B.P.E. should give due consideration to the views expressed and evolve a suitable wage structure and personnel policy that would help the management to make the nationalised textile industry efficient and competitive.

28. Incidentally, the Committee note that the NTC have yet to finalise the Recruitment and Promotion Rules. This should be done without further loss of time. A satisfactory scheme of centralised recruitment of managerial personnel should be evolved and the training of managers and craftsmen should be put on a satisfactory footing, if necessary, by augmenting the training facilities. Further, it should be ensured that all the vacancies reserved for Scheduled Caste/Scheduled Tribe candidates should be filled by such candidates not only in the category of workers but also in the categories of staff and officers in all the subsidiaries.

29. The paid-up capital of the NTC is Rs. 190.95 crores and as on 31 March 1981 the cumulative losses of the NTC companies as a whole amounted to Rs. 243.96 crores. Six subsidiary companies have already wiped out their paid-up capital. 51 mills under 8 subsidiary companies have reported provisional loss during 1980-81. An inter-firm comparision of the subsidiaries for the year 1979-80 shows the following. The labour content as percentage of cost of production ranged from 22 in NTC (Delhi, Punjab and Rajasthan) to 41.1 in NTC (West Bengal, Assam, Bihar and Orissa) as against the average of 29. The percentage of raw material content ranged from 38.8 in NTC (Maharashtra South) to 55.6 in NTC (Andhra Pradesh, Karnataka, Kerala and Mahe) as against the average of 42.8. Finished goods inventory ranged from 30.7 days sale in NTC (Delhi, Punjab & Rajasthan) to 95.7 days sale in NTC (West Bengal, Assam, Bihar & Orissa) as against the average of 47.6. The value added per employee ranged from Rs. 6530 in NTC (West Bengal, Assam, Bihar and Orissa) to Rs. 19004 in NTC (Tamil Nadu & Pondicherry) as against average of Rs. 8082. Whatever be the conditions such huge disparities should not be there. The Committee feel that even under the present state of the nationalised textile industry it should be possible to breakeven provided good management is ensured. The holding company should rationalise its management information system and take meetings for appraising the performance of the subsidiaries regularly once a quarter. For this purpose it should also be necessary to have not only an inter-subsidiary comparison but also a comparison of the performance with that of the private sector. Further, the material management inventory control and labour management should receive constant attention. In this connection the Committee find that in regard to 6 subsidiaries there was only one or no formal performance review in the year 1978-79 and even in the year 1981-82, in respect of 3 subsidiaries there was only one such review. The administrative Ministry also does not appear to have taken the review of the performance of the holding company seriously inasmuch as only 5 meetings were held during 1977—81 although according to the existing requirement 16 meetings should have been held. Admittedly, the state of the nationalised textile industry could have been better had the performance appraisals by the Ministry and the holding company been regular and meaningful. The Committee hope that such laxities will be avoided in future.

30. The present system of funding the NTC companies which are incurring losses by giving them loans and overburdening them again with interest is obviously unsatisfactory. The Committee, therefore, like the Ministry to review the system in order to remove the finan-

cial constraints of the NTC to the extent possible. In this connection they find that the debt equity ratio of a number of subsidiary companies is adverse with more of interest bearing loan-content. The holding company is stated to have sent up a detailed proposal to government for restructuring the capital base. The Committee would urge that a decision in this regard should be taken early in order to put the companies on sound financial footing.

31. There has been serious delays in the finalisation of accounts by the NTC companies. The Committee are not convinced of the reasons adduced for the delays. The Managing Director has, however, assured the Committee that from 1981-82 onwards the accounts would be finalised in time. This should be kept up.

BANSI LAL,
Chairman,
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NEW DELHI;
April 13 1982
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