

FIFTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1985-86)

(EIGHTH LOK SABHA)

REHABILITATION INDUSTRIES CORPORATION LTD
(Ministry of Home Affairs, Department of Rehabilitation)

[Action taken by Government on the recommendations contained in the 96th Report of the Committee on Public Undertakings (Seventh Lok Sabha)]



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Presented to Lok Sabha on..... 1985

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LOK SABHA SECRETARIAT

NEW DELHI

August, 1985/Sravana 1907 (Saka)

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PUBLIC UNDERTAKINGS (EIGHTH LOK SABHA).

| <u>PAGE</u> | <u>PARA</u> | <u>LINE</u> | <u>FOR</u> | <u>READ</u> |
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| Contents (vii) | - | 13 | Msnutes | Minutes |
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COMMITTEE ON PUBLIC UNDERTAKINGS
(1985-86)

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3. Shri S. M. Bhattam
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21. Shri Santosh Kumar Sahu
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1. Shri N. N. Mehra—*Joint Secretary*
2. Shri M. K. Mathur—*Chief Financial Committee Officer*
3. Shri Rup Chand—*Senior Financial Committee Officer.*

**ACTION TAKEN SUB-COMMITTEE OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS
(1985-86)**

1. Shri K. Ramamurthy—*Chairman*
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8. Shri S. M. Bhattam
9. Shri B. V. Desai

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Fifth Report on Action Taken by Government on the recommendations contained in the 96th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Rehabilitation Industries Corporation Ltd.

2. The 96th Report of the Committee on Public Undertakings (1983-84- was presented to Lok Sabha on 30th April, 1984. Replies of Government to all the recommendations contained in the Report were received by 14th November, 1984. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 1st August, 1985. The Committee considered and adopted this Report at their sitting held on 1st August, 1985.

3. An analysis of the action taken by Government on the recommendations contained in the 96th Report (1983-84) of the Committee is given in Appendix II.

NEW DELHI;

August 7, 1985

Sravana 16, 1907 (Saka)

K. RAMAMURTHY,

Chairman,

Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Ninety-Sixth Report (Seventh Lok Sabha) of the Committee on Public Undertakings on Rehabilitation Industries Corporation Ltd. which was presented to Lok Sabha on 30 April, 1984.

2. Action Taken notes have been received from the Government in respect of all the 31 recommendations contained in the Report. These have been categorised as follows:—

- (i) *Recommendation/observations that have been accepted by Government:*

Sl. No. 3, 4, 7, 8, 11, 16, 17, 19, 20, 22, 24-27 and 29.

- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of Government's replies:*

Sl. Nos. 1, 5, 6, 14, 15, 18, 23 and 28.

- (iii) *Recommendations/observations in respect of which replies of Government have not been accepted by the Committee:*

Sl. Nos. 2, 9, 10 and 30.

- (iv) *Recommendations/observations in respect of which final replies of Government are still awaited:*

Sl. Nos. 12, 13, 21 and 31.

3. The Committee desire that the final replies in respect of recommendations for which only interim replies have been given by the Government, should be furnished to the Committee expeditiously.

The Committee will now comment upon the Action Taken by Government on some of their recommendations.

A. Aims and objectives of R.I.C.

Recommendation (Sl. No. 2—Para 1.15)

4. The Committee had pointed out that although it was in November, 1970 that the BPE had requested all the Ministries to lay down objectives and obligations for each public enterprise under their administrative control, it was only recently that an exercise had been started by the Company in this regard. The Committee hoped that the objectives and obligations as envisaged by BPE would be finalised expeditiously and approval of the Ministry obtained.

5. In their reply, Government have stated that the broad objectives of the Corporation have already been laid down in the Memorandum of Association. The Office Memorandum dated 3rd November, 1970 of the Bureau of Public Enterprises had envisaged laying down broad principles for determining the precise financial and economic obligations of the enterprises in the matters such as creation of various reserves, the extent, to which enterprises should undertake the responsibility of self-financing, the anticipated returns on capital employed on the basis of working out national wage structures and pricing policies. Since the RIC has been incurring losses from its inception in 1959, it was not possible for it to create various reserves, nor there could be any return on capital employed. The extent to which the Corporation could undertake responsibilities of self-financing could not be determined on account of continuous cash losses being incurred every year. The entire working of the Corporation was reviewed by the Government in 1981 and specific targets both physical and financial for the period from 1981-82 to 1990-91 were laid down. The extent to which the Corporation would need financial support from Government as well as raise funds from commercial banks was also laid down.

6. It has also been stated that once the Corporation was able to reach break-even stage, it might be possible to lay down objectives as envisaged in the above said Office Memorandum of the Bureau of Public Enterprises.

7. The Committee are not satisfied with the reply of the Government that it may be possible to lay down the objectives as envisaged in the Memorandum of the Bureau of Public Enterprises issued in November, 1970, once the Corporation is able to reach break-even stage. Apart from the Memorandum of Association wherein the broad objectives of the Corporation are stated to have been laid down, each public undertaking is also required to formulate its detailed or

micro objectives and a statement of its physical and financial objectives and get the same approved by the Administrative Ministry in consultation with the Ministry of Finance, as per the guidelines issued by the BPE in 1970 and reiterated in 1979. As already pointed out by the Committee in their original recommendation, there has been a lack of decision even in regard to the basic approach of the Company in its functioning, e.g. it was only from 1981-82 that attempts were made to adopt a commercial approach. The Committee are sure that it would not have been so had comprehensive aims and objectives, both physical and financial, been laid down in the first instance.

8. The Committee would also like to emphasise that in order to make a periodical evaluation of the performance of the Corporation meaningful, it is necessary to lay down in advance well-defined and clearly stated physical and financial objectives. The Committee, therefore, reiterate their earlier recommendation and desire that a comprehensive statement of the objectives of the Corporation be prepared and got approved by Ministry without any further delay. If necessary, guidance of the Bureau of Public Enterprises may be obtained in this regard.

B. Recovery of Loans

Recommendation (Sl. No. 7-Para 2.46)

9. The Committee had found that there had been inordinate delays in taking action for the recovery of the loans. For instance, in the case of one concern from whom an amount of Rs. 42.73 lakhs was outstanding and which did not pay even the first instalment in time it was after 7 years of the default in payment that a legal notice was issued. Even thereafter, no prompt follow-up action was taken except issuing again a solicitor's notice and that too, 4 years after the earlier notice. The claim of the Company was pending with the Commissioner of Payments as the debtor concern had since been nationalised. In another case, legal action for realisation of outstanding dues against the concern which had failed to pay even the first instalment was initiated after 8 years of the default. No action was also taken for default in repayment of dues amounting to Rs. 13.08 lakhs by 8 Cooperative Societies till they stopped operations and went into liquidation. The Committee had observed that the machinery which existed in the Company for the recovery of loans was not effective and there had been lack of serious efforts to recover the loans from the defaulting parties. As a result, the Company was likely to suffer a loss of over Rs. 100 lakhs on this activity. The fact that the Company failed to recover the amount due even from the societies

in which it actively participated in management was indicative of the failure of the officers to safeguard the interests of the Company. The Committee hoped that the cases of outstanding dues would be vigorously pursued to effect recoveries as far as possible.

10. In their reply, Government have stated that all possible and reasonable steps were taken recourse to by the RIC. Out of the total principal amount of Rs. 119.51 lakhs, the Corporation had recovered an amount of Rs. 25.17 lakhs upto 31-3-1983 leaving a balance of Rs. 67.34 lakhs as outstanding. Of this, the major portion amounting to Rs. 42.91 lakhs (principal) was outstanding against three loanee parties which have already been nationalised by the Government and claims have been filed before the Commissioner of Payments. Two of the Cooperative Societies against whom loan amount of Rs. 8.62 lakhs (principal) was outstanding had gone into liquidation and the claims were pending before the official liquidators. Two of the Cooperative Societies, which were now a part of RIC and against whom a loan amount of Rs. 5.18 lakhs (principal) was outstanding, were running into losses. Therefore, an amount of Rs. 59.46 lakhs as principal and Rs. 46.49 lakhs on account of interest had to be provided for in the accounts as doubtful of recovery upto 31-3-1983. It has been stated that legal action has been initiated against six parties. Agreements have been entered into with two loanee parties who are repaying the outstanding loan in instalments along with interest. Senior officers of the Corporation are now reviewing the debt cases for recovering the dues to the maximum extent possible.

11. The Committee are distressed to note from the reply of the Government that an amount of Rs. 59.46 lakhs as principal and Rs. 46.49 lakhs on account of interest had to be provided for in accounts as doubtful of recovery upto 31st March, 1983. This reveals a very alarming state of affairs. The Committee would, therefore, like that the guidelines for grant and recovery of loans should be carefully reviewed and the lacunae, if any, in the procedure should be identified with a view to taking suitable action to ensure that the procedure for sanction of loans and recovery thereof are streamlined so as to obviate any chances of loans sanctioned by the Company being treated as doubtful debts.

12. The Committee need hardly point out that it should be the primary responsibility and concern of the Corporation which is hard pressed for funds to recover the outstanding loans without any loss of

time as recovery of the loans will not only help restore confidence in the financial health of the Corporation but also facilitate the finding of resources for implementation of the current and pending schemes.

C. Industrial Estate Management

Recommendation (Sl. No. 9, Para 3.28)

13. The Committee had pointed out that the Company's performance in the matter of Industrial Estate Management has been disheartening. Large areas of land (181 acres) were taken over on an ad hoc basis without a proper assessment of the need and over 60 per cent of the acquired land (112 acres) was not put to any use and was surrendered to the State Government after a lapse of 14 to 15 years. The objective of providing employment to displaced persons was also served to a limited extent as the lessees provided employment to only 582 displaced persons as against the commitment made for employment of 1626 displaced persons. The Company, in spite of the directive issued by the Government, failed to take measures to see that the commitment made for employment of displaced persons was effectively enforced.

14. The Government, in their reply, have stated that after making over possession of the sheds to the lessees duly fulfilling the primary conditions, it was not easy for the RIC to evict them from the Industrial Estate for non-fulfilment of DP employment quota. As regards shortfall in employment of displaced persons by tenants of the Industrial Estate, the Government have stated that as already explained in reply to the recommendation at Sl. No. 1, Para 1.14, the tenants could not employ the anticipated number of displaced persons mainly because of non-availability of skilled workers from amongst displaced persons.

15. The Committee are not satisfied with the reply of the Government. In the opinion of the Committee there was lack of due attention and proper planning on the part of the Company for the utilisation of large areas of land taken over from the State Government. As a result, over 60 per cent of the land was not put to any use and was surrendered back to the State Government after a lapse of 14 to 15 years. Government have not given any information to explain how such a situation was allowed to persist for years together. The Committee feel that there was no proper monitoring. The Committee hope that the company and the Government will take a lesson from this for future and ensure proper monitoring and timely reviews of various

schemes in future so that delays in taking timely corrective action could be eliminated.

D. Industrial Estate Management—Recovery of rent and Electricity Charges

Recommendation (Sl. No. 10, Para 3.29)

16. The Committee had noted that the agreements entered into with the lessees for the industrial estates were defective as these did not provide for an enabling clause for revision of rent/licence fee with the result that the rent enhanced by the Company in accordance with the Government of India orders could not be recovered and it had to suffer a loss of Rs. 29.37 lakhs on this account. Even in case of lease agreements executed with some lessees from December, 1974 onwards which contained a clause enabling the Company to enhance the rates of rent, no recovery of enhanced rents was made from them. Worse still, a large amount of rent and electricity charges amounting to Rs. 40.75 lakhs as on 31-3-1983 remained outstanding against the lessees out of which Rs. 10.63 lakhs were considered as doubtful debts and were provided for as such in the accounts.

17. In their reply, Government have stated that the management of RIC could not initially foresee the trouble that might crop up in enhancing the rent subsequently. The RIC had been making all out efforts for out of court settlement for realisation of outstanding dues amicably. The Corporation had also taken legal action against many of the tenants and the cases against them are still pending in the Courts. The Corporation is also now taking necessary precautions to safeguard its interest in future. The sheds are now let out only to Government agencies and to private parties after obtaining 18 months advance rent and a bank guarantee for the amount equal to 18 months' rent.

18. The Committee are not satisfied with the Ministry's reply that "the management of RIC could not initially foresee the trouble that might crop up in enhancing the rent subsequently." The Committee are distressed to observe that a basic and vital requirement of providing an enabling clause in the agreements for periodic revision of rent/licence fee was lost sight of by all concerned officers while entering into agreements with the parties. The Committee are in no position to comment whether this was a case of oversight or a deliberate omission to benefit the parties. As a result of this lapse, the Government suffered a loss to the extent of Rs. 29.37 lakhs. Over and above this, a large amount of rent and electricity charges amounting to Rs. 40.75 lakhs also remained

outstanding as on 31-3-1983, out of which Rs. 10.63 lakhs were considered as doubtful debts. The Committee recommend that this matter should be thoroughly probed into with a view to fixing responsibility for failure to take care of the elementary legal requirement of providing an enabling clause in the agreement for enhancement of rent/licence fee subsequently. The Committee would like to be apprised of the result of the enquiry and also the action taken thereon.

19. The Committee also hope that the cases pending in the Courts against the tenants for the realisation of the outstanding dues would be vigorously pursued by the Company and all out efforts made to recover all the outstanding dues at the earliest.

20. The Committee are also constrained to observe that had vigorous efforts been made from the very beginning and the Company had exercised some firmness in recovering rent and electricity charges, the amount of doubtful debts on this account could have been kept to the minimum if not avoided altogether.

E. Surplus Manpower

Recommendation (Sl. No. 24, Para 5.24)

21. The Committee were informed by the Managing Director of the Company that question of extent of surplus manpower had been considered by the Board of the Company recently and complete identification of excess manpower would be made within six months' time. They hoped that this exercise would be completed as promised and the surplus manpower employed productively on other jobs.

22. In their reply the Ministry have stated that the Management of the Corporation has been requested to complete the work of identification of surplus staff both at Head Office and in units also and work out a time-bound scheme for rationalisation of manpower including voluntary retirement/retrenchment, giving reasonable terminal benefits.

23. The Committee would like to be informed whether the work of identification of surplus staff both at Head Office and in units has been completed by the Corporation. If so, what was the magnitude of the surplus manpower and what further action has been taken in regard to the surplus manpower being employed productively on other jobs.

F. Economic viability of the Company

Recommendation (Sl. No. 30, Para No. 6.21)

24. The Committee had noted that the Ministry expected that the Company would reach a zero loss figure by the end of the year 1982-83. However, according to the later assessment of the Company, it was

expected to reach break-even point only in 1985-86 and that too provided there was restructuring of the capital and unfavourable debt-equity ratio was suitably altered. The Committee were informed that the entire working of the Company including the progress of implementation of the original revitalisation plan and the modified projections were under consideration of the Department of Rehabilitation. The Committee had desired that the deliberations by the Department should be expedited and measures taken to ensure that the Company became soon an economically viable unit as otherwise it would be difficult to justify its continuance any longer.

25. In their reply, the Ministry have stated that they have yet to finally decide on the future of the RIC since economic viability of this multi-product unit appeared difficult to attain. However, the performance was reviewed from time to time and steps to make improvements were taken. During 1984-85 production targets had been fixed at Rs. 7.50 crores as against out-put attained at Rs. 3.50 crores in 1983-84.

26. It has been further stated by the Ministry that seeing the trend of performance from April to June 1984, it was hoped that the Corporation would be able to achieve the targets of production/sales fixed for the current financial year. The performance of the Corporation was, however, being kept under constant watch by the Board of Directors as well as by the Department of Rehabilitation.

27. The Committee regret to note that the Government were yet to finally decide on the future of the RIC even though they themselves were of the view that 'the economic viability of this multi-product unit appears difficult to attain'. The Committee desire that a final decision in this regard should be taken without further delay. The Committee reiterate their original recommendation (S. No. 30, para 6.21). They need not point out that uncertainty about future of the Corporation is bound to affect the morale of its officers and employees and that will not be conducive to its proper functioning.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendations (Sl. Nos. 3 and 4) (Para Nos. 1.16 and 1.17)

In regard to objectives of the Company, the Committee are unable to agree with the view expressed before them that it was very difficult for the Company to achieve the twin objectives of finding employment for refugees and at the same time to be an economically viable unit. It has been conceded that there were various other schemes for looking after the rehabilitation of displaced persons. If, in spite of these schemes, the Government decided to set up Rehabilitation Industries Corporation as a Company under the Companies Act, it was supposed to function on commercial lines and should have been managed as an economically viable concern. The Committee are of the opinion that working of the Company on commercial lines was not incompatible with its objectives of providing employment to the displaced persons. As pointed out by the Departmental Committee appointed by the Ministry in 1974, an industrial undertaking which is viable is in a better position to provide the kind of meaningful rehabilitation to the displaced persons. The fact that there has been improvement in the performance of the Company during the last two years shows that the Company could be made a viable concern. Evidently, it has not been managed well earlier.

The Committee desire that effective steps should now be taken to ensure that the Company becomes soon an economically viable unit as otherwise it would be difficult to justify its continuance as a Government Company under the Companies Act.

Reply of the Government

The Committee's observations have been noted.

[Ministry of Labour and Rehabilitation, Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (Sl. No. 7) (Para No. 2.46)

There had been inordinate delays in taking action for the recovery of the loans. For instance, in the case of one concern from whom an

amount of Rs. 42.73 lakhs was outstanding and which did not pay even the first instalment in time it was after 7 years of the default in payment that a legal notice was issued. Even thereafter, no prompt follow-up action was taken except issuing again a solicitor's notice and that too, 4 years after the earlier notice. The claim of the Company is now pending with the Commissioner of Payments as the debtor concern has since been nationalised. In another case, legal action for realisation of outstanding dues against the concern which has failed to pay even the first instalment was initiated after 8 years of the default. Yet in another case, no action was taken for default in repayment of dues amounting to Rs. 13.08 lakhs by 8 Cooperative Societies till they stopped operations and went into liquidation. The reasons advanced for the inordinate delays in realising the dues are hardly convincing. The Committee regret to note that the machinery which existed in the Company for the recovery of loans was not effective and there had been lack of serious efforts to recover the loans from the defaulting parties. As a result, the Company is likely to suffer a loss of over Rs. 100 lakhs on this activity. The fact that the Company failed to recover the amount due even from the societies in which it actively participated in management is only indicative of the failure of the officers to safeguard the interests of the Company. The Committee have been assured that the senior officers of the Company are now reviewing the debt cases from time to time and taking effective steps for recovery of the outstanding dues. They hope that the matter would be vigorously pursued to effect recoveries as far as possible.

Reply of the Government

As regards recovery of loans from the parties, it may be stated that all possible and reasonable steps were taken recourse to by the RIC. Out of the total principal amount of Rs. 119.51 lakhs, the Corporation had recovered an amount of Rs. 52.17 lakhs upto 31.3.83 leaving a balance of Rs. 67.34 lakhs as outstanding. Of this, the major portion amounting to Rs. 42.91 lakhs (principal) was outstanding against three loanee parties which have already been nationalised by the Government and claims have been filed before the Commissioner

of Payments. Two of the Cooperative Societies against whom loan amount of Rs. 8.62 lakhs (principal) is outstanding had gone into liquidation and the claims are pending before the official liquidators. Two of the Cooperative Societies, which are now a part of RIC and against whom a loan amount of Rs. 5.18 lakhs (principal) was outstanding, were running into losses. Therefore, an amount of Rs. 59.46 lakhs as principal and Rs. 46.49 lakhs on account of interest had to be provided for in the accounts as doubtful of recovery upto 31-3-1983. Legal action has been initiated against six parties. Agreements have been entered into with two loanee parties who are repaying the outstanding loan in instalments along with interest. Senior officers of the Corporation are now reviewing the debt cases for recovering the dues to the maximum extent possible.

[Ministry of Labour and Rehabilitation, Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Comments of the Committee

(Please see paragraph Nos. 11 & 12 of Chapter I of the Report.)

Recommendation (S. No. 8) (Para No. 2.47)

The Committee find that in the case of powerloom cooperative societies, despite the fact that the Company was the sole supplier of raw materials, sole selling agent of finished products and has also assumed the responsibility of supervising the activities of the societies, the Company was likely to lose the entire amount of outstanding loans and advances of Rs. 98.02 lakhs on account of poor performance of the societies. The societies are stated to have suffered losses as due to dearth of funds the Company could not feed them with requisite raw materials, etc. resulting in payment of idle wages. Having decided to set up these societies and having taken over the responsibility of supplying raw materials and marketing of products etc., it was expected of the Company to provide necessary inputs. The Committee hope that in case the Company decides to energise the powerlooms again after the licences are transferred to them, effective steps would be taken to make them viable.

Reply of the Government

The matter relating to transfer of license in the name of RIC is pending with the Registrar of Cooperative Societies. Meanwhile, the Corporation is supplying raw materials to the Powerloom Cooperative Societies. All possible steps are being taken to set up production and improve the marketing net work. The question of revitalisation of these societies is linked up with that of the Corporation as a whole.

[Ministry of Labour and Rehabilitation, Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 11) (Para No. 3.30)

The Committee regret to note that in spite of instructions issued by the Ministry in pursuance of the report made by the Board of Rehabilitation in 1968 to the effect that the Company should take immediate steps for recovering the outstanding dues from the defaulters and to see that the commitments made for employment of displaced persons is effectively enforced, no concrete measures were taken in this direction. They have been informed that legal action has now been taken against some of the tenants for the realisation of the outstanding dues and in some other cases out of court actions have been initiated. The Committee hope that there would be no further laxity in this regard and all out efforts will be made to recover the dues.

Reply of the Government

The Corporation is making vigorous efforts to recover outstanding dues from the tenants.

[Ministry of Labour and Rehabilitation, Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 16) (Para No. 4.54)

The production performance of the various units presented a dismal picture. It was not until 1980-81 that the installed or attainable capacity of various units had been fixed. The Committee could get no satisfactory explanation for this failure. Even with reference to capacity fixed lately, out of 13 running units the capacity utilisation in 1982-83 in 12 of them was below 60 per cent and in 3 of them it was even less than 30 percent. The production was far below even the targets fixed every year. As against the present break even point of Rs. 18 crores the annual production ranged from Rs. 53 lakhs to Rs. 170 lakhs during 1973-81. Even after belated implementation of the revitalisation plan in 1982, the value of production was Rs. 6.86 crores in 1982-83 and this has again slipped to anticipated Rs. 5.30 crores in 1983-84. Not only the production was low but the products manufactured were in many cases of inferior quality and of out-dated designs. There was also lack of quality control. In one of the Fruit canning units of the Company a loss of Rs. 1.37 lakhs was incurred as the Pine Apples slices exported to three parties were found to be unfit for human consumption. The Committee view with concern the poor performance of the Company resulting from mismanagement, lack of foresightedness and business prudence. They desire that effective measures be taken to increase the production in these units at least to the break even level at the earliest.

Reply of the Government

The recommendations of the Committee have been noted for guidance. Efforts are being made towards making the best use of human resources by increasing production gradually so as to reduce the cost of production and make the products both competitive and better in quality. Norms at shop-level and targets of production are laid and reviewed from time to time.

[Ministry of Labour and Rehabilitation Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 17) (Para No. 4.55)

The sales performance of the Company was equally bad. There was heavy accumulation of finished goods on account of failure to make proper market study and to produce goods as per demand. Accumulated stocks had to be disposed of at heavy losses. For instance, 19126 pairs of shoes were sold in December, 1975 at an incredibly low price *i.e.* of about Rs. 4 per pair on an average. Similarly, the handloom products worth Rs 7.20 lakhs had to be disposed of in 1971-72 at unusually high rebate of 45 per cent. The canned fruit worth Rs. 3.78 lakhs had to be written off as these had deteriorated in quality on account of long storage. The Committee are distressed to find that the marketing and production planning left much to be desired. They would stress the need for qualitative strengthening of the sales and marketing organisation of the Company to ensure that the Company is able to sell what it produces.

Reply of the Government

The recommendation of the Committee that there is need for qualitative strengthening of the sales and marketing side to ensure that the Company is able to sell what it produces, has been noted for guidance.

The Corporation has already started making efforts to organise a marketing net-work. The main problem is that of textiles. The Corporation has participated in different handloom expos and exhibitions not only to reduce the stock holding but also to popularise its products. It has also started producing polyester suitings and shirtings, turkish towels and furnishing fabrics with improved designs keeping in view the demands of the market as against traditional cotton dhoties and sarees. A Marketing Officer has been appointed for textiles to improve the sales-performance of the Company.

Ministry of Labour and Rehabilitation Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 19) (Para No. 4.57)

The labour productivity was exceedingly low in various units. The value added per man month was far below the average emoluments. In handloom units in 1980-81, the value of production per worker was only 15 per cent of the average wages. It is distressing to find that little effort had been made until recently to improve labour productivity by taking up production of high value items requiring manual skills and to train the workers for doing such jobs. Had this been done earlier, the manpower available to the Company would have become an asset instead of being a liability. The Committee desire that at least now there should be conscious planning towards making best use of human resources so that the Company is able to reduce its cost of production and its products are competitive in the market.

Reply of the Government

The recommendation of the Committee has been noted for guidance. Efforts are being made to make best use of the human resources by increasing production gradually so as to reduce the cost of production and make the products of the Corporation competitive in the market. Norms at shop-level are fixed and reviewed from time to time.

[Ministry of Labour and Rehabilitation Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 20) (Para No. 4.63)

The Committee find that there are several deficiencies in the costing and cost control system. In spite of the fact that some of deficiencies in cost control had been pointed out by the C&AG in his reports since 1979, they are still persisting. The Committee desire that an efficient cost and control system suited to the industrial and commercial activities of the Corporation be introduced early by the Company taking into account the various deficiencies pointed out by the C&AG.

Reply of the Government

No standard costing system and system of reconciliation between cost and financial accounts has been introduced so far. The deficiencies pointed out by the Comptroller & Auditor General in his report relating to laying down of norms of wastage and rejection, system of recording idle time for labour and machinery etc. have been noted and are being introduced by the Corporation.

[Ministry of Labour and Rehabilitation Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 22) (Para No. 5.22)

The Company had suffered on account of organisational deficiencies and lack of proper manpower planning. There had been frequent changes in the top management. During a period of 8 years from 1973 to 1980 there were as many as 5 changes in the incumbents to the post of Managing Director. There is no gain saying that such frequent changes at the top level adversely affect the performances of any organisation. There has to be a careful selection of the top executives to ensure continuity in top management for a fairly long period. There was also lack of experienced persons in senior level positions. Some of the units were headed by persons without any technical qualifications although the job content of the units was of a technical nature. Regrettably even after this deficiency had been pointed out by a Departmental Committee in 1971 no serious efforts were made for qualitatively strengthening the various units by induction of experienced officers. The Committee were assured by the Secretary of the Ministry that with appointment of new MD there were changes in the senior level positions and these were now being held by qualified persons. The Committee hope that the new team would be able to take effective measures to progressively improve the performance of the Company.

Reply of the Government

The present management team is making all out efforts to progressively improve the performance of the Corporation.

[Ministry of Labour and Rehabilitation, Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 24) (Para No. 5.24)

The Committee were informed by the Managing Director of the Company that question of extent of surplus manpower had been considered by the Board of the Company recently and complete identification of excess manpower would be made within six months' time. They hope that this exercise would be completed as promised and the surplus manpower employed productively on other jobs.

Reply of the Government

The Management of the Corporation has been requested to complete the work of identification of surplus staff both at Head office and in units also and work out a time-bound scheme for rationalisation

of manpower including voluntary retirement|retrenchment, giving reasonable terminal benefits.

[Ministry of Labour and Rehabilitation, Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Comments of the Committee

(Please see paragraph No. 23 of Chapter I of the Report)

Recommendation (S. No. 25) (Para No. 5.25)

During the evidence, the Secretary of the Ministry made a point that employment of untrained displaced persons was partly responsible for low productivity and consequent losses. The Committee feel that on-job training though useful is not sufficient. They would, therefore, like to stress that some employees from each trade may be provided opportunity to receive short term training in the Proto-type Development-cum-Training Centre or Industrial Training Institutes to enable them to improve their skills. Those who receive such training facilities may on return impart those technical skills to other persons of the Company in that trade.

Reply of the Government

The recommendation of the Committee has been noted for guidance and possibility of providing training to improve the skill of the workers in other institutions is being explored.

[Ministry of Labour and Rehabilitation, Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. Nos. 26 and 27) (Para Nos. 5.26 and 5.27)

During their visit to some of the units the Committee observed that most of the operation, especially in the Foot-wear Unit and Fruit Canning Units were done manually. The Committee feel that if some mechanisation is introduced in repetitive jobs, the production would increase. The quality would also improve; thus making goods competitive in market.

The Committee would also like the Company to explore the possibility of deriving benefits or collaborating with well-known organisations engaged in Research and Development activities relating to the operations of the Company with a view to improve the technology employed in its various units.

Reply of the Government

The recommendations of the Committee have been noted for guidance. Efforts are being made to improve the quality of the products and to make them competitive in the market.

[Ministry of Labour and Rehabilitation Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 29) (Para No. 6.20)

The Ministry also failed to discharge properly its function of monitoring and reviewing the performance of the Company. Although 6 Committees were set up at different times to undertake detailed technical and financial appraisal of the working of the various units of the Company, it is regrettable that most of the recommendations of the Committee were not implemented defeating the very purpose of appointing these Committees. Further, in spite of clear instructions issued by the BPE in 1969 and 1975 for holding the performance review meetings, no such meetings were held till 1981. Even during 1981 and 1982, the review meetings have not been held every quarter as required under the guidelines issued by the BPE in 1975. The Committee regret to note that the Ministry fail to discharge this important function in spite of the fact that the Company was incurring huge losses since inception and its regular performance appraisal was, therefore, all the more necessary. The Committee hope that at least in future the performance of the Company will be kept regularly under review on the basis of reports received under the Management Information System as well as by holding action-oriented quarterly review meetings.

Reply of the Government

The Committee's observations have been noted. The performance of the Corporation is being kept under constant review on the basis of monthly reports being received under the Management Information System and by holding performance review meetings regularly at Ministry level.

[Ministry of Labour and Rehabilitation Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

CHAPTER III

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

Recommendation (S. No. 1) (Para No. 1.14)

The Rehabilitation Industries Corporation was set up in 1959 with the main objective of providing employment to the displaced persons from East Pakistan (now Bangladesh) through industrial development. The number of displaced persons employed by the Company was, however, only 2609. Even taking into consideration the indirect employment provided to the displaced persons by the parties to whom loans or industrial sheds have been given by the Company, the number of persons who had found direct and indirect employment through various activities of the Company was only 5296. Considering the magnitude of the problem, the Company has thus played a very limited role in providing employment to the displaced persons. On the other hand, the Company had in the process incurred a colossal loss of Rs. 29.23 crores upto the end of 1982-83, as against the paid up capital of Rs. 4.11 crores.

Reply of the Government

The Rehabilitation Industries Corporation is an industrial organisation. The employment potential in such an organisation depends on the level of production, sales and expansion of its activities. Since the Corporation had been incurring losses year after year ever since its inception in 1959, it was obviously not possible to set up more units to create more employment opportunities. Moreover, the Corporation is a multi-product unit and each unit is small in size and turnover, which do not allow reaping the economies of large scale production. Despite losses, efforts have been continued to maintain the employment level.

The Corporation had also advanced loans to private entrepreneurs on the condition of employment being given to stipulated number of displaced persons. 25 loanees fulfilled the conditions relating to employment of displaced persons. Others could not do so because of closure of the factories of the loanee parties caused by labour unrest, shifting of plant and machinery, voluntary liquidation, paucity of orders etc. Similarly, the tenants of industrial estates of the Corporation also could not employ the anticipated number of displaced

persons mainly because of non-availability of skilled workers from amongst displaced persons.

[Ministry of Labour and Rehabilitation Department of Rehabilitation
tation O.M. No. 7|5|84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 5) (Para No. 2.44)

The Company had been carrying on 3 main activities viz. industrial estate management and running of industrial and commercial activities, financing, industrial estate management and running of industrial and commercial activities. Under the scheme of financing the Company granted loans to industrialists etc. to help set up new industries and to expand existing ones with the object of creating more employment potential for displaced persons. The various criteria to be considered while granting loans were the security offered, employment potential to be created, viability and technical soundness of the schemes, competence and integrity of the loanee industrialists, etc. During the period 1959-60 to 1971-72 the Company disbursed loans to 43 loanees to the extent of Rs. 119.51 lakhs after which the activity was confined to the recovery thereof. The performance of the Company in regard to this, activity has been disappointing. It failed to enforce the condition of providing employment to the displaced persons as committed to by the industrialists, the number of displaced persons actually employed being 2105 as against the commitment of giving employment to 4679 persons. The recovery of the loans from the loanees has also been extremely poor. As against an amount of Rs. 119.51 lakhs disbursed to various parties an amount of Rs. 115.47 lakhs (Rs. 66.55 lakhs on account of principal and Rs. 48.82 lakhs as interest accrued thereon) remained outstanding, out of which an amount of Rs. 105.95 lakhs was considered doubtful debt and provided for as such in the accounts.

Reply of the Government

Out of total of 39 loanee parties, 25 parties fulfilled the conditions relating to employment of displaced persons. This is indicative of the fact that the Corporation had been making necessary efforts to realise the objective of securing employment of displaced persons through the loanee parties. The remaining parties could not fulfil this condition due to circumstances arising out of closure of some factories of those parties caused by labour unrest, voluntary liquidation, paucity of orders, necessitating retrenchment etc.

As regards recovery of loans from the parties, it may be stated that all possible and reasonable steps were taken recourse to by the RIC. Out of the total principal amount of Rs. 119.51 lakhs, the Cor-

poration had recovered an amount of Rs. 52.17 lakhs upto 31-3-1983 leaving a balance of Rs. 67.34 lakhs as outstanding. Of this, the major portion amounting to Rs. 42.91 lakhs (principal) was outstanding against three loanee parties which have already been nationalised by the Government and claims have been filed before the Commissioner of Payments. Two of the Cooperative Societies against whom loan amount of Rs. 8.62 lakhs (principal) is outstanding had gone into liquidation and the claims are pending before the official liquidators. Two of the Cooperative Societies, which are now a part of RIC and against whom a loan amount of Rs. 5.18 lakhs (principal) was outstanding, were running into losses. Therefore, an amount of Rs. 59.46 lakhs as principal and Rs. 46.49 lakhs on account of interest had to be provided for in the accounts as doubtful of recovery upto 31-3-1983. Legal action has been initiated against six parties. Agreements have been entered into with two loanee parties who are repaying the outstanding loan in instalments along with interest. Senior officers of the Corporation are now reviewing the debt cases for recovering the dues to the maximum extent possible.

[Ministry of Labour and Rehabilitation Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 6) (Para No. 2.45)

From the facts stated above, the Committee cannot help concluding that there had been no proper appraisal of the loan applications to ensure credit worthiness of the parties and soundness of projects before granting them the loans.

Reply of the Government

All the loan applications were scrutinised to the maximum extent possible before the loan was actually sanctioned. The loans were sanctioned mainly for setting up small industries and small business ventures. It has been checked that various factors of the proposed scheme such as availability of basic raw materials, power supply, transport arrangements and labour, techno-economic viability, expected turn-over, profitability etc., were clearly brought out. Apparently, at the time of sanctioning the loan, the Corporation could not visualise that some of the industries/cooperatives would later develop pecuniary troubles, labour problems etc.

As regards recovery of loans from the loanees, the position has been explained in reply to paras 2.44 and 2.46.

[Ministry of Labour and Rehabilitation Department of Rehabilitation O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 14) (Para No. 4.52)

The Committee are unhappy at the poor performance of the industrial and commercial units of the Company. All the units with the exception of one had incurred heavy losses and are mainly responsible for the cumulative loss of Rs. 29.23 crores suffered by the Company upto the end of 1982-83. The Committee find that the various units were set up/taken over from the State Governments without any planning and without giving any thought to their techno-economic viability. For instance, the 5 handloom units which have accounted for a substantial part of the total loss were taken over from the Government of West Bengal and run as factory units when admittedly such units are normally run as a cottage industry or as cooperative societies. Strangely enough, the Company decided to run these centres initially for a limited period and then to hand them over to the cooperative societies—a decision which could not be subsequently implemented owing to agitation launched by the workers and staff against such a Transfer. The Committee would like to point out that the objective of providing employment to displaced persons was not necessarily served by giving them direct employment but could well be achieved by being an instrument for generation of employment. They see no reason why the handloom units could not be organised as cooperative from the very beginning and the required managerial and financial inputs provided to them. Had this been done much of the losses incurred by the Company on account of running them as factory units could have been avoided.

Reply of the Government

Initially, the Corporation's activities were confined to granting financial assistance to private entrepreneurs for setting up industries in and around refugee concentrated areas for creating avenues of employment for displaced persons. Subsequently, it was found that this had not resulted in adequate fulfilment of the expectations in regard to the employment of displaced persons. Therefore, emphasis was shifted to the establishment of industrial estates and setting up of industries by the Corporation of its own.

Regarding formation of Handloom units into cooperatives or returning to West Bengal Government, it may be stated that neither the State Government was agreeable to take them back nor was it possible to convert them into cooperatives because of stiff resistance by the workers of these units.

Now, diversification in production has been made by introducing high valued products *i.e.* polyester shirting, suiting, furnishing fabrics, turkish towels etc., in the Handloom units.

[Ministry of Labour and Rehabilitation (Department of Rehabilitation) O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 15) (Para No. 4.53)

The Committee also find that not only these units as well as other units were set up without proper planning but even subsequently no steps were taken for their reorganisation. As far back as 1972, the Ministry had decided that in view of heavy losses being incurred by the Company a thorough reorganisation was needed and with this end in view it was considered necessary to close down the units which were commercially not viable and which had on prospects of being made so in future and instead to develop new product oriented units on the advice of qualified technicians/consultants. It is distressing to find that no serious efforts were made to reorganise the various units to make them viable as decided. It should not have been difficult to do so without sacrificing the objective of keeping persons in employment as they could have been absorbed in the new organised units. The Committee would like to be informed of the reasons for this failure resulting in heavy loss of public funds.

Reply of the Government

The main problem before the RIC has been the Handloom Units. Any reorganisation involved delinking of these units from the RIC either by closing them or forming them into Cooperatives. This could not be done because the West Bengal Govt. was not agreeable to take them over nor were the workers agreeable to the formation of these units into cooperatives. Since 1972-73, six units *viz.*, Sleeper Factory at Jagdalpur, Automobile workshop at Behala, Fuel & Service Station at Behala, Electrical Ancillary unit, Ceramic unit at Ranaghat and Tent Making Unit at Behala, have been closed.

With a view to diversifying its products, the Corporation has set up the Project Division during 1975-76. A substantial part of the over all turnover of the Corporation is now being contributed by the Project Division. It also serves as a feeder to the Engineering units of the Corporation particularly the Sukumar Engineering Works unit. The production in the Handloom units has also been diversified by changing of looms and spindles to produce high value added items like polyester blended cloth and furnishing fabrics etc. Trading in textiles has also been taken up as a measure of diversification both for the purpose of seeking marketing and increasing the turnover of the Corporation.

The Corporation, however, continues to incur losses mainly because of the Handloom Units, which had to be continued be run by the Corporation under the Factory set up, with heavy over-head expenses and over-staffing in some of the units.

[Ministry of Labour and Rehabilitation (Department of Rehabilitation) O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 18) (Para No. 4.56)

The Company also suffered on account of ineffective cost control. Most of the products were sold below cost and in some cases the sale price did not cover even the direct cost (material and labour). Amazingly there were instances in leather works units where the sales value of production was even lower than the value of materials consumed. Thus, it would have been more economical to pay idle wages than to produce.

Reply of the Government

The Leather Works unit sustained losses because of poor performance which again was mainly due to inability of the Corporation to generate internal resources for meeting its working capital requirements; acceptance of orders at lower rates to keep the unit going; non-availability/dearth of raw materials of requisite specifications; increase in overhead expenses; unscheduled and prolonged power cut and enhancement of wages and dearness allowance. The unit was, however, kept going not to avoid payment of idle wages but to have entry in the market as an approved supplier by accepting orders, sometimes at lower rates. Now the production has increased to a great extent and the company is securing orders at competitive rates.

Norms are being fixed in the light of guidelines laid down by the Bureau of Public Enterprises.

[Ministry of Labour and Rehabilitation (Department of Rehabilitation) O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 23) (Para No. 5.23)

While on the one hand there was lack of experienced persons at the senior levels, on the other hand the Company had suffered on account of excessive overheads. No detailed analysis of the manpower requirements of the units and Head Office was made. The total expenditure on salaries and allowances of officers and staff during 1982-83 was of order of Rs. 1.05 crores as against Wage Bill of Rs. 1.16 crores for industrial workers. The Secretary of the Ministry conceded during evidence that the staff at the headquarters was more than required. The Committee find that a Review Committee on the working of the

Company had observed as early as in 1975 that the headquarters staff of the Company was highly excessive and no commercial undertaking with a low out turn like this Company could afford such disproportionate load of administrative overheads. The Committee regret to note that but for a few half-hearted attempts, no serious efforts have been made over the years to rectify this position.

Reply of the Government

In an effort to restructure the organisation set up, about 10% of the staff was transferred from Head Office to various units. Recently, about 100 staff/personnel were converted into workers. The Head Office expenditure also includes expenditure on such staff as in fact are working at different places such as sales, security and engineering staff. Their names are included in the pay-roll of Head Office. The Head Office expenses are still on the high side as compared to the expenses on staff and workers in the production units. It is expected that with the increase in activities of the Corporation, the excess manpower would be absorbed gradually in phases to the extent possible. The Board of Directors of the Corporation has also imposed a total ban on recruitment of non-technical staff except in extreme compassionate cases, *i.e.* employment of sons, daughters etc. of the persons dying in harness.

[Ministry of Labour and Rehabilitation (Department of Rehabilitation) O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 28) (Para No. 6.19)

The Committee regret to note that the Company had been incurring losses continuously since inception and the accumulated losses at the end of the year 1982-83 were a staggering figure of Rs. 29.23 crores. Considering the way in which the Company had been managed since the beginning nothing better could be expected from it. Apart from the failure of the management, the Ministry of Rehabilitation could not also be said to have discharged its responsibility towards the Company under its control. One of the contributory factors for the losses of the Company was paucity of funds. In view of the heavy losses suffered by the Company it faced severe resources constraints forcing it to curtail production and consequential heavier losses. It was expected of the Ministry to take timely measures for providing adequate financial support if it was convinced of the need for continuance of the Company. The Committee regret to note that even after the Company approached the Government in April, 1977 for restructuring its capital in view of heavy losses suffered by it, it was not until November 1981 that

the Ministry became alive to the need and took measures for revitalisation of the Company. In the meantime, the Company went further into the red and the losses which were Rs. 880.74 lakhs upto 1975-76 went up to Rs. 2616.07 lakhs by the end of 1980-81. The Committee could find no satisfactory explanation of this lack of timely decision in regard to revitalisation of the Company which could have helped in reducing the heavy losses of the Company.

Reply of the Government

The heavy losses incurred by the Corporation cannot be attributed to paucity of funds alone. Besides funds released in the form of equity participation, and loans for capital expenditure for purchase of balancing machinery of equipment, Government released loans for working capital also year after year keeping in view the production programme of the Corporation. The Corporation could not, however, supplement this financial assistance by generating adequate funds, internally like quick clearance of stocks of finished goods, timely recovery of loans from loanee parties and realisation of rental dues and electricity and water charges from tenants of the industrial estates. Due to the problem of marketing the textile goods, accumulation of stocks took place with the result that re-cycling of available working capital could not be possible to the extent envisaged. These problems were aggravated by high proportion of over-head cost due to surplus staff and redundant workers in various units of the Corporation, who could not be retrenched due to human and other labour problems. Consumer oriented products of the Company which had to face a highly competitive market and running of the Handloom Units under Factory set up with benefits like guaranteed minimum wage, variable D.A., bonus, leave travel concession, leave salary, gratuity etc. proved very difficult. Moreover, commercial organisation is normally expected to finance its working capital requirements from Commercial Banks under cash/credit arrangements. Despite this, Government has been advancing working capital loans to the RIC inspite of losses being incurred by it year after year. According to the 1981 revitalisation plan, the Corporation was expected to meet its working capital requirement from commercial banks from 1982-83 onwards. But, since the Corporation could not measure upto expectations as there was severe erosion of capital on account of continuous losses, Government had to release further working capital loans during 1982-83 and onwards amounting to Rs. 65 lakhs during 1982-83, Rs. 72 lakhs during 1983-84 and Rs. 210 lakhs during 1984-85 (upto 31-7-1984).

As regards the question of restructuring its capital base, it may be stated that the matter was considered by Government and it was felt in 1981 that increase of equity beyond the existing limit would be inconsistent with the net block base of about Rs. 1.50 crores of the Corporation. Looking into the inadequate availability of cash for repayment of loan and servicing debt charges, and also having agreed to release working capital loan to the Corporation from time to time in order to keep the production line going, conversion of any portion of outstanding loan into equity was not considered necessary. Moreover, such enhanced equity would not have represented any tangible asset. Therefore, Government decided to give financial relief to the Corporation by making all Government loans outstanding against the Corporation on 31-3-1981 interest free from 1-4-1981 to 31-3-1986 and by granting moratorium on repayment of instalments of all those loans till 31-3-1986.

[Ministry of Labour and Rehabilitation Department of
Rehabilitation O.M. No. 7/5/84-Desk(RIC) dated 13-11-84]

CHAPTER IV

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

Recommendations (S. No. 2, Para No. 1.15)

The Managing Director, in his evidence before the Committee admitted that the Company acted until recently as a relief organisation following the path of dole-oriented culture. It was only from 1981-82 that attempts have been made to turn the corner and to adopt a commercial approach. The Committee are surprised to find that there has been lack of decision even in regard to the basic approach of the Company in its functioning. It would not have been so, had comprehensive aims and objectives of the Company been laid down. Although it was in November, 1970 that the BPE had requested all Ministries to lay down objectives and obligations for each public enterprise under their administrative control. It is only recently that an exercise has been started by the Company in this regard. The Committee hope that the objectives and obligations, as envisaged by BPE would now be finalised expeditiously and a approval of the Ministry obtained.

Reply of the Government

The broad objectives of the Corporation had already been laid down in the Memorandum of Association. The Office Memorandum dated 3rd November, 1970, of the Bureau of Public Enterprises referred to in the Report of the Committee on Public Undertakings envisaged laying down broad principles for determining the precise financial and economic obligations of the enterprises in the matters such as creation of various reserves, the extent to which enterprises should undertake the responsibility of self-financing, the anticipated returns on capital employed on the basis of working out national wage structures and pricing policies. In this connection, it may be stated that since the RIC has been incurring losses from its inception in 1959, it was not possible for it to create various reserves, nor there could be any return on capital employed. The extent to which the Corporation could undertake responsibilities of self-financing could

not be determined on account of continuous cash losses being incurred every year. The entire working of the Corporation was reviewed by the Government in 1981 and specific targets both physical and financial for the period from 1981-82 to 1990-91 were laid down. The extent to which the Corporation would need financial support from Government as well as raise funds from commercial banks was also laid down.

Once the Corporation is able to reach break-even stage, it may be possible to lay down objectives as envisaged in the Office Memorandum dated the 3rd November, 1970, of the Bureau of Public Enterprises.

[Ministry of Labour and Rehabilitation Department of Rehabilitation
O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Comments of the Committee

(Please see paragraph Nos. 7 & 8 of Chapter I of the Report).

Recommendation (S. No. 9, Para No. 3.28)

The Company's performance in the matter of industrial estate management has been disheartening. Large areas of land (181 acres) were taken over on an *ad hoc* basis without proper assessment of the need. Over 60 of the acquired land (112 acres) was not put to any use and was surrendered to the State Government, after a lapse of 14 to 15 years. The objectives of providing employment to the displaced persons was also served to a limited extent as the lessees provided employment to only 582 displaced persons as against the commitment made for employment to 1626 displaced persons. In spite of the directions issued by the Government, the Company failed to take measures to see that the commitments made for the employment of displaced persons was effectively enforced.

Reply of the Government

After making over possession of the sheds to the lessees duly fulfilling the primary conditions, it was not easy for the RIC to evict them from the Industrial Estates for non-fulfilment of D. P. employment quota. As regards shortfall in employment of displaced persons by the tenant of Industrial Estates, the position has been explained in para 1.14.

[Ministry of Labour and Rehabilitation Department of Rehabilitation
O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Comments of the Committee

(Please see paragraph No. 15 of chapter I of the Report)

Recommendation (S. No. 10 Para No. 3.29)

The Committee are surprised to note that the agreements entered into with the lessees were defective as these did not provide for an enabling clause for revision of rent/licence fee with the result that the rent enhanced by the Company in accordance with the Government of India orders could not be recovered and it had to suffer a loss of Rs. 29.37 lakhs on this account. Strangely enough, even in case of lease agreements executed with some lessees from December, 1974 onwards which contained a clause enabling the Company to enhance the rates of rent, no recovery of enhanced rents was made from them. Worse still, a large amount of rent and electricity charges amounting to Rs. 40.75 lakhs as on 31-3-1983 remained outstanding against the lessees out of which Rs. 10.63 lakhs were considered as doubtful debts and were provided for as such in the accounts.

Reply of the Government

The management of RIC could not initially foresee the trouble that might crop up in enhancing the rent subsequently. The RIC had been making all out efforts for out of court settlement for realisation of outstanding dues amicably. The Corporation had also taken legal action against many of the tenants and the cases against them are still pending in the Courts. The Corporation is also now taking necessary precautions to safeguard its interest in future. The sheds are now let out only to Government agencies and to private parties after obtaining 18 months advance rent and a bank guarantee for the amount equal to 18 months' rent.

[Ministry of Labour and Rehabilitation Department of Rehabilitation
O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Comments of the Committee

(Please see paragraph Nos. 18 & 20 of chapter I of the Report)

Recommendation (S. No. 30 Para No. 6.21)

Even after belated implementation of the revitalisation plan which provided the Company various concessions in regard to the liability of the Company in respect of Government loans, the Company is not yet out of the woods. The Ministry expected that the Company would reach a zero loss figure by the end of the year 1982-83. However, according to the latest assessment of the Company, it was expected to reach break-even point only in 1985-86 and that too provided there is restructuring of the capital and unfavourable debt-equity ratio is suitably altered. The Committee have been informed that the

entire working of the Company including the progress of implementation of the original revitalisation plan and the modified projections were under considerations of the Department of Rehabilitation. The Committee desire that the deliberations by the Deptt. should be expedited and measure taken to ensure that the Company becomes soon an economically viable units as otherwise it would be difficult to justify its continuance any longer.

Reply of the Government

Government have yet to finally decide on the future of the RIC, since economy viability of this multi-product unit appears difficult to attain. However, the performance is reviewed from time to time and efforts to make improvements are taken. During 1984-85, production targets have been fixed at Rs. 7.50 crores as against output attained at Rs. 3.50 crores in 1983-84.

During the current financial year 1984-85, working capital loans amounting to Rs. 2.10 crores have already been released to the Corporation till 21-7-84. The total working capital requirement for the whole of the current financial year has been estimated at Rs. 328 lakhs. Seeing the trend of performance from April to June 1984, it is hoped that the Corporation would be able to achieve the targets of production/sales fixed for the current financial year. The performance of the Corporation is, however, being kept under constant watch by the Board of Directors as well as the Department of Rehabilitation.

[Ministry of Labour and Rehabilitation Department of Rehabilitation
O.M. No. 715/84-Desk (RIC) dated 14-11-84]

Comments of the Committee

(Please see paragraph No. 27 of chapter I of the Report).

CHAPTER V

Recommendations in respect of which final replies of Government are still awaited

Recommendations (S. Nos. 12 & 13, Paras 3.31 & 3.32)

In 1969 the Board of Rehabilitation had suggested that Industrial sheds should be passed on to industrialists on hire purchase basis with the stipulation of displaced persons employment for a period of at least five years. The Board was of the view that this would help the Company to recover considerable capital for future investment. According to the Ministry the hire purchase system could not be implemented because the land on which sheds were constructed was yet to be transferred by the State Government to RIC.

The Committee regret to note that the Company had not been able to settle the question of transfer of land with the State Government all these years. However, now that the State Government has agreed in principle to transfer the land in the name of the Company at a token value of Re. 1/-, the matter may be pursued vigorously and all connected formalities completed expeditiously. The question of sale of sheds to the industrialists on hire-purchase basis should be considered seriously.

Reply of the Government

The title to the land in the industrial estates has not yet been transferred to the Corporation. The matter is being pursued with the Government of West Bengal. The Question of sale of sheds to the industrialists concerned, on hire-purchase basis, could be considered only after transfer of title of land in the name of the Corporation by the State Government.

[Ministry of Labour and Rehabilitation (Department of Rehabilitation)
O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 21) (Para No. 4.64)

In this connection the Committee regret to note that although the Secretary of the Ministry had assured the Committee that the cost accounts manual would be ready by the end of the year 1983, it has not yet been finalised. They desire that it should be finalised without further delay.

Reply of the Government

The management of the Corporation has been directed to finalise the Cost Accounts Manual by end of December, 1984.*

[Ministry of Labour and Rehabilitation (Department of Rehabilitation)
O.M. No. 7/5/84-Desk (RIC) dated 14-11-84]

Recommendation (S. No. 31) (Para No. 6.25)

The Committee take a serious view of the fact that the Company has resorted to use of sub-standard material in civil construction work for another Public Sector Company (Coal India) and had to incur an additional cost of Rs. 3.75 lakhs on reconstruction of the defective walls. Although the matter had come to the notice of the Ministry in 1978, no action has been taken so far to fix the responsibility. The Committee regret to note the inordinate delay in this regard and desire that the enquiry should be expedited and action taken against the guilty persons.

*Rehabilitation Division of the Ministry of Home Affairs informed the Committee on 23-2-85 that the Rehabilitation Industries Corporation Ltd., Calcutta, had prepared the Cost Accounts Manual before 31st December, 1984. The Board of Directors of the Company which met on 18th January 1985, formed a Sub-Committee to examine the Cost Accounts Manual in detail. Meanwhile, the Chairman-cum-Managing Director of the Company resigned and proceeded on leave. The Sub-Committee which met on 20th February, 1985 decided to meet and finalise the Cost Accounts Manual as soon as the new incumbent assumes charge of the Company. Subsequently, on 24-7-85, the Ministry informed the Committee that "the new Chairman-cum-Managing Director has joined the Company on 1st July, 1985. The next meeting of the Sub-Committee to finalise the Cost Accounts Manual is to be held in August, 1985 shortly. The draft Manual will thereafter be placed before the Board of Directors for adoption." In the circumstances the Ministry has requested for further extension of time upto 30-9-85 for finalisation of the Cost Accounts Manual."

(Ministry of Home Affairs.
Rehabilitation Division O.M.
No. 1(41)/84-Desk-II (RIC)A
dated 23-2-1985 and O.M. of
even number dated 24-7-85.

Reply of the Government

The Eastern Coal Fields Limited were requested to conduct the investigation into the collapse of the wall. Fixation of responsibility has not yet been possible on account of non-receipt of the investigation report from Eastern Coal Fields. Meanwhile, all the concerned officers have left the Corporation or their services have been terminated. The Eastern Coal Fields have, however, been requested to expedite the report.

[Ministry of Labour and Rehabilitation (Department of Rehabilitation)
O.M. No. 7|5|84-Desk (RIC) dated 14-11-84]

NEW DELHI;
7 August, 1985

K. RAMAMURTHY,
Chairman.

16 Sravana, 1907 (Saka)

Committee on Public Undertakings

APPENDIX I

Minutes of the 4th sitting of the Committee on Public Undertakings held on 1 August, 1985

The Committee sat from 15.30 hrs. to 16.00 hrs.

PRESENT

Shri K. Ramamurthy—Chairman

MEMBERS

2. Shri Akhtar Hasan
3. Shri S. M. Bhattam
4. Shri Haroobhai Mehta
5. Shri Satyagopal Misra
6. Shrimati Geeta Mukherjee
7. Shri Chiranji Lal Sharma
8. Shri V. S. Vijayaraghavan
9. Shri Ashwani Kumar
10. Shri Nand Kishore Bhatt
11. Dr. Shanti G. Patel
12. Shri Gulam Mohi-ud-Din Shawl

SECRETARIAT

1. Shri M. K. Mathur—*Chief Financial Committee Officer.*
2. Shri G. S. Bhasin—*Senior Financial Committee Officer.*
3. Shri Rup Chand—*Senior Financial Committee Officer.*

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri K. N. Row—*Chairman, Audit Board and Ex-Officio Additional Deputy Comptroller and Auditor General (Commercial).*
2. Shri K. Lakshmana Rao—*Secretary, Audit Board.*

The Committee considered the following Action Taken Reports, as approved by the Action Taken Sub-Committee and adopted the same:-

** ** ** ** **

(ii) Action Taken Report on 96th Report of CPU (1983-84) on Rehabilitation Industries Corporation Limited.

(ii) Action Taken Report on 96th Report of CPU (1983-84) on the basis of factual verification by the Ministries/Undertakings concerned and Audit and present the same to Parliament.

The Committee then adjourned.

APPENDIX II

(Vide Para 3 of Introduction)

Analysis of action taken by Government on the Recommendations contained in the 96th Report of the Committee on Public Undertakings (Seventh Lok Sabha).

| | | |
|------|---|-------|
| I. | Total number of recommendations made | 31 |
| II. | Recommendations that have been accepted by the Government (Vide recommendations at S. Nos. 3, 4, 7, 8, 11, 16, 17, 19, 20, 22, 24 to 27 and 29) | 15 |
| | Percentage to total. | 48.38 |
| III. | Recommendations which the Committee do not desire to pursue in view of Government's replies (Vide recommendations at S. Nos. 1, 5, 6, 14, 15, 18, 23 and 28). | 8 |
| | Percentage to total. | 25.80 |
| IV. | Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide recommendations at S. Nos. 2, 9, 10 and 30). | 4 |
| | Percentage to total. | 12.90 |
| V. | Recommendations in respect of which final replies of Government are still awaited (Vide recommendations at S. Nos. 12, 13, 21 and 31). | 4 |
| | Percentage to total. | 12.90 |

C.P.U. No. 568

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