

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

**(SEVENTH LOK SABHA)**

**FORTY SIXTH REPORT**

**ON**

**ELECTRONICS TRADE AND TECHNOLOGY DEVELOPMENT  
CORPORATION LTD.**

**(Department of Electronics)**

*Presented in Lok Sabha and  
Laid in Rajya Sabha on 29-4-1982*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1982/Vaishaka, 1904 (S)*

*Price Rs. 1.70*

CORRIGENDA TO FORTY-SIXTH REPORT  
OF COMMITTEE ON PUBLIC UNDERTAKINGS  
(SEVENTH LOK SABHA)

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COMMITTEE ON PUBLIC UNDERTAKINGS  
(1981-82)

CHAIRMAN

Shri Bansi Lal

MEMBERS

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

SECRETARIAT

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

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\* Ceased to be a Member consequent on his appointment as Deputy Minister on 15.1.1982

\*\* Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha on 2.4.1982

**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.**

1. Shri B. K. Nair—*Convener*
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<sup>th</sup> 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 Forty-sixth Report on Electronics Trade & Technology Development Corporation Ltd.

2. The Committee took evidence of the representatives of the Electronics Trade & Technology Development Corporation Ltd. on 4 January and 1 February, 1982 and of the Department of Electronics on 19 February, 1982.

3. The Committee considered and adopted the Report at their sitting held on 26 April, 1982.

4. The Committee wish to express their thanks to the Department of Electronics and the Electronics Trade and Technology Development 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 Department of Electronics and the Electronics Trade & Technology Development Corporation Ltd., who gave evidence and placed their considered views before the Committee.

NEW DELHI;  
April 28, 1982  

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Vaisakha 8, 1904 (S)

BANSI LAL,  
Chairman,  
Committee on Public Undertakings.

## **PART I**

### **BACKGROUND ANALYSIS**

#### **I. CORPORATE OBJECTIVES**

1. The Electronics Trade & Technology Development Corporation Ltd. (ETTDC) was incorporated as a Government company in 1974 to accelerate the growth of electronics industry in the country through technology development and foreign trade (both export and import) in electronics.

##### *A. Objectives*

2. The objectives of the Corporation were laid down in the notes seeking approval of the Cabinet for setting up of ETTDC. The principal objectives are as follows:—

- (i) to maintain full and up-dated information regarding developments and production in the electronics field abroad with special reference, initially to East European Countries and USSR;
- (ii) to have techno-commercial negotiations with organisations abroad on a continuing basis, so as to identify/locate/modify/standardise etc., components, materials and equipments for use in India on satisfactory commercial terms;
- (iii) to bulk the present and future requirements of such electronics items, project those requirements to the counterpart agencies abroad, arrange to procure the items and stock the items on warehousing basis, wherever necessary to satisfy the production and technology needs of the electronics industry and other users in the country;
- (iv) to identify item exportable from India and arrange production of such items in India, and wherever necessary promote joint production ventures either for increasing internal production or for exports.
- (v) to locate appropriate know-how from favourable sources and obtain the same for use in the country; and

- (vi) to monitor the progress of inter-governmental cooperation/trade agreements in the field of electronics, excluding those relating to purely scientific pursuits, which will continue to be handled by their/relevant agencies.

3. The Department of Electronics intimated to the Committee in 1980 that the objectives of the company were being re-examined for suitable modification to broaden its operations. During the course of the examination of the representatives of ETTDC, the Committee asked whether the objectives of the company had been redefined and if so, in what manner. The Chairman, ETTDC stated:

“ETTDC was established in the year 1974-75 with certain set of objectives which called for basically two or three important thrust areas. One of the important areas was to identify technology both abroad and locally as well as generate adequate technology in the country to meet such gap areas. Another important item was for acceleration of trade relations with East European countries. Over the years the International Electronics scenerio has changed. It has been found that the products from East European countries are not of the desired standard that our country would require in large quantity. Therefore, emphasis on this sort of trade is on the decline. To that extent emphasis on objectives have changed.

Also over the past years it has been felt that the fruits of electronics development in the country have not been brought to the teeming millions who live in rural and backward areas. To that extent even though we are a corporate organisation there has been hard thinking among our Directors and management together with Department of Electronics to find out in which way we as a corporate body achieve this purpose of bringing fruits of electronics development to the doors of the poor in the rural and backward sections.”

4. The Committee asked whether the objective have been changed. The witness clarified:

“If you ask me whether the objectives that have been originally incorporated in the articles of association were changed or fresh ones put in, the answer is ‘no’ what we have done is: out of 20 or 30 objectives spelt



out, which were somewhat unwieldy, we have defined very clearly three or four, basic objectives. The wordings remain the same, but we have decided to shift the emphasis to these three or four areas and incorporate them in the total plan for five years."

5. When the Secretary, Department of Electronics was asked whether the objectives have been redefined, he replied:

"The objectives have not been re-defined....There was a proposal from the management of ETTDC. The Department considered it and the Company Law Department was also consulted. Then a view was taken that there was no need to redefine these objectives....After some examination in the Ministry, a final decision was taken in June, 1981 that no change need be made."

6. Asked about the monitoring function of the ETTDC, the Committee were informed during examination of the Department of Electronics that this has been taken away from the ETTDC and entrusted to the Department.

### **B. Corporate Plan**

7. A revised Corporate Plan of the Company for the period 1981-82 to 1985-86 has been prepared recently and corporation by the Board of Directors (1980) and the Department of Electronics (November 1981). It is yet to be approved by the Planning Commission. However, the Planning Commission have already allocated resources for the company's operations during the plan period. It is being implemented year-wise in stages.

8. The major weaknesses noted in the Corporate Plan are:—

- (a) Lack of an identified marketing strategy and absence of leadership. There has been little recourse to market research activities leading to lost opportunities and an over dependence on canalised items. No serious attempt was made to enter high technology areas and the industrial sector.
- (b) Lack of proper operational and administrative strategies have led to poor team spirit, lack of communication and participative management. Improper distribution of work and lack of motivation has impaired group cohesion.

- (c) The public image of the Corporation is poor with insufficient contacts established at appropriate levels, poor rapport with industry and East European trading partners. Lack of after sales service to back up marketing has given the Corporation the image of a middle-man.

9. Coupled with these weaknesses, ETTDC is stated to be facing the following problems:—

- (a) the high rate of obsolescence is a continuous threat to its stock and sale operations.
- (b) the bulk of the Corporation's business is dependent on canalised items and on the availability of licences and special facilities accorded by the Government. Withdrawal of these facilities will seriously affect the operations of the Corporation.
- (c) The Corporation is facing a serious financial crisis due to large blocked inventory and sundry debtors.

#### C. Coordination

10. On an enquiry whether there were other Government Corporations in the same business, the Chairman ETTDC stated:

“Yes, Sir, there are, namely, Engineering Export Promotion Council of India; Trade Development Authority; Department of Electronics (Overseas Exports); Santacruz Electronics Export Promotion zone. We have represented to the Government that ETTDC should become the nodal point for electronics exports in the country. Further we are suggesting amalgamation of ETTDC with SEEP. Further, we have established a sub-committee together with Engineering Export Promotion Council to find out how the existing exporters from India can be helped by ETTDC to improve their export performance. In this sub-committee we have taken a representative of Trade Development Authority. We are trying through these methods to integrate in a totality the various export activity in the field of electronics.”

11. As regards the responsibility of the Department of Electronics he went on to say:

“The basic responsibility for development of technology in the field of electronics rests with Department of Electronics and in order to fulfil this function they have established Technology Development Council under the aegis of Department of Electronics. Technology Development Council has given us 3 projects to initiate and to continue development in 3 critical areas. These three projects are on-going projects. Over and above the ETTDC has identified the people through whom some of the technology which has been developed can be productionised. In that context we have been able to successfully productionise three technologies with the help of the private sector entrepreneurs.”

12. The Committee enquired about the system of coordination between the ETTDC and other electronic enterprises. The Chairman, ETTDC stated as follows:—

“The companies normally do not have any established platform through which coordination is effected. But most of the time they do come to us to take advantage of our foreign office at Los Angeles to procure their materials and components. This is one area of coordination which is taking place with large number of other electronic companies.

We have written a letter to more than 50 large and small manufacturers in India asking them to offer ETTDC two things. One is details of any product which they think exportable. No. 2 is details of any technology which the company is prepared to transfer to other countries. We have approached the Engineering Export Promotion Council to form a coordination council so that these various activities can be coordinated centrally.”

13. Asked if there was any specific coordination machinery, the witness stated:

“The machinery is that we have recently established a sub-committee consisting of the representatives of the Engineering Export Promotion Council and ETTDC together. This sub-Committee is headed by me. It was

established in January and the first meeting is to be held on 2 February, 1982."

## II. ORGANISATION AND MANAGEMENT

### A. Manpower

1. A statement showing man power build up and turnover of personnel of ETTDC during 1978-81 is given below:

<i>Manpower Build up</i>	1978-79	1979-80	1980-81
Executives .	62	75	77
Non-Executives .	81	101	118
Trainees	24	18	10
	167	194	205
<i>Turnover of Personnel</i>			
Executives .	7	5	10
Non-Executives .	17	7	9
Trainees	11	17	4
	35	29	23

2. The envisaged employment potential, as indicated by the Department of Electronic was 125 as at the end of 1978-79. During the course of examination the Committee pointed out that against this, the actual staff strength was 167, which increased to 194 in 1979-80 and to 205 in 1980-81 and enquired how ETTDC justified the present level of employment. The Chairman, ETTDC explained as follows:—

"From the record it appears that no specific norm is followed in creating and filling up the posts. It is also on record that the norms for creating posts are not clearly spelt out. To my mind, according to the provisions that were made, the requirement was on the under estimate side."

3. The Committee pointed out the number of personnel leaving the company during each of the last 3 year ranged from 23 to 35 and enquired the reasons for such large turn over of personnel—especially of executives. The Chairman, ETTDC stated in reply:

"The company did not have a system of career planning and also growth was not mentioned in the corporate plan. There was adhocism in planning and the goals were not

being spelt out properly. When they find jobs elsewhere, they think that the alternative proposals are proper for them."

### B. Structure of the Board

4. In a note submitted to the Cabinet, at the time of the formation of the Corporation, the organisational structure envisaged was as follows:—

"The Corporation will have as its Chief Executive a Managing Director, assisted by two Executive Directors, one for finance and administration and the other for marketing. It is proposed to have only a part-time Chairman and 3 or 4 part-time Directors initially to represent the Department of Electronics, Ministry of Commerce, TDA, etc."

5. In 1976, selections were conducted with the help of Public Enterprises Selection Board for filling up the post of Director (Marketing). While no suitable candidate for the post of Director (Marketing) could be recruited, it was found necessary to appoint a Director (Technical) to head the technical and technology development activities. With the approval of Government of India, Department of Electronics, the post of Director (Technical) as created and filled.

6. In November, 1978, the posts of Chairman and Managing Director were combined. On the repatriation of Director (Finance and Administration) to his parent Department, the post of Director (Finance and Administration) was operated as Director (Finance) from April 1979 to March 1981. From March 1981, there is a part-time Chairman and Director (Technical) is acting as the Managing Director in addition to his duties. With effect from June 1981, Director (Finance) is also in charge of Administration and redesignated as Director (Finance and Administration). The post of Director (Marketing) could not be filled in.

7. In view of the observations made in the Corporate Plan of ETTDC that there was no overall aggressive marketing plan and that there was little recourse to market research activities leading to lost opportunities and that there was insufficient contact at appropriate levels, besides poor rapport with industry and East German trading partners, the Committee enquired whether a Senior Competent Marketing executive was not essential for the Company, the

Chairman, ETTDC explained that an offer of the post was made to a gentleman but he did not join because of the low salary. He said:

"There was a discussion in the PSEB and it was decided that the need would be for technologically qualified man rather than a person specialised in marketing, because the Director (Technical)\* was also required. So both the Director (Marketing) and Director (Technical) were recommended by the PSEB.

At the present moment, the marketing is taken care of by the Director (Technical). Now with the expansion of the turnover, the Board has actually decided the question of appointing Director (Marketing).

The type of marketing that this company was asked to perform is rather in the sophisticated field and therefore technical know-how and production know-how form a part of qualification. Therefore, A Director (Technical) with his technical skills and technology knowledge but who does not have specialised knowledge in marketing skill, would perform the service adequately till such time as the turnover increases when additionally marketing skill would be required. I think, now, the stage has come where additionally marketing director is also required."

8. The Committee pointed out to the Secretary, Department of Electronics that there was failure on the part of the Government to constitute the Board of ETTDC as approved by the Cabinet and in creating a new post of Director and altering the structure of the Board without specific approval of the Cabinet. The Secretary replied "Yes Sir, that is true". Asked to explain the reason for that, he said, "I am sorry, I cannot give any explanation for that." A representative of the Department of Electronics however clarified that a view was taken in the Department in February, 1976 by the then Secretary that creation of new post approved by the Cabinet note, was enough and on that basis, the Company was authorised to request for the recruitment of suitable Director (Marketing) and Director (Technical).

9. On an enquiry whether for an organisation of the size and of this nature, it was necessary to have a number of functional Directors, the Secretary replied:

"Originally there were two functional Directors that is Director (Finance) and the Director (Marketing). The view is

that in this area, as the Committee has brought out so strongly, marketing is an important function and there is a post at the Director's level would be required in the field of marketing and, particularly, in international trade that level of seniority and that level of maturity would be required to give status which would be necessary. In this particular case, I would say that two Directors in addition to the Chief Executive are necessary.

The BPE has got certain norms. The BPE would find it extremely difficult to justify more than three full-time Directors. But in this particular case, this point was made earlier and that is why it was put to the Cabinet for approval."

10. Asked about the views of Government on ETTDC having a Director (Marketing), the Secretary said:

"We have a technical Director and Director (Finance). The technical Director is at present acting as the Managing Director. We have only two posts of full-time Directors. We can reverse the position and go back to what the Cabinet decided and have Director (Marketing) and Director (Finance) or we create a new post. A proposal was received to this effect but it was not accepted. A proposal was made that instead of Director (Marketing) we should have General Manager (Marketing) but in the same grade as Director. But unfortunately since then the Company has been making losses and has not been able to take a decision."

#### *C. Withdrawal of Powers of CMD*

11. In its meeting on 16 February, 1981, the Board of Directors of ETTDC withdrew all the powers delegated by the Board to the Chairman-cum-Managing Director. In the same meeting the Board constituted a Sub-Committee of the Board of Directors vesting them with these powers.

12. The Committee enquired during the course of examination of the representatives of ETTDC, why the Board took this step. A representative Director (Finance) informed "There was some difference of opinion. Some Directors of the Board had given to

writing for a review and change in the manner in which the Company was being managed." Asked when this difference of opinion started and what was the point of difference, the witness stated:

"It started a year and a half earlier. It was firstly about the reporting system. I had recorded each case of difference of opinion and all the records are available. They are all in the internal documents and notes which were submitted to the CMD where I disagreed with the policy of the working of the Company."

13. The Committee were informed by the witness that this matter was first brought to the notice of the Board in connection with an item relating to the management reporting system in April 1980 and that under the present system of working the Functional Directors did not have the liberty to report to the Government. In support the Director (Finance) cited some instances where he differed with the management as in the cases of exports to USSR in respect of which the proposal for investment was according to him not sound without having a firm commitment on production programme, (2) Exports to USA through orient vision in respect of which he insisted on tie-up of arrangements under a firm agreement in the first instance and (3) purchases being made by Purchase Tender Pricing Committee, not referring papers to the Director (Finance). Asked about the normal way of resolving the differences between Directors amongst themselves and with the Managing Director, the representative stated:

"According to the normal procedure, if the Director (Finance) disagrees with anything, his objection together with the reasons therefore should be placed before the Board for approval. The Board approves or overrules the stand taken. But, in ETTDC, all the papers were only put up for the signature of Chairman-cum-Managing Director."

14. The Committee were informed that the annual accounts for the year 1979-80 were passed in the Board meeting held on 22 January, 1981 and the Committee-cum-Managing Director, ETTDC was not present in the meeting. The Accounts earlier had been seen by the Director (Finance) and the other functional Director but had not been cleared by the Chairman-cum-Managing Director. This was so, because the CMD was on leave and out of Delhi. Copies of the accounts were sent to him by air freight for perusal and approval. On an enquiry, the Committee were informed that the Chairman, ETTDC had himself originally fixed the date of the meeting on 22 January, 1981, but he could not attend the same and said that the Senior Director may hold the meeting and get the accounts passed."



15. On being asked whether the Chairman-cum-Managing Director had any reservation on the Accounts, the Director (Finance) stated:

"Until the date of passing of the accounts i.e. 22nd Jan. neither written nor oral points were raised by the Chairman even though he was having a copy of the agenda papers. After he rejoined duty the accounts were put up to him for authentication, as he did not attend the earlier meeting of the Board. He did not authenticate the accounts. But he was keeping them with him till the 12th and 13th February when the Board meeting was fixed for 16th on the 13th February I got a copy of a note, not addressed to me but addressed to one of the Deputy General Managers in our Company in charge of materials management and also of another note addressed to the Director (Technical) saying "I understand some inconsistencies or some infirmities are there in the accounts", and then he referred to some figures given in the schedule and to some figures given in accounts."

16. The Committee enquired whether the Department of Electronics was aware of the reservations of the former Chairman-cum-Managing Director on the annual accounts for the year 1979-80, the Secretary, Department of Electronics stated: "These are expressed by him through two internal notes dated 9th February. These were circulated as Board papers for the meeting to be held on February 16."

17. Asked whether the CMD wanted them to be discussed in the Board, a representative of the Department of Electronics stated:

"He has recorded it on 10th February. The Board adopted it (the accounts) on 22nd January, when he was not present. Then the Board directed him to authenticate the accounts and hold the General Body Meeting on the 30th giving due notice, or written to the Board or other Directors/ saying that for such and such reasons, he was unable to do it. No communication from him has come to me or to other Members of the Board. But he has issued some internal queries on 9th February long after the date on which the Annual General Meeting was to have been held."

The witness further pleaded:

"I would like to submit that what the Company Law requires is that the accounts should reflect the true and fair picture of the Company's position and the profit and loss account

should show the true and fair picture of the profit or loss. I would like to humbly submit, after taking into account the queries raised by the CMD, the Chartered Accountants as well as the C&AG, have not found that the queries in any way affected the true and fair picture of the affairs of the Company. I would submit that this matter may be taken on record."

18. One of the items put down in the agenda for discussion at the Board's meeting on 16 February 1981 was "postponement of the sixth annual general meeting." The agenda note dt. 10-2-1981 on this item indicated how the annual general meeting fixed for 30 January, 1981 could not be held and that before authentication of the annual accounts the CMD had requested operating divisions and Director (Finance) for clarifications on certain points which would be placed before the Board for discussion. The clarifications sought for by the CMD on 9 February, 1981 were also circulated alongwith the agenda note. On being asked as to what exactly transpired during the meeting held on 16 February, 1982, a representative of ETTDC stated:

"Then, before the agenda items were considered, it took up a letter written by one of the Members of the Board. He wanted it to be taken up before the other items. The Chairman refused to do it, that letter dealt with some items concerning the management of the company. He listed out 2 or 3 items. That letter was written by Mr. T. R. Raman, Director in the Department of Electronics and also a part time Director of our Company. That letter is dated 15 February. The letter spoke about serious issues. He had referred to an earlier letter of his, written about three months ago. He reiterated those points. When the meeting started, some discussion took place and the Chairman refused to place that letter on the agenda."

19. An extract from the Minutes of the Board meeting held on 16 February, 1981 as furnished by the Company is given below:

"Shri T. R. Raman stated that in view of what had been stated in his letter dated the 16th February, 1981, to the Chairman, mentioned above, and considering that the Chairman had deliberately violated the decisions taken at the last Board Meeting in respect of authentication of the accounts placed before it and approved by the Board at that meeting, as also his negligence to call the Annual General Meeting of the Company by the 31st January,

1981, as required under law, and which had already been so approved by the Board at its last meeting, he would propose for consideration of the Board that it reposes no confidence in the Chairman, for the proper and orderly conduct of the business of the Company whether under the various provisions of the relevant statutes, the Articles of Association of the Company or the directions given by the Board from time to time. The other members of the Board excluding the Chairman concurred with the expression of no confidence in the Chairman for the conduct of the business of the Company, and it was, accordingly, proposed by Shri T. R. Raman, seconded by Shri R. Venkatesan, and voted by all the Directors present excepting the Chairman as follows:—

“RESOLVED THAT all the powers delegated to and exercised by Shri R. M. Nayar, Chairman and Managing Director, ETTDC Limited under the Articles of Association of the Company be and are hereby withdrawn by the Board of Directors of ETTDC Limited, with immediate effect, and further, RESOLVED that he is restricted from exercising any of the said powers whatsoever in regard to the affairs of the Company with immediate effect.”

20. On being asked what was the urgent necessity to deprive the Chairman-cum-Managing Director of his powers before the clarification on accounts could be discussed in the Board meeting, the Director (Finance) stated, “he felt that in the prevailing circumstances it was necessary.”

21. During the examination of the representatives of the Department of Electronics, the Committee pointed out that an abnormal situation had developed in the Board culminating in the withdrawal of the powers of the CMD, which were vested in a sub-Committee of the Board and enquired whether the Department of Electronics was aware of the developing situation and if so, what cognisance of it was taken. The Secretary, Department of Electronics informed the Committee as follows:—

“The Department of Electronics was aware of the developing situation. Cognisance of it was taken at various Board meetings going back to March, 1980. Our Directors also wrote in October, 1980, in January, 1981, and in February, 1981 pointing out some of these problems. At the Board meeting of 31st March, 1980, the need for prompt management reporting on the financial results as well inventory

holdings was emphasised by the Board, it was decided that the company should take early action for mechanising accounts and inventory control, it was also decided that the build up of slow-moving and non-moving inventory should be examined more closely and necessary decisions taken to dispose of such items regularly."

22. A representative of the Department (Shri T. R. Raman) further explained that:

"In the 9th October letter, the point that was raised was this. The role and functioning of the ETTDC comes up frequently in various forums and during internal discussion. Therefore, I felt the need for the Board to be apprised of some matters of ETTDC.....we placed the letter before the Board. It could not be discussed at that meeting. I said this matter is not to be merely taken note of but it has to be discussed in detail and so all the facts should be made available to the Board at the next meeting. The next meeting was held in January, 1981. The matters were not brought up there. So I wrote to the CMD. When the Board agenda came to me on the 15th of January, for the meeting of the Board on the 22nd January certain matters which I wanted to discuss there had not come up. I felt that since it was very important and serious matter, it must be brought up before the Board. The subsequent developments took place. After the 16th Board meeting this matter was constantly discussed with the CMD."

The witness further stated that:

"At the Board meeting (of 16 February), the powers of the CMD were withdrawn. By that time, it was late in the evening. We immediately stopped the Board meeting for a short while. We phoned the Secretary and asked him in case he wanted to give any directions. He asked all the Members of the Board to go to him. We immediately went and saw him. We apprised him of the position. Then, a Committee of the Board of Directors was constituted. We went back. The Board meeting was adjourned at that point of time."

23. On the Committee enquiring whether the witness could remember or recall any Public Sector Undertaking in which a Director moved a resolution for withdrawing the powers from the

CMD specially when the Government has got other ways of dealing with the situation like that, the witness replied "I cannot recall."

24. Asked whether government appointed a director of the Department who was a government nominee on the Board of the ETTDC to go into complaints against the ETTDC management, the Secretary, Department of Electronics confirmed and stated that there were various complaints which included mismanagement of the company (received January, 1981). The government director who was asked to look into the complaints stated that the complaints were received from some MPs. According to him the complaints were also related to specific cases like termination of services of some employees, CMD's excessive foreign tours as well as tours within the country and so on. The then Secretary, Department of Electronics had directed him to enquire into the complaints and submit a report. The Secretary also wrote to the acting CMD, as CMD was on leave, to furnish necessary records to the enquiry officer and advised that since affected the company's reputation this should be done in a very discreet way. The report was submitted on 13 February, 1981. The Committee were also informed that on the basis of the enquiry the CMD was given a three months notice in February, 1981.

25. On an enquiry whether it was a common practice in government to institute an enquiry even without obtaining any explanation from the defendant, the director (who was the enquiry officer) stated:

"I would divide it into two parts. If it is only a fact finding exercise in which only facts are to be found then it is not necessary to call for an explanation earlier. But in case the exercise is based on something substantial which is *prima facie* true, then a Committee has to be appointed and it has to call for the explanation of the concerned people. What I was instructed was to verify from the documents some of the facts which had been mentioned in the complaints."

26. On another enquiry of the Committee that since the enquiry officer was a member of the Board of Directors representing the government how it was decided that he should be asked to enquire instead of somebody else at a high level in the Department, the Secretary deposed: "I personally was not involved at that time. I was not in the Department of Electronics."

### III. TRADE DEVELOPMENT

#### A. Imports

1. The Company is importing components and materials for distribution to the electronics industry and other actual users. Some of these items are canalised, while others are not. The sales of imported goods during 1977-81 were as follows:

(Rs. in crores)

Year	Original Estimates	Actual Import
1977-78 . . . . .	11.30	10.26
1978-79 . . . . .	14.40	11.32
1979-80 . . . . .	12.80	9.89
1980-81 . . . . .	13.75	12.04

2. On an enquiry whether there was any case where the imported materials meant for use in production for exports were diverted for production for domestic market, the ETTDC stated:

“There was no case of imported materials meant for use for exports being diverted for production for the indigenous market. However, in some cases where the export commitments have not been fulfilled, the ETTDC has taken action to get the permission of the appropriate authority to use the materials within the country after paying the relevant custom duty and following all rules and regulations in this regard.”

#### B. Exports

3. The value of exports trade during each of the last four years is as follows:

(Rs. in crores)

	Original Estimate	Actual *
1977-78 . . . . .	1.20	1.28
1978-79 . . . . .	2.10	0.87
1979-80 . . . . .	2.20	0.81
1980-81 . . . . .	2.30	1.51

4. ETTDC informed the Committee in a note that so far its efforts had been to promote the export of goods already being manufactured in the country. Difficulties have been experienced in the export of these products because of higher domestic prices, poor quality and long delivery schedules because of lower production capacities. Therefore the Company considered it essential to enter into joint production ventures for exports with necessary investments and also providing the requisite know-how. This was expected to give boost to exports of electronic products from the country.

5. ETTDC has claimed that in almost all the products exported by ETTDC, development input in one form or the other, has been provided. In certain cases where though it cannot be considered as in house developed products, the complete product development has taken place from the design stage onwards in the manufacturers premises with active guidance in technology and quality control by ETTDC.

6. The Company is stated to have done a detailed study of the markets and correlated with the products available in the country and identified high-growth low competition (A category) areas. Full emphasis on the A products on A countries is planned. Setting up of offices to cover A category countries would in its view, help promoting the exports to a great extent.

7. To another enquiry of the Committee whether it was not possible to improve the quality of the products of existing electronic enterprises in the country for export purposes rather than developing new products, making investments and forming new companies for export production, the ETTDC stated in a note as follows:—

“Wherever it is possible to do the same in the existing units, this has been given first priority. In fact ETTDC has been utilising the existing facilities in a number of small scale production units in the country for export production. A major production of the exports from India to Algeria has been met from existing small scale sector units. On the basis of customer requirements ETTDC gave special technical inputs such as the sign tools, identification and import of raw materials, import of capital equipment, production and quality control to these units and exported the products thus manufactured by these small scale units. The Company as a policy tries to identify and encourage the existing units in the first instance. Where it is not so possible there is no other alternative

but to make investment and to form a new Company for export production which is very essential for export production and marketing.

To the extent possible, the work of improving the quality of the existing products for exports is already being done. Wherever it was possible to suitably modify, improve etc. the existing products to suit international demand, developmental inputs were provided by EFTDC."

8. During examination, a representative of ETTDC stated that:

"We have exported about 30 to 40 lakhs in 1980-81 by products exclusively developed by the small scale industries in Bangalore on a number of electronic mechanical components using the existing base. We cannot generate large volume of export by this approach. We have to necessarily go in for specific export production."

#### C. Export Projects

9. ETTDC has proposed to promote and invest in the following projects:—

1. 12" black and white TV for USA
2. Dry fit solid Gel Batteries
3. Telephone Instruments
4. Audio Visual Card Reader
5. Telephone Dials
6. Tool Room
7. Consumer Electronic Projects
8. Joint Ventures Abroad—in Kenya and Bangladesh and expected in Senegal, Uganda and Nepal.
9. Video Monitors and Computer Terminals
10. Components
11. Ferrite Core Memory Stacks
12. Electrolytic Capacitors Plant

(10) 12" black & white TV: In regard to 12" black and white T. V. for USA, it has been stated that there was an assured off take from a merchant importer in USA, who was importing these TV sets from Korea and Taiwan in large numbers. The American company has agreed to provide the know how and to buy back the production in the first three years. ETTDC has absorbed the



technology, arranged its transfer and provided production technology and know-how for this project. ETTDC provided complete technical assistance in setting up this factory (near Mysore) from the inception to production. ETTDC had two Directors on the Board of Directors of the Indian manufacturer (Orient vision).

11. During the examination of the representatives of ETTDC, Committee were informed that ETTDC was selling this set for \$ 50 and that its cost of production was around \$ 60. ( On the Committee pointing out that ETTDC was making a loss, a representative stated:

"We have not sold a large quantity. We have exported about a thousand sets. This is for test marketing to get a qualitative certificate. This certificate has not been given to any Indian manufacturer. We hope to get it. These sets have been exported for field trial. We expect to get the certificate, very soon. Once we get the certificate the price of \$ 50 may cease to exist. After that is done, the price may be at the level of \$ 62 to 63. Once the certificate is received, it will move according to the internationally accepted price."

12. On an enquiry as to who would bear the loss, the representative stated:

"The manufacturer is a separate company and the posts of manufacturing of T. V. sets and loss absorption is on them under the agreement. ETTDC gets a service charge 1 per cent for exporting these to USA. ETTDC is not getting any loss or profit on the export.

The manufacturer has some subsidiaries which have been licensed for manufacturing of Indian sets. We have given the technology. 4000 sets have been manufactured by them to Indian standards. The cost of Indian sets because of excise duty and sales tax and the material cost, comes to about Rs. 1,600 to Rs. 1,800.

13. On an enquiry of the Committee as to the total cost of imported components that have been supplied to the Indian manufacturer in the last two years, a representative replied that: "We have imported for them, for 20,000 sets of export order, about Rs. 60 to 70 lakhs worth of components. We have imported and supplied."

He also informed that no amount had been realised from the Indian manufacturer not even interest. On being asked as to what action has been taken against the Indian manufacturer, a representative stated during examination as follows:—

“We stopped the supplies of all other items. We now demand 50 per cent advance and documents through bank. No material is supplied without payment. We invited them to our Board meeting in March 1981. The Board considered the case. The examination is going on as to how we can solve the situation.”

14. In regard to the amount receivable from them, the witness stated:

“On account of materials supplied Rs. 45 lakhs, materials still with us, not issued to him because he has not paid, Rs. 29 lakhs, loans given to him Rs. 15 lakhs (it is on term loan basis, which is not due for payment), components Rs. 21 lakhs-total Rs. 1.11 crores.”

15. On being asked the amount of interest that ETTDC was charging on the outstandings, the witness stated:

“19 per cent. He has disputed the payment of interest. Nothing has been realised from him. On the capital goods imported he has to pay an interest of Rs. 3.24 lakhs, on raw materials supplied Rs. 2.71 lakhs, outstanding interest for the period Rs. 3.38 lakhs-total Rs. 9.58 lakhs.”

16. To another query of the Committee as to how it was ensured that these components were used only for the sets meant for export when the Indian manufacturer was producing both for exports and for home market. A representative replied:

“The basic thing here is that the set which is going to be exported is NTSE model and the local Indian model is CCIRB. They are totally different. Those major components which have been imported for them cannot be used for the local Indian model.”

17. To a further query as to how many of these components could be used both for internal use as well as for exports—the representative replied:

“Except some components which are very special, the other components, including tubes, may be used for the production of local India sets.”

18. *Telephone instruments*: The company had undertaken a project for development of telephone instruments meeting CCITT standards. This development was completed and the know-how transferred to Gujarat Communication & Electronics Ltd. ETTDC has so far spent approx. Rs. 12 lakhs on this project. ETTDC is also negotiating for transfer of this know-how to Kerala, Tamil Nadu and Karnataka State Electronics Corporations, who have got letter of intent for manufacture of telephone instruments.

19. The Committee enquired whether the telephone instrument would be marketed within the country and if so, what the instrument had been approved by P&T Department, the ETTDC stated in a note:—

“As far as the licensed production at GCEL is concerned, there is an export obligation of 10 per cent Balance production will be sold within the country. The Indian customers, apart from P&T, include Railways, Electricity Boards, Defence ONGC and other large undertakings having their own communication networks. These telephones have been submitted to the P&T for evaluation and their final test results are awaited.”

20. Asked about the co-ordination with the Tele-communication Research Centre and the ITI in this regard, the ETTDC stated: “The representatives of the Ministry of Communications were present in the Committee constituted by the Ministry of Industry that approved the Industrial Licence for production of these telephones at GCEL.”

21. In regard to performance of the project. ETTDC has stated: “The project has been technically successful and production has been established at GCEL. Commercial production at large volumes will be established after P&T approval.”

22. On an enquiry during examination of the representatives of the ETTDC as to what was the financial interest of ETTDC in the Gujarat Communication & Electronics Ltd., a representative stated:

“Our interest is only to develop and transfer technology for which we will be paid a royalty of 2 per cent on the sale price.

We are going very cautiously with this project. We want to recover whatever we have invested. We have invested about Rs. 10 lakhs to Rs. 12 lakhs in terms of jigs, tools, fixtures, etc. in the last three years. Product

development is purely in terms of tools; so that it can be productionised. There is no discovery here. The principles are well known."

23. *Ferrite Core Memory Stacks*: ETTDC had entered into a contract with Licensintorg (LIT) of USSR for licensed manufacture of ferrite core memory stacks. These ferrite core memory stacks would be manufactured by Electronics Corporation of India Limited (ECIL) another public sector undertaking with the know-how received from LIT, and exported to Electronorg-technical (EOT) another USSR Agency who is the buyer. A licence fee has to be paid to LIT for know how transfer and meeting the quality standards of the buyers, whereas the inspection and approval of these stacks will be made by the buyer. Originally a protocol was signed for 3350 stacks but later on the number was reduced to 1350 stacks, while the actual order from the buyer, was for 200 stacks which with very great difficulty was increased to 500 stacks in year 1980, as the production of less than 500 stacks was uneconomical. ETTDC paid Rs. 5 lakhs towards licence fee to LIT, obtained the know-how and passed on to ECIL for the manufacture of the item. It is understood that ECIL has invested about Rs. 40 lakhs in the project.

24. According to the contract, the Soviet Specialists of LIT/ Ministry of Radio Production have to come to India for testing of the samples and only after their final approval of the samples, the production and export are to commence. The Soviet specialists came in December, 1980 and the inspection was conducted in December 1980 at ECIL, in Hyderabad, which was found to be nearly OK. They still wanted inspection to be done in the USSR for which the samples were sent in March 1981. The Soviet side have in July 1981 indicated that as a result of tests conducted by them on the stacks sent to USSR (which were reported to be damaged on transit) the stacks were not found acceptable, and in any case they cannot extend the contract beyond November 1981 as USSR was switching over to semi-conductor memories and would not be needing the ferrite stacks.

25. Extension of the deliveries beyond November 1981 was absolutely necessary as production of the stacks could not commence pending the receipt of the test report from USSR. Efforts are being made through diplomatic and political channels to persuade the USSR side to extend the delivery period upto November 1982 so that the investments made by ECIL in the raw materials and components and by ETTDC in licence fees could be realised to a

large extent. A letter has since been received from the USSR side that they are willing to accept 200 Nos. stacks beyond November 1981 and have desired a representative of ECIL to go to USSR with two numbers of stacks.

26. On an enquiry of the Committee as to what was the anticipated loss on the export of ferrite core memory stacks to the USSR, ETTDC stated:

"With the steps now being taken by the Company, which when achieved, there would not be any loss for ETTDC on export of ferrite core memory stacks to USSR."

27. In regard to other projects, the projects are either at the negotiation stage or they are about to commence setting up of the projects.

#### D. Foreign officers

ETTDC has foreign offices at the following places:

1. Los Angeles (USA)
2. Warsaw (Poland)
3. Moscow (USSR)

29. The Moscow and Warsaw offices have been functioning mainly as liaison offices and no income has been allocated to these offices in the past. However, negotiations and finalisation of various purchases/sales contracts were made by these offices. As a result of the efforts made by Warsaw and Moscow offices exports, as given below are stated to have materialised and an earning of 2-3 per cent of the export value accrued:—

(Rs. in lakhs)

	1978-79	1979-80	1980-81
Warsaw . . . . .	20.05	22.50	6.87
Moscow . . . . .	39.45	46.90	76.06

30. In the case of Los Angeles office the turnover and income has been stated as follows:—

(Rs. in Lakhs)		
	Turnover	Gross Income
1979-80 (first year of its trading activity)	0.81	0.16
1980-81	49.33* (*provisional subject to audit)	3.25*

31. It has been stated that the Los Angeles Office is expected to achieve a turn over of Rs. 1 crore during the financial year ending 31-7-1982. It is proposed to make the operations of both Moscow and Warsaw offices on sound commercial footing so that they generate enough trade volume particularly in exports and joint venture and thus become commercially viable in course of time.

32. The expenses of foreign offices have been as follows:—

(Rs. in lakhs)				
Year	Warsaw	Moscow	Los Angeles	Total
1978-79.	4.59	2.64	1.31	8.54
1979-80.	4.82	2.77	3.18	10.77
1980-81	4.33	2.70*	4.59*	11.62
	20.05	11.02	9.08	40.15

\* (Provisional subject to audit)

33. In view of a very limited income from the foreign offices, the Committee enquired whether it would be possible for the Commercial Sections of the Indian Embassies to take care of the commercial needs of the ETTDC abroad. The ETTDC informed in a note:

“It is proposed that all the foreign offices will be made commercially viable in future. It is not possible for the Indian Embassies abroad to undertake ETTDC’s commercial operations as the strategies to be adopted are purely of a commercial and technical nature.”

#### IV. TECHNOLOGY DEVELOPMENT

1. The main objectives of undertaking technology development projects by ETTDC has been to generate exportable electronic products. ETTDC has the following projects on hand:—

1. Development of 12" and 20" B&W TV and all its associated components for export and Indian markets.
2. Development of telephone instrument both rotary dial and push button type.
3. Development of car stereo cassette player
4. Development of mini-magaphone
5. Development of video-monitor
6. Development of setereo radio cassette recorder, with LCD clock.
7. Development of mini flourescent lantern
8. Development of tape recorder.
9. Development of tooling for 18 varieties of plastic connectors, 6 varieties of heat sinks and 25 varieties of decorative plates for exports.

2. ETTDC is stated to be engaged in the know-how transfer for various projects developed in the various laboratories of India with funds provided by Technology Development Council of Electronics Commission. So far, ETTDC has transferred know how for five such projects to eleven parties both in the private and public sector. The know-how fee to be charged for such projects and the selection of parties are settled in consultation with Electronics Commission. Some of these parties have already gone into commercial production. The names of the parties and the projects to whom the know-how has transferred are states be as under:—

Sl. No.	Name of the Project	Name of the Party
1	Digital multimeter . . . . .	a) Patlipatra Electronics, Patna. b) Biotek Electronics, New Delhi. c) Nagar Electrnica & Instruments, New Delhi.

1	2	3
2	Liquid Crystal Display Devices	a) Kerala State Electronics Development Corporation, Trivandrum. b) Ksytronics (P) Ltd., Jaipur. c) Vijaynagar Textile & Electronics, Madras. d) Punjab Display Devices Ltd., Chandigarh.
3	LCD Materials	a) Dahda Pharma (P) Ltd., Madras.
4	Sugar Instrumentation	a) Central Electronics Ltd. Sahibabad. b) Satwik Electronic Control, Nasik.
5	Electronic Ground Water Well Loggers.	c) U.P Electronics Ltd., Lucknow.

3. Expenditure and income on Technology Development from 1976-77 to 1980-81 have been as follows:—

(Rs. in lakhs)

	Expenditure	Income		
		Grants in aid	Other Income	Total Income
1977-78	8.42	1.60	0.56	2.16
1978-79	16.62	0.51	0.17	0.68
1979-80	11.86	2.35	0.63	2.98
1980-81	11.53	N.A.	N.A.	N.A.

(N.A. not available)

4. The other income on technology development as envisaged in the original budget estimates of the company was as follows:

(Rs. in lakhs)

1977-78	1.00
1978-79	10.50
1979-80	10.00
1980-81	4.00

5. Asked to justify the huge gap between expenditure and income in relation to technology development a representative of ETTDC deposed:

“Expenses on technology development for the years 1976 to 1980 may be high because the technology development programme was first started and expenses incurred on infrastructure etc. We had to equip the Technical Laboratory and all the R&D had to be done. The Department of Science & Technology was involved in this to evaluate and



give recognition. Specific product developments were undertaken like 12" T.V. set, which now being produced at Bangalore, telephone instruments and number of other products were also started and developed successfully. On these projects when royalties accrue in the coming years the return on these projects will come in a big way."

6. To an enquiry of the Committee as to the scope of the technology development by the ETTDC a representative stated:

"Technology development in ETTDC is not of the type which is being done in NPL. Our role is to develop the product so that it is exportable at the quality level and at the international price level. The whole/object of this organisation is research and development to promote export. So this technology development activity of ETTDC had a programme to identify specific products which can be exported. The first product that we took was black and white TV of which there was an assured demand in USA.....we are being assured from the buyer that they will give us assistance for the design; the factory is indigenously developed. So we have to absorb the technology obtained from the buyer and then develop various electro-mechanical components, substitution of imported components by Indian components. So complete engineering of the whole factory has been done by us."

7. The Committee pointed out that ETTDC was borrowing technology and not developing and that the company was not developing product technology but was attending to production engineering the representative stated:—

"We are trying to adopt for Indian situation the products which we can produce in better quality at an international price. That is the objective of my company."

The Chairman, ETTDC further added:

".....a lot of technical information has to be generated, experimented and developed. We are referring to those efforts. I cannot classify them along with efforts which an academic institution can make, but trying to develop these products also requires a great deal of technology in which the electronic industry in India is weak. I mean for instance development of proper tools. In this, we have brought together today a whole lot of competence. This

is also a technology in a way.....we are not in the task of promoting and discover in *ab initio*, but we are in the task of, in the last few years, locating and adopting existing technology and also reverse engineering."

8. On the Committee expressing that ETTDC's contribution to productionisation of an item did not seem to be substantial, the Chairman, ETTDC explained:

"In the field of any consumer electronics market, price and the level of production are closely interlinked. Don't we find in India only organisations having outmoded production lines which only have low economics of scale? We have to devise the right production stages and prove it and confirm that we have today the maximum benefit of economies of scale."

9. On an enquiry as to the steps contemplated to make the T.D. Division viable, the Chairman ETTDC deposed:

"The first step to link up each project that we undertake with a proper market study. Before we take up any further project, we really look into two objectives (a) whether that project meets the demand gap and (b) whether by doing so, the viability of the company will be affected. Further, we are having a hard look at the existing projects and propose to drop those which are not viable. Secondly, the team of engineers which we have got will try to determine whether they can deliver the goods within a time frame, which was not necessarily done so far."

## V. WORKING RESULTS

1. The profit before tax as compared to the original estimates during the last 4 years was as follows:

(Rupees in lakhs)

Year	Profit	
	Original estimate	Actual
1977-78	10.63	51.99
1978-79	26.00	64.02
1979-80	34.00	17.21
1980-81	46.77	-29.01

2. On an enquiry of the Committee whether ETTDC had a system of working out the profit/loss separately on (a) import sales, and (b) export sales, the ETTDC informed in a note that "The profitability reporting for import/export & other activities has been taken up recently for the past one year. It would, therefore, not be possible to give information for the past five years." However, profit margin was stated to be 5 to 15 per cent on non-canalised items of import and 3 to 5 per cent on exports besides margin as fixed by Govt. on canalised imports.

3. The inventory holding of the Company as at the end of 1979-80 and 1980-81 was Rs. 245.77 lakhs and Rs. 178.29 lakhs respectively. In view of the fast obsolescence of electronic material and components the Committee asked whether it was not necessary to fix norms for inventory. The Company stated:

"It is very necessary that norms are fixed in this area. This was not done earlier and efforts are now on to fix the norms for various items of inventory. This job would be taken up and completed after the disposal of non-moving and obsolete stocks for which all the attention and drive are currently given."

4. The total turnover as compared to the original estimate during the period 1977-81 was as follows:

Year	Turnover	
	Original Estimate	Actual
1977-78	12.50	11.54
1978-79	16.50	12.19
1979-80	15.00	10.71
1980-81	17.05	14.10

5. Details of turnover planned for the years 1981-82 to 1985-86 are stated to be as follows:—

	(Rs. in crores)				
	1981-82	1982-83	1983-84	1984-85	1985-86
Imports	20.30	30.20	37.20	49.00	60.15
Exports Systems & Instrumentation	4.05	5.99	9.19	12.86	18.51
Consultancy Services	0.31	0.76	1.09	1.34	1.84
Sales from California Office	1.00	3.30	4.40	5.00	5.00
<b>GRAND TOTAL</b>	<b>25.66</b>	<b>40.85</b>	<b>53.38</b>	<b>70.45</b>	<b>89.50</b>

6. There would continue to be a huge gap between the imports and exports resulting in foreign exchange outgo on account of the operation of the ETTDC. The Committee enquired whether it would be possible at any foreseeable future, that the Company would be in a position to augment the exports to a level where there is a net foreign exchange inflow. The ETTDC furnished the following note:—

“It is true that for some more time, imports may over-step the exports but the main draw-back is the state of the Electronics Industry in India. The inputs necessary for indigenous production in the form of components and materials are still to be imported whereas almost entire indigenous production is technologically and price-wise oriented towards local consumption and net export consumption. This is the main reason for exports being short of imports.

ETTDC in the short span of six years without any captive production units capable of manufacturing products of international quality in technology and price, could not correct the situation. This situation will be corrected only when the Indian Electronics Industry works towards the objective of international quality and price structure when exports may increase and overstep imports. ETTDC has taken up already the task of identifying such technology of international standard to make it available within India.

However we may add one point that it is not correct to say that the ETTDC's operation has resulted in a net outflow of foreign exchange as the country's requirement in certain categories of components are met by ETTDC. If ETTDC had not imported these, the volume of imports would have been the same as they would be directly imported by the manufacturing units themselves. ETTDC's operations have introduced a standardisation and bulking and thereby foreign exchange saving has been achieved in many cases.”

## PART II

### CONCLUSIONS/RECOMMENDATIONS OF THE COMMITTEE

The Electronic Trade & Technology Development Corporation Ltd. was incorporated in 1974 as a Government company to accelerate the growth of electronics industry in the country through technology development and foreign trade. The Committee's examination has revealed that the company has failed to achieve any significant growth in its 8 year of existence. Its organisation and management is weak and the management lacks cohesiveness. It has confined itself mostly to imports which have largely been canalised. It had made feeble attempt to develop export-oriented production by borrowing technology and its contribution to exports is insignificantly small. In the areas of exports and imports it has at best projected on image of a poor middleman. Its financial management (especially cost, credit and inventory control) is unsatisfactory. The working results for the year 1980-81 have disclosed considerable losses. The Committee trust that on the basis of this Report the objectives and obligations of the company will be redefined and spelt out clearly, the policies and programmes reoriented and the management revamped so as to make the company an effective instrument of ensuring growth of electronics industry in the country.

2. The annual contribution of the ETTDC to the trade in electronics consisted of import sales from Rs. 9.89 crores to Rs. 12.04 crores and export sales ranging from Rs. 0.81 crore to Rs. 1.51 crores during 1977-81. This was less than the modest target set in its budget. There is no evidence of sustained effort to improve the capability of existing electronic enterprises in the country. Some attempt has been made to promote production ventures on the basis of borrowed technology to cater to export market. This attempt has not registered any success so far. The Committee feel that the emphasis should be on upgrading of the electronics industry as a whole to cater to home consumption as well as exports.

3. The Company took up a project for establishing production of 12 black and white TV for export to USA on know-how obtained from the buyer. The Company assisted a private concern (Orient Vision) in implementing the project. Though Rs. 70 lakhs worth of components have been imported by the ETTDC on behalf of Orient Vision for manufacture of 20,000 TV sets only 5,000 sets have

been manufactured. Of these, only 1,000 sets were exported and that too below cost. The price is expected to improve on receipt of quality certificate from the buyer. The certificate has however not been obtained so far. An expenditure of Rs. 1.11 crores has been incurred by the ETTDC on behalf of Orient Vision and no part of it has been recovered. The private concern has disputed its liability to pay interest on its outstanding dues. The Committee take a serious view of the casual manner in which the project has been sponsored by the ETTDC and the large import of components without ensuring the profitable marketability of the products. This should be enquired into and a report given to the Committee bringing out inter alia the action proposed to be taken.

4. A project for development of telephone instruments has also been taken by the ETTDC and the know-how has been transferred to Gujarat Communications & Telephone Ltd. for production. It is surprising that approval of the P&T Department is yet awaited for the commercial production to start. The ETTDC has so far spent Rs. 12 lakhs on his project. In this connection the Committee recall that the ITI is already proposing to go in for foreign collaboration for updating its telephone instrument for mass production. The Committee would await the reaction of the P&T Department to the project of the ETTDC and whether the project would be viable.

5. The ETTDC has fared badly in yet another project for manufacture of Ferrite Core memory stacks through the ECIL for export to USSR. The commitment from the buyer to buy the product has been progressively scaled down to uneconomic levels. The ECIL has spent Rs. 4 lakhs in establishing production besides Rs. 5 lakhs spent by the ETTDC towards licence fee paid to the collaborator. The product has already become obsolete in USSR and no export has taken place yet. The Committee trust that learning a lesson from this experience the ETTDC will avoid loss for itself or for sister Public Undertakings in future.

6. The three foreign offices of the ETTDC at Warsaw, Moscow and Los Angeles have contributed precious little to the income of the company. An annual expenditure of over Rs. 10 lakhs is incurred on these. Now that the ETTDC has shifted its focus from the East European Countries the desirability of closing the Moscow and Warsaw offices should be considered. In any case it should be ensured that all the foreign offices are made commercially viable soon.

7. In the area of technology development the record of the ETTDC is very poor. In fact there is hardly any technology development. The company is at best endeavouring without much success to im-

prove production engineering capability on the basis of borrowed technology. The return on the so called technology development has been insignificant. As against annual expenditure ranging from Rs. 11.53 lakhs to Rs. 16.62 lakhs during 1978—81, the income was less than a lakh of rupees, although an annual income of Rs. 10 lakhs was anticipated. The development projects therefore call for a critical review. Projects which would not be made viable should be dropped early.

8. The objectives as set out in the Articles of Association of the ETTDC embrace upgrading the electronic industry, developing exports of electronic goods, organising imports of electronic items for internal distribution and monitoring full and updated information regarding development and production in the field of electronics abroad. The last function has since been taken away from the company and entrusted to the Department of Electronics. The Committee do not approve of the thinking of the ETTDC that its objective is research and development to promote only exports. It has clearly an obligation to upgrade the electronic industry as a whole.

9. The structure of the Board of the ETTDC as envisaged at the time of its setting up provided for a part-time Chairman and full-time Managing Director, Director (Finance & Administration) and plan of the company that there was no overall aggressive marketing Director were combined for some time and a Director (Technical) was appointed. There was no Director (Marketing). The Committee take exception to the non-operation of the post of Director (Marketing). In this connection they note the observations in the corporate plan of the company that there was no overall aggressive marketing plan that there was little market research activity leading to lost opportunities and that there was insufficient contact at appropriate levels besides poor rapport with the industry. The Committee, therefore, urge that a Director (Marketing) should be appointed without further delay. For an organisation of this size and nature there need not be more than two full-time Directors other than the Chief Executive on the Board.

10. An abnormal situation that developed in the Board of ETTDC culminated in the withdrawal of powers of the CMD which were vested in a sub-committee of the Board by resolutions brought at a meeting of the Board held in February 1981, expressing lack of confidence in the CMD. Without sitting in judgement on the issues that led to this, the Committee feel that such action as the directors have taken in this case was unseemly. The Committee hope that such a

situation would be avoided and the normal procedure of reviewing the performance of the Chief Executive and taking suitable action by government followed in future.

...11. The Committee are also not happy about the way the complaints against the management were handled by the department. Certain complaints received in January 1981 from some MPs were asked to be enquired into by an officer of the level of Director in the Ministry who also happened to be a government nominee on the Board of the ETTDC. The Committee feel that the CMD could have been given an opportunity to explain his position vis-a-vis the complaints and the preliminary enquiry entrusted to a fairly senior officer unconnected with the management of the ETTDC. They trust that in future this course would be followed.

NEW DELHI;

April 28, 1982

Vaisakha 8, 1904 (S)

Chairman,

Committee on Public Undertakings