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सत्यमेव जयते



REPORT  
OF THE  
INDUSTRIAL FINANCE CORPORATION  
ENQUIRY COMMITTEE  
1953

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## CHAPTER I

### INTRODUCTORY

The Industrial Finance Corporation (Amendment) Bill, 1952, was introduced in Parliament on the 18th November, 1952. The Bill was debated in the House of the People on the 25th and 26th November, 1952 and 2nd, 3rd, 4th and 5th December, 1952, and in the Council of States on the 8th, 9th, 10th, 11th and 13th December, 1952. The working of the Industrial Finance Corporation came up for very severe criticism in both the Houses. Serious allegations were made about favouritism and nepotism in the grant of loans by the Corporation. There was also a general demand for disclosure of the names of industrial concerns which had obtained financial assistance from the Corporation.

2. The Bill was passed by the House of the People on the 5th December, 1952 and by the Council of States on the 13th December, 1952. On the 17th December, 1952, Shri C. D. Deshmukh, Finance Minister, made the following statement in the House of the People:

"Various allegations were made in Parliament about the *bona fides* of the Corporation's loan transactions and a very strong demand was voiced for the disclosure of the names of the industrial concerns to which the Corporation has given financial accommodation.

On the question of divulging the names, the Prime Minister made a statement in which he mentioned the practice so far followed and pointed out the considerations which influenced us in adhering to that policy. At the same time, he recognised the force of some of the grounds on which the information was asked for and undertook to have the matter re-examined on my return. I am grateful to him and the House for giving me a chance to review the position.

The maintenance of secrecy by a lending institution regarding its transactions with its clients is a well-recognised practice based on sound business principles and should not be lightly discarded while circumstances are normal and there is no reason for doubts and apprehensions regarding the transactions. While, therefore, I consider that the stand taken by the Government so far, which was not challenged in the past in this House was justified, I have to take account of the doubts that have arisen and of the desire of Parliament to be furnished with the names of concerns to which monies, for which the Government had given guarantees, have been advanced by the Corporation. The refusal to disclose the names, even though it may be based on a healthy convention, would create an entirely unjustified suspicion against the Corporation and the borrowing concerns, which it is essential to dispel.

Realizing this, the Corporation has itself written to me that it is desirous of submitting to Parliament a list of loanees and the amounts given to them. I am accordingly laying on the table of the House a statement showing the names of the individual concerns under each category of industry and the amount of loan sanctioned to each concern. I am forwarding sufficient number of copies of the statement for circulation to the members of both the Houses.

There were specific allegations of nepotism and favouritism in the grant of loans made against the Corporation during the debate. My colleague, the Deputy Minister, in his reply both in this and the Upper House, tried to explain how these are unfounded and seem to be based on a misconception about the scope of the Corporation, the composition of its Board of Directors and the manner in which it functions. I think it is only fair to the Corporation and the borrowers that these allegations should be thoroughly investigated.

I have in one capacity or another been closely associated with the work of the Corporation, and am anxious that complaints should be inquired into and, if any undeserved charges have been made the Corporation should be authoritatively cleared. Both the Chairman, Mr. Shri Ram, and the Directors are naturally anxious that the suspicions which have been created by the charges made in Parliament should be cleared and have asked that a committee should be appointed to investigate these charges.

I also feel that while discussion in Parliament of individual cases of grant or rejection of loans by the Corporation is neither feasible nor desirable, it is due both to Parliament and the Corporation that the allegations made should be inquired into. I propose, therefore, to appoint shortly for the purpose a small compact committee representing both the Houses and outside experts."

3. In pursuance of the above undertaking given by the Finance Minister, the Government of India in their Resolution No. F.2(61)—FIII/52 dated the 30th December, 1952, announced the appointment of the Industrial Finance Corporation Enquiry Committee. The composition of the Committee was—

#### *Chairman*

Shrimati Sucheta Kripalani, Member, House of the People.

#### *Members*

- (1) Shri V. B. Gandhi, Member, House of the People.
- (2) Shri Sri Narayan Mahtha, Member, Council of States.
- (3) Shri P. A. Narielwala.
- (4) Shri R. Suryanarayana Rao.
- (5) Shri G. Basu, President, Institute of Chartered Accountants of India.

The terms of reference of the Committee were:—

- (1) To scrutinise the loan transactions of the Corporation with reference to the allegations about nepotism and favouritism made during the discussion of the Industrial Finance Corporation (Amendment) Bill in Parliament;
- (2) to verify whether in general due care has been exercised in the grant of loans;
- (3) to review generally the policy followed by the Corporation in the grant of loans with due regard to the objectives of the Act and the directions issued by the Government; and
- (4) to make recommendations, if necessary, for improvement in the working of the Corporation.

4. The Committee had twenty eight meetings of which twenty five were in New Delhi and three in Calcutta. At its first meeting held on the 19th of January 1953 at New Delhi, the Committee decided to invite the public to submit written statements to the Committee expressing their views on the working of the Corporation or making any representation relevant to the terms of reference of the Committee and a Press Note was issued in this behalf. No questionnaire was issued by the Committee. Copies of the Press Note were also forwarded to the various associations or Chambers of Commerce, Industries, etc. with the request that copies of the Note should be circulated by them to all their federating units for necessary action. The Committee received twenty written representations from the public and two from Chambers of Commerce.

5. The Chairman also wrote personally to thirty six Members of Parliament who had participated in the debates on the I.F.C. Amendment Bill requesting them to submit written representation to the Committee. Written representations were received from thirteen M.Ps. and five M.Ps. appeared before the Committee for oral examination, as under:—

*M.Ps. who submitted written representations:*

- (1) Shri Osman Sobhani.
- (2) Shri Khub Chand Sodhia.
- (3) Shri C. G. K. Reddy.
- (4) Shri H. D. Rajah.
- (5) Shri A. C. Guha.
- (6) Shri B. C. Ghose
- (7) Shri Tridib Kumar Chaudhuri.
- (8) Shri A. Mohiuddin.
- (9) Shri R. R. Morarka.
- (10) Shri S. N. Dwivedy.
- (11) Shri M. Govinda Reddy.
- (12) Shri Sarangadhar Das.
- (13) Shri Hirendra Nath Mukerjee.

**M.Ps. who gave oral evidence :**

- (1) Shri N. V. Gadgil.
- (2) Shri Sarangadhar Das.
- (3) Shri A. C. Guha.
- (4) Shri S. S. More.
- (5) Dr. A. Krishnaswami.

6. Besides meeting of Directors of the Industrial Finance Corporation as a whole, the Committee had the benefit of personal discussions with the following:—

- (1) Shri C. D. Deshmukh, Minister for Finance.
- (2) Shri T. T. Krishnamachari, Minister for Commerce and Industry.
- (3) Shri K. C. Reddy, Minister for Production.
- (4) Shri K. G. Ambegaokar, Secretary, Department of Economic Affairs, Ministry of Finance.
- (5) Lala Shri Ram, Chairman, Industrial Finance Corporation.
- (6) Shri Biren Mookerjee, Director, Industrial Finance Corporation.
- (7) Shri V. R. Sonalker, Managing Director, Industrial Finance Corporation.
- (8) Shri A. Chatterjee, Deputy Managing Director, Industrial Finance Corporation.
- (9) Shri R. S. Gae, till lately Legal Adviser to Industrial Finance Corporation.

The committee also examined nine witnesses, some of them representing concerns granted loan by the Corporation and some representing concerns which had been refused loans by the Corporation.

## CHAPTER II

### THE INDUSTRIAL FINANCE CORPORATION—ITS HISTORY AND ACTIVITIES

7. **Genesis.**—The Industrial Finance Corporation was established on the 1st July, 1948, by the Industrial Finance Corporation Act, 1948 (XV of 1948). According to the Preamble to the Act, the purpose of the Corporation is to make “medium and long-term credits more readily available to industrial concerns in India, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue methods is impracticable.”

The first World War focussed attention on the need for developing the industrial potential of India and the Indian Industrial Commission was appointed in 1916 for examining and reporting upon the possibilities of further industrial development in India. The Commission came to the conclusion that lack of financial facilities was one of the most serious difficulties in the way of the extension of Indian industries and that industrial banks would be a potent means of removing these difficulties and of affording help to industrialists. The Commission, therefore, recommended the appointment of an Expert Committee to consider what additional banking facilities were necessary for the initial and for the current finance of industries.

The Commission also strongly advocated that in future Government must play an active part in the industrial development of the country. The Montagu Chelmsford Report on Constitutional Reforms, 1917 also urged that “the Government must admit and shoulder its responsibility for furthering the industrial development of the country.” The passing of the State Aid to Industries Acts by various Provincial and State Governments commencing from 1922 and onwards was the first conscious attempt on the part of Government to foster the development of industries. However, for various reasons this attempt was not successful. It may be mentioned that the Government of India Industrial Resolution of 1948 also accepted that the State must play a progressively active role in the development of industries.

8. The Central Banking Enquiry Committee, 1931, reported the general consensus of opinion that “efforts should be made to start an industrial bank or banks to supplement the existing facilities for the financing of industries”. The Committee, while not ruling out the formation of an all-India institution, thought that “the balance of advantage lies in the creation of provincial institutions”. The question again came to the fore in 1945 in connection with the post-war industrialisation schemes of the country. The General Purposes Committee appointed by the Planning and Development Department decided that the question of the promotion of an industrial investment corporation should be examined by the Ministry of Finance in consultation with the Reserve Bank of India. Accordingly, a Bill was prepared by the Reserve Bank of India for the establishment of a Central Industrial Finance Corporation. The Bill was introduced in the Constituent Assembly on the 20th November, 1947. In introducing the Bill, Shri Shanmukham Chetty, the then Finance Minister,

stated, with the inauguration of the Independent Dominion of India and our anxiety to go ahead full speed with the industrial development of the country, the setting up of an industrial finance corporation has acquired a new significance and urgency which is further emphasized by the recent unfortunate occurrences which have dislocated economic life in certain parts of the country. \* \* \* \* \*. In view of the recent constitutional developments, the scope of an all-India Corporation is greater now than was envisaged in 1930-31 by the Banking Committee. The Bill which is now before the House, however, is not intended to meet the requirements of basic and nationalised industries but only to provide finance to meet the long-term needs of private industry."

**9. Need for a specialist institution for industrial finance.**—The need for a specialist institution in India for catering to the long-term financial needs of industries arises generally on the one hand as a result of the absence of a well developed capital market and the dearth of issue houses and underwriting firms, and on the other due to the policy pursued by the commercial banks, on the analogy of British banking practice, to eschew long-term industrial financing. Even in countries with well developed capital market mechanism, the need for such specialist institutions has been felt for filling the gap (commonly known as the 'Macmillan Gap') that exists between the point where commercial banks leave off and the point where the public investors begin. It is significant that in the past whenever Indian commercial banks indulged in long-term industrial financing, the results were not encouraging. Thus, the practice of providing long-term credit to industries during the Punjab Swadeshi movement between 1906-13 ended in the severe banking crisis of 1913-15. The Bengal National Bank came to grief largely due to long-term credit extended to industries. Even the eight Industrial Banks, including the Tata Industrial Bank, which were established during 1917 to 1923 in the wake of the first post-war boom did not produce encouraging results and it was proved that "deposit banks" without very substantial "owned funds" could ill afford to embark on "investment banking" and to provide long-term industrial credit.

10. Though industrial development in India has been relatively small, nevertheless, the following figures regarding joint stock enterprises will indicate that India's industrial and commercial activities are progressively increasing:—

Year	No. of Joint Stock Com- panies	Total paid- up capital (Rs. lakhs)
1895—96 . . . . .	1,309	29,00
1913—14 . . . . .	2,744	76,56
1919—20 . . . . .	3,668	1,23,21
1924—25 . . . . .	5,204	2,75,53
1929—30 . . . . .	6,919	2,86,34
1934—35 . . . . .	9,842	3,04,04
1939—40 . . . . .	11,372	3,03,68
1944—45 . . . . .	14,859	3,88,97
1946—47 . . . . .	22,401	4,88,64
*1947—48 . . . . .	22,674	5,69,53
*1948—49 . . . . .	25,340	6,28,31
*1949—50† . . . . .	27,040	7,22,24
*1950—51† . . . . .	28,465	7,70,25

\*Figures are for India only.

†Figures are provisional.



Separate figures of industrial concerns alone are not available; but the following figures obtained from the latest available Census of Manufacturing Industries for 1949 in respect of 29 selected industries will indicate the quantum of industrialisation in India:—

1949

Fixed capital . . . . .	Rs. 228 Crores.
No. of workers . . . . .	16,92,445
Total wages paid . . . . .	Rs. 178 crores.
Cost of materials consumed . . . . .	Rs. 704 crores.
Total value of products and work done.	Rs. 964 crores.

The Planning Commission has estimated the total *working capital* employed at present by industrial concerns in India at Rs. 370 crores and the total number of industrial workers at 24 lakhs or 1.8 per cent. of the working population of the country.

11. The capital requirement of an industry consists of (a) the initial capital for acquiring fixed assets, (b) the working capital and (c) the capital required for replacement, rationalisation, modernisation and expansion. Generally, the initial capital is found through the medium of share capital while further requirements for block capital are financed either by ploughing back the undistributed profits or by raising fresh capital through shares, debentures or bonds. A part of the working capital of an industry is of a permanent nature required for maintaining a minimum balance of raw materials, stores and finished goods. The remaining working capital requirements are of a purely temporary character and industrial concerns generally look to commercial banks for providing such finance. The scope for an Industrial Bank or Finance Corporation is ordinarily for providing block capital requirements in excess of the initial capital raised by an industrial concern.

12. Specialist institutions for financing of industries have been set up in various countries but they do not conform to any set pattern in scope and each institution was designed to play the role according to the special needs of each country. Some institutions concentrate on financing and helping reorganisation or amalgamation of industrial units, some act as issue houses, some confine to smaller industries, some to basic industries and some extend assistance for commercial purposes as well. In some countries there are separate institutions for industrial financing and for developing industries. In India the I.F.C. is the only Central institution of its kind. In 1951 the Government of India passed the State Financial Corporations Act, 1951 to enable the State Governments to establish State industrial finance corporations. In view of its limited resources, the scope and objective of the Industrial Finance Corporation, as prescribed in the Act, appear to be appropriate in the circumstances.

13. **Resources of the Corporation.**—The authorised capital of the Corporation is Rs. 10 crores divided into 20,000 shares of Rs. 5,000

each. The paid up capital is Rs. 5 crores in 10,000 fully paid up shares and the holdings on 31-12-1952 were as below:—

	No. of shares	Amount
Central Government . . . . .	2,000	1,00,00,000
Reserve Bank . . . . .	2,054	1,02,70,000
Scheduled Banks . . . . .	2,435	1,21,75,000
Insurance Companies, investment trusts and and other financial institutions . . . . .	2,568	1,28,40,000
Cooperative Banks . . . . .	943	47,15,000
<b>TOTAL</b> . . . . .	<b>10,000</b>	<b>5,00,00,000</b>

The Corporation can augment its funds by issuing or selling bonds and debentures. It can also receive fixed deposits from the public repayable not earlier than within five years. While it has not invited any fixed deposits so far, the Corporation has issued 3½ per cent. bonds aggregating Rs. 5,80,50,000. These bonds are at present held as below:—

Name of the Subscriber.	Amount taken up Rs.
1. Gandhi National Memorial Fund . . . . .	3,35,00,000
2. The Oriental Government Security Life Assurance Co., Ltd.,	25,00,000
3. The Bombay Life Assurance Co. Ltd. . . . .	20,00,000
4. Bank of India Ltd. . . . .	50,00,000
5. Bombay Mutual Life Assurance Society Ltd.	50,00,000
6. Insurance of India Ltd. . . . .	50,000
7. Central Bank of India Ltd. . . . .	50,00,000
6. Imperial Bank of India . . . . .	50,00,000
<b>TOTAL</b> . . . . .	<b>5,80,50,000</b>

14. **Directorate.**—The composition of the Board of Directors and the Executive Committee as on the 31st December, 1952 was as below:—

*Board.*

L. Shri Ram ( <i>Chairman</i> ) Professor D. R. Gadgil	}	Nominated by the Central Board of the Reserve Bank of India under Section 10(b) of the Industrial Finance Corporation Act.
Shri K. G. Ambegaokar Shri S. Bhoothalingam Shri Khandubhai K. Desai, M.P. Shri Birednra Nath Mookerjee Shri H. C. Captain Shri B. K. Shah Shri L. S. Vaidyanathan		}
Shri R. G. Saraiya Shri V. P. Varde Shri V. R. Sonalker	Elected to represent scheduled banks under Section 10(c) of the Act.	
	Elected to represent insurance companies, investment trusts and other like financial institutions under Section 10(d) of the Act.	
	}	Elected to represent co-operative banks under Section 10(e) of the Act.
		Managing Director.

*Executive Committee.*

Shri V. R. Sonalker ( <i>Chairman</i> ) L. Shri Ram Shri K. G. Ambegaokar Shri H. C. Captain Shri B. K. Shah	}	Elected by the nominated Directors.
		Elected by the elected Directors.

L. Shri Ram was nominated by the Government as Chairman in accordance with the provisions contained in Section 15(1) of the

Act. Shri V. R. Sonalker was appointed by Government as Managing Director in accordance with the provisions contained in Section 10(f) of the Act.

**15. Processing of loan applications.**—Loan applications, on receipt, are scrutinised by the Corporation to see whether the applicant is eligible and has given full and correct information. Technical appraisal of the project is done generally in consultation with the appropriate Ministry of the Government of India and sometimes outside experts are engaged. In the case of applications from textile mills and sugar factories, a reference is also made to the respective *ad hoc* Advisory Committee set up by the Corporation. The balance sheets and profit and loss accounts are studied at the Corporation's office. Reports from the company's bankers are obtained. An officer of the Corporation, generally the Branch Manager of the Corporation's office nearest to the factory of the applicant, inspects the factory and examines the books of accounts to find out whether proper books are maintained and regularly posted, whether the balance sheets have been properly drawn up, whether the assets shown in the balance sheets are really there and whether there are any adverse factors, affecting the situation of the factory, like liability to floods, inaccessible location, paucity of electric power and other relevant factors.

On completion of examination of an application, the Managing Director prepares a Memorandum on each application giving a synopsis of the balance sheet, reports from the experts or from the Ministry and the inspection report submitted by the officer of the Corporation. These Memoranda are circulated to the members of the Executive Committee, which meets once every month. After considering the Memorandum, the Committee decides either to sanction a loan or to reject the application or directs the company to modify the scheme suitably, if necessary. The Committee only sanctions in principle the grant of a loan but leaves the detailed terms and conditions to be negotiated by the Managing Director. As soon as a loan is sanctioned, the company is asked to send its representative to discuss the terms and conditions on which the Corporation would be prepared to grant the loan. After the discussion, the terms and conditions are communicated in writing to the company for formal acceptance. Before handing out the money, the Corporation has to satisfy itself that (a) the company's title to the properties is clear, (b) the borrowings from the Corporation will not infringe the provisions regarding the borrowing powers of the company contained in its Articles of Association, (c) that no legal difficulties will arise as a result of the company's creditors putting obstacles in the way of such borrowing and (d) that the Managing Agents carry out such alterations in their Agreement and arrangements as desired by the Corporation. The Minutes of the meetings of the Executive Committee are laid before the next meeting of the Board of Directors as required under Section 7(2) of the Act, but the Executive Committee enjoys full freedom in the matter of sanctioning or rejecting a loan.

**16. Summary of the activities of I.F.C.**—Up to the 31st December, 1952, since its inception, the I.F.C. has sanctioned 103 loans for an aggregate of Rs. 1522 lakhs. A statement of loans sanctioned industrywise, indicating the names of the loanees and the amount drawn

upto 31-12-1952, is given at Appendix I. A statement giving a classified summary of sanctioned loans industry and statewise is given at Appendix II. A statement showing the number and amount of loan applications received, sanctioned, rejected, etc., year by year, is given at Appendix III. Graphically, the activities of the Corporation may be represented as below:—

Total sanctioned (15.2)	
Effective sanctions (13.8)	Cancellations & reductions (1.4)
	Undisbursed (5.2)
Disbursed (8.6)	Loans onstanding (8.1)
Repayments (-5)	Repayments (-5)
Rupees (crores)	

Though the Corporation is authorised under the Act to guarantee loans raised by industrial concerns and also to underwrite the issue of shares, stocks, bonds and debentures by such concerns, it has not thought it fit till now to undertake such business.

17. The size of the loans sanctioned up to 31st December, 1952 varied from Rs. 50,000 to Rs. 50,00,000. The following statement shows the classification of the loans by size:—

	No of Applications	Amount Rs.
(1) Loans not exceeding Rs. 1 lakh	3	1,95,000
(2) Loans exceeding Rs. 1 lakh but not exceeding Rs. 5 lakhs	27	1,00,00,000
(3) Loans exceeding Rs. 5 lakhs but not exceeding Rs. 10 lakhs	30	2,51,75,000
(4) Loans exceeding Rs. 10 lakhs but not exceeding Rs. 20 lakhs	22	3,36,00,000
(5) Loans exceeding Rs. 20 lakhs but not exceeding Rs. 30 lakhs	7	1,95,00,000
(6) Loans exceeding Rs. 30 lakhs but not exceeding Rs. 40 lakhs	5	1,95,00,000
(7) Loans exceeding Rs. 40 lakhs but not exceeding Rs. 50 lakhs	9	4,43,00,000
TOTAL	103	15,22,70,000

NOTE.—For the above classification, more than one loan given to the same concern have been regarded as separate loans. The total amount advanced up to 31-12-1952 to Sodepur Glass Works Ltd., the management of which has been taken over by the Corporation, was Rs. 57,52,088 including the sum of Rs. 7,52,088 spent by the Corporation on the company since the management was taken over in November, 1952.

Though loans have been sanctioned against 103 applications, the total number of concerns assisted are only 81. Except for Sodepur Glass Works Ltd., and Dhrangdhra Chemical Works, the total loans sanctioned to no other concern exceed Rs. 50 lakhs, the maximum statutory limit prescribed until the Amendment Act was passed. Regarding Dharangdhra, at the time of sanction of the second loan of Rs. 40 lakhs, the Company had agreed not to avail of Rs. 15 lakhs out of the previous sanctioned loan of Rs. 25 lakhs.

## CHAPTER III

### ALLEGATIONS MADE IN PARLIAMENT

18. In accordance with the terms of reference of the Committee we have scrutinised the loan transactions of the Corporation with reference to the allegations of nepotism and favouritism made during the discussions on the I.F.C. Amendment Bill in Parliament. In this chapter we deal with these specific allegations only. We have also considered all other criticisms directed against the Corporation as well as the suggestions made in Parliament and in a subsequent chapter we have indicated our views generally on all the important issues raised during the debates.

19. **Specific allegations.**—The burden of the specific allegations against the Corporation made in Parliament was that the resources of the Corporation were being utilised by a group of capitalists headed by Lala Shri Ram, the Chairman of the Corporation, and concerns in which he was directly interested had been granted loans by the Corporation exceeding Rs. 166 lakhs. In particular, reference was made to the Bengal Potteries Ltd., the Orissa Textile Mills Ltd., the Jay Engineering Works Ltd., and the Sodepur Glass Works Ltd. We have ascertained that while Lala Shri Ram has substantial direct interest in the Bengal Potteries and the Jay Engineering Works, his financial interest in the Orissa Textile Mills and in the Sodepur Glass Works is limited to the holdings in the share capital of the companies in the name of Messrs. Madan Mohan Lall Shri Ram & Co. Ltd. This company is a family concern of L. Shri Ram and his share in the company is worth about As./2/3 in the rupee. According to Lala Shri Ram's statement, the above firm has shareholdings in 8 concerns which have been sanctioned loans by the I.F.C. A statement giving a list of such holdings and the amount of loans granted will be found at Appendix IV. It will be seen that while the total amount of loans granted to 4 concerns in which L. Shri Ram has substantial financial interest is only Rs. 113 lakhs, the loans granted to the other 4 concerns, including Orissa Textiles Mills Ltd., the Managing Director of which is connected with him by family ties, aggregate Rs. 129 lakhs. From the list of names of Directors on the Boards of borrowing concerns, furnished to us by the Corporation, we are constrained to state that though the loans from the Corporation were not confined to any particular group of capitalists, there is no denying the fact that a large part of the loan applications was from big business and their associates. Of course, it is far from truth to say that others were completely neglected. In this connection we append a statement (Appendix VI) showing a list of persons who are on the Board of various companies granted loans by the I.F.C. and/or are on the Board of their Managing Agency firms. Another list is appended (Appendix VII) showing the names of Managing Agency firms and their managed companies which have been granted loans by the Corporation.

We also append a statement (Appendix V) showing the shareholdings of the various Directors of the I.F.C. in industrial concerns which have been sanctioned loans by the Corporation. It is, however, not known if the Directors held those shares at the time when the Corporation sanctioned the loans.

20. As the I.F.C. Act does not prohibit the grant of loans to a concern in which any Director of the Corporation is interested and in the absence of an enunciation of Government policy as to whether well-established concerns should be eligible for grant of loans from the Corporation, it would be difficult to put any blame on the Corporation for having granted loans to concerns in which the Chairman and other Directors of the Corporation were interested either directly or indirectly unless it could be established that grant of these loans was influenced in any way because of the interests the Chairman or the Directors of the Corporation or that the Corporation relaxed the rules and terms and conditions in favour of the concerns and that these were not credit-worthy. From the recorded minutes of the Corporation we find that in respect of the loans granted to Bengal Potteries Ltd., Jay Engineering Works Ltd., Kirolskar Oil Engines Ltd., and Bharat Starch & Chemicals Ltd., L. Shri Ram disclosed his interest as required under Section 37 of the Corporation's General Regulations and did not participate in voting as required under Section 17(4) of the Act. Other Directors also similarly disclosed their interests.

But it appears that Section 17(4) of the Act has been interpreted to mean that mere shareholding in a concern would not constitute direct or indirect interest within the meaning of the above Section. Such interpretation does not seem warranted and we suggest that a Director of the Corporation should also disclose his interest even where he is an ordinary shareholder of an applicant concern. It is further suggested that the Corporation should maintain a register similar to that prescribed under Section 91A(3) of the Indian Companies Act, 1913.

For a proper appreciation of the loan transactions pertaining to those concerns mentioned in Parliament, we give below a summary of factual data in respect of each loan and our observations thereon:—

(1) *Jay Engineering Works Ltd.*—This company is under the Managing Agency of Madan Mohan Lal Shri Ram & Co., Ltd., on which L. Shri Ram is the Chairman. He is also the Chairman of the company. The company applied for a loan of Rs. 40 lakhs in June 1949. The Corporation sanctioned a loan of Rs. 20 lakhs only in October, 1949 for the expansion of the Sewing Machine Section only. The Corporation also stipulated that the company should not repay the debentures of Rs. 10 lakhs and the Managing Agents should not recoup themselves from the loan the advances made by them to the company. The loan carried interest at the rate of  $5\frac{1}{2}$  per cent. subject to  $\frac{1}{2}$  per cent. rebate. No representative of the Corporation was appointed on the Board of the company.

The paid-up capital of the company, as on 31st March 1949, amounted to Rs. 15 lakhs, whereas the book value of the fixed assets was Rs. 50.77 lakhs, which included appreciation of land by Rs. 12.32 lakhs. The company had a provision of Rs. 6.50 lakhs as lump sum depreciation for the years 1944 to 1948. If this amount as also the appreciation in land value are left out, the net value of the fixed assets would be Rs. 32 lakhs.

The loan was required for—

- (i) acquiring new fixed assets worth Rs. 20 lakhs;
- (ii) repayment of debentures of Rs. 10 lakhs; and
- (iii) repayment of Rs. 10 lakhs to the Managing Agents.

The Ministry of Industry and Supply recommended a loan only for the purpose of expansion of the Sewing Machine Section.

While going through the Corporation's papers relating to this loan, we came across a note from the Corporation's Managing Director at that time that "share capital of the Company is disproportionate to the borrowings of the company. Loans are heavy—paid-up capital Rs. 15 lakhs, loans Rs. 82 lakhs." The Calcutta Manager of I.F.C. recommended a loan of Rs. 20 lakhs only for the scheme of expansion and reported that (i) reserves of the company of Rs. 19.98 lakhs were largely made up by appreciation of land, (ii) the company had disproportionately large debts outstanding, (iii) the company had made an attempt in 1948 to raise Rs. 46 lakhs by way of further capital issue, but the attempt was not successful, (iv) no adequate depreciation was provided for and (v) many of the machines used in the factory of the company were made by the company itself.

The loan was utilised as under:—

	Rs.
(1) Fixed assets . . . . .	15 80 lakhs.
(2) Furniture, fixtures, stores and legal expenses . . . . .	0.33 lakhs.
(3) Refund of share application money . . . . .	3.87 lakhs.
TOTAL . . . . .	20.00 lakhs.

The company has been paying the interest on the loan regularly. Repayment of instalments is not yet due.

In June 1952, the Company approached the Corporation for a second loan of Rs. 20 lakhs. This was to be utilised for further expansion of their factory, the total cost of which was estimated at Rs. 25 lakhs. This included Rs. 9 lakhs on account of cost of acquiring land and constructing buildings for a labour colony and the capital cost for acquiring productive assets was, therefore, Rs. 16 lakhs.

As on 31st January 1952, the Company showed its fixed assets at the book value of Rs. 90.30 lakhs, but this included appreciation of land and buildings to the extent of Rs. 15.41 lakhs. The company had created a reserve of Rs. 17.70 lakhs for depreciation, but according to the estimate prepared by the Corporation this should have been Rs. 24.20 lakhs. The net value of the assets as at the 31st December, 1952, leaving out the appreciation of assets and after providing full depreciation, would, therefore, be Rs. 50.69 lakhs.

The Corporation sanctioned a loan of Rs. 16 lakhs only in June 1952. The Corporation remarked that the company should meet from its own resources the cost of construction of labour colony. The rate of interest for the second loan was 6 per cent. subject to  $\frac{1}{2}$  per cent. rebate.

After the first loan of Rs. 20 lakhs from the Corporation, the capital of the company was increased by 35 per cent. by issue of Bonus Shares of the value of Rs. 5.25 lakhs with the consent of the Controller of Capital Issues of the Government of India. When the Bonus Shares were issued no reference was made by the company to the Corporation.

The Articles of Association of the company were also altered in 1951 without the knowledge of the Corporation against which the Corporation protested.

The company's accounts for the year ended 31st March 1952 disclosed that the company had created a Depreciation Reserve amounting to Rs. 27.47 lakhs. The company's borrowings, apart from the Corporation's loan of Rs. 20 lakhs, amounted to Rs. 50.50 lakhs.

Though, by and large, the loan is well secured, we should like to make the following observations:—

- (i) The company is grossly under-capitalised. On a paid-up capital of Rs. 20.25 lakhs the company's property and assets as on 31st March 1952 are shown at Rs. 177.31 lakhs—nearly 9 times the paid-up capital.
- (ii) The company's profit-earning capacity has improved considerably as a result of the loans—Rs. 8.19 lakhs in March 1950 to Rs. 19.80 lakhs in March 1952.
- (iii) The company has been permitted by the Corporation to reduce the loans advanced by the Managing Agents from Rs. 20 lakhs to Rs. 10 lakhs, without any stipulation for creating an amortisation fund by the company for the redemption of the Corporation's loan.
- (iv) The company has drawn Rs. 12 lakhs against the second loan of Rs. 16 lakhs. In view of the Managing Agents being allowed to recoup their advances to the company, the Corporation might reconsider their sanction of the 2nd loan.
- (v) The Corporation allowed the company to return Rs. 3.87 lakhs, which was obtained in 1948 towards additional capital. This should not have been permitted and the allotment of the shares applied for would have remedied to some extent the unbalanced capital structure of the company.
- (vi) The Corporation did not have an independent valuation done of the items of machinery which were manufactured in the company's own Works.

(2) *Bengal Potteries Ltd.*—This company applied for a loan of Rs. 20 lakhs in September 1948. L. Shri Ram is the Chairman of this company and also a Director of Messrs. S. Lal Bhagat & Co., who are the Managing Agents of this concern. The loan was sanctioned for the full amount in November 1948. The rate of interest is 6% subject to 1% rebate. The repayment of the loan was to start at the rate of Rs. 2 lakhs per annum commencing from January 1950. The Corporation did not appoint its representative on the Board of the company.

The loan was to be utilised for repaying an advance of Rs. 16 lakhs from the Punjab National Bank and the remaining Rs. 4 lakhs for acquisition of new capital assets. The reason for applying for the



Corporation's loan for repaying the Bank's advance was given to us as arising from the concern's apprehension that the bank might recall the loan, due to the post-war financial stringency. The capital assets to be acquired included (i) canteen for workers, (ii) office building and library, and (iii) hospital—assets which are non-productive.

No technical examination of the concern was made, but Sir J. C. Ghosh, the then D.G.I. & S., reported that the company was one of the biggest concerns and assistance should be given for expanding production.

The paid-up capital of the company as on 1st January 1947 was only Rs. 5.30 lakhs, but during the year 1947 the company appreciated its assets largely by a process of revaluation and the paid-up capital was increased to Rs. 31.71 lakhs by issue of bonus shares of the value of Rs. 26.42 lakhs. This amount was made up as under:—

	Rs.
(i) by revaluation of assets . . . . .	20.03 lakhs.
(ii) by transferring from Reserve Fund . . . . .	3.87 lakhs.
(iii) by transferring from Depreciation Fund . . . . .	2.52 lakhs.
TOTAL . . . . .	<u>26.42 lakhs.</u>

After these transfers, the Depreciation Fund stood at only Rs. 3.53 lakhs and the Reserve Fund at *nil*. The depreciation of Rs. 3.53 lakhs on the book value of fixed assets aggregating Rs. 39.69 lakhs is *prima facie* out of proportion. If the appreciation of fixed assets amounting to Rs. 20 lakhs was deducted, the book value of the fixed assets would be only Rs. 19.69 lakhs. If the depreciation of Rs. 3.53 lakhs is further deducted the net value of the mortgaged fixed assets exclusive of the new assets to be created out of the Corporation's loan would amount to Rs. 16.16 lakhs. The borrowings of the company as on 31st December 1947, amounted to Rs. 18.39 lakhs.

The company does not appear to have had a policy in the past of carrying adequate sum to depreciation. Even during the year ended 31st December 1949, the depreciation provision was only Rs. 2.66 lakhs on assets valued at Rs. 51.00 lakhs. The company informed the Corporation that for the purpose of providing depreciation it did not take into account the appreciation in the value of the assets that it had carried out in the year 1947. It is understood that the Corporation is still pursuing this matter with the company.

Mr. M. G. Bhagat, Managing Director of the company, when examined by the Committee on the question of appreciation of the value of the assets, submitted a note stating that the appreciation of the capital assets had the approval of the Examiner of Capital Issues of the Government of India, *vide* letter dated 28th June, 1946 (No. R. 1099-ECI/45) from the office of the Examiner of Capital Issues.

The company is earning good profits as a result of the Corporation's loan and has since built up a Depreciation Reserve of Rs. 16.17 lakhs, in addition to creating a general Reserve Fund of Rs. 1 lakh as on 31st December, 1951. The book value of the fixed assets as on this date

stood at Rs. 53.50 lakhs. The company has also borrowed Rs. 4.34 lakhs from a bank against raw materials and stocks valued at Rs. 21.37 lakhs.

The company has repaid Rs. 4 lakhs out of the loan of Rs. 20 lakhs and the company has been paying the interest as also the instalments on due dates.

On the assumption that the revaluation of assets had been done properly, we see nothing objectionable in the loan from the point of security; but it seems to us that on a strict interpretation of the Preamble to the Act, the Corporation's loan should not have been allowed to be utilised for repaying the bank loan which, according to the Balance Sheet of the company as on 31st December 1947, had been used largely as working capital.

The Corporation should have considered the propriety of giving a loan for the purpose of non-productive assets which was refused in the case of Jay Engineering Works Ltd.

(3) *Orissa Textile Mills Ltd.*—This is a new textile mill established in Cuttack. The company was registered in January, 1946. The Managing Agents are M/s. B. Patnaik & Co., Ltd., of which Mr. B. Patnaik and Mr. Partap Singh (son-in-law of L. Shri Ram's brother) are Directors. Mr. Partap Singh is also the *ex-officio* Managing Director of the Mills. In January, 1949, a loan of Rs. 50 lakhs was applied for. The paid-up capital as on 31st December 1948 was Rs. 65 lakhs. It was the first textile mill to be erected in Orissa and the total cost of the project was estimated at Rs. 118 lakhs for plant and building alone without provision for any working capital. At the time of its application to the Corporation for a loan, its fixed assets were Rs. 46.48 lakhs and the company had received a loan of Rs. 30 lakhs from the Orissa Government. The machinery ordered by the company was reported to be brand new and was considered to be the most modern and upto-date. With the loan applied for from the Corporation, the company proposed to repay Rs. 20 lakhs to the Government of Orissa towards their loan and the balance Rs. 30 lakhs was to be utilised towards acquisition of new capital assets.

The Ministry of Industry and Supply, Government of India, favoured the granting of the loan, though they pointed out that, in view of the high capital cost of the mill, it will not be in a position to make sufficient profits to declare a dividend for the first 3 to 5 years.

The Corporation sanctioned a loan of Rs. 40 lakhs only in March 1949, against Rs. 50 lakhs asked for by the company, on the condition that the company would persuade the Orissa Government not to press for the repayment of their loan to the company. If the Orissa Government loan was to be repaid, it should only be to the extent of Rs. 10 lakhs and not Rs. 20 lakhs. This stipulation was made in order to provide the company with adequate resources for working capital. The rate of interest was  $5\frac{1}{2}\%$  subject to  $\frac{1}{2}\%$  rebate. The Manager, I.F.C., Calcutta, was appointed a Director on the Board of the company.

The loan was fully utilised and the company was able to persuade the Orissa Government not to withdraw their loan of Rs. 30 lakhs.

In February 1950, the company approached the Corporation again for a second loan of Rs. 10 lakhs. This loan was required entirely for *working capital*. It was stipulated by the company that this amount would be repaid within one year. The loan was granted within 10 days of the application for loan. The rate of interest was 5% fixed.

The company could not pay back the second loan within one year as stipulated and asked for an extension of time which was granted. The company was able to pay back only Rs. 5 lakhs in April 1952 against Rs. 10 lakhs, and the balance of Rs. 5 lakhs is being paid in instalments.

Against the first loan of Rs. 40 lakhs, the company has paid back the first instalment of Rs. 2 lakhs.

On examination of the company's representative, it was discovered that the Managing Agents of the company, Messrs. B. Patnaik & Co., Ltd., had a paid-up capital of only Rs. 1,000 and did not hold a single share in the Orissa Textile Mills, Ltd. It is surprising that the Corporation should grant loans to a company whose Managing Agents do not have any financial interest in the concern which they manage. Although the Corporation takes personal guarantee of the Directors and the Managing Agents, such a guarantee would be of little practical utility and the Corporation should pay greater regard to this aspect of the Managing Agents' stakes in the applicant concern.

The latest Balance Sheet of the company available to us is for the year ended 31st March 1951, which shows that the Company's paid-up capital was Rs. 70.64 lakhs as on that date. The company's borrowings, apart from the two loans from the Corporation aggregating Rs. 50 lakhs, amounted to Rs. 74 lakhs, which included the loan from the Orissa Government of Rs. 25 lakhs, Rs. 5 lakhs having been repaid during the year to the Orissa Government against their total loan of Rs. 30 lakhs. The fixed assets of the company amounted to Rs. 117.30 lakhs after writing off Rs. 14.40 lakhs as depreciation. The company had sufficient profit to write off previous years' losses and other intangible assets. It was understood from the company's representative that during the year ended 31st March 1952 the company did not fare as well as in the previous year.

We have the following observations to make:—

- (i) The allegation made in Parliament that there were not sufficient assets at the time when the first loan was sanctioned, is not borne out by facts as the assets of the company as on 31st December 1948 were—

	Rs.
Fixed assets . . . . .	46.48 lakhs.
Advances for plant, machinery and buildings . . . . .	26.75 lakhs.
TOTAL . . . . .	73.23 lakhs.

and the assets to be created out of the Corporation's loan would also be required to be mortgaged to the Corporation.

- (ii) The grant of the second loan of Rs. 10 lakhs as working capital for 1 year is a clear breach of the purpose of the Act as outlined in the Preamble to the Act.

(4) *Sadepur Glass Works, Ltd.*—Please see chapter VIII.

21. It was also alleged in the House of the People that no industrial concern can get a loan from the I.F.C. on merits without influencing one or other of the Directors of the Corporation. All loans are sanctioned by the Executive Committee of the Board of Directors, but we have no evidence to indicate if and to what extent canvassing is done with the Members of the Executive Committee for influencing a favourable decision on a loan application. Indications are, however, available that an application in which the Chairman or a Director, including the Managing Director, of the Corporation takes interest is generally dealt with more expeditiously and liberally than other applications. It cannot be denied that the Corporation carries a bias in favour of established industries and industrial concerns with which any prominent industrialist is associated. It has been represented to us that suggestions were thrown out to certain applicants who are generally not so well known in the industrial field to associate some prominent industrialists in the management of the concerns. We appreciate the necessity for the Corporation being satisfied on the question of efficiency and reliability of the management of the applicant concern, but, for obvious reasons, no undue importance should be attached to the fact that the management of any concern is comparatively unknown in the industrial field.

22. In this connection we have given considerable thought to the question whether industrial concerns in which any of the Directors of the I.F.C. is interested should receive a loan from the Corporation. One school of thought advocated that the Corporation should not have on its Board of Directors any active industrialist. We do not support this view. We do not either support another view advanced that the Corporation, being a credit institution, should be governed by the analogy of the Banking Companies Act under which the grant of secured loans by a bank to its Directors is not prohibited. The Members of the Board of Directors of a public institution, like the I.F.C., should be above suspicion and we recommend that any concern in which a Director of the I.F.C. is a Managing Director or a Director/partner/share-holder in the Managing Agency concern should not be eligible for grant of loan by the Corporation. An applicant concern in which a Director of the Corporation is only an ordinary Director or a share-holder will, however, be eligible for grant of loan by the Corporation, but such loans would require to be sanctioned at a meeting of the Board of Directors of the Corporation by a unanimous vote at which at least 2/3rd of the total number of Directors qualified to vote should be present. In addition, it should be incumbent on the Corporation to disclose in its Balance Sheet, on the analogy of the Balance Sheets of Banking Companies prescribed under the Banking Companies Act, the loans granted to industrial concerns in which any of the Corporation Directors is interested as Director or shareholder.

23. In the Upper House a reference was also made to the loan granted by the Corporation to the Suedes & Leatherettes Ltd., Bangalore, and argument was advanced that, as the concern had as its Chairman the Rajah of Bobbili, it should not have been granted a loan by the Corporation. This company has been granted a loan of Rs. 10 lakhs against the mortgage of the fixed assets of the company

aggregating Rs. 28.89 lakhs. The company is engaged in the manufacture of leather cloth, book-binding cloth, leatherettes, ground sheets and rubber insulation tapes. It has been reported that the factory is equipped with upto-date machinery and it has the necessary technical staff and the guidance of a competent technical expert. We do not consider that the company because of having a Rajah as its Chairman should have been debarred from the grant of loan by the Corporation. The company is developing new lines of manufacture in which the country is deficient and the loan was recommended by the Commerce & Industry Ministry. We are satisfied about the justification for the grant of this loan; but the only unhappy feature about this loan is that a sum of Rs. 6.93 lakhs was allowed to be utilised out of the Corporation's loan for repaying the existing borrowings of the concern. No objection can be taken to the repayment of the mortgage loan of Rs. 2 lakhs to give the Corporation a first charge on the fixed assets of the company. However, the repayment of Rs. 4.47 lakhs to the Managing Agents and the Chairman of the company seems hardly warranted even if the amounts borrowed from them were utilised for the purpose of acquisition of fixed assets. As the intention of the I.F.C. is to supplement the normal credit, we consider it a wrong policy for the Corporation to encourage the financial support given by the Managing Agents and the Chairman being withdrawn. Other similar cases have been noticed by us on which we have commented elsewhere.

24. A reference was made in the Upper House to the Bengal Lamp Works. It was stated that the company was not controlled by big business and though the loan was sanctioned, there was a condition that the company should take on its Board two nominees of the Corporation. As the company did not accept this condition, the loan money was not paid by the Corporation. The facts are, however, different.

The company originally applied for a loan of Rs. 20 lakhs on the 4th March, 1949 for financing an expansion scheme which the Corporation thought was too ambitious. After discussion with the Corporation, the company submitted a revised application on the 10th October, 1949 for a loan of Rs. 11 lakhs and this loan was sanctioned on the 16th February, 1950. The Managing Director of the company appeared before the Committee and denied the allegation made in the Upper House. He explained that the difficulty arose owing to a legal flaw in the company not being able to obtain a clear discharge in respect of the repayment of their loan to the Calcutta National Bank Ltd., which had gone into liquidation. Subsequently, however, owing to the peace treaty with Japan, the company's projected scheme of expansion had been partially vitiated. He explained that he was re-shaping the whole scheme and would like to avail of the loan after 6 months. In view of the foregoing, we find it difficult to blame the Corporation though the Corporation probably erred on the side of being too cautious in respect of the legal formalities.

## CHAPTER IV

### GENERAL COMPLAINTS AND SUGGESTIONS.

#### General Complaints.

25. During the debates in Parliament certain complaints of a general nature were levelled against the Corporation. These complaints are dealt with in the following paragraphs:—

- (1) *The Corporation has failed to take a broad view of the needs of the industrial development of the country and particularly of industrially backward areas:*

From the Preamble to the I.F.C. Act, 1948, and the debates in the Constituent Assembly on the Bill, it appears that the intention of the framers of the Act was to give the Corporation a rather restricted scope, namely, to supplement the medium and long-term capital resources of industries and the Corporation was intended to operate as a pure industrial mortgage bank and it was never the intention that the Corporation should act as a Development Corporation in its true sense. One of the instructions issued by Government in exercise of the powers conferred by Section 6(3) of the I.F.C. Act, reads as follows:—

- “In its operations, the Corporation should assist, as far as may be practicable, the industrial development of backward provinces and areas in order that such regions may attain more balanced economic development”.

Under Sub-section (2) of Section 6 of the Act, the Board of the Corporation in discharging its functions is required to act on business principles, due regard being paid by it to the interests of industry, commerce and the general public. Again, under Sub-section (2) of Section 23 of the Act, the Corporation can grant only fully secured loans against tangible assets. The scrutiny of rejected loan applications carried out by us does not indicate that the Corporation entertains any bias against industries established or proposed to be established in backward regions. The Corporation, as at present constituted, and in view of the above obligations imposed under the Act, cannot act as promoters of industries and can deal only with such applications as are received by them from time to time.

- (2) *The Corporation has given assistance to large industries only and not to small and medium-scale industries:*

The examination by the Committee of the loan applications has not revealed any discrimination on the part of the Corporation against small industries in favour of larger industries. The Corporation has entertained applications from small industries provided such industries have satisfied the definition of ‘industrial concerns’ as given in the Act and have furnished adequate securities. As a matter of fact, a loan of Rs. 50,000 has been granted by the Corporation to a small Chemical Works. The Committee feels that unless small and medium industries approached the Corporation for loan the Corporation could not sponsor applications from such industries.

In this connection we would like to mention that a Member of Parliament, who appeared before the Committee for oral examination, interpreted the Preamble to the Act to mean that the I.F.C. was intended to cater only to the requirements of small and medium-scale

industries. We regret we cannot accept this view. The Constituent Assembly recognised that the Central Corporation should confine its activities to comparatively larger industries only while the interests of smaller industries will be looked after by the State Financial Corporations, whenever they are established.

(3) *The Corporation has not helped in dispersal of industries:*

We do not think that it is a function of the Corporation to regulate the dispersal of industries except to the extent needed for economic reasons. It has been ascertained that in almost all cases the Corporation referred the loan applications to the Ministries of the Government of India concerned with that particular type of industry for their opinion. It should be for the Ministry concerned to point out where dispersal was needed and to discourage any undesirable concentration of industries. It is, however, probable that the question of dispersal of industries was partially lost sight of or overlooked owing to the emphasis put on more production as an anti-inflationary drive.

(4) *The Corporation has not given any consideration to priority of industries and the financial assistance by the Corporation is not integrated with the Five-Year Plan:*

Until the Planning Commission's first preliminary report was out towards the middle of 1951, and in the absence of any Government directive on this matter, the Corporation was generally guided by the advice of the Ministry concerned and the criterion applied was whether or not there was sufficient capacity for indigenous production. The Corporation has to deal with applications as they come in and, from the point of view of the actual operation of the Corporation, it would have been difficult for the Corporation to adhere to any rigid priority list in the initial stage. In future the Corporation should conform to the recommendations in the Five Year Plan. Since the Planning Commission has prepared the programmes of development for 1951—56 in respect of 42 industries, the Corporation should find its task considerably easier.

Even if the *inter se* priority of industries is determined, it would obviously be undesirable to earmark separate funds for different categories of industries.

(5) *There is a distinct bias in favour of industries already earning good profit and loans are granted to companies which are in a position to raise loans in the market:*

We feel that the complaint is partially correct, but the bias of the Corporation in favour of established industries can be understood to have been due to the desire for ensuring the safety of the Corporation's money and for putting the available funds of the Corporation to productive use. On a strict interpretation of the Preamble to the Act, it would seem that the Corporation is intended to give loan only to those concerns which failed to raise the money themselves through normal channels. It appears to us that the Executive Committee of the Corporation did not exercise its mind as to whether the applicant for a loan was in a position to raise the money in the market. As a

matter of fact, a member of the Executive Committee, in the course of oral examination, admitted that the Executive Committee took it more or less for granted that an applicant who came to the Corporation was not in a position to raise the money in the market. We feel that the Corporation in this matter took too much for granted and probably overstepped their discretion in their anxiety to utilise the available funds at their disposal.

- (6) *Loans granted by the Corporation have not led to any increase in the installed capacity or production and loans have been given for commercial financing:*

According to the analysis made by the Corporation of the sanctioned loans, out of the total loan of more than Rs. 15.2 crores, approximately Rs. 5.8 crores have been granted for setting up of new types of industries, Rs. 4.1 crores have been granted to new industrial units for augmenting the existing installed capacity and Rs. 5.3 crores have been granted to existing industrial concerns for expansion, renovation and modernisation. However, according to our analysis, the corresponding figures under the three categories are Rs. 2.76 crores, Rs. 4.65 crores and Rs. 7.81 crores respectively. Some of the borrowing concerns have completed the projects for which the Corporation advanced the money and have started production. We have ascertained that in certain industries, e.g., cotton textiles, batteries, machine tools, oil engines, sugar, electric motors, the installed capacity has definitely increased, but without a detailed review of the activities of the borrowing concerns, it is difficult to determine the quantum of increase in the installed capacity or production as a result of the Corporation's lendings.

- (7) *Government have not issued any directive as to how the Corporation's funds should be disposed of and Government should determine the sector of industry which should receive loans from the Corporation:*

Section 6(3) of the Act prescribes "in the discharge of its said functions the Board shall be guided by such instructions on questions of policy as may be given to it by the Central Government". Again under Section 42 of the Act the Central Government is authorised to make rules to give effect to the provisions of the Act. We are, however, surprised that the only directives so far issued by the Government of India are those contained in Ministry of Finance letter No. 134/Adl. S/48, dated 21st August, 1948, addressed to the Managing Director of the Corporation. A copy of the letter is given at Appendix VIII. Government have not either framed any rules as envisaged in Section 42 of the Act. It has been urged before us that during the early years of the working of the Corporation the Government did not wish to fetter the discretion of the Corporation and wanted the Corporation to evolve a proper procedure by experience and that the existence of two senior Government officials on the Board of the Corporation would lead to a proper integration of Government policy with the working of the Corporation. We, however, consider that in fairness to the Corporation and to the public, Government should lay down the directive principles that it wishes the Corporation to follow.



- (8) *The grant of loans to the textile and sugar industries was not justified.*

These loans were supported by Government and Government was satisfied that the projects for which the loans in question were granted were of national importance. The above criticism, therefore, does not appear to be justified. As regards the sugar industry, it must be remembered that till lately the total sugar production in India fell short of the country's total consumption needs. The Committee considers that in respect of those industries in which saturation point has already been reached, no loans should generally be granted by the Corporation. In special cases it may be necessary to grant loans to existing industries for the purpose of rehabilitation and modernisation. In such cases the standards to be applied should be:

- (i) whether the applicants are in a position to raise finance themselves, and
  - (ii) whether the applicants have followed a prudent policy in distributing their profits in the past, i.e., whether they have frittered away their resources by paying unconscionably high dividends instead of strengthening their reserves.
- (9) *The economic efficiency of the Corporation is very low and the expense ratio is very high:*

The expense ratio of foreign financing institutions, expressed as a percentage of the total loans and investments outstanding at the end of the latest period for which the accounts are available, compares as below with the expense ratio of the I.F.C.:—

Industrial Development Bank, Canada . . . . .	2.1	%
Finance Corporation for Industry, U. K. . . . .	.05	%
Industrial and Commercial Finance Corporation of U.K.	.6	%
Industrial Finance Corporation of India . . . . .	.8	%

It might appear that the expense ratio of the Corporation is high and it may be that there is room for economy. We should like to observe that the Corporation has been in existence only for 4½ years and during that period it has not been able to find utilisation for its funds in full. As mentioned in paragraph 16, whilst the amount of loans sanctioned is Rs. 15.2 crores, the amount actually utilised, as on 31st December, 1952, is only Rs. 8.6 crores. With a larger utilisation, the cost of the Corporation is sure to come down. In this connection we may add that in order to economise on expenditure, the Corporation has not taken any steps to have on its staff expert technical personnel nor to set up an Economic Research Department. Both these are vitally necessary in the larger interests of the Corporation. The appointment of such staff is, therefore, urgently called for. We, however, believe that, as the years progress and the funds of the Corporation are utilised more and more, the expense ratio, even with the addition of the technical and economic staff, would tend to decline.

### Suggestions.

26. Some of the important suggestions made in Parliament are dealt with below:—

(1) *Nationalization of the I.F.C.*—It was stated in the course of the debate in Parliament that Shri Shanmukham Chetty, the then Finance

Minister, who piloted the I.F.C. Bill in the Constituent Assembly gave an assurance to the House that the Corporation would soon be converted into a wholly Government owned Corporation. In the printed debates of the Constituent Assembly we have not been able to find any categorical assurance of this nature by the then Finance Minister. Be that as it may, we have examined independently the pros and cons of this suggestion. The Government and the Reserve Bank at present hold between them 40% of the shares of the Corporation. Out of the thirteen Directors of the Corporation who have the right to vote (i.e., excluding the Deputy Managing Director), five are to be appointed by the Central Government and two by the Reserve Bank. The Government and the Reserve Bank will, therefore, have between them an effective majority. In addition, Government have power under Section 6 of the I.F.C. Act, to give instructions to the Board on questions of policy and if the Board fails to carry out such instructions, the Government have power to supersede the Board and appoint a new Board in its place. Besides under Section 42 of the Act the Central Government have power to make rules not inconsistent with the provisions of the Act. We, therefore, feel that the Central Government have even now very effective powers of control over the management of the affairs of the Corporation. Banking and Insurance companies, financial institutions and Co-operative Banks have subscribed Rs. 3 crores towards the share capital of the Corporation. This is not a small sum and there is no reason why this amount which has been canalised into the productive field of industry out of private savings should be allowed to flow back. There is also a distinct advantage in actively associating the Directors, representing shareholders' interests, in the affairs of the Corporation as they would obviously take more interest in its affairs than they would if the institution were wholly owned by Government and they were merely nominees of the Government on the Board. The Act confers borrowing powers on the Corporation but if the Corporation is converted into a wholly State-owned institution, it would apparently be difficult for the Corporation to follow an independent borrowing policy. As a State Corporation, it will obviously have to take its chance with other competing projects for sharing the common resources of Government. According to the Government Resolution on Industrial Policy and the Five Year Plan, private sector will continue to play a very important role in the industrial field for a considerable time to come. Taking all the above factors into consideration, no strong case for nationalisation of the Corporation at this stage appears to have been made out.

(2) *Directorate.*—A number of speakers in both the Houses urged that the Directors of the Corporation should not be directly associated with any big manufacturing concern and no industrial concern in which any of the Directors are interested should be eligible for a loan from the Corporation. We have already indicated our views on both these issues. As the private sector will continue to play an important role in the future industrial set up of the country and, as the I.F.C. is intended to supplement the capital resources of private industries, we do not consider it quite advisable to exclude experienced industrialists of the country, care being taken to ensure that there is no predominance of big industrial interests on the Board of the Corporation.

In the Upper House a suggestion was made that one Member from the House of the People and one from the Council of States should be included on the Board. There is nothing in the Act to prevent the Government from nominating Members of Parliament on the Board, and Members of Parliament may also find a place on the Board through election under the provisions of the Act. As a matter of fact, the Government nomination includes Shri Khandubhai Desai, M.P., while the late Shri Ramalingam Chettiar, M.P., represented co-operative interests on the Board.

Another suggestion made in Parliament was that one of the nominated Directors should be one who is interested in the development of small industries. We commend the suggestion for consideration by Government. We also recommend that in nominating members on the Board, Government should see that an economist, a managerial expert and a Chartered Accountant are included with a view to securing a balanced representation.

(3) *Annual Report and Accounts.*—We fully endorse the view generally expressed in Parliament that the Annual Reports of the Corporation are not informative. The Reports should in future include a list of borrowing concerns who have been sanctioned loans by the Corporation. Whatever may be the convention between a banker and his client, we see no reason for the Corporation withholding the names of its long-term borrowers from the Parliament and the public. Under the Indian Companies Act, secured loans obtained from banks, stating the nature of the security, and unsecured loans obtained from banks have to be shown separately in the Balance Sheet of a borrowing company, and loans taken by industrial concerns from the I.F.C. other than debentures will also, therefore, have to be shown in their Balance Sheets. The International Bank for Reconstruction and Development publishes the names of its borrowers. We feel that the grant of a loan by the Corporation to an industrial concern should generally instil confidence in public mind about its credit-worthiness and the publication of the information should enhance the prestige of the concern. For the same reason the names of the concerns whose applications for loan have been rejected by the Corporation should not be disclosed by the Corporation.

The Report should also indicate the amount of the loan, the location of the concern, the purpose of the loan, i.e., whether the loan is required for a new type of industry or for a new enterprise or for the expansion or rehabilitation of an existing enterprise, the nature of the project and a classification showing the regional and industry-wise distribution of the loans. The names of the Directors and members of the Executive Committee should be indicated in the Annual Report. We do not approve of the present practice of the Chairman and Directors (other than the Managing Director) not signing the Balance Sheet and Profit & Loss Account, which should in future be signed by all the members of the Board.

The Annual Report of the Corporation should also contain a review of the fortunes of the borrowing concerns and the trend of the development of industries in the country generally. Due to its close contact with a variety of industrial concerns, the I.F.C. is in a better

position to survey the industrial development and needs to industries in the country. Such a survey will give a good indication to Government of the deficiencies of its economic and industrial policy.

The Report should include the criteria applied by the Corporation in sanctioning loans. Any directives issued by the Government of India to the Corporation should also be published in the Report currently. The activities of the I.F.C. should be widely publicised in order to educate the public to facilitate fuller utilisation of its resources.

We further suggest that a quinquennial review should be issued by the Corporation indicating the detailed purposes of each loan, the utilisation thereof, the progress made by each industry as a result of the Corporation's loans and the actual increase in industrial production resulting therefrom.

(4) *Participation in Equity Capital.*—Conflicting views have been expressed on the question whether the I.F.C. should participate in the equity capital of borrowing concerns. Some stated that while the Act authorised the Corporation to acquire shares and stocks as a result of an underwriting agreement, and though the Act required that such shares and stocks should be disposed of within a period of 7 years, it was anomalous to statutorily debar the Corporation from participating in equity or risk capital. We consider that in view of the small share capital of the Corporation and as the share capital carries the guarantee of a minimum dividend, it would be hazardous for the Corporation to subscribe to equity or risk capital. The I.F.C. being the only institution of its kind in India, should primarily act as an industrial mortgage bank and Government, if necessary, should set up a separate Development Corporation. However, when the reserve fund of the Corporation aggregates Rs. 5 crores, the question of participation in equity capital of concerns which have been paying dividends regularly may be considered, if necessary.

In this connection, we would suggest for the consideration of Government whether the Corporation should not be empowered to keep the right of converting a part or whole of its loan capital into share capital. If the loans received from the Corporation are judiciously utilised, the earning capacity of the industrial concerns should be substantially increased. The benefit of the increased earning capacity, after the loan has been completely amortised, will accrue entirely to the shareholders of the concern. We see no reason why a public corporation like the I.F.C. should not be given the right to convert its loan into share capital with a view to participating in the additional profit, resulting from its loan, either through higher dividends or through capital appreciation in the share value. We have noticed that a large number of industrial concerns which have borrowed from the Corporation are under-capitalised and have a lopsided capital structure. The conversion of I.F.C. loan into share capital will help in remedying this defect. It may also make the share holding more broad-based and enable the public funds like that of I.F.C. to participate in successful industrial undertakings.

(5) *The Corporation should have a proper agency of technical staff and a well-organised Research Department.*—We consider it imperative for the Corporation to set up a strong technical organisation, the necessity for which arises not only out of the need for the Corporation to thoroughly scrutinise the projects for which loans are required, but also for extending necessary technical guidance and advice to borrowing concerns. As the need for technical organisation arises in other bodies as well, like the Tariff Commission, Government might consider the possibility of setting up a "pool" of technical personnel of adequate standard whose services could be utilised by all government and quasi-government institutions. This will secure fuller utilisation of the technical personnel available in the country and will incidentally result in overall economy. The present policy of securing technical advice from similar or competitive industries is likely to make the applicants suspicious of such experts. In one instance where a technical expert was sent to assess a loan application became eventually a partner in the managing agency firm of the loanee company. The Corporation did not raise serious objection to such a step on the part of the expert and this we consider is not a healthy precedent to establish. The Corporation should also freely consult the Board of Scientific and Industrial Research on technical questions.

The need for setting up an Economic Research and Intelligence Branch under an experienced economist cannot be over-emphasised. This Branch should be able to make a very valuable contribution in respect of the past history of the type of industry for which loan has been applied for and should be in a position to estimate the future prospects of the industry. The Branch should also be in a position to render valuable assistance to the constituents of the Corporation.

In the absence of competent technical staff, the Corporation has been forced to rely for assistance on outsiders and the advice received is sometimes incomplete. The recommendations of the Ministry concerned are on occasions perfunctory and are not, therefore, always helpful in assessing the value of a project. As the executives of the Corporation, both at the Head Office and at the Branches, are men with only banking experience, the Corporation is handicapped in assessing the technical aspects of the scheme. This glaring shortcoming in the organisation should be rectified.

(6) *Rate of interest.*—Divergent opinions were expressed on the question of rate of interest. One suggestion was made that the present rate of interest was high and was not conducive to the industrial development of the country while another suggestion was made that the rate of interest should be raised to 6 per cent. The rate of interest will obviously have to be varied according to money market conditions. At the outset, the gross rate was 6 per cent. per annum with a rebate of 1 per cent. to  $\frac{1}{2}$  per cent. for repayment on due dates. Thereafter, the rate was revised to  $5\frac{1}{2}$  per cent. with  $\frac{1}{2}$  per cent. rebate. This rate continued till the beginning of 1952 when it was raised to 6 per cent. with a rebate of  $\frac{1}{2}$  per cent. This

has since been further raised to 6½ per cent. with a rebate of ½ per cent. for punctual payment. We are satisfied that the rates charged from time to time are reasonable.

(7) *Eligibility of Private Limited companies.*—It was suggested by some Members in Parliament that there was no justification for exclusion of private limited companies from the purview of the Corporation's loans. We, however, consider that as private limited companies, like proprietary concerns, are intended for the benefit of a few only and the public are not invited to participate, such companies should not be eligible for grant of loan by the Central Corporation. Under the State Financial Corporations Act, however, such companies will be eligible for grant of accommodation by the State Corporations, when established. Any private limited company sponsoring an industrial project which is of national importance should not find it difficult to change the character of the company by converting itself into a public limited company. We understand that the Tariff Commission, before recommending the grant of any protection to any private limited company, insists on its being converted into a public limited company.

(8) *Preferential treatment to Co-operatives.*—It was suggested that co-operative organisations should get preference and industrial co-operatives should be eligible for loans from the Corporation. Under the definition of "industrial concerns" given in the Act, co-operatives are eligible for the grant of financial accommodation by the Corporation. A loan to a co-operative institution has already been granted by the Corporation. Applications from co-operative institutions have not been forthcoming. As there was only one application from a co-operative institution, the question of showing preference did not arise; but we trust that the Corporation will give co-operative institutions every consideration.

(9) *The Corporation should be run to develop basic and key industries in backward areas.*—As already stated in earlier paragraphs, we do not consider that the Corporation, as at present constituted, is in a position to take the initiative in promoting new industries. If and when a separate Development Corporation is established by Government, it will be for that Corporation to promote basic industries in backward areas and, at any rate, the requirements of basic industries are likely to be so large as to be beyond the means of the Corporation.

We attempted to get an indication as to what would constitute a backward area but no sure guidance was available in this matter. The statistics available regarding industrial employment and industrial undertakings in each State, no doubt, give some indication as to which States are industrially developed and which are industrially underdeveloped, but it is very difficult to judge as to whether a particular district or a particular part of a State is industrially underdeveloped or not. Government should, therefore, give to the Corporation a clear indication as to which regions or areas should be regarded as "backward" with a view to enabling the Corporation to give preference to such areas, if necessary.

(10) *Audit.*—A suggestion was made that the full responsibility for auditing the accounts of the Corporation should be entrusted to the Comptroller and Auditor General. Under the recent amendment of Section 34 of the Act, the Comptroller and Auditor General of India will in future be associated in the following manner:—

- (i) One of the Auditors of the Corporation will be appointed by the Central Government in Consultation with the Comptroller and Auditor General;
- (ii) Any directions that the Central Government may decide to issue to the Auditors of the Corporation, in exercise of the powers conferred by Sub-section (4) of Section 34, will have to be done in consultation with the Comptroller and Auditor General;
- (iii) Copies of Auditors' Reports will have to be furnished by the Corporation to the Comptroller and Auditor General;
- (iv) In addition to the audit by two private Auditors, the Comptroller and Auditor General may either on his own motion or at the request of the Central Government undertake an audit of the Corporation's accounts. Such audit will be mandatory whenever the Central Government is required to make any payment on account of the guarantee given by it under Section 5 or Section 21(2) or Section 27(2) of the Act.

We consider that the above provisions are adequate.

## CHAPTER V

### SECOND TERM OF REFERENCE

27. In this Chapter we deal with the second term of reference which requires us to verify whether in general due care has been exercised in the grant of loans. The Act itself provides that no accommodation shall be given by the Corporation unless it is fully secured. Neither the Government, nor the Board of Directors of the Corporation has, however, laid down any specific instructions as to the margin to be required, the method of valuation to be adopted, etc. Chapter VII of the Corporation's General Regulations contains instructions of a very general nature and the responsibility for valuation of assets, deciding the margin to be required, the form of deeds to be executed etc., is left to the discretion of the Executive Committee of the Board, which very often in actual practice has meant the unfettered discretion of the Managing Director. The absence of specific instructions has apparently led to some anomalies exposing the Corporation to the charge of favouritism and nepotism. The Corporation in a Memorandum submitted to us has stated that normally they endeavour to provide for a margin of about 40 to 50 per cent. and though the percentage has been maintained in a large number of cases, we have noticed that the percentage has varied from 17 to 85. While it is obviously necessary to have some flexibility in the matter of margin, we consider that the Corporation should try to adhere to a minimum margin of 50 per cent. The bulk of the security in the case of the I. F. C. loans comprises of plant and machinery which are depreciable. In case the Corporation is required to foreclose a mortgage due to default of the borrowing concern, it may be difficult for the Corporation to realise the full value of its loan, particularly when the securities cannot be sold as a going concern. The Corporation should also give particular care to the question of valuation of existing assets which are offered as security. Though in this matter the Branch Manager who inspects the industrial concern before a loan is granted includes his comments in his Report, the absence of technical personnel and Chartered Accountants on the staff of the Corporation is a serious handicap.

We have noticed that some of the applicants have resorted to the practice of appreciating their fixed assets. In one case land was appreciated by Rs. 12.22 lakhs and buildings by Rs. 3.49 lakhs. In another case the assets were revalued by Rs. 20 lakhs. In a third case the assets were revalued by Rs. 15 lakhs in spite of expert opinion that the condition of the machinery of the concern was in an advanced state of wear. The Corporation should guard against any tendency on the part of borrowing concerns to inflate the value of assets for the purpose of securing large loans from the Corporation.

28. Regulation 56 of the General Regulations referred to above, requires the Committee to determine the margin having regard to the earning capacity and prospects of the industrial concern, the competence of its management and other similar considerations. We have not noticed in the memorandum put up for each loan application by the Corporation to the Executive Committee that adequate



attention has been paid to assess the earning capacity of the concern after the project for which the loan is intended has been completed. It was explained by the Corporation that due to variable factors, like change in the price of raw materials and other imponderables, the Corporation finds it difficult to properly assess the future earning capacity. We, however, feel that the Corporation should give greater attention to this aspect of the question as the security of the loan improves proportionately to the ability of the concern to earn sufficient profits.

29. We consider that apart from looking into the competence and integrity of the management of an applicant concern, the Corporation should also take into account the amount of financial stakes that the Director and the Managing Agents of the applicant have in the concern. We came across a peculiar case in which the Managing Agents have no shareholding in the capital of the concern and the Managing Agency firm itself had a nominal capital of Rs. 1,000 only.

One of the conditions specified in the draft letter accompanying the intimation of the sanction of a loan is that the directors or partners of the Managing Agency concerned shall guarantee the repayment of the advance in their personal capacity, the guarantee being joint and several. Unless the directors or partners of the Managing Agency concerned are people with substantial means, it is obvious that any guarantee obtained from them would not prove of any real value to the Corporation.

As a corollary to the above, it seems necessary to ensure that the Managing Agents of any borrowing concern should not be at liberty to dispose of their shareholdings in the borrowing concern without the prior approval of the Corporation. It is not unlikely that if a borrowing concern gets into difficulties, the Managing Agents may try to reduce their financial stakes in the concern by disposing of their shareholdings and it seems expedient for the Corporation to make suitable stipulation in the loan agreement to prevent this being done.

30. We have noticed that twenty-one concerns have been granted more than one loan. Admittedly, there is nothing intrinsically wrong in the Corporation granting more than one loan to an industrial concern. But the Corporation must guard against any tendency on the part of an industrial concern to rope in the Corporation with a small initial loan with the intention of forcing larger future commitments on the Corporation. We consider that the Corporation, when granting the first loan to a concern should fully appraise the long-term capital needs of the concern, particularly in the case of under-capitalised companies. The case of Sodepur Glass Works is a pointer.

## CHAPTER VII

### THIRD TERM OF REFERENCE

31. In this Chapter we deal with the third term of reference which requires us to review generally the policy followed by the Corporation in the grant of loans with due regard to the objectives of the Act and the directions issued by the Government. In this connection a reference is invited to paragraph 25 above. The purpose of the Corporation, as defined in the Preamble to the Act, is not entirely free from ambiguity and Government, except expressing a general wish in the matter of development of backward regions have not issued any other considered policy directives in the matter of grant of loans by the Corporation. In their first Annual Report, the Corporation indicated the following 10 criteria for the purpose of judging loan applications:—

- (1) National importance of the industry.
- (2) Experience and competence of the management.
- (3) Feasibility of the scheme.
- (4) The reputation enjoyed by the products of the company for quality.
- (5) The cost of the scheme as compared with the resources of the company.
- (6) Security offered and its proportion to the loan.
- (7) Whether the aid granted is likely to help the company to work efficiently and comfortably.
- (8) Whether the industry is one of those whose production exceeds the country's requirements.
- (9) Whether the concern has adequate technical personnel.
- (10) Whether adequate supplies of raw materials will be available over a period of years.

From an examination of the various loan transactions it has been our impression that although ten criteria have been clearly laid down, sufficient regard has not been paid to them in all cases. Discretion in these matters, which should ordinarily have been exercised by the Board of Directors as a whole, was generally left to the Executive Committee. In the absence of fuller directives from the Board to the Executive Committee for the application of the criteria laid down, there has been a great deal of misunderstanding which we feel is mainly the cause of public criticism.

We are told that the lending policy of the Industrial and Commercial Finance Corporation of the United Kingdom has followed closely the directions given to the Capital Issues Committee by the Chancellor of the Exchequer from time to time and the provisions laid down by the Government departments. We have already referred to the fact that except once in 1948, no directions were given to the Corporation under Section 6(3) of the Act by the Central Government. It would be desirable if the procedure followed in England is adapted with benefit so that the planned development of industries may be promoted and appropriate priorities fixed. In the present enthusiasm for the Five Year Plan it is necessary that there

should be greater and more frequent guidance from the Central Government, though such guidance may entail the sacrifice of a certain amount of business to the Corporation.

32. From the proceedings of the meetings of the Executive Committee we have noticed that while sanctioning a loan, the Executive Committee, except in a few cases, did not fix the detailed terms and conditions that will apply to the loan but left these points to be negotiated by the Managing Director. There would ordinarily be nothing wrong in this procedure if the Managing Director takes care to report back to the Executive Committee and obtain their consent in every case where the terms and conditions are negotiated by him before the actual disbursement of the loan takes place. From the information we have been able to gather we find that the Managing Director does not always, prior to the disbursement of the loan, report to the Executive Committee the terms and conditions of the loans settled by him. The Executive Committee and the Board of Directors become aware, if at all, of the conditions imposed long after the transaction has been concluded. We find that, as far as the Board is concerned, they are usually supplied with copies of the proceedings of the Executive Committee and any examination they choose to make is only *post facto*. In a few cases where they have chosen to intervene, they have preferred to refer back the applications to the Executive Committee for reconsideration rather than taking action themselves.

In our opinion, this procedure of leaving the entire discretion to the Managing Director alone naturally leaves scope for the play of personal bias and for the possibility of favouritism. This exposes the Corporation to the charge of favouritism and nepotism.

33. The following is a summary of the applications rejected (reference Appendix III) during the last four and a half years:—

Year ended	Applications rejected	Amount involved Rs. (lakhs)
30th June 1949 . . . . .	33	189
30th June 1950 . . . . .	44	431
30th June 1951 . . . . .	22	165
30th June 1952 . . . . .	19	177
Half year ended 31st December, 1952 . . . . .	9	99
	127	1061

Of these 127 applications, 9 applications for loans amounting to Rs. 1,48,80,000 were reconsidered by the Corporation as a result of representations made by the applicants and, on reconsideration, loans aggregating Rs. 1,17,50,000 were sanctioned.

The reasons for the above rejections may be classified as follows:

1. Loan applied for, disproportionate to paid-up capital.
2. Loanee under-capitalised.
3. In view of existing charge on borrower's assets, borrower offered no security.
4. No tangible assets to provide security.
5. Loan, if granted, would be utilised for liquidating the existing liabilities.

6. Loan, if granted, would be used to pay off the existing bank overdrafts.
7. Limited scope for future expansion.
8. Inadequate demand for particular products.
9. Not recommended by Ministry of Industry & Supply.
10. State Government did not support loan application.
11. Dairy Farm of particular nature was not within the scope of the Corporation.
12. State Government had already given loan.
13. Loan wanted for Working Capital.
14. No loan to Oil Mill as Oil Mill had low priority in the Development Scheme of Government.
15. Machineries being old.
16. Industrial concern is an unbalanced and uneconomic unit.
17. Absence or inadequacy of technical staff.
18. Absence of proper system of keeping books of accounts.
19. Absence of arrangement for technical supervision.
20. The project was in a formative stage.
21. The working of the borrower resulted in loss.

It would appear from examination of some of the rejected applications that the grounds for rejection stated above were not uniformly applied to all the cases, or in other words, in some of the cases loans had been granted though the applicants suffered at the time of taking loans from some of the disabilities enunciated above.

It is also true that reasons for rejecting applications as given were not final as it would appear that some of these very rejected applications were accepted on reconsideration by adjustment of the offending grounds. It may well be asked why such an attitude was not taken in regard to other applications. Had this been done, some of the applicants might have qualified for loans.

34. It has been brought to our notice that the delay made by the Corporation in sanctioning loans and particularly in the payment of money against sanctioned loans seriously affect the prospects of the project for which the loan is required. We think that the complaint is justified as from the records of the Corporation we find that out of the total of 103 loans sanctioned by the Corporation, 14 were sanctioned within 1 month from the date of receipt of the application, 18 within 2 months and 22 within 3 months, while it took the Corporation 4 months to sanction loans in respect of 12 applications, 5 months in respect of another 6 applications and 6 months or more in respect of the remaining 31 applications. The delay in actual disbursement of the loans is even more pronounced. Admittedly, the grant of loans against mortgage of fixed properties is a more involved process than in the case of loans granted by commercial banks against hypothecation of goods or against documents and we are aware that in most cases the delay is caused by the parties themselves not presenting the documents in time. We, however, consider that the Corporation must actively try to cut short

delays as otherwise the utility and the popularity of the Corporation is likely to suffer. We fear that such delay might deter prospective applicants and we understand that during the past few months very few applications for loans have been received by the Corporation. We have noticed that one of the reasons for delay in finalising the documents is the inordinately long time taken in getting the titles to properties of the borrowing concerns verified. Such delay can be minimised if the applicants are required to furnish, along with the loan applications, a certificate from the applicant's own Solicitors or Legal Advisers to the effect that the relevant titles are in order in all respects.

In cases where hold up is unavoidable, the Corporation may make a part payment of the loan on the hypothecation of the assets pending the execution of regular mortgage deeds.

35. It has been represented to us that, though the rate of interest charged by the Corporation is not by itself unreasonable, taking into account the legal expenses, stamp fees for documents and travelling expenses in connection with negotiation of loans, the total cost of securing financial accommodation from the Corporation works quite high. We are inclined to agree that there is some substance in this complaint and would suggest that the Corporation should endeavour to keep the expenses to the minimum. We are told that the verification of title to properties, which is carried out at the place where the property is situate, very often proves costly. The Corporation may consider if this expenditure can be cut down by employing a special agency for verification of titles instead of lawyers or by getting the work done departmentally through trained legal hands. Our information is that even where the verification of titles is entrusted to a lawyer, the actual verification is done by the lawyer's clerks, and we see no reason why the Corporation cannot employ its own staff with suitable experience and training for the purpose of verifying titles to properties. The Corporation has a full time Law Officer in its employ at Head Office and, in view of the experience gained during the last 4½ years, we suggest that the Corporation should entrust the drafting of various deeds in connection with loans to its Law Officer instead of getting this work done through solicitors or mufussil pleaders, as at present. This is likely to result in the fuller utilisation of the services of the Corporation's Law Officer and will also help to bring down the cost to the loanees. At present the legal expenses charged to the loanees vary. We suggest that a fixed but small and graded inclusive fee may be levied towards legal cost in addition to stamp duties and printing costs, **if any**.

## CHAPTER VI

### RECOMMENDATIONS AND SUGGESTIONS FOR IMPROVEMENT

#### Organisational.

36. The Act envisages that the general superintendence and direction of the affairs of the business of the Corporation will be carried out by the Board of Directors with the assistance of an Executive Committee and a Managing Director. In actual fact, however, it seems that the Board has not fully exercised its responsibilities and the Executive Committee and the Managing Director have been left with the full responsibilities for the administration of the Corporation including the sanctioning of loans. Section 7 of the Act envisages that the Board should give general or special directions to the Executive Committee, but we have not come across any such direction from the Board except those contained in Chapter VIII of the General Regulations which have been reproduced in Appendix IX. According to Section 9 of the Act, the Managing Director "shall perform such duties as the Board may, by Regulations, entrust or delegate to him;" but Regulation 43 of the Corporation's General Regulations only provide for emergency delegation to the Managing Director. We consider that except in exceptional circumstances the final authority to sanction loans should vest in the Board of Directors and not exclusively in the Executive Committee and the Board must share the responsibility in the matter of sanctioning loans with the Executive Committee. Even in the absence of specific prescribed limitation on the powers of the Executive Committee, there should be no difficulty for the Executive Committee, on its own initiative, to refer a particular loan application of a type of loan applications involving important issues for sanction by the Board. As a matter of fact, it should be the convention of the Executive Committee to keep back difficult cases for the Board's approval, such as (a) loans in excess of any prescribed financial limit, (b) where more than one concern under the same Managing Agency applies for loans, (c) where more than one loan is granted to the same concern and (d) where an application for a loan is made by a concern in which a Director of the Corporation is interested. On the other hand, too much restriction on the powers of the Executive Committee should be avoided as it is likely to destroy the responsibility and initiative of the Executive Committee.

37. An alternative to the above suggestion would be to do away with the Executive Committee altogether. The Board at present meets once in every quarter. By having Board meetings at more frequent intervals, viz., say once in every two months, it should not be difficult for the Board to exercise all the powers which are at present exercised by the Executive Committee. A standing loan committee of the Board may be set up for vetting all loan applications before being put up to the Board for disposal. The loan committee may consist of the Chairman of the Board of Directors as Chairman, one Government representative, one Banking Companies' representative and one representative of the Insurance Companies.

38. We suggest that the Corporation should have a whole-time paid Chairman to be appointed by Government. Such a Chairman will have more direct touch with Government and better acquaintance with Government policy and will be responsible both to the

Government and to the Board. The Chairman will be assisted by a General Manager and a Secretary in the matter of the day to day working of the Corporation while the overall policy and the general superintendence of the Corporation will be the responsibility of the Chairman and the Board of Directors. The position of the Chairman will in that event be analogous to that of the Governor of the Reserve Bank. The Chairman should not necessarily be an active industrialist but he should be a man with mature experience in the field of production, management and finance. We consider that it is not enough to have an eminent Banker as the Chairman as we do not wish to see the Corporation governed solely by a banker's outlook. The Corporation will be an instrument not only for rendering appropriate aid to those industries which are well established but also to assist such industries which are of national importance but whose development is likely to be retarded for want of finance. Sometimes it may be necessary for the Corporation to operate in fields which an orthodox banker will hesitate to tread on. The selection of a proper person for this responsible position will be a matter of great importance and nothing will be gained by replacing the whole-time Managing Director by a whole-time Chairman unless a man with the appropriate status, experience and outlook is found.

39. Section 8 of the I.F.C. Act authorises the Corporation to appoint one or more Advisory Committee or Committees for the purpose of assisting the Corporation in the efficient discharge of its functions and, in particular, for securing that those functions are exercised with due regard to the circumstances, conditions prevailing in and requirements of particular areas. We, however, notice that only two *ad hoc* committees—one for textile and one for sugar—have been set up by the Corporation. It is obvious that, without regional Advisory Committees, it will be difficult for the Corporation to assess properly the circumstances, the conditions prevailing in and the requirements of particular areas. The present Board of Directors of the Corporation happens to have by coincidence an overwhelmingly large representation from Bombay and regional representation on the Board is very much out of balance. A local Advisory Committee could remedy the disadvantages following from an unbalanced representation on the Board. We, however, suggest that, instead of having a Standing Local Advisory Committee, a regional panel of advisers for each Branch Office should be formed, out of which a few could be selected by the Chairman *ad hoc* to deal with each loan application. Such a panel should consist of industrialists, technologists, managerial experts and auditors, and each *ad hoc* committee should co-opt the Director of Industries of the State concerned. The Chairman of the Corporation should nominate a Director of the Corporation from the area concerned to act as Chairman of the *ad hoc* committee. In the absence of such a Director, the I.F.C. Branch Manager concerned will preside. The Report of such *ad hoc* committees should be placed before the Board along with the recommendation of the Executive Committee or Loan Committee, as the case may be.

40. The question as to what policy the I.F.C. should pursue in respect of industrial concerns the management of which is taken over by the Corporation, in exercise of the powers conferred under Section

28 of the Act, raises a very important issue. The various alternatives that could be availed of by the Corporation would be:

(a) to dispose of the concern as a measure of foreclosure of the Corporation's mortgage;

or

(b) to take over and—

- (i) run the concern departmentally; or
- (ii) run the concern, as in the case of Sholapur Mills, through a nominated Board of Directors on a care-taker basis; or
- (iii) run the concern through a nominated firm of Managing Agents.

This question has assumed practical significance in view of the fact that the management of one of the borrowing concerns has already been taken over by the Corporation. We suggest that, as a general rule, the management of the concern should be entrusted to a nominated Board of Directors in preference to departmental management or management through a managing agency firm. The selection of the members of the Board of Directors should be done by the Board of Directors of the Corporation in consultation with Government. Sale of the industrial concern should not be undertaken except under very special circumstances and the Corporation should, as far as possible, safeguard the interests of the shareholders of the concern and its employees. In case the Corporation decides to adopt alternative (a) above, it should invariably secure the prior approval of the Government of India. If, however, any of the other alternatives are adopted, the Ministries of Commerce and Industry, Production and Finance as well as the Government of the State in which the factory is located should be consulted.

We suggest that the Government of India should issue an immediate directive to the Corporation to the effect that no industrial concern, the management of which is taken over by the Corporation, should be disposed of without prior reference to the Government.

41. Divergent opinions have been expressed before us about the degree of control that Parliament should exercise over the Industrial Finance Corporation and other similar statutory Corporations. A suggestion was made by a Member of Parliament that a Minister, preferably the Minister for Commerce and Industry, should be the Chairman of the Corporation. This suggestion was intended to secure greater Parliamentary control over the Corporation and to ensure proper integration of Government's industrial and fiscal policy with the working of the Corporation. We do not agree with the above suggestion as, for the purpose of Parliamentary control, it is not essential to link a Minister with the management of the Corporation and necessary integration with Government policy could be secured through Government nomination on the Board and through directives. As a matter of fact, for that purpose one very senior official of the Ministry of Finance and one of the Ministry of Commerce and Industry are already included on the Board. There is a consensus of opinion, and we agree, that direct interference by Parliament in the day to day administration of the Corporation should be avoided. The



I.F.C. Act and generally all Acts setting up statutory Corporations provide for the annual accounts being laid before Parliament. We understand that suggestions have been made that in future the Budget Memorandum should indicate briefly the working of statutory Corporations. Recent amendment to Section 34 of the Act provides that audit reports on the Corporation shall be laid before Parliament. This should provide Parliament opportunities to discuss the affairs of the Corporation in a general way. It is obvious that a full Parliamentary body is not the proper forum for discussing the detailed working of such statutory Corporations. In the case of a credit institution like the I.F.C., it is all the more necessary to avoid detailed discussions as it is likely to affect the credit of the Corporation and its borrowers. We, however, feel that arrangements should be made for Parliament to look more systematically into the affairs of the I.F.C. and other similar statutory Corporations. We, therefore, suggest that the question of appointing a Public Corporations Committee of Parliament may be examined. The Estimates Committee or the Public Accounts Committee may not be able to devote sufficient time necessary for looking into the detailed working of such statutory Corporations and hence the need for a separate Parliamentary body.

42. It has come to our notice that sometimes an industrial concern which has already obtained a loan from the I.F.C. has to face a temporary crisis owing to large accumulation of stocks of finished goods resulting from a glut in the market due to large-scale imports. The accommodation required by a concern to meet such a crisis is for a short time and would be outside the purview of the I.F.C. Such accommodation is generally within the domain of the normal activities of the commercial banks and we suggest that the Corporation should, instead of providing such temporary accommodation themselves (as has been done in a few cases) assist the concern to obtain temporary accommodation through the normal banking channel; and, for this purpose, if necessary, the Corporation should guarantee the loan of the bank. Under Section 23 of the Act, guaranteeing by the Corporation of loans raised by industrial concerns is permissible only when such loans are floated in the public market. We suggest that the Act should be suitably amended to authorise the Corporation to guarantee temporary loans taken by a loanee of the Corporation from a Bank where such temporary accommodation will ensure the safety of the original loan taken from the Corporation and it is in the interest of the Corporation itself to assist the borrowing concern.

43. We have received suggestions from some quarters that with a view to enabling the Corporation to maintain better contact with the business and industrial world, the head office of the Corporation should be removed from New Delhi to either Bombay or Calcutta. We consider that from the point of view of Government representation on the Board and the Executive Committee, and as the Corporation has to maintain a very close contact with the various Ministries of the Government of India, it is an advantage to have the headquarters of the Corporation at New Delhi and these reasons obviously prompted the Government to establish the head office of the Corporation in New Delhi. We do not, therefore, recommend a change in the location of the head office of the Corporation. However, with a

view to securing better contact with business and industrial interests and feeling the pulse of the industrial activities of the country better, we suggest that the Board of the Corporation should occasionally meet at Bombay, Calcutta, Madras, etc.

44. The present practice of levying and collecting interest charges from the amounts of loans advanced may be in accord with normal banking practice; but where the Corporation undertakes to advance loans for an entirely new project, we are of the opinion that the deduction of interest from the loan acts as a hardship to the loanees and in fact might considerably impede or delay the completion of the project. For new projects, therefore, we recommend that a new classification of loans with a system of deferred payment of interest may be considered. Where it would be a burden on the new project to pay interest on the loan which it has taken before its completion, the recovery of interest should commence from the time the project goes into production, but meanwhile interest should continue to accrue.

45. We suggest that Government should issue a directive to the Corporation to the effect that for the next 3 years loans in excess of Rs. 50 lakhs to one concern should be sanctioned only with the approval of the Central Government, at Ministerial level, and the position may be reviewed after 3 years.

46. In our view Government should be apprised of not only the financial state of affairs of the I.F.C. from time to time, but collectively of the borrowing concerns and of the concerns the management of which the I.F.C. takes over. In regard to its own affairs, the Act already provides that the Annual Accounts and a report on the working of the Corporation shall be furnished to Government. As for the borrowing concerns, we suggest that an annual summary of the financial statements of such concerns like Balance Sheet, Profit and Loss Account should be prepared more or less on "Group Accounts" basis as followed in the United Kingdom or as near as circumstances permit or in such manner as the I.F.C. may determine and should be presented to Government. Regarding the concerns, the management of which is taken over by the I.F.C., separate Balance Sheet and Profit and Loss Account for each such concern, duly audited, should be sent to Government and also to the shareholders of the I.F.C. along with its own Annual Accounts.

We suggest that on the analogy of the procedure followed by the Industrial Development Bank of Canada, the I.F.C. should submit to the Finance Minister half-yearly a statement of its assets and liabilities and a statement of its loans and investments. This should help the Minister to review the activities of the Corporation periodically.

47. The forms of Balance Sheet and Profit and Loss Account prescribed under Regulation 50 are, in our opinion, not adequate for exhibiting a correct picture of the state of affairs of the I.F.C. We recommend that the specimen forms set out at Appendix X should be adopted for the future.

Although the I.F.C. has issued four annual statements of accounts, the auditors have not indicated whether there are any bad and doubtful debts for which reserve should be created. Nor have they indicated the interests of the Directors in loans granted, possibly because of absence of any provision in the Act and the Regulations as to what would constitute direct or indirect interest of a Director. We have already suggested that shareholding or ordinary directorship in a concern should also be regarded as falling within the mischief of Section 17(4) of the Act. In the revised form of Balance Sheet recommended by us, we have provided for separate exhibition of loans in which Directors are interested.

While we recognise that, in view of the short period that has elapsed, it was perhaps not possible for the Auditors to indicate the extent of irrecoverable advances, whether in part or in full, we feel that an estimate of doubtful and bad advances, if any, should be made at the end of each year. In the circumstances we have refrained from making such an estimate as at 31st December 1952.

48. In paragraph 38 we have recommended the appointment of a paid Chairman for the Corporation. If this recommendation is accepted, obviously there would be no room for a Managing Director as, at the present stage, there would not be sufficient work for two high-powered executives. If, however, this recommendation of a paid Chairman is not acceptable to Government and the present practice of non-official Chairman and a paid Managing Director is continued, we would recommend that the duties and powers of the Managing Director as also that of the Deputy Managing Director should be well-defined. At present too much powers are concentrated in the hands of the Managing Director which is undesirable. Devolution of duties in a credit institution is essential in order that the working of the institution proceeds smoothly and expeditiously. We also feel from our study that powers of the Managers of the Corporation's branch offices have not been clearly defined and, as far as we can see, they are of a very restricted nature. For instance, we notice that when the Corporation exercises the right to appoint its representative as a Director on the Board of loanee companies, it appoints, as a rule, its Branch Managers. We have been informed that the Corporation's representatives on the Board have been instructed by the I.F.C. to act purely as observers and not to take any responsibility as a Director of the loanee company. This, in our opinion, is undesirable. The Corporation's representative should take full responsibility as other Directors of the loanee company. In case he disagrees with any policy of the Board of Directors of that company, he should have the liberty to vote against that policy and see to it that his dissent is recorded in the minutes. Similarly, the Corporation's representatives should be authorised to sign the balance sheet and profit and loss account of the loanee companies where they are acting as Directors. In this connection we may also observe that although the Corporation has already granted loans to over one hundred concerns, they have exercised their right of nominating Directors on the Board of these concerns only in a few cases. The right to appoint Directors on the Boards of loanee companies is a salutary provision and should be more generally observed. The selection of the Corporation's representative need not be restricted to

the Branch Managers and, in our opinion, it should be possible to select suitable persons with industrial experience. The association of a larger number of Corporation's representatives on the Boards of loanee companies should prove a source of strength and also should increase the general good-will for the Corporation.

49. According to the definition of 'industrial concern' given in the Act, companies engaged in the manufacture or processing of goods or in mining or in generation and distribution of electricity or any other form of power, will only be eligible for grant of loan by the Corporation. We suggest that "processing of goods" should be liberally interpreted by the Corporation to include the manufacture of tea from tea leaves, manufacture of rubber from latex, dairy products and canning of fruits and vegetables.

50. Under the definition of 'industrial concern' foreign companies not registered in India will not be eligible for the grant of financial assistance by the Corporation. There is, however, no bar to foreign concerns registered in India from getting financial accommodation from the Corporation. We suggest for Government's consideration whether any directive should be issued by the Government to the Corporation to the effect that, as in the case of capital issues, only such foreign concerns registered in India will be eligible for financial assistance in which the majority of shares are held by Indian nationals.

51. Under the State Financial Corporations Act, 1951, a State Government is authorised to set up a State Financial Corporation within the framework prescribed in the Act. Very few State Corporations have, however, been established so far. We understand that even the bigger Part A States are finding it difficult to secure funds for establishing such Corporations. The smaller States, particularly Part B and Part C States, will find it still more difficult to secure the necessary finance for setting up State Corporations separately for each State. This difficulty may be overcome to a large extent, if authority is given to more than one State to establish jointly a financial corporation on some agreed basis. Apart from the difficulty of procuring the capital resources, we consider that an individual corporation for a single small State may prove an uneconomic unit. We, therefore, suggest that, in consultation with the State Governments, if necessary, the State Financial Corporations Act, 1951 should be suitably amended to authorise the establishment of a joint corporation by more than one State.

52. Some of the State Governments are setting up State Financial Corporations and it should be ensured that there is no competition between the Central Corporation and the State Corporations. There should also be no overlapping in their spheres of activities. One of the suggestions made to us was that where State Corporations have been formed, the Central Corporation should restrict its activities to assisting only large scale industries, whereas the financing of medium and small scale industries should be left to the State Corporations and of cottage industries to the co-operative credit institutions. We are in agreement with this view-point. In the absence of clear enunciation of policy there is bound to be competition between the Central and the State Corporations in securing business. The Madras

Industrial Investment Corporation Ltd., in their Report of 30th June, 1950 commented on this aspect and pleaded that "either by the framing of definite rules or by executive conventions" the field of activities of each institution should be demarcated so that "overlapping of work between these public institutions may be avoided". A close co-ordination should also be maintained between the Central and the State Corporations. This should not be difficult as the Constitution of the State Financial Corporations provides for representatives of the Central Corporation to be included on the Boards of the State Corporations.

53. We would invite a reference to para. 20 above in which we have suggested that any Director of the Corporation who is an ordinary director or shareholder of an applicant industrial concern should disclose his interest. We further recommend that Regulation 37 of the Corporation's General Regulations should be modified to provide that a Director who is interested in any loan transaction should not only abstain from voting at the meeting of the Executive Committee or Board, but should not even be present at the meeting. The present practice under which an interested Director, while refraining from voting, continues to be present at the meeting at the request of other Directors should be discontinued.

54. We have noticed that the Corporation has granted loans for the purpose of construction of non-productive assets, such as labour quarters, hospital, library, canteen, etc. In some cases, the Corporation refused loans for non-productive purposes but no uniform policy appears to have been followed by the Corporation. We suggest for Government's consideration whether any directions should be issued to the Corporation outlining the policy that should be followed in this matter. In respect of construction of labour quarters, in particular, as the Government of India have initiated a scheme for subsidised industrial housing, it would seem to be inappropriate for the Corporation to grant loan for this purpose.

55. Consistent with the present practice under which income-tax clearance certificate is required to be produced by applicants for import and export licence and by tenderers for Government contracts, we suggest for Government consideration whether applicants for loans to the Corporation should not also be required to produce similar certificates when applying to the Corporation. In addition, the applicants should also certify that their names are not before the Income-tax Enquiry Tribunal. We appreciate the present healthy practice followed by the Corporation of not giving loans to those concerns whose cases are before the Tribunal and it should be continued.

56. A suggestion was made to us that with a view to stabilising the prices of cash crops like jute and cotton, so that industries should not be able to exploit the agriculturists, the Industrial Finance Corporation should give price support to such cash crops. Though

the objective is *prima facie* laudable, we do not consider the I.F.C. as the proper agency for this purpose. If necessary, a separate agency, like an Agricultural Credit Corporation or a Board like the Jute Board of Pakistan, may be set up for this purpose. In view of the limited resources of the Corporation, we consider it necessary for the Corporation to confine itself within the prescribed scope of the Act. Another suggestion was made to us that as the Corporation insists on full insurance of the properties mortgaged to the Corporation, Government should set up an Insurance Corporation of its own to undertake the insurance business. This suggestion is outside the purview of this Committee and we have no remarks to offer on it.

## CHAPTER VIII SODEPORE GLASS WORKS LIMITED

### PART I

#### *First Loan*

57. In September 1948 the Sodepore Glass Works Limited applied for a loan of Rs. 30 lakhs from the Corporation. The Company was formed in 1941; it had originally a factory at Sodepore, near Calcutta where the production in the early stages was restricted to the manufacture of glass bottles. Subsequently, a small sheet-glass section was set up. As the sheet-glass department proved successful—presumably because of the non-availability of sheet-glass during the War—the management decided to set up a new glass factory, under the name of Hindustan Glass Works Ltd., at Bhurkunda, near Ramgarh in Bihar. Subsequently this Company was amalgamated into the Sodepore Glass Works Ltd. In addition to a large sheet-glass plant the proposed factory was also to undertake the manufacture of figured-glass and of bottles and hollow-ware—all according to the latest processes of manufacture. The Company's paid-up capital in 1941 was Rs. 6.5 lakhs, but in 1945-46, when the management decided to set up the new factory at Bhurkunda it was increased to Rs. 30 lakhs. The fixed assets of the Company, as on 31st December 1946, amounted to Rs. 11.42 lakhs. In September, 1948, when the Company applied to the Corporation for a loan, its paid-up capital was Rs. 26.06 lakhs. It had also issued debentures worth Rs. 10 lakhs and taken loans from Banks and others amounting to Rs. 5 lakhs.

58. The Chairman of the Company is Lala Gurusharan Lal and the Company has an influential Board of Directors, with men of the standing of Lala Karam Chand Thapar, Mr. Ramnath Anandilal Poddar, Mr. M. A. Chidambaram Chettiyar, etc. The Managing Agents of the Company were at that time Messrs. Bhadani Bros. Limited, a Private Limited Company, of which Lala Gurusharan Lal was the Chairman. The Managing Agents were replaced by Messrs. Bhadani & Sons Limited in 1949 and of which Lala Gurusharan Lal continued to be the Chairman. The Managing Agents have invested Rs. 10 lakhs in shares of the Company.

59. In October 1948, the Corporation appointed an Expert Committee to report on the project, consisting of Mr. M. G. Bhagat (who is the Managing Director and General Manager of Bengal Potteries Limited and is a partner in Messrs. S. Lal Bhagat & Co., who are the Managing Agents of Bengal Potteries Ltd.) and Mr. Y. P. Varshney of the Central Glass and Ceramics Research Institute of Calcutta—one of the National Laboratories established under the Council of Scientific and Industrial Research.

60. The Expert Committee went to Sodepore and Bhurkunda, examined the project and submitted a report in which they stated as under:—

#### **I. Sodepore Factory:**

(i) The plant, though old, was in good condition and in running order.

(ii) The capacity of the sheet-glass plant was about 300 cases per day (each case of 100 sq. ft. of 16 oz. per sq. ft.), but the average production during the previous 9 months, was not more than 75 cases per day. Similarly, the bottle section with a capacity to produce 10 tons of molten glass in 24 hours, was producing only 6.4 tons per day.

(iii) The quality of the bottles and other hollow-ware manufactured was inferior to those manufactured in other glass factories. The quality of sheet-glass was of an average quality, but inferior to the imported material.

(iv) The Company had no proper system of costing. In 1948, whilst its total all-inclusive cost of production of bottles was Rs. 503 per ton, its sales realisation was only Rs. 419 per ton. The Company was thus losing Rs. 84 per ton and the loss during the year would amount to Rs. 1.72 lakhs. In the sheet-glass section, whilst the total all-inclusive cost of production was Rs. 726 per ton, the sales realisation was Rs. 734 per ton, thus making a profit of Rs. 8 per ton, approximately 1 per cent.

(v) The consumption of coal and expenditure on salaries, wages, repairs and maintenance were excessive.

(vi) The factory obtained its raw materials, other than soda ash which was available in Calcutta, from different places—sand from Bargarh, near Allahabad, lime from Katni, dolomite from Bihar.

(vii) The market value of the land on which the factory was situated was much higher than the book value shown at Rs. 58,000; the market value was estimated at about Rs. 2.5 lakhs.

## II. Bhurkunda Factory:

(i) The machinery was only partially installed. Many of the machines were lying packed at site and others were at docks at Calcutta, whilst some others had still to be supplied by the manufacturers. The plant was however brand new and of modern design.

(ii) The buildings were also partially completed (about 40 to 50 per cent.). Most of the roofs had not yet been placed in position, they were fabricated but not installed.

(iii) The Company had estimated its production at the factory at 63 tons of molten glass per day of which 41 tons were reserved for sheet-glass and 22 tons for the figured glass and bottle sections. In the opinion of the Committee, this estimate was optimistic and the figure of production that could be achieved would not be more than 52 tons per day. On this basis the amount of molten glass available for the sheet-glass section would be only about 33.5 tons and, after allowing for wastage of 15 per cent., the production of sheet-glass was estimated at about 28.5 tons or 625 cases per day (each case being of 100 sq. ft. of 16 oz. per sq. ft. weight). Similarly, only 18.5 tons of molten glass would be available for the bottle section and deducting 10 per cent. for wastage the production of bottles and hollow-ware would be about 16.5 tons per day instead of 20 tons per day.

(iv) The sand-washing plant that was to be installed would definitely improve the quality of both sheet-glass and bottles.



(v) There was a substantial market for the articles proposed to be manufactured and there should be no serious difficulty in marketing the entire production.

(vi) The estimated costs of production prepared by the Company were on the low side. In the opinion of the Committee, the cost of production of sheet-glass would be Rs. 20 per case (of 100 sq. ft. of 16 oz. per sq. ft. weight) instead of Rs. 18 per case. Similarly, in the case of bottle and hallow-ware, the cost would be Rs. 304 per ton against the estimated cost of Rs. 268 per ton. Both these costs did not include Managing Agents' commission, overheads, packing charges, sales commission, etc.

(vii) The location and the site of the factory was not the best available, and a better site could have been selected. The sand would have to be obtained from Bargarh (near Allahabad), the assumption of the Company that locally available sand would be suitable for glass manufacture was not justified as it was of a very inferior quality and unsuitable for glass manufacture. Similarly, the quality of lime-stone locally available might not be suitable for the production of glass and it would then have to be imported from Katni. Soda Ash would have to come from Calcutta. The coal would be supplied by the Hindustan Coal Co., Ltd., owned by the Managing Agents within about a mile of the factory. The only other material that would be readily available at hand was wood for packing cases from the jungle round about Bhurkunda.

(viii) The land on which the factory is situated was bought by the Managing Agents from a Zamindari; they distributed the land between the glass factory and the colliery—45 acres for the glass factory and 200 acres for the Hindustan Coal Company Limited.

(ix) There were no technical men of the calibre and experience required to maintain and run a factory of this dimension which is considered to be one of the biggest in India. The Committee stated emphatically "if the promoters intend to run this new plant with their present technical staff they may not be able to do so satisfactorily".

(x) Some fundamental points had escaped a careful scrutiny by the management and they might prove very serious at a later stage. They should therefore be carefully worked out under proper technical supervision:—

- (a) *The loan of Rs. 30 lakhs asked for from the Corporation would not be sufficient for putting the factory into operation. This amount would be required only for the purchase of equipment and for completing the buildings of the factory.*
- (b) *No provision had been made for the working capital of the Company. In the initial stages, "it would not be possible, even under the very best technical advice, to produce marketable glass from the very day the factory starts." The Company should have, therefore, ample funds to meet the expenses of running the factory.*
- (c) *There was no adequate supply of water.*

- (d) Although the idea of erecting the figured-glass plant had been abandoned, funds would have to be provided for the equipment which had already been ordered. By not installing the plant the only saving would be about Rs. 2 lakhs which sum would not be enough for meeting the initial expenses at the time of starting the factory.
- (e) The Company should have a competent managerial staff to handle a factory of this dimension.

(xi) In case the Corporation advanced the loan to the Company, "it should have a whole-time man of its own to keep a proper check on the expenses of the Company under different heads".

61. The Corporation considered the report of the Expert Committee at their meeting on 26th November 1948. Although they agreed that the report did not disclose a satisfactory state of affairs, Lala Shri Ram urged that "having regard to the industrial development of the country it might be desirable to put this factory on a sound footing; if that was achieved the country would have a modern glass factory". Lala Shri Ram also made personal enquiries of Messrs. Bhagat and Varshney who confirmed that the machinery ordered for the factory was of the best design and make, and that, if technical advice was available, the factory would run efficiently. They repeated that, if the present technical and business supervision continued, there was no likelihood of the factory making a success.

62. The Corporation after consideration agreed to grant a loan of Rs. 30 lakhs if the Company on its part agreed to the following conditions:

- (i) The Corporation would nominate two directors on the Board of the Company of whom Mr. M. G. Bhagat would be one of them.
- (ii) that Mr. M. G. Bhagat should also be the technical adviser of the Company on such terms as may be agreed upon between the Company and Mr. Bhagat, and that his emoluments would be paid by the Company;
- (iii) that the General Manager of the Company would be appointed by the Corporation and his emoluments to be paid by the Company;
- (iv) A whole-time Accountant or Auditor would be appointed by the Corporation, who would be in charge of the accounts of the Company and exercise supervision over its expenditure;
- (v) competent technical and managerial staff, approved by the Corporation would be employed by the Company, and their remuneration would be paid by the Company.
- (vi) The existing debentures of Rs. 10 lakhs to be repaid by the Company; but if the Company was not in a position to repay them, the Corporation would advance an additional loan of Rs. 10 lakhs to repay the debentures;
- (vii) the partners of the Managing Agency firm to guarantee the advance in their individual capacity;

- (viii) the lands, buildings and machinery should be mortgaged to Corporation. In addition to stocks of finished and unfinished goods, raw materials, book debts, goodwill and uncalled capital should be hypothecated to the Corporation;
- (ix) that a sum of Rs. 5 lakhs would be invested by the Managing Agents as working capital, which shall not be withdrawn by them during the period the Corporation's loan is outstanding;
- (x) that no dividend would be paid by the Company during the first five years, thereafter the rate of dividend would be determined by the Corporation;
- (xi) that during the period the loan was outstanding the remuneration payable to the Managing Agents would not exceed Rs. 12,000 per year. Any amount on account of commission as may be due would remain with the Company to the credit of the Managing Agents and would be drawn by them only after the repayment of the loan of the Corporation.

63. These terms were accepted by the Company on the 13th December 1948 and the loan was finally sanctioned by the Corporation on 29th December 1948. The rate of interest was fixed at 6% per annum subject to  $\frac{1}{2}$ % rebate, and the repayment of the loan was spread over a period of 15 years. The loan was to be paid to the Company in four instalments: the first instalment of Rs. 20 lakhs on completion of the Mortgage Deed, the second instalment of Rs. 10 lakhs on completion of the legal formalities over the Company's land on which the factory stood, the third instalment of Rs. 5 lakhs on 1st October 1949, and the fourth and last instalment of Rs. 5 lakhs on 1st November 1949. The Corporation nominated its Calcutta Manager on the Board of the Company.

64. In March/April 1949, the Company, however, requested the Corporation that the stocks of raw materials and stores, finished and unfinished goods, might be released in order to enable it to obtain working capital. The Corporation refused to consider this request unless the Chairman of the Company, Lala Gurusharan Lal obtained the guarantee of his father, Lala Ramcharan Ram and mortgaged his (father's) property in Jehanabad and Gaya which Lala Gurusharan Lal stated was worth about Rs. 9.27 lakhs. The Corporation, on receiving this guarantee, agreed to release the stocks of raw materials, etc. in May 1949.

65. Although the loan was sanctioned at the end of December 1948, it was not until September 1949, i.e., after nearly 9 months, that the Mortgage Deed was completed by the solicitors of the Corporation, and the first instalment of Rs. 20 lakhs was paid to the Company on 13th September 1949. Out of this amount of Rs. 20 lakhs, Rs. 10 lakhs was utilised for the repayment of debentures.

66. The Company has given us the dates on which the balance amount of Rs. 20 lakhs was advanced to it. In our view it showed a lack of appreciation on the part of the Corporation that the erection of the factory should be completed as early as possible so that the

manufacturing operations commenced with the least possible delay. We give below the dates on which the balance loan of Rs. 20 lakhs was advanced to the Company:—

Amount advanced by Corporation Rs. in lakhs	Date of payment	
2.50	6-4-50	(7 months after the first instalment of Rs. 20 lakhs was paid).
2.50	17-6-50	
1.50	7-8-50	
3.00	4-10-50	
1.00	26-12-50	
2.00	4-1-51	
2.00	3-2-51	
1.00	21-3-51	
0.50	22-3-51	
0.25	16-5-51	
0.25	4-6-51	
0.20	27-6-51	
0.25	28-6-51	
0.05	11-7-51	
0.06	12-7-51	
0.25	21-7-51	
0.03	3-8-51	
0.06	7-8-51	
0.06	21-8-51	
0.02	11-9-51	
TOTAL .	17.48	

The balance of Rs. 2.52 lakhs (Rs. 20 lakhs—Rs. 17.48 lakhs) was mostly utilised for the payment of interest on the loan (Rs. 1.73 lakhs) and for legal expenses (Rs. 0.75 lakhs).

67. From a detailed examination of the papers pertaining to this loan, we feel that the Corporation did not fully appreciate the realities of the situation and failed to realise the importance of the time factor in completing the project. In our opinion, there was no justification, in the first place, for the granting of this loan in view of the shortcomings that were clearly pointed out by the Expert Committee. But, once the Corporation decided to sanction the loan, it was incumbent upon the Corporation's executives and particularly its Managing Director to see that the loan was disbursed expeditiously and in a manner helpful to the borrowing concern without in any way detracting from the security of the Corporation's money. Even if the Managing Agents of the Company were not co-operative, as reported to us by the Corporation, we consider that the Corporation should have taken the initiative to see that the construction of the factory was completed at the earliest so that it could go into production as soon as possible and thereby placed in a position to service the Corporation's loan. It should have been evident to the Corporation that the longer the completion of the factory was delayed, the greater burden would be thrown on the company thus affecting the economies of the whole project and prejudicially affecting the security of the Corporation's loan.

68. It is clear that the Corporation, within a few months of its granting the loan, came to the conclusion that it could not trust the Managing Agents of the Company. The Corporation probably had

sufficiently good reasons for coming to this conclusion. But the Corporation had safeguarded its position by appointing a General Manager of its own choice, and also an Accountant to supervise the Company's accounts and expenditure. With these trusted men of the Corporation appointed on the Company's staff there could be little justification for the delays that took place in financing this project. We give below a few examples to show the lack of sense of values on the part of the Corporation:

(i) The second instalment of Rs. 10 lakhs was to be paid to the Company upon completion of the legal formalities over the land. During the examination of the Title Deeds, it was discovered by the Corporation's Solicitors that the title to the land sold by the Managing Agents to the Company was defective, inasmuch as the Managing Agents had purchased this land from a minor. In order to rectify this irregularity, the Managing Agents were asked to request the Bihar Government to acquire this land for the Company. It is a notorious fact that acquisition proceedings generally take a considerable period of time, and therefore it is not surprising that the company could not have the acquisition proceedings completed for several months. Finally, when the land was acquired by the Government of Bihar and the Lease Agreement was signed by the Bihar Government and published in the Bihar Government Gazette of March 1950, the Corporation demanded that the Bihar Government should execute a Deed of Conveyance with regard to this land. The Bihar Government resisted such a request, and only after considerable difficulty and lapse of time agreed to accede to it. As the acquisition of the land had already been Gazetted by the Bihar Government, it should not have been difficult for the Corporation to release the second instalment, pending completion of the legal formalities by the Bihar Government, should such a course of action have been considered imperative for early completion of the project. By asking the Bihar Government to execute a Deed of Conveyance and by refusing to make any further payment of the loan to the Company, the result was that impediments were placed in the way of the timely completion of the factory.

(ii) In April 1950, the Company was asked by the Corporation to prepare a detailed statement, drawn up by a competent architect, of the expenditure of Rs. 9 lakhs which the Company had already incurred on the buildings and structures. The Company was asked to prepare this statement "at controlled rates for building materials". Plans and estimates detailing expenditure to be incurred on the structures yet to be erected were also asked for. The Corporation would, on receipt of these statements and on being satisfied as to their correctness, agree to advance a sum of Rs. 2.50 lakhs. If the Corporation had any doubts about the cost of the buildings we feel that they should have made these enquiries before sanctioning the loan and not at a stage when the buildings had already gone up more than half.

(iii) In May 1950, the Company submitted to the Corporation an estimate of the money it would require in the next two months. It amounted to Rs. 4 lakhs. To this the Corporation replied that further money would be granted only if the Company agreed to the appointment of a General Manager of the Corporation's choice. The appointment of a General Manager was already stipulated in the terms and

conditions of the loan. The Company had no objection to the appointment of a General Manager but it pointed out that the General Manager the Corporation desired to appoint (one Mr. S. Krishnaswami, a retired official of the Imperial Bank of India) would not be the best suited person for a factory of this type. The Company expressed its readiness to accept a General Manager of adequate experience of factory management and also with some technical knowledge. Apparently this advice was not accepted by the Corporation, and Mr. S. Krishnaswami was appointed as the General Manager of the factory.

69. As far back as 24th May 1950, the Company informed the Corporation that "if its policy of restricted payments and delay in decisions to sanction the necessary amounts to keep the work going in full swing is followed, it will seriously endanger the future success of this concern". It also pointed out that if "the expenses to be incurred at Bhurkunda must be through your (Corporation's) control, the Managing Agents have no objection whatsoever of your appointing your own staff and completing the work at Bhurkunda under your own control and responsibility under the direction of our technologist..... We would sincerely request you to set up an organisation in whichever way you desire, so that we are not compelled to refer to you, day to day, for getting sanction for petty amounts to carry on the work. Whoever you entrust this work at Bhurkunda must have your full authority without referring the matter to you to carry out and complete the job in the shortest possible time..... If the present system of delay is carried out much longer, it will be very difficult for us to take the responsibility of putting this concern on successful basis. We have frankly stated our feeling on this matter and we trust that you will carefully consider our suggestions and give us your whole-hearted co-operation in this matter."

70. In spite of the appointment of Mr. S. Krishnaswami as General Manager of the factory in the latter half of 1950, and in spite of the offer of an alternative arrangement in May 1950, as referred to in the previous paragraph, there was, to all appearances, no change in the attitude of the Corporation. In June 1950, the Company pointed out again that due to lack of funds the Company could not (i) purchase materials and stores which they required to keep the work going, (ii) pay salaries to the monthly and weekly paid staff and workers in time, (iii) make advance to parties on whom it had placed orders for its requirements, (iv) pay railway freight on goods received at Bhurkunda, and (v) take delivery of goods and machinery lying at the Calcutta Jetties and which were incurring wharfage and interest.

71. In July 1950, the Corporation informed the Company that a further advance of Rs. 1.5 lakhs would be made only if Lala Gurusharan Lal agreed to execute a lease in regard to the supply of water from a stream nearby over which Lala Gurusharan Lal had control. When the Corporation was originally warned by the Expert Committee that water supply at the factory was inadequate, the Corporation should have asked for such a lease at that time. It is rather curious that a demand for such a lease should have been linked at this time with the advance of Rs. 1.5 lakhs asked for by the Company for other purposes.

72. We see that such requests from the Company for money went on from month to month, and every few months new conditions were attached by the Corporation before money was advanced. For instance, in December 1950, when the Company asked for a sum of Rs. 3 lakhs it was informed that this sum would be granted provided Lala Gurusharan Lal gave an undertaking to the effect that he would not transfer his estates (devolved on him by virtue of his succession to the properties of his late father, Mr. Ramcraran Ram) to his three sons during his life time. Besides this, the following other terms were imposed upon the Company:—

- (i) The Company should expedite the completion of the pending Deed of Rectification modifying the clause in the Mortgage Deed.
- (ii) The lease agreement between the Company and Lala Gurusharan Lal regarding supply of water should be completed.
- (iii) Lala Gurusharan Lal should pay a sum of Rs. 21,849 towards arrears of interest payable by the Company to the Corporation.
- (iv) The Company should get the Deed of Transfer from the Government of Bihar in respect of the Bhurkunda land and execute a deed for the mortgage of this land to the Corporation.
- (v) The Company should take steps for the completion of the Agreement between the Company and Mr. S. Krishna-swami as the General Manager of the Company.

73. Even Mr. Krishnaswami had the same tale of retarded progress of the work at the factory due to Corporation's delays in granting payments:

(i) In his letter dated 12th May 1951, he pointed out that the roofing of sheets at the top had been held in abeyance, and work would be taken in hand as soon as finance was made available.

(ii) On 31st of July 1951, he wrote that "a large number of orders for materials which are very urgently required to proceed with the factory's construction is pending with the Company's Calcutta Office for a long time unexecuted for want of funds. Mr. Mills (an American Technical expert sent by the designers of the furnace on a salary of Rs. 5,750 per month) and ourselves are seriously concerned over the delay that is taking place without any idea whatsoever as to when Calcutta Office will be in a position to purchase and despatch the material to Bhurkunda. I earnestly request that in the interest of the Corporation (as well as of the Company) arrangements for finance be made without further delay."

(iii) In his letter dated 20th August, 1951, he pointed out to the Corporation: "I do not know with what face our representative will be able to approach again this month for getting rice (from the Bihar Government) for Rs. 3,920 without clearing off the previous dues for Rs. 10,427. If my attempts to get rice fail now, the situation, which is explosive, will be too disastrous to contemplate, with two weeks' and one month's salary in arrears and no money to pay for running the factory in other ways."

(iv) In his letter of 25th August, 1951, he pointed out to the Corporation: "I enclose for your (Corporation's) information and instructions by return of post, copy of the inspection report under Payment of Wages Act 1936 served on us (factory) by registered post today by the Inspector of Factories, Ranchi. It will be noted that steps are ordered to be taken (i) to clear off the present arrears immediately (ii) to arrange for future payments well in advance, and (iii) to treat the notice as a final warning to us". He also added "As advised in the last para. of my daily report No. HGW/GM/1765, dated 15th July 1951 no body will shoulder the onerous responsibilities of Factory Manager who will be prosecuted for the above irregularities."

74. From the above it would be seen that sufficient regard was not paid either by the Managing Agents of the company or by the Corporation to the importance of the time factor. By this we mean that delays in payment have unduly retarded the progress of the project, and consequently increased its cost. It is unfortunate that this should have happened to a project which was considered to be of national importance at the time of sanctioning the loan.

75. In this connection it may be worthwhile to mention that in accordance with the terms of the loan, Mr. M. G. Bhagat was invited by the Corporation to become a Technical Director on the Board of the company on behalf of the Corporation. Mr. Bhagat declined this offer and stated to the Committee in his evidence that the reason for his declining a seat on the Board of the Company was due to his desire to become a partner in the Managing Agency firm of Sodepore Glass Works, as he was satisfied that the Company had a future. It has been reported to us that, early in 1949, L. Gurusharan Lal approached Lala Shri Ram for his advice in securing the services of a first class person to help him in running the Company. Lala Shri Ram suggested the name of Mr. Bhagat. L. Gurusharan Lal thereupon invited Mr. Bhagat to join him. Mr. Bhagat was admitted as a partner in the Managing Agency firm of the Company and was given 1/3 share on his subscribing the proportionate capital in the Managing Agency firm. Mr. Bhagat was also allowed to draw a remuneration of Rs. 1,200 per month from the company as its technical adviser. The Corporation was evidently aware of the admission of Mr. Bhagat by Lala Gurusharan Lal in his Managing Agency firm and we did not find anything on record to show that the Corporation disapproved of such an appointment. In our opinion, we consider it wrong, in principle, on the part of Lala Shri Ram to have recommended Mr. Bhagat to Lala Gurusharan Lal and on the part of Mr. Bhagat to have joined the Managing Agency firm when only a few months ago he had, on behalf of the Corporation, carried out an examination of the Bhurkunda glass factory project as an impartial expert.

76. By 31st December 1950, the amount of interest on the loan, which became payable was Rs. 1.73 lakhs. This was paid from the loan itself. By 30th June 1951, another Rs. 1.11 lakhs were due. The Corporation demanded payment of this amount, but the company asked for time. No interest has been paid by the Company since 31st December 1950 and the interest for the years 1951 and 1952 is due and outstanding.



## PART II

*Second and Subsequent Loans*

77. By the end of May 1951, the Company realised that the first loan of Rs. 40 lakhs would be inadequate for the completion of the factory. The Company therefore approached the Corporation for a second loan of Rs. 6 lakhs, which subsequently was increased to Rs. 7 lakhs. The Company represented that it needed this extra loan to meet the considerable increase in the prices of the refractory materials over those prevailing in 1948-49 and 1949-50. Moreover, some of the refractories which were purchased in 1945-46 were rejected by the American Expert as unfit for use since they were lying in the open for a considerable time. The Company also pointed out that the factory would normally have been ready by April 1951, but due to the finance being made available to it in dribbles it could not adhere to the construction programme originally drawn up. Lala Gurusharan Lall, offered as additional security for this loan some of his personal immovable property at Gaya worth Rs. 1.5 lakhs.

78. This application of the Company was considered by the Corporation at its meeting in June 1951. The Executive Committee of the Corporation recommended that no further advance should be made to the Company as the management of the Company was not capable of making accurate estimates or were afraid of disclosing the correct amounts required for the project. The Managing Director of the Corporation also pointed out that the attention of the Company had been drawn several times to the fact that it would need more money than it had asked for originally, but the Company had all along assured the Corporation that it would be able to complete the work within the sum granted against the first loan. The Corporation decided to appoint a Special Committee consisting of the Managing Director, Mr. S. L. Kirloskar, Dr. Atma Ram and one of the Corporation's Auditors, to carry out an investigation and report on the state of affairs of the Company at a very early date. Till the receipt of the report of the Special Committee, the Company's request for a further loan was deferred.

79. The Special Committee met in Calcutta on 9th July 1951. Mr. Kirloskar expressed his inability to attend the meeting, while in place of Dr. Atma Ram, the Council of Scientific and Industrial Research recommended the name of Mr. Y. P. Varshney. The Committee visited Bhurkunda on 10th July 1951 and after the inspection of the factory met again in Calcutta and made the following observations and recommendations:

- (i) That most of the machinery required by the Company had arrived at Bhurkunda but the work on the building of the furnaces had been stopped since the departure of the American Expert and which can only be re-started when another expert arrived;
- (ii) When the furnace was completed "properly and scientifically" the factory should be able to start without any further addition of big machinery.

- (iii) In view of the paucity of finances, the Company should have deferred putting up big sheds and should have diverted that amount on residential accommodation for the labour, staff, technicians of which there was not enough.
- (iv) The Company would need Rs. 1.85 lakhs worth of fire-bricks, chequered plates, etc.
- (v) The books of the Company were not posted up-to-date and there were many arrears. Furthermore, there was no system of checks and balances.
- (vi) The Company had been running its bottle section at Sodepore at a loss, and the only explanation the Company could give for it was that it kept up the manufacture to keep itself in touch with its customers. This plant should be closed down and not operated again without the express permission of the Corporation.
- (vii) That the administration and accounts of the Company should be centralised at Bhurkunda in order to enable the General Manager to exercise effective control.
- (viii) The financial requirements of the Company for completing the factory, according to a signed statement given by the Managing Agents, amounted to Rs. 7.90 lakhs, without making any provision for working capital.
- (ix) The requirements for working capital, taking 3 months' stocks of raw materials, finished products, etc. were estimated at Rs. 12 lakhs.
- (x) The total requirements of the Company therefore came to Rs. 19.9 lakhs. The Managing Agents had however stated that they hoped to obtain Rs. 5 lakhs from the Company's Selling Agents, in which case, the additional funds required from the Corporation would be reduced to Rs. 14.90 lakhs as compared with Rs. 7 lakhs asked for by the Company.
- (xi) If the necessary funds were made available to the Company, it would take four to five months for the factory to be completed.

80. The Corporation considered the report of the Special Committee on 21st July 1951 and agreed to sanction the second loan of Rs. 7 lakhs with a view to nursing the Company on the security of the existing and future assets and on the following conditions:

- (i) that the Manager, I.F.C. Calcutta, would superintend the work of the Bhurkunda factory;
- (ii) that the Managing Agents should give an affidavit that there were no other outstanding beyond those disclosed to the Special Committee;
- (iii) that the Managing Director should take all precautions to safeguard the Corporation's money; and
- (iv) that the Managing Agents should arrange to provide such working capital as may be required.

The rate of interest was the same as for the first loan, viz. 6 per cent per annum subject to  $\frac{1}{2}$  per cent. rebate.

81. On the 28th July 1951, the Managing Director in conveying to the Company the Corporation's sanction of the second loan added several new conditions in addition to the above four terms. We have reasons to believe that the Managing Director added these conditions on his own authority and they were neither placed before the Executive Committee nor the Board of Directors of the Corporation. Some of these terms are in our opinion, to say the least, harsh, onerous and humiliating to the loanee company. They were as under:—

(i) Apart from the fixed assets of the Company, the Company should hypothecate to the Corporation all moveable tangible assets including motor cars, trucks, calculating machines, weighing machines and any other moveable machinery purchased by the Company from the funds lent by the Corporation;

(ii) The investment of the Company in shares of Hindustan Coal Co. Ltd. amounting to Rs. 10,000 should be pledged to the Corporation.

(iii) All the Directors of the Managing Agency firm should guarantee the entire advance of Rs. 47 lakhs of the two loans in their personal capacity, the guarantee being joint and several.

(iv) As long as any part of the total loan of Rs. 47 lakhs remained outstanding, the Company would not pay a dividend of more than 6 per cent. to the ordinary shareholders and not more than 2 years' arrears of dividends to the Preference Shareholders.

(v) As the Corporation was not satisfied with the manner in which the business of the Company was being conducted, the Company should alter its Articles of Association, Managing Agency agreement and other existing arrangements of the Company in accordance with the requirements of the Corporation. By these alterations, the rights and powers granted to the Company and its Managing Agents would be exercised on behalf of the Company, by the Corporation or by the General Manager of the Company, appointed by the Corporation, or by any other officer under the authority of the Corporation. In particular, the Corporation would assume, as a result of these alterations, the following rights and powers:—

- (a) the powers of general direction and management of all the affairs of the Company;
- (b) the powers to sign and make contracts on behalf of the Company;
- (c) the powers to borrow money on behalf of the Company;
- (d) the powers to appoint or dismiss any Secretary, Accountant, Engineer, Technical Adviser or any other employee of the Company and to fix their emoluments;
- (e) the powers to appoint selling agents and fix their commission, rebate bonus, etc.
- (f) the power to compound debts of the Company;
- (g) the power to sign cheques, realise moneys and give receipts on behalf of the Company;
- (h) the powers to assign, mortgage, pledge, hypothecate goods and other moveable properties of the Company;
- (i) the powers to adjust, compound accounts and claims and settle suits on behalf of the Company;

- (j) the powers to allow commission, or to share profit in any transaction of the Company;
  - (k) the powers to decide whether the Managing Agents should draw additional remuneration even though sanctioned by a special resolution of the shareholders of the Company;
  - (l) the powers to take over charge and custody of all books of accounts of the Company;
  - (m) the powers to appoint additional Auditors of the Company;
  - (n) the powers to fix the time by which the Balance Sheet and Profit and Loss Account should be completed.
- (vi) The Company should pay all charges connected with enquiries and investigations regarding the affairs of the Company and all the legal and other charges connected with the second loan of Rs. 7 lakhs.

(vii) Mr. M. G. Bhagat should cease to be the Technical Adviser of the Company and he should no longer be entitled to any salary from the Company.

(viii) The Managing Agents should select from amongst their Directors only one Director who alone would conduct all correspondence, dealings and interviews with the Corporation.

(ix) The Company should agree to pay such remuneration as may be fixed by the Corporation to officer or officers who may be appointed by the Corporation to supervise the affairs of the Company;

(x) The Sodepore factory should stop working.

(xi) The Company should undertake not to create any further encumbrances on the property charged to the Corporation for either of the loans.

82. The Company by their letter of 9th August 1951 denied the Corporation's charge that the work of the Company was not being run satisfactorily and pointed out that the delay in completing the factory was due to the Corporation not making the funds available to the Company in time. The Company also declined to accept the following terms:—

- (i) The restriction on the payment of arrears on Preference Shares to only 2 years' at a time. It stated that if the profits of the Company permitted it, the Company should be allowed to clear the arrears of dividends as early as possible.
- (ii) Since the Managing Agents had already assigned the entire undertaking to the Corporation, they did not think that the Corporation should assume such wide powers to do almost anything with the Company's affairs. They did not think that the working of the Company would improve in any way thereby. They pointed out that on the one hand the Managing Agents were being made liable for the payment of loans, whilst on the other the Corporation wished to acquire all the powers for conducting the affairs of the Company.
- (iii) The Corporation had already appointed a General Manager of the Company of its own choice and the Company did

not see any reason why any other officer should be appointed by the Corporation in addition to the General Manager. In the circumstances, it regretted its inability to accept any change in the Managing Agency agreement or to alter the Articles of Association of the Company.

- (iv) The Company also declined to agree to the removal of Mr. M. G. Bhagat as technical adviser of the Company. They however accepted the Corporation's suggestion that no further remuneration should be paid to Mr. Bhagat by the Company.
- (v) The Company also did not accept the condition that only one Director of the Managing Agency firm should correspond with the Corporation. It pointed out the practical difficulties in carrying out this suggestion and that it would be impossible for such a person to remain permanently in Calcutta. It also considered this term derogatory to the self-respect of the firm of the Managing Agents.

The Company once again repeated that, if the Corporation was to give this second loan, it should be disbursed immediately and not spread over several months so that the money could be utilised for the completion of the factory. It warned the Corporation that if this was not done the factory was likely to remain incomplete. It was, therefore, in the interest of the Company as also of the Corporation that the factory should go into production as early as possible.

83. On 10th August 1951 the Corporation took exception to the contents of the Company's above letter of 9th August and more particularly to the allegation of the Company that the delay in completing the construction of the factory was due to the Corporation's policy of making payments. According to Lala Gurusharan Lall's statement before the Committee, the Company was asked by the Managing Director to withdraw this letter unconditionally before the second loan could be granted to it. From a perusal of the Company's letter of 9th August referred to above we do not see anything in it to warrant the Corporation taking exception to the observations made therein.

84. On 16th August 1951, the Company wrote a second letter to the Corporation in which they set out the chronicle of events leading to the impasse and regretted that its earlier letter should have given offence to the Corporation. The Company also recorded in this letter the fact that the Managing Director refused to see Lala Gurusharan Lall when he called at the Corporation's Office in Delhi until the Company withdrew its letter of 9th August unconditionally. The Company concluded this letter by saying

"We feel from the verbal discussions and the tone of your letters that probably the additional loan will not be available except at the cost of self-respect. After all money in human life is important but self-respect is even more so. Various members of our Board have lifelong experience of dealing with banks and we regret to say that in their experience such a treatment has never been meted out to a borrower by a lender."

85. Since the Company was urgently in need of additional money, it felt itself compelled to withdraw the letter in question. On 24th August 1951 the Company finalised the terms and conditions of the second loan resulting in some modification by the Managing Director by lessening the severity of the original conditions proposed by him. The Managing Director agreed to Mr. Bhagat continuing as a technical adviser of the Managing Agents but not of the Company. He also agreed not to press for the alterations in the Articles of Association of the Company. He however laid down that the Company would not appoint any selling agents without the prior approval of the Corporation, and that the selling agents should be required to deposit a sum of Rs. 5 lakhs in cash with the Company. The deposit was to remain with the Company for a period of 2 years from the date the factory went into production unless the selling agency was terminated earlier, in which case the Managing Agents would refund this amount to the selling agents and undertake to replace it from any other source.

86. When we questioned the Managing Director as to the need of imposing these severe terms which could have no other effect than to cripple the Company, he stated that he acted in accordance with the authority given to him by the Board in order to safeguard the money advanced by the Corporation. He also said that the object of demanding the removal of Mr. Bhagat as Technical Adviser of the Company was to secure for the Corporation the right to nominate another person as a technical adviser on behalf of the Corporation. The explanation offered by the Managing Director is unconvincing. There was really no need in this instance to insist on the removal of Mr. Bhagat from the position of a technical adviser specially when he had agreed not to draw any salary from the Company. Besides, the Corporation's purpose could have been carried out by the appointment of a technical person at a higher level, i.e., as a Technical Director under the right which the Corporation already possessed by virtue of the terms and conditions of the first loan.

87. Although the Corporation recognised the urgency of granting a further loan to the Company and although the terms of this loan were finalised by the Managing Director in August 1951, the first payment of Rs. 3 lakhs on this account was made to the Company as late as 18th December 1951. A further amount of Rs. 0.67 lakhs was given on 12th February 1952 and the balance was paid on the 18th April 1952. Therefore, it took nearly 8 months for the payment of even this loan.

88. One of the reasons given by the Corporation for delaying the payment of the second loan was that the Company should get its Balance Sheet for the year ended 31st December 1951 prepared within one month from the date of closing. For this assignment, the Corporation appointed one Mr. G. S. Trasy, a retired official of the Central Bank of India Ltd. on a remuneration of Rs. 2,000 plus travelling expenses from Madras and back. The Balance Sheet was prepared and submitted to the Corporation on 21st February 1952 but even then the balance of the loan was not paid till the 18th of April 1952. It may be added that Mr. Trasy who was brought in for a special work for a limited period has continued to remain in Bhurkunda and in October 1952 was made the General Manager of

the Company. Once again a banking man with little or no experience of management of industry was appointed as the General Manager.

89. The Company pressed the Corporation in January 1952 to arrange to release the balance amount of Rs. 3.5 lakhs out of the second loan as it was badly needed by the Company for purchasing raw materials for starting the factory. On 9th February 1952 the Company repeated its request to the Corporation for the release of this amount. The seriousness of the position of the company at the time can be gauged from the following extract from its letter to the Corporation:—

“It would very seriously affect the progress of the work and there is every chance that this company may never be able to go into production. The matter has reached a very serious stage and we would like to impress with all the force at our command that the Corporation should not withhold funds at this stage.”

The company pointed out that the furnace would be ready for firing shortly and it would take six to seven weeks before the temperature of the furnace was adequate enough for melting glass.

90. With regard to the delays in making payments, it was stated on behalf of the Corporation that the Corporation was anxious to release the amount as quickly as possible but they did not find corresponding co-operation on the part of the company. It was also pointed out that the company's estimates had gone wrong and the company had defaulted in paying the interest on the loans and the company's accounts were not properly kept. Moreover, the dividends declared by the company at its annual general meetings held on 31st October 1947 and 30th September 1948 remained unpaid for a long time. The company had arrears of liabilities for income-tax of Rs. 1.91 lakhs due in respect of the old factory at Sodepur.

91. These are some of the reasons advanced by the Corporation in support of its position. As already stated, instead of adopting a negative attitude, the Corporation should have been able to give positive and practical suggestions to the company for devising ways and means for early completion of the project. It will be admitted that no industry can be run successfully if money is to be doled out at intervals without any relevance to the needs of the industry or without any consideration of the fact that time is of essence in the successful completion of an industrial undertaking.

92. One of the criticisms of the Corporation against the company was that it continued to operate its old factory at Sodepore at a loss and had it not been worked the company would have saved Rs. 2 lakhs. We do not think that there has been any suggestion that this factory was operated by the company without the knowledge of the Corporation. In fact, it had been in operation when the first loan was granted to the company and the Corporation could have, in view of the report of the Expert Committee, stipulated as a condition for the grant of the first loan that the old factory should be closed down and disposed of.

93. On 22nd January 1952, the company realised that even the second loan of Rs. 7 lakhs would not be adequate to complete the factory. It, therefore, applied to the Corporation for a third loan of Rs. 2.5 lakhs. This was largely for providing itself with working capital. The company was however verbally informed that the Corporation was not likely to consider such a request favourably and the company should make its own arrangements for further financial assistance. In view of this information, the company withdrew the application for the third loan.

94. On 5th April 1952, the Managing Director recommended to the Corporation that the Company's Sodepore factory should be sold and that the lands belonging to L. Gurusharan Lall's father, which were mortgaged to the Corporation, should also be put up for sale in order to reduce the company's liability to the Corporation. The Corporation deferred consideration of this suggestion but decided that—

- (i) the Chairman and the Managing Director should determine the liabilities of the Company;
- (ii) that Lala Gurusharan Lall should have nothing to do with the management of the Company; and
- (iii) that the Managing Agents or some other party should bring in Rs. 5 to Rs. 8 lakhs for working capital.

95. At the meeting of the Corporation on 14th April 1952, Lala Shri Ram stated that he and the Managing Director had come to the conclusion, after examining all factors, that the Company should be nursed by the Corporation by extending further financial assistance for completing the factory so that it could go into production at an early date. The Corporation was also informed that the working capital required for running the factory, as estimated by the Managing Agents, was Rs. 3.19 lakhs per month. On the Chairman's and the Managing Director's recommendation, the Corporation decided to sanction a third loan of Rs. 3 lakhs which with the two previous loans would make a total advance of Rs. 50 lakhs. The Corporation, however, stipulated that it should appoint an internal auditor and a stores supervisor at the factory to check that raw materials, stores, etc. are properly received and recorded daily. Moreover, the Calcutta Manager of I.F.C. should stay if necessary at Bhurkunda and see that the loan amount was utilised for the purpose for which it was being granted. The Managing Director was also instructed to lay down a system of checks and balances and to provide supervision over the moneys coming in and going out in order to ensure that the Company's resources were not frittered away or misapplied. The third loan was granted at the same rate of interest as the two previous loans, viz. 6 per cent. interest per annum subject to  $\frac{1}{2}$  per cent. rebate.

96. In July 1952, the Managing Director reported to the Corporation that the third loan of Rs. 3 lakhs had also been exhausted and that the Company had no money to pay even for the fortnightly requirements of raw materials for running the factory. He further reported that due to the O. G. L. policy of the Government of India, large quantities of sheet-glass had arrived in India, and stocks were accumulating with Indian factories. In the circumstances, the prospects of the Company being able to sell its products were not as



bright and that the Company would need larger working capital than before. He also informed the meeting that the General Manager, Mr. Krishnaswami, had resigned and had asked to be relieved by 1st October 1952.

97. By this time the furnace was made ready and it was fired sometime in July 1952. As was to be expected in a factory of this magnitude, considerable teething troubles were met with and it took several months before good quality glass came out of the factory. The first attempt to draw glass on 2nd August 1952 turned out to be a failure. It was also discovered that the coal which was to be supplied by the Hindustan Coal Co. Ltd. belonging to the Managing Agents of the Company, was unsuitable for the gas producer unit, and arrangements had to be made for obtaining coal from the nearby collieries. We may add that the Expert Committee did not examine the quality of the coal when they examined the project on behalf of the Corporation in 1948. The designers of the furnace in U.S.A. were asked to come to Bhurkunda immediately to set right the difficulties with the furnace. They on reaching the factory reported that one of the difficulties in operating the furnace was the insufficiency of raw materials available at the factory, which neither the Corporation nor the Managing Agents of the Company had taken any serious steps to procure. Another difficulty was that in the absence of sufficient quantity of fuel being made available, it was not possible to maintain the required temperature at the furnace. This had resulted in some damage to the furnace and in this situation the experts decided to cool down the furnace until sufficient stocks of coal and furnace oil had been acquired.

98. On 16th August 1952, the Corporation served a notice on the Company recapitulating the various breaches committed by the Company and pointed out that the Corporation had decided to take over the management of the Company in pursuance of the rights available to the Corporation under Section 28 of the Industrial Financial Corporation Act of 1948, unless the Company was able to make proper financial and other arrangements to the entire satisfaction of the Corporation for putting the factory into production within a fortnight from the receipt of this notice.

99. On 30th August 1952, the Corporation requested Sir Biren Mookherjee and Lala Shri Ram to report on the reasons for the failure of the factory to run satisfactorily. They met in Calcutta on 11th September 1952 and reported as under:—

- (i) The Consulting Engineer of the Company, who had designed the furnace, should be asked to come out to India and examine the condition of the plant and the furnace.
- (ii) The Corporation should immediately release to the Company necessary funds from the balance of loan still payable to the Company out of the third loan, for the purpose of defraying the expenses for getting out the Consulting Engineer.
- (iii) A member of the Managing Agents Company should go abroad, probably Germany, for recruiting the necessary technical staff.

- (iv) According to the Managing Agents, the plant could be put right with minor adjustments and for this purpose an expenditure of Rs. 5 lakhs might have to be incurred.
- (v) In order to achieve efficient working of the plant, little or no interference should be made by the Corporation. Running of the plant should be the responsibility of the Managing Agents.
- (vi) The Corporation should not recover from the Company the interest on the loan or instalments until such time as the factory reached its full capacity and efficiency.
- (vii) The post of General Manager, created by the Corporation should be abolished and that the Company should appoint a General Manager with technical ability, who would run the factory under the Managing Agents' direction.
- (viii) That the Managing Agents had raised a loan of Rs. 1 lakh on their own security on 30th August 1952 and they hoped to sell shares worth Rs. 5 lakhs within a period of a month.

100. The Managing Director placed the report of Sir Biren Mookherjee and Lala Shri Ram before the meeting of the Corporation on 11th October 1952. He however made the following observations on the report:

- (i) that it was the responsibility of the Consulting Engineers to put the plant in operation. They should be able to tell what was really wrong and the Corporation would then be able to judge whose fault it was that led to the plant not going into production and what further equipment it needed;
- (ii) that no further funds were available with the Corporation from the third loan of Rs. 3 lakhs. Even the amount of Rs. 1 lakh brought in by the Managing Agents on 30th August 1952 had been exhausted;
- (iii) the selection of the technical staff should not be left to the Managing Agents alone. The Corporation must know what type of personnel was being recruited and the Corporation's approval should be secured;
- (iv) the responsibility for the failure of the plant should be fixed. Thereafter only it would be possible to prevent interference in the work of the technical personnel;
- (v) if minor adjustments and alterations were to cost even Rs. 2 lakhs, it was doubtful how the Managing Agents would secure this sum plus Rs. 5 lakhs needed for working capital;
- (vi) Lala Gurusharan Lall's attempt of getting Rs. 5 lakhs from Sir Padampat Singhania had not succeeded, because Sir Padampat had asked for 51 per cent. of the shares of the Company in order to obtain its control and with which the Managing Agents did not agree. It was therefore doubtful whether the Managing Agents could find any other person would invest money in the Company;

- (vii) that the Corporation had not interfered in the efficient working of the plant and the reasons which prompted the Committee to make this observation were not understood. The Corporation had no intention of interfering;
- (viii) that the Corporation had not pressed the Company for the payment of interest of the instalments. The Corporation could not however write to the Company officially to that effect until the plant was put into efficient operation;
- (ix) that the Corporation should not accept the Committee's recommendation for the removal of the General Manager appointed by the Corporation. The General Manager had been appointed to see that the Managing Agents of the Company did not "cheat" the Corporation. There was however nothing to prevent the Company from appointing a technical expert to advise it on technical matters.

101. The Managing Director also stated that Mr. Schmid, the President of the firm of Arthur W. Schmid, who had designed the furnace, had arrived in India and had proceeded to Bhurkunda to set it right. The Managing Director recommended that as the Corporation had loaned large sums of money to the Company and there was no prospect of the Company securing further assistance from any other sources, it was in the interest of both the Company and the Corporation that the latter took over the management of the Company and ran it with the consent and co-operation of the Managing Agents of the Company. Lala Shri Ram informed the meeting that he was having discussions with Sir C. V. Mehta to name one or two competent persons who could fill the post of the General Manager of the Company. Lala Shri Ram was authorised to negotiate with Sir C. V. Mehta and as soon as suitable persons were available a Committee consisting of Lala Shri Ram, Mr. Ambe-gaokar and the Managing Director were authorised to make a final selection. The Corporation also authorised the Managing Director to find out from the Managing Agents their views about handing over the management of the Company to the Corporation.

102. On 22nd October 1952, the Managing Director met the Managing Agents of the Company and told them that if they could not find sufficient finance to run the factory, the Corporation would find the money but in that event the Corporation would take over the management of the Company. The Managing Agents were requested to give their consent to suspend the Managing Agency Agreement during the time the Corporation managed the factory. The Corporation would appoint its own General Manager and run the factory with the help of an Advisory Committee consisting of Sir Biren Mookerjee, Lala Gurusharan Lall, Mr. M. C. Bhagat and the Calcutta Manager of I.F.C. The Managing Agents were also asked to furnish a statement of their outstanding liabilities as also of the expenditure likely to be involved in running the factory. The statement of working capital requirements, should, if possible, be confirmed by Mr. Schmid, the designer of the furnace, who had arrived in Bhurkunda by that time. Lala Gurusharan Lall disclosed at the meeting that he had tentatively come to an agreement with Lala Padampat Singhania, who was prepared to invest Rs. 5 lakhs in the Company. The Managing Director however warned Lala Gurusharan Lall against committing himself with Lala Padampat Singhania.

103. The Managing Agents agreed to hand over the management to the Corporation but requested that:—

- (a) in view of the Managing Agents having staked their entire fortune on the factory, Lala Gurusharan Lall should be paid a suitable salary by the Company;
- (b) Lala Gurusharan Lall should be allowed to stay in the bungalow at Bhurkunda, and
- (c) the Managing Agents' status as promoters of the Company should be respected and they should have if possible a voice in the expenses to be incurred by the Corporation.

104. On 25th October 1952, the Corporation resolved that, in view of the Managing Director's discussions with the Managing Agents of the Company, the management of the Company be taken over by the Corporation, and for that purpose an Advisory Committee as also a General Manager be appointed by the Corporation. The Corporation was authorised to incur an expenditure upto a limit of Rs. 10 lakhs for running the factory. In accordance with the terms of this resolution *the Company was taken over by the Corporation on the 1st November 1952.*

105. When the management of the Company was taken over, the Corporation found that the Company had incurred a liability of Rs. 5.46 lakhs, which had to be paid and that there was a further liability on account of non-payment of income-tax amounting to Rs. 2.96 lakhs for which neither the Company nor the Managing Agents had any funds. It also came to light that the factory could not become a paying proposition with only the sheet-glass section. If the unpaid liabilities were to be met out of the sum of Rs. 10 lakhs, sanctioned for running the factory, the balance amount available would be insufficient for the payment of wages, salaries and raw materials. The Corporation therefore agreed to the Managing Agents' suggestion to pay only Rs. 2 lakhs towards the outstanding liabilities of the Company.

106. On 24th November 1952, Mr. Schmid informed the Corporation that the furnace was in good operational condition, both "thermally and mechanically", and the factory was ready to go into satisfactory production as soon as the solid debi-teuse blocks were obtained. The raw materials used in the factory were on the whole satisfactory, but the coal from the Hindustan collieries was not of a suitable quality. Mr. Schmid also stated that there was complete lack of organisation at the factory; the technical staff employed was energetic and conscientious, but required practical experience. Since no long-term arrangement for technical supervision of the factory had been made by the Company, his firm, Messrs. Arthur W. Schmid & Co. would be prepared to furnish the supervision on terms to be mutually settled. He commented on the arrangement made for the sale of glass made by the Company; which he thought was ideal, inasmuch as, the selling agents removed glass each month and paid in cash, which greatly helped towards the working capital.

107. In January 1953 the factory was put into production and good quality marketable sheet-glass was available for sale from 22nd January 1953.

108. In the same month, taking advantage of the presence of Brig. Cox in India who was the technical adviser to Sindri, the Corporation appointed a Committee consisting of Brig. Cox, Dr. Nagaraja Rao, Industrial Adviser to the Government of India and Dr. S. P. Varma, Deputy Development Officer (Glass), to report on the position of the factory. The Committee visited Bhurkunda and submitted their report which stated—

- (i) that the Company should provide a railway siding which would save considerable cost in transporting raw materials and finished goods between the Railway Station and the factory;
- (ii) that two more glass drawing machines should be added;
- (iii) because sufficient attention had not been paid to the details and planning, some important accessories and instruments had not been ordered and they should be provided;
- (iv) steps should be taken to provide quarters for technical staff and labour;
- (v) well-equipped laboratory should be set up;
- (vi) if the Company produced only sheet-glass it might not be able to stand in competition with other factories of similar size which were going to start production shortly. It would therefore be desirable to instal the bottle and figured-glass sections;
- (vii) the stocks of equipments and spares, etc. were not properly stored and the maintenance of buildings left room for improvement;
- (viii) necessary fire-fighting and other protective measures should be provided;
- (ix) no specific responsibility had been assigned to different supervisory and other staff;
- (x) adequate stocks of raw materials, maintenance stores, etc. should be carried by the factory as Bhurkunda is in an out-of-the-way place;
- (xi) an arrangement should be arrived at with Messrs. A. W. Schmid & Co. for rendering technical assistance to the Company;
- (xii) a top-ranking foreign technical man should be engaged by the Company for a period of 2 years to carry on the entire technical responsibility; also four foreign glass technologists should be appointed to work under these experts;
- (xiii) it would be inexpedient to seek the help of Messrs. Pilkington Bros. who were putting up a factory in Calcutta in association with Messrs. N. R. Sarkar & Co. Ltd.

109. The Managing Director submitted a memorandum to the Board on the 23rd January 1953 in which he discussed the advisability of either the Corporation running the factory or selling it to some party. He pointed out that another factory of the size of Bhurkunda for manufacturing sheet-glass was coming up. There might be

therefore cut-throat competition between them. In the circumstances he thought it would be better to set up the figured-glass section also. He also added that during the next 12 months the factory would not be able to make both ends meet. The Company would need about Rs. 15 lakhs to run the factory, out of which Rs. 3.5 lakhs would be required for setting up a laboratory building, putting up temporary quarters, and the remaining amount would be for working capital. The Managing Director estimated that as on 1st January 1953, the amount due to the Corporation would be Rs. 64 lakhs as under;

- |                  |   |   |
|------------------|---|---|
| (a) Rs. 50 lakhs | · | on account of 1st, 2nd and 3rd loans.   |
| (b) Rs. 4 lakhs  | · | on account of interest on the above loans.  |
| (c) Rs. 10 lakhs | · | on account of the money spent by the Corporation after taking over the management of the Company. |

TOTAL Rs. 64 lakhs

He also pointed out that the prospects of finding a buyer for the factory were somewhat remote.

110. On the basis of the Managing Director's report the Corporation came to the conclusion that they should not try to run this factory over a long period and it should be disposed of at any early date. In order, however, to dispose of the factory profitably and recover the Corporation's dues, it would be necessary to incur the above expenditure. As the Company had incurred other liabilities of Rs. 23 lakhs, and creditors had started filing petitions for winding up the Company, the total amount that the Corporation would have to spend would therefore exceed Rs. 1 crore to take over all liabilities. The Corporation, therefore, sanctioned a sum of Rs. 15 lakhs for the purpose of keeping the factory running, and authorised the Managing Director to make arrangements with Messrs. A. W. Schmid & Co. for technical assistance.

111. In pursuance of the above decision, the Managing Director visited Bhurkunda early in February 1953 and reported that the inefficient management of the Managing Agents was responsible for the low production at the factory and therefore the Managing Agents should be removed as early as possible. Furthermore, the management of the factory should be entrusted to a person who has experience of running large glass factories and he should be given wide powers. In consultation with the American Expert, who was at the factory, the Managing Director reallocated the duties and powers of the staff. He also came to the conclusion that more staff would be required for the Engineering as well as the Administrative sides and that some time should be given to the staff and labour to acquire skill in the efficient operation of the factory. The Managing Director also ordered the construction of 50 temporary quarters for labour and 5 small houses for the supervisory staff.

112. Thereafter the Managing Director on his return to Delhi met some of the Directors of the Corporation informally, when they came to the view that the factory would not pay its way and therefore no

purpose would be served by continuing its operation. A decision was therefore taken to shut it down.

113. The Managing Director, on the advice of the Corporation's solicitors, gave in Calcutta the following instructions to the Managing Agents on 24th February 1953.

- (i) that the Directors of the Company should run the factory at their own cost up to the 10th March 1953 in order to prove the Corporation that the factory was self-supporting. Lala Gurusharan Lall agreed to advance to the Company the entire money for running the factory up to the said date;
- (ii) that the stock of sheet-glass manufactured and to be manufactured should be sold as quickly as possible, and the sale proceeds should remain with the Corporation and should be utilised for paying only wages and salary of workmen and other employees of the company and any other liability of the company which the Corporation might agree to liquidate;
- (iii) that the company should immediately give notice to all monthly-paid employees, terminating their services by the end of March, 1953;
- (iv) that the notices of discharge should not be given by the General Manager, but by the Factory Manager under instructions of Lala Gurusharan Lall. The General Manager was also instructed not to place fresh orders for supplies and to utilise the proceeds of the glass only for meeting the wages and other liabilities that the Corporation might agree to liquidate.

114. The notices were accordingly issued. In issuing these notices, however, Lala Gurusharan Lall observed that he was not authorised in any way, as a Director of the Sodepore Glass Works Ltd., or in any other capacity, to issue these notices, but he was merely carrying out the instructions given to him by the Corporation. Lala Gurusharan Lall also sent a telegram to the Corporation at Delhi informing them that, as the factory had gone into production and as the quality and the quantity of glass was improving, the factory should not be shut down, but it should continue to operate. He requested the Corporation to reconsider their previous decision of closing down the factory. The Managing Director felt that the request of L. Gurusharan Lall for running the factory should be given no consideration and the Corporation should adhere to its decision of closing it down for some time or selling it by public auction or tender or private treaty, whichever was convenient to the Corporation. In his opinion it was futile for the Company "to try to obstruct the closing down of the factory".

115. On 9th March 1953, the General Manager of the Company informed the Managing Director by telephone that all machines had been stopped, but in view of the notices served on the employees, the labour had surrounded the quarters of the staff and threatened to damage the factory unless the notices were withdrawn. The Managing Director instructed the General Manager that he should

get into touch with the Superintendent of Police of Hazaribagh for necessary protection. Later in the day, the Managing Director received a telephone message from Lala Gurusharan Lall that in consultation with Mr. M. G. Bhagat he had taken upon himself the responsibility of withdrawing the notices. The Managing Director then sent the Deputy Managing Director to Calcutta to get in touch with the Corporation's solicitors and to try and obtain from the Company peaceful charge of the management of the factory so that the Corporation might be free to take any action it liked.

116. The Managing Director also asked Mr. Esselstyn, the American Expert, to give his views on the technical side of the factory. He (Managing Director) pointed out that the Company had lost Rs. 8 lakhs in running the factory for 3 months and the Corporation had come to the conclusion that it was no use wasting further money, unless the reason for the excessive breakages of glass was investigated into. According to the figures supplied to the Corporation he added that between 1st November 1952 and 20th February 1953, against 758 tons of glass that should have been produced out of 914 tons of raw materials used, the actual saleable glass produced was only 2,500 cases (250 tons) of 100 sq. ft. each. The Managing Director further pointed out that the machines could not produce even a few full-sized sheets of glass daily and much of the glass produced had resulted in broken pieces. The Corporation therefore wanted information from Mr. Esselstyn on the following points:—

- (i) whether there was any defect in the machine, or in the raw materials or in the furnace;
- (ii) if, in his opinion, the factory was not fully equipped, what reasons prompted him to fire the kiln;
- (iii) what would be the capacity of the machines to produce saleable glass, once all the 4 machines were worked continuously for 24 hours per day;
- (iv) had the capacity of the furnace been lowered because 4 machines were installed instead of 6?

117. Mr. Esselstyn, in his reply of 5th March 1953, indicated that the production of 250 tons of glass at the very start of the factory was about 45 per cent. of the production, which he considered "very favourable" especially when it was handled by inexperienced labour. He also pointed out that it was not possible anywhere in the world to box 100 per cent. of the glass melted. Against the figure of 758 tons given by the Managing Director, he stated that with the utmost efficiency it might be possible to produce only 568 tons. He denied the statement that the machines were not producing full size sheets and pointed out that from the 14th of February full size sheets were being produced. The troubles noticed with the machinery could not have been foreseen and some of the troubles were due to the fact that the machines were stored for several years in a damp condition. Mr. Esselstyn stated that the reasons that had held up production were not insignificant and were due to the following defects:—

- (i) that the lift was not completed;
- (ii) the cutting room had to be removed from the second floor to the ground floor because of its unsafe condition;



- (iii) the ground floor had to be concreted;
- (iv) inferior supplies of refractories;
- (v) enormous time taken to get "screw feeders" from Calcutta.  
He pointed out that there was no excuse for taking 38 days to deliver this equipment from Calcutta to the factory.

Mr. Esselstyn did not advise the stoppage of the furnace as it was stated to be in good condition. He recommended that the furnace should be allowed to operate as long as possible to get the life out of the existing refractories. He also pointed out that if the furnace was shut down, the Company would have to incur considerable expenses in repairing the furnace and restarting it. It would require 15 days to reheat it for which purpose 800 tons of coal, 10,000 gallons of furnace oil and 75 tons of coke would be consumed. He thought that the life of the furnace was about 8 to 9 months. He mentioned that the production was going on and the quality and the quantity of the glass were improving gradually. There was however no temperature recording equipment and as soon as it was made available the production would increase further. In Mr. Esselstyn's opinion, when all the 4 machines were in full production, the handling and cutting losses were reduced and the labour and staff had gained experience, the daily production would reach 900 cases per day and could go upto 1200 cases per day in course of time. He invited the attention of the Corporation to the fact that almost all the labour working in the factory had been trained in their jobs at great expense to the Company and in the event of the furnace being shut down many of these trained men would seek employment elsewhere, and it would cost the Company considerable time and money to train a new group of workers when the factory was restarted. The morale and co-operation of the workers had been lowered considerably since the 1st of that month when they received notices of dismissal.

118. The Managing Director recorded his observations on Mr. Esselstyn's report. He said that he was not satisfied with the explanation given by Mr. Esselstyn more particularly because he had not held "any important position excepting that of engineer and draughtsman of the machinery", and he could not therefore handle problems of production. In the opinion of the Managing Director, Mr. Esselstyn should not have advised the Company to start manufacture if he was not satisfied that every thing was proper for commencing the production. He pointed out that if Mr. Esselstyn had any experience of running an industrial concern he would not have allowed the furnace to be fired when there was no proper arrangement for cutting the glass. Incidentally it may be noted that the cutting room was located on a temporary structure which gave way and resulted in injury to 3 men of whom one died subsequently. We have been informed that the General Manager of the Company had drawn the attention of the Corporation to the rickety structure of the cutting room and had requested and urged for payment to enable him to render it safe for operation. As regards the delay in the despatch of the screw feeders, the Managing Director observed that it took some time to find out where they were lying

at the docks and a further delay took place because the Company tried to get the customs and wharfage charges reduced.

119. The Corporation took over complete management of the factory on the 21st of March 1953 and suspended the Managing Agents. It appears that the Managing Director on his own and without informing either the Executive Committee of the Board of Directors of the Corporation set up a new Board of Directors for the Company consisting of the following persons to carry on the management of the factory:—

Mr. L. S. Kirloskar.

Mr. D. R. Madhok (Manager, I.F.C. Calcutta).

Mr. Arjun Prasad (Son of Lala Gurusharan Lall).

Mr. S. K. Mandal (an assistant in the firm of the Corporation's Solicitors in Calcutta).

Mr. G. S. Trasy (General Manager of the Company).

When asked by the Committee, the Managing Director stated that he had to take urgent action and he acted on the advice of the Corporation's Solicitors. Furthermore, he stated that the Board appointed by him was provisional and that a proper Board would be set up by the Corporation in due course.

120. The Company's Balance Sheet for the year ended 31st December 1951, which is the latest one available, shows that the Company has an accumulated loss of Rs. 8.12 lakhs. The fixed capital assets amount to Rs. 78 lakhs after writing off Rs. 5.70 lakhs as depreciation. The paid-up capital of the Company is Rs. 29.10 lakhs and the loans and deposits from banks and other sources including Managing Agents amount to Rs. 14.19 lakhs, excluding the loans from the Corporation.

121. From all accounts it appears that sheet-glass produced at Bhurkunda is of good quality and finds a ready market. The Corporation has now appointed a new Board of Directors and it would be advisable and desirable to give the Board full powers and adequate finances to run the factory efficiently and economically. It is also desirable that the present General Manager, who is not a technical man should be removed as early as possible and that a General Manager with technical knowledge and experience of industrial management should be appointed. The Corporation should also take steps to engage proper technical staff, including some foreign technicians.

122. We are opposed to the Corporation making any attempt to sell this factory just for the purpose of recovering its own dues, oblivious of the interest of the shareholders and others. The factory should be run by the new Board on a care-taker basis somewhat on the lines of what is being done in the case of Sholapur Mills.

123. In the ultimate analysis, the following facts emerge:—

- (i) In view of the drawbacks of the project, as pointed out by the Expert Committee, the Corporation should have been more circumspect in sanctioning the original loan of Rs. 40 lakhs.

- 11 (ii) The capital requirements of the project had been grossly underestimated and the Corporation seems to have made no serious attempt to properly assess, at any stage, the long-term requirements. The single factor is the major contributory cause for the present state of affairs of the company.

The Corporation must now estimate closely the long-term capital requirements, which have been variously estimated at Rs. 15 lakhs to Rs. 35 lakhs. The economics of the present plate glass plant need be looked into carefully. If it cannot be run as an economic unit, the question of installing the figured-glass and bottle plants should be considered. As Bhurkunda does not provide any special advantage, the desirability of installing these plants at Sodepur may be examined.

- (iii) The Corporation should have, in collaboration with the Managing Agents, devised ways and means for accelerating the construction of the factory which was of paramount importance both in the company's and the Corporation's own interest.
- (iv) The technical organisation of the factory was weak and the appointment of a non-technical General Manager on behalf of the Corporation aggravated the situation.
- (v) Conflict of personalities and dual control seemed to have complicated matters resulting in mismanagement.

## CHAPTER IX

### ACKNOWLEDGMENT AND CONCLUSIONS

124. In the foregoing chapters we have endeavoured to present facts disclosed to us by the mass of evidence we were able to gather in the course of our enquiry within the short time at our disposal. We append (Appendix XI) to this Report a summary of our recommendations.

125. The Industrial Finance Corporation has spared no pains to meet our demand for information and the exhaustive memoranda supplied to us have been of great assistance. Our thanks are due to the Chairman and the Directors of the Corporation and particularly to Shri V. R. Sonalker, Managing Director, who has extended to the Committee all co-operation. Members of Parliament and of the public who sent representations and who appeared before the Committee gave valuable suggestions and we have tried to deal with them to the best of our ability. Our visit to Calcutta enabled us to learn all about the working of concerns in respect of which complaints have been heard especially on the floor of Parliament. To all those who have assisted us in our task, we feel grateful. In order to secure even unsolicited information which has a bearing on the terms of reference, we decided, advisedly, at the outset, to treat all materials placed before us as of confidential nature. We feel the outcome of this decision has proved salutary and helpful.

126. Our detailed recommendations based on a study of the working of the Corporation, if given effect to, will, we trust, remove the causes for complaints against the actual working of the Corporation. The usefulness of the Corporation will be considerably enhanced if defects in the working of the Corporation as we have pointed out are removed. The appointment of a whole-time Chairman and placing the responsibility for the working of the Corporation on the Board of Directors are of the utmost importance. Suitable changes in the law to bring about these and other reforms should be undertaken. Processing of loan applications and the strict observance of a well-defined policy in dealing with them require more attention.

While we welcome and appreciate the interest evinced by Parliament and the public in the working of this Central credit institution established for providing assistance to industrial concerns operating in the private sector, we consider it desirable to avoid all criticism about the working of the Corporation made in a manner likely to affect the credit of the Corporation.

The collection of materials and information relating to the terms of our reference has been an arduous task. The burden of the work of the Committee has fallen principally on our able Secretary, Shri S. K. Sen who has borne it cheerfully. Shri Sen's familiarity with the subject, his quiet efficiency and the ability and remarkable expedition with which he has dealt with the voluminous mass of information placed before the Committee has considerably lightened our task. It should be noted that Shri Sen was performing the duties of the Secretary of the Committee in addition to those of the post he

holds in the Ministry of Commerce and Industry. We also wish to place on record our appreciation of the services of the staff of the Committee for their willing and ungrudging co-operation in our work.

SUCHETA KRIPALANI, *Chairman.*

V. B. GANDHI, *Member.*

SRI NARAYAN MAHTHA, *Member.*

P. A. NARIELWALA, *Member.*

S. K. SEN, *Secretary.*

\*R. SURYANARAYANA RAO, *Member.*

G. BASU, *Member.*

NEW DELHI,

The 1st of May, 1953.

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\*Subject to a minute.

## MINUTE OF SHRI R. SURYANARAYANA RAO

In para. 11 of the Report we have dealt with the capital requirements of an industry. While conceding the provision of working capital is an integral part of the capital structure of an industrial concern, we have stated the scope for an Industrial Bank or the Finance Corporation is ordinarily providing requirements of block capital in excess of the initial capital raised by the industry concerned, implying thereby the provision of working capital is outside the purview of an organisation like the Corporation. It is said that the Corporation would be encroaching on the field of commercial banking if it took the requirements of working capital into account in sanctioning loans.

Our examination of the loan applications showed, and this has been confirmed by the Managing Director of the Corporation, that in a few cases it had given loans to cover the requirements of a concern in respect of block as well as working capital. In some cases where it was not possible to lend a few lakhs more on the block assets than are required for capital expenditure the Corporation had lent for assisting the concern in making good the working capital required. There are also instances in which when the banks were not prepared either to continue the cash-credit accommodation or refused to give accommodation on the pledge of raw materials, stocks-in-process and finished products, the Corporation had given advances for working capital requirements. It is contended that the Corporation would have failed in its duty if it had interpreted that its function was only to lend for block assets as such an attitude might have resulted in serious damage to the promotion of the project. In the absence of definite criteria to assess the eligibility of a concern for assistance towards working capital, there is a feeling which some of us share, that there were other deserving cases in need of assistance which for some reason have not been considered favourably.

However much we may regret, it should be recognised that there is a certain amount of hesitation on the part of Commercial banks to lend even against raw materials, stocks-in-process when assets have been completely mortgaged to the Corporation as they consider these fixed assets are a second line of defence in respect of accommodation provided by them. The fact that some concerns, perhaps for reasons beyond their control, are in arrears of interest or instalments due to the Corporation has only strengthened their fears and the result has been the complete withdrawal of all facilities for working capital in some cases or refusal to extend the limits further.

While the considerations stated above deserve every consideration, and the Corporation perhaps was justified in many cases in meeting the working capital requirements of a concern either wholly or partly, it has been urged that the general application of the policy followed by the Corporation in respect of provision of working capital requirements may result in the absorption of its limited resources for the purpose of working capital only, and the Corporation not being able to perform its legitimate function enjoined by the Statute. This fear is groundless as the requirements of working capital form a small, if not an insignificant, part of the capital structure of a concern. Moreover, as we have mentioned in paragraph 11 already

referred to, a part of the working capital of an industry is more or less of a permanent nature required for maintaining minimum stock of raw materials, stores and finished goods. Only a portion of it is of a temporary character. While industrial concerns may be required to look to the commercial banks for providing this temporary capital, it is necessary and desirable that portion which is more or less of a permanent nature should form part of the accommodation provided by the Corporation. There are also cases in which the commercial banks do not accept certain kinds of goods, finished or unfinished, as security for granting even short time accommodation. As all are agreed the provision of working capital is essential for the successful working of an industry, especially in the case of new ventures, in all cases where either this accommodation is not easily forthcoming from the commercial banks or the accommodation obtained is insufficient, assistance from the Corporation in such cases would be not only welcome but necessary. Of course, such cases may be a few. In any case they should at least be treated as exceptions requiring special treatment. The portion of the loan coming under this category may be treated as a short-term or medium-term loan as the case may be and repayment may be spread over a shorter period compared to that prescribed for creating fixed assets. In this connection I may be permitted to quote a paragraph from the Annual Report of 1950 of the Industrial and Commercial Finance Corporation Ltd., of the United Kingdom which reads thus:

“A substantial part of the Corporation’s resources is utilised in providing additional working capital required to support the restoration to normal levels of the volumes of work in progress and of finished stocks at the higher values which now pertain; or more accurately perhaps, to provide part of the strengthening capital structures which have been necessary to support operations at the post-war level of prices. The provision of working capital naturally falls to the Banks, and is reflected in the rise of advances in recent years. The Corporation’s operations are auxiliary to this.”

It is argued that the Preamble to the Act establishing the Industrial Finance Corporation of India rules out altogether the provision of working capital by the Corporation. For easy reference, the preamble is reproduced below:

“Whereas it is expedient to establish an Industrial Finance Corporation for the purpose of making medium and long-term credits more readily available for industrial concerns in India, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue methods is impracticable”.

A strict interpretation of the above Preamble can only refer to the ban on the provision of temporary short-term working capital which can be appropriately provided by the commercial banks. The very set up of the commercial banks and the resources on which they depend preclude them from venturing on medium and long-term accommodation. It will be conceded in the case of working capital of a more or less permanent character the normal banking accommodation is certainly inappropriate as only medium-term credit, if

not long term, is the need. Therefore, in my opinion, the Preamble does not rule out altogether the provision of such working capital as medium-term credit. However, if the interpretation now given is considered correct, the preamble may be suitably amended to make clear what appears to be now ambiguous and the Corporation may be enabled to provide working capital of a more or less permanent character as well, in addition to what may be called 'block capital' for creating fixed assets.

While I concede the primary function of the Corporation is to grant accommodation for the acquisition of fixed assets, in cases such as new ventures where owing to unsatisfactory response to their capital issue or on account of rise in the cost of building materials or machinery or for other causes beyond the control of the promoters they have expended all their available resources in creating fixed assets, accommodation for working capital also may be granted though not against raw materials and finished goods as such a provision against them is in the field of commercial banks. As already suggested such accommodation may be treated as a medium or short term credit as the case may be. To ensure safety for investment in short, medium and long-term credits, I would suggest such accommodation should be available only to concerns whose paid-up capital is at least 65 per cent. of its fixed capital expenditure. The Preamble may be altered, if deemed necessary, to provide for this accommodation also.

The record of Indian Industries in the post-war years especially in the period 1946—51 is commendable in spite of the difficulties they had to face. Not only their future should be ensured but their sound economic development especially of the new ventures should be promoted. Provision of short and medium-term credits for working capital besides provision for creating fixed assets is sure to be very helpful. It is far better to provide such credits as far as possible from a single credit institution than dispersing them among many.

2. In the Chapter on General Complaints and Suggestions, reference has been made to the development of industries in backward areas. It is true the Corporation can grant only fully secured loans, against tangible assets and if such loans have also to bear any relation to the paid-up share capital, I am afraid there is no prospect of industries springing up in such areas though the conditions existing may be most favourable. It is not the function of the Corporation also to start and manage industries in such areas. The industries for which facilities exist may also be outside the public sector. More radical and far-reaching measures are necessary to ensure success of any industrial enterprise in these backward areas. The State should take the initiative for sponsoring industrial development in such areas. The alternative method is for the State to stand guarantee for loans granted by the Corporation taking adequate measures to secure their proper utilisation. Some such method as has been suggested should be evolved and pursued in regard to backward areas. Mere issue of a directive to the Corporation such as that issued in 1948 cannot but prove a pious wish.



## APPENDIX I

(Reference Paragraph 16 of Report)

Statement showing Classification of total Loans & Advances sanctioned by the Industrial Finance Corporation of India and Amount availed of by the Borrowing concerns upto 31st Dec., 1952.

	<i>Amount sanctioned</i>	<i>Total</i>	<i>Amount availed</i>	<i>Total</i>
	Rs.	Rs.	Rs.	Rs.
<b>1. Textile Machinery:—</b>				
(a) Machinery Manufacturers Corporation Ltd.	43,00,000		43,00,000	
(b) Machinery Manufacturers Corporation Ltd.	7,00,000		7,00,000	
(c) Mahendra Mills Ltd.	8,00,000		8,00,000	
(d) Mahendra Mills Ltd.	6,00,000	64,00,000	6,00,000	64,00,000
<b>2. Mechanical Engineering:—</b>				
(a) Kirloskar Oil Engines Ltd.	20,00,000		20,00,000	
(b) Jay Engineering Works Ltd.	20,00,000		20,00,000	
(c) Small Tools Manufacturing Co. of India Ltd.	2,50,000		2,50,000	
(d) Jyoti Ltd.	6,50,000		..	
(e) Mysore Kirloskar Ltd.	3,00,000		3,00,000	
(f) Jay Engineering Works Ltd.	16,00,000		..	
(g) Kirloskar Oil Engines Ltd.	5,00,000	73,00,000	5,00,000	50,50,000
<b>3. Electrical Engineering:—</b>				
(a) National Electrical Industries Ltd.	10,00,000		10,00,000	
(b) Standard Batteries Ltd.	20,00,000		20,00,000	
(c) Calcutta Electrical Manufacturing Co., Ltd.	8,00,000		7,00,000	
(d) Bengal Electric Lamp Works Ltd.	11,00,000		..	
(e) Bharat Bijlee Ltd.	2,50,000		..	
(f) Pakistan General Electrical Corp. Ltd.	12,00,000		12,00,000	
(g) Solar Batteries & Flashlights Ltd.	8,50,000		8,50,000	
(h) Solar Batteries & Flashlights Ltd.	6,00,000		1,86,000	
(i) Matchwell Electricals (India) Ltd.	12,00,000		..	
(j) Mysore Electrical Industries Ltd.	4,00,000		3,00,000	
(k) Aluminium Industries Ltd.	10,50,000		..	
(l) National Electrical Industries Ltd.	10,00,000	1,14,50,000	..	62,36,000
C/O		2,51,50,000		1,76,86,000

	<i>Amount sanctioned</i>	<i>Total</i>	<i>Amount availed</i>	<i>Total</i>
	Rs.	Rs.	Rs.	Rs.
B/F		2,51,50,000		1,76,86,000
<b>4. Cotton Textiles:—</b>				
(i) Orissa Textile Mills Ltd.	50,00,000		50,00,000	
(b) Surat Textile Mills Ltd.	10,00,000		10,00,000	
(c) Lokamanya Mills Barsi Ltd.	8,00,000		8,00,000	
(d) Shri Vikram Cotton Mills Ltd.	10,50,000		10,50,000	
(e) Pulgaon Cotton Mills Ltd.	10,00,000		10,00,000	
(f) Modi Spinning & Weaving Mills Co., Ltd.	30,00,000		..	
(g) Savatram Ramprasad Mills Co., Ltd.	10,00,000		..	
(h) Rayalaseema Mills Ltd.	4,00,000		..	
(i) Bengal Fine Spinning & Weaving Mills Ltd.	11,00,000		11,00,000	
(j) New Maneckchock Spinning & Weaving Co., Ltd.	10,00,000		..	
(k) Cauvery Spinning & Weaving Mills Ltd.	7,50,000		7,50,000	
(l) Dhakeshwari Cotton Mills Ltd.	20,00,000		..	
(m) Shree Sadul Textiles Ltd.	15,00,000		15,00,000	
(n) Shree Sadul Textiles Ltd.	5,00,000		5,00,000	
(o) Pulgaon Cotton Mills Ltd.	3,75,000		3,75,000	
(p) Savatram Ramprasad Mills Co., Ltd.	10,00,000		..	
(q) Lakshmirattan Cotton Mills Ltd.	50,00,000		..	
(r) Shree Sadul Textiles Ltd.	10,00,000		..	
(s) Shree Krishnarajendra Mills Ltd.	15,00,000	2,89,75,000	..	1,30,75,000
<b>5. Woollen Textiles:—</b>				
(a) Panipat Woollen & General Mills Co., Ltd.	5,00,000		5,00,000	
(b) Oswal Woollen Mills Ltd.	3,00,000		..	
(c) Shree Digvijaya Woollen Mills Ltd.	25,00,000		25,00,000	
(d) Panipat Woollen & General Mills Co., Ltd.	2,00,000	35,00,000	2,00,000	32,00,000
<b>6. Rayon Industry:—</b>				
National Rayon Corporation Ltd.	50,00,000	50,00,000	50,00,000	50,00,000
C/O:		6.26.25,000		3,89,61,000

	<i>Amount sanctioned</i>	<i>Total</i>	<i>Amount availed</i>	<i>Total</i>
	Rs.	Rs.	Rs.	Rs.
B/F		6,26,25,000		3,89,61,000
<b>7. Chemicals:—</b>				
(a) Mettur Chemical & Industrial Corporation Ltd.	30,00,000		28,26,000	
(b) Hindustan Heavy Chemicals Ltd. . . . .	12,50,000		12,50,000	
(c) Hindustan Heavy Chemicals Ltd. . . . .	2,50,000		..	
(d) Hindustan Chemical Works Ltd. . . . .	4,00,000		4,00,000	
(e) Bharat Starch & Chemicals Ltd. . . . .	10,00,000		10,00,000	
(f) Hind Chemicals Ltd. . . . .	4,00,000		3,25,000	
(g) Dhrangadhra Chemicals Works Ltd. . . . .	25,00,000		10,00,000	
(h) Dhrangadhra Chemicals Works Ltd. . . . .	40,00,000		..	
(i) Asia Chemicals Ltd. . . . .	50,000		50,000	
(j) Associated Pigments Ltd. . . . .	7,50,000		1,30,000	
(k) Fertilisers & Chemicals (Travancore) Ltd. . . . .	50,00,000		..	
(l) Standard Pharmaceutical Works Ltd. . . . .	6,75,000		..	
(m) Mettur Chemical & I. Corpn. Ltd. . . . .	5,00,000	1,97,75,000	2,00,000	71,81,000
<b>8. Cement:—</b>				
(a) India Cements Ltd. . . . .	40,00,000		40,00,000	
(b) Shree Digvijay Cement Co. Ltd. . . . .	50,00,000	90,00,000	30,00,000	70,00,000
<b>9. Ceramics &amp; Glass:—</b>				
(a) Bengal Potteries Ltd . . . . .	20,00,000		20,00,000	
(b) Sodepore Glass Works Ltd. . . . .	40,00,000		40,00,000	
(c) Sodepore Glass Works Ltd. . . . .	7,00,000		7,00,000	
(d) Ogale Glass Works Ltd. . . . .	20,00,000		10,00,000	
(e) Hindustan National Glass Mfg. Co. Ltd. . . . .	14,00,000		13,70,000	
(f) Travancore Ogale Glass Mfg. Co. Ltd. . . . .	5,00,000		3,00,000	
(g) Mysore Glass & Enamel Works Ltd. . . . .	4,00,000		..	
(h) Sodepore Glass Works Ltd. . . . .	3,00,000		3,00,000	
(i) Central Potteries Ltd. . . . .	6,00,000	1,19,00,000	1,80,000	98,50,000
C/O		12,33,00,000		6,29,92,000

	<i>Amount sanctioned</i>	<i>Total</i>	<i>Amount availed</i>	<i>Total</i>
	Rs.	Rs.	Rs.	Rs.]
B/F		10,33,00,000		6,29,92,000
<b>10. Oil Mills.—</b>				
(a) Punjab Vanaspati & Oil Mills Ltd.	1,75,000		1,75,000	
(b) Punjab Vanaspati & Oil Mills Ltd.	75,000	2,50,000	1,75,000	2,50,000
<b>11. Electric Power:—</b>				
(a) Purulia Electric Supply Corpn. Ltd.	3,00,000		3,00,000	
(b) Cuttack Electric Supply Co. Ltd.	9,00,000		..	
(c) Muzaffarpore Electric Supply Co. Ltd.	5,50,000	17,50,000	..	3,00,000
<b>12. Metallurgical Industry (Non-Ferrous Metals):—</b>				
(a) Kamani Metals & Alloys Ltd.	30,00,000		30,00,000	
(b) Suraquip Ltd.	5,00,000	35,00,000	..	30,00,000
<b>13. Iron and Steel (Light Engineering) :—</b>				
(a) Crescent Iron & Steel Corpn. Ltd.	5,00,000		5,00,000	
(b) Tatanagar Foundry Co. Ltd.	12,50,000		..	
(c) Mukand Iron & Steel Works Ltd.	25,00,000		22,00,000	
(d) Mukand Iron & Steel Works Ltd.	8,00,000		..	
(e) Atlas Cycle Industries Ltd.	7,50,000		..	
(f) National Rolling & Steel Ropes Ltd.	10,00,000	68,00,000	..	27,00,000
<b>14. Aluminium:—</b>				
(a) Aluminium Corpn. of India. Ltd.	50,00,000	50,00,000	38,00,000	38,00,000
<b>15. Sugar Industry:—</b>				
(a) Bagaitdar Co-operative Sugar Producers' Society Ltd.	20,00,000		20,00,000	
(b) Nizam Sugar Factory Ltd.	40,00,000		..	
(c) Saswad Mali Sugar Factory Ltd.	20,00,000		13,55,000	
(d) Deccan Sugar & Abkhari Co., Ltd.	35,00,000	1,15,00,000	..	33,55,000
	C/O	13,21,00,000		7,63,97,000

	<i>Amount sanctioned</i>	<i>Total</i>	<i>Amount availed</i>	<i>Total</i>
	Rs.	Rs.	Rs.	Rs.
B/F		13,21,00,000		7,63,97,000
16. <i>Mining</i> :—				
(a) Metal Corporation of India Ltd.	30,00,000	30,00,000	30,00,000	30,00,000
17. <i>Paper Industry</i> :—				
(a) Hand Made Paper Ltd.	3,00,000		2,00,000	
(b) Arvind Boards and Paper Products Ltd.	9,00,000		9,00,000	
(c) Mysore Paper Mills Ltd.	50,00,000		10,00,000	
(d) Paper & Pulp Conversions Ltd.	12,00,000	74,00,000	12,00,000	33,00,000
18. <i>Automobile and Tractor Industry</i> :—				
(a) Premier Automobiles Ltd.	50,00,000	50,00,000	1,00,000	1,00,000
19. <i>Unclassified</i> :—				
(a) Link Industries Ltd.	5,00,000		5,00,000	
(b) Great Eastern Electroplaters Ltd.	3,50,000		3,50,000	
(c) Great Eastern Electroplaters Ltd.	70,000		70,000	
(d) Uberoi Ltd.	3,50,000			
(e) Shangrilla Food Products Ltd.	10,00,000			
(f) Gwalior Forest Products Ltd.	3,50,000			
(g) Suedes and Leatherettes Ltd.	10,00,000		10,00,000	
(h) Swastik Rubber Products Ltd.	12,00,000	47,70,000	12,00,000	31,20,000
GRAND TOTAL:—		15,22,70,000		8,59,17,000

*Statement showing Industry-wise Distribution of Loans sanctioned by the Industrial*

Type of Industry	Bombay	Bihar	Madhya Pradesh	Punjab	Madras	Orissa
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Textile Machinery . . .	14,00	...	...	...	...	...
Mechanical Engineering . . .	31,50	...	...	...	...	...
Electrical Engineering . . .	69,00	12,00	...	...	...	...
Cotton Textiles . . . .	28,00	...	33,75	...	11,50	50,00
Woollen Textiles . . . .	...	...	...	10,00	...	...
Rayon Industry . . . .	50,00	...	...	...	...	...
Chemicals . . . . .	4,00	...	...	10,00	35,00	...
Cement . . . . .	...	...	...	...	40,00	...
Ceramics and Glass . . . .	20,00	50,00	6,00	...	...	...
Oil Mills . . . . .	...	...	...	...	...	...
Electric Power . . . . .	...	8,50	...	...	...	9,00
Metallurgical Industry (Non-ferrous metals).	30,00	...	...	...	...	...
Iron and Steel (Light Engineering);	38,00	12,50	...	7,50	...	...
Aluminium . . . . .	...	...	...	...	...	...
Sugar Industry . . . . .	40,00	...	...	...	35,00	...
Mining . . . . .	...	...	...	...	...	...
Paper Industry . . . . .	24,00	...	...	...	...	...
Automobile and Tractor Industry.	50,00	...	...	...	...	...
Unclassified . . . . .	22,00	...	...	...	5,00	...
	4,20,50	83,00	39,75	27,50	1,26,50	59,00

\*Includes Rs. 50,00,000/- sanctioned conditionally to

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Finance Corporation of India upto 31st December 1952 in each State.

(000's omitted)

Uttar Pradesh	West Bengal	Rajas- than	Saura- shtra	Madhya Bharat	Travan- core Cochin	Mysore	HyJer- abad	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
...	50.00	...	...	...	...	...	...	64.00
...	38.50	...	...	...	...	3.00	...	73.00
...	19.00	...	...	...	10.50	4.00	...	1,14.50
*90.50	31.00	30.00	...	...	...	15.00	...	2,89.75
...	..	...	25.00	...	...	...	...	35.00
...	...	...	...	...	...	...	...	50.00
4.50	29.25	...	65.00	...	50.00	...	...	1,97.75
...	...	...	50.00	...	...	...	...	90.00
...	34.00	...	...	...	5.00	4.00	...	1,19.00
2.50	...	...	...	...	...	...	...	2.50
...	...	...	...	...	...	...	...	17.50
...	5.00	...	...	...	...	...	...	35.00
...	10.00	...	...	...	...	...	...	68.00
...	50.00	...	...	...	...	...	...	50.00
...	...	...	...	...	...	...	40.00	1,15.00
...	...	30.00	...	...	...	...	...	30.00
...	...	...	...	...	...	50.00	...	74.00
...	...	...	...	...	...	...	...	50.00
7.20	...	...	...	3.50	...	10.00	...	47.70
1,04.70	2,66.75	60.00	1,40.00	3.50	65.50	86.00	40.00	15,22.70

Lakshmirattan Cotton Mills Ltd.

APPENDIX III

(REFERENCE PARAGRAPH 16 OF REPORT)

Statement showing number and amount of applications for loans received, sanctioned, rejected etc., by the I.F.C.

	During the year ended								During the period from 1-7-52 to 31-12-52		Total		Remarks
	30th June, 1949		30th June 1950		30th June 1951		30th June 1952		No.	Amount (In lakhs of Rs.)	No.	Amount (In lakhs of Rs.)	
	No.	Amount (In lakhs of Rs.)	No.	Amount (In lakhs of Rs.)	No.	Amount (In lakhs of Rs.)	No.	Amount (In lakhs of Rs.)					
Applications received	95	1,033	65	876	45	548	54	730	45	584	304	3,771	
Applications sanctioned.	21	342	23	377	17	239	33	445	9	119	103*	1,522	
Applications rejected	33	189	44	431	22	165	19	177	9	99	127	1,061	
Applications treated as lapsed.	...	...	20	280	...	...	...	...	...	...	20	280	
Applications withdrawn.	...	...	...	...	7	110	3	69	2	3	12	182	
Applications awaiting consideration at the end of the year.	41	488	19	184	18	181	17	203	42	561	42	561	

\*The actual number of loan applications, against which loans have been sanctioned is 107. In earlier years more than one application from the same concern was regarded as one application. Later on, however, more than one loan to the same concern has been regarded as separate loans.



## APPENDIX IV

(REFERENCE PARAGRAPH 19 OF REPORT).

*Shareholdings of M/s. Madan Mohan Lall Shri Ram & Co., Ltd., in the I. F. C. borrowing concerns and the amount of I.F.C. loan.*

Sl. No.	Name of the Company	Paid up capital. Rs.	Amount of shareholding Rs.	Amount of I.F.C. loan Rs.
1	Jay Engineering Works, Ltd. . . .	20,25,000	11,14,900	36,00,000
2	The Bengal Potteries, Ltd. . . .	31,70,655	12,81,405	20,00,000
3	Bharat Starch and Chemicals, Ltd. . .	10,00,000	2,50,000	10,00,000
4	Kirlosker Oil Engines, Ltd. . . .	24,07,390	5,000	25,00,000
5	The Great Eastern Electroplaters, Ltd.	8,13,794	10,000	4,20,000
6	The Orissa Textile Mills, Ltd. . . .	70,64,617	16,000	50,00,000
7	Sodepur Glass Works, Ltd. . . .	29,10,500	1,20,230	50,00,000
8	Shri Digvijay Woollen Mills, Ltd. . .	46,47,510	5,000	50,00,000

## APPENDIX V.

(REFERENCE PARAGRAPH 19 OF REPORT)

Statement showing interest of the Directors of the Industrial Finance Corporation in the borrowing concerns.

Sl. No.	Name of the Company	Total paid up capital Rs.	Amount of shareholding Rs.	Amount of I.F.C. loan Rs.
<b>I. Shri R. G. Saraiya.</b>				
1	Machinery Manufacturers Corporation	53,37,150	10,000*	50,00,000
2	Kirloskar Oil Engines, Ltd.	24,07,390	1,020	25,00,000
3	Surat Textile Mills, Ltd.	19,95,850	6,000	10,00,000
4	National Rayon Corporation, Ltd.	3,32,07,675	1,850	50,00,000
5	Sodepur Glass Works, Ltd.	29,10,500	6,250	50,00,000
6	Jay Engineering Works, Ltd.	20,25,000	37,700**	36,00,000
*50 shares (ordinary) of Rs. 100 each held in the name of Shri Saraiya actually belong to Mr. Marfatia, who is entitled to the value of these shares and interest thereon.				
**Held in the name of Mr. & Mrs. Saraiya but belong to Sir Purshotamdas Thakurdas who is entitled to receive the value and interest of these shares.				
<b>II. Shri V. P. Varde.</b>				
1	Kirloskar Oil Engines, Ltd.	24,07,390	5,000	25,00,000
2	Mysore Kirloskar, Ltd.	20,06,325	7,500	3,00,000
3	Mysore Glass & Enamel Works, Ltd.	6,35,190	2,000	4,00,000
4	Ogale Glass Works, Ltd.	14,86,857	10,100	20,00,000
5	Mukund Iron and Steel Works, Ltd.	30,47,475	2,770	33,00,000
6	Mysore Paper Mills, Ltd.	25,00,000	2,230	50,00,000
7	Premier Automobiles, Ltd.	2,16,71,500	3,500	50,00,000
<b>III. Prof. D. R. Gadgil.</b>				
1	Pulgaon Cotton Mills, Ltd.	15,00,000	4,500	13,75,000
<b>IV. Shri L. S. Vaidyanathan.</b>				
1	Premier Automobiles, Ltd.	2,16,71,500	2,500	50,00,000
2*	Shree Digvijay Cement Co. Ltd.	99,67,875	5,500	50,00,000
3*	Travancore Ogale Glass Manufacturing Co., Ltd.	9,98,000	4,000	5,00,000
4*	Deccan Sugar and Abkhari Co. Ltd.	26,92,000	13,150	35,00,000
5*	Mysore Paper Mills, Ltd.	35,00,000	1,250	50,00,000
*In these concerns shares are held by Shri Vaidyanathan jointly with some one else. The nature of shareholding is that the other gentleman's name appears as the first holder and Shri Vaidyanathan's name as the second holder, so that he will acquire the shares only in case he survives the first holder.				
<b>V. Shri Birendra Nath Mukerjee.</b>				
1	Hindusthan Heavy Chemicals Co., Ltd.	25,00,000	Not available	15,00,000

APPENDIX VI

[REFERENCE PARAGRAPH 19 OF REPORT]

**List of persons who are on the board of various companies granted loans by the I.F.C. and/or on the board of their managing agency firms**

Names of persons	Names of Companies	Managing agency firms of the Companies in which the person is also interested
1	2	3
Karam Chand Thapar	Hindustan General Electric Corpn. Ltd. (Ch) Bharat Starch and Chemicals Ltd. (Ch) Sree Sadul Textiles Ltd. (D) Sodepore Glass Works Ltd. (D)	Karam Chand Thapar & Bros. Ltd. (Ch) Karam Chand Thapar & Bros. Ltd. (Ch) ..... .....
H. D. Varma	Hindustan General Electric Corpn. Ltd (D) Bharat Starch & Chemicals Ltd. (D)	Karam Chand Thapar & Bros. Ltd. (D) Karam Chand Thapar & Bros. Ltd. (D)
Gurusharan Lall	Sodepore Glass Works Ltd. (Ch) Orissa Textile Mills Ltd. (D)	Bhadani Bros. Ltd. (Ch) .....
M. G. Bhagat	Jay Engineering Works Ltd. (D) Bengal Potteries Ltd. (D. and GM) Sodepore Glass Works Ltd. (D)	..... ..... Bhadani Bros. Ltd. (D)
Lala Shri Ram	Bengal Potteries Ltd. (Ch) Jay Engineering Works Ltd. (Ch) Kirloskar Oil Engines Ltd. (Ch) Bharat Starch and Chemicals Ltd. (D)	S. Lall Bhagat & Co. (D) Madanmohan Lall Shri Ram & Co. Ltd.(Ch) ..... .....
S. L. Kirloskar	Kirloskar Oil Engines Ltd. (D) Mysore Kirloskar Ltd. (D) Jay Engineering Works Ltd. (D) Swastik Rubber Products Ltd. (Ch)	Kirloskar Sons & Co. (Ch) Kirloskar Bros. Ltd. (D) ..... .....
M. B. Jambhekar	Kirloskar Oil Engines Ltd. (D) Mysore Kirloskar Ltd. (D)	Kirloskar Sons & Co. (D) .....

Jagannath Maharaj Pandit	Mysore Glass & Enamel Works Ltd. (D)			Ogale Glass Works Ltd. (Ch)
	Ogale Glass Works Ltd. (Ch)			.....
V. P. Varde	Kirloskar Oil Engines Ltd. (D)			.....
	Mysore Kirloskar Ltd. (D)			Kirloskar Bros. Ltd. (D)
	Mysore Glass & Enamel Works Ltd. (D)			Ogale Glass Works Ltd. (D)
	Bagaitdar Co-operative Sugar Producers Society Ltd. (D)			.....
S. G. Marathe	Kirloskar Oil Engines Ltd. (D)			.....
	Mysore Kirloskar Limited (D)			Kirloskar Bros. Limited (D)
Shankarrao P. Ogale	Ogale Glass Works Ltd. (D)			S. P. Ogale & Co. (Ch)
	Mysore Glass & Enamel Works Ltd. (D)			Ogale Glass Works Ltd. (D)
	Travancore Ogale Glass Mfg. Co. Ltd. (D)			Ogale Bros. Ltd. (Ch)
Sadashiv G. Padhye	Hand Made Paper Limited (D)			S. P. Ogale & Co. (D)
	Ogale Glass Works Ltd. (D)			S. P. Ogale & Co. (D)
Naabar P. Ogale	Ogale Glass Works Ltd. (D)			S. P. Ogale & Co. (D)
	Travancore Ogale Glass Mfg. Co., Ltd.			Ogale Bros. Ltd. (D)
P. N. Agate	Ogale Glass Works Ltd. (D)			.....
	Hand Made Paper Limited (D)			.....
L. S. Venkaji Rao	Ogale Glass Works Ltd. (D)			.....
	Shri Krishnarajendra Mills (D)			.....
Z. C. Williams	Mozufferpore Elec. Supply Co. Ltd. (D)			Octavious Steel & Co., Ltd. (Ch)
	Cuttaek Electric Supply Co., Ltd. (D)			Octavious Steel & Co., Ltd. (Ch)
Dewan R. K. Jalan Bahadur	Mozufferpore Elec. Supply Co., Ltd. (Ch)			Octavious Steel & Co., Ltd. (D)
	Cuttaek Electric Supply Co., Ltd. (Ch)			Octavious Steel & Co., Ltd. (D)
Jivanlal C. Chinai	National Rayon Corporation Ltd. (D)			Chinai & Co., Ltd. (Ch)
	Arvind Board and Paper Products Ltd. (Ch)			Kaushiklal Sakarial & Bros. (D)

Gopaldas P. Parikh . . . . .	Arvind Beard & Paper Products Ltd. (D) Dhurangadhara Chemical Works Ltd.	. . . . .	Kaushiklal Sukaria & Bros. (D) .....
LakshmiPat Singhania . . . . .	Aluminium Corporation of India Ltd. (D) Jay Engineering Works Ltd. (D)	. . . . .	J. K. Industries Ltd. (D) .....
Gokulchand Bangur . . . . .	Shri Digvijay Cement Co., Ltd. (D) Aluminium Corporation of India Ltd. (D)	. . . . .	Shri Laxmi Agents Ltd. (D) .....
V. Seshasayee . . . . .	Fertilizers and Chemicals (Travancore) Ltd. (D) Aluminium Industries Ltd. (D) Mettur Chemicals & Industrial Corpn. Ltd. (D)	. . . . . . . . . . . . . . .	Seshasayee Bros. (Travancore) Ltd. (Ch) Seshasayee Bros. (Travancore) Ltd. (Ch) Seshasayee Bros. Ltd. (Ch)
K.K. Raman . . . . .	Mettur Chemicals & Industrial Corpn. Ltd. (D) Aluminium Industries Ltd. (D)	. . . . . . . . . .	Seshasayee Bros. Ltd. (D) Seshasayee Bros. (Travancore) Ltd. (D)
Karnalnayan Bajaj . . . . .	Mukand Iron & Steel Works Ltd. (Ch) Pulgaon Cotton Mills Ltd. (D)	. . . . . . . . . .	Jeevan Ltd. (Ch) .....
A. T. Ganguli . . . . .	Metal Corporation of India Ltd. (D) Dhakeshwari Cotton Mills Ltd. (D)	. . . . . . . . . .	Eastern Smelting & Refining Co., Ltd. (D) .....
Dr. L. C. Jariwala . . . . .	Solar Batteries & Flashlights Ltd. (Ch) National Electrical Industries Ltd. (D)	. . . . . . . . . .	L. C. Jariwala & Co. (Ch) .....
Murari J. Vaidya . . . . .	National Electrical Industries Ltd. (D) Solar Batteries & Flashlights Ltd. (D)	. . . . . . . . . .	Navin Kumar Hansraj (D) .....
R. D. Char . . . . .	Standard Batteries Ltd. (Ch) Mysore Electrical Industries Ltd. (Ch)	. . . . . . . . . .	Industrial Enterprises Ltd. (Ch) .....
Purshotamdas Thakurdas . . . . .	Machinery Manufacturers Corporation Ltd. (Ch) Surat Textile Mills Ltd. (Ch) National Rayon Corporation Ltd. (Ch)	. . . . . . . . . . . . . . .	..... ..... .....
Mathuradas M. Parekh . . . . .	Machinery Manufacturers Corporation Ltd. (D) National Rayon Corporation Ltd. (D)	. . . . . . . . . .	..... .....
Ramswarup Khemka . . . . .	Hindustan General Electric Corporation Ltd. (D) Bharat Starch & Chemicals Ltd. (D)	. . . . . . . . . .	..... .....

Hanuman Prasad Poddar . . . . .	Hindustan General Electric Corporation Ltd. (D) Bharat Starch & Chemicals Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Dawood Hajee Nasser . . . . .	Kamani Metal & Alloys Ltd. (D) Crescent Iron & Steel Corporation Ltd. (Ch)	. . . . .	. . . . .	. . . . .	. . . . .
D. N. Sen . . . . .	Aluminium Corporation of India Ltd. (D) Bengal Potteries Limited (D) Jay Engineering Works Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Sankalchand G. Shah . . . . .	Solar Batteries & Flashlights Ltd. (D) National Electrical Industries Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Amratlal Katidas . . . . .	National Electrical Industries Ltd. (D) Hindustan Chemical Works Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
M. A. Chidambaram Chettyiar . . . . .	Mysore Kirloskar Ltd. (D) Mysore Paper Mills Ltd. (D) Sodepore Glass Works Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
S. M. Ramakrishna Rao . . . . .	Standard Batteries Ltd. (D) Mysore Electrical Industries Ltd. (D) Link Industries Ltd. Shri Krishnarajendra Mills Ltd.	. . . . .	. . . . .	. . . . .	. . . . .
R. K. Kejriwal . . . . .	Calcutta Electrical Mfg. Co., Ltd. (D) Hindustan National Glass Mfg. Co., Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
N. Ranganathan . . . . .	Mettur Chemical & Industrial Corporation Ltd. (D) Fertilizers & Chemicals (Travancore) Ltd. (D) Link Industries Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
V. Swami Iyengar . . . . .	Mettur Chemical & Industrial Corporation Ltd. (D) Aluminium Industries Ltd.	. . . . .	. . . . .	. . . . .	. . . . .
Dr. P. V. Nair . . . . .	Fertilizers & Chemicals (Travancore) Ltd. (D) Travancore Ogale Glass Manufacturing Co., Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .

Kishen Lal Poddar . . . . .	Mettur Glass & Enamel Works Ltd. (D)	. . . . .	. . . . .	. . . . .
	Jay Engineering Works Ltd. (D)	. . . . .	. . . . .	. . . . .
P. Hanumanthiah . . . . .	Mysore Glass & Enamel Works Ltd. (D)	. . . . .	. . . . .	. . . . .
	Shri Krishnarajendra Mills Ltd. (D)	. . . . .	. . . . .	. . . . .
R. L. Kapur . . . . .	Shri Vikram Cotton Mills Ltd. (D)	. . . . .	. . . . .	. . . . .
	Shri Sadul Textiles Ltd. (D)	. . . . .	. . . . .	. . . . .
Keshavdeo Nevatia . . . . .	Pulgaon Cotton Mills Ltd. (Ch)	. . . . .	. . . . .	. . . . .
	Mukand Iron & Steel Works Ltd. (D)	. . . . .	. . . . .	. . . . .
Thakurdas Bhargava . . . . .	Panipat Woollen & General Mills Ltd. (D)	. . . . .	. . . . .	. . . . .
	Asia Chemicals Ltd. (D)	. . . . .	. . . . .	. . . . .
J. E. A. Pereira . . . . .	Fertilizers & Chemicals (Travancore) Ltd. (D)	. . . . .	. . . . .	. . . . .
	Travancore Organe Glass Mfg. Co., Ltd. (D)	. . . . .	. . . . .	. . . . .
C. R. Srinivasan . . . . .	Cauvery Spg. & Wvg. Mills Ltd. (Ch)	. . . . .	. . . . .	. . . . .
	Deccan Sugar & Abkhari Co., Ltd. (D)	. . . . .	. . . . .	. . . . .
S. C. Law . . . . .	Sanequip Limited (D)	. . . . .	. . . . .	. . . . .
	Bengal Fine Spg. & Wvg. Mills Ltd. (D)	. . . . .	. . . . .	. . . . .
B. K. Khaitan . . . . .	Calcutta Elec. Manufacturing Co., Ltd. (D)	. . . . .	. . . . .	. . . . .
	National Rolling Mills Ltd. (D)	. . . . .	. . . . .	. . . . .
S. C. Roy . . . . .	Dhakeshwari Cotton Mills Ltd. (D)	. . . . .	. . . . .	. . . . .
	National Rolling Mills Ltd. (D)	. . . . .	. . . . .	Swadeshi Enterprises Ltd. (D)
Sit Sobha Singh . . . . .	Machinery Manufacturers Corporation Ltd. (D)	. . . . .	. . . . .	. . . . .
H. C. Mahindra . . . . .	Machinery Manufacturers Corporation Ltd. (D)	. . . . .	. . . . .	Mahindra & Mahindra Ltd. (D)
F. H. Mehta . . . . .	Machinery Manufacturers Corporation Ltd. (D)	. . . . .	. . . . .	. . . . .
P. C. Malhotra (I.F.C.) . . . . .	Machinery Manufacturers Corporation Ltd. (D)	. . . . .	. . . . .	. . . . .
K. C. Mahindra . . . . .	Machinery Manufacturers Corporation Ltd. (D)	. . . . .	. . . . .	Mahindra and Mahindra Ltd. (D)
C unhilal Khushal Das Patel . . . . .	Mahendra Mills Ltd. (Ch)	. . . . .	. . . . .	. . . . .

Durgaprasad S. Lashkari	Mahendra Mills Ltd. (D)	.....
Jivabai Kishorbhai Patel	Mahendra Mills Ltd. (D)	.....
Manibhai Vallabhbai Patel	Mahendra Mills Ltd. (D)	.....
Gopaldas Jivabhai Patel	Mahendra Mills Ltd. (D)	J. R. Patel & Sons Ltd. (D)
Ambalal Jivabhai Patel	Mahendra Mills Ltd. (D)	J. R. Patel & Sons Ltd. (D)
Jirabhai Revabhbai Patel	Mahendra Mills Ltd. (D)	J. R. Patel & Sons Ltd. (Ch)
J. H. Hendrie	Karlooskar Oil Engines Ltd. (D)	.....
Benay Krishna Rohargi	Jay Engineering Works Ltd. (D)	.....
T. R. Gupta	Jay Engineering Works Ltd. (D)	.....
B. S. Agarwal	Jay Engineering Works Ltd. (D)	.....
Panchanan Ghosh	Small Tools Manufacturing Co. of India Ltd. (Ch)	No. Managing Agents
B. K. Pal	Small Tools Manufacturing Co. of India Ltd. (D)	.....
D. P. Ray	Small Tools Manufacturing Co. of India Ltd. (D)	.....
P. K. Dutt (Jr)	Small Tools Manufacturing Co. of India Ltd. (D)	.....
R. Palchaudhuri	Small Tools Manufacturing Co. of India Ltd. (D)	.....
A. Palchaudhuri	Small Tools Manufacturing Co. of India Ltd. (D)	.....
A. Palchaudhuri (Jr.)	Small Tools Manufacturing Co. of India Ltd. (D)	.....
P. K. Dutt (Sr.)	Small Tools Manufacturing Co. of India Ltd. (D)	.....
D. R. Madhok (I.F.C.)	Small Tools Manufacturing Co. of India Ltd. (D)	.....
D. N. Datt	Small Tools Manufacturing Co. of India Ltd. (MD)	.....



177	S. Muninajappa, I.A.S.	Mysore Kirloskar Ltd. (Govt. Director)	.....
M	Channagiri Rangappa	Mysore Kirloskar Ltd. (D)	.....
8	V. M. Parekh	Mysore Kirloskar Ltd. (D)	.....
9	N. W. Gurnjar	Mysore Kirloskar Ltd. (D)	.....
	Pandurang S. Sirur	Mysore Kirloskar Ltd. (D)	.....
	Chunilal B. Mehta	National Electrical Industries Ltd. (Ch)	Navin Kumar Hansraj Ltd. (Ch)
	Mohamad Hussain Hasham Premji	National Electrical Industries Ltd. (D)	.....
	Ratanchand Hirachand	National Electrical Industries Ltd. (D)	.....
	Chaturbhujdas Chimmanlal	National Electrical Industries Ltd. (D)	.....
	Premchand Bhayani	National Electrical Industries Ltd. (D)	.....
	Navinchandra H. Mapara	National Electrical Industries Ltd. (D)	Navin Kumar Hansraj Ltd. (D)
	Pratap Kumar	National Electrical Industries Ltd. (D)	Navin Kumar Hansraj Ltd. (D)
	P. C. Malhotra (I.F.C.)	National Electrical Industries Ltd. (D)	.....
	Dhirajlal Maganlal Dalal	National Electrical Industries Ltd. (D)	.....
	U. S. Desai	Standard Batteries Ltd. (D)	.....
	Jhari Ram Bhadani	Standard Batteries Ltd. (D)	.....
	Vijaysinh Lijadhar	Standard Batteries Ltd. (D)	.....
	Shantilal Mangaldas	Standard Batteries Ltd. (D)	.....
	Khushal Khengar	Standard Batteries Ltd. (D)	.....
	G. A. Kulkarni	Standard Batteries Ltd. (D)	.....
	B. V. S. Iyengar	Standard Batteries Ltd. (D)	The Industrial Enterprises Ltd. (D)

K. G. Parameswaran	Standard Batteries Ltd. (D)		The Industrial Enterprises Ltd. (D)
Prem Chand Malhotra (I.F.C.)	Standard Batteries Ltd. (D)		.....
S. M. Mohta	Calcutta Electrical Manufacturing Co., Ltd. (Ch)		Jute & Gunny Brokers Ltd. (D)
K. Kumar	Calcutta Electrical Manufacturing Co., Ltd. (D)		.....
Nathmal Himatsinghka	Calcutta Electrical Manufacturing Co., Ltd. (D)		.....
S. K. Roy	Bengal Electric Lamp Works Ltd. (Ch)		No Managing Agents
Pokhar Das	Bengal Electric Lamp Works Ltd. (D)		No Managing Agents
D. Roy Chowdhuri	Bengal Electric Lamp Works Ltd. (D)		No Managing Agents
H. C. Chakraborty	Bengal Electric Lamp Works Ltd. (D)		No. Managing Agents
B. B. Mukherjee	Bengal Electric Lamp Works Ltd. (D)		No Managing Agents
H. Roy	Bengal Electric Lamp Works Ltd. (D)		No Managing Agents
Seth Ranganath Bangur	Hindustan General Electric Corporation Ltd. (D)		.....
Mahaliram Sonthalia	Hindustan General Electric Corporation Ltd. (D)		.....
Anandilal Poddar	Hindustan General Electric Corporation Ltd. (D)		.....
Shri Krishna Bahadur	Hindustan General Electric Corporation Ltd. (D)		.....
R. R. Chhuba	Hindustan General Electric Corporation Ltd. (D)		.....
D. R. Madhok (I.F.C.)	Hindustan General Electric Corporation Ltd. (D)		.....
Lt. Col. Jamshed D. Kothawala	Solar Batteries & Flashlights Ltd. (D)		.....
Pheroz Kawasjee Pavri	Solar Batteries & Flashlights Ltd. (D)		.....

Sorabji Kawasjee Pavri	Solar Batteries & Flashlights Ltd. (D)	.....
Jaydeo Prasad Vithaldas	Solar Batteries & Flashlights Ltd. (D)	L. C. Jariwala & Company.
Seth Sagarnal Bengani	Matchwell Electricals (India) Ltd. (Ch)	Kassels Limited (D)
Bijai Singh Chopra	Matchwell Electricals (India) Ltd. (D)	.....
Champalal Banthia	Matchwell Electricals (India) Ltd. (D)	Kassels Limited (D)
Mohanlal Kathotia	Matchwell Electrical (India) Ltd. (D)	Kassels Limited (Ch)
B. D. Law	Matchwell Electricals (India) Ltd. (D)	Kassels Limited (D)
K. L. Teluja	Matchwell Electricals (India) Ltd. (D)	Kassels Limited (D)
N. G. Ayyangar	Mysore Electrical Industries Ltd. (MD)	No Managing Agents
G. A. Acharya	Mysore Electrical Industries Ltd. (D)	.....
N. R. N. Iyengar	Mysore Electrical Industries Ltd. (D)	.....
N. K. Ayyangar	Mysore Electrical Industries Ltd. (D)	.....
Maharajadhiraj Bahadur Uday Chand Mahtab.	Orissa Textile Mills Ltd. (Ch)	.....
Maharaj Kumar M. S. Gajapati	Orissa Textile Mills Ltd. (D)	.....
Yuvaraj Bir Pratap Singh Deo	Orissa Textile Mills Ltd. (D)	.....
C. C. Pyne	Orissa Textile Mills Ltd. (D)	.....
Dwarikanath Das	Orissa Textile Mills Ltd. (D)	.....
M. L. Narasimangar	Orissa Textile Mills Ltd. (D) (Orissa Govt. Nominee)	.....
Dr. H. D. Mohanty	Orissa Textile Mills Ltd. (D)	.....
D. R. Madhok (I.F.C.)	Orissa Textile Mills Ltd. (D)	.....

B. Dass . . . . .	Orissa Textile Mills Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Pratap Singh . . . . .	Orissa Textile Mills Ltd. (D)	. . . . .	. . . . .	. . . . .	B. Patnaik & Co., Ltd.
Dewan Bahadur Bhupatram J. Gaurishanker Shastri.	Surat Textile Mills Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Shapoorji Pallonji Mistry . . . . .	Surat Textile Mills Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Hiralal Harvondas . . . . .	Surat Textile Mills Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Ranchhoddas Tribhovandas Popawala.	Surat Textile Mills Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Nagindas Harikisondas Kharwar	Surat Textile Mills Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Motilal Bhikhabhai Marfatia . . . . .	Surat Textile Mills Ltd. (D)	. . . . .	. . . . .	. . . . .	Kanchanlal Kapadia & Co. Ltd. (D)
Kanchanlal Chhotubhai Kapadia	Surat Textile Mills Ltd. (D)	. . . . .	. . . . .	. . . . .	Kanchanlal Kapadia & Co., Ltd. (Ch.)
Shridhar Vaman Naik . . . . .	Lokamanya Mills Barsi Ltd. (Ch)	. . . . .	. . . . .	. . . . .	. . . . .
D. H. Vakharia . . . . .	Lokamanya Mills Barsi Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Madhav Ramchandra Joshi . . . . .	Lokamanya Mills Barsi Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Vinayak Bhagwant Divate . . . . .	Lokamanya Mills Barsi Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
V. D. Shiralkar . . . . .	Lokamanya Mills Barsi Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Ramchand Mulchand Vakharia . . . . .	Lokamanya Mills Barsi Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
P. C. Malhotra (I.F.C.) . . . . .	Lokamanya Mills Barsi Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Chandanmal Jawarml Baldota . . . . .	Lokamanya Mills Barsi Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Bhagwant Pandharinath Sulakhe	Lokamanya Mills Barsi Ltd. (D)	. . . . .	. . . . .	. . . . .	Sulakhe & Co. (Ch)

Dwarka Prasad Singh	Shri Vikram Cotton Mills Ltd. (Ch)	.....
H. C. Varshnei	Shri Vikram Cotton Mills Ltd. (D)	.....
Balwant Singh Gahlot	Shri Vikram Cotton Mills Ltd. (D)	.....
Chamanlal Mehta	Shri Vikram Cotton Mills Ltd. (D)	.....
N. L. Khanna	Shri Vikram Cotton Mills Ltd. (D)	.....
Mahaabhe Kashi Nath	Shri Vikram Cotton Mills Ltd. (D)	.....
Raja Virendra Sah of Jagamanpur	Shri Vikram Cotton Mills Ltd. (D)	.....
A. Chatterjee (I.F.C.)	Shri Vikram Cotton Mills Ltd. (D)	.....
B. S. Talwar	Shri Vikram Cotton Mills Ltd. (D)	Ranjit Singh & Sons Ltd. (D)
Ranjit Singh	Shri Vikram Cotton Mills Ltd. (D)	Ranjit Singh & Sons Ltd. (Ch)
Hanuman Prasad Navatia	Pulgaon Cotton Mills Ltd. (D)	Hardayal Sons (Ch)
Nagarnal Jitmal Poddar	Pulgaon Cotton Mills Ltd. (D)	.....
Shrigopal Nevatia	Pulgaon Cotton Mills Ltd. (D)	.....
Rameshwar Kanhiyalal	Pulgaon Cotton Mills Ltd. (D)	.....
Krishnaagopal Maheswari	Pulgaon Cotton Mills Ltd. (D)	.....
Kishanlal Onkardas Goenka	Savatram Ramprasad Mills Co., Ltd. (Ch)	Savatram Sons Limited (Ch)
Madanlal Kisanlal Goenka	Savatram Ramprasad Mills Co., Ltd. (D)	Savatram Sons Limited (D)
Parashram Hirralal Agrawal	Savatram Ramprasad Mills Co., Ltd. (D)	.....
Bhalchandra P. Rajandekar	Savatram Ramprasad Mills Co., Ltd. (D)	.....
Shaligram T. Laharia	Savatram Ramprasad Mills Co., Ltd. (D)	.....
Niranjan Kumar Kishanlal Goenka	Savatram Ramprasad Mills Co., Ltd. (D)	.....

Smt. Kasturibai Kisanlal Goenka	Savatram Ramprasad Mills Co., Ltd. (D)	.	.	.	Savatram Sons Ltd. (D)
Kumar Romendra Nath Roy	Bengal Fine Spinning & Weaving Mills Ltd. (Ch)	.	.	.	....
Rai Bahadur G. V. Swaika	Bengal Fine Spinning & Weaving Mills Ltd. (D)	.	.	.	....
Jatindra Kumar Doss	Bengal Fine Spinning & Weaving Mills Ltd. (D)	.	.	.	....
Provat Kumar Ghosh	Bengal Fine Spinning & Weaving Mills Ltd. (D)	.	.	.	....
Sunil Chandra Nawn	Bengal Fine Spinning & Weaving Mills Ltd. (D)	.	.	.	B. C. Nawn & Bros. (D)
D. R. Madhok (I.F.C.)	Bengal Fine Spinning & Weaving Mills Ltd. (D)	.	.	.	....
Sudhir Chandra Nawn	Bengal Fine Spinning & Weaving Mills Ltd. (D)	.	.	.	B. C. Nawn & Bros. (Ch)
S. Ganguly	Bengal Fine Spinning & Weaving Mills Ltd. (D)	.	.	.	B. C. Nawn & Bros. (D)
S. Chenniappa Mudaliar	Cauvery Spinning & Weaving Mills Ltd. (D)	.	.	.	United Industries Ltd. (Ch)
P. Shamshudin	Cauvery Spinning & Weaving Mills Ltd. (D)	.	.	.	....
P. Kuppaswami Iyer	Cauvery Spinning & Weaving Mills Ltd. (D)	.	.	.	....
C. S. Loganathan	Cauvery Spinning & Weaving Mills Ltd. (D)	.	.	.	....
Suryya Kumar Basu	Dhakeshwari Cotton Mills Ltd. (Ch)	.	.	.	Swadeshi Enterprises Ltd. (Ch)
M. N. Mitra	Dhakeshwari Cotton Mills Ltd. (D)	.	.	.	....
Bagalananda Banerjee	Dhakeshwari Cotton Mills Ltd. (D)	.	.	.	....
A. P. Singha Deo	Dhakeshwari Cotton Mills Ltd. (D)	.	.	.	....
Annada P. Naha	Dhakeshwari Cotton Mills Ltd. (D)	.	.	.	....
Bijoy Chandra Bose	Dhakeshwari Cotton Mills Ltd. (D)	.	.	.	....

Sunil Kumar Basu . . . . .	Dhakeshwari Cotton Mills Ltd. (D) . . . . .	. . . . .
A. K. Basu . . . . .	Dhakeshwari Cotton Mills Ltd. (D) . . . . .	Swadeshi Enterprises Ltd. (D)
J. P. Srivastava . . . . .	Shree Sadul Textiles Ltd. (Ch) . . . . .	. . . . .
V. Narayanan . . . . .	Shree Sadul Textiles Ltd. (D) . . . . .	. . . . .
N. N. Godbole . . . . .	Shree Sadul Textiles Ltd. (D) . . . . .	. . . . .
Maha Narain . . . . .	Shree Sadul Textiles Ltd. (D) . . . . .	. . . . .
Sir E. M. Souter . . . . .	Shree Sadul Textiles Ltd. (D) . . . . .	. . . . .
H. K. Srivastava . . . . .	Shree Sadul Textiles Ltd. (D) . . . . .	Sir J. P. Srivastava & Sons (Bikaner) Ltd.
Wanir Singh . . . . .	Panipat Woollen and General Mills Co., Ltd. (D) . . . . .	. . . . .
Sawan Singh . . . . .	Panipat Woollen and General Mills Co., Ltd. (D) . . . . .	. . . . .
Jogi Das Jain . . . . .	Panipat Woollen and General Mills Co., Ltd. (D) . . . . .	. . . . .
Ramkishan Dass . . . . .	Panipat Woollen and General Mills Co., Ltd. (D) . . . . .	. . . . .
Khem Chand . . . . .	Panipat Woollen and General Mills Co., Ltd. (D) . . . . .	Indian Industries Limited (D)
Jai Bhagwan Das . . . . .	Panipat Woollen and General Mills Co., Ltd. (D) . . . . .	Indian Industries Limited (D)
G. L. Gupta . . . . .	Panipat Woollen and General Mills Co., Ltd. (D) . . . . .	Indian Industries Limited (D)
Rup Chand . . . . .	Panipat Woollen and General Mills Co., Ltd. (D) . . . . .	. . . . .
Bharat Ram . . . . .	Shree Digvijaya Woollen Mills, Ltd. (Ch.) . . . . .	. . . . .
M. L. Khatian . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D) . . . . .	. . . . .
Surottam Hutheesingh . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D) . . . . .	. . . . .
Arvind Narottam . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D) . . . . .	. . . . .
P. M. Padia . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D) . . . . .	. . . . .

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Ram Pershad . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D).	. . . . .
Premchand Vrajpal Shah . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D)	. . . . .
G. F. Mankodi . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D).	. . . . .
G. K. Gohel . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D)	. . . . .
A. K. Wattal . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D)	Wattal & Company (Ch.)
Mrs. S. Wattal . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D)	Wattal & Company (D)
P. C. Malhotra (I. F. C.) . . . . .	Shree Digvijaya Woollen Mills, Ltd. (D)	. . . . .
Kasturbhai Lalbhai . . . . .	National Rayon Corporation, Ltd. (D)	. . . . .
Manilal B. Nanavati . . . . .	National Rayon Corporation, Ltd. (D)	. . . . .
Rasiklal Jivanlal Chinai . . . . .	National Rayon Corporation, Ltd. (D)	Chinai & Co. Limited (D).
Navinchandra Mafadal . . . . .	National Rayon Corporation, Ltd. (D)	. . . . .
T. V. Baddeley . . . . .	National Rayon Corporation, Ltd. (D)	. . . . .
A. D. Shroff . . . . .	National Rayon Corporation, Ltd. (D Special)	. . . . .
S. Vaidyanath Iyer . . . . .	Mettur Chemical & Industrial Corpn., Ltd. (Ch.)	. . . . .
T. T. Rathnasabapathy Pillai . . . . .	Mettur Chemical & Industrial Corpn., Ltd. (D)	. . . . .
A. R. N. Narayanan Chettiar . . . . .	Mettur Chemical & Industrial Corpn., Ltd. (D)	. . . . .
P. Shaik Mohidin . . . . .	Mettur Chemical & Industrial Corpn., Ltd. (D)	. . . . .
C. A. Subrahmanyam (I. F. C.) . . . . .	Mettur Chemical & Industrial Corpn., Ltd. (D)	. . . . .



N. R. Sarkar (since deceased)	Hindustan Heavy Chemicals, Ltd. (Ch.)				N. R. Sarkar & Co. Ltd. (Ch.)
Dr. N. N. Law	Hindustan Heavy Chemicals, Ltd. (D)				N. R. Sarkar & Co., Ltd. (D)
B. M. Birla	Hindustan Heavy Chemicals, Ltd. (D)				....
Kumar Pramatha Nath Roy	Hindustan Heavy Chemicals, Ltd. (D)				....
Shantilal Mangaldas	Hindustan Chemical Works, Ltd. (Ch.)				....
Rahim Karim Mistry, J. P.	Hindustan Chemical Works, Ltd. (D)				....
Dr. Nagindas N. Shah J. F.	Hindustan Chemical Works, Ltd. (D)				....
B. N. Karanjia	Hindustan Chemical Works, Ltd. (D)				....
H. P. Dastur	Hindustan Chemical Works, Ltd. (D)				....
Jamshed B. Aga	Hindustan Chemical Works, Ltd. (D)				....
Mohan T. Shah	Hindustan Chemical Works, Ltd. (D)				Indentors' Syndicate Limited (Ch.)
P. C. Malhotra (I. F. C.)	Hindustan Chemical Works, Ltd. (D)				....
Hardeodas Daga	Bharat Starch & Chemicals, Ltd. (D)				....
Brij Mohan Thapar	Bharat Starch & Chemicals, Ltd. (D)				Karam Chand Thapar & Bros. Ltd. (D).
Brijendra Swarup	Hind Chemicals, Limited (Ch.)				....
Ram Chandra Rohatgi	Hind Chemicals, Ltd. (D)				Rohatgi Bros. (D)
Kanhayalal Jain	Hind Chemicals, Ltd. (D)				....
M. S. Mehrotra	Hind Chemicals, Ltd. (D)				....
A. Chatterjee (I. F. C.)	Hind Chemicals, Ltd. (D)				....
Shriyans Prasad Jain	Dhrangadhra Chemical Works, Ltd. (Ch.)				....
Ramlal Lalubhai	Dhrangadhra Chemical Works, Ltd. (D)				....

Tanubhai D. Desai . . .	Dhrangadhra Chemical Works, Ltd. (D) . . .	. . . . .
J. P. Jain . . . . .	Dhrangadhra Chemical Works, Ltd. (D) . . . . .	. . . . .
Premchand Jain . . . . .	Dhrangadhra Chemical Works, Ltd. (D) . . . . .	Sahu Bros. (Saurashtra) Ltd. (D).
Seth Anand Raj Surana . . . . .	Asia Chemicals, Ltd. (Ch.) . . . . .	Prem Company (Ch.)
L. Raghubir Singh . . . . .	Asia Chemicals, Ltd. (D) . . . . .	. . . . .
Kishan Lal Chopra . . . . .	Asia Chemicals, Ltd. (D) . . . . .	Prem Company (D)
B. N. Das Gupta . . . . .	Asia Chemicals, Ltd. (D) . . . . .	. . . . .
Sher Singh Bhandari . . . . .	Asia Chemicals, Ltd. (D) . . . . .	. . . . .
Chandra Bal Goela . . . . .	Asia Chemicals, Ltd. (D) . . . . .	Prem Company (D)
R. B. Syamnandan Sahaya . . . . .	Associated Pigments, Ltd. (Ch.) . . . . .	. . . . .
Raja Radhikaraman Pd. Sinha . . . . .	Associated Pigments, Ltd. (D) . . . . .	. . . . .
Devanandan Sahaya . . . . .	Associated Pigments, Ltd. (D) . . . . .	. . . . .
Parshanan Mullick . . . . .	Associated Pigments, Ltd. (D) . . . . .	Sahaya Industries, Ltd. (D)
Harinandan Sahaya . . . . .	Associated Pigments, Ltd. (D) . . . . .	Sahaya Industries, Ltd. (Ch.)
Purna Chandra Mullick . . . . .	Associated Pigments, Ltd. (D) . . . . .	. . . . .
Mulraj Kersondas . . . . .	Fertilizers & Chemicals (Travancore), Ltd. (D) . . . . .	. . . . .
G. K. Devarajulu . . . . .	Fertilizers & Chemicals (Travancore), Ltd. (D) . . . . .	. . . . .
Chackola Lonappan Palu . . . . .	Fertilizers & Chemicals (Travancore), Ltd. (D) . . . . .	. . . . .
Parayath E. Raman Menon . . . . .	Fertilizers & Chemicals (Travancore), Ltd. (D) . . . . .	. . . . .

V. N. Rajan . . . . .	Fertilizers & Chemicals (Travancore), (Travancore-Cochin Government Nominee).	.....
M. C. Thomas . . . . .	Fertilizers & Chemicals (Travancore), (Travancore-Cochin Government Nominee).	.....
J. M. Lobo Prabhu . . . . .	Fertilizers & Chemicals (Travancore), (Madras Govt. Nominee).	.....
K. A. Varugis . . . . .	Fertilizers & Chemicals (Travancore), Ltd. (D)	Seethaayee Bros. (Travancore) Ltd. (D).
J. R. Marshall. . . . .	India Cements, Limited (Ch.) . . . . .	.....
S. N. N. Sankaralinga Iyer . . . . .	India Cements, Limited (D) . . . . .	Essens Limited (Ch.)
R. Ramjeeadas Iyer . . . . .	India Cements, Limited (D) . . . . .	.....
C. A. Subrahmanyam (I. F. C.) . . . . .	India Cements, Limited (D) . . . . .	.....
Govindlal Bangur . . . . .	Shree Digvijay Cements Co., Ltd. (Ch.) . . . . .	.....
Rameshwardass Birla . . . . .	Shree Digvijay Cements, Co., Ltd. (D) . . . . .	.....
Ramdeo A. Podar . . . . .	Shree Digvijay Cements Co., Ltd. (D) . . . . .	.....
G. F. Mankodi . . . . .	Shree Digvijay Cements Co., Ltd. (D) . . . . .	.....
Gajadhar Somani . . . . .	Shree Digvijay Cements Co., Ltd. (D) . . . . .	.....
Kikabhai Premchand . . . . .	Shree Digvijay Cement Co., Ltd. (D) . . . . .	.....
Kikabhai Premchand . . . . .	Surat Textile Mills, Limited (D) . . . . .	.....
P. Suryanarayana . . . . .	India Cements, Limited (D) . . . . .	.....
P. Suryanarayana . . . . .	Cauvery Spg. & Wvg. Mills, Ltd. (D) . . . . .	United Industries, Ltd. (D)
Bishan Sarup . . . . .	Bengal Potteries, Limited (D) . . . . .	.....
Shri Dhar . . . . .	Bengal Potteries, Limited (D) . . . . .	.....
Maharaja Somendra Chandra Nandý.	Bengal Potteries, Limited (D) . . . . .	.....

G. D. Bhagat . . . .	Bengal Potteries, Limited (D)	. . . .	. . . .	. . . .	S. Lall Bhagat & Co. (D).
Arijun Prasad . . . .	Sodepore Glass Works, Ltd. (D)	. . . .	. . . .	. . . .	Bhadani Brothers, Ltd. (D)
Ramnath Anandilal Poddar . . . .	Sodepore Glass Works, Ltd. (D)	. . . .	. . . .	. . . .	. . . .
Ramanand Agarwala . . . .	Sodepore Glass Works, Ltd. (D)	. . . .	. . . .	. . . .	. . . .
D. R. Madhok (I. F. C.). . . .	Sodepore Glass Works, Ltd. (D)	. . . .	. . . .	. . . .	. . . .
N. V. Gogate . . . .	Ogale Glass Works, Ltd. (D)	. . . .	. . . .	. . . .	. . . .
Major Sardar Bhausaheb Patankar.	Ogale Glass Works, Ltd. (D)	. . . .	. . . .	. . . .	. . . .
Shampur Papanna . . . .	Ogale Glass Works, Ltd. (D)	. . . .	. . . .	. . . .	. . . .
Chaturbhai P. Shah . . . .	Ogale Glass Works, Ltd. (D)	. . . .	. . . .	. . . .	. . . .
O. M. Somany . . . .	Hindustan National Glass Mfg. Co. Ltd. (Ch.)	. . . .	. . . .	. . . .	No Managing Agents.
H. O. Somany . . . .	Hindustan National Glass Mfg. Co. Ltd. (D)	. . . .	. . . .	. . . .	No Managing Agents.
S. Chattanatha Karayalar . . . .	Travancore Ogale Glass Mfg. Co. Ltd. (Ch.)	. . . .	. . . .	. . . .	. . . .
Jacob Cherian . . . .	Travancore Ogale Glass Mfg. Co. Ltd. (D)	. . . .	. . . .	. . . .	. . . .
A. P. Tampi . . . .	Travancore Ogale Glass Mfg. Co. Ltd. (D)	. . . .	. . . .	. . . .	. . . .
A. Raghunatha Rao . . . .	Travancore Ogale Glass Mfg. Co. Ltd. (D)	. . . .	. . . .	. . . .	. . . .
Sastra Vaidya Pravina . . . .	Mysore Glass & Enamel Works, Ltd. (Ch)	. . . .	. . . .	. . . .	. . . .
Dr. Subba Rao . . . .	Mysore Glass & Enamel Works, Ltd. (D)	. . . .	. . . .	. . . .	. . . .
R. Ramakrishna . . . .	Mysore Glass & Enamel Works, Ltd. (Govt. D)	. . . .	. . . .	. . . .	. . . .

Madhavrao G. Chitnavis . . . . .	Central Potteries, Limited (Ch.) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Hanumandas G. Bajaj . . . . .	Central Potteries, Limited (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Ganpatrao G. Buty . . . . .	Central Potteries, Limited (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Anant Vishnu Khare . . . . .	Central Potteries, Limited (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Purnachandrarao G. Buty . . . . .	Central Potteries, Limited (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Narayan G. Ogale . . . . .	Central Potteries, Limited (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Purushottam B. Gole . . . . .	Central Potteries, Limited (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
V. S. Phadke . . . . .	Central Potteries, Limited (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	V. S. Phadke & Co. (Ch.) . . . . .
C. S. Deva . . . . .	Punjab Vanaspati & Oil Mills, Ltd. (Ch.) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Dhan Raj . . . . .	Punjab Vanaspati & Oil Mills, Ltd. (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
M. N. Seth . . . . .	Punjab Vanaspati & Oil Mills, Ltd. (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Dina Nath Kakar . . . . .	Punjab Vanaspati & Oil Mills, Ltd. (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
R. K. Batra . . . . .	Punjab Vanaspati & Oil Mills, Ltd. (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
S. B. Batra . . . . .	Punjab Vanaspati & Oil Mills, Ltd. (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	Rajat & Co., Ltd. (Ch.) . . . . .
A. Chatterjee (I. F. C.) . . . . .	Punjab Vanaspati & Oil Mills, Ltd. (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
D. R. Madhok (I. F. C.) . . . . .	Purulia Electric Supply Corpn., Ltd. (D) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Dananjay Prasad Verma . . . . .	Purulia Electric Supply Corpn., Ltd. (Ch.) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Kumar J. K. L. Singh Deo . . . . .	Purulia Electric Supply Corpn., Ltd. (Ch.) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	Purulia Trading Co. Ltd. (D). . . . .
Kumar A. K. L. Singh Deo . . . . .	Purulia Electric Supply Corpn., Ltd. (Ch.) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
Kumar S. K. L. Singh Deo . . . . .	Purulia Electric Supply Corpn., Ltd. (Ch.) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	• . . . .
H. D. Mitra . . . . .	Purulia Electric Supply Corpn., Ltd. (Ch.) . . . . .	• . . . .	• . . . .	• . . . .	• . . . .	Purulia Trading Co. Ltd. (D). . . . .

P. K. Biswas . . . . .	Purulia Electric Supply Corpn. Ltd. (Ch.) . . . . .	Purulia Trading Co. Ltd. (D)
Ramji Hansraj Kamani . . . . .	Kamani Metals & Alloys, Ltd. (Ch.) . . . . .	Kamani Bros. Ltd. (Ch.)
Prem Chand Malhotra (I. F. C.)	Kamani Metals & Alloys, Ltd. (D)	..
Major General Shanta Shamsher Jung Bahadur Rana.	Kamani Metals & Alloys, Ltd. (D).	....
Jhaverchand P. Mahta . . . . .	Kamani Metals & Alloys, Ltd. (D).	....
Lal Chhabildas Jhamb . . . . .	Kamani Metals & Alloys, Ltd. (D)	Kamani Bros. Ltd. (D).
Girdharlal Hansraj Kamani . . . . .	Kamani Metals & Alloys, Ltd. (D)	Kamani Bros. Ltd. (D).
Poonamchand Ramji Kamani . . . . .	Kamani Metals & Alloys, Ltd. (D)	Kamani Bros. Ltd. (D)
Rasik R. Kamani . . . . .	Kamani Metals & Alloys, Ltd. (D)	Kamani Bros. Ltd. (D)
Ratilal K. Mehta . . . . .	Kamani Metals & Alloys, Ltd. (D)	....
S. K. Chakravarti . . . . .	Sanequip, Limited (Ch.) . . . . .	S. K. Chakravarti Ltd. (Ch.)
D. K. Chakravarti . . . . .	Sanequip, Limited (D) . . . . .	....
Ghuznavi . . . . .	Sanequip, Limited (D) . . . . .	....
Pheroz Behram Karanjia . . . . .	Crescent Iron & Steel Corp., Ltd. (D)	....
Jayantilal Jivraj Mehta . . . . .	Crescent Iron & Steel Corp., Ltd. (D)	....
Dr. G. A. Shaikh . . . . .	Crescent Iron & Steel Corp., Ltd. (D)	....
Suljan Alladin Nathari . . . . .	Crescent Iron & Steel Corp., Ltd. (D)	Alladin Virjee Nathani & Co. (Ch.).
Roshan Alladin Nathani . . . . .	Crescent Iron & Steel Corp., Ltd. (D)	Alladin Virjee Nathari & Co. (D).
P. C. Malhotra (I. F. C.) . . . . .	Crescent Iron & Steel Corp., Ltd. (D)	....

Ramniwas Ramnarain	Mukand Iron & Steel Works, Ltd. (D)	.	.	.	.	....
Jeewanlal Motichand	Mukand Iron & Steel Works, Ltd. (D)	.	.	.	.	Jeewan Limited (D)
Kishen Chand	Mukand Iron & Steel Works, Ltd. (D)	.	.	.	.	....
Lalji Mehrotra	Mukand Iron & Steel Works, Ltd. (D)	.	.	.	.	....
Rameshwarprasad Navatia	Mukand Iron & Steel Works, Ltd. (D)	.	.	.	.	....
Dr. Pran N. Seth	Mukand Iron & Steel Works, Ltd. (D)	.	.	.	.	....
Padampat Singhania	Aluminium Corporation of India, Ltd. (Ch.)	.	.	.	.	J. K. Industries, Limited (Ch.)
Kanaaila Jatia	Aluminium Corporation of India, Ltd. (D)	.	.	.	.	J. K. Industries, Ltd. (D)
Dayaram Poddar	Aluminium Corporation of India, Ltd. (D)	.	.	.	.	....
K. D. Jalan	Aluminium Corporation of India, Ltd. (D)	.	.	.	.	....
Mungturam Jaipuria	Aluminium Corporation of India, Ltd. (D)	.	.	.	.	....
Ishwari Prasad Goenka	Aluminium Corporation of India, Ltd. (D)	.	.	.	.	....
Lakshmpat Singhania	Aluminium Corporation of India, Ltd. (D)	.	.	.	.	J. K. Industries, Ltd. (D)
Dr. R. G. Kakde	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	.	.	.	.	No Managing Agents.
Prof. D. R. Gagdil (I. F. C.)	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	.	.	.	.	....
V. E. Patil	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	.	.	.	.	....
J. L. Mehta	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	.	.	.	.	....
Capt. H. A. Mohite	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	.	.	.	.	....
S. E. Dhimal	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	.	.	.	.	....
G. R. Autade	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	.	.	.	.	....
K. V. Deshmukh	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	.	.	.	.	....

M. G. K. Patil . . . . .	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	. . . . .
J. G. Thete . . . . .	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	. . . . .
G. B. Gholap . . . . .	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	. . . . .
R. G. Sule . . . . .	Bagaitdar Co-operative Sugar Producers Society, Ltd. (M.D.)	. . . . .
Director of Industries, Bombay	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	. . . . .
Executive Engineer, Ahmednagar	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	. . . . .
Bombay Government Nominee	Bagaitdar Co-operative Sugar Producers Society, Ltd. (D)	. . . . .
C. V. S. Rao, I. F. S. . . . .	Nizam Sugar Factory, Limited (D) (Ch.) . . . . .	Hyderabad Construction Co., Ltd. (Govt. D)
C. Damodar Reddy . . . . .	Nizam Sugar Factory, Limited (D) . . . . .	. . . . .
Syed Naqvi Bilgrami . . . . .	Nizam Sugar Factory, Limited (D) . . . . .	Hyderabad Construction Co., Ltd. (D)
Nawab Ahmed Nawaz Jung Bahadur.	Nizam Sugar Factory, Limited (D) . . . . .	. . . . .
Raja Pannalal B. Pitti, M. P. . . . .	Nizam Sugar Factory, Limited (D) . . . . .	. . . . .
Nadirsha B. Chenoy . . . . .	Nizam Sugar Factory, Limited (D) . . . . .	. . . . .
Srikishen S. Malan . . . . .	Nizam Sugar Factory, Limited (D) . . . . .	. . . . .
Abdul Karim Babu Khan . . . . .	Nizam Sugar Factory, Limited (D) . . . . .	. . . . .
N. N. Reddy . . . . .	Nizam Sugar Factory, Limited (D) . . . . .	Hyderabad Construction Co., Ltd. (D)
Kooverji Karsen Rathor . . . . .	Cuttack Electric Supply Co., Ltd. (D) . . . . .	. . . . .
Rup Narain Gagger . . . . .	Cuttack Electric Supply Co., Ltd. (D) . . . . .	. . . . .
Surendra Kumar Banerji . . . . .	Cuttack Electric Supply Co., Ltd. (D) . . . . .	. . . . .



R. S. Inamke . . . . .	Sawas Mali Sugar Factory, Ltd. (Ch.) . . . . .	. . . . .	No Managing Agents.
S. B. Raut . . . . .	Sawas Mali Sugar Factory, Ltd. (D) . . . . .	. . . . .	No Managing Agents.
S. B. Inamke . . . . .	Sawas Mali Sugar Factory, Ltd. (D) . . . . .	. . . . .	No Managing Agents.
N. S. Borawake . . . . .	Sawas Mali Sugar Factory, Ltd. (D) . . . . .	. . . . .	No Managing Agents.
S. S. Kudale . . . . .	Sawas Mali Sugar Factory, Ltd. (D) . . . . .	. . . . .	No Managing Agents.
S. B. Girme . . . . .	Sawas Mali Sugar Factory, Ltd. (D) . . . . .	. . . . .	No Managing Agents.
M. K. Pandhare . . . . .	Sawas Mali Sugar Factory, Ltd. (D) . . . . .	. . . . .	No Managing Agents.
G. D. Raskar . . . . .	Sawas Mali Sugar Factory, Ltd. (D) . . . . .	. . . . .	No Managing Agents.
H. B. Girme . . . . .	Sawas Mali Sugar Factory, Ltd. (D) . . . . .	. . . . .	No Managing Agents.
B. G. Girme . . . . .	Sawas Mali Sugar Factory, Ltd. (D) . . . . .	. . . . .	No Managing Agents.
H. I. Wofor . . . . .	Deccan Sugar & Abkhari Company, Ltd. (Ch.) . . . . .	. . . . .	Parry & Co. Ltd. (Ch.)
Muthiah Chettiar of Chettinad . . . . .	Deccan Sugar & Abkhari Company, Ltd. (D) . . . . .	. . . . .	. . . . .
T. G. Armstrong . . . . .	Deccan Sugar & Abkhari Company, Ltd. (D) . . . . .	. . . . .	Parry & Co. Ltd. (D)
S. G. H. Davis . . . . .	Deccan Sugar & Abkhari Company, Ltd. (D) . . . . .	. . . . .	Parry & Co. Ltd. (D)
Indra Singh . . . . .	Metal Corporation of India, Ltd. (Ch.) . . . . .	. . . . .	. . . . .
M. Dutt . . . . .	Metal Corporation of India, Ltd. (D) . . . . .	. . . . .	. . . . .
N. Sen . . . . .	Metal Corporation of India, Ltd. (D) . . . . .	. . . . .	. . . . .
C. L. Desai . . . . .	Metal Corporation of India, Ltd. (D) . . . . .	. . . . .	Eastern Smelting & Refining Co., Ltd. (Ch.)
B. N. Chaturvedi . . . . .	Metal Corporation of India, Ltd. (D) . . . . .	. . . . .	. . . . .
Raj Bahadur H. K. Shah . . . . .	Metal Corporation of India, Ltd. (D) . . . . .	. . . . .	. . . . .
M. L. Bose . . . . .	Metal Corporation of India, Ltd. (D) . . . . .	. . . . .	. . . . .

J. N. Dutt Gupta . . . . .	Metal Corporation of India, Ltd. (D)	. . . . .	. . . . .	Eastern Smelting & Refining Co., Ltd. (D)
Dr. M. S. Krishnan (I. F. C.) . . . . .	Metal Corporation of India, Ltd. (D)	. . . . .	. . . . .	. . . . .
D. R. Madhok (I. F. C.) . . . . .	Metal Corporation of India Ltd. (D)	. . . . .	. . . . .	. . . . .
A. C. Dutta . . . . .	Metal Corporation of India, Ltd. (D)	. . . . .	. . . . .	Eastern Smelting & Refining Co., Ltd. (D)
F. D. Pudumjee . . . . .	Hand Made Paper Limited (Ch)	. . . . .	. . . . .	. . . . .
Dorab D. D. Pudumjee . . . . .	Hand Made Paper, Limited (D)	. . . . .	. . . . .	. . . . .
R. B. Makhanwahla . . . . .	Hand Made Paper, Limited (D)	. . . . .	. . . . .	. . . . .
M. G. Karmakar . . . . .	Hand Made Paper, Limited (D)	. . . . .	. . . . .	. . . . .
S. G. Bhamburkar . . . . .	Hand Made Paper, Limited (D)	. . . . .	. . . . .	. . . . .
V. P. Ogale . . . . .	Hand Made Paper, Limited (D)	. . . . .	. . . . .	S. P. Ogale & Company (D)
Sakaralal Naranal . . . . .	Arvind Board & Paper Products, Ltd. (D)	. . . . .	. . . . .	Kaushiklal Sakaralal & Bros. (Ch)
Gunvantlal Jivanlal . . . . .	Arvind Board & Paper Products, Ltd. (D)	. . . . .	. . . . .	Kaushiklal Sakaralal & Bros. (D)
Thakorlal C. Munshaw . . . . .	Arvind Board & Paper Products, Ltd. (D)	. . . . .	. . . . .	Kushiklal Sakaralal & Bros. (D)
Shantilal Popatlal . . . . .	Arvind Board & Paper Products, Ltd. (D)	. . . . .	. . . . .	Kaushiklal Sakaralal & Bros. (D)
Kaushiklal Naranal . . . . .	Arvind Board & Paper Products, Ltd. (D)	. . . . .	. . . . .	Kaushiklal Sakaralal & Bros. (D)
P. R. Balakrishnan . . . . .	Mysore Paper Mills, Ltd. (Ch.)	. . . . .	. . . . .	No Managing Agents.
Capt. A. T. Mudaliar . . . . .	Mysore Paper Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .
V. N. Chandavarkar . . . . .	Mysore Paper Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .
C. A. Jabar . . . . .	Mysore Paper Mills, Ltd. (Govt. D)	. . . . .	. . . . .	. . . . .

P. N. Eswariah	Mysoore Paper Mills, Ltd. (D).	.....
M. A. Muthana	Mysoore Paper Mills, Ltd. (Govt. D)	.....
V. T. Padmanabhan	Mysoore Paper Mills, Ltd. (D)	.....
G. B. Parwardhan	Paper & Pulp Conversions Limited (Ch.)	.....
G. J. Paraniapce	Paper & Pulp Conversions, Limited (D)	.....
N. V. Gadre	Paper & Pulp Conversions, Limited (D)	.....
G. B. Kale	Paper & Pulp Conversions, Limited (D)	.....
G. G. Kctkar	Paper & Pulp Conversions, Limited (D)	.....
M. S. Parkhe	Paper & Pulp Conversions, Limited (D)	M. S. Parkhe & Company (Ch.)
Walchand Hirachand	Premier Automobiles, Limited (Ch.)	Aero Auto Limited (Ch.)
Lalchand Hirachand	Premier Automobiles, Limited (D)	Aero Auto Limited (D)
Tulsidas Kilachand	Premier Automobiles, Limited (D)	Aero Auto Limited (D)
Dharamsey M. Khatau	Premier Automobiles, Limited (D)	Aero Auto Limited (D)
Mamlal B. Nanavati	Premier Automobiles, Limited (D)	.....
M. A. Master	Premier Automobiles, Limited (D)	.....
Pratapsingh Mathuradas	Premier Automobiles, Limited (D)	.....
S. Parthasarathy	Link Industries, Limited (Ch.)	.....
Raja of Vizianagaram	Link Industries, Limited (D)	.....
Ramanathan Chettiar	Link Industries, Limited (D)	.....
Y. Ramakrishna Prasad	Link Industries, Limited (D)	.....
A. M. Khaitan	Link Industries, Limited (D)	.....

C. A. Subrahmanyam (I. F. C.) Link Industries, Limited (D) . . . . .	. . . . .	. . . . .	. . . . .
S. Raza Ali Khan . . . . .	Great Eastern Electroplaters, Ltd. (Cn.) . . . . .	. . . . .	. . . . .
N. A. Shervani . . . . .	Great Eastern Electroplaters, Ltd. (D) . . . . .	. . . . .	Maha Lakshmi Syndicate, Ltd. (D)
Jagdish Prasad . . . . .	Great Eastern Electroplaters, Ltd. (D) . . . . .	. . . . .	Maha Lakshmi Syndicate, Ltd. (D)
D. R. Narang . . . . .	Great Eastern Electroplaters, Ltd. (D) . . . . .	. . . . .	Maha Lakshmi Syndicate Ltd. (D)
Col. H. L. Verma . . . . .	Great Eastern Electroplaters, Ltd. (D) . . . . .	. . . . .	. . . . .
Lakshman Prasad . . . . .	Great Eastern Electroplaters, Ltd. (D) . . . . .	. . . . .	Maha Lakshmi Syndicate, Ltd. (D)
M. R. Shervani . . . . .	Great Eastern Electroplaters, Ltd. (D) . . . . .	. . . . .	Maha Lakshmi Syndicate, Ltd. (D)
A. Chatterjee (I.F.C.) . . . . .	Great Eastern Electroplaters, Ltd. (D) . . . . .	. . . . .	. . . . .
S. R. Ranga Row Bahadur . . . . .	Suedes & Leatherettes, Lrd. (Ch.) . . . . .	. . . . .	Madras Commercial Corporation Ltd. (Ch.)
V. K. M. Surya Rau Bahadur . . . . .	Suedes & Leatherettes, Ltd. (D) . . . . .	. . . . .	Madras Commercial Corporation, Ltd. (D)
M. M. G. Appa Rao Bahadur . . . . .	Suedes & Leatherettes, Ltd. (D) . . . . .	. . . . .	Madras Commercial Corporation, Ltd. (D)
V. G. K. Ranga Rao . . . . .	Suedes & Leatherettes, Ltd. (D) . . . . .	. . . . .	Madras Commercial Corporation, Ltd. (D)
A. Raoof Sait . . . . .	Suedes & Leatherettes, Ltd. (D) . . . . .	. . . . .	. . . . .
I. V. M. Krishna Rao . . . . .	Suedes & Leatherettes, Ltd. (D) . . . . .	. . . . .	. . . . .
R. B. Bhat . . . . .	Swastik Rubber Products, Limited. (D) . . . . .	. . . . .	. . . . .
M. N. Desai . . . . .	Swastik Rubber Products, Limited. (D) . . . . .	. . . . .	. . . . .
V. M. Deval . . . . .	Swastik Rubber Products, Limited (D) . . . . .	. . . . .	. . . . .
Dr. R. K. Dhote . . . . .	Swastik Rubber Products, Limited (D) . . . . .	. . . . .	. . . . .

H. P. Ghatge . . . . .	Swastik Rubber Products, Limited (D) . . . . .	...
N. K. Shahana . . . . .	Swastik Rubber Products, Limited (D) . . . . .	...
B. R. Tendolkar . . . . .	Swastik Rubber Products, Limited (D) . . . . .	...
G. S. Vaidya . . . . .	Swastik Rubber Products, Limited (D) . . . . .	Vaidya Bros. & Co. (Ch.)
V. S. Vaidya . . . . .	Swastik Rubber Products, Limited (D) . . . . .	Vaidya Bros. & Co. (D)
Dr. M. N. Mandlikar . . . . .	Swastik Rubber Products Limited (Nominated D)	...
D. G. Karve . . . . .	Swastik Rubber Products, Limited (Nominated D)	...
Brig. M. H. Rane . . . . .	Swastik Rubber Products, Limited (Nominated D) . . . . .	...
Kamatdharee Lall . . . . .	Mozufferpore Elec. Supply Co. Ltd. (D) . . . . .	...
C. J. B. Palmer . . . . .	Mozufferpore Elec. Supply Co. Ltd. (D) . . . . .	...
T. T. R. Pillai . . . . .	Aluminium Industries, Limited (D) . . . . .	.....
S. Krishna Iyer . . . . .	Aluminium Industries, Limited (D) . . . . .	.....
N. J. Nair . . . . .	Aluminium Industries, Limited (D) . . . . .	.....
A. M. Bhagat . . . . .	Aluminium Industries, Limited (D) . . . . .	.....
C. A. Mehta . . . . .	Aluminium Industries, Limited (D) . . . . .	.....
G. S. Chetty . . . . .	Aluminium Industries, Limited (D) . . . . .	.....
V. K. Velayudhan . . . . .	Aluminium Industries, Limited (D) . . . . .	.....
Janki Das Kapur . . . . .	Atlas Cycle Industries, Ltd. (Ch.) . . . . .	Jankidas & Sons, Ltd. (Ch.)
Narain Das . . . . .	Atlas Cycle Industries, Ltd. (D) . . . . .	.....
Hari Krishna Das . . . . .	Atlas Cycle Industries, Ltd. (D) . . . . .	.....

Madan Lal . . . . .	Atlas Cycle Industries, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Sewa Ram Kapur . . . . .	Atlas Cycle Industries, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Nihal Chand . . . . .	Atlas Cycle Industries, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Raghunath Pershad . . . . .	Atlas Cycle Industries, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Dewan Chand Mehra . . . . .	Atlas Cycle Industries, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Bishamber Das Kapur . . . . .	Atlas Cycle Industries, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	Jankidas & Sons, Ltd. (D)
Jai Dev Kapur . . . . .	Atlas Cycle Industries, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	Jankidas & Sons, Ltd. (D)
Dr. A. C. Ukil . . . . .	Standard Pharmaceuticals, Ltd. (Ch.)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	No Managing Agents.
Dr. U. Ghosh . . . . .	Standard Pharmaceuticals, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Dr. F. L. Gresham . . . . .	Standard Pharmaceuticals, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Mrs. A. Ghosh . . . . .	Standard Pharmaceuticals, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Mr. M. K. Roy Chowdhuri . . . . .	Standard Pharmaceuticals, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
C. D. Thakkar . . . . .	Standard Pharmaceuticals, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Dr. P. Feldman . . . . .	Standard Pharmaceuticals, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
A. Ramaswami Mudaliar . . . . .	National Rolling & Mills, Ltd. (Ch.)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
B. P. Singh Roy . . . . .	National Rolling & Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .
G. K. Khemka . . . . .	National Rolling & Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	Associated Industrial Development Co. Ltd. (Ch.)
S. C. Sen . . . . .	National Rolling & Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .	. . . . .

R. R. Bhandary . . . . .	National Rolling & Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
George Morgan . . . . .	National Rolling & Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
D. Keir . . . . .	National Rolling & Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Ram Gopal Gupta . . . . .	Lakshmiratan Cotton Mills Co., Ltd. (Ch.)	. . . . .	. . . . .	. . . . .	B. R. Sons, Limited (Ch.)
Ram Prasad Gupta . . . . .	Lakshmiratan Cotton Mills Co., Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Sukhnandi Dayal . . . . .	Lakshmiratan Cotton Mills Co., Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Gulab Chand Jain . . . . .	Lakshmiratan Cotton Mills Co., Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Baldeo Prasad . . . . .	Lakshmiratan Cotton Mills Co., Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
Ram Narain Garg . . . . .	Lakshmiratan Cotton Mills Co., Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
M. S. Ramchandra Rao . . . . .	Sri Krishnarajendra Mills, Ltd. (Ch.)	. . . . .	. . . . .	. . . . .	No Managing Agents.
H. N. Pallegar . . . . .	Sri Krishnarajendra Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
A. K. Ranga Rao . . . . .	Sri Krishnarajendra Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
C. Narasimabhayya . . . . .	Sri Krishnarajendra Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
D. B. Viswambhariah . . . . .	Sri Krishnarajendra Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
B. N. Gupta . . . . .	Sri Krishnarajendra Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
S. N. Gundu Rao . . . . .	Sri Krishnarajendra Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .
M. H. Mariyanna . . . . .	Sri Krishnarajendra Mills, Ltd. (D)	. . . . .	. . . . .	. . . . .	. . . . .

## APPENDIX VII

(REFERENCE PARAGRAPH 19 OF REPORT.)

*List of the Managing Agency Firms and their Companies—Granted Loans by the Industrial Finance Corporation of India.*

Managing Agency Firms	Names of Companies.
Seshasayee Bros. (Travancore), Ltd.	{ Aluminium Industries, Limited.
Seshasayee Bros., Ltd.	{ Fertilisers & Chemicals (Travancore), Ltd.
	{ Mettur Chemicals and Industrial Corpn., Ltd.
Karam Chand Thapar & Bros., Ltd.	{ Bharat Starch & Chemicals, Limited.
	{ Hindustan General Electrical Corporation Ltd.
S. P. Ogale & Co.	{ Hand Made Paper, Limited
	{ Ogale Glass Works, Limited.
Ogale Bros., Ltd.	Mysore Glass & Enamel Works, Ltd.
Octavious Steel & Co., Ltd.	{ Mozufferpore Electric Supply Co., Ltd.
	{ Cuttack Electric Supply Co., Ltd.
S. Lall Bhagat & Co.	Bengal Potteries, Limited.
Madanmohan Lall Shri Ram & Co. Ltd.	Jay Engineering Works, Limited.
Kirloskar Sons & Co.	Kirloskar Oil Engines Limited.
Kirloskar Bros., Ltd.	Mysore Kirloskar, Limited.
Kaushiklal Sakarlal & Bros.	Arvind Beard & Paper Products, Ltd.
Prem Company	Asia Chemicals, Ltd.
Sahaya Industries, Ltd.	Associated Pigments, Ltd.
Jankidas & Sons, Limited	Atlas Cycle Industries, Ltd.
Bharat Udyog, Limited	Bharat Bijlee, Ltd.
B. C. Nawn & Bros.	Bengal Fine Spg. & Wvg. Mills, Ltd.
Alladin Virjee Nathani & Co.	Crescent Iron & Steel Corporation, Ltd.
United Industries, Ltd.	Cauvery Spinning & Weaving Mills, Ltd.
V. S. Phadke & Co.	Central Potteries, Ltd.
Jute & Gunny Brokers, Ltd.	Calcutta Electrical Mfg. Co., Ltd.
Swadeshi Enterprises, Ltd.	Dhakeswari Cotton Mills, Ltd.
Parry & Co., Ltd.	Deccan Sugar & Abkhari Co., Ltd.
Sahu Bros. (Saurashtra), Ltd.	Dhrangdhra Chemical Works, Ltd.
Maha Lakshmi Syndicate, Ltd.	Great Eastern Electroplater, Ltd.
N. R. Sarkar Syndicate, Ltd.	Hindustan Heavy Chemicals, Ltd.
Rohatgi Bros.	Hind Chemicals, Limited.
Indentors Syndicate, Ltd.	Hindustan Chemical Works, Ltd.
Essen Limited	India Cements, Limited.
Bhailal Amin & Sons, Ltd.	Jyoti, Limited
Kamani Bros., Ltd.	Kamani Metals & Alloys, Ltd.
Factors, Limited	Link Industries, Ltd.
B. R. Sons, Limited	Lakshmirantan Cotton Mills, Ltd.
Sulakhe & Company	Lokamanya Mills Bansi, Ltd.
R. B. Gujarmal Modi & Bros. Ltd.	Modi Spinning & Weaving Mills Co., Ltd.
I. R. Patel & Sons, Ltd.	Mahindra Mills, Limited.
Kassels, Limited	Matechwel Electricals (India) Ltd.
Jeewan, Limited	Mukand Iron & Steel Works, Ltd.
Mahindra & Mahindra, Ltd.	Machinery Manufacturers Corpn. Ltd.
Eastern Smelting & Refining Co., Ltd.	Metal Corporation of India Ltd.



Associated Industrial Development Co.	. . . . .	National Rolling & Steel Rcpes, Ltd.
Chinai & Co., Ltd.	. . . . .	National Rayon Corporation, Ltd.
Lalbbhai Tricumlal	. . . . .	New Maneckchock Spg. & Wvg. Co., Ltd.
Hyderabad Govt. Industrial Trust Fund	. . . . .	Nizam Sugar Factory, Limited.
Navin Kumar Hansraj, Ltd.	. . . . .	National Electrical Industries, Ltd.
B. Patnaik & Co., Ltd.	. . . . .	Orissa Textile Mills, Ltd.
Rajat & Co., Ltd.	. . . . .	Punjab Vanaspati & Oil Mills, Ltd.
Hardayal Sons	. . . . .	Pulgaon Cotton Mills, Ltd.
Indian Industries, Ltd.	. . . . .	Panipat Woollen & General Mills Co., Ltd.
Aero Auto, Limited	. . . . .	Premier Automobiles, Ltd.
M. S. Parkhe & Co.,	. . . . .	Paper & Pulp Conversions, Ltd.
Purulia Trading Co., Ltd.	. . . . .	Purulia Electric Supply Corpn., Ltd.
Industrial Enterprises, Ltd.	. . . . .	Standard Batteries, Ltd.
L. C. Jariwala & Co.	. . . . .	Solar Batteries & Flashlights, Ltd.
Kanchanlal Kapadia & Co., Ltd	. . . . .	Surat Textile Mills, Ltd.
Ranjit Singh & Sons, Ltd.	. . . . .	Shri Vikram Cotton Mills, Ltd.
Savatram Sons, Ltd.	. . . . .	Savatram Ramprasad Mills Co., Ltd.
Sir J. P. Srivastva & Sons (Bikaner), Ltd.	. . . . .	Shree Sadul Textiles, Limited.
Wattal & Co.	. . . . .	Shree Digvijaya Woollen Mills, Ltd.
Shree Laxmi Agents, Ltd.	. . . . .	Shree Digvijay Cement Co., Ltd.
Bhadani Bros., Ltd.	. . . . .	Sodepore Glass Works, Ltd.
S. K. Chakravarti, Ltd.	. . . . .	Sanequip, Limited.
Madras Commercial Corpn., Ltd.	. . . . .	Suedes & Leatherettes, Ltd.
Vaidya Bros. & Co.	. . . . .	Swastik Rubber Products, Ltd.

APPENDIX VIII

[Reference paragraph 25(7) of Report]

No.134-Adl.S/48.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

New Delhi, dated 21st August, 1948

FROM

K. G. Ambegaokar, Esq., I.C.S.,  
Addl. Secy. to the Government of India.

TO

The Managing Director,  
Industrial Finance Corporation of India,  
Council House, New Delhi.

DEAR SIR,

In exercise of the powers conferred on them in that behalf by sub-section (3) of section 6 of the Industrial Finance Corporation Act, 1948, the Central Government are pleased to give the following instructions on questions of policy:--

- (1) In its operations, the Corporation should assist, as far as may be practicable, the industrial development of backward provinces and areas in order that such regions may attain a more balanced economic development.
- (2) In certain cases where the Corporation grants accommodation to an industrial concern, one of the conditions for providing such accommodation should be that the borrowing concern should limit its dividend to a particular rate until the loan is repaid. This is intended to prevent the dissipation of the resources of the borrowing concern through the payment of a high rate of dividend.
- (3) In the distribution of shares, the tendency for the accumulation of shares in large centres like Bombay or Calcutta should be prevented, and the shares should be distributed as widely as possible throughout the country so as to obviate the concentration of shares in particular areas and the acquisition of a large proportion of the voting power by particular groups or interests.
- (4) The shares of the Corporation reserved for scheduled banks, insurance companies, investment trusts and other like financial institutions should be issued only to such companies or institutions as are registered in India under the Indian Companies Act. This policy should be followed by the Corporation both with respect to the first allotment of shares and subsequent registrations of transfers of shares so as to prevent concerns not registered in India from acquiring the shares of the Corporation.

Yours faithfully,

(Sd.) K. G. AMBEGAOKAR,

Addl. Secy. to the Government of India.

## APPENDIX IX

[Reference paragraph 36 of Report]

### INDUSTRIAL FINANCE CORPORATION OF INDIA GENERAL REGULATIONS

#### CHAPTER VIII

Manner in which the accommodation granted by the Corporation will be secured.

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53. No accommodation shall be given by the Corporation under clauses (a) and (e) of sub-section (1) of section 23, unless sufficient security to the satisfaction of the Executive Committee is taken as specified in sub-section (2) thereof.

54. Instruments evidencing the security to be taken for accommodation given by the Corporation under Regulation 53 shall, where the Executive Committee has prescribed a form, be in the form so prescribed and no material alteration shall be made in the form so prescribed without the approval of the Committee. Instruments in respect of which the committee has not prescribed any form shall, in each case, be approved by the Committee. (as amended by the Executive Committee at their meeting held on 10-6-1950 and published in the *Gazette of India*, Part IV dated the 15th July, 1950. Notification No.6/50 dated 7-7-1950).

55. For purposes of determining the amount of the accommodation to be granted, such margins shall be retained in the valuation of the assets pledged, mortgaged, hypothecated or assigned to the Corporation as may be considered reasonable by the Executive Committee.

56. For the purposes of Regulation 55, the Committee shall require adequate margin having regard to the earning capacity and prospects of the industrial concern, the competence of its management and other similar considerations.

57. In the instruments evidencing the security taken by the Corporation, there may be a stipulation that in the event of a fall occurring in the value of the assets pledged, mortgaged, hypothecated, or assigned to the Corporation, the industrial concern obtaining accommodation from it may be required to furnish such additional security as may be considered reasonable by the Executive Committee.



## Interest Unpaid

## Deposits (Unsecured)

Under Sec. 22

## Interest Unpaid

## Contingent Liabilities under—

(a) guarantee given under Section 21 per contra

## Contingent Liabilities under—

(b) under-writing contracts under section 21, per contra

## Contingent Liabilities under—

(c) Subvention paid by Govt. of India on account of dividend under Sec. 32

## Other Liabilities—

To be specified

## Profit and Loss Account—

Balance B. F. . . . .  
 Less Appropriation . . . . .  
 Add Net Profits . . . . .  
 for the year

## Particulars—

(a) Debts considered good in respect of which the Corporations is fully secured.

(b) Debts besides being fully secured as in (a) above further secured by personal guarantee of Directors and/or Managing Agents of the borrowing concerns

(c) Debts due by concerns in which the Directors of the Corporation are interested as Directors and shareholders, directors or members of the Managing Agency concerns

(d) Maximum total amount of loans granted during the year to concerns in which the Directors of the Corporation are interested as Directors and partners, directors or members of Managing Agency concerns

(e) (i) Total amount of loan on which default was made at any time during the year, whether of principal or interest

(ii) Total amount of instalments overdue at the end of the year

(iii) Total amount of instalments overdue by concerns in which Directors of Corporation are interested

## Interest Outstanding—

(i) Amount due for the year

(ii) Amount due for the previous years

(iii) Amount due by concerns in which the Directors of the Corporation are interested

Guarantee per contra.

Under-writing, per contra

Premises, at cost

Less Depreciation

Previous year	Capital and Liabilities	This year	Previous year	Property and Assets	This year
				Brought forward	---
				Since Added	---
				<i>Furnitures and Fixtures at cost</i>	
				Less Depreciation	
				Brought Forward	
				Since Added	---
				<i>Non-Banking Assets.</i>	
				Acquired in satisfaction of claim stating mode of valuation	
				<i>Other Assets (to be specified)</i>	
				Stating mode of valuation	---

# INDUSTRIAL FINANCE CORPORATION

## Profit and Loss Account for the year ended—

Previous year	This year	Previous year	This year
Interest on Deposits, Bonds and Debentures . . . . .	. . . . .	. . . . .	. . . . .
Salary and Allowances showing separately for Managing Director and Deputy Managing Director . . . . .	. . . . .	. . . . .	. . . . .
Directors' Fees . . . . .	. . . . .	. . . . .	. . . . .
Directors' Travelling and Other Allowances . . . . .	. . . . .	. . . . .	. . . . .
Committee Members' (other than Directors) Tra- velling and Other allowances . . . . .	. . . . .	. . . . .	. . . . .
Provident Fund contribution . . . . .	. . . . .	. . . . .	. . . . .
Rent, Taxes, Insurance and Lighting . . . . .	. . . . .	. . . . .	. . . . .
Postage, Telegrams, Stamps and Telephone . . . . .	. . . . .	. . . . .	. . . . .
Printing, Stationery and Advertisement . . . . .	. . . . .	. . . . .	. . . . .
Repairs . . . . .	. . . . .	. . . . .	. . . . .
Law Charges . . . . .	. . . . .	. . . . .	. . . . .
Audit Fees . . . . .	. . . . .	. . . . .	. . . . .
Depreciation . . . . .	. . . . .	. . . . .	. . . . .
Loss on sale of or dealing with non-banking assets	. . . . .	. . . . .	. . . . .
Loss on sale of investments . . . . .	. . . . .	. . . . .	. . . . .
Other expenses (to be specified) . . . . .	. . . . .	. . . . .	. . . . .
Bad Debts written off . . . . .	. . . . .	. . . . .	. . . . .
Reserve for Bad Debts . . . . .	. . . . .	. . . . .	. . . . .
Reserve for depreciation on investments . . . . .	. . . . .	. . . . .	. . . . .
Interest . . . . .	. . . . .	. . . . .	. . . . .
Commission . . . . .	. . . . .	. . . . .	. . . . .
Rent . . . . .	. . . . .	. . . . .	. . . . .
Profit on Sale of Investments . . . . .	. . . . .	. . . . .	. . . . .
Profit from sale of or dealing with non-banking assets . . . . .	. . . . .	. . . . .	. . . . .
Other incomes (to be specified) . . . . .	. . . . .	. . . . .	. . . . .

## APPENDIX XI

[Reference para 124 of Report]

### *Summary of Recommendations*

Serial No.	Recommendations	Reference to para. No. of Report.
1	2	3
1	A Director of the I. F. C. who is an ordinary director or a shareholder in an industrial concern which has applied for a loan from the I.F.C. should disclose his interest in the loan. A register similar to that prescribed under Section 91A(3) of the Indian Companies Act should be maintained by the Corporation	20
2	Any industrial concern in which a Director of the I.F.C. is a Managing Director, or a Director/partner/ shareholder in the Managing Agency concern should not be eligible for loan. Any loan to a concern in which a Director of the Corporation is only an ordinary director or a shareholder should require the unanimous vote at a meeting of the Board of Directors in which at least two-thirds of the Directors qualified to vote should be present	22
3	The Corporation should, as far as possible, conform to the priorities for the development of industries and to the programmes of development for 1951-56 in respect of 42 industries recommended by the Planning Commission	25(4)
4	Government should lay down the directive principles that it wishes the Corporation to follow	25(7)
5	No loans should generally be granted to those industries in which saturation point has already been reached. In special cases loans may be granted to existing industries for the purpose of rehabilitation and modernisation	25(8)
6	No strong case for nationalisation of the Corporation at this stage, appears to have been made out	26(1)
7	There should be no predominance of big industrial interests on the Board of the Corporation. In nominating Members on the Board, the Government should see that an economist, a managerial expert and a Chartered Accountant are included	26(2)
8	Annual Report of the I.F.C. should include a list of borrowing concerns. Names of concerns whose applications have been rejected should <b>not</b> be disclosed. The amount of each loan, the location of the concern, the purpose of the loan and regional and industry-wise classification of loans should be included in the Report. Names of Directors and Members on the Executive Committee should be indicated. The Report should include a review of the fortunes of the borrowing concerns and the trend of development of industries in the country generally. The criteria applied by the Corporation in sanctioning loans should be indicated. The directives issued by the Government of India should be published in the Report.	
	The Annual Accounts should be signed by all the Members of the Board	
	A quinquennial review of the activities of the borrowing concerns should be issued by the I. F. C.	26(3)
9	The I.F.C. should not participate in equity or risk capital. However, when the reserve fund of the Corporation aggregates Rs. 5 crores, the question of participation in equity capital of concerns which have been paying dividends regularly may be considered, if necessary. Government should consider the desirability of the I. F.C. being empowered to keep the right of converting part or whole of its loan into share capital	26(4)



I	2	3
10 The I. F. C. should have a proper agency of technical staff and a well-organised economic research department. The setting up of a "pool" of technical personnel may be considered. The Corporation should freely consult the Board of Scientific and Industrial Research on technical questions	26(5)	
11 Private limited companies should not be eligible for grant of loan by the Corporation and the present statutory ban should continue	26(7)	
12 Government should give to the Corporation a clear indication as to which regions or areas should be regarded as "backward" with a view to enabling the Corporation to give preference to such areas.	26(9)	
13 The I. F. C. should try to adhere to a minimum margin of 50%. The I. F. C. should guard against any tendency on the part of borrowing concerns to inflate the value of their assets for the purpose of securing larger loans	27	
14 The I. F. C. should give greater attention to the question of properly assessing the earning capacity of borrowing concerns	28	
15 The Corporation should take into account the financial stakes that the Directors and the Managing Agents of an applicant have in the concern		
The Managing Agents of any borrowing concern should not be at liberty to dispose of their shareholdings in the borrowing concern without the prior approval of the Corporation	29	
16 In sanctioning loans, the I. F. C. should fully appraise the long-term capital needs of the concern, particularly in the case of under capitalised companies	30	
17 In sanctioning a loan, the Executive Committee of the Corporation generally leaves the detailed terms and conditions to be negotiated by the Managing Director. This naturally leaves scope for the play of personal bias and the possibility of favouritism, exposing the Corporation to the charge of favouritism and nepotism.	32	
18 The I. F. C. must actively try to cut short delays in sanctioning loans and in disbursing money against sanctioned loans. For this purpose a certificate from the applicant's own Solicitor or legal adviser to the effect that the relevant titles are in order in all respects should be obtained. Part payment of loan on the hypothecation of assets pending completion of mortgage deeds may be considered.	34	
19 The I. F. C. should try to reduce the legal expenses recoverable from borrowing concerns. A fixed but small and graduated inclusive fee may be levied to cover legal cost	35	
20 Except in exceptional circumstances, the final authority to sanction loan should vest in the Board of Directors and the Board must share the responsibility in the matter of sanctioning loans with the Executive Committee. A suitable convention should be established requiring the Executive Committee to keep back difficult and important cases for the Board's approval		
Alternatively, the Executive Committee may be abolished and its functions entrusted to the Board, the Board being assisted by a Loan Committee	36-37	
21 The Corporation should have a whole-time paid Chairman to be appointed by Government. The Chairman should not necessarily be an active industrialist but should have mature experience in the field of production, management and Finance, the selection of a suitable person for Chairmanship being of utmost importance	38	

1	2	3
22	A regional panel of Advisers for each Branch Office should be formed out of which a few could be selected <i>ad hoc</i> to deal with each loan application . . . . .	39
23	When the management of a concern is taken over by the I. F. C., it should be entrusted as a general rule, to a nominated Board of Directors in preference to departmental management or management through a managing agency firm. Sale of such industrial concern should not be made except under very special circumstances and without prior reference to the Government . . . . .	40
24	Direct interference by Parliament in the day-to-day administration of the I. F. C. should be avoided. With a view to enabling Parliament to look more systematically into the affairs of the Corporation and other similar statutory Corporations, the appointment of a Public Corporations Committee of Parliament may be considered . . . . .	41
25	The I. F. C. may be authorised to guarantee temporary emergency loans taken by a loanee of the Corporation from a Bank where such temporary accommodation will ensure the safety of the original loan taken from the I. F. C. and is in the interest of the I. F. C. itself . . . . .	42
26	With a view to securing better contact with business and industrial interests, the Board of the Corporation should occasionally meet at Bombay, Calcutta, Madras, etc. . . . .	43
27	Where payment of interest charges on the I. F. C.'s loan proves a burden to a new project, a new classification of loans with the system of deferred payment of interest may be considered so that recovery of interest may commence after the project goes into production . . . . .	44
28	A directive should be issued by the Government that for the next three years loans in excess of Rs. 50 lakhs to a concern should be sanctioned only with the approval of the Central Government at Ministerial level . . . . .	45
29	Government should be apprised of the affairs of the borrowing concern of the I. F. C. collectively through an annual summary prepared more or less on "Group Accounts" basis. Regarding the concerns the management of which is taken over by the I. F. C., separate Balance Sheet and Profit & Loss Account for each concern should be submitted to Government annually. Half-yearly statements of assets and liabilities and of loans and investments should be submitted by the I. F. C. to the Finance Minister . . . . .	46
30	Specimen forms set out at Appendix X should be adopted for the future Balance Sheet and Profit & Loss Account of the Corporation. An estimate of doubtful and bad advances, if any, should be made at the end of each year . . . . .	47
31	Too much concentration of powers in the hands of the Managing Director, as at present, is undesirable. The duties and powers of the Managing Director and the Deputy Managing Director should be well defined . . . . .	
	The right to appoint Directors on the Board of loanee companies should be more generally observed. The Corporation's representatives on the Board of Directors of industrial concerns should have the liberty to vote against any motion brought before the Board of Directors. Such representatives should be authorised to sign the Balance Sheet and Profit and Loss Account of the borrowing concern. . . . .	48

1	2	3
32	"Processing of goods" for the purpose of definition of "industrial concerns" should include the manufacture of tea from tea leaves, rubber from latex, dairy products and canning of fruits and vegetables .	49
33	Government may consider whether foreign concerns registered in India of which the majority of the shareholders are not Indian nationals should be eligible for grant of loans .	50
34	Provision should be made for setting up of joint State Financial Corporations by more than one State . . . . .	51
35	The respective fields of activities of the Central Corporation and State Financial Corporations should be demarcated either by framing definite rules or by executive conventions . . . . .	52
36	A Director of the Corporation who is interested in any loan transaction should not even be present at a meeting of the Executive Committee or Board where the particular loan transaction is under discussion . . . . .	53
37	Government may consider whether directions should not be issued to the Corporation outlining the policy that should be followed in the matter of grant of loans for non-productive purposes . . . . .	54
38	Government should consider whether applicants for loans from the Corporation should not be required to produce income-tax clearance certificates and whether applicants should not certify that their names are not before the Income-tax Enquiry Tribunal . . . . .	55
39	<i>Sodepur Glass Works, Ltd.—</i>	
	(i) In view of the drawbacks of the project, as pointed out by the Expert Committee, the Corporation should have been more circumspect in sanctioning the original loan of Rs. 40 lakhs . . . . .	121, 122, 123
	(ii) The capital requirements of the project had been grossly underestimated and the Corporation seems to have made no serious attempt to properly assess, at any stage, the long-term requirements. This single factor is the major contributory cause for the present state of affairs of the company . . . . .	
	The Corporation must now estimate closely the long-term capital requirements, which have been variously estimated at Rs. 15 lakhs to Rs. 35 lakhs. The economics of the present plate glass plant need be looked into carefully. If it cannot be run as an economic unit, the question of installing the figured-glass and bottle plants should be considered. As Bhurkunda does not provide any special advantage, the desirability of installing these plants at Sodepur may be examined.	
	(iii) The Corporation should have, in collaboration with the Managing Agents, devised ways and means for accelerating the construction of the factory which was of paramount importance both in the company's and the Corporation's own interest.	
	(iv) The technical organisation of the factory was weak and the appointment of a non-technical General Manager on behalf of the Corporation aggravated the situation.	
	(v) Conflict of personalities and dual control seemed to have complicated matters resulting in mismanagement.	
	(vi) The present General Manager who is not a technical man should be replaced by one with technical knowledge and experience of industrial management. Proper technical staff should be engaged. The Board of Directors should be given full powers and adequate finances to run the factory efficiently and economically.	
	(vii) The Corporation should not attempt to sell the factory just for the purpose of recovering its own dues, oblivious of the interest of the shareholders and others. The factory should be run by the new Board on a caretaker basis.	