CHAPTER V

INSTITUTIONAL ASSISTANCE
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HSIDC was set up to accelerate the process of industrialisation in the State of Haryana. Institutional assistance can play a very important role in areas which are yet to be called industrially sound. HSIDC identifies and promotes on its own such industrial projects in medium and large scale sectors as are considered to be important from the angle of economy of the country and/or the State. The Corporation procures letter of intent, and industrial licences for various items and such projects are set up in joint/assisted sector. HSIDC retains 26 percent equity shares in joint sector and 10 to 15 percent in assisted sector projects and the co-promoter in either case is required to hold 25 percent of the total share capital in such projects.

The Corporation selects co-promoters for its projects through advertisement in newspapers and gives preference to technocrats and experienced businessmen as co-promoters. Board of Directors of HSIDC takes decision about co-promoters. HSIDC decides, about the location of the project itself at the time when idea of project is developed. The co-promoter has to enter into an agreement
with the Corporation for the project and on or before the date of signing of agreement the co-promoters have to furnish a bank guarantee of Rs. one Lakh or deposit with the Corporation similar sum by way of the earnest money. If earnest money is deposited then it will be transferred by the Corporation towards the last and final contribution of co-promoter to his equity contribution. A new company is to be incorporated as Public Company (Limited by shares) under the Companies Act 1956 within six months after entering the agreement and the Corporation insists that registered office of the company should be located in the State of Haryana.

A foreign company or the company covered under the hRTP Act can also participate under the Scheme provided it obtains necessary approvals under the relevant Acts.

In line with the policy of the Central government the projects for which letter of intents, industrial licences and registration with DGTD (Directorate General of Technical Development) are granted, are implemented by the Corporation in Joint/Assisted Sector.

In joint sector, HSIDC and the co-promoter subscribe for 26 percent and 25 percent respectively and the remaining 49 percent is open for subscription by the general
public, banks and financial institutions. HSIDC and co-promoters would have four and three directors respectively on the Board of Directors so long as this proportion in share capital continues. The Chairman of the Company is nominated by the Corporation and Managing Director is a nominee of co-promoters but approved by the Corporation.

In the assisted sector, HSIDC retains 10 percent equity shares in the new company, though its share holding may be increased to 15 percent in suitable cases, taking into account the financial resources of the co-promoters and the co-promoter is required to hold 25 percent of total share capital in this case also. The co-promoters shall have three directors whereas the Corporation shall have one or two non-rotational directors on the Board. To encourage the nomination of professional and experienced persons, the Corporation permits the co-promoter to appoint more than three directors if such directors are professionals or experienced persons. A person, generally nominee of private company's promoter is elected as Chairman of the Company. Managing Director is appointed on the recommendations of the co-promoter by the Board of Directors on such terms as may be approved by the Corporation. Projects in assisted sector are preferred as these involve less investment on the part of the
Corporation where by more and more capital can be catalysed.

The Corporation also enters into Memorandum of Understanding (MOU) with the Private parties who have conceived the idea of a project or hold letter of intent or have applied for letter of intent for implementation of projects in assisted sector. To be eligible for this, Project cost shall not be less than Rs. 3 crores and prima facie the project should be technically feasible and economically viable. In case, when project is at idea stage, the Corporation will obtain the letter of intent from the Government of India, based on the data to be furnished by the private party and would take up its implementation in assisted sector, with the private party as co-promoters after procuring the letter of intent.

As a promotional organisation, HSIDC extends its support to the co-promoter in implementing the project expeditiously and all its technical, managerial and financial skills are freely available to the company. An institution which promotes and subscribes in companies can not afford to continue with investment for ever. To enable HSIDC to recycle its funds, the scheme envisages disinvestment of shareholding after a period of five years from the commissioning of the project by selling HSIDC's
shares to the co-promoter, under buy back arrangement.

16 units assisted by the Corporation have gone into production till 1988-89. Out of these 16 units, public and assisted sectors each have 6 units and 4 units are in the joint sector. With HSIDC's contribution of Rs. 667 lakhs, it has been possible to catalyse investment of Rs. 6338.66 lakhs. These projects have created direct employment for over 3600 persons. The operational analysis (Table 5.1) of these units reveals that only 4 units (25 percent) are in profits and 2 units (12.50 percent) are running in losses and of these 2 units, one unit has been in production since 1975 where as other unit came in to production in 1985. Out of 6 units (37.50 percent) which have been closed or where production has been held up, one unit has been sold and other one has been transferred to Haryana State Electronics Development Corporation Ltd., (HARTRON). It all shows that 50 percent units have either been closed or are incurring losses. 4 units (25 percent) have recently gone into production. It all leads us to conclude that performance of these assisted units has not been satisfactory and there is an urgent need for strict watch on the working of assisted units so that their profitability improves.

One of the important features of the Institutional
<table>
<thead>
<tr>
<th>Sector</th>
<th>Total Number of units</th>
<th>Units in profits</th>
<th>Units in losses</th>
<th>Closed/Production held up</th>
<th>Production commenced recently</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>6</td>
<td>2 (33.33)</td>
<td>1 (16.67)</td>
<td>3* (50.00)</td>
<td>-</td>
</tr>
<tr>
<td>Joint</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>3 (75.00)</td>
<td>1 (25.00)</td>
</tr>
<tr>
<td>Assisted</td>
<td>6</td>
<td>2 (33.33)</td>
<td>1 (16.67)</td>
<td>-</td>
<td>3 (50.00)</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>4 (25.00)</td>
<td>2 (12.50)</td>
<td>6 (37.50)</td>
<td>4 (25.00)</td>
</tr>
</tbody>
</table>

* Out of these 3 units, one each has been sold and transferred.

Source: Prepared on the basis of information provided by HSIDC.
Assistance Scheme for joint and assisted sectors provides for disinvestment at the expiry of 5 years from date of commercial production so that funds of the Corporation are rotated and more and more units are set up in the State. The performance of the Corporation on this count is highly dismal. The financial reports of the Corporation reveal that only during 1988-89 the Corporation could disinvest its entire shareholding of Rs. 52 lakhs from Haryana Petro Chemicals Ltd. However this particular disinvestment was ahead of schedule. There are also few instances where the shareholding of the Corporation in some companies have been taken over by the government.

Further, there are 32 projects which are in the various stages of implementation under the Institutional Assistance Scheme. The sectorwise details of these projects under implementation has been depicted in Table 5.2 which shows that out of 32 projects, 14 and 17 projects are in joint and assisted sector respectively and one project is in the public sector. With the HSIDC's contribution of Rs. 2806.48 lakhs, it would be possible to catalyse investment of Rs. 39802 lakhs, and these projects after becoming operational would create direct employment for 8507 persons.

Reluctance on the part of HSIDC has been observed
TABLE 5.2
SECTORWISE DETAILS OF PROJECTS UNDER IMPLEMENTATION

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of Units</th>
<th>Total Investment</th>
<th>HSIDC'S Share</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>1</td>
<td>200</td>
<td>16.75</td>
<td>102</td>
</tr>
<tr>
<td>Joint</td>
<td>14</td>
<td>26750</td>
<td>2278.23</td>
<td>3069</td>
</tr>
<tr>
<td>Assisted</td>
<td>17</td>
<td>12852</td>
<td>511.50</td>
<td>5336</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>39802</td>
<td>2806.48</td>
<td>8507</td>
</tr>
</tbody>
</table>

Source: Annual Report 1988-89 of HSIDC.
in setting up of units in the public sector and it may be because of the fact that such units absorb much bigger amount of investment in comparison to joint and assisted sectors.

Few major projects promoted by HSIDC under Institutional Assistance are briefly discussed here.

a) **Haryana Breweries Limited**

Haryana Breweries Limited was incorporated in September, 1970 and is a subsidiary (Public Sector) of HSIDC. An agreement was signed with M/s Turcon India Ltd. for Danish technical know how. The unit is located at Murthal in Sonepat district and plant was commissioned for commercial production in April, 1974. The three brands of beer viz Rosy Pelican, Black Patridge and Birdie Pilsner are quite popular and have good market in various parts of the country. HSIDC was holding equity shares of Rs. 82.48 lakhs out of the company's total paid up capital of Rs. 160.39 lakhs as on March 31, 1989. The company has been showing satisfactory performance during the past some years. It earned a net profit of Rs. 8.75 lakhs during 1988-89 and its sales turnover during the year increased to Rs. 687.20 lakhs from Rs. 664.01 lakhs in 1987-88.

b) **Haryana Concast Limited**
HSIDC set up a Mini Steel Plant under the name and style of Haryana Poly Steels Ltd., in Joint Sector in Collaboration with M/s Poly Steels (India) Ltd., of Bhavnagar (Gujrat) in Hissar district. The Company was incorporated on Nov. 20, 1973 and commissioned for commercial production in Nov. 1975. The Corporation cancelled the collaboration agreement, as the financial collaborator in the project could not fulfill its financial commitment towards the project. Later the Company was adopted as a subsidiary of the Corporation under the name of Haryana Concast Ltd. As on March 31, 1989 the Corporation was holding equity shares of Rs. 186.10 lakhs in the Company out of its total paid up share capital of Rs. 311.15 lakhs. The overall performance of the company has not been satisfactory, mainly because of high overheads, interest burden and steep rise in price of scrap etc. A high level committee constituted by the State Government to look into the affairs of public sector companies including Haryana Concast Limited has recommended to allow the unit to function by extending certain concessions towards payment of electricity duty. During 1988-89, the company achieved the sales turnover of Rs. 15.75 crores against Rs. 12.55 crores in 1987-88. The net loss in 1988-89 amount to Rs. 35.74 lakhs against Rs. 56.85 lakhs in 1987-88.
c) Haryana Minerals Limited

The marble processing factory set up by the Corporation at Narnaul in Mahindergarh district came in production in Nov. 1971. The main objects of the company are to explore the mines and grounds containing stones, slate and other minerals. The company is engaged basically in quarrying of natural slate stone, coloured and black, used as building material and as stationery and in quarrying of marble blocks. The material is sold both in cut and polished shape. The entire share capital of Rs. 24.04 lakhs of the company is held by the Corporation.

The turnover of the company is increasing since 1986-87. In the year 1988-89 the company achieved the turnover of Rs. 624.98 lakhs against Rs. 509.68 lakhs in the year 1987-88 registering an increase of 22.6 percent. The company entered in export market for the export of multicoloured slates during the year 1973. The export of the company has gone to Rs. 168.31 lakhs during the year 1988-89 registering an increase of 81.62 percent against Rs. 92.67 lakhs for the year 1987-88. The net profit after providing interest, depreciation and income tax for the year 1988-89 was Rs. 9.63 lakhs as against Rs. 42.36 lakhs in the year 1987-88. This fall in profits have been due to handing over of silica sand producing mines to
private lessees following the order of Supreme Court of India.

d) **Haryana Matches Limited**

Haryana Matches Ltd. was promoted by HSIDC as a subsidiary in 1970 and it was incorporated as Haryana Nimoc (Pvt.) Ltd., to manufacture safety matches. The company went into production in March, 1973 after setting up its two units one at Yamuna Nagar and another at Buria. The company faced severe problems regarding the availability of raw material and skilled labour and it could not procure excise reliefs available to small scale units. All these factors made it a non-viable project. HSIDC had been holding the entire paid up share capital of Rs. 12.50 lakhs of the company. The Corporation decided to close the unit and wind up the company in 1981-82. All its assets including plant and building have been disposed off. The amount realised was deposited towards part payment of the secured loans raised from HSIDC. The entire share capital of the company of Rs. 12.50 lakhs as well as unrealised loan has been written off.

e) **Haryana Television Ltd**

A television project was set up in Faridabad as a Joint Sector undertaking under the name of Haryana
Television Ltd. The Company designed and developed its own hybrid circuit and the production and marketing of televisions, commenced in January 1975 under the brand name of 'Telebird'. As on 31.3.1976 the Corporation held equity shares of the value of Rs. 7.20 lakhs out of the paid up equity share capital of Rs. 14.25 lakhs. HSIDC terminated the collaboration agreement and took over the share holding and thereby converted it into public sector in 1976. In a struggle for survival it started production of tape recorders and two-in-ones in 1980-81 and assembling of coloured television sets in 1981-82. In 1982-83, Haryana Television Ltd., ceased to be the subsidiary of HSIDC, as it was transferred to the new created Haryana State Electronic Development Corporation Ltd.

Subsidy on Preparation of Project Feasibility Reports:

In order to encourage identification and promotion of new projects, HSIDC contributes to the extent of 50 percent of cost of preparation of project feasibility report, subject to a maximum of Rs. 50,000 for any project, for which an entrepreneur holds letter of intent/registration for setting up a project in the State of Haryana. The feasibility report shall be prepared by the
consultant, who is approved by an All India Financial Institution/Corporation and the work will be assigned with prior approval of the Corporation. The Company on implementation of the project shall allot equity shares of equivalent amount to the Corporation.

Under this, assistance amounting to Rs. 13.05 lakhs has been sanctioned to 42 cases till 1988-89 by the Corporation and Rs. 5.44 lakhs has been disbursed to 24 applicants.