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CHAPTER IV
GUJARAT EXPORT CORPORATION LTD.

Any country, irrespective of its political colour, economic development and natural resources, has to depend upon others for one thing or the other. The degree of dependence, differs with the degree of development attained. Developed countries, for example, may have to depend comparatively less than the developing ones and developing countries have relatively less to depend as compared to the underdeveloped countries. The developing countries require the assistance of developed countries in regard to the machinery, the technical know-how or, sometimes, the raw materials. All these create a need for foreign exchange. Exports have to be made to earn foreign exchange. In turn, exports have their own constraints. Domestic consumption may not permit them; or, the manufacturers may not be acquainted with the foreign markets. International trade is technical in character and requires many formalities and procedures to be completed before the goods can leave the shore of a country. But these constraints will have to be met with; for, greater the exports, larger will be the earning of foreign exchange. It is, therefore, an established principle that exports should be boosted up and all possible help be extended to those who wish to export. Technical assistance in terms of foreign market intelligence -- prices prevailing, degree of competition, commodities which are required in large quantities,
etc. — is provided with to encourage exports.

The Gujarat Export Corporation Ltd. has been brought into being to provide the technical assistance required for the export trade so as to boost it up to the maximum possible extent. It came into being under the State Government Resolution No. EXP-1064/18459-G dated 7th July, 1965.1 While the Corporation was incorporated on 14th October 1965 under the Companies Act, 1956, under No. 1347 of 65-66 of the Registrar of Companies, Gujarat State, the Certificate to Commence Business could be obtained on 30th March 1966 — almost after six months — and the actual business commenced still later, from October-November 1966.2 Thus, the gestation period taken by the Corporation was of nearly 15 months.

Working:

The Corporation offers, a variety of types of export services3 as follows:

(a) **Marketing of products outside India:**

It has agents and distributors in the Middle East, South East Asia and Far East countries to look after the sales, propaganda, publicity, etc. They have been appointed after making personal contacts and having verified their credit-worthiness, their reliability and their ability to give more and more business.

1. AR(G EX C) 1966: p. no. not given.
2. Ibid.
(b) **Financing against export orders:**

When the order is received, a major payment is made immediately and the balance on the shipment of the goods. Thus, it provides finance to the manufacturers which is so vital to the industry. The Corporation also gives money against Government incentives such as Cash Assistance, Drawback, etc.

(c) **Execution of export orders in its entirety:**

This is an important service. An exporter has simply to keep the goods ready at his factory. The rest of the work -- right up to the realisation of proceeds -- is done by the Corporation. The work includes transportation of goods from the factory to the port, reservation of space, shipping documentation, Reserve Bank matters, foreign exchange, banking, negotiation of documents, insurance, E.C.G.C. cover, legalisation of documents, etc.

(d) **Acting as a Raw Material bank:**

It gives the raw materials against export orders. Special arrangements have been made with the State Government for the allocation of pig-iron, B.P. sheets, G.P. Sheets, molasses, etc., on a priority basis.

(e) **Helping the fixation of Draw-backs:**

There are certain items on which one has to pay excise, import duty, etc. directly or indirectly. Such items when exported are eligible for refund, known as Draw-back. The
Corporation helps in the fixation of Draw-backs.

(f) Helping and expediting the procedural matters:

The Corporation has a close liaison with CCI Office. It maintains personal contacts at higher level. The benefit of this is passed on to the exporter in terms of early completion of the complex and laborious task of procedural matters requiring the filling up of forms and their submission to the Government.

(g) Participating in International Exhibitions:

Exhibitions play an important part in making people know about the products personally. Through participation in exhibitions the Corporation conveys to the world the message of industries from India, and especially from Gujarat. A survey of the markets for the commodities is made at such exhibitions in addition to booking of the business on the spot.

(h) Helping the preparation of exportworthy literature, catalogue and advertising material for products:

Attractive literature helps attract business. The Corporation renders help in the preparation of the catalogues, the literature, etc. with such designs, get-up and write-up that will create a good image of the product offered in the foreign market. The literature is the first thing that the customer looks at for deciding the order and, unless he is impressed with this, he would not go further. Thus, it has
an important visual communication value.

(i) Surveying of the foreign markets:

The personnel of the Corporation takes regular business trips in the foreign countries. This enables the Corporation to know the latest position about the products that could be marketed and the future scope for them. It also gives an idea about the direction of trade and product development.

(j) Procuring of Samples, Drawings, Specifications of new items:

The Corporation procures such items for enabling the manufacturers to manufacture the products accordingly. This brings in the country new technology, new ideas, etc. which can also be advantageously utilised for the domestic market.

(k) Acting as a liaison between the exporter and the Government:

Sometimes it happens that the manufacturer with his limited administrative capacity, may not be able to pursue matters with the Government. At the same time, it may be necessary to take up fresh initiative for the products for a better incentive. The Corporation provides the platform. Being in close contact with the Government, it can easily render help in all problems with the Government agencies.

A study of the Annual Reports of the Corporation reveals that it has been able to procure orders from overseas
countries and has executed them at a progressively rising rate. (Vide: Table IV.1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>20,000</td>
</tr>
<tr>
<td>1967</td>
<td>8,24,499</td>
</tr>
<tr>
<td>1968</td>
<td>15,02,306</td>
</tr>
<tr>
<td>1969</td>
<td>31,87,170</td>
</tr>
<tr>
<td>1970-71</td>
<td>45,82,757</td>
</tr>
<tr>
<td>1971-72</td>
<td>63,05,065</td>
</tr>
<tr>
<td>1972-73</td>
<td>86,80,183</td>
</tr>
</tbody>
</table>

The main items dealt with in these orders have been engineering goods, handicrafts, canned food products, diamonds, printed books, chemicals and allied products, pharmaceutical products, etc. The Corporation has exported more than 80 items to about 45 countries.

The Corporation also renders financial assistance to the manufacturers for their exports. The total amount so given since 1968, was of the extent of Rs. 155 lakhs till the end of 1972-73. Such financial assistance included Packing Credit, Post Shipment finance, etc.

To acquaint the potential buyers, with the exportable commodities, the Corporation, either on its own or at the

instance of the State Government, participated in the following fairs, exhibitions, etc.:—

1969: Indian Industrial Exhibition
Organised by the Government of India at Colombo, Ceylon.


1970-71: Leipzig Spring Fair
Lagos Fair.

1972-73: Indian Industries Exhibition at Kuwait
Third Asian International Trade Fair at New Delhi.

Synchronising with these exhibitions, foreign trips by the Managing Director were also undertaken to a number of countries to assess the demand for products manufactured in the State. These efforts have proved fruitful in securing orders.

The Corporation during the year 1968 and 1969 arranged meetings with manufacturers at Rajkot, Surendranagar, Ahmedabad, Baroda and Kalol to awaken the export consciousness among them. 6 A number of institutions, councils and chambers

of commerce helped actively in arranging these meetings.

Since 1969, the Corporation is recognised by the Government of India as an Eligible Export House. This recognition has enabled the Corporation to enter into the import trade. It was also awarded the Merit Award by the Engineering Export Promotion Council for its outstanding performance during the year 1969-70.

The Government of Gujarat, during the year 1970-71, entrusted the Corporation with the work of Export Potential Survey of the State. However, the formalities and procurement of necessary funds took nearly two years and the work could be started only with effect from 1-4-1973.

The year 1970-71 also saw the cancellation of the order worth Rs. 3 lakhs due to non-availability of raw materials to the manufacturers.

The Corporation also suffered from a few set-backs in its working on account of internal and international factors, e.g., devaluation of the £ Sterling by 14.3% in November, 1967, conflict between India and Pakistan during 1971-72, and the shortage of raw materials and power supply which has become almost a regular feature in the State.

9. Ibid. 10. AR (G EX C) 1972-73: p.5.
9 Observations:

While the Corporation seems to have been able to make progress in the field of its activity, much yet remains to be done. The Corporation should, for instance, arrange for exhibitions at a few industrial centres of the State. The demands of the foreign buyers should be assessed first, exact descriptions and specifications be obtained, if possible, and all these should be made available at the exhibition/s to enable the local manufacturers to manufacture the required exportable products.

The Corporation should arrange more and more 'get-togethers' of the local manufacturers and they should be supplied with necessary information and guidance about exports. A continuous campaign should be undertaken to awaken the export consciousness.

The Corporation should open a few branches at certain centres to enable the manufacturers to take advantage of the expertise services. This would help the export activities.

Capital and Finance:

The Authorised Capital of the Corporation is of Rs. 50 lakhs divided into 50,000 Equity Shares of Rs. 100 each. Out of this the Issued Capital is of Rs. 10 lakhs. The Government, at the first instance, purchased 5,200 Equity Shares of Rs. 100 each, thus contributing 62% of the capital, while the remaining 4,800 shares were issued to the public.
progressively during the first six years of its life. Table IV.2 exhibits the yearwise breakup of the issues.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Shares issued</th>
<th>Cumulative total issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>1967</td>
<td>210</td>
<td>460</td>
</tr>
<tr>
<td>1968</td>
<td>360</td>
<td>820</td>
</tr>
<tr>
<td>1969</td>
<td>300</td>
<td>1,120</td>
</tr>
<tr>
<td>1970-71</td>
<td>740</td>
<td>1,860</td>
</tr>
<tr>
<td>1971-72</td>
<td>2,940</td>
<td>4,800</td>
</tr>
</tbody>
</table>

Again, while the amount called up against the Shares subscribed by the Government is full, only half the amount (i.e., Rs. 50) per share has been called up against the 'other' issue. On 31st March 1973, the paid-up Capital of the Corporation stood at Rs. 7,36,875, after deduction of the Calls in Arrears amounting to Rs. 23,125.

In addition to the Capital, the Corporation has also been able to procure (a) Grants, and (b) Subsidy from the Government of Gujarat. During 1967 and 1968, it received a grant of Rs. 10,086 from the Government for arranging Display Centre of Handicrafts in the premises of the Corporation.

1 The Registrar of Cooperative Societies, Government of Gujarat gave a total grant of Rs. 14,300 — Rs. 8,300 in 1969-70 and Rs. 6,000 in 1970-71 — for the preparation of Handicraft Catalogue.

Similarly, the Corporation received the Subsidy, as detailed out in Table IV.3 from the Government for meeting part of the past deficit.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>29,782.50</td>
</tr>
<tr>
<td>1969</td>
<td>39,166.00</td>
</tr>
<tr>
<td>1970</td>
<td>81,051.00</td>
</tr>
<tr>
<td>1971-72</td>
<td>72,053.00</td>
</tr>
<tr>
<td>1972-73</td>
<td>NIL</td>
</tr>
</tbody>
</table>

For the first five years up to 1970-71, the Corporation could not make any profits. It was only during the years 1971-72 and 1972-73 that it could earn profits of Rs. 34,777 and Rs. 1,86,850 respectively. However, in view of the past accumulated deficit of Rs. 3,27,281 (being Rs. 42,799 in 1966, Rs. 82,999 in 1967, Rs. 59,737 in 1968, Rs. 23,708 in 1969 and Rs. 1,18,058 in 1970-71) the Corporation did not declare any dividend until share on the fully paid shares and Rs. 5 per share on the partly paid shares during the year

Management

The Corporation is managed by a Board consisting of 10 members including the Chairman. Out of these 10 members, three are nominated by the Government of Gujarat, the rest seven being elected by rotation at the Annual General Meeting. There is also a provision for the appointment of an Additional Director on the Board. Until 1971-72, the Corporation had no Managing Director and it was managed by a General Manager.

Observations:

The following observations need to be made about the Board of Directors, their continuity, etc.

(1) There has been no uniformity in the size of the Board during seven years of its working. Thus, it consisted of only 9 members during 1967, 1970-71 and 1972-73. Twice it worked with 9 members. And, it had 11 members during 1968 and 1971-72.

(2) The Board has comprised of members drawn from different geographical areas of the State. Thus, an effort seems to have been made to give representation (a) to South Gujarat, (b) to Central Gujarat, and (c) to Western Gujarat or the Saurashtra area. Members from Ahmedabad are greater in number and a member each from Baroda, Surat, Bhavnagar,
Porbandar, Jamnagar, Rajkot — depending upon the vacancy — is also elected on the Board. It is, however, surprising to note that during its life so far, the Corporation could not find any person from North Gujarat who could be appointed on the Board.

(3) It has been the good fortune of the Corporation to be able to get the continuous service of at least four members including the Chairman, right from its inception. There has been a surprising continuity of the Government Directors! While the experience of the other Corporations has not been very happy with the tenure of the Government Directors, this Corporation could get their services at least for a period of one year. Similarly other Directors barring one Shri Maganbhai Patel have also rendered sufficiently long services to the Corporation.

The Managing Director (who was the General Manager of the Corporation until his promotion to the present post) and the Secretary are also associated with the Corporation right from its inception.

*GUJARAT INDUSTRIAL INVESTMENT CORPORATION LTD.*

The regional imbalance in India's industrial development persists not only at the national level, but also at the State and the district levels. Therefore, various steps have been taken at different levels to boost up the tempo of
Industry in Gujarat was mainly confined to the traditional items of the consumer industry. Heavy industries came on the industrial scene during the post-Independence era. This was partly due to the great entrepreneurial zeal of the industrialists in Gujarat and partly due to the conscious and dedicated efforts by the State Government. Steps were taken to provide a direct impetus to the development of basic and heavy industries. The State came in to participate in certain sectors of industrial activity. It took the form of active and careful participation in the share capital of those industries and projects which were capital intensive and vital to the growth of industrial activity.

The Gujarat Industrial Investment Corporation Ltd., (GIIC) was established on 12 August, 1968 against this backdrop of State participation in the industrial sphere. It is a 100% Government of Gujarat owned public limited company. Its Memorandum of Association states that the object of the Corporation is to carry on the business of assisting industrial enterprises in Gujarat in general by:

(a) assisting in the creation, expansion and modernisation of such enterprises;

(b) by encouraging and promoting the investment climate in

13. GIIC: Whom it Serves and How: A leaflet published by GIIC:(Publication date not given).
the State of Gujarat, and in particular by:

(i) providing finance in the form of long term loan or equity participation;

(ii) Sponsoring and underwriting new issues of shares and securities;

(iii) Guaranteeing loan from other private investment sources;

(iv) making funds available by granting loans;

(v) Capital participation in cooperation with the scheduled banks;

(vi) Assistance to technicians by way of special schemes to help them set up their own industrial units; and

(vii) planning and formulating feasibility studies and project reports.

The GIIC grants financial assistance of various kinds. The primary purpose for which the funds are made available is for the purchase of capital assets in the form of land, building, machinery and, marginally for working capital and for expansion.

It does not insist on any particular form of organisation of the borrower seeking financial assistance. The borrower may be a proprietary concern, a partnership firm, or a private or public limited company. There is neither a limit on the size of the enterprise seeking financial
assistance, nor is there a maximum or minimum limit of investment it will make. Loans are also granted to qualified and experienced technicians/engineers.

Another interesting feature of the GIIC is that, whatever be its form of investment, it does not normally ask for or take a direct part in the management of an enterprise financed by it though it reserves the right to do so whenever necessary.

Operation:
GIIC extends financial assistance through the operation of various Schemes: (1) General Scheme. (2) Technicians' Scheme. (3) Rural Workshop Scheme. (4) Capital Participation Scheme. (5) Sales Tax Loan Scheme. (6) Other Schemes.

(1) General Scheme:
Under this Scheme, the Corporation provides financial assistance to industries in general by way of term loans, underwriting subscription to public issue, guaranteeing advances by other investment sources and participation with financial institutions like ICICI, IFC and IDBI at the national level, and GSFC and nationalised banks. The Corporation plays the key role in providing balancing investment. It, thus, plays a major catalytic role in the development of industries by drawing other financial institutions into the promotional activities in this sector of industrial growth in the State.
The assistance to industries under the Scheme is granted to the tune of 75% of the fixed assets created. The repayment is spread over 16 half-yearly instalments with an interest at the rate of 9½% after a moratorium period of two years.

The assistance made by the Corporation under the Scheme came, until 1972-73, to the total sum of Rs. 1,927.09 lakhs covering 272 units of a variety of types including textiles, plastics and pharmaceuticals, engineering and electricals, pulp and paper, newspapers, cinemas, printing presses, cement and concrete products and an educational institution.

With the experience gained from all these investments and financial operations and the consolidation of these efforts, the Corporation has now reached a stage where it can play a supporting role to other financing institutions by mobilising their resources effectively and providing the balancing financial assistance.

(2) Technicians' Scheme:

The traditional approach towards extension of credit facilities by various financial institutions has been undergoing a change. Their credit pattern in recent years has been reoriented to the new social objectives with a view

to providing more financial assistance to technicians, engineers and craftsmen. Some of them may have good technical know-how, experience and expertise as well as managerial ability but may not have enough funds of their own to start an industry or may be unable to furnish any security against which financial institutions would normally grant assistance.

It is, therefore, essential that opportunities are provided to such skilled persons. In the process, efforts have also to be made to encourage such enterprises to absorb Engineers and Technicians and to pave the way for solving the vexatious problem of unemployment amongst the Engineering Graduates in the country.

To attain this objective, the Corporation, introduced the "Technicians' Scheme" under which assistance is offered to any person who is a qualified and experienced Engineer, Technician or Craftsman and who is competent to own and manage a factory. Those who have good character, integrity and competence are entitled to this assistance. Assistance to the extent of Rs. 2 lakhs in the case of an individual technician and Rs. 3 lakhs in the case of a firm of two or more technicians is made available without insisting on any contribution from entrepreneurs, for the purpose of land, building, machinery and other fixed assets. This assistance may be extended up to Rs. 5 lakhs to an individual technician
and Rs. 7 lakhs to a firm of two or more technicians, where a project involves higher technical skill and larger investment, and where a project is found technically sound and the technicians and engineers have considerable technical experience, skill and knowledge.

The rate of interest on loans under the Scheme is 5% during the first two years, and 9½% thereafter. The repayment is spread over 16 half-yearly instalments after a moratorium of the first two years.\(^\text{15}\)

The Corporation sanctioned, until 1972-73, a total amount of Rs. 536.26 lakhs to 717 technicians, engineers and craftsmen.

The Corporation has been able to mobilise the support of the commercial banks in providing 100% working capital finance to technicians. Participation arrangements have been made with a number of banks and the Gujarat State Financial Corporation. The Gujarat Industrial Cooperative Bank provides full working capital under the scheme.

(3) Rural Workshop Scheme:

In order to see that the rural areas get servicing facilities, the Corporation started a Rural Workshop Scheme. Under the Scheme, an entrepreneur is provided assistance to cover fixed assets. The Corporation selects the centres.

\(^{15}\) According to the Second Annual Report the period of the loan is 12 years with a moratorium of three years: p.5.

\(^{16}\) AR(GIIC) 1972-73: p.11.
in consultation with the District Authorities. These workshops provide facilities for repairs and maintenance of tractors, oil engines, farm service centres, etc. Such centres have envisaged to be provided at the village, the taluka and the district levels.

The rates of interest and other conditions of the assistance are similar to those offered under the Technicians' Scheme.

A total of 209 such rural workshops have so far been sanctioned involving a total financial assistance of about Rs. 49.53 lakhs. ¹⁷

(4) Capital Participation Scheme:

The Corporation introduced this Scheme to extend financial support to the new units. The participation is in the nature of (a) the underwriting of new issues of shares and securities, or (b) the provision of financial help by way of loans on long and medium term basis. It is undertaken jointly with commercial banks and other financial institutions in the State. Under the Scheme financial assistance is provided to the extent of 75% of the cost of a project.

The loans sanctioned are on a pari-passu charge basis on the fixed assets mortgaged to the Commercial Bank and the Corporation. The interest to be charged is at the rates

¹⁷. AR(GIIC) 1971-72: p. no. not given.
applicable to loans granted by the Corporation under the General Scheme. The loan has normally to be repaid within a period of eight years in 16 equal half-yearly instalments with a moratorium of two years.

No separate figures of the contribution by the Corporation are available from the Annual Reports, except from the first one in which it is stated that Rs. 0.84 crores are sanctioned under Capital Participation Scheme. (My personal inquiry has revealed that the Scheme has been suspended by the Corporation.)

(5) Sales Tax Loan Scheme:

The Corporation, along with GSFC has been nominated by the State Government as an agency for operating the new scheme of providing interest-free sales tax loan. Under the Scheme which came in operation from 1st January 1972, sales tax loans are available to existing units for substantial expansion or to new industries located in the State to the extent of 20% of the investment in plant and machinery, provided such investment is not less than 7.5 lakhs. The interest-free loan is available to those units which have paid sales tax anywhere in India to the tune of not less than Rs. 2 lakhs per annum during the preceding three years or against the sales tax that would be paid by a new unit out of its new production or substantial expansion over a period of five years after going into production. The loan
is required to be paid in ten years commencing from the 6th year after sanction. This loan is available to units set up anywhere in the State excluding a radius of 24 kms. from the municipal limits of the cities of Ahmedabad and Baroda, and 10 kms. from the municipal limits of the cities of Bhavnagar, Jamnagar, Rajkot and Surat.

By 1972-73, a total sum of Rs. 83.93 lakhs was granted under the Scheme to 5 units within the scope of its General Scheme on the basis of their payment of sales tax during the preceding 3 years. GSFC shares the loan in proportion to its participation in the total loan assistance given to the Units.

Other Schemes:

Over and above the five Schemes mentioned earlier, the Corporation, during the second year of its existence, introduced two schemes, one for Civil Engineers and the other for Cinema and Hotels. Under the former scheme a sum of Rs. 1.80 lakhs was sanctioned to one unit.

Under the Scheme for Cinema and Hotels, financial assistance was extended to existing Cinema houses for the purposes both of renovation, repairs and modernisation and of the establishment of new cinema houses and residential hotels, to the tune of 60 to 80% of the value of existing and new

fixed assets, i.e., land, building, equipments, furniture and fixtures.

The loan is granted for a period of seven years and is to be repaid in 10 equal half-yearly instalments beginning from 24 months after disbursement. The rate of interest is 10\% per annum with 1\% rebate for prompt payment of interest and principal. Loans are also made for a period of nine years in which case they have to be repaid in 14 equal half-yearly instalments beginning after 24 months from the date of disbursement. The rate of interest is 12\% per annum.

Loans to the tune of Rs. 39.75 lakhs to 6 Cinemas and Rs. 0.30 lakh to a Hotel were granted during the year 1969.\footnote{AR(GIIC) 1969; p.6.}
The Scheme, though according to the Annual Report, was very well received, does not seem to have been continued during the subsequent years as no relative data are available in the subsequent Annual Reports.

**Procedure for obtaining financial assistance:**\footnote{GIIC: Whom it serves and how: A booklet published by GIIC (publication date not given); pp.10-12.}

A very elaborative and exhaustive procedure has been laid down for the granting of financial assistance by the Corporation. The Corporation informs each applicant of the terms and conditions of its assistance based on the decision

\footnote{19. AR(GIIC) 1969; p.6.}
of the Board of Directors. The task of preparing legal
documents is usually taken up after the applicant accepts
the terms and conditions in writing. In the case of under­
writing, the applicant is informed of the rates of the under­
writing commission charged by the Corporation along with the
terms and conditions. Different rates are charged for (a)
loans, (b) underwriting and (c) guarantees. Loans are not
normally disbursed in a lumpsum. They are disbursed against
evidence presented of equipment purchased or expenditure
incurred in keeping with the financial plan agreed with the
promoters for financing the project. Loans are granted
for periods up to 12 years. In the case of the scheme for
technicians and engineers, the period is extended up to 20
years in special cases. The repayment period is usually
worked out in consultation with the applicant and is based on
the position of each enterprise.

All loans and guarantees have to be secured, the par­
ticular form of security being determined as required by the
conditions. Apart from security, the Corporation may ask
for certain financial limitations on the enterprise (such
as limits on creation of additional debt) if such provision
would help assure the financial soundness of the enterprise.
The Corporation also requires that no new project or expan­
sion is undertaken by the enterprise without its prior per­
mission to prevent the over-extension of the managerial and
financial resources available to the enterprise. It also becomes obligatory upon the promoters to give an undertaking that they would bring in funds to meet any short-fall in financing.

In all cases, the Corporation's actual out-of-pocket legal or other expenses incurred in the examination of the title to properties, the preparation of documents, etc. are recoverable from the applicant, who is also required to pay the out-of-pocket expenses of the representatives of the Corporation who may have to visit the works, office or site of the applicant. These expenses are recoverable irrespective of the eventual outcome of the application. The Corporation has a right also to levy a charge for its services in investigating a project, in addition to requesting reimbursement of the out-of-pocket expenses.

Agreements covering grant of assistance provide for submission of financial and physical progress reports regularly to the Corporation. The Corporation has a right of inspection of the plant and the books of accounts. The Corporation will also have to be informed about the progress made at the planning stage of a project. A continuous information is required to be submitted about the progress made in completion of the various formalities like obtaining an import licence, arrangement made for use of capital and acquisition of land. In case of the projects under construction
quarterly progress reports with regard to the construction of buildings, placing of orders for machinery, expenditure on the project, etc. have to be supplied to the Corporation. From the time production commences, and reports relating to production, sales, stocks and orders have to be furnished monthly in the early years and quarterly thereafter.

Apart from these periodical reports, the borrower is required to inform the Corporation promptly of any changes in the project (either in design or cost and financing) from those submitted earlier on the basis of which the sanction was made. Such changes require the prior approval of the Corporation. Changes in management and in banking arrangements and sales of assets also require prior approval of the Corporation.

Observations:

A thorough analysis of the procedure laid down brings to the fore an important issue. An organisation would positively refrain from borrowing from such a body which would treat a financed unit as if it was a subsidiary of it. Many reports have to be submitted much expenditure has to be incurred. It amounts to this -- whether a unit can afford or not, it will have to keep a staff sufficient to comply with the procedural requirements of the Corporation. Again, there is no limit as to how many times the Corporation official/s would visit the unit. Under the situation, the
budget of out-of-pocket expenses to be borne by the borrowing unit becomes uncertain. Or, it may happen that, in practice, none of these requirements may be satisfied once borrowings have already been made.

Instead of these extremes, it would be better if the conditions laid down in regards to the submission of reports of various types is dispensed with and only those reports which are most essential are asked for. This is required to be changed particularly in the light of the requirements laid down by the sister institutions of the Corporation. The fact that so many units have borrowed from the Corporation should not be interpreted as the acceptance of the conditions laid down. It could be interpreted as the hard-pressed need of the units which must have pressed them to borrow from the Corporation.

Entrepreneurship Development Scheme:

The Corporation, since its inception, prepared a scheme for training industrialists and others with a view to creating a new class of entrepreneurs. The Scheme was put through in collaboration with the GIDC, the GSFC and GSIC. Under this Entrepreneurship Development Programme, the Corporation trains new entrepreneurs in batches of 50 per session of 90 days.

"The response to the project", the Directors' Report and Statement of Accounts for the period January 1970 to
March 1971 stated, has been remarkable and two batches of about 50 entrepreneurs have been trained in each session of 90 days. It has also drawn recognition from the Government of India as a useful training programme for the benefit of entrepreneurs in achieving rapid industrialisation in the State. 

21. 293 entrepreneurs were trained by the end of March 1973 at Ahmedabad, Baroda, Bhavnagar, Godhra and Surat centres.

The Corporation also undertook a similar training programme for unemployed engineers on behalf of the Government of India for which necessary expenditure had been sanctioned by the GOI.

The Corporation has also, through its Technical Advisers who are specialised in the technical scrutiny of applications and project assessment, provided guidance on technical aspects and marketability of the products to the applicants and, thus, canalised industrial investment into priority sectors of industrial development.

The Corporation publishes various booklets and brochures giving information and guidance about the various schemes of the Corporation. It has so far published 46 project profiles and fact sheets giving broad technical features and financial

projection to prospective industrialists to enable them to take investment decisions. It also, in collaboration with the GIDC, published a journal in English "Development and Investment" until July 1970, when its publication was discontinued due to the high cost of production. I think it served a useful purpose and costs could have been brought down substantially to make it a 'utility publication', rather than an 'image publication'.

During the third year of its working, the Corporation seems to have gone beyond what it has been created for. It chose to promote its own industrial project in the State 'either on account of public policy consideration or inability of the private sector to enter such investment activity or limited financial resources on the part of the entrepreneur to undertake such industrial activity.'

The Corporation had already obtained Industrial Licence in respect of Caustic Soda/Chlorine project in addition to the Letters of Intent for the following industrial project:

1. Automobile Tyres and Tubes.
2. Methyl Methacrylate Plastics.
3. Fuel Injection Equipment.
5. Cresols.
6. Carbon Black.

9. Mini Steel Project.

It had also applied for the Letter of Intent for (1) Propylene Oxide, Polyethers and Polyols, (2) Cyanide Salts, (3) VCM and PVC, (4) Television Sets, and (5) Sponge Iron during the year 1972-73.

The Corporation had, during 1972-75, taken active steps to implement the projects for which the Letters of Intent were already received. Five limited companies were registered, as under, with a total capital of Rs. 10 crores.

1. Gujarat Tyres Ltd. Rs. 3 crores.
2. Gujarat Alkalies and Chemicals Ltd. Rs. 1 crore.
3. Polymers Corporation of Gujarat Ltd. Rs. 2 crores.
4. Cement Corporation of Gujarat Ltd. Rs. 3 crores.
5. Gujarat Nylons Ltd. Rs. 1 crore.

All necessary measures have been taken to secure technical know-how/collaboration, line of credit and investment, foreign participation, supply of machinery and raw materials, project documentation, clearance of capital goods under the Import Trade Control Regulation and location etc.

The projects, as the Annual Report 1972-73 of the Corporation states, have created considerable interest in foreign
collaborators, technical consultants, investment circles and financial institutions. 24

Observations:

The Corporation has, in one of its brochures, stated that 'the primary function of the GIIC is to act as a development bank. However, it has been the endeavour of the GIIC to play more active role in the industrial development of Gujarat. It is for this reason that it is undertaking a series of feasibility studies for the use of all entrepreneurs and extend further assistance to them in the preparation of project reports. '25 By launching industrial projects, though the Corporation may claim to play an active role in the industrial development, it will go far from its avowed objectives. Apart from the fact that such ventures would divert its attention to owned enterprises at the cost of the assisted ones, it would have an adverse impact on private initiative and enterprise. The projects floated by the Corporation shall take away a lion's share from the financial market as they are the second generation of the government sponsored enterprises. To that extent, the projects belonging to the private sector entitled to receive aid from other state sponsored financial organisations including GIIC will have to starve of finance, or else they will be required to


pay higher prices for the funds borrowed.

Again, a number of schemes of financial assistance are operated jointly by the Corporations in Gujarat -- GSFC, GIIC, GIDC and GSIC. There is no indication that the Corporation even thought of putting this plan in operation in collaboration with one or many of them. This practice of establishing a sort of subsidiary companies are far from desirable. The Corporation should concentrate on its catalytic activity rather than indulge itself in industrial activity of this type.

There is no uniform pattern in the presentation of the statistics relating to the amount of loans sanctioned and disbursed, in the Annual Reports. They vary widely and make it difficult to have a comparative study over a period of time. The first Report presented this information under the heading 'Disbursement' wherein it has been mentioned that Rs. 2.10 crores (34% of the loan sanctioned) under the General Scheme and Rs. 1.85 lakhs (about 9%) under technicians' scheme has been disbursed. The Second Annual Report presents a total picture of the amount sanctioned and the amount disbursed. Thus, out of a total sum of Rs. 850.34 lakhs that was sanctioned to 458 units under various schemes of the Corporation, only Rs. 229.12 lakhs (being 27%) were disbursed. (Again, the number of units availing of the financial assistance is not available.) Subsequent Reports
give a detailed position of sanctions and disbursements for two Schemes. The reader will not thus, be able to know if, over the years, progress is being made in the fields, and if so, to what extent.

**Capital and Finance:**

The Authorised Capital of the Corporation is Rs. 10 crores divided into 8,00,000 Equity Shares and 2,00,000 Preference Shares of Rs. 100 each. Out of this, the Issued and Subscribed Capital is Rs. 4 crores composed of 4,00,000 Equity Shares of Rs. 100 each. Preference Shares have still not been issued.

The Corporation commenced its activity with a Subscribed Capital of Rs. 30 lakhs. A further sum of Rs. 49.5 lakhs was also contributed by the State Government towards the Share Capital during the second year of its operation. During the third year of its life, the Corporation received a total sum of Rs. 64.50 lakhs. The fourth year saw a rise in the Subscribed and Issued Capital to Rs. 400 lakhs. The State Government contributed Rs. 75.50 lakhs. The capital structure of the Corporation, as it stood on 31-3-1973, was as follows:

- **Authorised Share Capital** ........ Rs. 10.00 crores.
- **Subscribed Share Capital** ........ Rs. 4.00 crores.
- **Paid up Share Capital** ........ Rs. 2.60 crores.

The Corporation has also been empowered to raise
additional funds from the market. The Government of Gujarat guarantees the repayment of the principal amount as well as of the interest. The Corporation has made use of the authority vested in it and had borrowed, until 1972-73, a total sum of Rs. 11.07 crores against issue of bonds as under:

<table>
<thead>
<tr>
<th>(1) 6% GIIC Bonds - 1981</th>
<th>1st Series</th>
<th>Rs. 2.00 crores.</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1969 issue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) 6% GIIC Bonds - 1981</td>
<td>2nd Series</td>
<td>Rs. 2.75 crores.</td>
</tr>
<tr>
<td>Nov. 1969 issue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) 6% GIIC Bonds - 1982</td>
<td>3rd Series</td>
<td>Rs. 1.92 crores.</td>
</tr>
<tr>
<td>Dec. 1970 issue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) 6% GIIC Bonds - 1983</td>
<td>4th Series</td>
<td>Rs. 2.20 crores.</td>
</tr>
<tr>
<td>May 1971 issue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) 6% GIIC Bonds - 1984</td>
<td>5th Series</td>
<td>Rs. 1.10 crores.</td>
</tr>
<tr>
<td>Sept. 1972 issue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) 6% GIIC Bonds - 1985</td>
<td>6th Series</td>
<td>Rs. 1.10 crores.</td>
</tr>
<tr>
<td>January 1973 issue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Corporation had also taken a short term loan of Rs. 50 lakhs during 1970-71, which was repaid during 1971-72. Another medium term loan for Rs. 97 lakhs was also received from the State Government during 1971-72, out of which the Corporation paid off Rs. 19.40 lakhs, keeping a balance of Rs. 77.60 lakhs as on 31-3-1973.

The Corporation, during the first two years, made losses amounting to Rs. 66,122 and Rs. 4,34,789 during 1968 and 1969 respectively. It may be pertinent to note here the explanation given for the loss, in the Second Annual Report of

the Corporation, viz., that the loss was due to the time lag that was there between raising the funds from the market and the sanctioning of loans. During the subsequent three years 1970-71, 1971-72 and 1972-73, however, the Corporation earned Rs. 1,94,266, Rs. 8,78,517 and Rs. 2,71,867 respectively by way of profits.

Management:

The Corporation is managed by a Board of Directors appointed by the State Government. It is composed of leading businessmen and industrialists and representatives from the Government Departments.

When the Corporation started functioning, there were 11 Directors including the Chairman and the Managing Director. The Board was then composed of 7 rotational Directors and 4 Government Directors including the Managing Director. This strength has since been raised to 12, there being 8 rotational Directors and 4 Government Directors.

The Corporation saw four Chairmen -- Shri Manubhai Shah, Shri V.C.Patel, Shri C.C. Shah and Shri B.P.Patel -- during its five years' life. The longest service was rendered by its first Chairman Shri Manubhai Shah who was associated with the Corporation since its inception and resigned on 9th March, 1970. Its second Chairman Shri V.C.Patel, a retired banker and the ex-custodian of the Central Bank of India was

27. AR(GIIC) 1969: p.3.
appointed on 6th November, 1970. He resigned in Sept. 1971, just after eleven months. The Corporation remained without a Chairman for nearly two months when Shri C.C. Shah was appointed by the Government as the Chairman of the Corporation, from 27th October 1971. The present Chairman Shri B.P. Patel I.C.S. (Retd.), ex-Chairman, STC, was nominated on the expiry of term of his predecessor on 20th December, 1972.

Almost a similar trend can be observed in regard to the Managing Director. Fortunately, excepting Shri P.K. Das who served the Corporation for a very short period of about two months, others stayed on at least for one complete year. Thus, at the time of the inception of the Corporation Shri R. Bharath was appointed as the Managing Director who resigned in October 1969. Shri B.T. Trivedi who was appointed in the place of Shri Bharath left the Corporation in November 1970 for a post in the Government. Then came Shri P.K. Das who worked only for two months and the present Managing Director S.J. Coelho was appointed in his place in January, 1971.

The composition of the Board of Directors underwent a total change only once when all the Government Directors were dropped and new Directors were appointed in their vacancies. In the case of the rotational Directors, in all there were eight retirement and replacements.

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The Corporation had appointed during 1968, two functional Committees to look after special jobs. For example, a Committee to look after the recruitment of personnel and a Committee to look after the execution of the decisions taken by the Board were appointed. 29

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GUJARAT STATE TEXTILE CORPORATION LTD.

The cotton textile industry is the mother of modern industrialism in India. It was the first industry to be established in this country employing a large number of persons. It enjoyed a premier position among all industries in India and particularly in Gujarat. Ahmedabad proved to be the most congenial place for its growth and is described as the Manchester of India. A large number of cotton textile mills came to be established in various cities of Gujarat, the important ones being Baroda, Broach, Cambay and Petlad. Some of these cities owe their prosperity to this industry.

The industry started suffering from a number of serious ailments, particularly after the first half of this decade. Ever-increasing excise duties, mounting cotton prices, constantly rising dearness allowance to be paid to the labour, etc. have been some of them. To them was added the financial crisis that gave a death blow to certain units.

The total debt of the industry which was estimated at Rs. 164 crores rose up to Rs. 303 crores and has went on rising as the years have rolled by. These attacks ultimately resulted in the closure of textile mills numbering 80 in the whole of the country and 17 in Gujarat at the beginning of 1969.

The closure of textile mills creates unemployment amongst the organised labour and causes a lot of hardships to them. It also affects the economy of the State adversely. The Government could not be a silent spectator to these undesirable developments. Hence, the Government of Gujarat, under Industries, Mines and Power Department Resolution No. TEX-1167/10274-D dated 21st December, 1967, appointed a Committee under the Chairmanship of Shri Manubhai Shah (i) to find out ways and means for assisting the weak textile mills in Gujarat in general, and (ii) to obtain an expert opinion on the working of the weak and marginal textile mills in particular.


The Corporation is supposed to work as an authorised controller, take over the closed mills and run them in the interest of continuing employment. The Central Government
under Industries (Development and Regulations) Act. The units may also be taken on lease by the Corporation. It may also guarantee loans, secured by the textile mills, from the scheduled banks or other financial institutions -- a function which was formerly performed by the State Government with a view to supporting the economically weak units.

Working

The Corporation during its first three years of operation (i.e. as on 31-12-1971) appointed as Authorised Controller by the Central Government under the Industries (Development and Regulations) Act for the following seven mills:--

5. The Mahalaxmi Mills Ltd., Bhavnagar.
6. The Keshav Mills Ltd., Petlad.

The first three mills which were taken over by the Corporation during the first year of its working, were

30. The Annual Report for 1972 has not been available as approval was not granted.
started by the Corporation within a short span of two months after the orders appointing it as Authorised Controller were received from the Central Government. It may, however, be noted that it took more than 3, 12 and 21 months respectively for the Central Government to take the decision to appoint the Corporation as their authorised controller.

In regard to the rest of the three mills, no data are available as to the date/s of closure of those mills and the date/s of the appointment of the Corporation as the Authorised Controller. The bankers in whose possession these mills were for various attachments took fairly long periods to settle the issues regarding the securities for their past dues and other legal matters. Thus, for example, the Rajkot Spg. & Wvg. Mills Ltd., Rajkot, was taken over on 6 July, 1970, but could be restarted only on 2 February, 1971. Similarly, the Mahalaxmi Mills Ltd., Bhavnagar, which was taken over on 26 August, 1970, could be restarted from 5 May, 1971.

The Corporation was also appointed as Authorised Controller for the Rajnagar Spg. Wvg. & Mfg. Co. Ltd., by the Central Government on 7 Jan. 1972. The possession of the Mill was given to the Corporation by the Official Liquidator and Bankers on 21 January, 1972, and the Mill was restarted

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31. The Jehangir Vakil Mills Co. Ltd., Ahmedabad -- the fourth mill was taken over by the Corporation on 23-8-1971 and restarted on 21-9-1971.
on 20 March, 1972.  

The inordinate delays in the restarting of the closed mills can be attributed mainly to three reasons: One, There is a basic defect in the whole process of taking over the closed mills and handing them over to the Corporation. Long procedures are involved in the process which is time-consuming. It was for this reason that the Governor while inaugurating the Jupiter Spg. Wvg. & Mfg. Co. Ltd., Ahmedabad (which was reported to have been started only within four months after its closure) expressed publicly that provisions should be made in the Act to enable the Government to restart any factory or mill soon after it has been closed down. He also added that the Government of India should, as early as possible, make an enactment providing that no factory or mill can be closed down by the owner without the knowledge of the State Government.

Two. This is a corollary to the first, i.e. the delay in the re-starting of the units results in the machinery getting rusted and sometimes rendering them unfit for immediate use. This requires the Corporation to make necessary arrangements, repairs and adjustments which take some additional time.

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33. Address delivered by the Governor of Gujarat, Shri Shriman Narayan, while inaugurating the Jupiter Mills, Ahmedabad. (Vide: News Item: Gujarat Samachar 23 Oct.,71.)
Three. Some times the old management would not allow the Corporation to restart the mill immediately. For example, in case of the Keshav Mills Ltd., Petlad, the former management of the Company filed a Writ Petition in the High Court of Delhi and obtained interim injunction against the Corporation in Dec. 1970. The High Court dismissed the Writ on 3rd March, 1972, and vacated the interim injunction. After obtaining the de facto possession of the premises from the 'Bank of Baroda, the Mill was immediately restarted.'

The Corporation also took on lease, for a period of two years, the Baroda Spg. & Wvg. Mills Co. Ltd., Baroda, from the Official Liquidator through the Gujarat High Court. This mill, which was closed down from 9 October, 1966, was re-started on 3 February, 1970, beginning with the Spinning Department. The Weaving Department started functioning gradually from 26 February, 1970, and the Processing Department by middle of April 1970.

Laboratory:

The Corporation runs a Laboratory manufacturing certain auxiliaries, intermediates, colours and chemicals of standard quality and supplies them to the Mills under its management at reasonable prices. This helps the Mills in reducing their expenditure on those items.

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34. AR(GSTC) 1971: p.5.
Capital and Finance:

The Authorised Share Capital of the Corporation is Rs. 5,00,00,000 divided into 5,00,000 Equity Shares of Rs. 100 each. During the first year, 37,500 Shares were issued and were fully subscribed by the State Government. A further 27,500 Shares were issued to the State Government during the second year of the working of the Corporation, thus bringing the total of the Issued and Subscribed Share Capital to Rs. 65,00,000.\footnote{AR(GSTC) 1971: p.12}

The Corporation also procured loans from the State Government to the tune of Rs. 1,15,00,000 during the three years, being Rs. 25,00,000 in the first year, Rs. 22,50,000 in the second year and Rs. 67,50,000 in the third year.

The financial requirements of the textile industry are very large, and, therefore, the Corporation requires large funds for running the textile units taken over by it. The necessary working funds are provided by the Corporation and the National Textile Corporation in the ratio of 49:51. Though the position during the second year in regard to provision of working funds by the GSTC and NTC was satisfactory, the NTC did not pay its due share during the first year. Thus, out of the total financial requirement of Rs. 93.95 lakhs for managing the three units during the first year, the 51% share of the NTC came to Rs. 47.80 lakhs, but it provided only Rs. 17.75 lakhs, being a little more than \---------------

\footnote{AR(GSTC) 1971: p.12}
37%. And, as against the 49% share of GSTC which worked out to Rs. 46.15 lakhs, it contributed Rs. 43.75 lakhs (i.e. about 95%). This became regular during the third year.

The total funds provided by the State Government by way of share capital and loans were of the order of Rs. 2.55 crores (as on 31-12-1971) which were mainly utilised in providing working capital to the textile mills run by the Corporation. 36

The Corporation during the three years of its operation also gave guarantees to the Bankers of the three mills for Rs. 184.50 lakhs for various cash credit and loan facilities granted.

The Corporation also grants guarantee applications from private sector mills which are experiencing a financial stringency. During the second year, two such applications were considered by the Corporation and a total amount of Rs. 60 lakhs was sanctioned. Those companies could not avail of the amount so granted up to 31-12-70, as the matter was pending with their Bankers.

The Corporation also advances funds against the security offered by the mills against hypothecation of moveables and legal mortgage of their immovable properties. But then, the stamp duty is a big hurdle in the matter. Thus, for advances given to two mills — the Ahmedabad New Textile Mills Co.

36. Ibid.
5 Ltd., and the Himabhai Mfg. Co.Ltd., -- the total stamp duty payable came to Rs. 2.37 lakhs, which the Companies were not in a position to bear. The Corporation, therefore, approached the State Government for exemption from duty. The matter was not decided till the end of the year and the mortgage could not be executed till then.

The Corporation, during the first year, had made a profit of Rs. 984 despite the fact that a deficit amounting to Rs. 1,07,479 was transferred from the Profit & Loss Account of the leased Baroda Spg. & Wvg. Co.Ltd., Baroda. During the second and the third years, the Corporation made profits of Rs. 2,39,550 and Rs. 76,447 respectively. But the accumulated past losses of the Mill converted them into a net loss of Rs. 2,55,873.

A close study of the Profit and Loss A/c reveals that the expenditure on account of the three main items had risen considerably during the second year of its operation. During the first year, the expenditure on account of Salaries & Bonus was of only Rs. 51,116, but it rose to Rs. 1,50,718 and Rs. 3,04,779 during the subsequent two years. Similarly, 'General Charges' which were only Rs. 20,874, went up within two years to Rs. 87,019. Interest that was paid to the Corporation itself and others during the first year had amounted to Rs. 29,913 only. This amount went up by Rs. 5,20,900, thus bringing it to Rs. 5,60,713 at the end of
third year.

Management:

The Corporation is managed by a Board of Directors consisting of 12 members including the Chairman and the Managing Director. The Board members are nominated by the participating -- the Central and the State -- Governments. The Directors do not hold any qualification shares. The Board is also manned by experts in the matters textiles. Official members representing the interests of the governments drawn from various departments are also nominated on the Board.

The Corporation has been lucky in drawing textile experts as Chairman from time to time. The first Chairman, Shri Vimalbhai Shah, served the Corporation for a period of two years. The second Chairman, Shri S.A.Kher, was also associated with the Calico Mills for a very long period in executive position. The third Chairman, Shri J.C.Thaker, also has career similar to his predecessor's. He also served the Calico Mills as the General Manager. Incidentally, it may be mentioned that, as per a news item that appeared in Gujarat Samachar on 25 December, 1973, Shri Manubhai Palkhiwala -- a party politician -- was considered for appointment to the Chairmanship of the Corporation. Thank God, the convention was not broken and Shri Thaker an expert

from the textile field, has been nominated as the Chairman. 38

As regards the other members of the Board, an examination of the Annual Reports reveals that the same members are continued on the Board for almost all the three years. As regards the Government Directors, the same old observation that they are 'birds of passage' holds true with regard to this Corporation also.

The Corporation appoints Sole Selling Agents/Selling Agents for marketing their products. This has been done only for the products of the Baroda Spg. & Wvg. Co. Ltd., Baroda. These agents have proved to be of advantage as they provided specialised services regarding the trend of demand for cotton textiles, the marketability and the prevailing rates of various types of products.

General:

While the functions performed by the Corporation are noteworthy, it is held by many that much window-dressing is being done by it; for, the mills do not actually start functioning even after the formal inauguration. Thus, for example, when the Jupiter Spg. Wvg. & Mfg. Co. Ltd., Ahmedabad, was formally inaugurated on 21 October, 1971, a notice appeared in a Gujarati daily on 2 November, 1971, informing the staff and the workers that the mill would start functioning

38. Shri Thaker had been associated with the Corporation for the first two years of its working.
normally from 3 November, 1971.

Again, the management of the taken-over mills is retained with the Corporation. It is difficult to appreciate how it is possible for the Board of Directors to look after so many mills located at different places. The different units may have different problems and it may be difficult for the Corporation to guide the executives on the spot. It is true that most of the large scale enterprises are run on a branch system. But, in so far as the textile mills and, particularly, the sick mills are concerned, it would be necessary to have a closer watch and control over them to avoid a recurrence of the ailments. Advisory Boards, therefore, should be created for different mills at different places.

The mills, having entered the arena of public sector, have also started showing peculiar features of the public sector, such as a large expenditure on establishment. According to the 28th Report of the PAC: Out of 660 textile mills in the country, 100 mills were sick. The Government, through the appointment of Authorised Controllers, had taken over the management of 23 mills under the Industrial (Development & Regulation) Act, 1961. The accumulated loss which had amounted to Rs. 1607 lakhs prior to the take-over had increased to Rs. 2686 lakhs subsequently. There was a surplus staff of 5907 in the 16 mills taken over, accounting
for a financial burden of Rs. 10.31 lakhs per month. There was a considerable increase in the establishment expenditure in respect of quite a few mills after the take over. The Committee desired that the reasons for continued losses should be gone into thoroughly and urgent steps be taken to reconstruct or liquidate the sick mills.39

A peculiar snag has crept in the Articles of Association of the Corporation, in regard to the Annual General Meeting and the formation of the new Board. As per the existing provisions, the Board gets automatically dissolved at the time of the Annual General Meeting, which means that the new Board should be appointed on that very day and date. Thus, as long as the Government cannot finalise the formation of the new Board, the Annual General Meeting cannot be convened. This had led to an actual stalemate during the year 1972, when neither the Annual General Meeting could be convened nor the Accounts could be got passed thereat.

The coma which was the result of the liquid political situation in the State came to an end during March 1974, when the new Board was appointed by the Government.40

It is fantastic that the Government, with its Legal Department expertise, could not think of such a dilemma at

the time of the framing the Articles of Association. It is suggested that, in the light of the experience gained, suitable amendments be made to avoid recurrence of the episode any time again.

GUJARAT AGRO--INDUSTRIES CORPORATION LTD.

A developing country, with an alarming rate of population growth, faces a riddle of priorities -- whether to lay emphasis on industrial development or to concentrate on the agricultural front. As a matter of fact, both the sectors should enjoy equal importance in a nation's economy. Industrial revolution has already set in and has contributed considerably to modernisation in the processes of production and management. Agriculture, unfortunately, in our traditional country was long not considered as an industry but as a way of life. The result has been: low yields, lot of waste, poverty and consequential indebtedness of the farmers. In short, agriculture proves to be an unprofitable proposition. This is not a desirable state of affairs as people may discard agriculture as an occupation and, consequently, a country will be required to import a substantial quantum of foodgrains from outside. It is necessary, therefore, that agriculture is looked upon as an industry and that the country aims at attaining self-sufficiency on the food front. But this cannot be achieved in the absence of farm mechanisation,
adequate power, effective irrigation facilities, the growth of industries for the agricultural inputs and the effective utilisation of agricultural crops. It was for these reasons that the Government decided to set up Agro-Industries Corporations in various States.

Accordingly, Gujarat Agro-Industries Corporation Ltd., was incorporated under the Companies Act (1956), in May 1969 with an initial Authorised Capital of Rs. 2 crores with a joint and equal participation of the Central and State Governments.

The Corporation's aims and objectives are as under:

(a) To promote enterprises for manufacture of inputs required in agriculture and allied pursuits.
(b) To promote industries required for processing, preservation and distribution of output of agriculture and allied pursuits.
(c) To distribute farm machinery and implements and equipment pertaining to processing, dairy, poultry, fishery and other allied industries.
(d) To provide on hire and arrange for repairs and maintenance of farm machinery and other expensive equipment to increase productivity of the agricultural sector.
(e) To provide managerial and technical guidance for setting

41. 'At Your Service': GAIC Ltd.,: A Promoter of Agro-Industries in Gujarat: p.1.
up and efficient conduct of agro-industries.

In pursuance of these objectives, the Corporation envisaged the following four main types of activities:

1. Manufacturing, processing and preservation.
2. Trading, distribution and service.
3. Managerial and Technical services.
4. Assistance in procurement of finance for deserving schemes.

In view of the above, the Corporation has prepared a representative list of enterprises which can be undertaken by the Corporation, or for the setting up and running of which, assistance could be rendered by the Corporation. The list includes:

(i) Distribution of tractors and farm implements.
(ii) Fruit Dehydration Industry.
(iii) Rice Milling Plant.
(iv) Insecticides Factory.
(v) Aerial Spraying.
(vi) Cattle Feed Factory.
(vii) Cotton Seed Processing.
(viii) Soil Testing.
(ix) Cold Storages.
(x) Sea Food Industries/Fishery.
(xi) Repair Workshops and Training Centres for farm implements.
(xii) Marine Engines Plant.
(xiii) Tube-Well Drilling.
(xiv) Eggs Powder Factory.
(xv) Tobacco Leaf Processing.
(xvi) Sheep Wool Industries.
(xvii) Central Seed Processing, Cleansing and Distribution.
(xviii) Jiru, Suva, Vraiali and Isabgol Processing.
(xix) Maize Products.
(xx) Protein Foods.

42. Ibid.: p.2.
45. GAIC: A Leaflet published by the Corporation.
The Corporation also renders a variety of types of assistance to the prospective entrepreneurs by:

(a) Conducting feasibility studies for specific projects or enterprise on a commercial basis,
(b) Providing managerial and technical assistance in implementing schemes and running enterprises,
(c) Assisting in procurement of finance for deserving enterprises from various financial institutions, and
(d) Assisting or participating in setting up hire services and repair and training centres for farm equipment.

The assistance as above will be provided on a priority basis to cooperatives at all levels, Panchayats at all levels, or any other organised groups or individuals.

The Corporation has envisaged that its activities and plans to promote Agro-Industries will benefit the farmers of Gujarat in two important ways as under:

1. It will be instrumental in reducing waste and in maintaining stable and higher price levels of harvested crops by setting up various agro-industries which would convert these crops into finished products. The farmer will be able to get a higher and stable return on his labour and investment. On the other hand, the consumer will be able to obtain the finished products at a reasonable rate and in adequate quantity.

2. The farmer will be able to procure farm machinery and
implements, such as tractors, engines, pumps, etc. more reliably at a reasonable price through the Corporation. In addition, he will benefit by the service centres to be sponsored by the Corporation which will provide repairs, maintenance and hire service of farm equipments.

Operation:

Promotion of farm mechanisation has been one of the important activities undertaken by the Corporation. In pursuance of this, it sold a total of 2,618 tractors of different makes as depicted in Table IV.4.

Table IV.4

<table>
<thead>
<tr>
<th>Brand Name</th>
<th>No. of tractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>DT 14 B</td>
<td>250</td>
</tr>
<tr>
<td>Zetor 2011</td>
<td>847</td>
</tr>
<tr>
<td>Zetor 5011</td>
<td>27</td>
</tr>
<tr>
<td>Ford SKD &amp; CKD</td>
<td>422</td>
</tr>
<tr>
<td>Ford World Bank</td>
<td>49</td>
</tr>
<tr>
<td>MTZ Byelarus</td>
<td>235</td>
</tr>
<tr>
<td>URStTS-C-328</td>
<td>20</td>
</tr>
<tr>
<td>URStTS - 335</td>
<td>106</td>
</tr>
<tr>
<td>Escort 335</td>
<td>14</td>
</tr>
<tr>
<td>IMT 533</td>
<td>80</td>
</tr>
<tr>
<td>RS 09</td>
<td>437</td>
</tr>
<tr>
<td>MF 135</td>
<td>50</td>
</tr>
<tr>
<td>IH 276</td>
<td>82</td>
</tr>
<tr>
<td>MF 135</td>
<td>50</td>
</tr>
<tr>
<td>RS 09</td>
<td>437</td>
</tr>
<tr>
<td>IMT 533</td>
<td>80</td>
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<tr>
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<td>49</td>
</tr>
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<td>235</td>
</tr>
</tbody>
</table>

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It undertook, during the first year, technoeconomic feasibility studies of various agro-based industries. Three cattle feed factories — one at Boriavi (Dist. Mehsana), second at Surat and the third at Khandheri (Rajkot) were handed over to the Corporation by the Government, of which the former two were handed over to the Dudhsagar Dairy, Mehsana, and the Sumul Dairy, Surat, respectively. The Khandheri (Rajkot) factory has been retained by the Corporation under its own management and, as the Annual Report 1972-73 states, "the Cattle Feed Factory operated satisfactorily during the year". The Corporation has so far set up three subsidiary companies as under for looking after agro-based industries:

(1) Agro-Industries Cold Storages Ltd., with an Authorised Capital of Rs. 30 lakhs divided into 30,000 Equity Shares of Rs. 100 each. (Gujarat Agro Industries Corporation Ltd. has subscribed Rs. 6,75,700 towards the Subscribed and Paid up capital of the Company, such capital being Rs. 7,88,100.) The Company commissioned 3 Cold storages at Deesa, Chhani (Baroda) and Boriavi. It undertook, during the year 1972-73, the construction of the Fruit Canning Unit at Gandevi.

With a view to expanding the spectrum of the Company's activity and to taking up many more allied activities within

46. AR(GAIC) 1972-73
its fold, it was decided to change its name from Agro Industries Cold Storages Ltd. to Gujarat Agro Foods Ltd. The fresh Certificate of Incorporation subsequent to the change was obtained on 11th January, 1973. The Company earned a maiden profit of Rs. 7,932 during 1972-73.

(II) Agro-Industries Oil Extractions Ltd., 47 with an Authorised Capital of Rs. 50 lakhs divided into 50,000 Equity Shares of Rs. 100 each. (Out of the paid up capital of Rs. 6,15,700, the Gujarat Agro Industries Corporation Ltd., has subscribed Rs. 6 lakhs.) The Company commissioned the Rice Bran Extraction Plant at Bareja during 1972-73. It was also, during the last quarter of 1972-73, entrusted with the work of procuring groundnut oil on behalf of the Government of Gujarat, either by purchasing groundnuts or groundnut oil. The Company made a profit of Rs. 84,143 before providing for depreciation, interest and Development Rebate Reserve. The name of this Company has also been changed to Gujarat Agro-Oil Enterprises Ltd.,

(III) Gujarat Agro-Marine Products Ltd. 48 was set up, during 1972-73, with an Authorised Capital of Rs. 2 crores divided into 2 lakhs Equity Shares of Rs. 100 each. Out of the subscribed and paid-up capital of Rs. 15,00,800 of the Company, Rs. 15 lakhs have been contributed by the Gujarat Agro-Industries Corporation Ltd. The main activity of the Company

47. Ibid. 48. Ibid.
is dried fish business. It exported fishmaws and sharkfins amounting to over Rs. 3 lakhs to Singapore and U.K. during 1972-73. During the first year of its operation the company made a loss of Rs. 9,44,234.

The Corporation decided to set up 4 Regional Agro Service Complexes. Two such complexes at Mehsana and Vasna (Dist. Ahmedabad) have already started functioning. The other two at Rajkot and Surat were under execution at the end of the year 1972-73.

In addition to these, the Corporation has set up Service Centres at Kholvad (Dist. Surat), Broach, Godhra, Kanjari (Dist. Kaira), Modasa (Dist. Sabarkantha), Deesa (Dist. Banaskantha), Bhavnagar, Junagadh, Rajkot, Kamrej, Valsad, Valod, Una, Amreli, Surendranagar, Dabhoi, Himatnagar, Veraval and Bhuj. 49

As regards the setting up of Agro Service Centres, the Corporation assists the entrepreneurs under the GOI's Scheme of providing employment to the unemployed Technicians. The Corporation imparts necessary training at its Training Centre, Mehsana.

The Corporation, as an agent of the Cotton Corporation of India, procured Kapas worth Rs. 3 crores from the farmers in 1971-72. CCI accepted bales worth Rs. 2.33 crores and the balance had to be disposed off in the market.

Observations:

The Corporation has, probably without the necessary experience and expertise, tried to undertake a variety of types of activities and, consequently, has not been able to make a good show on any front.

The selling of RS-09 (GDR-German) tractors to the farmers in Gujarat by the Corporation created a very big problem not only for the Corporation but for the Government also. The Corporation had imported 480 such tractors out of which 327 were sold to the farmers. Most of these tractors were found to be defective and there was a big hue and cry about it. The Corporation had not made arrangements for their repairs. It seems strange that, though there were numerous complaints against the satisfactory working of these tractors in other States like Haryana and Punjab where these tractors were formerly imported, the Corporation did not pay any attention thereto and put the farmers in Gujarat to a great loss as they had to pay the instalments of these tractors even when they were useless and they had to bear additional cost of ploughing. The greatest painful fun was that, when these tractors were driven back for their return to the Corporation, half of them had gone out of order en route.\footnote{Editorial: Gujarat Samachar (D.): 3rd December, 1970.}

The Corporation, in this regard seems to have acted like

\footnote{Editorial: Gujarat Samachar (D.): 3rd December, 1970.}
a government department as, even after the receipt of the complaints, it has simply talked of establishing Farm Service Centres in Surat, Ahmedabad, Mehsana and Rajkot Districts. Even the language used in the clarification was irritating. It said, for example, that 'any machinery, particularly a machinery which is used in the villages, may create a problem and the repairing may be necessary .... This being a most modern tractor it is obvious that special care be taken while using them. It is the duty of the farmers to observe the instructions given to them while delivering the tractors.' This indirectly implied that the farmers were to blame for all the faults, that they would never have handled any tractor and that all those machineries which are used in the villages get out of order immediately on their installation/use because of the unskilledness of the farmers. In fact, it was the gross incompetence of the Corporation that created the grave problem and economic waste, for which a stern and penalising action against all concerned was expected.

Similarly, the Corporation in its maiden venture to act as an agent of CCI for the procurement of Kapas from farmers incurred a loss of Rs. 1.50 lakhs.

These episodes should at least be an eye-opener not only for the Corporation but also for the Government. It has

envisaged very high aims and objectives. The representative list prepared by it seems to be all-embracing. This, in turn, would need the services of technical experts from a variety of fields/areas -- not merely at the executive/operational level but also at the policy-making level. It should be in the fitness of things for the Corporation to narrow down its scope of activities rather than turning it into multi-unit body either through the formation of subsidiary or associate companies if it has really to be useful and efficacious.

As a matter of fact, the Government should seriously consider the issue of the creation of subsidiary companies by such Corporations as it involves a lot of financial risk.

Capital and Finance:

The Authorised Capital of the Corporation is Rs. 4 crores divided into 4 lakhs Equity Shares of Rs. 100 each. (The Corporation, had started its activity with an Authorised Capital of Rs. 2 crores. This was raised to the present figure during 1971-72.) Similarly, initially, the Subscribed and Paid up Capital had amounted to Rs. 1,67,05,200, but subsequently it was raised twice -- once, during 1970-71, when it was brought up to Rs. 1,97,88,000 and, again, during 1972-73, when it was increased by Rs. 1 crore bringing it to the present figure of Rs. 2,97,88,000. The Capital is
contributed by the Government of Gujarat and the Central Government.

A reading of the Balance Sheets reveals that the Corporation resorted to borrowings through loans from a Bank as well as the Government during 1972-73, being Rs. 5,35,971 and Rs. 3 crores respectively.

The Corporation has, during the four years of its life, earned a total profit of Rs. 12,50,388.

Management:

The Corporation is looked after by a Board of Directors. For the first two years, i.e., 1969-70 and 1970-71, it had 12 members including the Chairman and the Managing Director. During the subsequent two years, i.e., 1971-72 and 1972-73, the strength of the Board was raised to 16 members. With an exception of the first Report the Annual Reports published by the Corporation present neither any clear information about the Official members and Non-Official members, nor the particulars of the degrees and designations of the posts held in their parent organisation/departments. However, a study of these Reports reveals that, during the first two years, the ratio of the Official to Non-Official members was 3:1. This was raised to 1:1 during the years 1971-72 and 1972-73.

While the Board has been manned with eminent persons from different fields, looking to the nature of functions
expected to be performed by the Corporation, the Government should think of associating with it a few eminent industrialists/entrepreneurs rather than the employed executives. The Corporation will then be able to take advantage of their practical experience, expertise and breadth of vision. It looks strange as to how a band of 9 (in the first two years) or 8 (in the last two years) officers was going to help the cause of the Corporation.  

The Corporation could be considered lucky in having the same Chairman since its inception. Similarly, the Managing Director, Shri H.K. Khan, also served for about three years. Luckily, the same trend could be observed in regard to the other members of the Board, including the IAS Officers. Such a continuity at least ensures cohesiveness in the plural body.

52. It may be interesting to find out as to how many of these Official Directors had seen farms and/or had the understanding the agricultural processes and the knowledge of the problems of the farmers.