

Reasons for Stalling the Manufacturing Operations

During the financial year **1995-96** the company has got an approval from the Board of Directors for the diversification into **Automobiles** and executed a preliminary technical collaboration with Matra Automobiles of France, a subsidiary company of Renault of France. As per the regulations in force, the company has obtained the IEM from Central Government vide No.**1744/SIA/IMA/97** dated **05.06.97** for the implementation of the Automobile Assembly Line.

Mr. Raja Reddy, the Additional Director, Department of Industries, office of the Commissioner of Industries, Hyderabad has written a letter to the Central Government vide his letter No.**1547/1645/1645/FD** dated **08.08.1997** making a recommendation for the cancellation of the IEM. As the general practice, the Commission rate of Industries has to discuss with the promoter/company about the problem if any, then to solve the problem. If the problem is beyond the solution, then, they have to make a recommendation to the Central Government and furnish a copy to the concerned General Manager, District Industries Center.

However, the Assistant Director has not discussed with entrepreneur/company or sent a copy of the letter to the General Manager, District Industries Center, Nalgonda, who is the concerned General Manager for the company. Ironically he has sent a copy of the letter to the General Manager, DIC, Rangareddy District, who is not concerned at all.

It has given a feeling to the management that there was a reason of suppression; however, all the efforts put by the management were proven to be in vain. As a result of this letter the Central Government has sent a letter No.**1877/SIA/IMO/97** dated **5 December 1997** informing the company about the cancellation of IEM and asked to file a fresh application for an industrial license.

As the cancellation of the IEM is based on the location of the company, reasons were stated that the company is situated less than **25 kms** from **urban area**. For the other manufacturing operations of the company, the IEMs were issued by the Central Government is also for the same Location, therefore, the management felt that the previous IEMs, though not been informed as cancelled, it was understood to be cancelled, to avoid legal implications, hence, the company has stopped all the manufacturing operations.

As the part of the revival effort, the company has approached the Honorable District Collector of Nalgonda District, where the factory is located, during an interaction meeting organized by Honorable District collector between the promoters/companies and the Government Departments, to study on the status of projects in the District for the consideration of approval of the subsidy. The Managing Director of the company has represented the case to the Honorable District Collector, on the intervention of the Honorable District Collector, through his letter to the Commissioner of Industries; Commissioner of Industries has called the management for the discussions. The management has detailed discussions with the Commissioner of Industries, and the Commissioner of Industries has suggested to obtain a fresh "**Industrial License**" for the automobile line and agreed to extend the subsidy under the Pipeline Industries scheme of Government of Andhra Pradesh his letter No.**15-4-01-0625-0625-FD** dated **12.03.2001**.

On the assurance given by the Commissioner of Industries, the company has prepared to file a fresh application for Industrial License. As per the New Policy, it was a composite application for License and Technical Collaboration. To finalize the technical collaboration, the Managing Director of the company has visited various companies from world over, from whom the technical cooperation can be obtained for automobiles.

Further, as the follow-up meeting of the Honorable District Collector at Nalgonda, the State Investment Promotion board headed by the Honorable Chief Minister of the State has organized a meeting on **20 August, 2001** to review the **major projects** in the state. The Managing Director of the company has attended the review meeting and explained the cancellation of the IEM by the Department of Industries. Explained that the company's investments has become non-productive, assets have become useless, employees have become un-employed, Hence, requested to constitute a committee to be inspected the factory premises, to find the facts and the disastrous status of the company due to the irresponsible behavior of the government executives.

The Honorable Chief Minister has delegated the powers to The Honorable Minister for Major Industries and the Chief Secretary for Industries to review of the company's activities and appoint a committee.

As per the Honorable Chief Ministers suggestion, The Honorable Minister for Industries and Chief Secretary of Industries has constituted a committee to study the affairs of the company. The committees consisting of the Commissioner of Industries and the Member Secretary of Pollution control Board along with their other executive officers have visited the factory premises on **23 August 2001**. After the inspection is completed and on the satisfaction of the committee, the commissioner of Industries has sent a letter to the Central Government of India for the renewal of the IEM which was issued in 1997 specifying that the project is not a new one, it is only diversification and expansion in continuation to the IEM issued in 1991 vide their letter No.**15-3-1-0625-ID** dated **21.09.2001**.

However, the **Secretariat for Industrial Assistance**, Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Government of India, Udyog Bhavan, New Delhi have been asking the Commissioner of Industries, as "whether the unit is less than 25km from urban area or not ?, if it is less than 25kms, the Govt. of AP is extending the relaxation or not ?.

As there was lot of communication gap between Commissioner of Industries & **Secretariat for Industrial Assistance** as the result was the negative by **Secretariat for Industrial Assistance** vide their letter No **1744/SIA/IMO/97** dated **10 October 2002**.

As a result of the above, the company was not able to revive the manufacturing operations of the company.