

## LOK SABHA DEBATES

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### LOK SABHA

Friday, June 2, 1967/Jyaishta 12, 1889  
(Saka)

*The Lok Sabha met at Eleven of the Clock.*

[MR. SPEAKER in the Chair]

### ORAL ANSWERS TO QUESTIONS

#### Loss in Hindustan Steel Ltd.

\*241. Shri Baburao Patel: Will the Minister of Steel, Mines and Metals be pleased to state:

(a) whether Hindustan Steel Ltd., in spite of a total investment of Rs. 1028.5 crores has shown a loss of Rs. 59.3 crores for the period ending March, 1966;

(b) the reasons for this continuing loss in spite of expert guidance from foreigners and efficient management by Indians;

(c) whether Government propose to investigate the reasons for this continuing loss by the appointment of a high-power committee to go into the affairs of all our steel plants;

(d) if so, when; and

(e) if not, the reasons therefor?

The Minister of Steel, Mines and Metals (Dr. Chenna Reddy): (a) to (e). A statement is laid on the Table of the House.

#### STATEMENT

(a) The loss of Rs. 59.3 crores represents the cumulative losses incurred by the Company since 1958-59 when the first units were commissioned. Except for the first year, the

Company earned gross profits in all the other years it has been operating. The cumulative net loss was incurred due to the Company providing, out of the gross profits, for depreciation and interest charges of approximately Rs. 254 crores. The depreciation and interest accruals are an important contribution to Plan resources. The Company also earned net profits during 1964-65 and 1965-66, when production in the one-million tonne stages of the three plants had achieved a measure of stability.

(b) The losses in the earlier years were mainly due to the production being below the rated capacity as the new plants progressively achieved higher capacity utilisation. This was coupled with heavy capital overhead charges of depreciation and interest. The prices of steel were also pegged by Government under the system of steel control. During the last financial year, the fall in internal demand reduced despatches and therefore profit.

(c), (d) and (e). The major factor which would increase profits is a reduction in the cost of production. This has been investigated in detail very recently by a Committee headed by Shri Harekrushna Mahatab. The recommendations of the Committee are being implemented and should have their impact in due course. In an individual instance of a plant incurring high losses, special investigations have been undertaken, for example the Pande Committee which has recently studied the Durgapur Steel Plant. Their recommendations are under consideration. The Committee on Public Undertakings has also reviewed the working of all the HSL Plants during the last two years.

The Company are also vigorously pursuing the development of sales in the country and expanding their export effort to offset the fall in profits due to the present fall in demand. Further investigation does not, therefore, appear necessary at this stage.

**Sbri Baburao Patel:** If Tata Steel, a concern in the private sector can consistently pay good dividends for years, why should Hindustan Steel, a public sector concern with a capital of Rs. 1,028 crores and a floating loan of Rs. 500 crores, be consistently showing a loss?

**Dr. Chenna Reddy:** It is not basically correct that HSL is showing a loss constantly, because net profits have been made from 1963-64 onwards. Initially it had to run under a loss because of several factors including the fact that capacity was more and capital investment per ton capacity of production was much more than what is available in IISCO or Tatas.

**Shri Baburao Patel:** The former Finance Minister, Mr. T. T. Krishnamachari, had once boasted that one day the Indian rupee would be backed by steel instead of by gold. But today the rupee is devaluated and our steel plants are losing money. Durgapur Steel plant, the private estate of various ivory-tower Chatterjees, is on the verge of closing down according to newspaper reports.

**Dr. Chenna Reddy:** It is not true.

**Shri Baburao Patel:** Its products are not being sold and the plant has no money to pay its wage bill of Rs. 75 lakhs. The closing down of the plant will affect the lives of 25,000 families, who will be thrown in the streets. I would like to know whether Government propose to close down the Durgapur plant and save us from the unpleasant duty of asking inconvenient questions.

**Dr. Chenna Reddy:** The hon. Member has a certain basic misunder-

standing about the entire position. I would like to clarify it. As I said, the basic cost block of Tisco is Rs. 1,176 per ton while in HSL it is Rs. 2,500. That is an important factor. In IISCO it is less than Rs. 950 per ton of saleable steel. This is an important matter. The private companies were formed much earlier, before the second World War when the cost of acquisition, machinery, land, plant and everything was comparatively much cheaper than in the case of HSL. Secondly, because of increased price, the current rate of depreciation is of the order of about Rs. 42 crores per year and the interest is Rs. 18 crores. Upto 1965-66, the total amount of depreciation and interest comes to Rs. 254 crores, which is an important contribution to plan resources. This is also a basic factor. In 1964-65, the total profits of HSL amount to Rs. 184.92 million and in 1965-66 Rs. 16.65 million. In this way, if we take the total up to 1964-1966, it is only the cumulative loss and not loss per year. In addition, as against the private sector, there is a general feeling in this country that HSL being a public sector undertaking the work costs are much more and therefore the losses are there. I would like to clarify that position also giving figures of work cost in each plant. The Mahatab Committee's Report...

**An hon. Member:** Sir, this is not a half-an-hour discussion.

**Mr. Speaker:** I can understand that.

**An hon. Member:** Is he answering a question or making a statement?

**Shri Surendranath Dwivedy:** Sir, the reply may be long but it is necessary because an allegation has been made that this public sector industry is not doing well compared to the private sector industry. He is only giving us facts and figures.

**Mr. Speaker:** But let it be short.

**Dr. Chenna Reddy:** Sir, I will only give one more figure. The working

cost of ingot steel per ton in 1964-65 as was established by the report of the Mahatab Committee works out to: Tatas—Rs. 247, IISCO's—Rs. 246, Durgapur—Rs. 227, which is stated to be on the verge of collapse by the hon. Member; Bhilai—Rs. 235 and Rourkela—Rs. 233. In all the three steel plants the working cost is much cheaper than the two private sector undertakings. (Interruptions).

श्री सिद्धेश्वर प्रसाद : सभा पटल पर जो बक्तव्य रखा गया है, उस से दो बातें स्पष्ट नहीं होती हैं। मैं यह जानना चाहता हूँ कि हिन्दुस्तान स्टील लिमिटेड की स्थापना से पहले इस्पात के निजी कारखानों में इस्पात का लागत-खर्च किस आधार पर नग किया जाता था और हिन्दुस्तान स्टील लिमिटेड के प्रत्यर्गत इस्पात का लागत खर्च किस आधार पर तय किया जाता है। मैं यह भी जानना चाहता हूँ कि इस बात की क्या बजह है कि हिन्दुस्तान स्टील लिमिटेड के कारखाने अभी भी पूरी क्षमता से काम नहीं कर रहे हैं। ये दोनों बातें स्पष्ट की जानी चाहिए।

डा० चन्ना रेड्डी : जैसा कि मैं पहले ही निवेदन कर चुका हूँ, कारखाना शुरू करते वक्त, जब कि उस का डेवलपमेंट और एक्सपेंशन पूरा नहीं हो पाता है, उस की बहुत सी इन्स्टाल्ड कैपेसिटी अनयुटिलाइज और आइडल रह जाती है। यह सही है कि हमारी पूरी कैपेसिटी इस्तेमाल न होने की बजह से हम को ज्यादा नुकसान, ज्यादा खर्च और डेप्रिसियेशन बढ़ात करना पड़ता है, जो कि हमारे लाभ में रिफ्लेक्ट होता है।

Shri Virendrakumar Shah: Sir, in the Annual Report of HSL for 1965-66 there is a reference about slackening market and the review of the Government thereon also mentions about recession in the market. Will the hon. Minister kindly enlighten us on (a)

the trend of market position in the year 1966-67 and (b) the trend for the current year?

Dr. Chenna Reddy: That is a fact, because in 1965-66 as a result of the disturbance in the general national economy due to Indo-Pakistan conflict or consequent recession in the market this has happened. For example, I may state that in Bhilai the total estimated capacity of rail production was five lakh tons whereas the railways were only able to place an order for 2.25 lakh tons. Therefore, it became necessary to change the production and go in for billets where the price was much lower than what we would work with.

Shri Virendrakumar Shah: I asked about the trend of market in 1966-67 and also the current year.

Dr. Chenna Reddy: The trend in the current year has not yet improved. After the recent de-control that we have done we expect that in certain commodities in which the prices have been slightly increased and where the cost of production was much higher, it will help improvement of the production and we hope that the market trend after the next two or three months will improve.

Shri Chintamani Panigrahi: May I know whether the public sector steel mills have the freedom of pricing their own products as the Tatas have got?

Dr. Chenna Reddy: There is practically not much of difference. In spite of de-control in 1964 the prices in the market are almost controlled and there is uniformity in the prices.

श्री मधु सिन्घे : अध्यक्ष महोदय, मंत्री महोदय ने अभी एक प्रश्न का जवाब देते हुए कहा कि चूकि टाटा का कारखाना लड़ाई के पहले बना था, सस्ती के जमाने में बना था, इस लिये उन का खर्च कम है। मैं मंत्री महोदय से जानना चाहता हूँ कि क्या उन्होंने अभी इस बात की ओर ध्यान

दिया है कि जापान, जहाँ इस्पात के लिये जो कच्चा माल आवश्यक है वह बनता नहीं है, कोयला, लोहे की मिट्टी और दूसरी चीजें और जहाँ मजदूरी भी हमारी अपेक्षा ज्यादा है, फिर भी क्या बजह है कि जापान के कारखाने का कुल खर्चा व प्रति टन खर्चा हिन्दुस्तान के कारखाने से बहुत कम है? क्या इस की खोज उन्होंने कभी की है तथा क्या सरकारी कारखानों में सुधार लाने के लिये उन्होंने कोई इन्तजाम किया है?

एक माजीब सदस्य : वहाँ हड़ताल नहीं होती होगी।

डा० बल्ला रेड्डी : इस समय जापान में और दूसरे मुमालिक में जहाँ स्टील बन रहा है, वहाँ की फिगर देख सकते हैं:-

The sale value on the capital invested is 2.5 as against .9 in most of the steel plants in different countries.

यह एक बड़ा फेक्टर है। यह सही है कि हम को फोरन एक्सचेंज के द्वारा इस को लेने, तथा ज्यादा कैपेसिटी पर लाने की बजह से इनीशियल इन्वैस्टमेंट, जापान के मुकाबले ज्यादा इन्वैस्ट करना पड़ रहा है। इस के चलते हमारे यहाँ ओवर-स्टाफिंग है, एफिशियेन्सी आफ लेबर हम को बढ़ाना है, इस बजह से भी हमारी प्राइस ज्यादा है। मैं इस बात को भी मानने के लिये तैयार हूँ कि हमें क्या क्या इम्प्रूवमेंट करना है, और वह मैं हाउस के सामने प्रार्थ करूँगा। चूँकि हमारे यहाँ हीवी कैपिटलाइजेशन हुआ है, इस बजह से सब से पहले हमें अपनी रेटेड कैपेसिटी को एचीव करना है। अगर हमारी रेटेड कैपेसिटी 95 परसेंट से कम हो जाती है तो उस से हमें लाभ होता है—इस लिये

If we compare the internal domestic price between India and Japan, India has a cheaper price for domestic consumption.

श्री वसुभाई फलेल : टाटा का कारखाना जब शुरू हुआ था, उसके प्रारम्भ के 10 साल में जो उसका उत्पादन था और जो उसका माबिकल्स था how does it compare with Hindustan Steel?

डा० बल्ला रेड्डी : वह सही है कि टाटा की भी 1920 से पहले बहुत मुश्किलों से गुजरना पड़ा था, यहाँ तक कि 1920 में गर्वर्नमेंट आफ इण्डिया को उन्हें टैरिफ सपोर्ट देनी पड़ी थी, पर-टन आफ स्टील प्रोडक्शन को उन्हें सब्सिडाइज करना पड़ा था, ताकि वे सर्वाइव कर सकें। कई सालों की मुश्किलों से गुजरने के बाद आज टाटा की भी हालत है, वह आपके सामने है।

Shri Surendranath Dwivedy: One of the reasons why the steel factories are not earning higher profits is the high cost of production. If I remember right, when you, Sir, were the Minister in charge, a Committee was appointed to go into this question and I think that committee has submitted its report some time back. May I know which recommendations of the Committee have been accepted and whether any steps have been taken to reduce the cost of production in the steel factories?

डा० बल्ला रेड्डी : कास्ट आफ प्रोडक्शन के लिये जो कमेटीवों की रिपोर्ट अपनी गर्वर्नमेंट के सामने है। एक नेहरूव कमेटी की रिपोर्ट है, जिसकी सारी डिटेल्स एग्जाइन करने के बाद कुछ स्टेप्स लिये गये हैं—इसकी डिटेल्स मैं अब नहीं देखूँगा जहाँ तक पाब्लिक कमेटी की रिपोर्ट का टात्सुक है जो कि दुर्गापुर के बारे में है, नेक्स्ट क्वेश्चन में भी उस का थिंक होने वाला है, वह गर्वर्नमेंट के सामने है।

Shri Surendranath Dwivedy: I wanted to know whether on the basis of the recommendations they have

taken any steps to reduce the cost of production. He does not say anything on that. The reports are there, all right. Everybody knows it.

**Dr. Chenna Reddy:** We have accepted the report of the Mahatab Committee. The details are being examined and some steps are being taken. As they do not arise from this question, I am not in a position to give all the details.

श्री कंवर लाल गुप्त : अध्यक्ष महोदय, मेरा प्वाइंट ऑफ ऑर्डर है, मेरा कहना यह है कि मिनिस्टर साहब ने जो स्टेटमेंट दिया है, उसके (सी), (डी) तथा (ई) में उन्होंने कहा है—

“(c), (d) and (e). The major factor which would increase profits is a reduction in the cost of production. This has been investigated in detail very recently by a Committee headed by Shri Harekrushna Mahatab. The recommendations of the Committee are being implemented and should have their impact in due course.”

बस उन्होंने बिदेत्व की है, तो कौन सी चीज इम्प्लीमेंट करनी है, और कौन सी नहीं करनी है, यह इन्फार्मेशन भी मिनिस्टर साहब के पास होनी चाहिये, क्योंकि इस का उन के स्टेटमेंट और इस सवाल के साथ तात्बुक है।

**Mr. Speaker:** That is a different question.

**Shri P. Venkatasubbaiah:** May I draw the attention of the Minister to a statement that appeared in the *Hindu* some time back where a former Union Minister had said that some of the executives of these steel mills had been indulging in malpractices of passing on the material produced as sub-standard and selling it to the private sector people and whether that matter has been investigated; if so, what is the reaction of the Government?

**Dr. Chenna Reddy:** Unfortunately, I have not come across that.

**Mr. Speaker:** Shri Kothari.

Some hon. Members rose—

**Mr. Speaker:** When ten people get up only one can get a chance. I cannot ask ten people to ask a question at the same time. We have spent 15 minutes on this question and I shall be going to the next question. Shri Kothari.

**Shri S. S. Kothari:** One of the reasons why interest charges are high is that the block is excessive, particularly because of higher cost and because there was a certain element of wastage when that block was built up. But besides that at present there are inventory accumulations. Will you kindly be looking into that aspect because the general feeling is that inventory accumulations in the public sector undertakings as a whole and particularly in Hindustan Steel Limited are particularly high? The inventory accumulation with regard to finished products is also high because the market demand is not so much. I am referring to inventory accumulation of spare parts, raw materials and finished products.

**Dr. Chenna Reddy:** As far as finished products are concerned, as I stated earlier, only during the last two years in view of the big recession of the national economy and the railway programme in particular coming down so miserably there has been some accumulation of stocks. But during the past few months we have been finding that there is a good outlet even for these rails in various countries and at the rate of Rs. 2 crores a month we are able to export to different countries. Regarding the accumulation of spares, it is to some extent correct, but some of them have become inevitable. We are trying to look out and rationalise them also.