

companies have also come in. Similarly, would be Indian Government also insist for allowing the Indian companies to access the markets of those countries ?

[Translation]

SHRI BENI PRASAD VARMA : Sir, in pursuance of the Government's policy, foreign participation in basic telecom services would be 49 per cent whereas the share of Indian companies would be 51 per cent. Any company or any country is allowed to enter our market and we are also allowed to enter any global market. In a liberalised economy, there remains no restriction on any country. The restriction which remains is that of equity share which is 49 per cent for foreign companies and 51 per cent for Indian companies.

PROF. RASA SINGH RAWAT : Mr. Speaker, Sir, I through you, want to know whether various telecom public undertakings, be it ITI or Videsh Sanchar Seva Nigam providing infrastructure do ever invite tenders from foreign companies or not ? Public Undertakings like ITI have rendered their vast services to the people by building up infrastructure in the telecom sector but inspite of it, the Government is allowing foreign companies to enter one telecom sector and earn huge profits which should go to our undertakings. Department of Telecommunications is doing tremendous job in our rural areas and therefore I would like to know whether Central Government Undertakings would continue to get more and more incentives from the Government for undertaking various developmental work in rural areas or our rural areas are to be left at the mercy of Videsh Sanchar Seva Nigam by giving it a meagre amount of 10 per cent ? It is justified ? Will our rural areas get only 10 per cent of the total expenditure and huge share of it is likely to go the foreign companies?

SHRI BENI PRASAD VARMA : Mr. Speaker, Sir, this year we have given much financial assistance to ITI and it is likely to get more relief from us which is under our consideration. They would get all kind of incentives. In respect of the hon. Members question pertaining to the infrastructural facilities, I would like to say that the policy formulated by the Government in this regard would be implemented.

PROF. RASA SINGH RAWAT : Mr. Speaker, Sir, what is that policy ?

MR. SPEAKER : Rawatji, it is enough now, please.

[English]

Financial Crisis in SAIL

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*25. SHRI BASUDEB ACHARIA : .
SHRI G.A. CHARAN REDDY :

Will the Minister of STEEL be pleased to state :

(a) whether Steel Authority of India Limited (SAIL) is losing due to fall in sales and heading towards a financial crisis;

(b) if so, the main reasons therefor and the quantum off all recorded in profits are compared to the last two years;

(c) whether the Government have issued any guidelines to check the overhead and the operational costs of SAIL;

(d) if so, the details thereof;

(e) whether the latest performance trend is likely to hit SAIL's \$100 million Yankee bond issue and other debt finance programmes;

(f) if so, the details thereof; and

(g) the remedial measures taken/proposed to be taken to check the losses in SAIL and to improve its performance ?

THE MINISTER OF STEEL AND MINISTER OF MINES (SHRI BIRENDRA PRASAD BAISHYA) : (a) to (g) A Statement is laid on the Table of the Lok Sabha.

Statement

(a) to (g) While the quantity of sales decreased by about 3.4% during 1996-97 as compared to 1995-96, the first quarter of 1997-98 has witnessed an increase in the sales quantity by 4.4% over corresponding quarter of 1996-97. Though the last year was a difficult year for the steel industry yet SAIL made a profit. The details of profit (before tax) for the last three years are as under :

(Rs. in Crores)		
1994-95	1995-96	1996-97
1163	1319	602*

* Subject to CAG audit.

The main reasons for fall in sales include sluggish

demand for steel, greater competition from imports arising due to lower international prices compounded by further reduction in customs duties and also enhancement in supplies in domestic market. Whereas the reasons for fall in profits, inter-alia, include increase in input costs on account of cost escalations in coal price, petroleum price, railway freight, power tariff, special custom duties etc. whose impact was about Rs. 1000 crores while only a part of this impact could be neutralised through improvement in operational efficiencies.

The Ministry of Steel periodically reviews the performance of SAIL and areas that need improvement, including cost control, are emphasised.

SAIL continues to be a fundamentally strong company and no adverse impact on SAIL's proposed US \$ 100 million Yankee bond issue and other debt finance programmes is expected.

SAIL is taking steps on a continuous basis to improve its performance and sales, which include modernisation and technological upgradation of its plants, improving techno-economic factors i.e. reduction in coke rate, energy consumption, metallic input, improvement in yield, extensive customer contact, market oriented product-mix, improvement in quality, long term relationship with customers, leadership in service and customer satisfaction, strict control and monitoring of operating costs, higher productivity and greater autonomy to field officers, etc.

SHRI BASU DEB ACHARIA : Sir, last year for the first time the Steel Authority of India faced a crisis, both in respect of its production and financial performance. In his reply the Minister has also admitted that the profitability of the company has been reduced from Rs. 1319 crore to Rs. 602 crore. Along with the reduction in profit, there has also been a reduction in the production in various plants of the Steel Authority of India. The situation has not improved in the current year also. The Minister has stated that there has been an increase in the sales quantity by four per cent but there has been a reduction in the production of various plants of the Steel Authority of India.

May I know from the Minister as to why there has been a substantial reduction in the profit of the Steel Authority of India, which is one of the giant public sector undertakings ? One of the blast furnaces, at two of its plants at Bhilai and Bokaro, has been closed down. Particularly last year, what were the factors that led to a situation which is continuing in the current year also ?

SHRI BIRENDRA PRASAD BAISHYA : I am thankful to the hon. Member for putting a very important question relating to the Steel Authority of India. I do admit that the profit of the Steel Authority of India has declined last year to nearly about Rs. 600 crore but I do not agree with the hon. Member when he said that for the first time there has been a financial crisis in the Steel Authority of India. This is not so. The Steel Authority of India is a profit-making company. It made profits for the last ten years continuously. The profits for 1996-97 have also been higher than those of all other previous years except last two years when there was a boom in consumption of steel.

The demand for steel depends upon the economic and industrial growth of a country. The growth in steel production last year was 6.5 per cent but growth of consumption was only 4.5 per cent. So, there is a basic difference between demand and supply. Supply was higher than the demand and so inventory was going up and due to the market surplus profits declined. Not only the Steel Authority of India, all the major steel processing industries of our country including TISCO, ESSAR and Lloyd, suffered decline in profits last year. In European countries also the profits declined last year at an average of 40 per cent. The profits declined last year in the British steel industry also. This was a special situation because last year was not a good year for the steel industry as a whole.

Regarding the problem of blast furnaces at Bhilai and Bokaro, I do agree with the hon. Member. It is due to the techno-economic performance of the company that these two blast furnaces were shut down. There is no crisis. The Steel Authority of India is making profits and it is going to make profits continuously.

SHRI BASU DEB ACHARIA : The Steel Authority of India is borrowing heavily from the market, at an average rate of Rs. 200 crore a month. The total borrowing up to March, 1997 stood at Rs. 2440 crore as against Rs. 1164 crore in March, 1994 and Rs. 1376 crore in March, 1995. As a result of this the debt equity ratio also increased from 1.85:1 in March, 1996 to 2.5:1 in April, 1997. How does the Government propose to overcome this problem ?

About Rs. 9000 crore were spent on the modernisation of three steel plants but the return is much less than what was invested. There has not been any reflection of the investment in the production of steel either. What is the problem that even after spending Rs. 9000 crore on modernisation, there has not been a substantial increase in the production of steel ?

SHRI BIRENDRA PRASAD BAISHYA : Sir, I do agree with the hon. Member. The Steel Authority of India invested more than Rs. 10000 crore in the last five years for modernisation of its three steel plants at Bokaro, Durgapur and Rourkela. But nobody can get the effects of modernisation immediately. It will take some time for that. Modernisation means improvement of the techno-economic performance of a plant. All over the world, day by day new technologies are coming up. So, it is necessary for the Steel Authority of India to modernise its plants.

But, I would like to take the example of Bhilai. We have invested huge amount of money in the modernisation of Bhilai. From Bhilai also, we were not getting immediate benefit. But today we are deriving maximum profit from the Bhilai Steel Plant. You never get the full effect immediately. The effect of the Durgapur started immediately and the production has gone up to 81 percent of capacity in June of this year. The production of Durgapur is going up. Its capacity utilization will be 100 per cent.

SHRI BASU DEB ACHARIA : But Railways is importing rails, from China.

SHRI BIRENDRA PRASAD BAISHYA : Secondly, about Rourkela, we can see the effect from next year.

The hon. Member has put a very important question regarding Railways importing rails from abroad. I do agree that same technologies adopted by the SAIL are old. We have to be competitive. We have to modernise the industry. We have to adopt new technology. With this intention, the Ministry of Steel is going to give Rs. 150 crores every year for the purpose of Research and Development in the steel industry from this year. I am hopeful that it will be helpful for the progress of good and modern technology.

SHRI G.A. CHARAN REDDY : The Steel Authority of India is considered to be one of the *navaratnas* of our Public Sector Undertakings. Particularly, the performance of 1996-97 has been the worst in terms of profit. The Minister has conceded in his statement that one of the main reasons is the cost escalation of inputs. You look at the inputs, and mainly the increase in the coal price and the petroleum price and increase in railway freight and increase in power tariff. All these I am sure, certain more of this type is absolutely down the road will inflate the input price. Considering this reason, I would like to know what exactly the Steel Authority of India would do.

I am thankful to the Minister for conceding in his statement that he is hopeful that the Steel Authority of India

would be profitable.

SHRI BIRENDRA PRASAD BAISHYA : Sir, I do not agree at all with the hon. Member when he says that last year was the worst year of SAIL. This is not true at all. In 1996-97 also, the profit is higher than all other previous years, except last two years. It is known to everybody that in business the theory of trade cycle is applicable. In the last two years, there is boom in consumption in the steel industry not only in India but all over the world. So, the profit was higher. But, if you are to compare the profit of the SAIL in the last ten years, the last year's position is the third position and this is the position not confined only to India. For example, today no European company is doing very well in the field of steel production. Their profit also declined by 40 per cent. The profits of SAIL is also declined.

MR. SPEAKER : Having been the Minister of Information and Broadcasting myself, I cannot deny the maiden opportunity to Mr. Reddy here. So, I go to next question Q. No. 26.

Conference on Electronic Media

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*26. SHRI SUBRAHMANYAM NELAVALA :
DR. T. SUBBARAMI REDDY :

Will the Minister of INFORMATION AND BROADCASTING be pleased to state :

(a) whether a Conference of State Ministers on electronic media was held in New Delhi during 1996;

(b) if so, the details thereof;

(c) the points discussed in the Conference and the decisions arrived at;

(d) the details of demands made by the State Governments particularly the Government of Maharashtra; and

(e) the reaction of the Union Government there to?

THE MINISTER OF INFORMATION AND BROADCASTING (SHRI S. JAIPAL REDDY) : (a) to (e) A Statement is laid on the Table of the House.

Statement

(a) to (e) A Conference of State and Union Territory Ministers of Information and Cinematography was held on October 29, 1996 which discussed the issues related to