

STUDY TOUR REPORT NO. 35

COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

HINDUSTAN SALTS LIMITED

Laid in the Lok Sabha on 29 April, 2002

Laid in the Rajya Sabha on 29 April, 2002

LOK SABHA SECRETARIAT

NEW DELHI

April, 2002 / Chaitra 1924(S)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(2001-2002)

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS

LOK SABHA

2. Shri Prasanna Acharya
3. Shri Mani Shankar Aiyar
4. Prof. S.P.Singh Baghel
5. Shri Sudip Bandyopadhyay
6. Shri Ram Tahal Chaudhary
7. Shri Ajay Singh Chautala
8. Shri Shiv Raj Singh Chauhan
9. Shrimati Sangeeta Kumari Singh Deo
10. Shri C.K. Jaffer Sharief
11. Shri K E Krishnamurthy
12. Shri Vilas Muttemwar
- *13. Shri C.P.Radhakrishnan
14. Shri Tarit Baran Topdar
15. Shri Dinesh Chandra Yadav

RAJYA SABHA

16. Shri Suresh Kalmadi
17. Shri K. Kalavenkata Rao
18. Shri Jibon Roy
19. Shri B.P.Singhal
20. Smt. Ambika Soni
21. Shri C.P.Thirunavukkarasu
- *22. Shri Ranjan Prasad Yadav

SECRETARIAT

1. Shri John Joseph, Additional Secretary
2. Shri S. Bal Shekar, Director
3. Shri T.G.Chandrasekhar, Assistant Director
4. Shri Tirthankar Das, Sr. Executive Assistant

- Elected w.e.f 28th November, 2001 vice Shri Rajiv Pratap Rudy ceased to be Member of the Committee consequent upon his appointment as Minister w.e.f. 01.8.2001.
- ** Retired w.e.f. 9.4.2002

INTRODUCTION

In pursuance of the procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business for laying the Study Tour Reports on the Tables of both the Houses of Parliament, I, Chairman, Committee on Public Undertakings have been authorised by the Committee to lay the Study Tour Report on their behalf, lay the Study Tour Report of the Committee on their discussions with the officials of Hindustan Salts Ltd.

2. The Committee held discussions with the officials at Jaipur on 5.10.2001. A copy of the tour programme is annexed (Annexure-I).

3. The Committee considered and approved the Report at their sitting held on April 24, 2002.

4. The Committee wish to express their thanks to Hindustan Salts Limited for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

New Delhi
24 April, 2002
04 Vaisakha, 1924(S)

PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS

STUDY TOUR NOTES OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

DISCUSSION WITH THE REPRESENTATIVES OF HINDUSTAN SALTS LIMITED AT JAIPUR ON 4.10.2001

A. INTRODUCTION

1. At the outset, the Chairman, Committee on Public Undertakings made opening remarks and then requested the Chairman and Managing director, Hindustan Salts Ltd. (HSL) to introduce himself and his colleagues to the Committee. The Chairman, COPU also requested the Chairman and Managing Director, Hindustan Salts Limited to give a brief account of the working of Hindustan Salts Limited.

1.1 After introduction of officials of the Company, the CMD, Hindustan Salts Limited stated that the Company was incorporated in 1958 (as a fully owned Government of India Company) to take over and manage the departmentally managed Salt Works at Kharaghoda (Gujarat), Sambhar Lake Works (Rsjasthan) and Mand (HP). Subsequently, Sambhar lake Works (Rajasthan) was transferred to Sambhar Salts Limited (SSL) which was incorporated on 30th September, 1964 as a subsidiary Company of HSL. At present, the Company has three units at Kharaghoda (Gujarat), Mandi (HP) and Ramnagar (Utranchal).

HSL is the only Central Public Sector Enterprise engaged in the manufacture of salt.

The composite Corporate Office of the two Companies is at Jaipur (Rajasthan).

1.2 The CMD also stated that the corporate objectives of the company are “to provide good quality iodised salt at reasonable prices to the people of India”. It was also stated that in view of the changed industrial scenario and heavy production of salt in private sector, the Company’s objectives are to maintain quality lead & price competitiveness.

B. ORGANISATIONAL SET-UP

2. It has been stated by the Company that the Board of Directors of HSL consists of six members including the CMD. The existing set-up was stated to be satisfactory.

2.1 As per Articles of Association, the Board of Directors have the following important powers :-

1. To acquire property
2. To authorise works of capital nature
3. To pay for property in debentures etc.
4. To secure contracts by mortgage
5. To invest money
6. To make bye-laws, rules
7. To sub-delegate powers,

CMD is the Chief Executive officer of the Company and has all executive as well as administrative powers to run the company.

The Board has delegated powers to General Managers in the respective fields of operations.

2.2 When the Committee enquired whether any vacancy exists in the Board of Directors, the Company answered in the negative. It was also stated by the Company that the composition of the present Board of Directors was not in accordance with the proportion prescribed under BPE guidelines and the company does not have functional as well as non-official Directors on the Board.

C. MANPOWER

3. The Manpower position of the company as on 31st August, 2001 is given as under :

HSL

Category	Corporate Office, Jaipur		Kharaghoda		Mandi		Ramnagar	
	Sanctioned	Existing	Sanctioned	Existing	Sanctioned	Existing	Sanctioned	Existing
Executive	16	8	7	6	2	1	1	1
Supervisor	13	8	46	22	5	9	-	-
Ministerial	23	18	14	11	5	2	1	1
Workers on Regular scale	9	6	96	57	12	6	-	-
Work Charged	-	-	290	188	45	25	4	4
Piece Rate	-	-	287	196	-	-	-	-
Total	61	40	740	480	69	43	6	6

SSL

Category	Sanctioned	Existing
Executive	15	7
Supervisor	50	41
Ministerial	52	34
Workers on Regular scale	282	128
Work charged	119	115
Piece Rate	61	55
Total	579	380

3.1 On the issue of surplus manpower, the Company stated that HSL has been able to identify surplus manpower in the Company. Further, it was stated as follows in a written reply :

“For the present, we have identified 100 employees/workers as surplus. We propose to allow VRS to such employees if they opt for the same”.

3.2 Outlining the benefits provided to employees seeking VRS, the Company stated the following in a written reply:

“Company provides benefits to employees who seek VRS as per Department of Public Enterprises (DPE) O.M. No.2(32)/97-DPE(WC) dated 5th May, 2000. The salient feature of the Scheme is as under:-

Ex-gratia

“35 days of salary/wages for each completed year of service and 25 days of salary/wages for each remaining year of service. Other statutory benefits, such as, Gratuity, EPF, Encashment of Leave etc. will be payable as per rules. “

D. FINANCIAL

4.0 The production, sales and profit earning by HSL in regard to salt for the last 10 years is given in the table below:-

Year	Production (In MT)		Sales (In MT)		Net Profit (Rs.in lakhs)
	Target	Actual	Target	Actual	
1991-92	161500	173220	161500	123112	-6.76
1992-93	166500	161766	166500	101937	-67.75
1993-94	171000	129100	163000	108987	-104.73
1994-95	114000	126165	152000	150978	-119.46
1995-96	109150	125184	134100	161026	-39.90
1996-97	137300	129954	137200	85959	-22.94
1998-98	107300	79739	107200	83617	-153.06
1998-99	88100	79311	118000	104284	-181.62
1999-2000	106000	107802	109700	79499	-261.39
2000-2001	106200	87431	109700	86766	-222.21

4.1 The factors affecting the profitability of the company as informed to the Committee, are as follows :

- a. The Government stopped reimbursing iodisation charges from 1994-95 onwards, thus increasing the cost by Rs.30- per Mt.

- b. Vth Pay commission's recommendations which were made effective from 1st Jan., 1996 increased wage bill liability from 1997-98 onwards significantly.
- c. Accumulated wastages were adjusted in 1999-2000 when several large size heaps were finally cleared
- d. Sales to Salt Trading Corporation of Nepal progressively reduced from 1 lakh MT in 1991 to 30,000 MT during the previous year.

4.3 On the issue of Government's decision not to reimburse the iodisation charges, the Company stated as follows in a written reply :

“Government of India decided to reduce the subsidy. In pursuance to this decision, reimbursement of iodisation charges was withdrawn.”

It was also stated that the company made a representation to resume the reimbursement of iodisation charges, but the Government did not change the decision.

4.4. Giving its opinion on the ideal policy of the Government in this regard, HSL stated as follows in a written reply :

“Since iodised salt is essential for human beings it is necessary for Government to reimburse iodisation charges to Public Sector Undertaking so that persons living in the Goitre affected areas can get good quality iodised salt.”

4.5 About the steps taken to increase the salt supply to Nepal, the Company furnished the following information in a written reply :

“We are pursuing with STC Nepal to purchase total requirement from the Company as Government of India is providing subsidised railway tariff. However, STC Nepal did not agree to our request and is purchasing salt from private salt manufacturers.”

4.6 When the Committee enquired about the measures taken to identify potential buyers in land-locked countries in the neighborhood, the following was stated by HSL in a written reply:

“Company is exploring the possibility to export salt to neighboring countries.”

4.7 Commenting on the possibility of clearing the accumulated wastages at regular intervals, the company stated as below in a written reply :

“The present system of writing off of wastages followed by the Company is prevailing all over the country in the salt trade. Salt is generally piled in heaps ranging from 10000 MT to 15000 MT. When complete heaps are sold out it is possible to ascertain the wastages. However, Company will explore the possibility of adopting any alternate method in this regard.”

4.8 High Minimum Wages fixed by the Government of Gujarat for salt producing workers (Agarias), & liability to pay EPF and other fringe benefits and its comparison to the amounts paid by private salt producers is as shown in the chart below :

Year	Paid by HSL			Amount paid by private salt producers per MT
	Amount (Rs. per MT)	Fringe benefits including EPF etc.	Total liability of HSL Rs. Per MT	
1996-97	117.18	28.43	146.61	80
1997-98	102.99	33.98	136.97	90
1998-99	113.23	37.36	150.59	95
1999-2000	123.32	40.69	164.01	100
2000-2001	172.23	56.83	229.06	100

The Company also informed that, tough competition with the small salt producers who are not required to comply with the provisions of Labour Laws seriously results in a price disadvantage for HSL.

E. BROMINE

5. The production, sales and profitability in regard to Bromine during the last 10 years is given in the chart below :

Year	Production (in MT)		Sales (in MT)		Net Profit (Rs.in lakhs)
	Target	Actual	Target	Actual	
1991-92	130	168	130	171	48.48
1992-93	160	163	160	164	56.89
1993-94	220	188	220	187	71.30
1994-95	300	188	295	183	13.17
1995-96	300	217	300	208	25.27
1996-97	230	192	230	189	-1.03
1997-98	200	60	200	78	-58.26
1998-99	150	46	150	47	-34.33
1999-2000	150	79	150	79	-29.29
2000-2001	255	200	255	197	3.48

5.1 It is seen from the chart that the company has been sustaining losses from 1996-97 to 1999-2000. But during 2000-2001, HSL earned profit.

The following factors were stated to be relevant in affecting the profitability of Bromine in the last few years :

- a) The old decaying granite tower plant was changed to glass tower technology during 2000.
- b) Vth Pay Commission's recommendations, which were made effective from 1st Jan., 1996 raised the wage bills from 1997-98 significantly.
- c) The liberalisation policy resulted in heavy import of Bromine reducing market price from 1996-97 onwards.
- d) Change of manufacturing technology from granite tower to glass tower reduced the cost of production by approx. Rs. 30,000/-.

5.2 On the issue of changing over to glass tower technology, the company stated as follows in a written reply :

“Previously the Bromine was extracted out of waste biterrens (Mother liquor left over after manufacture of salt) by using ‘Granite Tower technology’ which was not so efficient. ‘Glass Tower technology’ based Bromine Plant was installed at an estimated cost of Rs. 1.64 crore which has helped us to increase our earlier average production of 80 MT per annum to 300 MT per annum at a much reduced cost by Rs. 12,000 PMT, thereby increasing the profitability. Expansion of Bromine Plant from 300 TPA to 600 TPA is under preliminary stage.”

5.3 Giving details about the capacity expansion of Bromine Plant from 300TPA to 600TPA, the company stated as follows in a written reply :

“The Government has included the proposal of Expansion and Replacement of Bromine Plants in Annual Plan Schemes. The proposal of increasing the capacity of Bromine Plant from 300 TPA to 600 TPA is under study.”

The Company also informed the Committee that it had not received the approval from the authorities concerned for undertaking the project.

5.4 The Company further stated that the Project cost would be Rs.200 lakh and the plant shall be commissioned within 6 months from the date of start. There will be a contribution of Rs. 62.78 lakh per annum. It was also stated that there is adequate demand for the product in the market which has been established after survey.

F. DIVERSIFICATION

6. Diversification programme from Bromine to Hydrobromic Acid production was stated to be under active consideration of the company. In this regard, the Government had allocated a sum of Rs. 40 lakh as budgetary support for the financial year 2001-2002 and the plant was expected to be completed within six months from the date of receipt of funds from the Government. The total cost of the project was estimated to be Rs. 40 lakh.

6.1 The project has profit-making potential which has been established based on detailed examination and market survey. The pay back period of this project has been estimated as 3 years approximately.

6.2 This apart, a Solution Mining-cum-Salt Refinery Project was proposed to be set up at Mandi in Himachal Pradesh which was cleared by the Government about 10 years ago. Detailed Project Report was prepared by a Swiss Company and the project was sanctioned by the Government at the then cost of Rs. 10 crore. However, it was decided to implement the project as a joint venture. After several discussions, the Government of HP had come out with a proposal that instead of a Refinery, a Caustic Soda Plant be set up by a private entrepreneur and HSL should revive the solution mining project, the cost of which now is approx. Rs.30 crore. It was informed that this project, if implemented, has the potential to be highly profitable.

6.3 The proposal is stated to be in preliminary stage. Initial discussions have been held with the Government of Himachal Pradesh who have agreed to facilitate this project.

G. REVIVAL OF HSL

7. The Company has been declared as sick Company under the provisions of SICA w.e.f. 13/6/2000. BIFR has appointed Industrial Development Bank of India (IDBI) as operating agency under the provisions of the Act. IDBI team is carrying out a study regarding prospects of revival.

Ministry of HI & PE has referred HSL to Ministry of Disinvestment for joint venture formation.

7.1 Giving details about the suggestions made by the Company before the operating Agency (IDBI), HSL stated the following in a written reply:

- (i) Waival of the loan & interest by Government of India.
- (ii) Sanction of funds for the proposed projects.
- (iii) Taking over of Pension Fund Trust by Govt. of India.
- (iv) IDBI to visit the Units at Kharaghoda, Mandi & Ramnagar and submit their report at an early date.

H. ANTYODAYA SCHEME

8. It has been stated by the Company that a scheme to supply 4 lakh MT of salt under “Antyodaya Scheme” has been planned to be shared equally by HSL and SSL, which would help the company to come out of loss.

8.1 It was further stated that HSL and its subsidiary, SSL are in liaison with the Ministry of consumer Affairs to supply a large quantity of iodised, edible salt under the “Antyodaya Scheme” (2 lakh tonnes each from SSL and HSL respectively).

8.2 Giving details on the present status of the said proposal, the company stated as follows :

“The matter is at preliminary stage and after Government decides to supply salt under Antyodaya Scheme we shall take necessary action. We are in constant touch with Ministry of Civil Supplies & Consumer Affairs, Government of India.”

SMABHAR SALTS LTD.

I. FINANCIAL

9. The financial performance of SSL during the last 10 years from 1991-92 till 2000-2001 is given in the table below:

Year	Production(In MT)		Sales (In MT)		Net profit (Rs.inlakhs)
	Target	Actuals	Target	Actuals	
1991-92	215000	190005	200000	135115	41.16
1992-93	215000	127000	164000	125908	4.69
1993-94	250000	190188	200000	126095	-13.48
1941-95	200000	170379	165000	183410	-14.28
1995-96	210000	159777	210000	176970	45.81
1996-97	170000	120949	170000	129926	17.32
1997-98	170000	128125	170000	99901	-93.90
1998-99	170000	157597	180000	136711	-18.09
1999-00	170000	125172	180000	103521	-203.17
2000-01	170000	106327	160000	107920	-327.30

9.1 The main reasons for incurring losses, as contained in the brief furnished by the Company are as follows :

1. Implementation of 5th Pay Commission's recommendations in the company resulted an additional liability of Rs. 59 lakh in the year 1997-98 and recurring effect of Rs. 26 lakh per annum.
2. Due to continuous drought in Rajasthan, the production was less during 1999-2001.
3. The Company's land got encroached by the private salt producers who have been manufacturing salt by digging bore-wells this has reduced the availability of brine even in the company's area and resulted in reduction of salt production.

4. Closure of M/s PNFC and M/s Modi Alkalies & Chemicals Limited, two major customers who were lifting approx.1 lakh MT of salt p.a. resulting in heavy decrease in demand.
5. All the Mercury Cell technology based Chlor-alkali industries were converting into Membrane technology which requires salt of high purity. The quality of salt produced by the Company was not suitable for membrane cells.
6. Previously, the Salt Trading Corporation Ltd., Nepal was purchasing salt from both HSL & SSL to the tune of 1.00 lac MT per annum which had decreased gradually after opening iodisation for private sector for free and has now come to a level of 30000 MT per annum; whereas their total requirement has increased to 1.30 lakh MT per annum.

9.2 Giving details about the encroachment of land by private salt producers, the Company stated in a written reply as follows :

“We have taken up the matter with the Govt. of Rajasthan. The Collector, Nagaur district has written to SDO/Tahsildar to investigate the matter. So far, no action has been taken by the SDO/Tahsildar in this regard. 2616 acres of land has been

encroached upon which is about 4% of the total land under possession of the Company.”

9.3 When the Committee enquired whether HSL has re-negotiated with Nepal for enhancing the exports, the following was stated by the Company in a written reply:

“We are regularly pursuing with the STC Nepal to increase the purchase of salt from the Company.”

9.4 The Company also stated that in order to export the salt to countries other than Nepal, HSL is examining the matter regarding appointment of Agents for the purpose.

9.5 Giving a status note on the proposal for automation for reducing the cost of handling and packing, the Company stated the following in a written reply:

“Sealing and stitching machines have already been introduced and the purchase of automatic packing machine is in the process.

J. AUDITOR'S REPORT

10. At the time of formation of the Company it was decided that Govt. of India, Salt Deptt. Employees will be absorbed in the Company's services on certain terms and conditions. This includes payment of pension as per Govt. of India Rules. To ensure that such employees get their pension regularly, a Pension Fund Trust was created. Such employees are not covered under Employees Provident Fund and Misc. Provisions Act as they are getting Pension and

Gratuity as per Govt. of India's Rules applicable on them as per their terms of absorption. The Pension Fund Trust pays pension, family pension to salt deptt. employees absorbed in the company and retired on attaining the age of superannuation.

10.1. Company has submitted a proposal to Govt. of India to take over the Pension Fund Trust and its liability for the present as well as future.

RECOMMENDATIONS / OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

ORGANISATIONAL SET - UP

The Committee observe that the Board of Directors of HSL is composed of six members, including the CMD, and presently there is no vacancy on the Board. Yet, at the same time, the Committee note with surprise that the present Board does not have a single functional or non-official Director serving on it, which is in gross violation of guidelines issued by the Department of Public Enterprises (DPE) on the composition of the Board of Directors of Public Enterprises. The Committee note that the DPE guidelines prescribe a specific ratio of full time functional Directors, Government Directors and non-official Directors, primarily with a view to ensure that the Boards function as professional entities in carrying on the business of the Public Enterprises. The Committee are also of the view that not having any functional and non-official Directors serving on the Board is bound to affect the functioning of the Enterprise in an adverse manner. The Committee, therefore, recommend that urgent steps need to be taken to re-constitute the Board

of Directors of HSL by inducting full time functional Directors and non-official professional Directors as prescribed under the DPE guidelines. The Committee also wish to be intimated of the action taken in the matter at the earliest.

RECOMMENDATION NO. 2

NEED FOR REVIVING THE POLICY OF REIMBURSEMENT OF IODISATION CHARGES

The Committee observe that apart from factors such as high wage bills, technological obsolescence and fierce competition from private salt manufactures, a major contributory factor for the mounting losses of HSL and its subsidiary, Sambhar Salts Ltd., has been the Government's policy of reducing the subsidy and stopping reimbursement of iodisation charges. The Committee understand that although the Company had pleaded for reviving the policy of reimbursement of iodisation charges, this has not been acceded to. Salt, and in particular, iodised salt, being essential for the survival and well-being of the humankind, the Committee are of the view that the Government needs to re-consider the policy of reimbursing the iodisation charges to the only public enterprise engaged in the manufacture of salt. The Committee feel that reimbursing the iodisation charges would not merely benefit the Company financially but also would prove to be beneficial to the people living in goitre affected areas in the long run. The Committee also feel that pursuing

such a policy would be in consonance with the welfare
orientation of the State.

RECOMMENDATION NO. 3

SALE OF SALT TO STC, NEPAL

The Committee have been informed that sale of salt to Salt Trading Corporation (STC), Nepal, has progressively declined from one lakh MT in 1991 to 30,000 MT in the previous year, which has had a serious bearing on the financial status of the Company. The Committee also note that although the matter has been taken up with STC, Nepal, the Corporation had chosen to meet the requirement of salt by purchasing from private manufacturers. The Committee are not fully aware of the manner in which the matter was taken up with STC, Nepal. The Committee also further note that the Government of India have been providing a subsidy on rail tariff to STC, Nepal. The Committee, therefore, feel that the matter of purchasing the entire requirement of salt by STC, Nepal from HSL and its subsidiary, Sambhar Salts needs to be taken up at the Ministerial level as a bi-lateral issue so as to be beneficial to the public enterprise. The Committee also understand that the Company is exploring the possibility of exporting salt to other land-locked countries by appointing agents

and improving its marketing network. The Committee expect the Government to render every possible assistance to the Company in identifying potential buyers, particularly in the neighbouring countries, so as to provide some form of 'assured sales' to the Company.

RECOMMENDATION NO. 4

PROBLEM OF HIGH MINIMUM WAGES FIXED FOR SALT PRODUCING WORKERS (AGARIAS)

Yet another issue that has come to the notice of the Committee is the problem of high minimum wages fixed by the Government of Gujarat for salt producing workers (AGARIAS). The Committee understand that the high minimum wages fixed by the State Government, combined with the liability of paying other fringe benefits including Employees Provident Fund (EPF), totals to a net amount of Rs.229.06 per MT being paid to the workers by HSL as compared to Rs.100 per MT paid by private salt producers by violating the provisions of the labour laws. This situation has put HSL into disadvantageous position vis-à-vis the private salt producers. The Committee expect that the Government of Gujarat would be prevailed upon to rationalise the minimum wage structure for salt workers and also ensure that the private manufacturers strictly adhere to the provisions of the labour laws. The Committee also feel that, if found essential, the matter should be enquired into in detail so as to put an end to the undue advantages being derived by private manufacturers by

violating statutory provisions on wages of workers. The Committee expect to be apprised in detail of the action taken by the Government in this regard.

RECOMMENDATION NO. 5

NEED FOR GIVING APPROVALS TO EXPANSION PLANS

The Committee note that by changing over the manufacturing process of Bromine from 'granite tower technology' to 'glass tower technology', HSL could achieve an increase in the annual average production of Bromine from 80 MT to 300 MT, at a much reduced production cost. The Committee also note that the Company intends to expand the capacity of the newly set-up Bromine Plant from 300 TPA to 600 TPA – which has also been included in the Annual Plan Schemes – and the related proposal is being submitted to the Government. Considering the fact that switching over to the new technology in manufacturing Bromine has enabled HSL to earn a marginal profit of Rs.3.48 lakh for the first time in the last five financial years and there also appears to be adequate demand for Bromine in the market, the Committee expect both the Company and the Government to act expeditiously in implementing the plan to expand the capacity of the plant. The Committee also note that HSL plans to diversify into production of Hydrobromine Acid by setting up a plant

at an estimated cost of Rs.40 lakh for which the requisite funds have been allocated by the Government as budgetary support. The Committee also understand that a proposal for setting up a Caustic Soda Plant in Himachal Pradesh is presently in the preliminary stage. The Committee are of the considered view that setting up of these plants would bring a turn-around in the Company's performance and image. The Committee, therefore, recommend that the expansion / diversification plans including the installation of the Salt Refinery need to be taken up and executed in the right earnest, within a definite time frame and duly supported with the required funds from the Government.

RECOMMENDATION NO. 6

REVIVAL OF HSL

The Committee note that HSL has been declared as a sick company under the relevant provisions of SICA w.e.f. June, 2000, and the Industrial Development Bank of India (IDBI) has been appointed as the operating agency to examine the viability of the Company and to formulate a rehabilitation scheme for its revival. The Committee further note that the nodal ministry viz., Ministry of Heavy Industries and Public Enterprises has suggested a joint venture formation for the Company. The Committee have been informed that for enabling the rehabilitation / revival process, the Company had inter-alia requested for waiving the loans extended by the Government and the interest accrued thereon, sanctioning of funds for the proposed expansion schemes, and taking over the Pension Fund Trust – which was created and managed for enabling payment of pension and gratuity to the absorbed employees – by the Government. Given the grave financial position of the Company with the losses mounting year after year, the Committee are of the view that the pleas made by

the Company on this count need to given credence to by the Government. The Committee are also of the considered view that for enabling a suitable joint venture formation, it would be a prudent measure to strengthen the financial position of the Company first and then turn it into a viable entity. The Committee also recommend that the Government should support the Company by equity participation through conversion of plan and non-plan loans into equity instead of merely extending Government loans to the Company.

RECOMMENDATION NO. 7

PROCUREMENT OF SALT FOR DISTRIBUTION UNDER ANTYODAYA SCHEME

The Committee note that the Government intends to procure 4 MT of edible salt from HSL and its subsidiary SSL for distribution under the 'Antyodaya Scheme'. The Committee understand that procurement of the requisite quantity of salt for distribution under the 'Antyodaya Scheme' would enable the two companies to come out of the red. The Committee have been informed that HSL is in constant touch with the Ministry of Civil Supplies and Consumer Affairs in the matter and that appropriate action would be taken on supplying the salt as and when the Government decides on the distribution pattern of scheme. Considering the fact that materialisation of the scheme would mainly benefit the common people more than the two companies, the Committee expect the Government to act expeditiously in the matter. The Committee also recommend that the Public Distribution System all over the country should be directed to distribute the quality iodised salt produced by this Public Enterprise to benefit the consumers in both the rural and urban areas.

RECOMMENATION NO. 8

ENCROACHMENT OF LAND BY PRIVATE PRODUCERS

The Committee observe that as much as 2616 acres of land belonging to Sambhar Salts Ltd has been encroached upon by the private salt producers and the bore-wells dug by the private operators has resulted in a reduction in the availability of brine in the entire area, thereby affecting the salt production of the Company. What surprises the Committee even more is the fact that although the matter was taken up by the Company with the State level functionaries concerned, no action has been taken to recover the encroached land. Given the gravity of the situation, the Committee expect the Government to have the matter thoroughly investigated so as to restore the encroached land to the rightful owner viz., Sambhar Salts Ltd., and the guilty, including erring officials, if any, be brought to book. The Committee also expect to be kept apprised of the details of the action taken in the matter.

RECOMMENATION NO. 9

PENSION FUND TRUST

The Committee note that at the time of formation of Hindustan Salts Ltd., the Government of India had decided to absorb the employees of the Salt Department in the services of HSL on certain terms and conditions, which inter-alia, includes payment of pension and family pension on superannuation as per their terms of absorption. To ensure that such employees get pension regularly, a Pension Fund Trust was created, as such employees are not covered under Employees Provident Fund and Miscellaneous Provisions Act. The Committee have been informed that the pension trust liability at present is Rs.100 lakh per annum. The existing loan of Pension Fund Trust is Rs.6.51 crore and the total interest liability is Rs.6.17 crore. The Committee understand that the Company has submitted a proposal to the Government to take over the Pension Fund Trust and its liabilities at present as well as for future. The Committee recommend that the Government should take over the Pension Fund along with all the liabilities, as requested by the Company in view of the poor financial condition of the Company.

RECOMMENATION NO. 10

TAX HOLIDAY

The Committee have been informed that the Hindustan Salts Ltd. has submitted a proposal to the Union Government to grant a tax holiday on Central Excise Duty for a period of five years due to the earthquake. The Company has also approached the State Government to allow exemption from Sales Tax due to the earthquake. The Committee recommend that Union Government should grant the tax holiday in respect of the Central Excise Duty as requested by the Company, keeping in view the poor financial health of the Company. The Committee also recommend that the Union Government should take up the matter regarding Sales Tax exemption with the State Government at the highest level immediately.

RECOMMENATION NO. 11

ANTI DUMPING DUTY ON BROMINE

The Committee note that the profitability of Bromine manufacture has been declining from 1996-97 onwards and one of main factors that has affected the profitability of the Company is the heavy import of Bromine into the country due to the liberalisation policy. The Committee feel that there is a strong case to protect the domestic industry by imposing suitable countervailing import duty on this product and they recommend that the Ministries concerned should examine this matter urgently to decide about the quantum of duty to be imposed in this financial year itself.

RECOMMENATION NO. 12

IMPLEMENTATION OF VRS

The Committee note that Hindustan Salts Ltd. has identified 100 employees and workers as surplus and they are required to be extended an attractive Voluntary Retirement Package, so that the Company can be run on profits. The Committee recommend that VRS should be offered to the identified excess manpower in this financial year itself and the Government should provide necessary financial assistance to the Company to meet the expenses on VRS.

RECOMMENATION NO. 13

NEED TO ENTER INTO TRADING ACTIVITIES

The Committee note that at present HSL is mainly concentrating on production of salt, bromine and other products and the Company has not entered into trading activities in a big way which could improve its sales performance to a great extent. In view of the need to increase the profitability of the Company, the Committee recommend that the Company should change its strategy by entering into trading activities, as there is potential for enhancing the sales performance in the salt sector form the current 60,000 MT to about 1.5 lakh MT per annum. The Committee also recommend that serious efforts should be made to enter into export agreements for sale of edible salt, so that the potential in this area is fully tapped to increase the margin of profits. The Committee also desire that the Company should launch its own brand of products in the market and should attract the customers through attractive packaging of the products.

RECOMMENATION NO. 14

NEED FOR UNDERTAKING R&D ACTIVITIES

The Committee note that at present no Research and Development activities in salt has been undertaken in the Company. The Committee feel that there is an urgent need to make improvements through R&D to meet the specific requirements of the industries such as Membrane Cell Technology based Chloralkali Plants and utilisation of waste products. Since HSL is the flagship salt manufacturer in the country, it is appropriate that concrete measures are taken by the Company to undertake necessary R&D activities immediately. The Committee, therefore, recommend that HSL should draw up a plan in this regard with sufficient financial allocations in this current financial year itself.

ANNEXURE - I

**TOUR PROGRAMME OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS TO JAIPUR, JODHPUR, UDAIPUR AND MUMBAI
FROM 4TH TO 9TH OCTOBER, 2001 AS ACTUALLY PERFORMED**

(MEMBERS ASSEMBLED AT JAIPUR)

DATE & DAY	TIME	VISIT & DISCUSSION
4.10.2001 (Thursday)	1200 hrs	Discussion with the Officers of Gas Authority of India Ltd.
	1600 hrs	Discussion with the Officers of Hindustan Salts Ltd.
	1730 hrs	Discussion with the Officers of Instrumentation Ltd.
(NIGHT HALT AT JAIPUR)		
5.10.2001 (Friday)	0530 hrs	Departure for Jodhpur by CD-7471
	0800 hrs	Arrival Jodhpur
	1100 hrs	Discussion with the Officers of National Mineral Dev. Corp.
(NIGHT HALT AT JODHPUR)		
6.10.2001 (Saturday)	0700 hrs	Departure for Udaipur by CD-7471
	0920 hrs	Arrival Udaipur
	1600 hrs	Discussion with the Officers of Hindustan Zinc Ltd.
(NIGHT HALT AT UDAIPUR)		
7.10.2001 (Sunday)	0900 hrs	Visit to Zawar Mines / Smelter Units of Hindustan Zinc Ltd.
(NIGHT HALT AT UDAIPUR)		
8.10.2001 (Monday)	0800 hrs	Departure for Mumbai by CD-7471
	1050 hrs	Arrival Mumbai
	1500 hrs	Discussion with the Officers of Videsh Sanchar Nigam Ltd.
	1630 hrs	Discussion with the Officers of General Insurance Company Ltd.
(NIGHT HALT AT MUMBAI)		
9.10.2001 (Tuesday)	0900 hrs	Discussion with the Officers of Indian Petro Chemicals Ltd.

DISPERSAL

ANNEXURE - II

COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
WHICH VISITED JAIPUR, JODHPUR, UDAIPUR AND MUMBAI
FROM 4TH TO 9TH OCTOBER, 2001

MEMBERS, LOK SABHA

1. Prof Vijay Kumar Malhotra, Chairman
2. Shri Prasanna Acharya
3. Prof. S. P. Singh Baghel
4. Shri Sudip Bandyopadhyay
5. Shri Ram Tahal Chaudhary
6. Shri K. E. Krishnamurthy
7. Shri Vilas Muttemwar
8. Shri Tarit Baran Topdar

MEMBERS, RAJYA SABHA

9. Shri K. Kalavenkata Rao
10. Shri Jibon Roy
11. Shri B P Singhal
12. Smt Ambika Soni
13. Shri C. P. Thirunavukkarasu
14. Shri Ranjan Prasad Yadav

SECRETARIAT

1. Shri S Bal Shekar, Director
2. Shri T G Chandrasekhar, Assistant Director
3. Shri P N Mishra, Pvt. Secretary
4. Shri Tirthankar Das, Sr Executive Asstt

ANNEXURE III

LIST OF OFFICIALS OF HINDUSTAN SALTS LIMITED WHO WERE
PRESENT DURING DISCUSSION WITH THE COMMITTEE ON PUBLIC
UNDERTAKINGS AT JAIPUR ON 04.10.2001,

- | | | |
|----|------------------------------|------------------------------|
| 1. | Air Cmdr J S Kato VSM (Retd) | Chairman & Managing Director |
| 2. | Shri M.P. Parakh | General Manager (Commercial) |
| 3. | Shri H C Dadheech | General Manager (Works) |
| 4. | Shri Dwarakesh Shukla | General Manager (Works) |
| 5. | Shri Arvind Kumar | General Manager (Works) |