

LOK SABHA

Tuesday, June 22, 1971/Asadha 1, 1893 (Saka)

The Lok Sabha met at Eleven of the Clock

[MR. SPEAKER in the Chair]

ORAL ANSWERS TO QUESTIONS

Issue of Licences for setting up of an Automobile Tyre Factory in Kerala

*634. SHRI M. K. KRISHNAN : Will the Minister of INDUSTRIAL DEVELOPMENT be pleased to state the progress made in regard to the issuing of licence for setting up of an automobile tyre factory in Kerala ?

THE MINISTER OF INDUSTRIAL DEVELOPMENT (SHRI MOINUL HAQUE CHOUDHURY) : A Letter of Intent has been given to Messrs. Ruby Rubber Works Ltd. Changanachery (Kerala) on 25-11-1970 for a new undertaking to manufacture automobile tyres and tubes with an annual capacity of 3 lakh numbers each in Kerala State.

SHRI M. K. KRISHNAN : May I know from the Minister when M/s. Ruby Rubber Works Ltd. will start production ?

SHRI MOINUL HAQUE CHOUDHURY : Sir, the position is somewhat like this. They have appointed a General Manager for the project. They have also appointed M/s. Atkins Pvt. Ltd., Calcutta for preparation of techno-economic feasibility report. They have also indicated that there has been considerable delay in the finalisation of the report and the same was expected to be ready by the end of May, 1971. The company have also requested the Government of Kerala to allot a plot of approximately 100 acres of land. Therefore, it is in preliminary stage and it is difficult to say when they will come into production. In the mean time the firm has asked for extension of validity period of the Letter of Intent for one

year and that is under consideration of the Government.

SHRI V. N. P. SINGH : Will the hon. Minister tell us while issuing the Letter of Intent has target for production been fixed ?

SHRI MOINUL HAQUE CHOUDHURY : A target was fixed for the company at three lakhs numbers of tyres and tubes each.

Loss incurred to Heavy Electricals (India) Limited, Bhopal

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*635. SHRI FATE SINGH RAO GAEL-
KWAD :
SHRI M. M. JOSEPH :
SHRI BHOGENDR JHA :

Will the Minister of INDUSTRIAL DEVELOPMENT be pleased to state :

(a) whether the state-owned Heavy Electricals (India) Limited, Bhopal has incurred a heavy loss ;

(b) if so, the loss suffered by the factory during the last three years, year-wise ; and

(c) the reasons for the loss and the steps taken by Government to make it a profitable concern ?

THE MINISTER OF INDUSTRIAL DEVELOPMENT (SHRI MOINUL HAQUE CHOUDHURY) : (a) to (c). A statement is laid on the Table of the House.

Statement

Heavy Electricals (India) Limited, Bhopal has been incurring losses in the formative years since it went into production from 1961-62. The losses incurred during the years 1968-69 and 1969-70 were Rs. 5.84 crores and 7.75 crores respectively. According to provisional estimates the total loss for the year 1970-71 is likely to be Rs. 5 crores. The recurrence of

these losses is attributable partly to the nature of the plant which is a manufacturing complex with a long gestation period and partly to the sophisticated nature of the heavy electrical equipment manufactured. This fact was recognised in the Detailed Project Report (DPR) prepared by the foreign consultants as per which cumulative losses up to Rs. 27 crores approximately were anticipated.

The noticeable increase in losses during 1969-70 is mainly due to labour strike during July-September, 1969, and persistent go-slow tactics resulting in a shortfall in production to the extent of Rs. 5 crores. In the D.P.R. it was also anticipated that it would take at least eight years to achieve full production in the factory. These eight years up to 1969-70 were, therefore, expected to constitute a period of abnormally high overall production costs when it could not be expected that the project could be free from losses. The plant now expects to break even in 1973-74. This delay in achieving break even point is to a considerable extent attributable to the fact that the Government as a result of review of country's requirements of heavy electrical equipment carried out by the Planning Commission, decided in 1960 to double the output of the factory from original level of output of Rs. 12.5 crores as per DPR to Rs. 25 crores per annum in two shift working. The scope of the project was further increased to Rs. 33.65 crores per annum as a result of changes in the size of the individual transformer units and water turbines and increased output in the traction and transformer departments. In addition to this Government decided to undertake manufacture of additional items like steam turbines, and generators which were not originally in the project as per D.P.R.

The Government is fully alive to the situation and the working of the company is under constant review in consultation with the management. The Minister of Industrial Development who visited the unit, has shown his extreme concern and given instructions to the management to improve performance including the need for efforts to achieve break-even by 1971-72. Steps initiated to improve the efficiency of working of the company include :—

- (i) Strict control on fresh recruitment through an elaborate system of manpower planning ;

- (ii) Divisionalised organisational structure with a view to rendering management controls more effective ;
- (iii) Special short term production drives with associated awards to boost production ;
- (iv) Incentive scheme to improve productivity ;
- (v) Product diversification and standardisation ;
- (vi) Application of modern techniques of inventory control ;
- (vii) Adoption of modern management tools in planning and controlling long cycle manufacturing operations ; and
- (viii) Regular dialogue between management and workers to improve industrial relations.

SHRI FATESINGHRAO GAEAKWAD :
Obviously the Ministry is not living up to its name. May I know what are the total losses of this company since its inception and when does the Ministry expect that the entire capital will be wiped out ?

SHRI MOINUL HAQUE CHOUDHURY :
The total loss till now is about Rs. 56 crores. We are taking all possible steps so as to get rid of this position.

SHRI FATESINGHRAO GAEAKWAD :
I do not think that is satisfactory answer. Among reasons stated I do not find the normal reasons which the Opposition seem to find—i.e. corruption and redtapism. Will the Minister subscribe to my opinion that two of the other reasons for this continued loss year after year is corruption and redtapism ?

SHRI MOINUL HAQUE CHOUDHURY :
During my visit to Bhopal certain cases of corruption and redtapism were brought to my notice. I have taken steps for enquiry into those cases. Till I get a report it will be difficult for me to commit that there is corruption. One such specific case was brought, of course. There was corruption. But one odd case would not justify there is large-scale corruption in the unit. So far as redtapism is concerned, certain

cases were brought to my notice. I have ordered an inquiry and am myself looking into the matter.

SHRI INDRAJIT GUPTA : There are reports to the effect that the foreign consultants, namely, GEC, AEI, the British concern, have not rendered that satisfactory service as was expected from them. I would like to know whether it is a fact that particularly with regard to the manufacture of turbines and generators, the technological difficulties which have arisen and difficulties in the supply of components and so on can be ascribed to the poor performance of these foreign consultants. I would also like to know whether the consultancy agreement, which was due to expire in November last year, has been renewed or not.

SHRI MOINUL HAQUE CHOUDHURY : The consultancy agreement with the firm, it is true, expired on the 16th November, 1970 and the same has not been renewed thereafter. The company has, however, entered into separate agreements with these consultants for the manufacture of some lines of sophisticated equipments like steam turbines for the Delhar project and nuclear turbines for the Madra: atomic power project. They have no other collaboration with them.

SHRI INDRAJIT GUPTA : I wanted to know how far the technological difficulties which have arisen and the lack of supply of components and so on are due to the unsatisfactory performance of these foreign consultants.

SHRI MOINUL HAQUE CHOUDHURY : There are no such reports that it is due to the unsatisfactory performance of the consultants, but one thing was brought to my notice that they were not getting certain materials from the foreign consultants about which they had asked for. I had asked for a report about it and the detail proposals on behalf of Heavy Electricals.

SHRI BHAGWAT JHA AZAD : From part (c) of the statement it is not clear as to what are the precise reasons for this huge loss of Rs. 56 crores. Unless these areas are located specifically and the reasons found out, how will the Minister be able to redeem this and make it profitable ?

SHRI MOINUL HAQUE CHOUDHURY : Even initially, when this project report was prepared, that is, even before setting up this industry, it was known that it would suffer loss for nine years.

AN HON. MEMBER : Ninety years ?

SHRI MOINUL HAQUE CHOUDHURY : Not ninety years but nine years, I would not live so long to see it. According to the estimate made then, as against an output of Rs. 5,699 lakhs, the loss would have been Rs. 2,726 lakhs. But in the mean time Government revised the target upwards and brought in certain new items to be manufactured in this project. The result is that actual output was Rs. 8,858 lakhs as against which we had suffered a loss of Rs. 5,150 lakhs by 1969-70. Therefore, it is obvious that because of the revised target, the loss would be higher than what was anticipated originally. But after the targetted break-even period, the loss should have been reduced, but it is not. That is worrying me. Therefore, I am not satisfied personally.

श्री अटल बिहारी वाजपेयी : अध्यक्ष जी, क्या यह सच है कि हैवी इलेक्ट्रिकल्स में हम जो सामान मंगा रहे हैं उसकी कीमत उसी तरह का जो सामान बाहर से मंगाया जाता है उससे ज्यादा है? और अगर ज्यादा है तो इसकी क्या वजह है, और कीमत कम करने के लिये क्या कोशिश की जा रही है?

श्री मोईनुल हक चौधरी : मुझे ऐसी कोई रिपोर्ट नहीं मिली। बल्कि मुझको यह रिपोर्ट दी गयी है कि हम लोगों को कम कीमत पर मिल रहा है हैवी इलेक्ट्रिकल्स वगैरह में।

Industries reserved for Development in Small-scale Sector

*636. **SHRI JYOTIRMOY BOSU :** Will the Minister of INDUSTRIAL DEVELOPMENT be pleased to state :

(a) the orders under which some industries have been reserved for exclusive development in small-scale sector ;

(b) the names of industries reserved for exclusive development in small-scale sector ;