CHAPTER - VI

SUMMARY AND FINDINGS
The Indian Steel Industry has ushered in a marked change in the trade and industrial policy during the last six years. Price and distribution controls were removed in case of a majority of products, import duties on iron and steel products have been brought down successively in post-liberalisation period. Import duty on pig iron has been reduced from 35 per cent to 20 per cent, billets from 45 per cent to 30 per cent and on HR coils from 45 per cent to 30 per cent advalorem. As a result, steel prices have tended to be stable as they have moved in a narrow range and have increased by 2 to 6 per cent. During 1992-93, the production of saleable steel by the integrated steel plants stood at 11.28 million tonnes recording an increase of 6.7 per cent over 1991-92. While during 1992-93 the total production of finished steel by the integrated steel plants went up by 5.8 per cent and pig iron by 12.8 per cent. The output of finished steel in the secondary sector increased by 5 per cent.

In 1992-93, exports of iron and steel got at 9.1 lakh tonnes which was valued at Rs. 708 crores registering a substantial increase of 135 per cent in
value terms over 1991-92. During 1992-93, the imports despite liberalisation, had declined. But during April-September 1993 the production of saleable steel main producers) had gone up by 6.5 per cent and pig iron by 7.8 per cent over the corresponding period of 1992. The production of finished steel by main producers went up by 3.3 per cent during the period April-September 1993-94. However, the total production of finished steel during the first six months of 1993-94 showed a marginal decline of 0.9 per cent mainly due to decline in secondary sector production and demand recession. During April-September 1993, the consumption of steel declined by 4.7 per cent mainly due to sluggish growth in capital goods industry and machinery. During the first half of the year 1993, the exports of iron and steel products increased by 180 per cent, rising to a level to a level of Rs. 845 crores in 1994 and over Rs. 301 crore in 1992-93.

The performance of the Indian Steel Industry has been recorded to be dismal during 1995-96. During fiscal year 1996-97 the steel majors may not be able to show any growth in their profitability. Instead, they might and the year with a much ended bottomline as compared to the last fiscal year 1995-96 withstanding the reported high production.
The half yearly profits of steel companies have shown a decline during the fiscal year 1996. During the first half of the fiscal year the Steel Authority of India Ltd. had shown a marginal decline as compared to the corresponding period in the previous fiscal year 1995 while in the case of ESSAR and Lloyds, it came down considerably. The rising input costs and stagnation in demand from certain market segments, drastic fall in the prices of HR & CR Coils in the international market, besides the continuing liquidity crunch are severely affecting the bottomline of majority of the domestic steel producers.

Analysts point out that the sluggish nature of the steel market appears to be the key determinant to the performance of the steel giants. The international prices of CR coils and plates have declined from a high of around $ 590 per tonne in June 1995 to a low $ 425 and $ 405 per tonne respectively in December last. The HR coils prices have also declined from a high of $ 435 tonne in June 1995 to $ 310 in December last. The depressed demand in the international market has not only kept the prices down but has also reduced the scope of maintaining higher sales through increased volume of exports.
The HR coil market has seen the entry of TISCO and ESSAR - Steels in 1996. Pig iron has been the other area of concern during the current fiscal year 1996. The poor off take of pig iron has led to an inventory pile up in the steel plants. Reduction in customs duty and increase in excise duty have also led to increased imports.

During the current fiscal year 1996 the prices of coking coal have gone up by over 27 per cent while the prices of petroleum products increased between 15 and 25 per cent, railway freight by 10 per cent, special customs duty by two per cent and power tariff by Madhya Pradesh and Orissa Electricity Boards by 16 per cent. The likely impact of this increase is going to be around Rs. 430 crores for the last fiscal year 1996 alone.

High Cost of funds is the other reason of the unsound financial health of steel majors. This is likely to have an impact of Rs. 200 crores in terms of interest and finance charges in the year 1995 for SAIL alone. The provision for MAT at Rs. 54 crore (April-September 1996) in the case of SAIL has further ended its profits figures. Naturally, upward revision of steel prices is called for neutralising the adverse
effect of these hikes as well as higher wages for employees. However, steel producers are in a piquant situation. To maintain their profitability, they have no option but to increase the price, but they are in no position to do so in the wake of current international prices.

In fact, the liquidity crunch has led to a higher rate of interest on working capital. Increased borrowing costs have also forced the steel consumers to bring down their input inventory. Moreover, the construction sector has not done well in the current fiscal year 1996. With the slump in the export market of hot rolled products, the competition in the domestic market has intensified. As a result, the profit of steel majors is likely to come down drastically (due to lower realisation per tonne) from that recorded in 1995-96.

In response to the depressed market conditions, the Rs. 16,000 crore turnover of Public Sector Steel Major, the Steel Authority of India Limited, has, for the first time, shut down two of its blast furnaces at Bokaro and Bhilai Steel Plants. The attempt was to cut costs so that profit margins are maintained at a reasonable level. Closing down the blast furnaces will
reduce the production of pig iron and cut the consumption of coal. The reduction in coal consumption would help the company save around Rs. 100 crores.

In another cost-cutting measure, the company has reduced the number of shifts in the plate mill in the Bhilai Steel Plant as both the domestic and the international markets for plates is experiencing a downswing. Apart of the short term measures being adopted by the company to cut costs, the reduction in coal consumption would help the company save Rs. 80 crores to Rs. 100 crores. To make up for the loss in production suffered by the company due to the shutdown of the two blast furnaces, the company is increasing the production and efficiency of other furnaces in Bhilai and Bokaro Steel Plants. To orient itself better to the market, the public sector major has undergone a change in product mix also. While decreasing the production of plates it has increased the production of rail as the market of rails is good. The continuous investment in modernisation of facilities to increase their productivity and efficiency, reducing coal consumption, energy consumption and improving quality will be guiding factors in enabling the steel manufacturers to withstand competition. The market has been down, input costs have
increased by over 20 per cent, margins have come down and most of the players are saddled with huge inventories.

Most of the Steel majors were aware that situation would get worse and had already started adopting measures in the third quarter of 1995-96 itself. A few months back SAIL had shut down its Purnapani, and Bhawnathpur limestone mines because of declining productivity at the two mines along with a sharp drop in the quality of output. The company had also suspended production at the fish plate mill of Durgapur Steel Plant and the hot roll dynamo mill at the Rourkela Steel Plant.

Steel Authority of India Limited has achieved tremendous feat of multifarious nature in steel making over the years. Now, SAIL produces varieties of products occupying the tenth position as a steel maker in the world and one of the giant Public Sector Enterprises in the country. Today, SAIL has, under its aegis, six integrated steel plants with the seventh one coming up and 160 odd mini steel plants. The economic liberalisation process started in 1991 is gradually taking the country towards market driven economy.

The numerous economic reforms packages have spurred SAIL to meet the challenges head on. SAIL has
increased its sales and market share by reducing costs, increasing production and productivity and improving marketing and management. It is now fully equipped with the modern and sophisticated technology yielding variety of benefits to all the segments of the society.

This all testifies to the internationally competitive nature of this sector. The competitive pressures are likely to increase with further trade policy reforms. It is to be hoped that the industry which has access to the source of best quality iron ore from domestic mines and also substantial proportion of cooking coal, will improve its efficiency and protect and erosion of its market share. The problem of the secondary steel producers have intensified due to a rise in international price of steel scrap and greater competition from integrated steel producers which have been freed of price controls. This will necessitate a restructuring of this segment which will raise efficiency levels and reduce costs in the sector.

The present thesis deals with the determination social cost benefit analysis of SAIL. A comparative study with TISCO an other giant in private sector has been made to make the study more meaningful and worthwhile. From the comprehensive review of literative
on the varied aspects and facets of the concepts of social cost benefits analysis it has been conclusively observed that the concept advocated by UNIDO and OECD is more appreciate to measure the social cost benefits in SAIL and TISCO.

UNIDO and OECD advocate that social cost benefits in an organisation should be measured in terms of social cost benefit to employees, social benefit and cost to community and social benefits and cost to the general public. Such kinds of parameters to be used for the measurement of social cost and benefits associated with the organisations generally include employment potential, capital-output ratio, cost-benefit ratio, cost of labour etc.

For the present study the parameters applied to measure the social cost benefit in SAIL include social benefits and cost to employees which has been sub-divided into the cost incurrence on medical and hospital facilities, township and housing facilities including electricity and water supply, education facilities, canteen facilities, recreational and concessional transport, training and development programme, holidays benefits, retrenchment benefits and bonus and other benefits. The other parameters applied
to determine the social cost and benefit in SAIL are the social costs to employees which comprise lay-off, voluntary retirement, extra hours marked by executives but not paid. The third parameter used for the purpose relate to social benefits to community which includes taxes paid to local authorities, environmental improvements, welfare activities for the community, generation of job potential and business generation for community. The social cost to community is yet another significant parameters to measure the social cost benefit in SAIL which includes expenditure on better living condition of the people in the vicinity of the steel plants.

The social benefits to general public includes taxes and duties of the central, and State Governments, business generation, foreign exchange earned foreign exchange saved and the money spent on Research and Development efforts, and the parameter for social cost to general public are the Central and State services and facilities consumed, expenditure in foreign exchange etc. Social Balance Sheet has also been prepared alongwith the analytical study of various welfare measures. Comprehensive analytical accounts regarding social amenities including employees
remuneration and benefits, consumption of stores and spares and medicines, repairs and maintenance, power and fuel, staff welfare, coke subsidy and miscellaneous expenses have also been given.

The study, based on the parameters explained in the foregoing paragraph, clearly reveal that the SAIL has been making enough provision for the employees benefits in terms of welfare of the society and development of social infrastructure including township development, promotion of education and medical benefit etc.

The study as regards employment cost and benefits of SAIL reveals that there has been an overall rising trend in terms of average number of employees, average wages per-employee per annum and average cost of an employee per annum. However, the average number of employees has witnessed a declining trend. In fact, SAIL, as also many other PSUs, has adopted the policy of Voluntary Retirement Scheme (VRS) in view of the over-staffing resulting in the reduction of number of employees.

Regarding Human Resources Accounting SAIL has adopted the economic valuation method. The human resources including all the classes of personnel such
as executives, supervisors, clerical staff, skilled, semiskilled and unskilled workers in different age groups have received all sorts of benefits in respect of promotion, training etc. SAIL has also been pursuing the policy of employment generation as one of the vital objectives of the Public Sector Enterprises in consonance with the directives of the Central Government.

By and large the discussion related to the social cost benefit analysis in SAIL reveals that it has been consciously taking care of the social development of its employees, deploying sizeable amount of fund in making provisions for medical and hospital facilities, township and housing facilities and other social amenities. SAIL has also taken up a number of welfare measures, for the promotion and development of employees, community and the public at large.

SAIL also spent great deal of funds on environmental programme, generation of job potentials and a lot of business avenues for the community. The growth and development of the Scheduled Casts and Scheduled Tribes and weaker sections, of the society also get priority in SAIL's agenda to develop the social sector of the economy. In providing all these social amenities
and benefits, SAIL incurs fairly good deal of money. The study has revealed that SAIL's social income far exceeds the social cost resulting in net social income in terms of the parameters applied.

The comparative study as regards the social cost benefits analysis in TISCO and SAIL reveals that both these companies have been rendering social benefits to their employees in terms of making provision for the power and fuel. However, the analysis has brought forth that TISCO seems to have been adjusting its price index mechanism whereas SAIL has not done so because of the beaucratic hindrance, political interference and lack of autonomy. Both the companies, as the present study revealed, have been spending enormous amount of money on social amenities. However, on account of dissimilarity in nature, size and pattern of ownership, SAIL following central directives rules and regulation regarding spending on differents heads of social groups, has not been able to attain as much growth rate in various cost components of social amenities as TISCO. On the contrary, TISCO does not seem to have taken much care of the weaker sections, specially SCs/STs and OBCs.

Adhering to the Central Government directives with regard to the reservations, relaxations and
concessions, for SCs/STs and OBCs in the sphere of recruitment, training and promotion, SAIL has taken enough care for their growth and development. So far as the other socio-cultural welfare activities are concerned, both the companies have fully recognise their responsibilities to the community. Environment management and pollution control have been adopted by these two companies as thrust areas of their social operation. Out-dated and pollution causing processes are being replaced by modern technology.

In nutshell it may be concluded that both the companies, although different in nature, size and ownership have, among their objectives, the promotion and growth of the national economy through increased productivity, effective utilisation of materials and manpower resources and continuous application of modern, scientific management techniques in keeping with the national aspirations with respect to consumers, employees shareholders, society and the local community.

In the wake of the liberalisation and market orientation of Indian economy many changes have taken place in various sectors of the economy. Privatisation in the form of disinvestment of shares of the Public
Sector Enterprises, liberal entry of the Trans-National Corporation and Multi-National Corporation, in the economy in the name of inviting foreign capital and technology transfers are some of the measures to reckon with. Recently, Central Government has selected nine PSUs, known as "Navaratnas", for granting them enough autonomy in the matters of raising fuels so that they may go global and become internationally competitive. Standard parameters of social cost benefit analysis should be specified by the Central Government for the public as well as private sector enterprises. These parameters should be made obligatory and binding on both the sectors.

In view of the charges of far-reaching consequences which have taken place since 1991, it is hereby suggested that the Government of India comes out with clear-cut policy measures in connection with the preparation of Social Accounts. These parameters should include at least Social Income Statement and Social Balance Sheet to make various interested parties aware of the social responsibilities undertaken by the business enterprises and the costs incurred thereon.

In view of the entry of MNC's and TNCs in Indian economy, there is a major question mark as to
whether they will invest in social sector or not. It is, therefore, suggested that the Central Government should come out with a clear-cut policy of social sector investment by these foreign companies. A clear clause under the Companies Act, incorporated directing the TNCs & MNCs to earmark a certain percentage of their profits to be deployed for the growth and development of the social sector of the economy.

The Planning Commission's decision to include social rate in the feasibility studies of the Public Sector Projects is a welcome step. In future, the Government should accord priority to a socially beneficial projects in the private sectors. For such projects the Government should grant liberal licences and accord speedy approvals. It will go a long way in promoting the social sector of India with equity and justice.