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STANDING COMMITTEE ON COAL AND STEEL (2006-2007)

FOURTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS (2007-08)

TWENTY FIFTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 2007/*Vaisakha*, 1929 (*Saka*)

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Presented to Lok Sabha on 27.4.2007
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ON COAL AND STEEL (2006-07)

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3. Shri A.K. Singh	—	*Director*
4. Shri Shiv Singh	—	*Deputy Secretary*
5. Shri T. Mathivanan	—	*Senior Committee Assistant*

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Twenty-Fifth Report (Fourteenth Lok Sabha) on Demands for Grants (2007-08) of the Ministry of Steel.

2. The Committee took evidence of the representatives of the Ministry of Steel on 3rd April, 2007.

3. The Committee wish to thank the representatives of the Ministry of Steel who appeared before the Committee and placed their considered views. They also wish to thank the Ministry of Steel for furnishing the replies on the points raised by the Committee.

4. The Committee in their sitting held on 26th April 2007 considered and adopted the Report.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI;
26 *April,* 2007
6 *Vaisakha,* 1929 *(Saka)*

DR. SATYANARAYAN JATIYA,
Chairman,
Standing Committee on Coal and Steel.

CHAPTER I

INTRODUCTORY

Steel is the most important engineering and construction material in the world. The consumption of steel is an indicator of economic development of the country. It reflects growth in infrastructure and maturing of the manufacturing industry of a nation. An industry like steel has strong forward and backward linkages with other sectors of the economy. Therefore, its own growth pattern cannot remain uninfluenced by what happens in other sectors of the economy.

1.1 India is the 7th largest producer of steel in the world, and has to its credit, the capability to produce a variety of grades and that too, of international quality standards. In the past Indian steel industry was operated under a regulatory regime, marked by controls in capacity, price and distribution and high levels of protection from international competition. Following liberalization of Industrial Policy, globalisation of Indian economy since 1991-92, steel sector is facing increasing competition. Global steel industry is currently in a state of position and the centre of growth both in terms of consumption and production. According to the International Iron and Steel Institute (IISI) the year 2006 was a particularly strong year for steel use with a growth of 8.5 per cent for world steel demand and steel demand worldwide will grow by a lower rate of 5.9 per cent in 2007 taking total global demand to 1179 million tonnes (mt), an increase of 65 mt over 2006. No deceleration in growth is foreseen in 2008 with a further increase of 6.1 per cent bringing the total for the year to 1250 mt. The boom in the global steel industry has paralleled the upbeat mood of the Indian economy. India's production grew at an average of 10 per cent per annum during the last three years, Apparent consumption of finished steel grew at 10.8 per cent last fiscal. In the current year as well similar growth is expected.

1.2 With a view to create enabling conditions for the Indian steel industry to expand its production base adequately in response to the anticipated increase in domestic and oversees demand in the coming decade, the Government announced the National Steel Policy 2005. The focus of the policy is to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity. This will require indigenous production of 110 mt per annum by 2019-2020 from the 2004-05 level of 38 mt, which implies a compounded annual growth of 7.3 per cent per annum.

1.3 It may be appreciated that the environment in which the steel sector operates and the role this sector has to play in sustaining the pace of economic development, calls for key promotional role for the Ministry of Steel to remove any bottlenecks in the availability of capital, raw materials, development of infrastructure and advising other Ministries and Departments concerned in formulating appropriate policy responses. The main functions of the Ministry of Steel are:—

(a) Formulation of policies in respect of production, distribution, prices, imports and exports of iron and steel and ferro alloys;

(b) Planning, development and facilitation of setting up of iron and steel production facilities;

(c) Development of iron ore mines in the public sector and other ore mines used in the iron and steel industry; and

(d) Overseeing the performance of Steel Authority of India Limited (SAIL) and its subsidiaries and of other Public Sector Undertakings/Government managed companies functioning in the iron and steel sector.

1.4 Under the administrative control of the Ministry of Steel, the following Public Sector Undertakings are functioning:—

(i) Steel Authority of India Ltd. (SAIL).

(ii) Kudremukh Iron Ore Company Ltd. (KIOCL), Bangalore.

(iii) National Mineral Development Corporation Ltd. (NMDC), Hyderabad.

(iv) Hindustan Steelworks Construction Ltd. (HSCL), Kolkata.

(v) MECON Ltd., Ranchi.

(vi) Manganese Ore India Ltd. (MOIL), Nagpur.

(vii) Sponge Iron India Ltd. (SIIL), Hyderabad.

(viii) Bharat Refractories Ltd. (BRL), Bokaro.

(ix) Rashtriya Ispat Nigam Ltd. (RINL), Visakhapatnam.

(x) MSTC Ltd., Kolkata.

(xi) Ferro Scrap Nigam Ltd. (FSNL—a subsidiary of MSTC Ltd.), Bhilai.

(xii) Bird Group of Companies (a Government managed Company), Kolkata.

1.5 The Ministry of Steel has presented the Demands for Grants No. 90 to the House on 19.3.2007. The Ministry has highlighted the Relativity of Outcome Budget (2007-08) with policy initiatives that the schemes proposed to be undertaken by the Ministry and PSUs during the year 2007-08 like Scheme for Promotion of Research and Development (R&D) in Steel Sector, Coke Oven Plant, Ductile Iron Spun Pipe, Rebuilding of Coke Oven Battery, technological upgradation, installation of new slab caster and AMR schemes that would increase the production capacity and bring down the cost of production.

1.6 The Committee's recommendations/observations as detailed in the succeeding paragraphs relate to implementation of the plans/ projects of the PSUs/Organisations under its administrative control. The Ministry should ensure proper utilization of allotted funds and recommendations/observations of the Committee should be taken into consideration while implementing plans/projects.

1.7 The Committee note that the steel industry has an important role to play in the development of economy. The Steel sector's sustained growth is one of the vital prerequisites for attaining the level of GDP growth envisaged in the 11th Plan. The Committee observe that with rising GDP growth, steel consumption and production are expected to grow further. The Committee are happy to note that the Government have given due emphasis to the achievement of the objectives of the National Steel Policy (NSP) 2005 in the 11th Plan to make India globally competitive in terms of cost, quality and product-mix.

The Committee, therefore, desire the Ministry to take appropriate measures such as removing procedural bottlenecks in implementing the goals envisaged in NSP particularly the areas of critical raw material, creation of infrastructure and to explore and adopt alternative technologies to use indigenous coal. The Committee also desire the Ministry to monitor the implementation of NSP in close coordination with other Central Ministries and the State Governments.

CHAPTER II

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE SEVENTEENTH REPORT OF THE STANDING COMMITTEE ON COAL AND STEEL ON DEMANDS FOR GRANTS (2006-07) OF THE MINISTRY OF STEEL

The Parliamentary Standing Committee on Coal and Steel presented their Seventeenth Report on Demands for Grants (2006-07) of the Ministry of Steel on 23.5.2006. The Committee presented their Twenty-Second Report on Action Taken by the Government on the recommendations contained in the Seventeenth Report of the Committee. Out of 17 recommendations given by the Committee in their Seventeenth Report, 9 recommendations (Nos. 1, 2, 5, 6, 7, 11, 12, 13 and 14) were accepted by the Government. In respect of 2 recommendations (Nos. 9 and 17), the Committee did not desire to pursue in view of the Government's replies. In respect of 3 recommendations (Nos. 3, 8 and 16), the replies of the Government were not accepted by the Committee and in respect of 3 recommendations (Nos. 4, 10 and 15,) the replies of the Government were of interim nature.

2.1 The Committee hope that the Ministry of Steel will implement the recommendations in a time-bound manner which the Committee made in their Action Taken Report. The Committee desire that the Ministry should furnish final replies to the recommendations (Nos. 4, 10 and 15) which were categorised as of interim nature. The Committee would like to be apprised of the action taken in this regard.

CHAPTER III

ANALYSIS OF DEMANDS FOR GRANTS (2007-08)

The Ministry of Steel has presented Demands for Grants No. 90 for the year 2007-08 to the Parliament. The Demand includes provision for Plan and Non-Plan expenditure under Revenue and Capital sections of the Ministry proper, attached/subordinate offices and Public Sector Undertakings under its administrative control. Budgetary Support (BS) is being provided to some of the financially weak and loss making PSUs under the Ministry of Steel. Internal and Extra Budgetary Resources (IEBR) is being raised by the profit making PSUs to implement various schemes. The details of Demands under Revenue and Capital sections are shown in **Annexure-I**. Various points arising out of the scrutiny of Demands for Grants of the Ministry are discussed in the succeeding paragraphs:—

(Rs. in crore)

Major head	Actuals 2005-06			Budget Estimate 2006-07			Revised Estimates 2006-07			Budget Estimates 2007-08		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
Revenue	—	77.15	77.15	—	84.50	84.50	—	321.11	321.11	1.00	84.50	85.50
Capital	15.00	—	15.00	45.00	—	45.00	46.73	51.90	98.63	65.00	—	65.00
Total	15.00	77.15	92.15	45.00	84.50	129.50	46.73	373.01	419.74	66.00	84.50	150.50

3.1 The reasons as furnished by the Ministry for the variations between BE & RE 2006-07 and BE 2007-08 and actuals (both Budgetary Support and IEBR) are given below:—

"Budgetary Support

(i) Variation between BE 2006-07 & RE 2006-07

Non-Plan: Against Non-Plan provision of Rs. 84.50 crore in BE 2006-07, Rs. 373.01 crore has been made in RE 2006-07. The variation of Rs. 288.51 crore is due to the additional allocations in RE 2006-07 for the following:

(a) Rs. 0.60 crore-to meet additional requirement of 'Salaries' due to upward revision in the pay scale of Assistants and Personal Assistants w.e.f. 15.9.2006;

(b) Rs. 51.90 crore-as Non-Plan loan to Hindustan Steelworks Construction Ltd (HSCL) & Bharat Refractories Ltd (BRL) for payment of outstanding statutory dues, salaries & wages;

(c) Rs. 70.22 crore-for waiver/write-off of penal guarantee fee to Steel Authority of India Ltd (SAIL); and

(d) Rs. 165.79 crore-for Non-Plan grants-in-aid to HSCL for liquidation of outstanding income tax liability, including interest on the outstanding income tax.

Plan: The Gross Budgetary Support for BE 2006-07 was Rs. 45 crore. It was revised in RE 2006-07 to Rs. 46.73 crore. The additional amount of Rs. 1.73 crore was provided for carrying out necessary accounting adjustments relating to conversion of outstanding Government loans and interest into equity in respect of MECON, as per the revival/restructuring package for MECON.

(ii) Variation between RE 2006-07 & BE 2007-08

As the actual figures of Plan and Non-Plan for 2006-07 has not yet been finalized, item-wise variations between BE 2007-08 and RE 2006-07, (both under Plan and Non-Plan), is given in the table below:

(Rs. in crore)

	Description	RE 2006-07	BE 2007-08
	1	2	3
A.	**Non-Plan**		
1.	Secretariat—Economic Services	10.49	11.62
2.	Development Commissioner for Iron & Steel, Kolkata	2.09	1.82
3.	Awards to Distinguished Metallurgists.	0.10	0.12
4.	Non-Plan loan to HSCL and BRL for payment of outstanding statutory dues, salaries & wages (Rs. 21.44 crore for HSCL and Rs. 30.46 for BRL)	51.90	0.00

	1	2	3
5.	Subsidy to Hindustan Steelworks Construction Ltd. for payment of interest on loans raised from Banks for implementation of VRS	56.39	56.02
6.	Subsidy to Hindustan Steelworks Construction Ltd. for waiver of Guarantee Fee for the Guarantee given by GOI for cash credit/bank guarantee and VRS loans	6.60	6.60
7.	Subsidy to BRL for waiver of guarantee fee	0.40	0.54
8.	Interest subsidy of MECON Ltd. for loans raised from banks for implementation of VRS and payment of statutory dues	3.90	6.03
9.	Subsidy to MECON Ltd. for waiver of guarantee fees for the guarantee given by GoI on VRS loan	5.13	1.75
10.	Waiver of guarantee fee to SAIL	70.22	0.00
11.	Grant-in-aid to HSCL for payment of outstanding income tax liability, including interest on outstanding income tax	165.79	0.00
	Total	373.01	84.50
B.	**Plan**		
1.	Equity investment in BRL for AMR Schemes	7.00	0.00
2.	Plan loan to BRL for AMR Schemes	0.00	1.00*
3.	Plan loan to HSCL for replacement/purchase of construction equipments & machinery	7.00	1.00*
4.	Equity investment in MECON, as per approved restructuring package for MECON	30.00	63.00
5.	Conversion of outstanding Govt. loans and interest of MECON, as on 31.3.2005, into equity, as per approved restructuring package	1.73	0.00
6.	Plan loan to Bird Group for AMR Schemes	1.00	0.00
7.	Scheme for promotion of R&D in Iron & Steel sector	0.00	1.00#
	Total	46.73	66.00

*Token provision in view of the proposed scheme for restructuring
#Token provision

IEBR

(i) Variation between BE 2006-07 & RE 2006-07

PSU-wise variations in IEBR between BE 2006-07 and RE 2006-07 is given in the table below:—

(Rs. in crore)

No.	Name of PSU	IEBR BE 2006-07	IEBR RE 2006-07
1.	Steel Authority of India Ltd. (SAIL)	1275.00	1275.00
2.	Rashtriya Ispat Nigam Ltd. (RINL)	1452.00	673.45
3.	Sponge Iron India Ltd. (SIIL)	5.00	1.10
4.	MSTC Ltd.	5.00	5.00
5.	Ferro Scrap Nigam Ltd. (FSNL)	11.80	17.00
6.	National Mineral Development Corporation Ltd. (NMDC)	150.00	150.00
7.	Kudremukh Iron Ore Company Ltd. (KIOCL)	200.00	38.00
8.	Manganese Ore India Ltd (MOIL)	48.50	68.32
9.	Bird Group of Companies (BGC)	25.00	13.00
	Total	3172.30	2240.87

From the above, it may be seen that IEBR of Rs. 3172.30 crore of the PSUs in BE 2006-07 has been reduced to Rs. 2240.87 crore in RE 2006-07. This reduction was primarily due to scaling down of Plan outlay by RINL and KIOCL. While RINL had revised IEBR outlay of Rs. 673.45 crore in RE 2006-07 *vis-a-vis* Rs. 1452 crore in BE 2006-07, KIOCL has revised IEBR outlay of Rs. 38 crore in RE 2006-07 *vis-a-vis* Rs. 200 crore in BE 2006-07.

(ii) Variation between RE 2006-07 & BE 2007-08

As the actual figures of IEBR for 2006-07 has not yet been finalized, PSU-wise variations in IEBR between BE 2007-08 and RE 2006-07 is given in the table below:—

(Rs. in crore)

No.	Name of PSU	IEBR RE 2006-07	IEBR BE 2007-08
1	2	3	4
1.	SAIL	1275.00	2641.00
2.	RINL	673.45	3056.70

1	2	3	4
3.	SIIL	1.10	5.00
4.	MECON Ltd.	0.00	3.00
5.	MSTC Ltd.	5.00	5.00
6.	FSNL	17.00	12.00
7.	NMDC	150.00	250.00
8.	KIOCL	38.00	75.00
9.	MOIL	68.32	65.00
10.	BGC	13.00	25.00
	Total	2240.87	6137.70

The increase of Rs. 3896.83 crore in BE 2007-08 *vis-a-vis* Rs. 2240.87 crore in RE 2006-07 is primarily accounted for by the increase in Plan outlay of SAIL and RINL in BE 2007-08".

3.2 The expenditure incurred in each quarter of 2006-07 against the allotment under Budgetary Support (Major Head-wise for both Plan and Non-Plan schemes) and PSU-wise (in respect of allotment under IEBR), is given in **Annexure-II**.

Annual Plan 2007-08

3.3 Based on the proposals of the PSUs functioning under the Ministry of Steel, discussions held with the Planning Commission and within the overall context of the 11th Five Year Plan (2007-2012), the following Plan outlay for BE 2007-08 has been approved by the Planning Commission:

(Rs. in crore)

Sl.No.	Name of PSU/Schemes	Outlay proposed by the Ministry			Outlay approved by Planning Commission		
		BS	IEBR	Total Outlay	BS	IEBR	Total Outlay
1	2	3	4	5	6	7	8
1.	Steel Authority of India Ltd. (SAIL)	0.00	2641.00	2641.00	0.00	2641.00	2641.00
2.	Rashtriya Ispat Nigam Ltd. (RINL)	0.00	3056.70	3056.70	0.00	3056.70	3056.70

1	2	3	4	5	6	7	8
3.	Sponge Iron India Limited (SIIL)	0.00	5.00	5.00	0.00	5.00	5.00
4.	Hindustan Steelworks const. Ltd (HSCL)	7.00	0.00	7.00	1.00	0.00	1.00
5.	MECON Ltd.	69.00	3.00	72.00	63.00	3.00	66.00
6.	Bharat Refractories Limited (BRL)	24.00	0.00	24.00	1.00	0.00	1.00
7.	MSTC Ltd.	0.00	5.00	5.00	0.00	5.00	5.00
8.	Ferro Scrap Nigam Limited (FSNL)	0.00	12.00	12.00	0.00	12.00	12.00
9.	National Mineral Dev. Corpn. (NMDC)	0.00	333.00	333.00	0.00	250.00	250.00
10.	Kudremukh Iron Ore Co. Ltd. (KIOCL)	0.00	150.00	150.00	0.00	75.00	75.00
11.	Manganese Ore (India) Ltd. (MOIL)	0.00	68.50	68.50	0.00	65.00	65.00
12.	Bird Group of Companies (BGC)	1.00	25.00	26.00	0.00	25.00	25.00
	Total-A	101.00	6299.20	6400.20	65.00	6137.70	6202.70
New Schemes proposed by Ministry							
1.	Scheme for promotion of R&D in Iron & Steel Sector	20.00	0.00	20.00	1.00	0.00	1.00
2.	Scheme for Institution & Manpower Development in Steel Sector	0.00	0.00	0.00	0.00	0.00	0.00
3.	TUFS for SME	0.00	0.00	0.00	0.00	0.00	0.00
	Total-B	20.00	0.00	20.00	1.00	0.00	1.00
	Grand Total-A+B	121.00	6299.20	6420.20	66.00	6137.70	6203.70

Note:- Ministry of Steel has been exempted from earmarking 10% of its Budget for the North-Eastern Region, including Sikkim.

BS-Budgetary Support IEBR: Internal and Extra Budgetary Resources.

3.4 On being asked whether the realistic Budget Estimates has been projected in 2007-08, schemes likely to be affected due to reduction in allocation by the Planning Commission, the Ministry has stated the following:-

"The Ministry of Steel's budgetary projections for BE 2007-08 were based on the proposals received from the various offices of the Ministry and the PSUs under its administrative control. The proposals were examined on the parameters of trend of actual expenditure over the last few years, merit/justification for requirement of funds proposed by the offices and the PSUs, the guidelines/instructions of the Ministry of Finance on expenditure management, etc.

The Ministry had proposed BE of Rs. 6420.20 crore, with IEBR of Rs. 6299.20 crore and Gross Budgetary Support (GBS) of Rs. 121 crore. Against this, Planning Commission approved an outlay of Rs. 6203.70 crore, with IEBR of Rs. 6137.70 crore and budgetary support of Rs. 66 crore, thus approved the IEBR component reduced by Rs. 161.50 crore and the gross budgetary support component by Rs. 55 crore respectively. The marginal reduction in IEBR related to NMDC, KIOCL and MOIL based on their past expenditure trends and the current status of implementation of the schemes/programmes. This reduction in IEBR was done in consultation with the four companies concerned.

The reduction of Rs. 55 crore in GBS relates to MECON, HSCL, BRL and the scheme for promotion of R&D in the iron & steel sector. The reduction in case of MECON is not likely to affect any Plan scheme of the PSU since a revival/restructuring for the company has been approved by the Government on 8.2.2007. An important reason for reduction in GBS in BE 2007-08 is on account of the non-inclusion of provision for AMR schemes of PSUs like BRL & HSCL and the proposed new schemes of TUFS and the scheme for Institution & Manpower Development. As HSCL & BRL will be requiring budgetary support to fund their AMR schemes pending their revival/restructuring, Planning Commission has been requested to make provisions for this expenditure. The Planning Commission has also been requested to provide for technology upgradation and manpower development programmes.

As regards Non-Plan schemes, budgetary support is provided to HSCL, BRL and MECON in the form of interest subsidy and waiver of guarantee fees for schemes like implementation of Voluntary Retirement Scheme (VRS). In BE 2007-08, the Ministry of Finance has made no reduction in Non-Plan budgetary support to these PSUs *vis-a-vis* the allocations proposed by the Ministry of Steel".

3.5 The status of restructuring proposal of HSCL are given below:-

"A restructuring proposal of HSCL was sent to Board for Reconstruction of Public Sector Enterprises (BRPSE) for its recommendation. BRPSE had asked for certain information relating to cash and non-cash support to the company. However, after reviewing the position in the Ministry, it was decided to revise the proposal for which HSCL has been asked to submit the revised proposal clearly defining the specific business strategy, required financial assistance, etc. The proposal is expected from the company by May 2007 after which BRPSE will be pursued afresh".

3.6 The Status of restructuring proposal of BRL are as follows:-

"A proposal was mooted by the Ministry of Steel for recommendation of BRPSE for restructuring/merger of BRL. BRPSE has approved the proposal in its meeting held on 14.12.2006. At present, draft Cabinet Note for merger of BRL with SAIL is under preparation in the Ministry".

3.7 As per the recommendations of the Working Group on Steel Industry for the 11th Five Year Plan, three new schemes *viz*. Institution & Manpower Development in Steel Sector, Research and Development (R&D) scheme and Technology Upgradation Fund Scheme (TUFS) for Small and Medium Enterprises (SME) in steel sector with Plan funds of Rs. 25 crore, Rs. 100 crore and a token provision of Rs. 10 crore respectively have been proposed by the Ministry for the 11th Five Year Plan. For annual Plan 2007-08, Rs. 20 crore was proposed for R&D scheme against which Planning Commission has approved a token provision of Rs. 1 crore. No allocation for the other two schemes *viz*. Manpower Development scheme and TUFS has been made in BE 2007-08. It may be mentioned that the specific details of these three new schemes are yet to be finalized in consultation with the various stakeholders in the filed.

When asked about the scheme being implemented for promotion of Research and Development (R&D) in iron and steel sector during the 10th Five Year Plan and reasons for devising a new plan scheme for 11th Five Year Plan, the Ministry has stated the following:

"To supplement the R&D activities by the steel plants, research laboratories and academic institutions, Government of India decided to spend upto Rs. 150 crore per annum from the interest proceeds of Steel Development Fund (SDF). An Empowered Committee (EC) was, accordingly, constituted in the year 1998 under the Chairmanship of Secretary (Steel) with the representatives of major steel producers, National Research Laboratories, Ministry of Science & Technology and academic institutions. Under this scheme, financial assistance of approximately Rs. 36.86 crore has been provided in the 10th Five Year Plan in respect of approved R&D projects.

Fund availability from interest proceed of SDF has been limited because of several reasons. It was, therefore, felt that there is a need to explore other alternatives for funding the R&D activities for the growing steel sector. A proper institutional framework for promotion of R&D is necessary. Keeping this in view, a new plan scheme for promotion of R&D in iron & steel sector was conceived with proposed outlay of Rs. 100 crore.

Keeping in view of the average past expenditure on the R&D under the existing operating scheme it was considered that Rs. 100 crore would be adequate during the 11th Five Year Plan. However, in case the requirement increases, appropriate approval may be sought for the enhanced expenditure".

3.8 The Committee note that Budgetary Support (BS) is being provided to some of the financially weak and loss making PSUs and Internal and Extra Budgetary Resources (IEBR) are being raised by profit making PSUs for implementing their schemes. The Committee also note that the Ministry has proposed the annual plan outlay of Rs. 6420.20 crore including BS of Rs. 121 crore for the year 2007-08. The Planning Commission, however, approved an outlay of Rs. 6203.70 crore with BS of Rs. 66 crore and IEBR of Rs. 6137.70 crore.

The Committee further note that in the year 2006-07 the total outlay of Rs. 3201.80 crore in BE was reduced to Rs. 2660.61 crore at RE stage involving a reduction of IEBR to Rs. 2240.87 crore from Rs. 3172.30 crore. But the steel PSUs could utilize IEBR of Rs. 1702.44 crore only. Similarly in the year 2007-08, IEBR of NMDC, KIOCL and MOIL has been reduced from Rs. 333 crore to Rs. 250 crore, Rs. 150 crore to Rs. 75 crore and Rs. 68.50 crore to Rs. 65 crore respectively. BS has also been reduced in respect of MECON and HSCL substantially from Rs. 24 crore and Rs. 7 crore respectively to Rs. 1 crore each due to pending approval of their restructuring proposals.

Further, in 2007-08 the outlay for new scheme on R&D has been reduced from Rs. 20 crore to Rs. 1 crore and no budgetary support has been approved by the Planning Commission for two new schemes *viz*. Scheme for Institution & Manpower Development in steel sector and Technology Upgradation Fund Scheme (TUFS) for Small and Medium Enterprises (SMEs) pending finalisation of details of the schemes by the Ministry.

The Committee are constrained to observe that as compared to BE of Rs. 3172.30 crore, steel PSUs were able to utilize Rs. 1702.44

crore barely 53.66 per cent of allocated IEBR during the year 2006-07. Ironically in the year 2007-08 again, steel PSUs prepared inflated estimates without ample justifications which were subsequently reduced by the Planning Commission. The Committee in their earlier reports had been reiterating that the Ministry should make realistic estimates and allocate funds at BE stage instead of resorting to provision of funds at RE.

The Committee, therefore, recommend that the Ministry/PSUs should propose realistic estimates with viable schemes to ensure full utilisation of funds. The Committee also desire the Ministry to finalise the proposed new schemes at the earliest and approach the Ministry of Finance/Planning Commission to allocate required funds at RE stage.

The Committee further recommend the Ministry to provide sufficient budgetary support to HSCL and BRL to fund their Addition, Modification and Replacement (AMR) schemes till their restructuring proposals are finally approved.

CHAPTER IV

TARGET AND ACHIEVEMENTS DURING 10TH FIVE YEAR PLAN *VIS-A-VIS* TARGET FOR 11TH FIVE YEAR PLAN

Regarding the projects sanctioned, completed and allocation *vis-a-vis* utilisation during 10th Five Year Plan and reasons for spilling over the projects to 11th Five Year Plan, the Ministry of Steel has stated the followings:—

"During 10th Five Year Plan, the Ministry of Steel did not directly implement any Projects/Schemes. However, the Ministry provided budgetary support to some of the financially weak PSUs under its administrative control for implementation of their schemes/projects. Information regarding the year-wise allocation and actual expenditure on Plan schemes for which budgetary support had been provided to PSUs during 10th Five Year Plan (2002-07), and schemes completed is given in **Annexure-III**.

The PSU-wise details of schemes sanctioned during 9th and 10th Five Year Plans and spilling over to 11th Five Year Plan (other than modernization and expansion programme of SAIL & RINL) is given in **Annexure-IV**. The progress of these schemes is being monitored on a quarterly basis.

The allocation of funds and actual utilization during 10th Five Year Plan, both under budgetary support and IEBR, is given below:

(Rs. in crore)

Approved Outlay 10th Plan		Revised Outlay (after Mid-Term Appraisal of 10th Plan)		Actual Utilisation during 10th Plan#	
Budgetary Support	IEBR	Budgetary Support	IEBR	Budgetary Support	IEBR
65.00	10979.00	65.00	8411.68	106.73	5158.37

#Actuals for 2002-03 to 2005-06 and RE for 2006-07.

The allocation of funds for 11th Five Year Plan has not yet been finalized by the Planning Commission".

4.1 The Committee note that outlay of the Ministry of Steel in 10th Five Year Plan had been scaled down by 24 per cent in Mid-Term Appraisal from Rs. 11044 crore (IEBR of Rs. 10979 crore and BS of Rs. 65 crore) to Rs. 8476.88 crore (IEBR of Rs. 8411.68 crore and BS of Rs. 65 crore) based on the trend of expenditure and progress of schemes/projects. Though the Ministry could spend BS of Rs. 106.73 crore, higher than the allocation, the Committee are constrained to note that it could expend IEBR of Rs. 5158.37 crore only, leaving 39 per cent of funds earmarked in Mid-Term Appraisal unspent.

The Committee are anguished to note that steel PSUs have failed to utilize even the reduced allocation which is bound to have an adverse impact on their performance. Non-utilisation of IEBR also indicates to the fact that various PSUs have not been able to generate the enough internal resources as much as they were expected to raise. The Committee would, therefore, be informed as to what were IEBR targets for each of PSU and how much resources each of them could raise IEBR and the reasons for the shortfall.

The Committee are extremely concerned about the adverse impact on the PSUs owing to non-utilisation of funds even after reduction in Mid-Term Appraisal. The Committee note that some of the schemes/projects of PSUs sanctioned in 9th and 10th Plans have been spilling over to 11th Plan. The Committee in their 13th Report had recommended that those schemes should be completed before the end of 10th Five Year Plan or in the early part of 11th Five Year Plan. The Committee are unhappy to note the casual approach of the Ministry/PSUs in completion of the schemes as no progress has been made in this regard.

The Committee observe that delay in implementing the schemes by Steel PSUs for example, supply of equipments to SAIL units, development of Rawghat-Jagadalpur Railway Line by NMDC, setting up of Ductile Iron Spun Pipe Plant by KIOCL and Ore Based Activities (Mineral Exploration) by Bird Group of Companies has been hampering in utilisation of funds earmarked under IEBR. The Committee are anguished to note that the Ministry has failed to pay attention to the Committee's earlier recommendations that the Ministry/PSUs should identify the constraints in implementing the schemes and utilisation of funds and strive to achieve the targets fixed in 10th plan.

The Committee, therefore, strongly recommend that the steel PSUs should take all steps to complete the schemes/projects sanctioned in 9th and 10th Plans and those spilling over to 11th Plan in 2007-08 itself. The Committee also recommend the Ministry to facilitate PSUs in identifying the constraints and formulate the strategy for implementation of schemes/projects and better utilisation of funds.

4.2 THRUST AREAS AND TARGETS IN 11TH FIVE YEAR PLAN FOR STEEL SECTOR

Thrust areas

Steel Industry has an important role to play in the development of any economy. The sector's sustained growth, therefore, is one of the important prerequisites for attaining the level of GDP growth envisaged in the 11th Plan. The sector's growth during the 11th Plan, however, is going to be largely driven by market forces in a deregulated economic environment. However, while the industry's future prospects may be determined by market forces, the Government will continue to play a pro-active role especially in areas where the actual achievements fall short of expectations.

As the 11th Plan period is going to be crucial for not only maintaining but also improving the overall momentum of growth in this sector, a Working Group on Steel Industry for the 11th Plan was constituted by the Planning Commission in May 2006. The Working Group submitted its final Report to the Planning Commission in December 2006. Based on the observations and findings of the Working Group and in keeping with the spirit and objectives of the National Steel Policy 2005 to make India globally competitive not only in terms of cost, quality and product mix but also in terms of global benchmarks of efficiency and productivity, the following major thrust areas in the 11th Plan have been identified:

Demand side management

One of the major concerns for all stakeholders is the prevailing low per capita consumption of steel in India. While per capital consumption is expected to improve with increasing income levels, urbanization and development of infrastructure, conscious efforts are required to stimulate domestic demand and create incremental consumption possibilities. The latent possibilities of increasing steel demand can be translated into reality by:

(i) Conscious promotion of steel usage by the producers of steel and the Institute of Steel Development and Growth (INSDAG) amongst architects, engineers, students and other technology practitioners and users of steel;

(ii) Encouraging use of steel in bridges, crash barriers, flyovers, industrial and other buildings and large-scale construction in general;

(iii) Developing new grades and products for expanding the basket for steel applications; and

(iv) Improving steel availability and affordability.

The real challenge however lies in addressing disparities in steel consumption across different States and regions and also between urban and rural areas. There is a need to strengthen the efforts under various initiatives like Bharat Nirman Programme, National Rural Employment Guarantee Act, etc. These programmes will address the problems of poor infrastructure and low income levels prevailing in rural areas. At the same time specific strategies are needed to make available steel products required for household construction and for agricultural/agro-industries at affordable prices. In the 11th plan, there is a need to impart greater thrust on opening new block level rural stock points to increase availability of steel in all parts of the country.

Supply side management

(i) Raw Materials

The deregulated steel industry has effectively dealt with the problem of shortages though at higher equilibrium of prices. While planning for the 11th Plan, it is necessary to fully take into account the growing needs of steel for downstream economic activities. Though efforts will be made to fulfill domestic needs with priority, it is equally important to exploit emerging export opportunities. In view of this, availability of key inputs should be planned to meet the growing domestic and export demand of steel in the 11th Plan.

To ease the availability of critical raw materials like iron ore, coking/non-coking coal, ferro-alloy, etc. It is desirable that necessary changes in legal, policy and institutional set up are effected with priority. At the same time, adoption of new technologies can play a far greater role by improving material efficiencies and also by making it possible to use indigenously available resources.

(ii) Infrastructure

The infrastructure for steel sector *viz*. Power, Railways, Highways, Ports & Costal Shipping, needs to be essentially provided by the Government as it may not be feasible to develop required infrastructure by steel companies due to the large size of the investments involved, on one hand and the imperatives of maintaining essential cash flows by the companies, on the other. However, the scarcity of public resources has already made many steel companies go for captive power plants, jetties, roads and even railways. While some such investments by the large steel companies will be unavoidable, the burden of infrastructure development totally should not fall on the steel companies. On the other hand, some companies will be willing for Public Private Partnerships (PPPs) especially in certain critical areas for reasons of avoiding uncertainties and reducing long-term costs. There is a need to fully utilize existing policy framework of PPPs for the benefit of all stake-holders.

(iii) New Investments

The country would need an investment in the range of Rs. 1 lakh to 1.2 lakh crore in creation of additional steel capacities by 2011-12. Related areas like mining and power will require an additional investment of Rs. 25 to 30 thousand crore. While supply of finances for steel projects has to be decided by banks and Financial Institutions on merits of the individual projects, sufficient liquidity needs to be injected into the financial system at macro-level to ensure the kind of capacity build-up envisaged in the steel sector in the 11th plan. Further, there is a need to retain flexibilities in the financial system to encourage innovation. there are many areas of technology development and adoption, which can be risky but also highly rewarding. Venture capitalism needs to be promoted at a greater pace for early adoption of emerging technologies.

Technology and Research & Development (R&D)

Competitiveness of the steel industry can only be ensured and sustained through consistent improvements in parameters of technical efficiency. There are many areas where the Indian steel industry is lagging behind, though there are some bright spots where the industry has been able to take leading role. The problems are mainly related to obsolescence of technology adopted and lack of timely modernization/ renovation, quality of raw material and other inputs, inefficient shop-floor practices, lack of automation and R&D intervention. Concerted efforts with well thought out programme of action are, therefore, necessary to bring the Indian steel industry at par with their counterparts abroad. The specific areas requiring immediate attention have been outlined in detail in the report. Briefly these include areas of process improvement, automation, use of inferior raw materials, beneficiation, energy conservation and use of waste materials. While for some of these problems, the industry is in search of innovative and cost effective solutions, there exist proven technologies in certain other areas. These technologies/practices have been already operating successfully abroad and need to be adopted and assimilated by the Indian industry at an accelerated pace.

The Government needs to directly support those R&D activities, which are consistent with the national priorities such as conserving the environment and non-renewable resources. Direct financial support may also be essential for basic and applied research for development of breakthrough technologies using indigenously available raw materials.

To enhance the in-house R&D activities by the industry, it is essential to extend the tax benefits available under Section 35 of Income Tax Act beyond March, 2007. Further, there is a need to enhance the limit of income tax rebate of 125 per cent of R&D expenses to at least 150 per cent. The 11th Plan through various incentives should aim to accelerate the R&D expenditure in iron & steel sector to at-least 1 per cent of total sales.

Environmental Management and Pollution Control

Environment protection in steel sector is essentially linked to the technology adopted for iron & steel making, starting from the raw material to finished steel stage, and finally to the efficient disposal/re-use of generated bye-products and waste. Therefore, effective management of environment calls for an integrated approach covering the production process as also the environment surrounding the plant. In this connection, the industry and Government should aim at zero waste/zero discharge.

Wastes, particularly solid wastes generated unavoidably, are to be converted into useful, value added by-products. In other words, "sustainable development" is to be practiced right from technology development and design stages. In future, it may be ensured that technologies, which are not "sustainable", are not adopted for either expansion of existing plants or creation of new capacities. Towards these objectives, initiatives both at the level of the entrepreneurs and Government by way of suitable intervention are necessary.

Safety Measures

For improvement in the overall safety situation in the iron & steel industry in India, following remedial measures need to be taken up:

(i) Tightening the legal system so that any instance of violation of safety policy, whether by public sector or private sector, does not go unpenalised. The system of factory inspectorate, safety officers and legal framework has to be refurbished accordingly. There should be up-gradation in legal provisions to take care of changes in technologies/work environment so that loopholes are plugged as far as possible;

(ii) OHS Management system as per ILO guidelines and OHSAS 18001 should be adopted in all plants;

(iii) In India, many outdated technologies *viz*. twin hearth furnace, ingot making etc. are still being practiced in some steel plants. These processes are hazardous to the workers and it is required to phase these out immediately to improve safety in such plants. Apart from this, new technological development will also facilitate attainment of safe work environment; and

(iv) Fire modelling and hazard risk analysis should be done in all plants for better assessment of inherent risk/hazard.

Price Stability

Integration with global economy may at times lead to sharp rise and volatility of steel prices. While a part of this volatility may be unavoidable, heading mechanism should be available for consumers to increase stability of business. A beginning in this respect has already been made in the various stock exchanges like Multi Commodity Exchange (MCX) and National Commodity Exchange (NCDEX). This is in accordance to the recommendations adopted in the National Steel Policy 2005.

However, there is a need to spread awareness of these instruments and also to increase trading volumes under such arrangements. Also an appropriate regulatory mechanism is to be developed to avoid any manipulative practices.

4.3 The Committee note that 11th Plan period is vital for further growth of steel sector and therefore, the Ministry has identified major thrust areas *viz*. creation of infrastructure, availability of raw material, flow of adequate funds, promotion of steel usage, technology development and price stability, etc. to develop Indian steel industry at par with global steel sector. The Committee desire that detailed working plans be drawn up for each of the sector and implemented in a time-bound manner. The Committee should be informed of the action taken in the matter.

The Committee observe that the boom in the global steel industry has led to the buoyancy in the Indian steel sector. The Committee

are, however, of strong view that Indian steel industry could grow further on its own by stimulating the demand in the country with a special focus on rural areas. For this, both the steel PSUs and private steel companies should improve their productivity through technological development, produce more consumer oriented products at competitive price in order to compete other cheaper products like aluminium, etc.

The Committee, therefore, desire the Ministry to facilitate the domestic steel companies in general and steel PSUs in particular in achieving the major thrust areas identified for 11th Plan in close coordination with the State Governments and monitor the implementation at the Ministry level. The Committee may be apprised of the progress in this regard regularly.

4.4 Targets in the 11th Plan

As mentioned above, a deregulated economic environment, growth of the steel sector is going to be largely driven by market forces. Since the prevailing market conditions, the raw material scenario and announcement of new projects are liable to change with unfolding market conditions in domestic and global, it is difficult to set any targets for the steel industry in the 11th Plan. Further, the uncertainty regarding performance of the infrastructure sector and the rate of growth in GDP, combined with the cyclic nature of the steel industry, renders setting of targets for the steel sector all the more complicated. Nevertheless, based on certain assumptions like 9 per cent GDP growth during 11th Plan, likely outcome of expansion projects, impact of the present market situation, etc. and taking into account factors like observed growth rates during the preceding years, gestation period of integrated projects, time required to obtain statutory clearances, etc. some of the projections made by the Working Group for 2007-08 and 2011-12, the first and last year respectively of the 11th Plan period (2007-12), are given below:

(i) Finished Steel Demand and Availability

(million tonnes)

Product	2005-06 (Actual)		2007-08		2011-12	
	Demand	Availability	Demand	Availability	Demand	Availability
Non-Flat	17.82	17.78	21.59—21.88	21.10	27.92—29.02	36.10
Flat	21.37	21.63	27.56—28.40	25.60	38.56—41.32	41.30
Total Finished Steel	39.19	39.41	49.15—50.28	46.70	66.48—70.34	77.40

(ii) Production, Import, Export & Demand of Finished steel

(million tonnes)

Year	Production	Import	Export	Domestic Demand
2005-06 (Actual)	44.54	3.85	4.48	39.19
2011-12 (Projection)	72.00-78.00	3.00-7.00	10.00-14.00	65.00-71.00

(iii) Demand of Alloy Steel, Stainless Steel and Pig Iron

(million tonnes)

Items	2005-06 (Actual)	2007-08 (Range)	2011-12 (Range)
Alloy Steel	2.27	2.85-2.90	3.50-4.00
Stainless Steel	1.00	1.25	1.75
Pig Iron	3.10	3.85-3.95	5.20-5.55

(iv) Crude Steel Production

(million tonnes)

Process Routes	2005-06 (Actual)	2007-08 (Range)	2011-12 (Range)
Oxygen route (BF-BOF, Corex-BOF, MBF-EOF)	25.00	27.80	44.40
Electric Furnace route (EAF, IF)	17.00	18.60	23.80
New Units (Unspecified)	Nil	4.00	12.00
Grant Total	42.00	50.40	80.20

(v) Gross Consumption of HR and CR

(million tonnes)

Gross Categories	2005-06 (Actual)	2007-08 (Range)	2011-12 (Range)
Hot Rolled Flat Products	16.14	21.00-21.60	30.00-32.00
Cold Rolled Flat Products	7.10	8.60-9.00	12.35-13.50

4.5 The Committee note that the Ministry has set the targets for Finished Steel, Alloy Steel and Stainless Steel, etc. for 11th Plan based on certain assumptions like 9 per cent GDP growth during 11th plan, progress of expansion projects, etc. The Committee further note that demand and availability of Flat product of Finished Steel for the year 2007-08 would be 27.56-28.40 million tonnes (mt) and 25.60 mt respectively, leaving a marginal short-fall in availability of around 3 mt. It is also projected that export of Finished Steel by 2011-12 would be between 10-14 mt, higher than the growth rate of 13 per cent per annum envisaged in the National Steel Policy (NSP). But the Ministry has no plan of action to achieve the export target during 11th Plan.

The Committee are in agreement with the contention of the Ministry that since the steel sector is cyclical and being driven by market forces, it is difficult to set the targets. But they are of the view that steel sector could capitalize the growing potential of domestic economy, if there is a suitable mechanism to execute the goals envisaged in NSP in true spirit.

The Committee, therefore, recommend that the Ministry should prepare a comprehensive strategy for each year of 11th Plan to achieve the ambitious goals of NSP. The Committee also desire that the Ministry should take corrective measures at the appropriate time and ensure that there is no shortfall in achievement of target fixed for 11th Plan.

CHAPTER V

INVESTMENT IN STEEL PUBLIC SECTOR UNDERTAKINGS

The Public Sector Steel companies under the administrative control of Ministry of Steel are raising Internal and Extra Budgetary Resources (IEBR) to implement various capital schemes.

A. Steel Authority of India Ltd (SAIL):

5.1.2 SAIl is a company registered under the Indian Companies Act, 1956 and is an enterprise of the Government of India. It operates and manages four integrated plants at Bhilai (Chhattisgarh), Bokaro (Jharkhand), Durgapur (West Bengal) and Rourkela (Orissa). Besides, another integrated steel plant at Burnpur is owned by Indian Iron Steel Company Ltd., which was earlier, a wholly owned subsidiary of SAIL. IISCO has been merged with SAIL with effect from 16.2.2006 and renamed as IISCO Steel Plant (ISP). SAIL has three special and Alloy Steels units at Durgapur (West Bengal), Salem (Tamil Nadu) and Bhadravati (Karnataka). In addition to these, a Ferro Alloy producing plant at Chandrapur is owned by Maharashtra Elektrosmelt Ltd. which is a subsidiary of SAIL. Besides, SAIL has seven central units *viz*. the Research and Development Centre for Iron and Steel (RDCIS), the Centre for Engineering and Technology (CET), the Management Training Institute (MTI) all located at Ranchi, Central Coal Supply Organisation at Dhanbad, Raw Materials Division, Growth Division and Environment Management Division all located at Kolkata. SAIL Consultancy Division (SAILCON) functions from New Delhi. The Marketing of Products of SAIL plants is done through the Central Marketing Organisation (CMO), Kolkata.

5.1.3 SAIL has planned its Corporate Plan with an envisaged production of about 22.5 million tonnes of hot metal capacity and compressed the completion schedule from the year 2012 to 2010 to become more competitive *vis-a-vis* private sector. The Plan envisages upgradation of all its units to meet India's growing demand for steel.

5.1.4 The Target and Achievement under Physical and Financial performance of SAIL during 10th Five Year Plan and Target for 11th Five Year Plan are given below:

Physical Performance

(In '000 tonnes)

No.	Physical Parameters	10th Plan Target	10th Plan Achievement*	Target for 11th Plan
1.	Hot Metal	66837	69165	
2.	Crude Steel	60221	63709	79 million tonnes-production of Saleable Steel
3.	Saleable Steel	53984	57606	
4.	Pig Iron	3995	2577	

*Actuals for 2002-03 to 2005-06 and Estimated for 2006-07.

Financial Performance

(Rs. in crore)

No.	Financial Parameters	10th Plan Target	10th Plan Achievement*	11th Plan Target
1.	Income	107350.00	135125.00	
2.	Gross Margin	16325.00	32997.00	
3.	Profit/Loss before tax	3350.00	23881.00	Rs. 12728 crore Net Profit (after tax)
4.	Profit/Loss after tax	3550.00	17338.00	

*Actuals for 2002-03 to 2005-06 and Actuals up to Dec. 2006 for 2006-07.

Annual Plan 2007-08

(Rs. in crore)

Major Head	Budget Estimate 2006-07			Revised Estimate 2006-07			Budget Estimate 2007-08		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	—	1275.00	1275.00	—	1275.00	1275.00	—	2641.00	2641.00

5.1.5 As against the BE/RE 2006-07 of Rs. 1275 crore, the likely capital expenditure will be about Rs. 1150 crore. The Ministry of Steel has furnished the following reasons for shortfall in utilisation of funds:

Durgapur Steel Plant	Delay in completion of Bloom Caster by Danieli & Co.
Rourkela Steel Plant	Delay in equipment supply for COB-1 by CUI, Ukraine
Bokaro Steel Plant	Delay in supplies of equipment for COB and Cast House Slag Granulation Plant (CHSG)

The Ministry has informed the Committee that increase in allocation in BE 2007-08 as compared to BE & RE 2006-07 has been made depending upon projected progress and schedule for completion.

5.1.6 The Details of actuals achievements by SAIL units on some of the ongoing projects are given below:-

Bhilai Steel Plant (BSP)

(Rs. in crore)

Sl.No.	Name of scheme/ programme	Estimated/ sanctioned cost	Approved outlay			Time schedule		Actual expenditure	
			BE 2006-07	RE 2006-07	BE 2007-08	Original	Actual/ now scheduled	For April to December, 2006	Cumulative upto December, 2006
I.	Revamping of B-strand in wire rod mill	74.66	25.00	35.28	14.80	May, 2006	Nov. 2006	30.01	50.20
II.	Rebuilding of Coke oven Battery No. 5	219.04	85.00	35.20	116.48	Jan. 2007	Dec. 2007	29.19	50.11
III.	Technological upgradation of BF-7	170.41	59.00	76.76	26.63	Aug. 2006	Feb. 2007	69.54	114.36
IV.	Installation of new slab caster, RH degasser and ladle furnace	502.76	135.00	103.49	299.19	Sept. 2007	Nov. 2007	70.10	97.01
V.	Hot metal de-sulpherization in SMS	86.23	—	10.51	—	Aug. 2007	Aug. 2007	5.42	7.96

The reasons for variations between BE/RE 2006-07 and BE 2007-08 are as follows:-

> "The BE for a particular scheme is finalized considering the physical progress and fund requirement. This is done annually and the projections vary as per the actual progress. The variation in BE/RE 2006-07 and BE 2007-08 is due to estimated requirement of funds for respective years based on planned physical progress.
>
> The fund allocation may undergo revision at the time of RE 2007-08 depending upon the actual progress of the work. These schemes are likely to be completed within the sanctioned cost.
>
> The fund allocation for scheme at Sl.No. V *i.e*. 'Hot Metal Desulphurization' was not made in BE for 2006-07 as the BE had been finalised in September 2005 and the scheme was sanctioned in January 2006. In BE 2007-08, a provision of Rs. 54.24 crore has been made."

5.1.7 The cumulative expenditure upto December 2006 incurred on the projects were comparatively lesser than the estimated/sanctioned costs. The Ministry of Steel has stated the following reasons:—

> "The dates indicated against the time schedule are the actual/likely commissioning dates. Upto December 2006, only one project *i.e.* Revamping of B-strand in Wire-Road Mill has been commissioned and balance are scheduled between February-December 2007. There is always some time lag between the progress of work and release of payments. Beside that expenditure is also required to be incurred post commissioning as per the contractual provisions related with performance guarantee tests and final acceptance. Since the projects have not been financially closed, the cumulative expenditure is less than the estimated/sanction cost. Therefore, entire estimated/sanction cost cannot be utilized till the time of commissioning".

5.1.8 Rebuilding of Coke Oven Battery-5 at Bhilai Steel Plant (BSP) at the estimated/sanctioned cost of Rs. 219.04 crore with completion schedule of December 2007 to improve production and achieve latest pollution norms got delayed in delay in civil drawings of site work by M/s CUI, Ukraine.

On being asked steps taken by SAIL to complete the project and reasons for not awarding the work to MECON, the Ministry of Steel has stated as under:

"(a) The delay was due to initial lack of co-ordination between CUI & consortium partners, delay in submission of the detailed engineering drawings and posting of project manager at site. The following steps have been taken by SAIL/BSP to expedite the project:

- For expediting the approval of drawings, on SAIL/BSP's insistence, CUI's design engineers were posted at site in January 2007 & February 2007.
- On SAIL/BSP's insistence, CUI's Project Manager has been posted at site since December 2006.
- Various review meetings have been taken by MD/BSP and Chairman SAIL with the consortium partners. In addition, regular follow-up is being done with all the agencies.

(b) There is a provision of Liquidated Damages (LD) of 5% in the contract for delay in commissioning of the project beyond contractual schedule.

(c) The Package-I for Rebuilding of Coke Oven Battery No. 5 comprised of Battery Proper and oven machines. MECON did not fulfill the eligibility criteria for supply of oven machines.

(d) The completion schedule as per sanction is January 2007. There is a time overrun of 11 months considering likely schedule of December 07. So far, there is no cost overrun".

5.1.9 Bokaro Steel Plant (BSL) is also rebuilding coke oven battery-5 and the project is progressing almost on schedule. When asked how BSL executed the civil drawings work for rebuilding of coke oven battery-5, the Ministry has submitted the following:

"Rebuilding of Coke Oven Battery at Bokaro Steel Plant (BSL) was awarded to MECON. MECON has executed the civil engineering drawings themselves, and there was no delay".

(Rs. in crore)

Name of scheme/ programme	Estimated/ sanctioned cost	Approved outlay			Time schedule		Actual expenditure	
		BE 2006-07	RE 2006-07	BE 2007-08	Original	Actual/ now scheduled	For April to December, 2006	Cumulative upto December, 2006
Modification/ revamping of mae-west block & housing machining in HSM	91.86	43.36	20.00	36.50	June 2007	June 2007	18.97	32.20

5.1.10 The reasons for variations between BE/RE 2006-07 and BE 2007-08 are given below:—

"The BE for a particular scheme is finalized considering the physical progress and fund requirement. This is done annually and the projections vary as per the actual progress. The variation in BE/RE 2006-07 and BE 2007-08 is due to estimated requirement of funds for respective years based on planned physical progress".

5.1.11 A 50-mw power tapping arrangement is being done at Bokaro Steel Plant to meet the electrical power requirement of proposed 1250 TPD oxygen plant on Build-Own-Operate (BOO) basis. On being asked about the reasons for implementing the above said project on BOO basis rather than Build-Own-Operate-Transfer (BOOT) basis, the Ministry of Steel has stated the following:—

"Considering that no investment is required for setting up of a oxygen plant on BOO basis, it was decided by Special Committee constituted by SAIL to go in for oxygen plant on BOO basis. BOO plants supply gases at the most competitive price. The expertise of BOO operator in operating the BOO plant is also available. Setting up of Oxygen Plant on Build-Own-Operate-Transfer (BOOT) basis has not been considered".

Durgapur Steel Plant (DSP)

(Rs. in crore)

Sl.No.	Name of scheme/ programme	Estimated/ sanctioned cost	Approved outlay			Time schedule		Actual expenditure	
			BE 2006-07	RE 2006-07	BE 2007-08	Original	Actual/ now scheduled	For April to December, 2006	Cumulative upto December, 2006
I.	Coal dust injection in BF 3&4	74.20	—	19.61	44.30	Aug. 2007	Aug. 2007	5.76	5.76

5.1.12 When asked about non-allocation of funds at BE 2006-07 for the above-mentioned scheme, the Ministry has informed the committee that:—

"As per extant procedure, a lump-sum amount is provided against schemes approved in-principle during the year. The Coal Dust Injection in BF-3&4 was approved on 27th January 2006 and accordingly a sum of Rs. 19.61 crore was provided for RE 2006-07".

5.1.13 DSP has appointed MECON to prepare a detailed blue print for its future Growth. The status of this plan is given below:—

"DSP has appointed MECON to prepare the Composite Project Feasibility Report (CPFR) for the schemes as envisaged in the Corporate Plan for future growth of DSP. MECON have finalized the CPFR and submitted the same to DSP in March 2007. The report is being examined by DSP and shall be processed for approval of SAIL Board".

Rourkela Steel Plant (RSP)

5.1.14 The following schemes are being implemented by RSP:—

(Rs. in crore)

Name of the Scheme	Estimated/ Sanctioned cost	Outlay for 2007-08	Timeline	Remarks
Hot Metal Desulphurisation Unit in SMD-II	52.39	35.00	May 08	Project is progressing as per schedule
Coal Dust Injection System in BF-4	116.00	40.00	October 08	Project is progressing as per schedule

The Committee when asked about the possibilities to complete the Hot Metal Desulphurisation Unit in SMS II before the end of the financial year 2007-08 so as to meet growing demand for high quality low sulphur steel, the Ministry of Steel has replied that:—

"The scheme was sanctioned in July 2006 with a completion schedule of 22 months from the date of sanction *i.e.* May, 2008. All efforts are being made to complete the project as per schedule".

5.1.15 On being asked about the reasons for allocation of less than 50 per cent estimated/sanctioned cost of Rs. 116 crore for the year 2007-08 as the completion period is at near *i.e.* October 2008, the Ministry has submitted the following:—

"Coal Dust Injection system in BF-4 was approved in principle at a cost of Rs. 116 crore. The cost has now been finalised and approved at Rs. 70.71 crore after firming the cost based on competitive bidding. The outlay for the project for the year 2007-08 is Rs. 40 crore which is in line with the projected completion of the project".

Alloy Steel Plant (ASP)

5.1.16 The installed capacity and percentage of capacity utilization during the last five years for ASP, Durgapur are given below:

Unit: '000 tonnes

Year	Capacity (Saleable steel)	Production	% of capacity utilization
2001-02	184	84	46
2002-03	184	99	54
2003-04	184	113	62
2004-05	184	128	70
2005-06	184	125	68

Expansion plan of ASP has been formulated with the help of Consultant MN Dastur & Co., and the same is under examination. The Feasibility Report for Expansion Plan is under preparation.

IISCO Steel Plant

5.1.17 IISCO, formerly a subsidiary of SAIL, was merged with SAIL *w.e.f.* 16.2.2006 and renamed as IISCO Steel Plant and is implementing modernisation and expansion programme.

(Rs. in crore)

Name of the Scheme	Estimated/ Sanctioned cost	Outlay for 2007-08	Timeline	Remarks
Rebuilding/Upgradation of Blast Furnace-2	103.93	60.00	September 2007	Project is progressing as per schedule

An amount of Rs. 18.78 crore has been spent upto 20.3.2007 against an outlay of Rs. 15 crore for the year 2006-07. An outlay of Rs. 60 crore has been made for this scheme for the year 2007-08 will be sufficient to complete the scheme as per schedule".

5.1.18 The Committee note that annual outlay of the SAIL has been increased to Rs. 2641 crore in BE 2007-08 from Rs. 1275 crore

in RE 2006-07 based on the projected progress of schemes/projects. The anticipated expenditure for the year 2006-07 would be Rs. 11.50 crore only due to delay in supply of equipments by suppliers. The Committee also note that the progress of implementation of some of the schemes *viz*. Revamping of B-strand in wire rod mill, Rebuilding of coke oven battery No. 5, Technological Upgradation of BF-7, Installation of BF-7 and Hot Metal Sulpherisation in SMS being taken by the SAIL for Bhilai Steel Plant are scheduled to be completed by 2007. As against the total sanctioned cost of Rs. 1071.10 crore for the above-mentioned schemes respectively, the SAIL could barely spent Rs. 319.64 crore as on December 2006, which is comparatively lesser than the sanctioned cost.

The Committee are unhappy to note that a number of ongoing projects of Bhilai Steel Plant like Technological upgradation of BF-7 not progressing as per schedule. In Bokaro Steel Plant also the pace of expenditure is much less as compared to the work schedule. The Committee desire that all out efforts should be made to complete the projects as per schedule. The Committee note that execution of various schemes and projects takes longer time due to elaborate procedures involving considerable time as compared to flexibility available to private sector, steel PSUs need to go through due procedures like tendering formalities, etc.

The Committee desire that since the SAIL has already compressed its corporate plan from the year 2012 to 2010, it should expedite the completion of the ongoing schemes by simplifying the procedural formalities.

Production of Special/Value Added Steel

5.1.19 The target of production for special steel/value added steel are indicative based on success of product development effort, their contribution *vis-a-vis* other quality of steel, market conditions/order availability and facilities at plants. These targets are generally set on higher side to provide an element of challenge. The year wise, plant-wise targets and actual production of special steel/value added steel during 10th plan period and plan for 2007-08 is as follows:—

Unit '000T

	2002-03		2003-04		2004-05		2005-06		2006-07		Xth FYP		2007-08
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan
1	2	3	4	5	6	7	8	9	10	11	12	13	14
BSP	1097	922	1097	1144	1424	1363	1455	1417	1606	1503	6679	6348	1741
DSP	310	151	314	156	350	216	379	217	472	357	1825	1097	616

1	2	3	4	5	6	7	8	9	10	11	12	13	14
RSP	307	176	343	243	388	240	423	238	501	259	1962	1154	611
BSL	535	143	314	202	343	287	574	242	600	313	2366	1188	596
ISP	25	22	25	16	25	24	27	31	39	38	141	131	465
(Integrated Steel Plant)-(A)	2274	1414	2093	1761	2530	2130	2858	2145	3218	2470	12973	9920	3611
Special Steel from ASP/SSP/VISL-(B) (Alloy Steel & Stainless Steel)	260	222	388	272	364	333	430	300	421	352	1863	1479	625
Special Steel (A) + (B)	2534	1636	2481	2033	2894	2463	3288	2445	3639	2822	14836	11398	4236

5.1.20 SAIL is looking for technical tie-ups from overseas companies, exploring special purpose vehicle route for viable projects. SAIL is also looking for starting production of Cold Rolled Grain (CRG) oriented steel required for use in transformers are venturing into production of special quality steel for oil and gas sector and automobile sector.

When asked about the steps taken by SAIL on the above-mentioned subjects, the Ministry of Steel has submitted the followings:—

> "SAIL has planned to assess the possibilities of producing special steel products such as CRG at Salem Steel Plant. Based on feasibility, further action plan will be worked out.
>
> Further more, with installation of state of art facilities at SAIL Plants, it is expected that proportion of special quality steel will double by 2012".

5.1.21 SAIL's mills, being old, are not able to produce the required quality in terms of surface, flatness, as well as mechanical properties, for autobody sheets. However, SAIL has been supplying materials in the automobile sector for the auto components. Under its major expansion/modernisation programmes, SAIL plans to modernise the Bokaro Steel Plant's (BSL) CR Mill and set up a new mill to cater this segment.

On being asked about the strategy of SAIL to cater the growing demand of automobile sector, the Ministry has informed the Committee that

> "SAIL caters to wide variety of market segments such as construction, automobiles, oil & gas, capital goods etc. SAIL is

planning to set up by 2010 a state of art CR Mill (1.2 MT capacity) at BSL, to cater to growing demand. These segments include automobiles.

As a long term vision, SAIL plans to set up more such state of art technology mill at Bokaro and other units to meet growing demand in different segments, including automobiles".

Technology Development

5.1.22 On being asked whether any areas have been identified by SAIL to adopt the suitable technologies/practices operating successfully abroad, the Ministry of Steel has submitted the followings:

"As per SAIL's Growth Plan, there are areas, which have been identified for suitable technologies/practices operating successfully abroad. These are as follows:

(a) High volume Blast Furnaces for production of hot metal

(b) State of art technology for thin slab casting and continuous strip processing mill

(c) New rolling mills including colour coating plant

(d) Alternate fuel injection technology

(e) Beneficiation of the iron ore and utilization of slimes

In the core area of steel, the technology/practices are being procured from equipment/technology suppliers to be used by SAIL. Furthermore in other non-core areas such as oxygen, coal, cement and power etc. the Public Private Partnership have been identified for avoiding uncertainty and reducing long-term cost".

5.1.23 In short-term, SAIL's Corporate Plan aims to remove bottlenecks in existing facilities such as introduction of alternative fuels, enhancement of assets productivity, enhancing consistency in operations to maintain the current level of performance. Finishing facilities are also proposed to enhance value addition in line with the market requirements and for reduction of semis. Regarding the progress made in introduction of alternative fuel and enhancement of value addition as per demand in market, the Ministry of Steel has informed the Committee as follows:—

"As part of short-term actions, SAIL has already installed alternative fuel injection system in 10 of its blast furnaces. Installation in other blast furnaces will also be completed by 2010. Furthermore, better maintenance practice are being adopted to enhance asset productivity. Standard operation and maintenance practices are being practiced to increase consistency in operations to maintain/ increase current level of performance.

SAIL has also planned to set up about 10 state-of-art finishing facilities to enhance value addition in line with the market requirement and for reduction of semis".

5.1.24 Increase in prices of coking coal, demurrage rates, freight rates on iron ore and fluxes and lower steel prices have adversely affected the profitability of SAIL in the year 2005-06. However, this has been partially offset by higher production, improvement in techno-economic parameters, reduction in interest charges and higher interest earnings an investment of surplus funds.

The percentage of increase in prices etc., that affected profits of SAIL in the year 2005-06 and percentage of reduction of such costs through higher production, improvement in techno-economic parameters, etc are as follows:—

"During the year 2005-06, price of major inputs has been increased significantly. Notable increase in rates of inputs are:

1. Imported coking coal (30%),
2. Dolomite (25%),
3. Indigenous coal (24%)
4. Alloy additions (19%),
5. Limestone (9%), etc

These increase in rates of input material has affected the profits of the company adversely. In addition to above reduction in Net Sales Realisation (NSR) by about 9 percent and merger of ISP (which incurred a loss of Rs. 258 crore) has also adversely affected the profitability of the company.

However improvement in techno-economic parameters, improved volume of production, reduction in interests charges, and interest earnings has partially negated the adverse impact of above factors.

In the coming years, technological up-gradation is proposed to be undertaken by the company which will result in improved techno-economic parameters as well as reduction in specific energy consumption also. Some of the notable points are:

(i) 100% production of steel through BOF/Continuous Casting route

(ii) Energy saving schemes

(ii) Reduction in per unit Fixed Cost through volume increase

(iv) Improvement in quality, grade mix & product mix of steel

(v) New Mills for superior tolerances and quality".

Utilisation of Waste

5.1.25 SAIL is at an advanced stage in the formation of a joint venture company for a cement plant which will use Blast Furnace (BF) slag of Bhilai Steel Plant (BSP) as an input and will result in twin benefit of value addition as well as assured solid waste disposal. The status of setting up of the cement plant and proposal to set up such plants in other units is given below:—

"To gainfully utilize the BF slag of BSP as an input of making cement, SAIL has already signed a shareholders agreement with M/s. JAL for making a joint venture company. The plant is likely to be commissioned within three years and will be of 2.2 mt capacity. The plant will be utilising 1 mt of BF granulated slag from BSP. A similar facility is also planned to be set up at Bokaro for which Request for Proposal is likely to be floated soon".

Merger and Acquisition

5.1.26 SAIL is likely to take over sick-State-owned steel units in West Bengal, National Iron and Steel Co. Ltd (NISCO).

On being asked the necessity to takeover sick units by SAIL, the Ministry has stated the followings:—

"To ensure its future growth, in line with the growth of the sector in the country, SAIL has planned to increase its capacity by:

(i) Brown field expansion at existing locations

(ii) Green field expansions

(iii) Mergers, acquisition and strategic alliances. This could also include some of the sick units which could have a strategic and economic advantage for SAIL and are found viable for turning around. Some of such moves are acquisition and merger of NINL and BRL and merger of MEL. Acquisition of assets of NISCO are also under examination".

5.1.27 As per Government decision, SAIL is currently in the process of merging Maharashtra Elektrosmelt Ltd (MEL) with itself and has plan to expand its capacity in the areas of Ferro-alloys. The present status of merger of MEL and plan to expand its capacity are given below:-

> "Most of the enabling processes such as in-principle approvals of SAIL & MEL boards, valuation of the MEL shares, payments of land rent etc. has been completed. No Objection Certificate (NOC) from Government of Maharashtra (GOM) for transfer of MEL assets to SAIL is awaited. GOM has demanded deposition of 50 per cent of the unearned income calculated on the basis of current market rates of MEL land as a precondition to transfer. The state is being persuaded to waive the said demand. The power charges, which are major chunk of a ferro alloy plant, are very high in Maharashtra. The further expansion at MEL shall depend on successful merger of MEL and availability of cheaper power source. In the meanwhile, the possibility of augmentation of production of ferro alloys at Bhilai through Joint Venture route with Manganese Ore India Ltd (MOIL) is also being explored".

5.1.28 The Committee note that the production of special steel/ value added steel by the SAIL during 10th Five Year Plan was 11.3 million tonnes (MT) against the target of 14.8 MT. The Committee also note that the SAIL under its major expansion/modernisation programme, has planned to set up special unit at Salem Steel Plant and modernise Cold Rolled Mill at Bokaro Steel Plant to cater the demands of oil and gas sector and automobile sector. SAIL, as a long-term vision, has also planned to set up more such units in its other steel plants to meet the growing demands in different segments including automobiles.

The Committee are unhappy to note that the SAIL has failed to achieve the target in the production of special steel/value added steel envisaged in the 10th Plan Period. The Committee feel that in the growing steel sector, the production of special steel/value added steel would determine the competitiveness of steel companies. The Committee also feel that setting up of dedicated units in the existing plants with the latest technologies specifically producing special steel and value added steel would accelerate the growth and competitiveness of the SAIL.

The Committee, therefore, recommend that the SAIL should prepare an action plan for increasing the production of special steel/

value added steel by suitably modifying the ongoing expansion/ modernisation programmes. The SAIL should also quickly explore the possibilities of technical tie-ups with overseas companies by special purpose vehicle route for viable projects. It should also explore the possibilities of reduction of costs by improving techno-economic parameters. The Committee are also concerned to note the 9 per cent reduction in Net Sales Realisation and desire that corrective steps be taken.

Raw Material

5.1.29 On being asked about the amount spent by SAIL for coking coal on spot purchase during 10th Five Year Plan period and reasons thereon, the Ministry of Steel has informed the Committee as follows:—

"Spot Purchases of Coking Coal during 10th Five Year Plan by SAIL

Year	Quantity (in tonnes)	Value of Purchase (C&-F) (Rs./Crores)
2002-03	Nil	Nil
2003-04	92687	29.70
2004-05	1338961	1028.32
2005-06	561896	318.14
First nine months in 2006-07	592388	347.39
Total	2585932	1723.55

From the year 1995 to June 2005, SAIL was importing coking coal preferably and mostly under Long-Term (LT) agreements in terms of the Policy for Import of Coal approved by SAIL Board except when either supplies from the LT suppliers were not available or the spot market price was lower than the LT agreement price. These exceptional situations happened rarely. In 2003 and 2004, when production at coal mines of two LT suppliers was disrupted due to accidents in their mines and supplies from them were curtailed and in 2004, when one long term supplier did not agree to supply coal in line with the LT prices settled with all other LT suppliers, SAIL has to purchase some quantities of coking coal on sport purchase to meet the shortfall.

From 27th June 2005 to 27th January 2006, SAIL at the advice of Ministry of Steel stopped placing orders for procurement of imported coal through LT agreements and the remaining requirement was procured through global tenders only. On 27th January 2006, Ministry of Steel issued guidelines for procurement of imported coal for SAIL and RINL advising procurement of 80 per cent of the requirement through LT agreements and the remaining 20 per cent through global tenders. The procurement of imported coal thereafter is being made accordingly.

For all shipments of imported coal for SAIL, sampling and analysis of the coal being shipped at the load port is conducted, at the time of loading of the coal in the ship, through an independent inspection agency approved by SAIL. Further, two more samples are taken at the load port at the time of loading which are called Purchaser Sample and Referee Sample and are kept in sealed conditions for verification in case a variation in quality of the coal supplied is observed at SAIL end. In addition, for all new coals, sampling and analysis of the coal supplied is conducted at discharge port by Central Fuel Research Institute, Dhanbad and at steel plants by the plants' laboratories in addition to industrial tribal of the coal at the steel plants".

5.1.30 SAIL does not have captive coking coal mines and is dependent on outside suppliers. It's main suppliers of indigenous coking coal are the subsidiaries of Coal India Ltd. (CIL).

To augment availability of indigenous coking coal, SAIL entered into an MoU with Bharat Coking Coal Ltd. (BCCL) for funding Phase-I upgradation of Moonidih Mines by providing a soft loan.

When asked about amount spent by SAIL since MoU signed with BCCL and quantity of coking coal purchased, the Ministry of Steel has stated as under:-

"SAIL has entered into an MoU with BCCL in April 2006 for funding of phase-I upgradation of Moonidih mine at 16 Top seam. A requirement of about Rs. 166 crore has been indicated. As agreement between BCCL and equipment supplier is yet to be finalized, no payment has been released by SAIL so far. As indicated by BCCL, agreement with the equipment supplier is likely to be signed by April 2007. The production from the long wall is expected to start by October 2008".

5.1.31 Coking Coal Consumption of SAIL Plants for the year 2007-08 is given in the following table:

Unit' MT

Coking Coal From	Annual Plan
Indigenous	3.46
Imported	13.47

Indigenous coking coal requirement is based on current availability projection. In case the indigenous coal availability from Coal India Ltd changes, imported coal requirement will be adjusted accordingly.

5.1.32 SAIL is set to acquire 30 per cent strategic stake in Canada based coal mines, Wolverine Coalfield to reduce its dependence on imported coal and two coal properties in Australia Millennium Coalmines (offered 5 per cent stake) and Anglo Coal (yet to make offer) and Marcarthur coal and Tiaro Coalfields in Australia also offered. The present status in acquisition of above-mentioned coal mines are given below:—

"*Wolverine Coalfield, Canada:* A trial shipment of Wolverine coal has been received recently. Industrial scale trials of this coal are in progress at the SAIL steel plants. Based on the reports of the industrial scale trails, further action will be taken.

Millennium Coal mines, Australia: This coal mine has recently been taken over by Peabody Energy Pty. Ltd. Australia. A dialogue is proposed to be initiated with Peabody Energy, the new owner. Initial contacts have been made.

Anglo Coal, Australia: A dialogue is proposed to be initiated with Anglo Coal, Australia for offering equity stake to SAIL in their new coal mine development projects. Initial contacts have been made.

Marcarthur Coal, Australia: They are in the process of developing the Moorvale West coal mine in Australia. Exploration of the mine is in progress. An Information Memorandum would be submitted to SAIL once the process of exploration is completed.

Tiaro Coal Fields, Australia: This coal mine is stated to have only thermal coal and is hence of no interest to SAIL".

5.1.33 When asked about whether SAIL and RINL have any plan to become equity partners in the proposed Coal Videsh Ltd., the Ministry of Steel has submitted the followings:—

"There is presently no proposal for RINL to become equity partner in the proposed Coal Videsh Ltd.

SAIL, RINL, Coal India Limited (CIL) and National Thermal Power Corporation (NTPC) proposes to jointly promote a Special Purpose Vehicle (SPV) for the purpose of acquisition of overseas assets/ properties. These coal assets would service the long-term requirements of coking and thermal coals of the participant companies. SAIL Board has given its in-principle approval for participation in the proposed SPV. Ministry of Steel is in the process of seeking approval of Cabinet for setting up of the proposed empowered SPV".

Status of Pending Mining Leases

5.1.34 The details of mining leases of SAIL pending in the State of Jharkhand, Orissa & Chhattisgarh are given below. It may be noted that renewal of these leases is vital for growth plans of SAIL and meeting its current and future ore requirements.

Jharkhand

Iron ore Leases-13			Limestone Leases-3			Dolomite Lease-1		
Valid	Deemed extended	Rejected	Valid	Deemed extended	Rejected	Valid	Deemed extended	Rejected
1	8	4	0	3	0	0	1	0

Orissa

Iron ore Leases-8			Limestone Leases-2		
Valid	Deemed Extended	Rejected	Valid	Deemed Extended	Rejected
1	6	1	0	2	0

Chhattisgarh

Iron ore Leases-5		
Valid	Deemed extended	Rejected
4	1	0

Corporate Social Responsibility (CSR)

5.1.35 SAIL Board of Directors have decided that 2 per cent of the budgeted distributable surplus shall be earmarked as budget for CSR from the financial year 2006-07. Amounts earmarked and spent during the year 2006-07 by SAIL are given below:—

> "The Budget allocated for CSR by SAIL for the year 2006-07 is 2 per cent of the budget distributable surplus (after Dividend and Dividend Tax) *i.e.* Rs. 26 crore (Rupees Twenty Six Crore only). The budget is then allocated to all Plants/Units on the basis of their performance for the last year and also on the requirement sent by plants.
>
> Total Budget allocated by SAIL on CSR for 2006-07: Rs. 2600 lakh
>
> The total budget utilized by SAIL on CSR till Q3: Rs. 1216.19 lakh
>
> The various projects/activities being undertaken by Plants/units are in the final stages of implementation".

SAIL plans for an expenditure of 1.8 per cent of its distributable profits on CSR for the year 2007-08.

5.1.36 The Committee note that availability of critical raw material *viz*. iron ore, coking coal and non-coking coal is indispensable for the sustainable development of the steel industry. The SAIL is at present meeting its requirement of iron ore through captive mines. However, it has been purchasing indigenous non-coking coal from the Coal India Ltd. (CIL) and importing coking coal. It has already entered into Memorandum of Understanding (MoU) with the Bharat Coking Coal Ltd. (BCCL), a subsidiary of CIL, to augment availability of non-coking coal. It has also been in the process of acquiring coking coal mines on its own and agreed to participate in the Special Purpose Vehicle (SPV) to be floated for acquisition of overseas coal mines along with the Rashtriya Ispat Nigam Ltd. (RINL), the CIL and the National Thermal Power Corporation (NTPC).

The Committee observe though the SAIL has captive iron ore mines and getting uninterrupted supply of iron ore, it has not made required efforts to acquire captive coal blocks unlike major private steel companies. The Committee are anguished to note that the SAIL has been carrying its operations for more than four decades and it has not been able to acquire any captive coal blocks so far. The Committee feel that allotment of captive coal mines to the SAIL is significant to meet its long-term requirement of non-coking coal and to improve its competitiveness.

The Committee, therefore, recommend that the SAIL should make concerted endeavour to get captive coal blocks to ensure adequate availability of indigenous non-coking coal.

5.1.37 The Committee are of the strong view that floating of SPV to acquire overseas coal mines would help PSUs in avoiding the uncertainty that prevails in getting adequate supply of coking coal. The Committee, therefore, desire the Ministry to expedite the action so as to enable the SAIL, RINL, CIL and NTPC to reap the benefits of SPV at the earliest.

B. Sponge Iron India Ltd (SIIL)

SIIL was initially established as a demonstration unit with a capacity of 30,000 Tonne Per Annum (TPA) with UNDP/UNIDO assistance to establish the techno-economic feasibility of producing Sponge Iron Ore from lump iron ore and 100 per cent non-coking coal. The unit, which went into regular operation in November 1980 has been designed both for production and R&D.

(Rs. in crore)

Major Head	Budget Estimate 2006-07			Revised Estimate 2006-07			Budget Estimate 2007-08		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	—	5.00	5.00	—	1.10	1.10	—	5.00	5.00

5.2.1. The reasons for reduction of funds from Rs. 5 crore in BE 2006-07 to Rs. 1.10 crore in 2006-07 and the actual utilisation of funds and appropriation for BE 2007-08 are as follows:-

"A sum of Rs. 3 crore was allotted to expansion project and Rs. 2 crore to Additions/Modifications/Replacement (AMR)/ Township/R&D schemes during 2006-07. Expansion project was kept on hold due to non-availability of firm commitment of supply of coal/iron ore from M/s. Singareni Collieries Company Limited (SCCL)/National Mineral Development Corporation (NMDC) initially and thereafter on account of merger with NMDC. Total amount of expenditure under AMR/Township/R&D for the year 2006-07 would be around Rs. 1.60 crore against the total IEBR amount of Rs. 2 crore *i.e.* (80 per cent) utilization.

The appropriation of funds earmarked in BE 2007-08 is for AMR/ Township/R&D amounting to Rs. 2 crore and for meeting expansion works would be Rs. 3 crore. The IEBR amount would be sufficient to meet the requirements during 2007-08".

5.2.2 The Production particulars of SIIL since 2002-03 are given below:-

Product	Production during (% capacity utilization) (MT)					
	2002-03	2003-04	2004-05	2005-06	2006-07 (Approx)	2007-08 Target
Sponge iron (Capacity 60,000 TAP)	71,603 (117%)	69,600 (116%)	57,600 (96%)	48,600 (81%)	55,000 (90%)	57,000

The reasons for shortfall in capacity utilization are as follows:—

"Continuous deteriorating quality coupled with non-availability of iron ore for production year after year. Because of unchecked growth of sponge iron industry, iron ore availability is under constant pressure. This is the main reason for shortfall in capacity utilization".

5.2.3 SIIL has admitted that production during the year 2005-06 declined due to non-availability of qualitative and quantitative iron ore and rise in input cost. Market share of SIIL is only 0.5 per cent improved quality of iron ore and coal identified may improve the operation of the company.

When asked about the steps taken/proposed to be taken by SIIL to ensure uninterrupted supply of raw material and improve its market share, the Ministry of Steel has informed the Committee that—

"The Government has decided to merge SIIL with NMDC and this will ensure uninterrupted supply of iron ore to the Company. Once merged NMDC has plans to set up 2 kilns".

5.2.4 The Financial performance of SIIL since 2002-03 are given below:—

(Rs. in crore)

Particulars	Performance during					
	2002-03	2003-04	2004-05	2005-06	2006-07 (Prov.)	2007-08 (Target)
Turnover	44.14	58.86	61.98	43.04	50.79	57.00
Cost of production	38.62	42.51	52.94	42.52	49.25	50.67
Net profit/loss	6.05	12.98	3.93	3.18	6.32	4.20

The reasons for decline in financial performance during 2004-05 was mainly on account of implementation of Accounting Standard AS-28 (Impairment of Assets) and impairment of SAF assets to the extent of Rs. 11.45 crore. Hence decline in net profit although the turnover was higher compared to 2003-04. The physical performance and average sales realization has affected the financial performance of the company during 2005-06. The physical performance is lesser by 16 per cent compared to 2004-05 and average sales realization also reduced by 16.20 per cent. Hence the decline during 2004-05 and 2005-06.

5.2.5 On being asked the steps proposed to be taken by SIIL to strengthen its performance in the year 2007-08, the Ministry of Steel has stated the following:—

> "SIIL is mainly depending upon Chitradurg region of Karnataka for its iron ore requirement. The quality as well as quantity desired to be improved to maintain uniform physical performance levels. The present proposal to merge SIIL with NMDC Ltd. will solve problem of iron ore and ensure uninterrupted supply. This will in turn improve the performance of the Company".

5.2.6 A plant for production of 8300 tonnes of Silico manganese with an asset base of Rs. 39 crore is not in operation due to unremunerative price. Considering the ongoing merger proposal of the company with M/s NMDC Ltd. the disposal action of surplus assets initiated in 2004-05 could not be pursued.

When asked whether any feasibility study has been done before setting up of the plant and possibilities for utilizing the plant following the proposed merger proposal of SIIL with NMDC, the Ministry has submitted that—

> "A Feasibility study was made by M/s. Dastur & Co. and report prepared before setting up of plant.
>
> Government of India has approved the merger of SIIL with NMDC 'in-principle'. However, proposal for formal approval of the Government (Cabinet) for merger of SIIL with NMDC will be prepared after valuation of shares of SIIL is approved by the Government, which is under consideration.
>
> The existing capacity of 60,000 TPA of SIIL plant will be expanded along with the downstream facilities after merger".

5.2.7 The Committee note that as against the installed capacity of Sponge Iron 60000 Tonnes Per Annum (TPA), the Sponge Iron India Ltd (SIIL) has produced 57600 and 48600 TPA during the years 2004-05 and 2005-06 respectively. The SIIL is anticipated to produce 55000 TPA in 2006-07. The target fixed for the year 2007-08 is 57000 TPA as against the installed capacity of 60000 TPA representing capacity utilization of 95 percent. The Committee also note that net profit of the SIIL was Rs. 12.98 crore in 2003-04, Rs. 3.93 crore in 2004-05 and Rs. 3.18 crore in 2005-06 with estimated marginal increase to Rs. 6.37 crore in 2006-07. The net profit would again decline to Rs. 4.20 crore in 2007-08.

The Committee have been informed that the main reason for poor performance in production is non-availability of iron ore. Expansion project of SIIL has been kept on hold due to non-supply of coal and iron ore by Singareni Collieries Company Ltd. (SCCL) and National Mineral Development Corporation (NMDC) respectively.

The Committee observe that Sponge Iron Industry using non-coking coal, a substitute for coke, and iron ore are adequately available in the country. The Committee cannot but deprecate that the Ministry/SIIL has failed to take prompt action in ensuring uninterrupted supply of iron ore from the NMDC. The Committee, therefore, recommend the Ministry to take necessary measures to make available the required quantity of raw materials *viz*. coal and iron ore to the SIIL.

The Committee also note that a proposal for merger of the SIIL with the NMDC is pending with the Ministry. The Committee hope that the proposed merger of the SIIL with the NMDC would improve the performance of the SIIL and desire expeditious action on the part of the Ministry in this regard.

C. Hindustan Steelworks Construction Ltd. (HSCL)

Incorporated in 1964, HSCL has expertise in undertaking complete construction of modern steel plants and projects in the infrastructure sector involving high degree of planning, coordination and modern sophisticated techniques.

5.3.1 The Target and Achievement of HSCL during 10th Five Year Plan and Target for 11th Five Year Plan are given below:-

Physical Performance

Since HSCL is not a manufacturing organization but is primarily engaged in construction related activities, it is not possible to quantify the physical performance of the company.

Financial Performance

(Rs. in crore)

No.	Financial Parameters	10th Plan Target	10th Plan Achievement*	11th Plan Target
1.	Turnover	1700.00	1656.01	
2.	Operational Profit	284.00	111.94	
3.	Gross Profit (Profit before Interest & Tax)	-50.59	-239.23	Rs. 208.75 crore operating profit
4.	Profit/Loss after tax	- 82.49	- 501.53	

*Actuals for 2002-03 to 2005-06 and Anticipated for 2006-07.

5.3.2 HSCL has secured orders worth Rs. 430 crore in the year 2005-06 consist of orders for Rs. 86 crore in Steel Sector and Rs. 344 crore in other infrastructure sectors. When asked the reasons for securing fewer amount of orders from the steel Sector, the Ministry of Steel has submitted the followings:-

"No major projects were executed by HSCL in Steel Plants during 1999 to 2004 after completion of the modernization projects of SAIL. Due to its high negative net worth standing at (-) Rs. 1164.49 crore, HSCL is finding it difficult to pre-qualify for the upcoming expansion projects of SAIL.

The status of orders secured from Steel PSUs during 2005-06 and 2006-2007 is furnished below:—

(Rs. in crore)

Name of PSU	2005-06	2006-07 (till Feb 07)
Bokaro Steel Plant	26.68	45.68
Bhilai Steel Plant	36.40	47.48
Rourkela Steel Plant	1.14	0.45
Vizag Steel Plant	14.69	21.91
NINL/Duburi	6.58	45.72
Total	85.49	161.16

5.3.3 HSCL has intensified its activities in the infrastructure sector involving high degree of planning, co-ordination and modern sophisticated techniques.

On being asked about the target for the works in infrastructure sector and funds earmarked for modernizing its equipments and upgradation of techniques during the year 2007-08, the Ministry has stated as under:-

> "The total turnover target for 2007-08 has been fixed at Rs. 475 crore out of which the target for Infrastructure Sector is Rs. 350 crore.
>
> The Ministry had proposed for Budgetary Support of Rs. 7 crore to HSCL for the year 2007-08 for Plan Expenditure under AMR Scheme. However, Planning Commission have provided token amount of Rs. 1 crore only against the requirement of the company for Rs. 7 crore in view of proposed restructuring of the company".

5.3.4 HSCL sets initial target to reduce employee strength to 1200 by end of 2006-07. However, of late, response to Voluntary Retirement Scheme (VRS) is poor due to improved financial performance of HSCL. Hence, target revised to 1500 employees by 2007-08.

When asked specifically how HSCL would utilize the surplus employees till achieving targeted rationalisation of manpower, the Ministry has informed the Committee as follows:—

> "About 82.5 per cent employees of the Company are posted in the Steel Plants. The Company would gainfully utilize the surplus workmen and staff by way of redeployment after imparting multi-skill training through specified training modules.
>
> The response to VRS continues to be poor. The Company will keep the VRS scheme open and the manpower target of 1500 by 31.3.2008 is likely to be achieved. The manpower of the Company will reach 1300 by 31.3.2009 and 1070 by 31.3.2010 by virtue of normal separation".

5.3.5 The Committee note that the Hindustan Steelworks Construction (HSCL) is primarily engaged in undertaking construction of steel plants and projects in the infrastructure sector. The Committee also note that in the year 2005-06 the HSCL has secured high orders of Rs. 344 crore in infrastructure sector and Rs. 86 crore in steel sector. The Committee are constrained to note that due to high negative net worth of the HSCL of Rs. (-) 1164.69 crore, it has been unable to pre-qualify for the upcoming expansion projects of

the SAIL. The Committee further note that the restructuring proposal of HSCL has been pending with the Ministry for want of clearance. The Planning Commission has also approved Rs. 1 crore only in view of the proposed restructuring of the company.

The Committee in their earlier recommendations had reiterated that the restructuring proposal of HSCL should be approved early. Further, till a final decision is taken on merger of HSCL with SAIL, the Ministry should facilitate HSCL in awarding works on modernisation/upgradation of steel PSUs. The Committee are anguished to note that the Ministry has neither approved the financial restructuring proposal of the company as yet nor facilitated it getting work orders from steel PSUs. The Ministry has also not come out with any proposal for the merger of HSCL with SAIL. The Committee strongly feel that these have had a cumulative effect on the performance of the Company.

The Committee would like to reiterate their earlier recommendation on restructuring proposal of HSCL and its merger with SAIL. The Committee desire the Ministry/Steel PSUs to take immediate steps in giving preference to HSCL in work orders in their ongoing expansion projects.

5.3.6 The details of amount pending with the customers of HSCL are as follows:-

(Rs. in crore)

Details	As on 31.3.2005	As on 31.3.2006
Debts outstanding for a period exceeding 6 months	69.81	60.21
Unsecured advances to contractors	22.74	23.03

When asked why HSCL has failed to collect the pending dues from the customers and the reasons for giving huge amount as unsecured advances to the contractors, the Ministry of Steel has submitted the followings:-

"The main debtors of HSCL are SAIL, NINL, NTPC, CCL and Libyan Clients (Rs. 11.20 crore). The Company is continuously following up with the clients for realization of the old debts. The debtors as on 31.3.2006 reduced to Rs. 60.21 crore from Rs. 69.81 crore as on 31.3.2005.

Out of Rs. 23.03 crore unsecured advance to the agencies, Rs. 20.51 crore pertains to the Libyan projects. HSCL had to abandon the Libyan projects and leave the country on 'as is where is basis' on 28.7.1988 as per the advice of Ministry of Steel. The Libyan account remains unsettled till date. The balance advance of Rs. 2.52 crore is against work done by the agencies for which the bills are yet to be finalized".

5.3.7 The Committee further note that when the HSCL has been starving of funds, it has failed to realize the pending amount of Rs. 60.21 crore (as on 31.3.2006) particularly from its main debtors *viz*. SAIL, Neelanchal Ispat Nigam Ltd. (NINL), National Thermal Power Corporation (NTPC) and Central Coalfields Ltd. (CCL). The Committee in their 3rd Report had already recommended that the Ministry should prepare a time-bound schedule for early settlement of pending dues of the HSCL but no noticeable progress has been made so far in this regard.

The Committee, therefore, recommend that the Ministry should take up the matter seriously and to facilitate the HSCL in realizing the dues from Public Sector Undertaking (PSUs).

D. Kudremukh Iron Ore Company Ltd. (KIOCL)

KIOCL was set to manufacture iron ore concentrate for export to Iron. Consequent upon Iran's inability to lift iron-ore concentrates as per agreement, a Pellet Plant to utilize 3 million tonnes of concentrates was approved in May, 1981. The project, implemented at a cost of Rs. 116.65 crore, commenced commercial production in April 1987.

(Rs. in crore)

Major Head	Budget Estimate 2006-07			Revised Estimate 2006-07			Budget Estimate 2007-08		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	—	200.00	200.00	—	38.00	38.00	—	75.00	75.00

5.4.1 The outlay is drastically reduced to Rs. 38 crore in RE 2006-07 from Rs. 200 crore in BE 2006-07 and marginally increased to Rs. 75 crore in BE 2007-2008.

When asked the reasons for drastic reduction in allocation to KIOCL, the Ministry of Steel has submitted that:—

"Though the allocation of Rs. 38 crore in RE 2006-07, the actual expenditure during 2006-07 is likely to be around Rs. 16 crore.

Shortfall is mainly on account of non-incurring of expenditure on account of dispute over a portion of land allocated by Karnataka Industrial Areas Development Board (KIADB) and non-allotment of mining lease at Ramanadurg".

5.4.2 Provision for the year 2007-08 has been made for schemes like other Mine Development, Ductile Iron Spung Pipe Plant (DISP), AMR schemes, R&D and feasibility studies. Outlay is being met from IEBR without any budgetary support. A sum of Rs. 30 crore is kept at BE 2007-08 out of the estimated/sanctioned cost of Rs. 225 crore for the DISP to produce value added product *i.e.* ductile iron spun pipe.

On being asked whether the amount earmarked for the year 2007-08 is sufficient for KIOCL, the Ministry of Steel has informed the Committee as follows:-

"The amount allocated for 2007-08 is comparatively higher than the actual expenditure incurred as well as RE of 2006-07. However, it is hoped that the schemes would get going during later part of 2007-08 and requirement of funds would be reviewed during the mid-year review of the Annual Plan and increased allocation, if required, would be sought for the RE 2007-08".

5.4.3 The Target and Achievement under Physical and Financial Performance of KIOCL during 10th Five Year Plan and Target for 11th Five Year Plan are given below:-

Physical Performance

(in million tonnes)

No.	Physical Parameters	10th Plan Target	10th Plan Achievement*	11th Plan Target
1.	Production			
(i)	Concentrate	17.61	17.89	Production & Despatch:
				(i) Pellets: 152.50
(ii)	Pellets	16.50	14.17	(ii) Pig Iron: 6.80
2.	Exports			
(i)	Concentrate	7.25	5.01	(iii) DISP: 2.20
(ii)	Pellets	16.50	14.14	

*Actuals for 2002-03 to 2005-06 and Actual up to Jan. 2007 for 2006-07

Financial Performance

(Rs. in crore)

Sl.No.	Financial Parameters	10th Plan Target	10th Plan Achievement*	11th Plan Target
1.	Gross sales	4782.00	4980.00	Rs. 836.62 crore Net Profit
2.	Gross Margin	1226.00	2558.00	
3.	Profit/Loss before tax	902.00	2195.00	
4.	Profit/Loss after tax	527.00	1407.00	

*Actuals for 2002-03 to 2005-06 and Actual up to Jan. 2007 for 2006-07

5.4.4 The details of MoU target and capacity utilization by KIOCL between 2002-2003 and 2005-06 are as follows:—

CP: Concentrate Plant
PP: Pellet Plant
(In Million Tonnes)

Year	MoU target		Actual Production		Capacity Utilisation in %	
	CP	PP*	CP	PP*	CP**	PP
2006-07 (Prov.)	3.100	3.050	2.250	0.502	69	18
2005-06	3.100	3.050	2.922	2.834	58	81
2004-05	4.000	3.500	4.350	3.795	65	95
2003-04	5.000	3.400	5.090	3.671	76	92
2002-03	5.500	3.500	5.532	3.450	83	86

The rated capacity of the PP was 4 mt for the year 2002-03 to 2004-05 and the same has been derated to 3.5 mt from the year 2005-06. The Capacity utilisation of CP has been arrived at taking note of the fact that the mining activities at Kudremukh have been stopped on 31.12.2005. Accordingly, the rated capacity has been reduced proportionately.

KIOCL has, however, been unable to achieve the reassessed capacity of concentrate plant and pellet plant during the year 2005-06. On being asked about the reasons for under-utilization of capacity, the Ministry of Steel has informed the Committee that:—

"In the year under review, on account of restriction in mining to be done in the broken up area only and due to hard ore encountered at mines, there was a shortfall in the production of the concentrate at Kudremukh. Furthermore, in accordance with directives of Hon'ble Supreme Court, mining has been stopped at Kudremukh w.e.f. 31.12.2005. Consequent upon reduction in concentrate availability, there was a shortfall in production of Pellet at Managalore.

Consequent upon switchover from Magnetite Ore sourced from Kudremukh mines to Hematite Ore sourced from outside, the Pellet plant at Mangalore is facing operational problems as the Pellet Plant is designed for use of magnetite ore which is mainly available in the Western Ghats. Accordingly, Pellet production at Mangalore is significantly less than the targets as fixed. Efforts are continuing to resolve the problem".

5.4.5 The proposal for merger of Kudremukh Iron and Steel Company (KISCO) has been filed with Board for Reconstruction of Public Sector Enterprises (BRPSE). Orders of BRPSE are awaited. The Ministry of Steel has submitted the following regarding the status of merger:

"The rehabilitation/merger scheme of KISCO with KIOCL is presently pending with BRPSE, New Delhi. The scheme has been referred to the consultant for scrutiny by BRPSE. On completion of scrutiny, BIFR may call for hearing and pass necessary orders. It is anticipated that the process of merger will be completed within three months".

5.4.6 In order to fruitfully develop financial and technical strength for the future of KIOCL, it is exploring the possibilities of entering into new areas of business, acquiring new mining leases and formulation of diversification schemes for implementation. Efforts are on to develop new mines at other locations within the State and outside.

On being asked the Plan of action of KIOCL for the years 2006-07 and 2007-08 on the above-mentioned critical areas, the Ministry has stated as under:—

"**(a)** Status of Mining Lease Applications for Iron Ore.

Karnataka State: 1. Ramanadurg deposit: (Bellary-Hospet region)

Ramanadurg iron ore deposit occur in the Bellary district. The application submitted on 16th April 2003 for grant of mining lease in Ramanadurg is pending with Government of Karnataka. Government of Karnataka Cabinet has taken a decision to allot 50 per cent of the deposits in favour of KIOCL.

NMDC along with six others had filed a Writ Petition challenging the Notification dated 17.2.2003 issued by the Government of Karnataka dereserving iron ore bearing lands in Bellary area (Block Nos. 13, 14, 15 & 17) and also Notification dated 15.3.2003 calling application from the Public for grant of mining lease and for a direction to grant mining lease in respect of land measuring 4.5 sq. kms in Ramanadurg. The Hon'ble High Court of Karnataka has pronounced its judgement on the Writ Petition in respect of Ramanadurg deposit. In terms of the judgement, the application for mining lease filed by the writ petitioners is to be considered first. In the event of not granting the lease in favour of any of the petitioners, then the application received against notification may be considered by the State Government in accordance with Law.

2. Hombalghatta in C.N. Halli Taluk in Tumkur district:—

"Government of Karnataka have recommended for the grant of mining lease over an area of 116.55 Ha. in Hombalghatta *vide* their letter dated 6th March 2006. Tree enumeration work is completed and copy of the report received. Permission for exploratory drilling is awaited from Government of Karnataka."

(b) Orissa State—Khandadhar Mining Lease

KIOCL had applied for prospecting mining licence on 17.10.2002 for an area of 54.10 sq. km in Khandadhar District. Exploratory work was done by Directorate of Geology, Bhubaneswar. KIOCL has paid an amount of Rs. 1.11 crore to the Directorate of Geology, Bhubaneswar. After completion of prospecting work, KIOCL has applied for mining lease for an area of 54.10 sq. km in village Barsuan, Rajabhasha, Khandadhar and Rantha in Sundergarh District on 29th March 2006. A meeting was also held with the Chief Minister of Orissa on 29th May 2006 wherein it was decided that the granting of mining lease applied by KIOCL would be expedited.

However, a sudden News-item came that the Government of Orissa is deciding that the mining lease of iron ore of Khandadhar area may be given to another private company without disposing of the mining lease application of KIOCL and on 10th November 2006, Government of Orissa passed a Resolution in which they decided not to allow KIOCL to go ahead of setting up of benefication/pelletisation plant for the iron ore reserve of Khandadhar mining area. KIOCL has requested Government of Orissa to reconsider their decision. KIOCL has also filed a Writ

Petition in the High Court of Cuttack against the State Government. High Court of Cuttack has directed Government of Orissa to maintain *status quo* in the matter.

In the meantime Government of Orissa has recommended for grant of Prospective Licence in favour of M/s. POSCO for an area which includes the area applied for by KIOCL to the Ministry of Mines. KIOCL has objected to this and also challenged the same in the High Court of Cuttack in another case. M/s. POSCO has also filed an intervention application.

(c) Status of Joint Ventures—Joint Venture with SAIL

An MoU was signed with SAIL in September 2004 for the development and exploitation of Taldih & Barsua deposits in Sundergarh district of Orissa on joint venture basis. Extension of MoU has been granted further for one year w.e.f. 29.9.2006.

The progress so far made from the date of signing of MoU are as follows:—

1. Feasibility report is prepared by MECON. As per the Feasibility report, it is designed to produce the following:

Product (Output)		
Iron ore Lump	—	0.3 MT/Yr
Sinter grade fines	—	1.4 MT/Yr
Pellet	—	2.0 MT/Yr

Start of production is expected by 2011. Order is placed on M/s IBM for ore characterisation & pelletisation testing in June 2006. Report expected by May 2007.

Mine plan preparation by M/s. Minenviron Systems is under progress. For EIA/EMP study, presentation before the Committee, Ministry of Environment and Forests (MoEFs) was held on 18.12.2006 and TOR is received on 27th January 2007. Work Order to do EIA/EMP study on MECON on L-1 basis is issued. A decision has been taken in the meeting held at SAIL's Raw Material Division (RMD), Kolkata to go in for issue of global tender for preparation of Detailed Project Report (DPR).

Batch scale testing of Taldih & Barsua sub-grade ore has already been completed. Batch scale test report is under scrutiny by MECON, Ranchi and their report is awaited. Pilot plant testing of the ore is also under progress.

(d) Stabilization of Pellet Plant

With the stoppage of mining activity at Kudremukh, the Pellet Plant which was based on Magnetite iron ore had to switch over to Hematite grade iron ore. Problems faced by KIOCL were:

Grinding & Generation of more slimes

The raw material received from Donimalai generate higher blaine> 1800 sq. cm/gm *i.e.* > 10 microns. This was required to be restricted to < 3 per cent level against the present level of 30 to 35 per cent. The slimes generation caused high turbidity in the process of water/cooling water system of the plant. The turbid water from thickner was over flowing without settling because of high percentage of ultra fine and thereby filled the cooling pond with slimes.

Accumulation of slimes in the Agitator Tank and Thickner needed to be evacuated periodically to avoid the thickner torque going high and chocking the succession of slurry storage tanks. Due to this cyclic effect, the continuous operation of Ball Mill was getting affected.

Filtration

As the slimes generated during the grinding of ore was not settling down either in slurry storage tank or in thickner, density of slurry in the slurry tank was not increasing to the desired level. This lead to lower cake thickness causing a lower output of filter cake with higher moisture content.

Pelletization

The pellet feed containing slimes with higher moisture content affected formation of green balls in the pellet plant and chocked of chutes of the conveyers, build up of material in pelletizing disc. This lead to lesser production of pellets and deformation of shape of pellets.

In-duration machine

Low availability of green pellet feed affected the consumption norms for energy, fuel oil and additives; rate of production of fired pellets; continuous operation of plant; and quality of pellet form.

To sort out above problems, KIOCL has taken up following measures:—

(i) Installation of two Ball Mills for grinding Hematite Ore procured from outside; and

(ii) A secondary screen has been added to increase the feed to the Ball Mill.

Tega cyclones have been installed to de-slime the ground ore in place of D-10 cyclones. Certain modifications in the process cycle of screening, grinding of raw material and filtration have also been carried out. A sample of filter feed slurry was sent to M/s. Larox, Finland for pressure filter feasibility test.

KIOCL has appointed a consultant at Mangalore plant to look after the specified areas of concern, which need immediate attention and rectification. M/s. METCHEM (consultant) has suggested to get iron ore samples tested at a reputed laboratory for grinding, filtration and pelletisation. Accordingly, KIOCL has placed order on M/s. COREM in three phases. Phase—I has already been completed. Other two phases will be completed in the first quarter of 2007-08.

Based on the Phase-1 testing by M/s. COREM, the consultant M/s. METCHEM has recommended to install new pressure filters and replace the cyclone with screens to reduce water consumption. Accordingly, KIOCL has installed a Derrick Screen in one of the grinding circuits and the same is under operation. For the second grinding circuit, the Derrick Screen is under installation.

A Technical Conference was organized on 2.3.2007 to analyze the pellet production problems which was attended by the Industrial Advisor (Ministry of Steel), newly appointed Consultant of KIOCL, senior technocrats from M/s. METCHEM, Canada, Regional Research Laboratory (RRL), Bhubaneswar, National Institute of Technology, Surathkal, IITs Kanpur and Mumbai and MECON.

Based on the conclusions, work orders have been placed on RRL, Bhubaneswar, M/s. METCHEM, Canada, M/s. COREM and M/s. KHD, Germany to conduct necessary tests on the iron ore fines from Donimalai and for dry grinding process using roll press within a period of 2-3 months. KIOCL has sent iron ore samples to laboratories in India and abroad for testing in order to stabilize the plant for uses of Hematite Ore in Pellet making. The results of various tests are expected in first quarter of 2007-08, which will pave way to improve the capacity utilization of the plant during 2007-08.

Apart from above, KIOCL will take necessary action for development of mining at Chickknayakanahalli, Tumkur, Karnataka (once the mining lease is given by the State Government), Development of Barsua, Kalta and Taldih mines under joint venture with SAIL, allocation of alternative mines especially at Ramanadurg at Karnataka to get iron ore linkage from other sources apart from NMDC, construction of Bulk Material Handling Facilities for receipt of Iron Ore at Mangalore and Development of Permanent Railway Siding at Mangalore.

For setting up of new mines, in view of the restriction imposed on mining at Kudremukh by the Hon'ble Supreme Court, Rs. 145 crore was sanctioned under "Other Mine Development Programme". In BE 2007-08, Rs. 5 crore is provided for this purpose".

5.4.7 When asked whether any time schedule has been fixed while sanctioning the estimated cost of Rs. 145 crore and amount so far spent by KIOCL, the Ministry of Steel has submitted that:—

"This is mainly for development of Ramanadurg deposit once the allotment of mining lease is made by the Government in KIOCL's favour. Since, mining lease is not allocated in KIOCL's favour, no expenditure has been incurred so far. It is expected that mine development activity would be aggressively taken up during the 11th Plan period once lease in respect of Ramanadurg is allotted and the mining lease is renewed in favour of SAIL in respect of Barsua, Kalta and Taldih deposits. Provisionally, an expenditure of Rs. 145 crore is projected in the 11th plan period. A token allocation of Rs. 5 crore is made in BE 2007-08 to meet initial expenditure only. Time schedule will be finalized subsequent to allotment of mining lease and expenditure will be revised based on the feasibility study, etc".

5.4.8 The Committee note that the Kudremukh Iron Ore Company Ltd. (KIOCL) has been allotted of Rs. 75 crore for the year 2007-08 for various schemes including mines development and setting up of Ductile Iron Spun Pipe Plant (DISP) to produce value added product. The Ministry has stated that additional funds would be provided, if

required, in the RE 2007-08 depending upon the progress of the ongoing schemes. The Committee also note that the funds earmarked during 2006-07 to the KIOCL has been reduced to Rs. 38 crore in RE 2006-07 from Rs. 200 crore in BE but the expenditure has been so far Rs. 16 crore only.

The Ministry has stated that non-allotment of mining lease at Ramanadurg and dispute over a portion of land allocated by Karnataka Industrial Areas Development Board (KIADB) are the major reasons for shortfall in utilization of funds. The Committee further note that the proposal of merger of the Kudremukh Iron and Steel Company (KISCO) with the KIOCL is pending with Board for Reconstruction of Public Sector Enterprises (BRPSE).

The Committee feel that diversification of schemes and development of new mines needs to be accorded highest priority for the sustainable development of the KIOCL. The Committee are, however, constrained to note that the KIOCL is continuously facing hurdles in implementing the schemes which resulted in lesser utilization of funds ultimately telling heavily on its performance. The Committee in their earlier recommendations had expressed their concern that KIOCL should utilize the allotted funds to retain its financial strength.

The Committee, therefore, recommend that the Ministry should assist the KIOCL in overcoming the hurdles being experienced in the completion of schemes envisaged for the year 2007-08 and provide additional funds, if required. The Committee also recommend the Ministry to facilitate early merger of KISCO with KIOCL in order to consolidate its position.

5.4.9 The Committee note that installed capacity of Pelletisation Plant and Concentrate Plant of the KIOCL has been reduced from 4 mt to 3.5 mt and from 5.5 mt to 3.1 mt respectively in the year 2005-06 in pursuance of the directives of Hon'ble Supreme Court to stop mining at Kudremukh. The KIOCL has, therefore, switched over from magnetite ore to hematite ore to continue the operation of Pellet Plant. However, the Pellet Plant is facing operational problems as the plant is designed for use of magnetite ore. Though the KIOCL has taken several steps to modify the technology so as to use hematite ore in pellet making but no progress has been achieved so far.

The Committee are unhappy to note that the KIOCL has not been able to procure alternate technology to use hematite ore resulting in under utilization of Pellet plant. The Committee, therefore, recommend that the KIOCL should make sincere efforts to explore the suitable technology to use hematite ore in pellet making and improve the capacity utilisation of the plant during 2007-08 itself.

E. National Mineral Development Corporation Ltd (NMDC)

NMDC is the single largest producer of iron ore and diamond in the country. The company is also entering into the field of producing high value products like Ferric Oxide, Iron Power, etc.

5.5.1 The Target and Achievement under Physical and Financial Performance of NMDC during 10th Five Year Plan and Target for 11th Five Year Plan are given below:—

Physical Performance

Sl.No.	Physical Parameters	10th Plan Target	10th Plan Achievement*	11th Plan Target
1.	Iron Ore Production (mt)	117.14	101.70	158.90
2.	Despatches/Sales (mt)	129.64	112.64	159.90
3.	Production of Diamond (In Carats)	4,20,000	2,79,311	

*Actuals for 2002-03 to 2005-06 and RE for 2006-07

Financial Performance

(Rs. in crore)

Sl.No.	Financial Parameters	10th Plan Target	10th Plan Achievement*	11th Plan Target
1.	Income	10,911.07	13,347.40	
2.	Gross Margin	3499.99	8702.28	
3.	Profit/Loss before tax	2641.71	8354.17	Rs. 14180.62 crore Net Profit
4.	Profit/Loss after tax	1744.44	5533.34	

*Actuals for 2002-03 to 2005-06 and RE for 2006-07

Annual Plan 2007-08

(Rs. in crore)

Major Head	Budget Estimate 2006-07			Revised Estimate 2006-07			Budget Estimate 2007-08		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	—	150.00	150.00	—	150.00	150.00	—	250.00	250.00

5.5.2 The actual utilization of funds upto February 2007 is Rs. 89.60 crore as against the Budget provision of Rs. 150 crore in BE/RE 2006-07.

The Budget Provision for 2007-08 is Rs. 250 crore as against Rs. 150 crore provided in BE/RE of 2006-07. NMDC's plan outlay has been made for ongoing AMR/township and R&D schemes and new schemes like Kumaraswamy iron ore project, Bailadila Deposit-11B and Wind mill in Karnataka. The total outlay for the year 2007-08 is being met from IEBR of the company. The increase is due to increased allocation on the following items:

(Rs. in crore)

Particulars	RE 2006-07	BE 2007-08
1. Depsoit-11B	5.00	55.00
2. Wind mill in Karnataka	0.00	50.00

5.5.3 NMDC is implementing the following schemes:-

(Rs. in crore)

Name of the schemes	Estimated/ Sanctioned Cost	Outlay for 2007-08	Completion Schedule	Remarks/Risk Factors
Bailadila Deposit 11 B	295.89	55.00	October 2009	Due to delayed environments clearance (received in October 2006), work at site started from 1.1.07 and is under Progress.
Kumaraswamy Iron ore Project	296.03	2.00	—	Forest Clearance received in January 2007. Work could not commence due to stay order from High Court against lease renewal.
Sponge Iron & 10 MW Power Plant-Nagarnar	79.00	5.00	September 2009	Techno-Economic Feasibility Report prepared by M/s. Sponge Iron India Ltd. and the same has been appraised by UTI Bank for its financial viability. Application submitted to Ministry of Environment and Forests for environmental clearance.
Wind Mill in Karnataka	110.00	50.00	April 2008	Under Tendering Stage

On being asked the efforts made by NMDC to complete the targeted Phase-I capacity of 3 MTPA as per commissioning schedule of October 2009, the Ministry has submitted that—

> "Consultancy work for implementation of project on Engineering, Procurement and Construction Management (EPCM) basis was awarded in July 2005 so that progress can be achieved on tendering work by the time statutory clearance are received. The Environment clearance was received in the month of October 2006. Construction of the whole project has been divided into 7 packages. Out of 6 main packages envisaged, the earthwork has started in the Service Centre and Crushing Plant area. The two major turnkey packages are at advanced stage of tender Scrutiny and the orders are likely to be released by May 2007. The other packages are in various stages of preparation based on the priority. Apart from the above, small-scale mining has been started to ensure proper bench development prior to completion of the process plant by March 2009".

5.5.4 NMDC has taken the following action in vacating the stay order from High Court against renewal of lease in Kumaraswamy Iron ore Project:—

> "On the request of Ministry of Steel, Secretary (Mines), Government of Karnataka has written to the Advocate General of the State Government to get the stay order vacated expeditiously. However, the matter is still pending in the High Court of Karnataka. NMDC has requested Hon'ble High Court of Karnataka to allow NMDC to enter into agreement for renewal of lease pending judgement in the writ petition as forest clearance under section 2 of Forest Clearance Act has been granted by Ministry of Environment & Forests (MoEF), Government of India followed by final clearance by Government of Karnataka".

5.5.5 As technology for NMDC Iron and Steel Plan (NISP) could not be finalised, the scheme to establish the iron and steel plant utilizing slimes generated from Bailadilla mine has been dropped. The land procured is being utilized for establishment of Sponge Iron Plant to produce sponge iron and generate power.

On being asked whether NMDC has explored any alternative to use slimes generated from Bailadilla mine, the Ministry of Steel has stated that

> "NMDC is still exploring the alternative use of slimes. However, M/s Essar Steel has been buying fines along-with slimes from Bailadila Mines".

5.5.6 The Committee note that the annual plan outlay of the National Mineral Development Corporation (NMDC) for the year 2007-08 has been increased to Rs. 250 crore from Rs. 150 crore in BE/RE 2006-07 for implementing ongoing AMR/R&D schemes, etc. and new schemes like Kumaraswamy iron ore project, Bailadila deposit-11B and Wind Mill in Karnataka. The Committee are constrained to note that the NMDC has spent Rs. 89.60 crore in 2006-07. The Committee further note that the forest clearance for Kumarawamy iron ore project has been received in January 2007 but work could not be commenced due to stay order from Chhattisgarh High Court against lease renewal. However a sum of Rs. 2 crore has been earmarked for carrying out preliminary work. For the ongoing schemes *i.e.* Bailadilla Deposit-11B and Wind Mill in Karnataka, a sum of Rs. 55 crore and Rs. 50 crore respectively has been allotted for the year 2007-08.

The Committee feel that implementation of these schemes are essential to improve performance of the NMDC and are unhappy to note that an amount of barely Rs. 89.60 crore could be spent thereby hampering the progress of the schemes. The Committee, therefore, desire the NMDC to make all out efforts for getting stay vacated in the Kumaraswamy Iron Ore Project and expedite the progress of other ongoing schemes for better utilisation of funds.

5.5.7 Mining activities at Diamond Mining Project (DMP), Panna were stopped with effect from 22.8.2005 on receipt of notice from Madhya Pradesh Pollution Control Board. The current status of mining activities at DMP, Panna and Plan of NMDC to continue its presence in diamond mining activities are given below:—

> "The mining operations at Panna have been stopped on the orders of the Madhya Pradesh Pollution Control Board since August 22, 2005. The mine has become part of Gangau Wildlife Sanctuary. However, the process plant operations were continued with the material available in the stock-pile. Process plant operations have also been stopped with effect from 18-04-2006 as per the advice of Central Empowered committee of Hon'ble Supreme Court during their visit to Panna. The Hon'ble Supreme Court of India is hearing the case regarding the request of NMDC to allow working of Panna Diamond Mine under the batch of matters connected with the forest case.
>
> For having NMDC's presence in diamond mining, the company has taken up exploration for diamonds in India. The exploration works are in progress".

5.5.8 The Committee note that the National Mineral Development Corporation (NMDC) is the single largest producer of diamond in the country. However, the Mining activities at Diamond Mining Project (DMP), Panna were stopped *w.e.f.* 22.8.2005 following the directives of Madhya Pradesh Pollution Control Board. The issue is pending before the Hon'ble Supreme Court.

The Committee, therefore, desire the Ministry to take up the issue at the highest level with the State Government of Madhya Pradesh in consultation with the Ministry of Environment and Forests (MoEF) to arrive at an amicable solution including out of court settlement, if possible.

5.5.9 The Committee also note that the NMDC has been exploring for diamonds in India to continue its presence in diamond market. The Committee feel that keeping in view the demand for diamond and competition from the private companies, it is crucial for NMDC to retain its market share for the sustainable growth. The Committee, therefore, recommend the NMDC to expedite the process of exploration of diamonds not only in India and also abroad. The Committee also desire the NMDC to work in close coordination with Geological Survey of India (GSI) and Mineral Exploration Corporation Ltd. (MECL) in this regard.

Status of Pending Mining Leases

5.5.10 Following Mining Lease/Prospecting License applications are pending with the State Government of Chhattisgarh, Orissa and Jharkhand and Ministries of Mines:

Sl.No.	State	Mining Lease/ Prospecting License	Name of the Lease/No. of ML applications	Pending with
1.	Chhattisgarh	Mining Lease	Bailadila Deposit-No.-4	State Govt.
2.	Orissa	Mining Lease	Mankarnacha	State Govt.
3.	Jharkhand	Mining Lease	Chiria (3 ML applications)	State Govt.
4.	Chhattisgarh	Prospecting License	Bailadila Deposit-No.-1	Sub-judice in Mining Tribunal, Ministry of Mines
5.	Chhattisgarh	Mining Lease	Bailadila Deposit-No.-3	Sub-judice in Mining Tribunal, Ministry of Mines

5.5.11 When asked whether it is a fact that on the basis of the recommendations of the Chhattisgarh Government, the Ministry of Mines has granted mining lease to a private company overlooking the applications of NMDC, the Ministry of Mines stated as below:

"The State Government of Chhattisgarh had recommended the following three proposals covering areas applied by M/s National Mineral Development Corporation Ltd. (NMDC):—

(a) Grant of mining lease for iron ore over an area of 413.745 hect. in Bailadila Reserve Forest (Deposit No. 13), District South Bastar Dantewara in favour of M/s NMDC for a period of 20 years. Prior approval on this proposal has been conveyed to the State Government on 13.2.2007.

(b) Grant of prospecting licence for iron ore over an area of 2285 hect. in Bailadila Reserve Forest (Deposit No. 3), District South Bastar Dantewara in favour of M/s Essar Steel (Chhattisgarh) Ltd. for a period of 2 years. Prior approval on this proposal has been conveyed to the State Government on 28.12.2006/02.02.2007 conditionally subject to outcome of revision applications filed by M/s NMDC against the proposal.

(c) Grant of prospecting licence for iron ore over an area of 2500 hect. in Bailadila Reserve Forest (Deposit No. 1), District South Baster Dantewara in favour of M/s Essar Steel (Chhattisgarh) Ltd. for a period of 2 years. Prior approval on this proposal has been conveyed to the State Government on 14.02.2007 conditionally subject to outcome of revision applications filed by M/s NMDC against the proposal.

The area recommended in favour of M/s Essar Steel (Chhattisgarh) Ltd. was earlier held by M/s NMDC under mining lease and since M/s NMDC did not carry out any mining activity in the area, the mining lease granted to M/s NMDC was declared lapsed by the State Government vide their order dated 7.6.2006. The State Government also issued a gazette notification dated 7.6.2006 inviting applications for re-grant of mineral concession over the said area. M/s NMDC has filed two revision applications against both the lapse order dated 7.6.2006 and notification dated 7.6.2006.

M/S NMDC had sought reservation of an area of 1130 hect. in Bailadila Deposit No. 1 (i.e. over a part of the area recommended for grant of prospecting licence in favour of M/s Tata Iron and Steel Ltd.) for prospecting under Section 17A (1A) of the MMDR

Act, 1957. The State Government while not agreeing for the reservation proposal in favour of M/s NMDC recommended grant of prospecting licence in favour of M/s Tata Iron and Steel Ltd. on the grounds that M/s Tata Iron and Steel Ltd. have signed an MoU with the State Government for setting up a steel plant in South Bastar District with an investment of Rs. 10,000 crore. M/s NMDC presently holds different mining leases for iron ore covering a total area of 2696.224 hect in Chhattisgarh. In addition, Ministry of Mines has approved on 13.2.2007 for grant of mining lease for iron ore over 413.745 hect. in favour of M/s NMDC.

M/s NMDC was one of the applicants over both the areas recommended by the State Government of Chhattisgarh for grant of prospecting licences to M/s Essar Steel (Chhattisgarh) Ltd. and M/s Tata Iron and Steel Ltd. The State Government had stated in the said proposals that Bastar is one of the most back-ward areas in the State having dominantly tribal population comprising about 60% BPL (below poverty line) families. The State Government had also pointed out that even though iron ore is being produced from Bailadila for the past 45 years, this has not helped in any significant improvement in the standard of living of the poor and backward tribal population of Bastar region. The State Government has taken a decision as per their industrial policy to encourage setting up of steel plants in the Bastar region with a view to generate large-scale direct and indirect employment opportunity by way of industrialization of the Bastar region. M/s Essar Steel (Chhattisgarh) Ltd. and M/s Tata Iron & Steel Ltd., besides being the most experienced steel producers among the applicants, are the only two applicants who have plans to set up steel plants in the Bastar region.

A Civil Writ Petition has been filed before Delhi High Court challenging the prior approval given by Ministry of Mines in favour of M/s Essar Steel (Chhattisgarh) Ltd."

5.5.12 The Committee note that the State Government of Chhattisgarh had recommended certain areas earlier held by the National Mineral Development Corporation (NMDC) in Bailadila Deposit Nos. 1 and 3 for the grant of prospective licence for iron ore in favour of M/s. Essar Steel (Chhattisgarh) and M/s. Tata Iron and Steel Ltd. where the NMDC was also one of the applicants, for the reasons that the NMDC did not carry out any mining activities in the area. M/s. Essar Steel and M/s. Tata Iron and Steel Ltd. have signed an MoU with the State Government for setting up of a Steel

Plant and to generate employment opportunity in the State. The Ministry of Mines had also conveyed its approval to the above proposals of the State Government subject to outcome of revision applications field by the NMDC against the approval given by the Ministry in favour of M/s. Essar Steel.

The Committee observe that the application of the NMDC has not been considered by the State Government for the reason that it has no schemes for value addition in Chhattisgarh. The Committee are distressed to note that both the State Government and the Ministry of Mines have completely ignored the fact that the NMDC had plans for setting up of Pelletisation unit, Sponge iron unit and integrated steel plant in Chhattisgarh. The request of the Ministry of Steel in this regard has also remained unheeded in the Ministry of Mines. The Committee feel that lack of coordination between the Ministries of Mines and Steel and ore rich State Governments has not only resulted into deprivation of mining lease held by the NMDC but also delays in approval of mining leases applied by PSUs in various States.

The Committee, therefore, recommend that the Ministry of Steel in coordination with Ministry of Mines and the NMDC take up the matter at highest level with the State Government of Chhattisgarh for review of mining leases recently granted, particularly those earlier held by the NMDC, in view of its massive value addition proposals in the State.

CHAPTER VI

NATIONAL STEEL POLICY

OBJECTIVES

The National Steel Policy 2005 sets out the Government's vision for the future of the steel industry. The National Steel Policy was approved by the Government on November 3, 2005, which *inter-alia* seeks to enhance the indigenous steel production to 110 mt per annum by 2019-20 from the 2004-05 level of 38 mt, implying a compounded annual growth rate of 7.3%.

6.1 To achieve the objectives of the National Steel Policy,

- A Steel Promotion Coordination Committee has been constituted with a view to coordinate a national level campaign on increasing consumer awareness in the country, with particular emphasis on the rural sector. A National Steel Campaign has been launched on 20.3.2007, involving audio-visual and print media to create this impact amongst all cross sections of the steel users in the country; and
- Several Task Force/Study Committees have been constituted in the Ministry of Steel to look after specific areas of concern including refractory and infrastructure development of steel industry in the country.

Promotion of Steel Usage

6.2 Promotion of steel is important in India because the per capita consumption is quite below the global average. Under the circumstances promotion of steel usage is given due importance by the Ministry of Steel, companies and other bodies associated with the steel industry.

6.3 Despite significant growth in the steel sector, the country's per capita consumption of steel is still at a very low level of around 35 kg. as against the global average of 150 kg. In rural India, the consumption figure is even lower at 2 kg. with the growth of the economy one of the primary initiatives of the Ministry of Steel is to initiate a campaign for India. Consequently, the Ministry and the major steel producers are jointly proposing a Steel Promotion Campaign from promoting the utilisation of steel as a cost effective and durable material lending itself to a variety of applications for construction, infrastructure, etc. A Joint Steering Committee comprising representatives of the Ministry, the Public Sector Enterprises (PSEs) and the Private Sector has been formed to formulate and coordinate the various aspects of this campaign.

(i) Providing Steel in Rural Areas at Metro prices

The major steel producers have resolved in September 2006 to make available items of common steel consumption in the rural areas through their dealer network at the same price as applicable in Metros. Consequently, a significant part of the cost of transportation as well as distributors/wholesaler's margin would be borne by the producers. This is expected to result in relief of about Rs. 600—1000 per tonne to the individual customer in the rural areas.

6.4 When asked how the steel products would be made available in rural areas at an affordable price and plan of action in this regard for the year 2007-08, the Ministry of Steel has informed the Committee as follows:-

> "The steel industry, particularly the public sector, has taken a lead in this regard; SAIL has already offered dealership to 651 dealers covering 529 districts of the country and RINL to 99 dealers mostly in Southern States. These dealers are earmarked for rural distribution, which will make the steel available to the villages at the same price existing in the city, and they will absorb the transportation cost incurred for transferring the steel from their stockyard to the rural area. Private steel producers have also been advised to follow suite. While granting dealership preference is also given to the SC, ST and OBC personnel. Also, to further promote awareness regarding use of steel, particularly in the rural sector and to boost steel demand in the country, a National Steel Campaign has been launched on 20th March 2007 with participation of major steel producers and the Ministry of Steel.
>
> Further Institute of Steel Development and Growth (INSDAG) has also devised various user friendly steel applications such as steel bullock card, steel dhabas, stainless steel bus shelter etc. to promote use of steel, particularly in rural areas".

(ii) Model Steel Villages

6.5 The major steel producers have also resolved to develop selected villages in their vicinity as "Model Steel Villages" where relevant schemes in areas like health, education and livelihood would be launched. In these "Model Steel Villages", an endeavour will also be made to promote the usage of steel in buildings and other public infrastructure.

Conscious efforts are required to stimulate domestic demand and create incremental consumption possibilities such as (i) promotion of steel usage by the producers of steel and the INSDAG among architects, engineers, students and other technology practitioners and users of steel; (ii) developing new grades and products for expanding the basket for steel applications; and (iii) improving steel availability and affordability.

On being asked whether INSDAG has conducted any survey to assess the demands of steel rural in areas, the Ministry has submitted as under:

> "INSDAG has not conducted any survey to assess the demand in the rural areas. However, the Ministry is working on a long-term action plan for promoting consumption of steel through creating incremental demand for steel by strengthening the delivery chain particularly in rural areas. This will be achieved by creating awareness about the benefit of steel use particularly in the construction sector".

6.6 The real challenge lies in addressing disparities in steel consumption across different States and regions and also between urban and rural areas. There is a need to strengthen the efforts under various initiatives like Bharat Nirman Programme, National Rural Employment Guarantee Act etc.

When asked about any mechanism at the Ministry level exists to monitor the active participation of both Public and Private Sectors steel companies in the above-mentioned programmes, the Ministry has stated the following:

> "Although the Ministry is addressing the issues related to Steel promotion and awareness of steel use, with a particular emphasis on rural sector, there is no mechanism in the Ministry to monitor the participation of private and public sector units in various initiatives like Bharat Nirman Programme and National Rural Employment Guarantee Programme".

Achievement of Global Benchmarks

6.7 The Ministry of Steel has stated that as envisaged in National Steel Policy, 2005 emphasis would be given in 11th Five Year Plan to make India globally competitive not only in terms of cost, quality and product mix but also in terms of global benchmarks of efficiency and productivity.

On being asked any year-wise plan of action has been devised to achieve the above-said target, the Ministry has stated that:

> "Modernization and technological upgradation is an ongoing process. The steel plants under Public Sector earmark their annual targets, covering also their modernization and technological up-gradation schemes, in the MoUs signed with Government. Plants in the private sector set their own targets".
>
> Indian steel plants have been continuously upgrading their technology and practices to achieve global benchmarks in productivity, and energy consumption given the inherent limitations of quality of indigenously available raw material and resources. As a result, productivity of steel plants has been continuously increasing and specific energy consumption has been constantly reducing over the years.
>
> Though the selection and adoption of technology is completely in the hands of the entrepreneurs, Government encourages adoption of modern, state-of-the-art technologies to ensure adaptability to indigenous resources in an environment friendly manner".

6.8 The Committee note that the National Steel Policy (NSP) has envisaged to achieve indigenous production of 110 million tonnes (mt) per annum by 2019-20 from 38 mt in 2004-05. To achieve this objective, it is necessary to create required infrastructure for steel industry as well as increase per capita consumption of steel. In this regard, the Ministry of Steel has constituted several task forces and study committees to take care of the facilities required for development of domestic steel sector and launched National Steel Promotion Campaign on 20.3.2007 to create consumer awareness with a focus on rural area. The Committee further note that the major steel producers proposes to make steel available in rural areas by selling steel at the same price as applicable in Metros, developing "Model Steel Villages" and producing new steel grades.

The Committee feel that promotion of steel usage is quite important to attain the goals envisaged in NSP. The Committee observe that the biggest challenge in achieving the desired level of consumption is removing the wide disparity between urban and rural areas. Though the major steel producers and the Ministry have

resolved to address this disparity, the Committee are, however, constrained to note that the Ministry has not facilitated steel producers in assessing the demand of steel in rural areas in order to produce the same.

The Committee believe that identifying the products required in rural areas would immensely help the steel producers. The Committee, therefore, desire the Ministry to conduct a survey immediately through the Institute of Steel Development And Growth (INSDAG) to assess the demand of steel in rural areas.

6.9 The Committee also note that the Ministry has no mechanism to monitor the participation of steel companies especially steel PSUs in various programmes like Bharat Nirman Programme and National Rural Employment Guarantee Programme, etc. The Committee feel that effective participation of steel companies in general and steel PSUs in particular in the national programmes would not only stimulate consumption of steel but also help the PSUs to increase their production as envisaged in the National Steel Policy.

The Committee, therefore, desire that the steel producers particularly steel PSUs should effectively participate in the national programmes and give priority in supplying the steel products to the rural areas. The Committee further desire the Ministry to monitor the participation of steels PSUs in the national programmes.

Role of Small and Medium Enterprises (SMEs)

6.10 The National Steel Policy sets out a broad roadmap for the Indian Steel Industry in its journey towards reforms, restructuring and globalisation. With consolidation underway in the global steel market, the Indian steel industry needs to ask itself where it is headed. India's iron ore resources make it an attractive home for steel makers but Indian steel companies are still operating in a local fragmented market.

6.11 A token provision of Rs. 10 crore for Technology Upgradation Fund Scheme (TUFS) for Small and Medium Enterprises (SMES) in steel sector in 11th Plan has been proposed by the Ministry but not approved by the Planning Commission. The details of the scheme are yet to be finalised.

When asked since Indian steel industry is highly fragmented whether the Ministry of Steel ever conducted a study on the possibilities for consolidating fragmented Indian steel units, the Ministry has submitted as under:

> "The Indian steel industry has two distinct sub-sectors—(i) the large scale integrated units of more than 1 million tonne annual

capacity and (ii) small sized secondary steel units, consisting predominantly of—

- Scrap-based Electric Arc/Induction Furnace (EAF/IF) units of annual capacities less than 0.5 million tonnes per unit;
- Non-flat Re-rollers processing purchased scrap or billets into longs and small structurals;
- Stand-alone flat HR/CR re-rollers processing purchased slabs and HR material; and
- The coal-based Sponge iron producers.

Prior to deregulation of the steel industry, the integrated sector was dominated by the public sector with the lone private sector plant of TISCO. The smaller secondary steel sector, on the other hand, developed entirely at the behest of the private entrepreneurs. Development of these smaller secondary steel-producing units prior to deregulation (*i.e.* before 1992) has been the result of several historical factors. Foremost amongst these are the erstwhile policy of reserving creation of new large scale BF-BOF integrated steel capacity in the public sector units and the failure of the resource-strapped government to invest in expanding capacity in the PSUs from the Third Five Year Plan onwards. The late seventies and the eighties saw a significant growth in these small-scale primary steel making units which came up to fill in the demand gap created by stagnating supplies from the integrated sector where very little capacity expansion took place during that period. Apart from augmenting domestic supply, these units also performed the important function of meeting local demand for basic steel in small quantities made possible by their wide geographical dispersion.

The downturn in the steel cycle between 1998 and 2001 saw some of these units close shop. However, the decided upturn in the steel cycle from 2002 onwards have seen a proliferation of such units. The conditions on the ground have been highly favourable for the growth of this sector, e.g.—

- Domestic demand has been rising at an accelerated rate;
- However, the integrated plants did not have any significant capacity expansion plans because of the bearish market conditions prevailing then;
- The small-scale units in the Induction Furnace (IF) sector came up to exploit the rising market (ruling high prices) in

the last four years and the supply void created by lack of investment in capacity creation in the integrated sector; and

- Their rapid growth has been facilitated by the low capital cost and the relatively short gestation period of these units.

No study on consolidation of these fragmented units has been carried out by the Ministry of Steel".

6.12 The Committee note that the National Steel Policy (NSP) sets out a road map for the domestic steel sector towards reform, restructure and globalisation. The domestic steel sector has two sub-sector namely, the large scale integrated units and small size secondary steel units includes Small and Medium Enterprises (SMEs). SMEs produces finished steel products from semis are meeting the local demand as they are widely dispersed. The Committee also note that some of the SMEs which were closed down in later 90's have been refurbished and proliferated following upswing in the steel sector.

The Committee further note that the Ministry of Steel has proposed a token amount of Rs. 10 crore for a new scheme *viz.* Technology Upgradation Fund Scheme (TUFS) for SMEs in the 11th Plan. But the Planning Commission has not approved due to pending finalisation of scheme by the Ministry.

The Committee observe that the SMEs are occupying a central place in fulfilling the local demand considering their wide geographical dispersion. The Committee also observe that the growing competitiveness in steel sector with the latest technology, massive capacity addition and expanding network would force a formidable threat to SMEs. The Committee feel that keeping in view the role being played by SMEs in the country by meeting the local demands, they desire the Ministry to strengthen them by providing necessary infrastructure and fulfilling their various requirements like raw material through Small Scale Industries Corporation to derive the benefits of proposed technology upgradation.

Development of Infrastructure

6.13 The infrastructure for steel sector *viz*. Power, Railways, Highways, Ports & Coastal Shipping needs to be essentially provided by the Government. However, due to scarcity of public resources with Government, there is a need to fully utilize existing policy framework of Public Private Partnerships (PPPs) for the benefit of all stake-holders especially in certain critical areas for reasons of avoiding uncertainties and reducing long-term costs.

Regarding the steps taken/proposed to be taken by the steel PSUs in developing infrastructure required for them through PPPs, the Ministry of Steel has stated as under:

"SAIL has taken/proposes to take the following actions for development of Railways & Ports as detailed below:

Railways

(a) SAIL has submitted its proposals for procurement of two BOXN rakes to Indian Railways at a cost of Rs. 26 crore under the railways Wagon Investment Scheme. Details are being worked out;

(b) SAIL is further planning for an investment of around Rs. 60 crore in the Wagon Investment Scheme for procurement of two rakes for moving imported coking coal from Vizag Port to Bhilai Steel Plant and 3 rakes for moving iron ore from Kiriuburu/Megathaburu mines to Bokaro Steel Plant; and

(c) SAIL is investing Rs. 5 crore towards a small equity stake in 82 Km Haridaspur-Paradip railway lines project being launched by Railway Vikas Nigam Limited (RVNL). This will facilitate movement of coal to BSL, DSP and ISP apart from marginal reduction in distance (and commensurate reduction in freight). It will also assure wagon availability for 0.5 MT of coal. A share holders' agreement has been signed.

Dedicated Freight Corridors

(d) Railways have announced the construction of dedicated freight corridors on selected routes to meet the long-term requirements of movement for enhanced freight traffic. These freight corridors will be built on Eastern (from Ludhiana to Sonnagar) and Western Corridors (from Jawaharlal Nehru Port to Tuglakabad and Dadri). Both Eastern & Western Corridors will be connected between Dadri and Khurja to facilitate transfer from one corridor to other.

- Four of SAIL plants are located on Eastern Part and therefore, the Eastern corridor shall be beneficial for SAIL plants mainly for movement of steel from Steel Plants to Northern region and limestone from Rajasthan area to Steel Plants. It may also help in faster evacuation of imported coal from Haldia Port depending on the connectivity to the corridor and construction of the Eastern corridor upto Kolkata area. The Dedicated Freight Corridors should have the connectivity to the steel plants located in the Eastern parts. Accordingly SAIL will take a decision to participate based on these developments and techno-commercial suitability to SAIL.

Ports

The current Government policy allows private capital in port development. Steel producers would be encouraged to develop port and berth facilities so as to improve productivity, turn around time, capacity to handle larger vessels and other operational parameters of efficiency.

SAIL has taken the following actions for meeting the increased requirement of imported coal:

1. Long-term agreement signed with BOT operator M/s International Seaports (Haldia) Pvt. Ltd. with minimum cargo commitment of 2.3 MTPA of imported coking coal through fully mechanized system at berth No. 4A of Haldia. This berth has since commenced operation;

2. Long-term agreement signed with M/s Vizag Seaport Pvt. Ltd. (VSPL) for a mechanized handling system with minimum cargo commitment of 3 MTPA of imported coal at Vizag. This facility was expected to be operational by January 07. However, M/S VSPL is not able to fulfil some of its requirements, SAIL is relooking into the agreement; and

3. A team has recently been formed to discuss details and possible participation (if found suitable) in new deep port projects, such as Gangavaram and Dhamsa etc. with the developers.

RINL has assisted the State Government of Andhra Pradesh in its efforts to develop a minor port at Gangavaram by offering the available land on certain conditions.

6.14 The Committee note that the creation and development of the infrastructure *viz*. Power, Railways, Highways and Ports are of paramount importance in sustaining the growth of steel sector. However, considering the huge size of investment involved, it is not

feasible to develop all the required infrastructure either by Government or by steel producers except through Public Private Partnerships (PPPs) which benefits all stake-holders. The Committee further note that steel PSUs *viz*. Steel Authority of India Ltd. (SAIL) and Rashtriya Ispat Nigam Ltd (RINL) are developing infrastructure through PPPs. The SAIL has entered into agreement with the Railways for availability of wagons and also planned to take part in the dedicated Eastern Freight Corridor Project. While RINL has participated in developing a minor port at Gangavaram, Andhra Pradesh, the SAIL is also exploring the possibilities of developing the same port.

The Committee observe that infrastructure bottlenecks particularly in transportation is a key concern for movement of raw material. Hence, it is imperative to improve rail and road linkages between mines and steel plants as well as strengthening port infrastructure. The Committee while welcome the initiatives of steel PSUs *viz*. SAIL and RINL, they are of the strong view that since more private companies are effectively developing the infrastructure through PPPs, the steel PSUs have to do a lot more in this regard.

The Committee, therefore, strongly recommend that the steel PSUs should strive to reap the benefits of PPPs in developing the infrastructure in order to minimize their overall cost of transportation and improve their competitive edge in steel sector.

6.15 The Committee note that steel is one of the six sectors that figure in the index of industrial production for "infrastructure" but the fiscal incentives available to the infrastructure projects are not available to the steel industry. The Committee feel that providing suitable fiscal incentives to the steel industry is absolutely necessary to mobilize vast resources to achieve the strategic goal of 110 mt of steel production by 2019-20. The Committee are surprised to note that the Ministry has not proposed any schemes for providing fiscal incentives to the steel sector during 11th Plan.

The Committee, therefore, recommend the Ministry to approach the Ministry of Finance/Planning Commission with the details of schemes to provide suitable fiscal incentives for steel industry during 11th Plan itself.

Availability of Raw Material

6.16 To ease the availability of critical raw materials like iron ore, coking/non-coking coal etc. it is desirable that necessary changes in legal, policy and institutional set up are effected with priority.

Technologies/practices in certain areas have been already operating successfully abroad and need to be adopted and assimilated by the Indian industry at an accelerated pace.

When asked specifically about the action taken by the Ministry of Steel to bring changes in the policy to ensure availability of raw material for domestic steel sector, the Ministry has informed the Committee that:

> "The stand of Ministry of Steel is that iron ore has to be made available to domestic industry and then balance ore could be exported.
>
> Iron ore is available to domestic steel industry as of now. For future requirements, Ministry of Steel has taken a stand of cap on exports at current levels except on ore of Goa & Redi region, with progressive reduction in the cap year after year in consonance with capacity created in the domestic industry, levying a disincentive (say Rs. 500 per tonne) on export of quality iron ore. These steps should conserve the iron ore for domestic industry in future".

6.17 National Council for Applied Economic Research has concluded that reserves of high and medium grade iron ore in the country would last for a mere 19 years even if its export is lapped at the present level.

On being asked about action to be taken by the Ministry of Steel to facilitate by steel companies particularly steel PSUs for adequate availability of iron ore to sustain their operations, the Ministry has informed the Committee as under:

> "Iron ore mines are allocated by the concerned State Governments after prior approval of Ministry of Mines in accordance with the provisions of the Mines and Minerals (Development and Regulation) Act (MMDR), 1957. Ministry of Steel takes up the issues on behalf of SAIL and RINL, wherever it appears that they have preferential right for mining lease under the MMDR Act with the concerned State Governments & Ministry of Mines. For RINL & KIOCL Ministry of Steel has directed NMDC that their requirements of iron ore should be met by NMDC.
>
> Ministry of Steel has requested the Ministry of Mines and Ministry of Commerce to take measures for curbing export of iron ore particularly of high grade so that long term requirement of Steel companies are not affected".

6.18 In Budget 2007-08, the Finance Minister has imposed export duty of Rs. 300/-per MT on iron ore. The impact of the import duty on the domestic market as stated by the Ministry of Steel are given below:

> "It is expected that the export duty would reduce export realization and thereby discourage export of iron ore. It is intended to conserve iron ore resources for use by the domestic industry".

6.19 The Committee note that the availability of critical raw materials like iron ore, coking and non-coking coal, etc. is vital for the growing needs of steel sector. To ensure this, the Ministry of Steel has identified *inter-alia* the major thrust areas for 11th Plan *viz*. changes in policy and institutional set up, adopting new technologies to improve material efficiencies and use indigenous raw materials. The Committee further note that in the Budget 2007-08 Rs. 300 per mt. has been imposed as export duty on iron ore to conserve iron ore for domestic industry in future.

The Committee feel that imposing duty on export of iron ore is a significant step for fulfilling the long-term requirements of domestic steel industry. The Committee have all along been emphasizing that the Ministry should encourage setting up of capacity and adoption of technologies for utilizing the iron ore fines which are mostly exported.

The Committee, therefore, reiterate their earlier recommendation that the export of iron ore should be gradually stopped altogether in the longer interest of domestic steel industry.

The Committee also desire the Ministry to encourage steel companies to absorb new and emerging technologies for use of iron ore fines and also improving the material efficiency.

Steel Price

6.20 Integration with global economy, may at times lead to sharp rise and volatility of steel prices. While a part of this volatility may be unavoidable, hedging mechanism should be available for consumers to increase stability of business. The Ministry of Steel has constituted a "Steel Pricing Monitoring Committee (SPMC)". The aim of SPMC, which has the participation of all main steel producers and steel consumers, is to monitor price rationalisation, analyse price fluctuations and advice all concerned regarding any irrational price behaviour of steel commodity.

When asked whether the raw material suppliers such as National Mineral Development Corporation (NMDC) have been included as participant, the Ministry of Steel has stated the following:

> "The 'Steel Price Monitoring Committee' (SPMC) has been constituted in pursuance of the decision taken in the 20th Steel Consumer's Council Meeting held on 30.6.2006 under the Chairmanship of the Honourable Steel Minister. The Committee seeks to provide an interface between the producers and consumers of steel. The objective of the Committee is to keep a watch on the price movement and not to intervene in the price fixation by the producers. The Committee would function as a watchdog and oversee that a free and fair environment prevails in the market. Since, NMDC is neither a steel producer nor consumer, the company has not been included in the Committee. However, all major steel producers like SAIL, RINL, JSW, JSPL, ISPAT and ESSAR have been included in the Committee".

6.21 The Committee find that following de-regulation of prices for integrated steel plants in 1991-92, the domestic prices of steel have become market-determined. The Committee note that the Ministry of Steel has set up a "Steel Pricing Monitoring Committee (SPMC)" with the participation of all major steel producers and steel consumers to monitor steel price. The Committee also note that the SPMC would function as a watchdog and oversee that a free and fair environment prevails in the market.

The Committee observe that the constitution of SPMC is a step in the right direction in monitoring steel price and to make the steel products available in domestic market at an affordable price. The Committee, however, feel that rise in cost of critical inputs such as indigenous coal and dolomite, increase in demurrage rates, freight rates on iron ore and fluxes have a major say in fixation of steel price.

The Committee are, therefore, of the strong view that there should be a mechanism for negotiation between the major producers, raw material suppliers and the Ministry of Railways to facilitate the steel producers in containing the steel price at the reasonable level.

The Committee, therefore, recommend the Ministry to broaden the structure of SPMC by induction of representatives of raw material suppliers like National Mineral Development Corporation (NMDC) and Coal India Ltd. (CIL), etc and the Ministry of Railways for

effective coordination between them in order to curb the irrational escalation in steel price.

6.22 Some steel producers show lower output figures to evade excise duty and some other taxes. When asked whether the Ministry of Steel has conducted an investigation on the above issue to find out the reality, the Ministry has stated as below:

> "Joint Plant Committee (JPC) collects data on production of iron and steel in the prescribed format from the steel producers, associations and industries etc. on a regular basis. On an average, the receipts are almost 100% for all segments (except sponge iron, induction furnace and re-rolling segment). In case of sponge iron, induction furnace and re-rolling segment, the receipts are around 75% to 85% in terms of capacity. The productions of the defaulting units are estimated on the basis of State-wise capacity utilization. In order to minimize any under coverage or under reporting of production figures, JPC undertakes periodical surveys for complete enumeration".

6.23 When further asked whether any monitoring/inspection mechanism exists at the Ministry level to ensure actual and correct reporting of productions by steel companies, the Ministry has informed the Committee as follows:

> "An Expert Group has been constituted in the Ministry of Steel to assess the production of induction furnace through alternative method *viz.* from the information of sale of induction furnaces in the country. The purpose for such an exercise is to put in place a system of data collection, which is likely to minimize any under reporting in the system. The report of the Expert Group is under finalization.
>
> Regular input/output data reconciliation are also undertaken by JPC to eliminate any further inconsistencies in the data base. Efforts are also being made to obtain the data from the Excise Department to further minimize any under coverage. The proposal to estimate data on production from major equipment suppliers is also being considered".

6.24 The Committee have been informed that some steel producers show lower output figures to evade duties and some other taxes. In this regard the Ministry has informed the Committee that receipts are almost 100 per cent for all segments except sponge iron, induction furnace and re-rolling segment. In order to minimize any lesser reporting of production figures, Joint Plant Committee (JPC),

functioning under the Ministry of Steel undertakes periodical surveys for complete enumeration. The Ministry has also constituted an Expert Group to estimate the production of steel producers and put in place a system of data collection.

The Committee are anguished to note that the JPC, the only institution in the country, which is officially empowered to collect data on the Indian iron and steel industry has no effective mechanism, since its inception in 1964, to ensure correct reporting of production data by steel producers. Further, the JPC has failed to mould itself in keeping pace with changing scenario in steel industry, resulted in not only loss of exchequer to the Government but also questioned its efficiency in discharging of key function *i.e.* creation and maintenance of a comprehensive databank of the steel industry.

The Committee, therefore, recommend that the Ministry should strengthen the JPC to monitor and inspect the reporting of production data of steel producers. The Committee also desire the Ministry to expedite the task of Expert Group and the Committee may be apprised of progress in this regard.

NEW DELHI;
26 *April,* 2007
6 *Vaisakha,* 1929 *(Saka)*

DR. SATYANARAYAN JATIYA,
Chairman,
Standing Committee on Coal and Steel.

STATEMENT OF CONCLUSIONS/RECOMMENDATIONS OF THE STANDING COMMITTEE ON COAL AND STEEL CONTAINED IN TWENTY FIFTH REPORT

Sl.No.	Reference Para No. of the Report	Conclusions/Recommendations
1	2	3
1.	1.7	The Committee note that the steel industry has an important role to play in the development of economy. The Steel sector's sustained growth is one of the vital prerequisites for attaining the level of GDP growth envisaged in the 11th Plan. The Committee observe that with rising GDP growth, steel consumption and production are expected to grow further. The Committee are happy to note that the Government have given due emphasis to the achievement of the objectives of the National Steel Policy (NSP) 2005 in the 11th Plan to make India globally competitive in terms of cost, quality and product-mix. The Committee, therefore, desire the Ministry to take appropriate measures such as removing procedural bottlenecks in implementing the goals envisaged in NSP particularly the areas of critical raw material, creation of infrastructure and to explore and adopt alternative technologies to use indigenous coal. The Committee also desire the Ministry to monitor the implementation of NSP in close coordination with other Central Ministries and the State Governments.
2.	2.1	The Committee hope that the Ministry of Steel will implement the recommendations in a time-bound manner which the Committee made in

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		their Action Taken Report. The Committee desire that the Ministry should furnish final replies to the recommendations (Nos. 4, 10 and 15) which were categorised as of interim nature. The Committee would like to be apprised of the action taken in this regard.
3.	3.8	The Committee note that Budgetary Support (BS) is being provided to some of the financially weak and loss making PSUs and Internal and Extra Budgetary Resources (IEBR) are being raised by profit making PSUs for implementing their schemes. The Committee also note that the Ministry has proposed the annual plan outlay of Rs. 6420.20 crore including BS of Rs. 121 crore for the year 2007-08. The Planning Commission, however, approved an outlay of Rs. 6203.70 crore with BS of Rs. 66 crore and IEBR of Rs. 6137.70 crore.
		The Committee further note that in the year 2006-07 the total outlay of Rs. 3201.80 crore in BE was reduced to Rs. 2660.61 crore at RE stage involving a reduction of IEBR to Rs. 2240.87 crore from Rs. 3172.30 crore. But the steel PSUs could utilize IEBR of Rs. 1702.44 crore only. Similarly in the year 2007-08, IEBR of NMDC, KIOCL and MOIL has been reduced from Rs. 333 crore to Rs. 250 crore, Rs. 150 crore to Rs. 75 crore and Rs. 68.50 crore Rs. 65 crore respectively. BS has also been reduced in respect of MECON and HSCL substantially from Rs. 24 crore and Rs. 7 crore respectively to Rs. 1 crore each due to pending approval of their restructuring proposals.
		Further, in 2007-08 the outlay for new scheme on R&D has been reduced from Rs. 20 crore to Rs. 1 crore and no budgetary support has been approved by the Planning Commission for two new schemes *viz*. Scheme for Institution & Manpower Development in steel sector and

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		Technology Upgradation Fund Scheme (TUFS) for Small and Medium Enterprises (SMEs) pending finalisation of details of the schemes by the Ministry.
		The Committee are constrained to observe that as compared to BE of Rs. 3172.30 crore, steel PSUs were able to utilize Rs. 1702.44 crore barely 53.66 per cent of allocated IEBR during the year 2006-07. Ironically in the year 2007-08 again, steel PSUs prepared inflated estimates without ample justifications which were subsequently reduced by the Planning Commission. The Committee in their earlier reports had been reiterating that the Ministry should make realistic estimates and allocate funds at BE stage instead of resorting to provision of funds at RE.
		The Committee, therefore, recommend that the Ministry/PSUs should propose realistic estimates with viable schemes to ensure full utilisation of funds. The Committee also desire the Ministry to finalise the proposed new schemes at the earliest and approach the Ministry of Finance/Planning Commission to allocate required funds at RE stage.
		The Committee further recommend the Ministry to provide sufficient budgetary support to HSCL and BRL to fund their Addition, Modification and Replacement (AMR) schemes till their restructuring proposals are finally approved.
4.	4.1	The Committee note that outlay of the Ministry of Steel in 10th Five Year Plan had been scaled down by 24 per cent in Mid-Term Appraisal from Rs. 11044 crore (IEBR of Rs. 10979 crore and BS of Rs. 65 crore) to Rs. 8476.88 crore (IEBR of Rs. 8411.68 crore and BS of Rs. 65

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		crore) based on the trend of expenditure and progress of schemes/projects. Though the Ministry could spend BS of Rs. 106.73 crore, higher than the allocation, the Committee are constrained to note that it could expend IEBR of Rs. 5158.37 crore only, leaving 39 per cent of funds earmarked in Mid-Term Appraisal unspent.
		The Committee are anguished to note that steel PSUs have failed to utilize even the reduced allocation which is bound to have an adverse impact on their performance. Non-utilisation of IEBR also indicates to the fact that various PSUs have not been able to generate the enough internal resources as much as they were expected to raise. The Committee would, therefore, be informed as to what were IEBR targets for each of PSU and how much resources each of them could raise IEBR and the reasons for the shortfall.
		The Committee are extremely concerned about the adverse impact on the PSUs owing to non-utilisation of funds even after reduction in Mid-Term Appraisal. The Committee note that some of the schemes/projects of PSUs sanctioned in 9th and 10th Plan have been spilling over to 11th Plan. The Committee in their 13th Report had recommended that those schemes should be completed before the end of 10th Five Year Plan or in the early part of 11th Five Year Plan. The Committee are unhappy to note the casual approach of the Ministry/PSUs in completion of the schemes as no progress has been made in this regard.
		The Committee observe that delay in implementing the schemes by Steel PSUs for example, supply of equipments to SAIL units,

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		development of Rawghat-Jagadalpur Railway Line by NMDC, setting up of Ductile Iron Spun Pipe Plant by KIOCL and Ore Based Activities (Mineral Exploration) by Bird Group of Companies has been hampering in utilisation of funds earmarked under IEBR. The Committee are anguished to note that the Ministry has failed to pay attention to the Committee's earlier recommendations that the Ministry/PSUs should identify the constraints in implementing the schemes and utilisation of funds and strived to achieve the targets fixed in 10th plan.
		The Committee, therefore, strongly recommend that the steel PSUs should take all steps to complete the schemes/projects sanctioned in 9th and 10th Plans and those spilling over to 11th Plan in 2007-08 itself. The Committee also recommend the Ministry to facilitate PSUs in identifying the constraints and formulate the strategy for implementation of schemes/projects and better utilisation of funds.
5.	4.3	The Committee note that 11th Plan Period is vital for further growth of steel sector and therefore, the Ministry has identified major thrust areas *viz*. creation of infrastructure, availability of raw material, flow of adequate funds, promotion of steel usage, technology development and price stability, etc. to develop Indian steel industry at par with global steel sector. The Committee desire that detailed working plans be drawn up for each of the sector and implemented in a time-bound manner. The Committee should be informed of the action taken in the matter.
		The Committee observe that the boom in the global steel industry has led to the buoyancy in the Indian steel sector. The Committee are,

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		however, of strong view that Indian steel industry could grow further on its own by stimulating the demand in the country with a special focus on rural areas. For this, both the steel PSUs and private steel companies should improve their productivity through technological development, produce more consumer oriented products at competitive price in order to compete other cheaper products like aluminium, etc.
		The Committee, therefore, desire the Ministry to facilitate the domestic steel companies in general and steel PSUs in particular in achieving the major thrust areas identified for 11th Plan in close coordination with the State Governments and monitor the implementation at the Ministry level. The Committee may be apprised of the progress in this regard regularly.
6.	4.5	The Committee note that the Ministry has set the targets for Finished Steel, Alloy Steel and Stainless Steel, etc. for 11th Plan based on certain assumptions like 9 per cent GDP growth during 11th plan, progress of expansion projects, etc. The Committee further note that demand and availability of Flat product of Finished Steel for the year 2007-08 would be 27.56-28.40 million tonnes (mt) and 25.60 mt respectively, leaving a marginal shortfall in availability of around 3 mt. It is also projected that export of Finished Steel by 2011-12 would be between 10-14 mt, higher than the growth rate of 13 per cent per annum envisaged in the National Steel Policy (NSP). But the Ministry has no plan of action to achieve the export target during 11th Plan.
		The Committee are in agreement with the contention of the Ministry that since the steel sector is cyclical and being driven by market

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		forces, it is difficult to set the targets. But they are of the view that steel sector could capitalize the growing potential of domestic economy, if there is a suitable mechanism to execute the goals envisaged in NSP in true spirit.
		The Committee, therefore, recommend that the Ministry should prepare a comprehensive strategy for each year of 11th Plan to achieve the ambitious goals of NSP. The Committee also desire that the Ministry should take corrective measures at the appropriate time and ensure that there is no shortfall in achievement of target fixed for 11th Plan.
7.	5.1.18	The Committee note that annual outlay of the SAIL has been increased to Rs. 2641 crore in BE 2007-08 from Rs. 1275 crore in RE 2006-07 based on the projected progress of schemes/ projects. The anticipated expenditure for the year 2006-07 would be Rs. 11.50 crore only due to delay in supply of equipments by suppliers. The Committee also note that the progress of implementation of some of the schemes *viz*. Revamping of B-strand in wire rod mill, Rebuilding of coke oven battery No. 5, Technological Upgradation of BF-7, Installation of BF-7 and Hot Metal Sulpherisation in SMS being taken by the SAIL for Bhilai Steel Plant are scheduled to be completed by 2007. As against the total sanctioned cost of Rs. 1071.10 crore for the above-mentioned schemes respectively, the SAIL could barely spent Rs. 319.64 crore as on December 2006, which is comparatively lesser than the sanctioned cost.
		The Committee are unhappy to note that a number of ongoing projects of Bhilai Steel Plant like Technological upgradation of BF-7 not progressing as per schedule. In Bokaro Steel Plant also the pace of expenditure is much less

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		as compared to the work schedule. The Committee desire that all out efforts should be made to complete the projects as per schedule. The Committee note that execution of various schemes and projects takes longer time due to elaborate procedures involving considerable time as compared to flexibility available to private sector, steel PSUs need to go through due procedures like tendering formalities, etc.
		The Committee desire that since the SAIL has already compressed its corporate plan from the year 2012 to 2010, it should expedite the completion of the ongoing schemes by simplifying the procedural formalities.
8.	5.1.28	The Committee note that the production of special steel/value added steel by the SAIL during 10th Five Year Plan was 11.3 million tonnes (MT) against the target of 14.8 MT. The Committee also note that the SAIL under its major expansion/modernisation programme, has planned to set up special unit at Salem Steel Plant and modernise Cold Rolled Mill at Bokaro Steel Plant to cater the demands of oil and gas sector and automobile sector. SAIL, as a long-term vision, has also planned to set up more such units in its other steel plants to meet the growing demands in different segments including automobiles.
		The Committee are unhappy to note that the SAIL has failed to achieve the target in the production of special steel/value added steel envisaged in the 10th Plan Period. The Committee feel that in the growing steel sector, the production of special steel/value added steel would determine the competitiveness of steel companies. The Committee also feel that setting up of dedicated units in the existing plants with the latest technologies specifically

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		producing special steel and value added steel would accelerate the growth and competitiveness of the SAIL.
		The Committee, therefore, recommend that the SAIL should prepare an action plan for increasing the production of special steel/value added steel by suitably modifying the ongoing expansion/modernisation programmes. The SAIL should also quickly explore the possibilities of technical tie-ups with overseas companies by special purpose vehicle route for viable projects. It should also explore the possibilities of reduction of costs by improving techno-economic parameters. The Committee are also concerned to note the 9 per cent reduction in Net Sales Realisation and desire that corrective steps be taken.
9.	5.1.36	The Committee note that availability of critical raw material *viz*. iron ore, coking coal and non-coking coal is indispensable for the sustainable development of the steel industry. The SAIL is at present meeting its requirement of iron ore through captive mines. However, it has been purchasing indigenous non-coking coal from the Coal India Ltd. (CIL) and importing coking coal. It has already entered into Memorandum of Understanding (MoU) with the Bharat Coking Coal Ltd. (BCCL), a subsidiary of CIL, to augment availability of non-coking coal. It has also been in the process of acquiring coking coal mines on its own and agreed to participate in the Special Purpose Vehicle (SPV) to be floated for acquisition of overseas coal mines along with the Rashtriya Ispat Nigam Ltd. (RINL), the CIL and the National Thermal Power Corporation (NTPC).
		The Committee observe though the SAIL has captive iron ore mines and getting

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		uninterrupted supply of iron ore, it has not made required efforts to acquire captive coal blocks unlike major private steel companies. The Committee are anguished to note that the SAIL has been carrying its operations for more than four decades and it has not been able to acquire any captive coal blocks so far. The Committee feel that allotment of captive coal mines to the SAIL is significant to meet its long-term requirement of non-coking coal and to improve its competitiveness.
		The Committee, therefore, recommend that the SAIL should make concerted endeavour to get captive coal blocks to ensure adequate availability of indigenous non-coking coal.
10.	5.1.37	The Committee are of the strong view that floating of SPV to acquire overseas coal mines would help PSUs in avoiding the uncertainty that prevails in getting adequate supply of coking coal. The Committee, therefore, desire the Ministry to expedite the action so as to enable the SAIL, RINL, CIL and NTPC to reap the benefits of SPV at the earliest.
11.	5.2.7	The Committee note that as against the installed capacity of Sponge Iron 60000 Tonnes Per Annum (TPA), the Sponge Iron India Ltd (SIIL) has produced 57600 and 48600 TPA during the years 2004-05 and 2005-06 respectively. The SIIL is anticipated to produce 55000 TPA in 2006-07. The target fixed for the year 2007-08 is 57000 TPA as against the installed capacity of 60000 TPA representing capacity utilization of 95 percent. The Committee also note that net profit of the SIIL was Rs. 12.98 crore in 2003-04, Rs. 3.93 crore in 2004-05 and Rs. 3.18 crore in 2005-06 with estimated marginal increase to Rs. 6.37 crore in 2006-07. The net profit would again decline to Rs. 4.20 crore in 2007-08.

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		The Committee have been informed that the main reason for poor performance in production is non-availability of iron ore. Expansion project of SIIL has been kept on hold due to non-supply of coal and iron ore by Singareni Collieries Company Ltd. (SCCL) and National Mineral Development Corporation (NMDC) respectively.
		The Committee observe that Sponge Iron Industry using non-coking coal, a substitute for coke, and iron ore are adequately available in the country. The Committee cannot but deprecate that the Ministry/SIIL has failed to take prompt action in ensuring uninterrupted supply of iron ore from the NMDC. The Committee, therefore, recommend the Ministry to take necessary measures to make available the required quantity of raw materials *viz*. coal and iron ore to the SIIL.
		The Committee also note that a proposal for merger of the SIIL with the NMDC is pending with the Ministry. The Committee hope that the proposed merger of the SIIL with the NMDC would improve the performance of the SIIL and desire expeditious action on the part of the Ministry in this regard.
12.	5.3.5	The Committee note that the Hindustan Steelworks Construction (HSCL) is primarily engaged in undertaking construction of steel plants and projects in the infrastructure sector. The Committee also note that in the year 2005-06 the HSCL has secured high orders of Rs. 344 crore in infrastructure sector and Rs. 86 crore in steel sector. The Committee are constrained to note that due to high negative net worth of the HSCL of Rs. (-) 1164.69 crore, it has been unable to pre-qualify for the upcoming expansion projects of the SAIL. The

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		Committee further note that the restructuring proposal of HSCL has been pending with the Ministry for want of clearance. The Planning Commission has also approved Rs. 1 crore only in view of the proposed restructuring of the company.
		The Committee in their earlier recommendations had reiterated that the restructuring proposal of HSCL should be approved early. Further, till a final decision is taken on merger of HSCL with SAIL, the Ministry should facilitate HSCL in awarding works on modernisation/upgradation of steel PSUs. The Committee are anguished to note that the Ministry has neither approved the financial restructuring proposal of the company as yet nor facilitated it getting work orders from steel PSUs. The Ministry has also not come out with any proposal for the merger of HSCL with SAIL. The Committee strongly feel that these have had a cumulative effect on the performance of the Company.
		The Committee would like to reiterate their earlier recommendation on restructuring proposal of HSCL and its merger with SAIL. The Committee desire the Ministry/Steel PSUs to take immediate steps in giving preference to HSCL in work orders in their ongoing expansion projects.
13.	5.3.7	The Committee further note that when the HSCL has been starving of funds, it has failed to realize the pending amount of Rs. 60.21 crore (as on 31.3.2006) particularly from its main debtors *viz*. SAIL, Neelanchal Ispat Nigam Ltd. (NINL), National Thermal Power Corporation (NTPC) and Central Coalfields Ltd. (CCL). The Committee in their 3rd Report had already recommended that the Ministry should prepare

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		a time-bound schedule for early settlement of pending dues of the HSCL but no noticeable progress has been made so far in this regard.
		The Committee, therefore, recommend that the Ministry should take up the matter seriously and to facilitate the HSCL in realizing the dues from Public Sector Undertaking (PSUs).
14.	5.4.8	The Committee note that the Kudremukh Iron Ore Company Ltd. (KIOCL) has been allotted of Rs. 75 crore for the year 2007-08 for various schemes including mines development and setting up of Ductile Iron Spun Pipe Plant (DISP) to produce value added product. The Ministry has stated that additional funds would be provided, if required, in the RE 2007-08 depending upon the progress of the ongoing schemes. The Committee also note that the funds earmarked during 2006-07 to the KIOCL has been reduced to Rs. 38 crore in RE 2006-07 from Rs. 200 crore in BE but the expenditure has been so far Rs. 16 crore only.
		The Ministry has stated that non-allotment of mining lease at Ramanadurg and dispute over a portion of land allocated by Karnataka Industrial Areas Development Board (KIADB) are the major reasons for shortfall in utilization of funds. The Committee further note that the proposal of merger of the Kudremukh Iron and Steel Company (KISCO) with the KIOCL is pending with Board for Reconstruction of Public Sector Enterprises (BRPSE).
		The Committee feel that diversification of schemes and development of new mines needs to be accorded highest priority for the sustainable development of the KIOCL. The Committee are, however, constrained to note that the KIOCL is continuously facing hurdles

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		in implementing the schemes which resulted in lesser utilization of funds ultimately telling heavily on its performance. The Committee in their earlier recommendations had expressed their concern that KIOCL should utilize the allotted funds to retain its financial strength.
		The Committee, therefore, recommend that the Ministry should assist the KIOCL in overcoming the hurdles being experienced in the completion of schemes envisaged for the year 2007-08 and provide additional funds, if required. The Committee also recommend the Ministry to facilitate early merger of KISCO with KIOCL in order to consolidate its position.
15.	5.4.9	The Committee note that installed capacity of Pelletisation Plant and Concentrate Plant of the KIOCL has been reduced from 4 mt to 3.5 mt and from 5.5 mt to 3.1 mt respectively in the year 2005-06 in pursuance of the directives of Hon'ble Supreme Court to stop mining at Kudremukh. The KIOCL has, therefore, switched over from magnetite ore to hematite ore to continue the operation of Pellet Plant. However, the Pellet Plant is facing operational problems as the plant is designed for use of magnetite ore. Though the KIOCL has taken several steps to modify the technology so as to use hematite ore in pellet making but no progress has been achieved so far.
		The Committee are unhappy to note that the KIOCL has not been able to procure alternate technology to use hematite ore resulting in under utilization of Pellet plant. The Committee, therefore, recommend that the KIOCL should make sincere efforts to explore the suitable technology to use hematite ore in pellet making and improve the capacity utilisation of the plant during 2007-08 itself.

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16.	5.5.6	The Committee note that the annual plan outlay of the National Mineral Development Corporation (NMDC) for the year 2007-08 has been increased to Rs. 250 crore from Rs. 150 crore in BE/RE 2006-07 for implementing ongoing AMR/R&D schemes, etc. and new schemes like Kumaraswamy iron ore project, Bailadila deposit-11B and Wind Mill in Karnataka. The Committee are constrained to note that the NMDC has spent Rs. 89.60 crore in 2006-07. The Committee further note that the forest clearance for Kumarawamy iron ore project has been received in January 2007 but work could not be commenced due to stay order from Chhattisgarh High Court against lease renewal. However a sum of Rs. 2 crore has been earmarked for carrying out preliminary work. For the ongoing schemes *i.e.* Bailadilla Deposit-11B and Wind Mill in Karnataka, a sum of Rs. 55 crore and Rs. 50 crore respectively has been allotted for the year 2007-08. The Committee feel that implementation of these schemes are essential to improve performance of the NMDC and are unhappy to note that an amount of barely Rs. 89.60 crore could be spent thereby hampering the progress of the schemes. The Committee, therefore, desire the NMDC to make all out efforts for getting stay vacated in the Kumaraswamy Iron Ore Project and expedite the progress of other ongoing schemes for better utilisation of funds.
17.	5.5.8	The Committee note that the National Mineral Development Corporation (NMDC) is the single largest producer of diamond in the country. However, the Mining activities at Diamond Mining Project (DMP), Panna were stopped *w.e.f.* 22.8.2005 following the directives of Madhya Pradesh Pollution Control Board. The

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		issue is pending before the Hon'ble Supreme Court. The Committee, therefore, desire the Ministry to take up the issue at the highest level with the State Government of Madhya Pradesh in consultation with the Ministry of Environment and Forests (MoEF) to arrive at an amicable solution including out of court settlement, if possible.
18.	5.5.9	The Committee also note that the NMDC has been exploring for diamonds in India to continue its presence in diamond market. The Committee feel that keeping in view the demand for diamond and competition from the private companies, it is crucial for NMDC to retain its market share for the sustainable growth. The Committee, therefore, recommend the NMDC to expedite the process of exploration of diamonds not only in India and also abroad. The Committee also desire the NMDC to work in close coordination with Geological Survey of India (GSI) and Mineral Exploration Corporation Ltd. (MECL) in this regard.
19.	5.5.12	The Committee note that the State Government of Chhattisgarh had recommended certain areas earlier held by the National Mineral Development Corporation (NMDC) in Bailadila Deposit Nos. 1 and 3 for the grant of prospective licence for iron ore in favour of M/s. Essar Steel (Chhattisgarh) and M/s. Tata Iron and Steel Ltd. where the NMDC was also one of the applicants, for the reasons that the NMDC did not carry out any mining activities in the area. M/s. Essar Steel and M/s. Tata Iron and Steel Ltd. have signed an MoU with the State Government for setting up of a Steel Plant and to generate employment opportunity

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		in the State. The Ministry of Mines had also conveyed its approval to the above proposals of the State Government subject to outcome of revision applications field by the NMDC against the approval given by the Ministry in favour of M/s. Essar Steel.
		The Committee observe that the application of the NMDC has not been considered by the State Government for the reason that it has no schemes for value addition in Chhattisgarh. The Committee are distressed to note that both the State Government and the Ministry of Mines have completely ignored the fact that the NMDC had plans for setting up of Pelletisation unit, Sponge iron unit and integrated steel plant in Chhattisgarh. The request of the Ministry of Steel in this regard has also remained unheeded in the Ministry of Mines. The Committee feel that lack of coordination between the Ministries of Mines and Steel and ore rich State Governments has not only resulted into deprivation of mining lease held by the NMDC but also delays in approval of mining leases applied by PSUs in various States.
		The Committee, therefore, recommend that the Ministry of Steel in coordination with Ministry of Mines and the NMDC take up the matter at highest level with the State Government of Chhattisgarh for review of mining leases recently granted, particularly those earlier held by the NMDC, in view of its massive value addition proposals in the State.
20.	6.8	The Committee note that the National Steel Policy (NSP) has envisaged to achieve indigenous production of 110 million tonnes (mt) per annum by 2019-20 from 38 mt in 2004-05. To achieve this objective, it is necessary to create required infrastructure for steel industry

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		as well as increase per capita consumption of steel. In this regard, the Ministry of Steel has constituted several task forces and study committees to take care of the facilities required for development of domestic steel sector and launched National Steel Promotion Campaign on 20.3.2007 to create consumer awareness with a focus on rural area. The Committee further note that the major steel producers proposes to make steel available in rural areas by selling steel at the same price as applicable in Metros, developing "Model Steel Villages" and producing new steel grades.
		The Committee feel that promotion of steel usage is quite important to attain the goals envisaged in NSP. The Committee observe that the biggest challenge in achieving the desired level of consumption is removing the wide disparity between urban and rural areas. Though the major steel producers and the Ministry have resolved to address this disparity, the Committee are, however, constrained to note that the Ministry has not facilitated steel producers in assessing the demand of steel in rural areas in order to produce the same.
		The Committee believe that identifying the products required in rural areas would immensely help the steel producers. The Committee, therefore, desire the Ministry to conduct a survey immediately through the Institute of Steel Development And Growth (INSDAG) to assess the demand of steel in rural areas.
21.	6.9	The Committee also note that the Ministry has no mechanism to monitor the participation of steel companies especially steel PSUs in various programmes like Bharat Nirman Programme and National Rural Employment Guarantee

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		Programme, etc. The Committee feel that effective participation of steel companies in general and steel PSUs in particular in the national programmes would not only stimulate consumption of steel but also help the PSUs to increase their production as envisaged in the National Steel Policy.
		The Committee, therefore, desire that the steel producers particularly steel PSUs should effectively participate in the national programmes and give priority in supplying the steel products to the rural areas. The Committee further desire the Ministry to monitor the participation of steels PSUs in the national programmes.
22.	6.12	The Committee note that the National Steel Policy (NSP) sets out a road map for the domestic steel sector towards reform, restructure and globalisation. The domestic steel sector has two sub-sectors namely, the large scale integrated units and small size secondary steel units includes Small and Medium Enterprises (SMEs). SMEs produces finished steel products from semis are meeting the local demand as they are widely dispersed. The Committee also note that some of the SMEs which were closed down in later 90's have been refurbished and proliferated following upswing in the steel sector.
		The Committee further note that the Ministry of Steel has proposed a token amount of Rs. 10 crore for a new scheme *viz*. Technology Upgradation Fund Scheme (TUFS) for SMEs in the 11th Plan. But the Planning Commission has not approved due to pending finalisation of scheme by the Ministry.
		The Committee observe that the SMEs are occupying a central place in fulfilling the local

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		demand considering their wide geographical dispersion. The Committee also observe that the growing competitiveness in steel sector with the latest technology, massive capacity addition and expanding network would force a formidable threat to SMEs. The Committee feel that keeping in view the role being played by SMEs in the country by meeting the local demands, they desire the Ministry to strengthen them by providing necessary infrastructure and fulfilling their various requirements like raw material through Small Scale Industries Corporation to derive the benefits of proposed technology upgradation.
23.	6.14	The Committee note that the creation and development of the infrastructure *viz*. Power, Railways, Highways and Ports are of paramount importance in sustaining the growth of steel sector. However, considering the huge size of investment involved, it is not feasible to develop all the required infrastructure either by Government or by steel producers except through Public Private Partnerships (PPPs) which benefits all stake-holders. The Committee further note that steel PSUs *viz*. Steel Authority of India Ltd. (SAIL) and Rashtriya Ispat Nigam Ltd. (RINL) are developing infrastructure through PPPs. The SAIL has entered into agreement with the Railways for availability of wagons and also planned to take part in the dedicated Eastern Freight Corridor Project. While RINL has participated in developing a minor port at Gangavaram, Andhra Pradesh, the SAIL is also exploring the possibilities of developing the same port.
		The Committee observe that infrastructure bottlenecks particularly in transportation is a key concern for movement of raw material. Hence, it is imperative to improve rail and road

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		linkages between mines and steel plants as well as strengthening port infrastructure. The Committee while welcome the initiatives of steel PSUs *viz*. SAIL and RINL, they are of the strong view that since more private companies are effectively developing the infrastructure through PPPs, the steel PSUs have to do a lot more in this regard.
		The Committee, therefore, strongly recommend that the steel PSUs should strive to reap the benefits of PPPs in developing the infrastructure in order to minimize their overall cost of transportation and improve their competitive edge in steel sector.
24.	6.15	The Committee note that steel is one of the six sectors that figure in the index of industrial production for "infrastructure" but the fiscal incentives available to the infrastructure projects are not available to the steel industry. The Committee feel that providing suitable fiscal incentives to the steel industry is absolutely necessary to mobilize vast resources to achieve the strategic goal of 110 mt of steel production by 2019-20. The Committee are surprised to note that the Ministry has not proposed any schemes for providing fiscal incentives to the steel sector during 11th Plan.
		The Committee, therefore, recommend the Ministry to approach the Ministry of Finance/ Planning Commission with the details of schemes to provide suitable fiscal incentives for steel industry during 11th Plan itself.
25.	6.19	The Committee note that the availability of critical raw materials like iron ore, coking and non-coking coal, etc. is vital for the growing needs of steel sector. To ensure this, the Ministry of Steel has identified *inter-alia* the

1	2	3
		major thrust areas for 11th Plan *viz*. changes in policy and institutional set up, adopting new technologies to improve material efficiencies and use indigenous raw materials. The Committee further note that in the Budget 2007-08 Rs. 300 per mt. has been imposed as export duty on iron Ore to conserve iron ore for domestic industry in future.
		The Committee feel that imposing duty on export of iron ore is a significant step for fulfilling the long-term requirements of domestic steel industry. The Committee have all along been emphasizing that the Ministry should encourage setting up of capacity and adoption of technologies for utilizing the iron ore fines which are mostly exported.
		The Committee, therefore, reiterate their earlier recommendation that the export of iron ore should be gradually stopped altogether in the longer interest of domestic steel industry.
		The Committee also desire the Ministry to encourage steel companies to absorb new and emerging technologies for use of iron ore fines and also improving the material efficiency.
26.	6.21	The Committee find that following de-regulation of prices for integrated steel plants in 1991-92, the domestic prices of steel have become market-determined. The Committee note that the Ministry of Steel has set up a "Steel Pricing Monitoring Committee (SPMC)" with the participation of all major steel producers and steel consumers to monitor steel price. The Committee also note that the SPMC would function as a watchdog and oversee that a free and fair environment prevails in the market.

1	2	3
		The Committee observe that the constitution of SPMC is a step in the right direction in monitoring steel price and to make the steel products available in domestic market at an affordable price. The Committee, however, feel that rise in cost of critical inputs such as indigenous coal and dolomite, increase in demurrage rates, freight rates on iron ore and fluxes have a major say in fixation of steel price.
		The Committee are, therefore, of the strong view that there should be a mechanism for negotiation between the major producers, raw material suppliers and the Ministry of Railways to facilitate the steel producers in containing the steel price at the reasonable level.
		The Committee, therefore, recommend the Ministry to broaden the structure of SPMC by induction of representatives of raw material suppliers like National Mineral Development Corporation (NMDC) and Coal India Ltd. (CIL), etc and the Ministry of Railways for effective coordination between them in order to curb the irrational escalation in steel price.
27.	6.24	The Committee have been informed that some steel producers show lower output figures to evade duties and some other taxes. In this regard the Ministry has informed the Committee that receipts are almost 100 per cent for all segments except sponge iron, induction furnace and re-rolling segment. In order to minimize any lesser reporting of production figures, Joint Plant Committee (JPC), functioning under the Ministry of Steel undertakes periodical surveys for complete enumeration. The Ministry has also constituted an Expert Group to estimate the production of steel producers and put in place a system of data collection.

1	2	3
		The Committee are anguished to note that the JPC, the only institution in the country, which is officially empowered to collect data on the Indian iron and steel industry has no effective mechanism, since its inception in 1964, to ensure correct reporting of production data by steel producers. Further, the JPC has failed to mould itself in keeping pace with changing scenario in steel industry, resulted in not only loss of exchequer to the Government but also questioned its efficiency in discharging of key function *i.e.* creation and maintenance of a comprehensive databank of the steel industry. The Committee, therefore, recommend that the Ministry should strengthen the JPC to monitor and inspect the reporting of production data of steel producers. The Committee also desire the Ministry to expedite the task of Expert Group and the Committee may be apprised of progress in this regard.

ANNEXURE I

(*Vide* Para 3.0 of the Report)

DETAILS OF DEMANDS FOR GRANTS (2007-08) AT A GLANCE

Demand No. 90

A. The Budget Allocation, Net of Recoveries are given below:—

(Rs. in crore)

Sl.No.	Details	Major Head	BE 2006-2007			RE 2006-2007			BE 2007-2008		
			Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
1	2	3	4	5	6	7	8	9	10	11	12
		Revenue	0.00	84.50	84.50	0.00	321.11	321.11	1.00	84.50	85.50
		Capital	45.00	0.00	45.00	46.73	51.90	98.63	65.00	0.00	65.00
		Total	45.00	84.50	129.50	46.73	373.01	419.74	66.00	84.50	150.50
1.	Secretariat Economic Services		0.00	9.89	9.89	0.00	10.49	10.49	0.00	11.62	11.62
(i)	Development Commissioner for Iron and Steel, Kolkata	3451	0.00	2.15	2.15	0.00	2.09	2.09	0.00	1.82	1.82

1	2	3	4	5	6	7	8	9	10	11	12
2.	**Iron and Steel Industries**										
(i)	Non-Plan Loan to Hindustan Steelworks Construction Ltd. (HSCL) for payment of outstanding statutory dues, salaries and wages		0.00	0.00	0.00	0.00	21.44	21.44	0.00	0.00	0.00
(ii)	Non-Plan loan to Bharat Refractories Ltd. for payment of outstanding statutory dues, salaries and wages	6852	0.00	0.00	0.00	0.00	30.46	30.46	0.00	0.00	0.00
	Total		0.00	0.00	0.00	0.00	51.90	51.90	0.00	0.00	0.00
3.	**Subsidies to Public Sector Steel Plants**										
(i)	Subsidy to HSCL for waiver of guarantee fee		0.00	6.60	6.60	0.00	6.60	6.60	0.00	6.60	6.60
(ii)	Subsidy to HSCL for payment interest on loans raised for implementation of VRS		0.00	59.19	59.19	0.00	56.39	56.39	0.00	56.02	56.02
(iii)	Subsidy to MECON Ltd. for payment of interest on loans raised for implementation of VRS	2852	0.00	6.03	6.03	0.00	3.90	3.90	0.00	6.03	6.03

1	2	3	4	5	6	7	8	9	10	11	12
(iv)	Subsidy to MECON Ltd. for waiver of guarantee fees for the guarantee given by GOI		0.00	0.00	0.00	0.00	5.13	5.13	0.00	1.75	1.75
(v)	Subsidy to BRL for waiver of guarantee fee		0.00	0.54	0.54	0.00	0.40	0.40	0.00	0.54	0.54
	Total		0.00	72.36	72.36	0.00	72.42	72.42	0.00	70.94	70.94
4.	**Investment in Public Enterprises**										
(i)	Bharat Refractories Ltd.		7.00	0.00	7.00	7.00	0.00	7.00	1.00	0.00	1.00
(ii)	MECON Ltd.	4852	30.00	0.00	30.00	0.00	0.00	30.00	63.00	0.00	63.00
(iii)	Bird Group of Companies		1.00	0.00	1.00	1.00	0.00	1.00	0.00	0.00	0.00
(iv)	HSCL	6852	7.00	0.00	7.00	7.00	0.00	7.00	1.00	0.00	1.00
	Total		45.00	0.00	45.00	45.00	0.00	45.00	65.00	0.00	65.00
5.	Other Programmes	2852	0.00	0.10	0.10	0.00	0.10	0.10	0.00	0.12	0.12
(i)	Ministry of Steel		0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	1.00

B. Investment in Public Enterprises

Sl.No.	Details	Head of Division	BE 2006-2007			RE 2006-2007			BE 2007-2008		
			Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
(i)	Steel Authority of India Ltd.	12852	0.00	1275.00	1275.00	0.00	1275.00	1275.00	0.00	2641.00	2641.00
(ii)	Rashtriya Ispat Nigam Ltd.	12852	0.00	1452.00	1452.00	0.00	673.45	673.45	0.00	3056.70	3056.70
(iii)	Sponge Iron India Ltd.	12852	0.00	5.00	5.00	0.00	1.10	1.10	0.00	5.00	5.00
(iv)	HSCL	6852	7.00	0.00	7.00	7.00	0.00	7.00	1.00	0.00	1.00
(v)	Bharat Refractories Ltd.	6852	7.00	0.00	7.00	7.00	0.00	7.00	1.00	0.00	1.00
(vi)	National Mineral Development Corporation Ltd.	12852	0.00	150.00	150.00	0.00	150.00	150.00	0.00	250.00	250.00
(vii)	Kudremukh Iron Ore Co. Ltd.	12852	0.00	200.00	200.00	0.00	38.00	38.00	0.00	75.00	75.00
(viii)	Manganese Ore India Ltd.	12852	0.00	48.50	48.50	0.00	68.32	68.32	0.00	65.00	65.00
(ix)	Bird Group of Companies	12852	1.00	25.00	26.00	1.00	13.00	14.00	0.00	25.00	25.00
(x)	MECON Ltd.	12852	30.00	0.00	30.00	30.00	0.00	30.00	63.00	3.00	66.00
(xi)	MSTC Ltd.	12852	0.00	5.00	5.00	0.00	5.00	5.00	0.00	5.00	5.00
(xii)	Ferro Scrap Nigam Ltd.	12852	0.00	11.80	11.80	0.00	17.00	17.00	0.00	12.00	12.00
	Total		45.00	3172.30	3217.30	46.73	2240.87	2285.87	66.00	6137.70	6203.70
5.	Plan Outlay		45.00	3172.30	3217.30	46.73	2240.87	2285.87	66.00	6137.70	6203.70

ANNEXURE II
(*Vide* Para 3.2 of the Report)

EXPENDITURE INCURRED IN EACH QUARTER OF 2006-07, BOTH UNDER BUDGETARY SUPPORT (PLAN AND NON-PLAN SCHEMES) AND I&EBR

I. Budgetary Support

(Rs. in crore)

Sl.No.	Major Head	Allocated amount for 2006-07 (RE)	Actual Expenditure during 2005-06				Anticipated Expenditure in 4th quarter as % of expenditure incurred in the four quarters	Whether expenditure in last quarter is huge compared to first three quarters of 2006-07/Remarks
			1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr. (Anticptd.)		
1	2	3	4	5	6	7	8	9
1.	3451—Secretariat Economic Services	10.49	2.74	2.52	2.50	2.73	26.02%	Anticipated expenditure in 4th quarter is not huge compared to first 3 quarters.
2.	2852—Industry	310.62	11.63	1.65	30.72	266.62	85.83%	the huge expenditure in the last quarter *vis-a-vis* the expenditure in the first 3 quarters is due to additional budgetary provisions of Rs. 242.87 crore obtained by the Ministry in the 2nd batch (in Dec.' 06) and 3rd batch (in March 2007) of Supplementary Demands for Grants for

1	2	3	4	5	6	7	8	9
								2006-07. Consequently, funds amounting to Rs. 242.87 crore under Major Head '2852' could be released only during the 4th quarter (Jan.-March, 2007) of 2006-07. Excluding this supplementary provision of Rs. 242.87 crore, the anticipated expenditure of Rs. 23.75 crore during the 4th quarter is not huge compared to the first 3 quarters.
3.	4852—Capital outlay on Iron and Steel Industries	38.73	0.00	7.00	0.00	31.73	81.93%	The huge expenditure in the 4th quarter is due to release of Rs. 30 crore as equity investment in MECON Ltd. on 27.2.2007, as per the restructuring package for MECON. Though budgetary provision for Rs. 30 crore was made in BE 2006-07, release of this amount to MECON in 2006-07 was subject to the approval of the restructuring package for MECON by the competent authority and which approval was received only on 8.2.2007.

1	2	3	4	5	6	7	8	9
4.	6852—Loans for Iron & Steel Industries	59.90	0.00	0.00	51.90	7.00	11.88%	Anticipated expenditure in 4th quarter is not huge compared to first 3 quarters.
	Total (1 to 4)	419.74	14.37	11.17	85.12	308.08	73.57%	

II. Internal & Extra Budgetary Resources (IEBR)

(Rs. in crore)

Sl.No.	Name of the PSU	Allotment under IEBR in Annual Plan 2006-07 (RE)	Actual Expenditure during 2006-07				Anticipated Expenditure incurred in 4th quarter as % of expenditure incurred in the four quarters	Whether expenditure incurred in last quarter is huge compared to the first three quarters of 2006-07/Remarks
			1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr. Anticipated		
1	2	3	4	5	6	7	8	9
1.	SAIL	1275.00	253.00	302.00	234.00	361.00	31.39%	Anticipated expenditure incurred in last quarter is not huge compared to first three quarters
2.	SIIL	1.10	0.26	0.27	0.59	0.23	17.04%	-do-
3.	MSTC	5.00	0.00	0.00	0.00	0.00	—	No expenditure has been incurred by MSTC on setting up of stockyard/ warehousing facilities due to non-allotment of land.

1	2	3	4	5	6	7	8	9
4.	FSNL	17.00	3.47	1.71	5.33	6.40	37.85%	Anticipated expenditure incurred in last quarter is not huge compared to first three quarters
5.	NMDC	150.00	15.35	7.50	38.02	28.73	32.06%	-do-
6.	KIOCL	38.00	4.35	5.35	3.34	2.96	18.50%	-do-
7.	MOIL	68.32	3.19	22.56	13.26	16.99	30.34%	-do-
8.	RINL	673.45	37.73	60.72	119.96	153.00	41.19%	Expenditure in last quarter is expected to be relatively higher compared to first three quarters due to increased expenditure on capacity expansion of Vizag Steel Plant.
9.	Bird Group	13.00	0.34	0.47	0.36	—*	—*	Expenditure incurred in last quarter is not huge compared to first three quarters
	Total	2240.87	317.69	400.58	414.86	569.31	33.44%	

*Information not available

Note: The remaining 3 PSUs *viz*. HSCL, BRL & MECON did not have any I&EBR in Annual Plan 2006-07.

ANNEXURE III

(*Vide* Para 4.0 of the Report)

SCHEMES/PROJECTS OF PSUs, FINANCED OUT OF BUDGETARY SUPPORT, FROM 2002-03 TO 2006-07

(Rs. in crore)

Name of PSU	Scheme/Project	Allocation for the year	Actual expenditure	Whether Scheme completed/Remarks
1	2	3	4	5
I. Year 2002-2003				
1. HSCL	Purchase of construction equipments and machinery for projects	4.00	4.00	Purchase of construction equipments/machinery completed
2. BRL	Addition, Modification & Replacement (AMR) schemes	5.00	5.00	AMR Schemes completed
3. MECON Ltd.	Information Technology (IT)—Purchase of computer hardware & software	2.00	2.00	Purchase of computer hardware/software completed
4. Bird Group	AMR Schemes	1.00	1.00	AMR Schemes completed
II. Year 2003-2004				
1. HSCL	Purchase of construction equipments and machinery for projects	4.00	4.00	Purchase of construction equipments/machinery completed

1	2	3	4	5
2. BRL	AMR Schemes	12.00*	12.00	AMR Schemes completed
3. MECON	IT-Purchase of computer hardware & software	1.00	1.00	Purchase of computer hardware/software completed
4. Bird Group	AMR Schemes	1.00	1.00	AMR Schemes completed
III. Year 2004-2005				
1. HSCL	Purchase of construction equipments and machinery for projects	3.00	3.00	Purchase of construction equipments/machinery completed
2. BRL	AMR Schemes	10.00*	10.00	AMR Schemes completed
3. MECON	IT-Purchase of computer hardware & software	1.00	1.00	Purchase of computer hardware/software completed
4. Bird Group	AMR Schemes	1.00	1.00	AMR Schemes completed
IV. Year 2005-2006				
1. HSCL	Purchase of construction equipments and machinery for projects	4.00	4.00	Purchase of construction equipments/machinery completed
2. BRL	AMR Schemes	7.00*	7.00	AMR Schemes completed
3. MECON	IT-Purchase of computer hardware & software and testing equipments	4.00	0.00#	Rs. 4.00 crore released in the last week of March, 2006. Procurement of computer hardware & software completed during 2006-07.

*Rs. 7.00 crore as equity investment in BRL and the balance amount as Plan loan
#Actual expenditure as on 31.12.2005
Note: Budgetary Support (col. 3 of table) provided as Plan loan, except in case of BRL

1	2	3	4	5
V. Year 2006-2007				
1. HSCL	Purchase and Capital repair of construction equipments and machinery for projects	7.00	7.00	In view of the defaults by the company in the payment of Govt. loans and interest by HSCL, dispensation was sought from M/o Finance for release of Plan loan of Rs. 7 crore to HSCL. M/o Finance agreed for the dispensation only on 26.3.2007, so that Rs. 7 crore could be released to the company on 29.3.2007 *i.e.* almost at the end of FY 2006-07.
2. BRL	Equity investment for Addition, Modification & Replacement (AMR) schemes	7.00	7.00	Fund was released to BRL on 25.9.2006. As on 28.2.2007, the company has utilized an amount of Rs. 6 crore and the balance amount of Rs. 1 crore is expected to be utilized before the end of FY 2006-07.
3. MECON Ltd.	(i) Equity investment for purchase/ augmentation of office space, payment of wage arrears and implementation of ERP, as per the restructuring package approved by the Govt.	30.00	30.00	As the restructuring package was approved by the Govt. on 8.2.2006, funds could be released on 27.2.2007. As on date, Rs. 18 crore has already been utilized in March, 2007. Balance amount of Rs. 12 crore will be utilized in 2007-08 as per approved planned expenditure.

1	2		3	4	5
	(ii)	Conversion of outstanding Govt. loans (Rs. 6 crore) and interest (Rs. 1.72 crore) into equity, as per the restructuring package approved by the Govt.	—	1.73	Conversion of outstanding loans and interest of Rs. 7.72 crore into equity completed on 29.3.2007.
4. Bird Group	AMR Schemes		1.00	1.00	In view of defaults by the company in the payment of Govt. loans and interest, M/o Finance has not agreed to grant dispensation to Bird Group so that the Plan loan provision of Rs. 1.00 crore cannot be released to the company in 2006-07.

ANNEXURE IV
(*Vide* Para 4.0 of the Report)

PSU-WISE DETAILS OF SCHEMES/PROJECTS SANCTIONED DURING 9TH & 10TH PLAN AND SPILLING OVER TO THE 11TH FIVE YEAR PLAN

Sl.No.	Name of PSU & Schemes	Allocation proposed in 11th Plan (Rs. in crore)	Reasons for spilling over to the 11th Plan/Remarks
1	2	3	4
1.	**Steel Authority of India Ltd. (SAIL)**		
	Bhilai Steel Plant		
(i)	Rebuilding of Coke Oven Battery No. 5	219.04	Delay in design engg. by CUI.
(ii)	Installation of HAGC & PVR in Plate Mill	64.10	Delay in liquidation of defects by Danieli Automation.
(iii)	New Slab Caster, RH degasser and Ladle Furnace	520.76	Delay by M/s Danielli in basic & detail engg. works.
(iv)	Repl. of 4 Nos. Medium HP Locos by High HP WDS-6 Locos	26.88	Delay in Support by M/s DLW, Varanasi.
(v)	HM Desulphurisation in SMS	86.23	Scheme sanctioned in January, 2006. Scheduled date of completion is August, 2007.

1	2	3	4
	Durgapur Steel Plant		
(vi)	Coal Dust Injection in Blast Finance-3&4	74.22	Scheme sanctioned in January, 2006. Scheduled date of completion is August, 2007.
(vii)	Augmentation of Power Distribution System (Phase-I)	38.39	Scheme sanctioned in May, 2006. Scheduled date of completion is September, 2007.
	Rourkela Steel Plant		
(viii)	Rebuilding of Coke Oven Battery No. 1	112.39	Delayed by M/s CUI for supply of equipment.
(ix)	HM Desulphurisation Unit in SMS-II	52.39	Scheme sanctioned in July, 2006. Scheduled date of completion is May, 2008.
(x)	Installation of Pipe Casting Plant	68.27	Scheme sanctioned in December, 2006. Scheduled date of completion is August, 2008.
(xi)	Coal Dust Injection in BF-4	70.71	Scheme sanctioned in January, 2007. Scheduled date of completion is October, 2008.
	Bokaro Steel Plant		
(xii)	Installation of CHSG Plant in BF No. 4	35.95	Delay in supply & erection of equipment by M/s BSBK.
(xiii)	Rebuilding of Coke Oven Battery No. 5	198.84	Delay in equipment supply by MECON.
(xiv)	Revamping of Mae west blocks in HSM	91.86	Delay in availability of Phase-I equipment by M/s. VAI due to falling of container in high seas. Phase-I planned in scheduled shut down of Apr-May' 07 and Phase-II in May' 08.

1	2	3	4
(xv)	Repl. of HCL Regeneration Plant for Pickling Line-II of CRM	35.92	Scheme sanctioned in January, 2006. Scheduled date of completion is June, 2007.
(xvi)	50 MW Power Tapping Arrangement for 1250 TPD O_2 Plant	26.38	Scheme sanctioned in January, 2006. Scheduled date of completion is May, 2007.
(xvii)	Provision of ATC & OTC at Oxygen Plant	81.76	Scheme sanctioned in March, 2006. Scheduled date of completion is November, 2007.
(xviii)	Coal Dust Injection in BF-2&3	133.92	Scheme sanctioned in April, 2006. Scheduled date of completion is May, 2008.
(xix)	Computerised Process Control System in SMS-II	30.91	Scheme sanctioned in August, 2006. Scheduled date of completion is February, 2008.
(xx)	Coking Coal Storage Facilities in CHP	134.32	Scheme sanctioned in September, 2006. Scheduled date of completion is March, 2008.
(xix)	EDT machine in RGBS	29.24	Scheme sanctioned in September, 2006. Scheduled date of completion is March, 2008.
(xxii)	2nd Ladle Furnace in SMS-II	96.96	Scheme sanctioned in December, 2006. Scheduled date of completion is February, 2008.
	IISCO Steel Plant		
(xxiii)	Rebuilding of BF No. 2	103.93	Scheme sanctioned in March, 2006. Scheduled date of completion is September, 2007.

1	2	3	4
(xxiv)	Replacement of Turbo Blower	20.58	Scheme sanctioned in April, 2006. Scheduled date of completion is October 2007.
(xxv)	Rebuilding of COB-10	416.50	Scheme sanctioned in March, 2007. Scheduled date of completion is September, 2009.
	General		
(xxvi)	Repl. of 11 nos. medium HP locos by 10 nos. WDS-6 & 1 no. WDG-3A high HP locos	84.39	Scheme sanctioned in March, 2007. Scheduled date of completion is December, 2008.
2.	**Rashtriya Ispat Nigam Ltd. (RINL)**		
(i)	Coke Oven Battery No. 4 (Phase 1&2)	125.56	Though the scheme was originally sanctioned in the 9th Plan, it could not be taken up during 9th Plan due to fund constraints. Project has been undertaken during the 10th Plan and it is anticipated that the Battery will be commissioned in June, 2007.
(ii)	Coal Dust Injection/Pulverised Coal Injection in BF-1	87.00	Though the scheme was originally sanctioned in the 9th Plan, it could not be taken up during 9th Plan due to fund constraints. The scheme replaces the consumption of expensive BF Coke with less expensive pulverized coal.

1	2	3	4
3.	**Manganese Ore India Ltd. (MOIL)**		
(i)	Sinking of Vertical Shaft at Gumgaon Mine	9.75	All the four schemes were commenced during the later years of 10th Five Year Plan and are to be completed during 2007-08 and subsequent year as per original scheduled itself. Completion of these schemes is in line with the corporate/business plan of MOIL.
(ii)	Integrated Beneficiation plant at Balaghat Mine	7.45	
(iii)	Water Supply Scheme at Balaghat Mine	5.74	
(iv)	Administrative Building at Nagpur	5.09	
4.	**National Mineral Development Corporation (NMDC)**		
(i)	Bailadila Deposit 11-B	283.00	The zero date of the project has been announced as 1.1.2007 and the project is expected to go commercial by October, 2009.
(ii)	Kumaraswamy Iron Ore Project	279.00	Project delayed due to delay in receipt of environment and forest clearance. Work could not commence due to stay order from Karnataka High Court on renewal of mining lease.
(iii)	Investment in other JV's Deposit-13	640.00	Provision of Rs. 300 crore was made in 10th Plan for development of Deposit-13. However the same could not materialize. The project is now planned as a joint venture project with Chhattisgarh Mineral Development Corporation Ltd.

1	2	3	4
(iv)	Development of Rawghat-Jagadalpur Railway line	200.00	Against provision of Rs. 25 crore made for NMDC's share towards the development of the Railway line in 10th Plan no utilization has been made.
5.	**Kudremukh Iron Ore Company Ltd.**		
(i)	Other Mine Development	145.00	Scheme was originally sanctioned in 2001-02, but have been taken up during the 10th Plan and is expected to be completed during 11th Plan. Scheme has been delayed due to non-renewal of mining lease and petition field by some claimants before the Karnataka High Court.
(ii)	Ductile Iron Spun Pipe Plant	225.00	Scheme was originally sanctioned in 2001-02, but have been taken up during the 10th Plan and is expected to be completed during 11th Plan. Global tender has been issued, pre-qualification discussions held and order is expected to be firmed up during 2007-08.
			Both the above schemes of KIOCL are relevant for developing future financial and technical strength of KIOCL since mining at Kudremukh has stopped w.e.f. 31.12.2005 as per directives of the Hon'ble Supreme Court.

1	2	3	4
6.	**MSTC Ltd.**		
	Setting up of Stockyard/Warehousing facilities	15.00	Project was sanctioned in the 10th Plan. However, since implementation of VAT and abolishment of CST was delayed, the project has spilled over to 11th Plan.
7.	**Bird Group of Companies**		
(i)	Mineral Based Industries	72.00	The diversified schemes under 'Mineral Based Industries' could not be taken during 10th Plan and have been kept in the 11th Plan period provided the mining leases are renewed in favour of OMDC under the Bird Group.
(ii)	Ore Based Activities (Mineral Exploration)	1.25	The scheme has spilled over to 11th Plan. The scheme is relevant since this would indicate the mineral reserves based on which various schemes for setting up mineral based industries could be taken up.

ANNEXURE V

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2006-07) HELD ON 3.4.2007 IN COMMITTEE ROOM NO. '53', PARLIAMENT HOUSE, NEW DELHI.

The Committee met from 1100 hours to 1340 hours.

PRESENT

Dr. Satyanarayan Jatiya—*Chairman*

MEMBERS

2. Shri Hansraj G. Ahir
3. Shri Hiten Barman
4. Shri Bansa Gopal Choudhury
5. Shri Chandrakant B. Khaire
6. Dr. Rameshwar Oraon
7. Shri Dalpat Singh Paraste
8. Shri Anirudh Prasad *alias* Sadhu Yadav
9. Shri Surendra Lath
10. Shri Ajay Maroo
11. Shri B.J. Panda
12. Shri Jesudas Seelam
13. Shri Bashistha Narain Singh
14. Shri Jai Narain Prasad Nishad

SECRETARIAT

1. Shri S.K. Sharma — *Additional Secretary*
2. Shri P.K. Bhandari — *Joint Secretary*
3. Shri A.K. Singh — *Director*
4. Shri Shiv Singh — *Deputy Secretary*

LIST OF WITNESSES

1.	Shri R.S. Pandey, Secretary	—	Ministry of Steel
2.	Shri A.K. Rath, SS & FA	—	-do-
3.	Shri G. Elias, JS	—	-do-
4.	Kumar Arvind Singh Deo, JS	—	-do-
5.	Shri Ajoy Kumar, JS	—	-do-
6.	Smt. Vibha Pandey, CCA	—	-do-
7.	Smt. Chandralekha Malviya, Eco. Adviser	—	-do-
8.	Shri Navin Soi, Director	—	-do-
9.	Shri S.K. Roongta, Chairman	—	SAIL
10.	Shri Y. Siva Sagar Rao, CMD	—	RINL
11.	Shri B. Ramesh Kumar, CMD	—	NMDC
12.	Shri P. Ganesan, CMD	—	KIOCL
13.	Shri D. Rath, CMD	—	MECON
14.	Shri K.L. Mehrotra, CMD	—	MOIL
15.	Shri Malay Sengupta, CMD	—	MSTC, Ltd.
16.	Shri Parthasarathi K., CMD	—	HSCL
17.	Shri K.J. Singh, CMD	—	BRL
18.	Shri V.K. Uppal, CMD	—	SIIL

2. At the outset, the Chairman, welcomed the Members of the Committee and representatives of the Ministry of Steel to the sitting of Committee and apprised them of the provisions of Direction 58 of the Directions by the Speaker.

3. Thereafter, the Secretary, Ministry of Steel gave a visual presentation on the steel industry particularly the performance and key areas of steel PSUs and Demands for Grants (2007-08) of the Ministry of Steel. The following important points were discussed by the Committee:—

(i) Setting up of new plant and production of special steel by the steel PSUs;

(ii) Supply of iron ore by NMDC to domestic steel companies and small and medium enterprises;

(iii) Possibility of tie-up between NMDC and KIOCL for uninterrupted supply of iron ore to KIOCL;

(iv) Production of rural steel products at an affordable price by SAIL and RINL;

(v) Export of value added products rather export of iron ore; and

(vi) Need to spend allotted amount fully under corporate social responsibility.

4. The Chairman has directed the Ministry of Steel to submit a report on the Directions given by the Hon'ble Chairman and points raised by the Members to the Committee immediately.

5. A copy of the verbatim proceedings of the sitting of the Committee has been kept for record.

The Committee then adjourned.

ANNEXURE VI

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2006-07) HELD ON 26 APRIL, 2007 IN COMMITTEE ROOM NO. '139',PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee met from 1500 hrs. to 1530 hrs. to consider and adopt the Reports on Demands for Grants (2007-08) pertaining to the Ministries of Coal, Mines and Steel.

PRESENT

Dr. Satyanarayan Jatiya—*Chairman*

MEMBERS

2. Shri Hansraj G. Ahir
3. Shri Bansa Gopal Choudhury
4. Shri Chandrakant B. Khaire
5. Dr. Rameshwar Oraon
6. Shri Dalpat Singh Paraste
7. Smt. Ranjeet Ranjan
8. Shri Tarachand Sahu
9. Shri Sugrib Singh
10. Shri Ali Anwar
11. Shri Ramadhar Kashyap
12. Shri Ajay Maroo
13. Shri Jai Narain Prasad Nishad

SECRETARIAT

1. Shri P.K. Bhandari — *Joint Secretary*
2. Shri A.K. Singh — *Director*
3. Shri Shiv Singh — *Deputy Secretary*

2. At the outset, the Chairman, Standing Committee on Coal and Steel welcomed the Members to the sitting of the Committee.

3. The Committee then consider and adopted the following Draft Reports with some additions/deletions/modifications:

(i) ** ** *** ** **

(ii) ** ** *** ** **

(iii) Report on Demands for Grants (2007-08) of the Ministry of Steel.

4. The Committee authorized the Chairman to finalise the Reports after making consequential changes arising out of factual verification by the Ministries concerned and to present these Reports to both the Houses of Parliament during the current Session.

The Committee then adjourned.

**Does not pertain to this Report.