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STANDING COMMITTEE ON COAL AND STEEL
(2007-2008)

FOURTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS
(2007-08)

[Action Taken by the Government on the Recommendations contained in the Twenty Fifth Report of the Standing Committee on Coal and Steel (Fourteenth Lok Sabha)]

THIRTIETH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2007/*Agrahayana*, 1929 (*Saka*)

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Presented to Lok Sabha on 7.12.2007

Laid in Rajya Sabha on 7.12.2007

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5. Shri T. Mathivanan	—	*Senior Committee Assistant*

* Nominated *w.e.f.* 6.9.2007 *Vice* S/Shri Surendra Lath, MP and Ajay Maroo, MP

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 Thirtieth Report (Fourteenth Lok Sabha) on Action Taken by the Government on the recommendations contained in the Twenty Fifth Report of the Standing Committee on Coal and Steel (Fourteenth Lok Sabha) on "Demands for Grants (2007-08)" of the Ministry of Steel.

2. The Twenty-Fifth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 27th April, 2007. Replies of the Government to all the recommendations contained in the Report were received on 26th November, 2007.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 5th December, 2007.

4. An analysis on the Action Taken by the Government on the recommendations contained in the Twenty-Fifth Report (Fourteenth Lok Sabha) of the Committee is given at Annexure-IV.

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;
5 *December*, 2007
14 *Agrahayana*, 1929 *(Saka)*

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

CHAPTER I

REPORT

This Report of the Committee deals with Action Taken by the Government on the recommendations contained in the Twenty Fifth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2006-07) on the Subject "Demands for Grants (2007-08)" of the Ministry of Steel which was presented to Lok Sabha on 27.4.2007.

1.2 Action Taken Notes have been received from the Government in respect of all the recommendations contained in the Report. These have been categorised as follows:

(i) Recommendations/Observations that have been accepted by the Government:

Sl. Nos. 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 18, 21, 23, 25, 26 and 27.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government:

Sl. Nos. 15, 16, 17 and 19.

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee:

Sl. Nos. 6, 22 and 24.

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:

Sl. No. 20.

1.3 The Committee desire that final replies in respect of the recommendations which have been categorised as interim replies by the Committee should be furnished to the Committee at the earliest.

1.4 The Committee desire that utmost importance should be given to the implementation of recommendations accepted by the Government. In case, it is not possible for the Government to implement any recommendation(s) in letter and spirit for any reasons, the matter should be reported to the Committee in time with reasons for non-implementation.

1.5 The Committee will now deal with the Action Taken by the Government on some of their recommendations/observations made in the Twenty Fifth Report.

Implementation of Schemes

Recommendation (Sl. No. 4, Para No. 4.1)

1.6 The Committee noted 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 (Internal and Extra Budgetary Resources (IEBR) of Rs. 10979 crore and Budgetary Support (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 were 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.

1.7 The Committee were anguished to note that steel Public Sector Undertakings (PSUs) had failed to utilize even the reduced allocation which was bound to have an adverse impact on their performance. Non-utilisation of IEBR also indicates to the fact that various PSUs had 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.

1.8 The Committee were extremely concerned about the adverse impact on the PSUs owing to non-utilisation of funds even after reduction in Mid-Term Appraisal. The Committee noted that some of the schemes/projects of PSUs sanctioned in 9th and 10th Plans had 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 were unhappy to note the casual approach of the Ministry/PSUs in completion of the schemes as no progress had been made in this regard.

1.9 The Committee observed that delay in implementing the schemes by Steel PSUs for example, supply of equipments to Steel Authority of India Ltd. (SAIL) units, development of Rawghat-Jagadalpur Railway Line by National Mineral Development Corporation (NMDC), setting up of Ductile Iron Spun Pipe Plant by

Kudremukh Iron Ore Company Ltd. (KIOCL) and Ore Based Activities (Mineral Exploration) by Bird Group of Companies had been hampering in utilisation of funds earmarked under IEBR. The Committee were anguished to note that the Ministry had 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.

1.10 The Committee, therefore, strongly recommended 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 recommended the Ministry to facilitate PSUs in identifying the constraints and formulate the strategy for implementation of schemes/projects and better utilisation of funds.

1.11 In Action Taken Reply, the Ministry has stated that the shortfall in utilization of IEBR by the PSUs is not due to shortfall in IEBR generation during the 10th Plan. All the PSUs except Hindustan Steelworks Construction Ltd. (HSCL), Bharat Refractories Ltd. (BRL) and MECON generated adequate IEBR to fund their approved IEBR expenses during the 10th Plan. A tabular statement on target for generation of IEBR during the 10th Plan, 10th Plan approved component of outlay to be financed through IEBR of the PSUs, actual utilization during the 10th Plan and reasons for shortfall in utilization is given in **Annexure-I.**

1.12 The Committee's recommendation regarding taking of all steps by the steel PSUs to complete the schemes/projects spilling over to the 11th Plan from the 9th and 10th Plans in 2007-08 itself has been communicated to all the concerned PSUs for their information and compliance. In this context it is mentioned that out of the 41 schemes/projects spilling over to the 11th Plan from 9th & 10th Plans, 24 schemes will be/are likely to be completed during 2007-08 itself. Another 10 schemes are likely to be completed by 2008-09. Many of these spill over schemes were taken up in the latter part of the 10th Plan period and their expected completion during the first two years (2007-09) of the 11th Plan is as per the original schedule. The details of the remaining 7 spill over schemes that cannot be completed even by 2008-09 are given in **Annexure-II.**

1.13 As regards the Committee's recommendation for the Ministry to facilitate the PSUs in identifying the constraints and formulate strategy for implementation of schemes/projects and better utilization of funds, the matter has been discussed with the PSUs in the quarterly review meeting held in the Ministry to review *inter alia* their utilization of Plan outlays during the 10th Plan. Based on the discussions, an internal committee comprising of representatives of PSUs like SAIL, NMDC, Rashtriya Ispat Nigam Ltd. (RINL), etc. has been set up to identify common major constraints faced by PSUs in the implementation of schemes and to suggest mechanism/strategy for better implementation of schemes and utilization of funds. First meeting of the internal Committee was held at SAIL, New Delhi, on 3rd August, 2007.

1.14 The Committee had recommended the Ministry of Steel to facilitate Public Sector Undertakings (PSUs) in identifying the constraints and formulate the strategy for implementation of schemes/projects sanctioned during 9th and 10th Plans and spilling over to 11th Plan and to ensure better utilisation of funds. The Ministry in its reply has informed that out of 41 schemes/projects spilling over to 11th Plan, from 9th and 10th Plans, 24 schemes will be/are likely to be completed during 2007-08 and 10 schemes are likely to be completed by 2008-09. The Committee now hope that the remaining schemes will be completed as per schedule without any further time and cost overrun. The Committee are extremely dissatisfied to note that the National Mineral Development Corporation (NMDC) could utilize barely 17.25 per cent of the approved outlay during 10th Plan. The Committee are not convinced with the reasons advanced therefor by NMDC viz. delay in getting forest/environment clearance. The Committee strongly deprecate the callous and inefficient approach on the part of PSU/Ministry for their failure to overcome the procedural problems and desire the Ministry to immediately identify the specific issues involved therein and take urgent remedial measures.

The Committee have time and again been recommending to the Ministry to facilitate its PSUs to overcome various procedural problems adversely hampering the implementation of the schemes / projects but no visible improvement is discernible in this regard. The Committee would like that the exercise, initiated by the Ministry to identify major constraints being faced by the PSUs in the implementation of schemes and utilisation of funds, be taken up with due seriousness to ensure timely completion of ongoing projects and fullest utilisation of allocated funds.

Strategy to Achieve Goals of National Steel Policy

Recommendation (Sl. No. 6, Para No. 4.5)

1.15 The Committee noted that the Ministry of Steel had 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 noted 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 was 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 had no plan of action to achieve the export target during 11th Plan.

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

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

1.18 The Ministry of Steel in its Action Taken Reply has stated the followings:—

> **"Export Projection:** The export projections given in the Eleventh Plan document are not 'targets' but are export possibilities given a domestic demand ranging between 72 and 78 million tonnes. In India, exports always take place after meeting the domestic demand. The 10-14 million tonnes of exports are shown merely as possible exportable surplus and not 'targets'. As a matter of fact, in the last three years as domestic demand grew by 10%, 14% and 11%, net exports (Exports-Imports) fell from a high of 3.5 Million Tonnes (2003-04) to a mere 0.5 Million Tonnes (2006-07). This happened because exports stagnated while imports increased almost four-fold. The primary goal of the Indian steel industry is to meet the requirements of a fast paced growth in the domestic steel-consuming sectors.
>
> Moreover, export are taking place because of the inherent cost competitiveness of Indian steel and not because of any specific export promotion programmes. This is in keeping with the provisions of the multilateral trading regime such as the WTO".

1.19 The Committee had recommended that the Ministry of Steel should prepare a comprehensive strategy to achieve the ambitious objectives of National Steel Policy (NSP). The Committee fail to understand as to why the Ministry has chosen to not to respond to the Committee's specific recommendation for achieving the goals of NSP and strongly feel that a detailed action plan is imperative for focused attainment of the goals. The Committee are unhappy that the Ministry has displayed utter lack of application towards the avowed objectives of NSP which is vital to transform the country into a vibrant economic power. The Committee are of the considered view that unless the Ministry has a well defined course of action for each of the component of NSP for each year of 11th plan it would be difficult to achieve the goals of NSP.

The Committee, therefore, reiterate their recommendation that the Ministry should prepare a comprehensive strategy for 11th Plan to achieve the ambitious goals of NSP.

1.20 The Committee had observed that the Ministry of Steel has no plan to achieve the projected export of finished steel of 10-14 Million Tonnes (MT) by 2011-12. The Ministry in its reply has stated that the primary goal of the Indian steel industry is to meet the domestic demand and exports are taking place because of cost competitiveness of Indian Steel and not because of any specific export programme. The Ministry has also stated that net exports fell from a high of 3.5 MT in 2003-04 to a mere 0.5 mt in 2006-07.

The Committee appreciate for the priority is being given to meet the domestic demand but are equally concerned to note the drastic fall in exports. The Committee would like to draw the attention of the Ministry to the National Steel Policy (NSP) which, inter-alia, has envisaged that although the focus of Indian steel industry is on the domestic market, export will be another window on the demand side. It has been further stated that Government would focus on regional trade agreements to broaden the export base and encourage dedicated export production through 100 per cent export-oriented units.

The Committee are of the view that continuous presence of Indian steel industry in the global market would not only help them at times of fall in the domestic demand but also enable them to utilize the abundant opportunities available in the global market.

The Committee, therefore, desire the Ministry to encourage the Indian steel industry to perform well at the global market also by realization of measures outlined in the NSP.

Technology Upgradation Fund Scheme (TUFS)

Recommendation (Sl. No. 22, Para No. 6.12)

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

1.22 The Committee further noted that the Ministry of Steel had 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 had not approved due to pending finalisation of scheme by the Ministry.

1.23 The Committee observed that the SMEs were occupying a central place in fulfilling the local demand considering their wide geographical dispersion. The Committee also observed 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 felt that keeping in view the role being played by SMEs in the country by meeting the local demands, they desired 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.

1.24 The Ministry of Steel has replied that in pursuance of the recommendations made by the Working Group on Iron & Steel for the 11th Five Year Plan, the Ministry of Steel has proposed formation of a Technology Upgradation Fund Scheme (TUFS) for Small and Medium Enterprises (SMEs) with the proposed token outlay of Rs.10 crore over the 11th Five-Year Plan Period *i.e.* 2007-2012. Planning Commission is of the view that replication of the scheme on the pattern of TUFS would not be encouraged in other sectors of the industry.

1.25 Keeping in view the role being played by Small and Medium Enterprises (SMEs) in meeting the local steel demand, the Committee had desired the Ministry of Steel to strengthen them by providing necessary infrastructure to derive the benefits of proposed

technology upgradation. The Committee had also noted that the Ministry had proposed a token amount of Rs.10 crore in BE 2007-08 for a new scheme called "Technology Upgradation Fund Scheme (TUFS)" for SMEs which was not approved by the Planning Commission.

The Ministry in its reply has stated that the Planning Commission has finally rejected the TUFS stating that "TUFS would not be encouraged in other sectors of the industry".

The Committee are distressed to note that while the National Steel Policy (NSP) has contemplated that the Government would proactively assist the SMEs in shifting to processes that are more environment-protective, absence of direct policy support for the same would not only defeat the purpose of NSP but also retard the growth of SMEs. The Committee feel that benchmarking technology of SMEs is the need of hour so as to enable them to meet the local demand with quality products and avoid environmental damage and not succumbing to the emerging market forces.

The Committee, therefore, reiterate that the schemes like TUFS should be implemented in steel sector to give further boost to SMEs. The Committee, therefore, like the Ministry to again approach the Planning Commission with ample justification for introduction of TUFS in steel sector.

Fiscal Incentives to Steel Industry

Recommendation (Sl. No. 24, Para No. 6.15)

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

1.27 The Committee, therefore, recommended 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.

1.28 In Action Taken Reply, the Ministry of Steel has stated that it has made several attempts to get steel industry classified as an 'Infrastructure' industry so that this industry also get accelerated benefits accorded to the infrastructure industries. But its proposals have not found favour with the Finance Ministry.

1.29 The Committee felt that providing suitable fiscal incentives to the steel industry was absolutely necessary to mobilize vast resources to achieve the strategic goal of 110 Million Tonne (MT) of steel production by 2019-20 envisaged in National Steel Policy (NSP). The Committee had, therefore, recommended the Ministry of Steel 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. The Ministry in its reply is silent about the schemes to provide fiscal incentives to the steel industry but has stated that despite its several attempts, the Ministry of Finance has not favoured the proposal to give infrastructure status to the steel industry.

The Committee are distressed to note that the fiscal incentives available to the infrastructure projects are not offered to the steel industry though the NSP has highlighted the fact that steel is one of the six sectors that figure in the index of industrial production for 'infrastructure'. The Committee are of the strong view that like other infrastructure industries, the steel industry is also capital intensive and play an important role in the growth of economy. The Committee are sanguine that there could be no two opinion on the steel sector being the kernel of Infrastructure Industries and, therefore, fail to comprehend the dilemma on the part of the Government to declare it as "Infrastructure Industry".

The Committee, therefore, reiterate their recommendation that the suitable fiscal incentives should be provided to steel industry at the earliest in order to achieve the goals of NSP. The Committee also desire the Ministry to take up the matter with the other concerned Ministries/Planning Commission to declare the steel industry as "Infrastructure Industry".

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 1.7)

The Committee noted that the steel industry had an important role to play in the development of economy. The Steel sector's sustained growth was one of the vital prerequisites for attaining the level of GDP growth envisaged in the 11th Plan. The Committee observed that with rising GDP growth, steel consumption and production were expected to grow further. The Committee were happy to note that the Government had 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, desired 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 desired the Ministry to monitor the implementation of NSP in close coordination with other Central Ministries and the State Governments.

Action Taken

The Policy on minerals is presently being dealt with by a Group of Ministers (GoM) under the Chairmanship of Shri Shivraj Patil, Home Minister. The views of the Ministry of Steel have been communicated to the GoM.

In an effort to develop an adapt technology which have synergy with natural resource base of the country Ministry of Steel has established the Steel Research and Development Mission (SRDM) for carrying out path breaking research in this area. Further, Ministry of Steel is undertaking a study of the status of infrastructure as well as augmentation requirements in terms of road and rail networks, ports and the water sectors in various steel producing states. As regards, monitoring of the implementation of NSP in close coordination with other Central Ministries and State Governments. Prime Minister has approved constitution of an Intra-Ministerial Group (IMG) under the Chairmanship of Secretary (Steel) to monitor and coordinate issues concerning major steel investments in the country. The other members of the IMG are Secretaries of Ministries/Departments of Mines, DIPP, Environment & Forests, Road Transport & Highways, Shipping and Member (Traffic) Railway Board as well as Chief Secretaries of the concerned State Governments.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 2, Para No. 2.1)

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

Action Taken

As regards recommendation No.4(of 17th Report) *i.e.* the restructuring proposal of MECON Ltd., the proposal had been approved and necessary orders issued in February, 2007. Regarding Para 10 of the 17th Report (restructuring of HSCL and BRL), the cases for merger of BRL with SAIL is being progressed. Regarding HSCL, a revised proposal for its restructuring has been prepared and is under consideration.

The matter regarding National Mineral Policy and amendments to MMDR Act is under consideration of the Govt.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 3, Para No. 3.8)

The Committee noted that Budgetary Support (BS) was being provided to some of the financially weak and loss making PSUs and Internal and Extra Budgetary Resources (IEBR) were being raised by profit making PSUs for implementing their schemes. The Committee also noted that the Ministry had proposed the annual plan outlay of Rs. 6420.20 crore including BS of Rs. 121.00 crore for the year 2007-08. The Planning Commission, however, approved an outlay of Rs. 6203.70 crore with BS of Rs. 66.00 crore and IEBR of Rs. 6137.70 crore.

The Committee further noted 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 had been reduced from Rs. 333.00 crore to Rs. 250.00 crore, Rs. 150.00 crore to Rs. 75.00 crore and Rs. 68.50 crore to 65.00 crore respectively. BS had also been reduced in respect of BRL and HSCL substantially from Rs. 24.00 crore and Rs. 7.00 crore respectively to Rs. 1.00 crore each due to pending approval of their restructuring proposals.

Further, in 2007-08 the outlay for new scheme on R&D had been reduced from Rs. 20.00 crore to Rs. 1.00 crore and no budgetary support had 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 finalization of details of the schemes by the Ministry.

The Committee were 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, recommended that the Ministry/PSUs should propose realistic estimates with viable schemes to ensure full utilization of funds. The Committee also desired 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 recommended the Ministry to provide sufficient budgetary support to HSCL and BRL to fund their Addition, Modification and Replacement (AMR) schemes till their restructuring proposals were finally approved.

Action Taken

As per the budgetary practice, the initial projections for the Budget Estimates are finalized before the beginning of the financial year and are, therefore, often indicative only. These projections of the outlay are made keeping in view the trend of expenditure incurred, status of ongoing as well as proposed projects and programmes and based on the inputs from the PSUs. Planning Commission finalises the Plan outlay of the Ministry and the PSUs after making their own assessment, as has been done in the case of reduction in 2007-08 (BE) outlay of NMDC, KIOCL, MOIL, BRL and HSCL. However, with clarity on trends of expenditure and actual fund requirements towards the end of the year, necessary revisions are made by the Ministry/PSUs as part of the Revised Estimates (RE) exercise.

Of the 3 new schemes proposed by the Ministry for implementation during the 11th Plan, a token provision of Rs.1.00 crore in 2007-08 (BE) has been approved by the Planning Commission for only one scheme *viz*. Scheme for Promotion of R&D in the Iron & Steel sector. Since the details of this scheme are still being worked out in consultation with the various stakeholders and experts in the field, the provision of Rs.1.00 crore for the scheme has been proposed to be retained in RE 2007-08. As regards the other two new schemes proposed *i.e.* Scheme for Institution & Manpower Development in steel sector and Technology Upgradation Fund Scheme (TUFS) for Small and Medium Enterprises (SMEs), neither of the two schemes has so far been approved by the Planning Commission.

The issue of providing sufficient budgetary support to HSCL and BRL to fund their AMR schemes till their restructuring proposals are finally approved was taken up by Secretary (Steel) with the concerned Member, Planning Commission. The matter was also taken up in the meeting held in the Planning Commission on 4.6.2007 on the Annual Plan 2008-09 and 11th Plan proposals of the Ministry of Steel. Planning Commission has recently conveyed a tentative allocation of Gross Budgetary Support (GBS) of Rs.217.00 crore for the 11th Plan for Ministry of Steel. Based on this tentative allocation, Plan budgetary support of Rs.35.00 crore each for HSCL and BRL for the 11th Plan has been proposed by this Ministry to the Planning Commission. Decision of the Planning Commission as to the actual allocation of GBS for 11th Plan is awaited.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 4, Para No. 4.1)

The Committee noted 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

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The Committee were anguished to note that steel PSUs had failed to utilize even the reduced allocation which was bound to have an adverse impact on their performance. Non-utilisation of IEBR also indicates to the fact that various PSUs had 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 were extremely concerned about the adverse impact on the PSUs owing to non-utilisation of funds even after reduction in Mid-Term Appraisal. The Committee noted that some of the schemes/ projects of PSUs sanctioned in 9th and 10th Plan had 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 were unhappy to note the casual approach of the Ministry/ PSUs in completion of the schemes as no progress had been made in this regard.

The Committee observed 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 had been hampering in utilisation of funds earmarked under IEBR. The Committee were anguished to note that the Ministry had 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 recommended 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 recommended the Ministry to facilitate PSUs in identifying the constraints and formulate the strategy for implementation of schemes/projects and better utilisation of funds.

Action Taken

The shortfall in utilization of I&EBR by the PSUs is not due to shortfall in IEBR generation during the 10th Plan. All the PSUs except HSCL, BRL and MECON generated adequate I&EBR to fund their approved I&EBR expenses during the 10th Plan. A tabular statement on target for generation of IEBR during the 10th Plan, 10th Plan approved component of outlay to be financed through IEBR of the PSUs, actual utilization during the 10th Plan and reasons for shortfall in utilization is given in **Annexure-I.**

The Committee's recommendation regarding taking of all steps by the steel PSUs to complete the schemes/projects spilling over to the 11th Plan from the 9th and 10th Plans in 2007-08 itself has been communicated to all the concerned PSUs for their information and compliance. In this context it is mentioned that of the 41 schemes/projects spilling over to the 11th Plan from 9th & 10th Plans, 24 schemes will be/are likely to be completed during 2007-08 itself. Another 10 schemes are likely to be completed by 2008-09. Many of these spill over schemes were taken up in the latter part of the 10th Plan period and their expected completion during the first two years (2007-09) of the 11th Plan is as per the original schedule. The details of the remaining 7 spill over schemes that cannot be completed even by 2008-09 are given in **Annexure-II.**

As regards the Committee's recommendation for the Ministry to facilitate the PSUs in identifying the constraints and formulate strategy for implementation of schemes/projects and better utilization of funds, the matter has been discussed with the PSUs in the quarterly review meeting held in the Ministry to review *inter alia* their utilization of Plan outlays during the 10th Plan. Based on the discussions, an internal committee comprising of representatives of PSUs like SAIL, NMDC, RINL, etc. has been set up to identify common major constraints faced by PSUs in the implementation of schemes and to suggest mechanism/strategy for better implementation of schemes and utilization of funds. First meeting of the internal committee was held at SAIL, New Delhi, on 3rd August, 2007.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Comments of the Committee

(Please *See* Para No. 1.14 of Chapter-I of the Report)

Recommendation (Sl. No. 5, Para No. 4.3)

The Committee noted that 11th Plan Period is vital for further growth of steel sector and therefore, the Ministry had 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 desired 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 observed that the boom in the global steel industry had led to the buoyancy in the Indian steel sector. The Committee were, 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, desired 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 might be apprised of the progress in this regard regularly.

Action Taken

1. Creation of Infrastructure: Prime Minister has approved the formation of Inter-Ministerial Group (IMG) to monitor and coordinate issues concerning major steel investments in the country. The Committee will function under the Chairmanship of Secretary (Steel) and to be convened by Joint Secretary, Ministry of Steel. The members are the secretaries of Department of Industrial Policy and Promotion, Department of Shipping, Department of Road Transport and Highways, Ministry of Mines, Ministry of Environment and Forests, Member (Traffic) of the railway Board and Chief Secretaries of the concerned States.

The terms of reference of the IMG have been specified as:

To review and co-ordinate measures for early completion of the major steel capacities and address various problems concerning:

- Infrastructure constraints related to ports, rail, road network.
- Availability of iron ore and coal.

- Speedy environmental clearance for project site as well as for iron and coal mining activities.
- Availability of land, water resources and issues concerning rehabilitation.
- Any other item concerned with the major steel investments in the country.

On the 14th August 2007, a meeting of the leading investors with credible investment plans was convened by the Secretary(Steel) to assess the requirements of the infrastructure facilities, raw material linkages and of land and water resources. This is a precursor to the meeting of the IMG.

The first meeting of the IMG is scheduled to be held on 18th October, 2007.

2. Promotion of steel usage: the MOS in association with some of the major producers has established the Institute of Steel development and growth with a view to promoting steel use in the construction sector the single largest user of steel accounting for 61% of total steel consumption in India. INSDAG has already undertaken a number of projects to promote steel use *vis-a-vis* other competing materials in the areas of civil construction—especially in the infrastructure sector. INSDAG is also actively involved in popularising the use of steel amongst architects, civil engineers fabricators and other practitioners of steel intensive technology especially in the area of civil construction. To that end it has also actively participated in formulation of modified curriculum in academic institutes to familiarize students with the use of steel in construction. It has also a programme of promoting lifecycle costing as a tool for project evaluation for all government and private project and changing the established norms for the purpose and thereby give a fillip to steel use.

Apart from this several efforts have been made and are under progress for promoting use of steel in the rural areas. Some of these are:

- Popularising the use of metal bins for grain storage (under the National Campaign for Steel Consumption and in association with Joint Plant Committee and selected producers),
- Designing of household equipments and agricultural tools for use in the rural areas,

- Designing of steel-intensive housing and transport (hand-carts etc.) for rural use, and
- Most importantly, the opening up of rural stock-points at each district of India by the steel PSUs so as to improve the access of steel to rural population and the policy of providing steel to rural market at a cost equal to that of the district headquarters.

3. Price Stability: The National Steel Policy recommended promotion of hedging instruments like 'Futures and Derivatives' in the steel market to minimize the risks of price volatility for both consumers and producers of steel. The world over, these instruments and the futures market in steel are still at nascent stage. In a sense, India is a pioneer in this respect as it already has two exchanges, namely—the MCEX (the Multi Commodity Exchange) and the NCDEX (National Commodity and Derivatives Exchange)—dealing in Futures trading in steel. The quantities traded and the items covered under the arrangement are still limited. But is hoped that because of this early start, the Indian derivatives markets in steel will be able to take advantage of this new system of risk management as trading in such instruments grows world wide. The MOS is studying the unfolding conditions so as to help this system nature in an equitable and regulated manner.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 7, Para No. 5.1.18)

The Committee noted that annual outlay of the SAIL had 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. 1150 Crore only due to delay in supply of equipments by suppliers. The Committee also noted 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 Sulphurisation in SMS being taken by the SAIL for Bhilai Steel Plant were scheduled to be completed by 2007. As against the total sanctioned cost of Rs. 1071.10 Crore for the above-mentioned schemes respectively, SAIL could barely spend Rs. 319.64 crore as on December 2006, which was comparatively lesser than the sanctioned cost.

The Committee were 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 was much less as compared to the work schedule. The Committee desired that all out efforts should be made to complete the projects as per schedule. The Committee noted 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 desired 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.

Action Taken

Of the various schemes of Bhilai Steel Plant, Revamping of B-strand in wire rod mill has been completed in Dec' 06 and Technological Upgradation of BF-7 has been completed in Feb' 07. Rebuilding of Coke Oven Battery No. 5 and Installation of Hot Metal Desulphurisation in SMS-II are planned to be completed during 2007-08.

Out of the total sanctioned cost of Rs. 1071.1 crore for Bhilai Steel Plant, Rs. 434.08 crore has been incurred upto May'07 on various ongoing schemes.

SAIL has well established procedures & systems for Project Management in the form of Manuals. Projects costing more than Rs. 20 crore are monitored and reviewed on quarterly basis at Plant & Corporate level as well as at Ministry level.

Progress of the Corporate/Expansion Plan of SAIL is being monitored by Secretary (Steel) on monthly basis.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 8, Para No. 5.1.28)

The Committee noted 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 noted that the SAIL under its major expansion/modernisation programme had 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, had 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 were unhappy to note that the SAIL had failed to achieve the target in the production of special steel/ value added steel envisaged in the 10th Plan Period. The Committee felt that in the growing steel sector, the production of special steel/ value added steel would determine the competitiveness of steel companies. The Committee also felt 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, recommended 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. 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 were also concerned to note the 9 per cent reduction in Net Sales Realisation and desired that corrective steps be taken.

Action Taken

SAIL has prepared an action plan for increasing the production of special steel/value added steel by planning suitable changes as part of ongoing expansion/modernization programmes.

In addition, it has also explored areas of reduction of costs by improving techno-economic parameters.

Increase in quality has also been planned to increase Net Sales Realization per tonnes of output.

Plan of volume increase for value added/special steel products:

SAIL has made Expansion Plan of its Plants/Units to achieve hot metal production target of 26 Mtpa from its present capacity by 2010. In this regard, 'in-principle' approval has been accorded by SAIL Board for the Expansion of its five Plants Units, *viz*. IISCO Steel Plant (ISP), Salem Steel Plant (SSP), Bokaro Steel Plant (BSL), Bhilai Steel Plant

(BSP) and Rourkela Steel Plant (RSP). ‘In-principle’ approval for the Expansion of Durgapur Steel Plant (DSP) has been given in Jul’ 07.

In case of BSP, hot metal capacity will be increased to 7.5 Mtpa. Among other facilities, a New Blast Furnace of higher volume (4060 m3) with a New Universal Rolling Mill of 1.2 Mtpa capacity of long rails, Bar & Rod Mill of 0.9 Mtpa capacity and a New Universal Beam Mill of 1.2 Mtpa capacity will be installed.

In case of RSP, hot metal capacity will be increased to 4.5 Mtpa. Among other facilities, a New Blast Furnace of higher volume (4060 m3) with a New 4.3 meter wide Plate Mill and a New CRNO complex of 100,000 tpa capacity will be installed.

RSP is exploring the possibility of producing CRGO. In this regard, Expression of Interest for the technology of CRGO has already been floated.

In case of BSL, hot metal capacity will be increased to 7.44 Mtpa. Among other facilities, a Thin Slab Casting of 2.4 Mtpa capacity with a compact Slab Mill of 2.4 Mtpa and a New Cold Rolling Mill complex of 1.2 Mtpa capacity to produce auto body sheets, among other products, will be installed.

In case of ISP, a new plant of 2.9 Mtpa of hot metal capacity will be installed. Among other facilities, a Blast Furnace of higher volume (4060 m3), Heavy Section Mill of 0.6 Mtpa capacity and Wire Rod Mill of 1.2 Mtpa capacity will be installed.

In case of SSP, a Steel Melting Shop with a capacity to produce 180,000 tpa of CC slabs will be installed alongwith expansion of Cold Rolling Mill complex from its present capacity of 65,000 tpa to 146,000 tpa.

Cost reduction & improvement of Techno-economic parameters:

The technological up-gradation to be undertaken during the growth period will also help in achieving Cost Competitiveness through some of following measures:

- Optimizing coal blend at coke ovens, raw-materials quality
- 100% production of steel through BOF route
- 100% processing of steel through continuous casting
- Palletisation facilities in Iron ore mines

- Auxilliary fuel consumption in Blast furnaces
- Desulphurisation of hot metal
- Coke Dry quenching

In addition, quality improvements have been planned to increase thrust on value added products. Some of important steps planned for value addition are as follows:

- New mills for superior tolerances and quality
- Reduction of semi finished steel to about 5% from exiting 20%
- State-of-art online testing and quality control
- Quality assurance system, standardization,
- Pre-treatment and post treatment of metal
- New products e.g. HCR-EQR TMT, Rock Bolt TMT, Micro Alloyed Rails, S-Profile Loco wheels and MC-12 HR Coil etc. are being envisaged for production.

During 2006-07, the NSR of mild steel products has shown a growth of approx. 14% over the corresponding period of last year. In order to improve the NSR following steps have been initiated:

- Close coordination with plants for adjustment of product mix as per market requirement.
- Focus on production of value added and special steel products.
- Close monitoring of inventories and timely disposal of stocks.
- Improving supplies to actual consumers.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 9, Para No. 5.1.36)

The Committee noted that availability of critical raw material *viz*. iron ore, coking coal and non-coking coal was indispensable for the sustainable development of the steel industry. The SAIL was at present meeting its requirement of iron ore through captive mines. However, it had been purchasing indigenous non-coking coal from the Coal India Ltd (CIL) and importing coking coal. It had 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 had 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 observed though the SAIL had captive iron ore mines and getting uninterrupted supply of iron ore, it had not made required efforts to acquire captive coal blocks unlike major private steel companies. The Committee were anguished to note that the SAIL had been carrying its operations for more than four decades and it not been able to acquire any captive coal blocks so far. The Committee felt that allotment of captive coal mines to the SAIL was significant to meet its long-term requirement of non-coking coal and to improve its competitiveness.

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

Action Taken

Around 30% of total coking coal requirement for SAIL is met from indigenous sources which include supplies from Coal India Ltd. (CIL) and production from captive mines. Over the years, there has been decline in supplies from CIL. Coking Coal availability from CIL has come down from around 9 MT during 1993-94 to 3.6 MT during 2006-07. In order to ensure security of coking coal supplies, SAIL is taking steps to enhance indigenous availability to the level of 8-10 MT by 2015-16. This include entering into strategic alliance with Bharat Coking Coal Ltd. (BCCL) a subsidiary of CIL and developing new coking coal blocks as detailed below :

Alliance with BCCL

(a) MOU has been signed with BCCL to fund phase-I upgradation of Moonidih Mine at 16 Top seam. Entire coal production has been assured for SAIL plants. SAIL has also agreed to fund phase-II upgradation of Moonidih mine at XV seam on similar lines.

(b) SAIL has taken up the matter with CIL & BCCL for developing Kapuria & Kharkharee-Dharmaband Extension blocks in joint venture with BCCL.

Development of new coking coal blocks

(a) SAIL has been allocated Tasra and Sitanala coking coal blocks for captive mining. Actions are being taken to develop the blocks.

In addition, SAIL had submitted applications to the Ministry of Coal for allocation of 11 nos. thermal coal blocks. But note of the stocks have been allocated to SAIL.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 10, Para No. 5.1.37)

The Committee were of the strong view that floating of SPV to acquire overseas coal mines would held PSUs in avoiding the uncertainty that prevails in getting adequate supply of coking coal. The Committee, therefore, desired 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.

Action Taken

Ministry of Steel has constituted a Committee under the Chairmanship of Director (Finance), Rashtriya Ispat Nigam Ltd. (RINL) to submit a Status Paper on "Securing Coking Coal Supplies for the Steel Authority of India Ltd. (SAIL) and Rashtriya Ispat Nigam Ltd. (RINL)". Based on the recommendation of the Committee, an Empowered Special Purpose Vehicle (SPV) comprising Steel Authority of India Limited (SAIL), Coal India Limited (CIL), Rashtriya Ispat Nigam Ltd. (RINL), National Thermal Power Corporation (NTPC) and National Mineral Development Corporation (NMDC) has been proposed for incorporation for the purpose of acquisition of coal mining companies/properties in overseas territories. The proposed SPV would specifically cater to meet the requirements of coking and thermal coal of the participant companies. This proposal has been approved by the Cabinet in its meeting held on 8.11.2007.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 11, Para No. 5.2.7)

The Committee noted that as against the installed capacity of Sponge Iron of 60000 Tonnes Per Annum (TPA), the Sponge Iron India Limited (SIIL) had produced 57600 and 48600 TPA during the years

2004-05 and 2005-06 respectively. The SIIL was anticipated to produce 55000 TPA in 2006-07. The target fixed for the year 2007-08 was 57000 TPA as against the installed capacity of 60000 TPA representing capacity utilization of 95 per cent. The Committee also noted that net profit of the SIIL was 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 in 2007-08.

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

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

The Committee also noted that a proposal for merger of the SIIL with the NMDC was pending with the Ministry. The Committee hoped that the proposed merger of the SIIL with the NMDC would improve the performance of the SIIL and desired expeditious action on the part of the Ministry in this regard.

Action Taken

Ministry of Steel has decided to merge M/s. Sponge Iron India Limited (SIIL) with M/s. National Mineral Development Corporation (NMDC) in principle. The Ministry directed SIIL/NMDC to appoint a Merchant Banker for valuation of assets and determination of value of shares of M/s. SIIL. Accordingly, M/s. Axix Bank (formerly known as UTI Bank) was appointed as Merchant Banker, who have submitted the Valuation Report in August, 2007. The Boards of NMDC and SIIL have approved the valuation report in their meetings held on 18th and 21st September, 2007 respectively.

Ministry has noted the concern of Hon'ble Standing Committee on the raw material supply, particularly iron ore supplies to SIIL from NMDC. Once the process of merger of SIIL with NMDC is completed, the problem of iron ore supplies will be automatically resolved by inhouse supply from NMDC mines located in Karnataka which is also better suited for sponge iron making. As far as coal is concerned, SIIL is getting adequate quantity of coal from M/s. Singareni Collieries Limited. Expansion of sponge iron plant will also be taken up after merger of SIIL with NMDC.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 12, Para No. 5.3.5)

The Committee noted that the Hindustan Steelworks Construction (HSCL) was primarily engaged in undertaking construction of steel plants and projects in the infrastructure sector. The Committee also noted that in the year 2005-06 the HSCL had secured high orders of Rs. 344 crore in infrastructure sector and Rs. 86 crore in steel sector. The Committee were constrained to note that due to high negative net worth of the HSCL of Rs. (-)1164.69 crore, it had been unable to pre-qualify for the upcoming expansion projects of the SAIL. The Committee further noted that the restructuring proposal of HSCL has been pending with the Ministry for want of clearance. The Planning Commission had 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 were anguished to note that the Ministry had neither approved the financial restructuring proposal of the company as yet nor facilitated it getting work orders from steel PSUs. The Ministry had also not come out with any proposal for the merger of HSCL with SAIL. The Committee strongly felt that these had 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 desired the Ministry/Steel PSUs to take immediate steps in giving preference to HSCL in work orders in their ongoing expansion projects.

Action Taken

Steel Authority of India (SAIL) are of the view that Hindustan Steelworks Construction Limited (HSCL), basically being a civil construction company having its core strength in piling, soil investigation, foundation works, high rise fabrication etc., has no synergy of operation with SAIL (production and marketing of carbon steel). Hence, it is felt that merger of HSCL with SAIL may not be feasible at this stage.

As regards awards of work by SAIL to HSCL, it is submitted that in case of capital project, SAIL awards work on competitive bidding and whenever HSCL participates in SAIL tenders, HSCL is being awarded work on the basis of their competitive bidding (L1). However, while awarding the work, the purchase preference is given by SAIL to all the PSUs including HSCL for the works less than Rs.100 crore as per Guidelines of Department of Public Enterprises. SAIL gives works to HSCL within the guidelines of government/CVC governing such matters.

In so far as RINL is concerned, the company has been extending preference/support to HSCL by obtaining special approvals wherever necessary in tenders where HSCL is participating.

A revised proposal for Restructuring and Revival of HSCL has been prepared and present under discussion in the Ministry of Steel. This will be shortly sent to Board for Reconstruction of Public Sector Enterprises (BRPSE).

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 13, Para No. 5.3.7)

The Committee further noted that when the HSCL has been starving of funds, it had 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, recommended that the Ministry should take up the matter seriously and to facilitate the HSCL in realizing the dues from Public Sector Undertakings (PSUs).

Action Taken

The accounts for 2006-07 have been finalized in respect of HSCL and the Debtors outstanding for more than six months has reduced from Rs. 60.21 crore as on 31.3.2006 to Rs. 54.47 crore as on 31.3.2007. Bills have been submitted by HSCL to respective steel Plants on the basis of modalities decided by Disputes Settlement Committee in the matters relating to the long outstanding payments receivable from SAIL and RINL.

Efforts have been made by the Ministry also to help HSCL in realizing its long pending dues with SAIL and RINL.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 14, Para No. 5.4.8)

The Committee noted that the Kudremukh Iron Ore Company Ltd. (KIOCL) had 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 had 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 noted 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 had been so far Rs.16 crore only.

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

The Committee felt that diversification of schemes and development of new mines needs to be accorded highest priority for the sustainable development of the KIOCL. The Committee were, 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, recommended 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 recommended the

Ministry to facilitate early merger of KISCO with KIOCL in order to consolidate its position.

Action Taken

In the Annual Plan 2007-08, there is a provision of Rs. 75 crores for implementation of various plan schemes which includes Ductile Iron Spun Pipe Project (DISP), development of permanent railway siding at Mangalore, construction of bulk material handling facilities for receipt of iron ore by Rail and other mines development under Joint Venture with M/s. Steel Authority India Limited (SAIL) through internal resources of KIOCL. The company has taken steps in the direction of implementation of these schemes.

The Ministry, based on the powers delegated to Mini Ratna PSEs, authorized KIOCL for merger of KISCO (a JV company) in May, 2006. The Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 18.6.2007 and 18.7.2007 has also approved the merger of KISCO with KIOCL with effect from 1.4.2007. KIOCL has also filed the copies of BIFR order with Registrar of Companies and other concerned agencies and published the Notice of Merger in the newspapers. Concurrent Auditors as per BIFR directives have also been appointed.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 18, Para No. 5.5.9)

The Committee also noted that the NMDC had been exploring for diamonds in India to continue its presence in diamond market. The Committee felt 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 substantial growth. The Committee, therefore, recommended the NMDC to expedite the process of exploration for diamonds not only in India and also abroad. The Committee also desired the NMDC to work in close coordination with Geological Survey of India (GSI) and Mineral Exploration Corporation Ltd (MECL) in this regard.

Action Taken

1. Based on the results of R.P works in Kalyandurg of Anantapur Distt. of Andhra Pradesh, NMDC had applied for 8 Prospective licenses covering an area of 123.293 sq.m which are at various stages of processing. Meanwhile ground

magnetic data interpretation is under progress. Besides application for 2nd renewal of the Prospective License at Chigicherla in Anantpur district of Andhra Pradesh has been filed which is in advance stages of process.

2. Mining Lease applications are filed for areas in Anumpalle and Chigicherla areas in Anantpur distt. of Andhra Pradesh and the applications are pending with DMG, Hyderabad and the matter is being pursued.

3. The observation of the committee for expediting the process of exploration for diamonds not only in India and also abroad and also to work in close coordination with GSI and MECL have been noted by NMDC for compliance.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl.No. 21, Para No. 6.9)

The Committee also noted that the Ministry had 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 felt 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, desired 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 desired the Ministry to monitor the participation of steels PSUs in the national programmes.

Action Taken

The recommendation of the Committee has been noted and conveyed for compliance to all the major domestic steel producers. Further, SAIL and RINL have been directed to furnish a report on quarterly basis regarding their participation in the national programmes like Bharat Nirman Programme and National Rural Employment Guarantee Programme etc.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl.No. 23, Para No. 6.14)

The Committee noted that the creation and development of the infrastructure *viz*. Power, Railways, Highways and Ports were of paramount importance in sustaining the growth of steel sector. However, considering the huge size of investment involved, it was 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 noted that steel PSUs *viz*. Steel Authority of India Ltd (SAIL) and Rashtriya Ispat Nigam Ltd (RINL) were developing infrastructure through PPPs. The SAIL had 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 had participated in developing a minor port at Gangavaram, Andhra Pradesh, the SAIL was also exploring the possibilities of developing the same port.

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

The Committee, therefore, strongly recommended 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.

Action Taken

Development of infrastructure *viz*. power, railways, highways and ports is a crucial element for achieving the targets as set in the expansion plan of SAIL. The PPP route is already being explored by SAIL. SAIL has already participated in the SPV formed for development of Paradip-Haridaspur railway line. Any other opportunity may also be utilized by SAIL if found suitable.

Ministry of Steel has commissioned its Economic Research Unit (ERU) to undertake a study of the status of infrastructure as well as augmentation requirements in terms of road and rail networks, ports and the water sector in various steel-producing States. The objective of the study is to evaluate the state of infrastructure preparedness and the additional investments required in the context of the announced investment plans of private and public sector steel producers. Since a number of fresh investments are proposed in the State of Orissa, it is proposed to commence the study with the State of Orissa. This Ministry had stipulated that the study may encompass the States of Orissa, Jharkhand and Chhattisgarh.

An initiative has been taken by Ministry of Steel for setting up of a Coordination-Committee comprising representatives from M/o Railways, Steel and PSUs under M/o Steel for discussing issues such as augmentation of railway infrastructure, tariff issues and other specific problems.

Ministry of steel has with the approval of the Competent Authority transferred 1400 acres of land to the State Government of Andhra Pradesh (AP) for development of Minor Port at Gangavaram in AP. The port is presently under construction. RINL being a shore based integrated steel plant is expected to reap the benefits of the Gangavaram port by saving on cost of the transportation. The development of Gangavaram port apart from developing infrastructure in the area may also help in RINL in cutting down delays in its exports and imports.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 25, Para No. 6.19)

The Committee noted that the availability of critical raw materials like iron ore, coking and non-coking coal, etc. was vital for the growing needs of steel sector. To ensure this, the Ministry of Steel had 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 noted that in the Budget 2007-08 Rs.300 per mt had been imposed as export duty on iron ore to conserve iron ore for domestic industry in future.

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

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

Action Taken

The policy regarding export of iron ore is under consideration of the Government.

Economic Research Unit, Ministry of Steel had prepared a discussion paper for encouraging utilization of iron ore fines in the country, incorporating inputs from the steel and mining industry. The paper identifies measures for encouraging utilization of iron ore fines in the country. This discussion paper has been sent to Prime Minister's Office and a copy of this has also been sent to Ministry of Mines, Deptt. of Revenue, Deptt. of Commerce and Planning Commission for necessary action.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 26, Para No. 6.21)

The Committee found that following de-regulation of prices for integrated steel plants in 1991-92, the domestic prices of steel had become market determined. The Committee noted that the Ministry of Steel had 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 noted that the SPMC would function as a watchdog and oversee that a free and fair environment prevails in the market.

The Committee observed that the constitution of SPMC was 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, felt that rise in cost of critical inputs such as indigenous coal and dolomite, increase in demurrage rates, freight rates on iron ore and fluxes had a major say in fixation of steel price.

The Committee were, 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, recommended 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.

Action Taken

In pursuance of the recommendation of the Standing Committee Ministry of Steel invited Ministry of Railways, Coal India Ltd. and NMDC to participate in the 3rd meeting of the Steel Price Monitoring Committee (SPMC) held on 08.06.2007. Ministry of Railways and NMDC participated in the meeting alongwith other existing members and were co-opted as members of the SPMC.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 27, Para No. 6.24)

The Committee had been informed that some steel producers show lower output figures to evade duties and some other taxes. In this regard the Ministry had informed the Committee that receipts were 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 undertook periodical surveys for complete enumeration. The Ministry had also constituted an Expert Group to estimate the production of steel producers and put in place a system of data collection.

The Committee were anguished to note that the JPC, the only institution in the country, which was officially empowered to collect data on the Indian iron and steel industry had no effective mechanism, since its inception in 1964, to ensure correct reporting of production data by steel producers. Further, the JPC had 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, recommended that the Ministry should strengthen the JPC to monitor and inspect the reporting of production data of steel producers. The committee also desired the Ministry to expedite the task of Expert Group and the Committee may be appraised of progress in this regard.

Action Taken

The Joint Plant Committee (JPC) was set up in 1964 for taking over the functions of the Iron & Steel Controller in regard to planning and distribution of indents and rolling programmes. The role of JPC was revised through a notification issued in 1971. Post liberalization role of JPC was confined to collection and analysis of data related to the steel sector. The JPC collected production returns from the main producers and its data bank was supplemented by the data from the secondary sector collected by the office of the Development Commissioner for Iron & Steel (DCI&S), the erstwhile office of the Iron & Steel Controller.

With the closure of the office of DCI&S in May, 2003, in pursuance of the recommendations of the Expenditure Reforms Commission (ERC), the entire responsibility of collection and analysis of data from steel sector rests with the JPC. Since then, JPC has been collecting and maintaining a data base on the entire iron and steel industry. The data from main producers is received by JPC timely and without any hassle. However, due to heterogeneous nature of secondary steel sector, JPC faces problems in collection of data from secondary sector. The absence of a regulatory framework prompted a modest percentage of units in the secondary sector to display considerable reluctance to submit data to JPC and thereby default on submission, some on a regular basis. Though statutory powers to collect data are put in place, yet it suffered from weak penal clauses (Provisions of section 24 of the Industries Development and Regulations Act, 1951 apply on failure to submit production returns) and which were difficult to implement, given the industrial/economic order of the day. At the same time, no suitable measures could be adopted by JPC for undertaking technical inspection of steel units and the facilities therein, to ensure the accuracy of the collected data. The deregulated industrial framework made such a step difficult to implement either voluntary or officially. The net result was that, in case of secondary sector JPC has to rely on voluntary submission of data by the units to a considerable extent. JPC through painstaking efforts has now built up a database on the secondary steel structure in the country, which is the only official database of its kind.

As regards strengthening of the JPC, it is stated that with the deletion of iron and steel from the list of essential commodities under the Essential Commodities Act, 1956, the Iron and Steel (Control) Order, 1955 has been repealed, recently. The JPC which itself was set up under Iron & Steel (Control) Order is undergoing restructuring. Ministry will consider the strengthening of JPC.

An Expert Committee with members from main producers, steel associations and experts etc. was constituted in the Ministry to identify and estimates the under reporting of the Induction Furnace segment and also to put in place a system of data collection to minimize under reporting on a regular basis.

The Expert Committee had estimated a capacity of 18.7 MT and a production of 13.5 MT for the Induction Furnace segments against JPC estimated capacity of 13.2 MT and production of 8.6 MT respectively during 2005-06 by the voluntary submission of return approach. The difference accounted for the year 2005-06 between JPC and Expert Committee Estimates was, however, completely adjusted after elimination of the double counting from the JPC database on apparent consumption of finished steel.

On the basis of the findings, the Ministry has directed JPC to update the data series from 1992-93. Accordingly, data worked out by JPC in terms of production of crude steel, finished steel and apparent consumption from 1992-93 onwards, placed before the representatives of the Industry, was accepted in a meeting convened in the Ministry. Thereafter, final report submitted by the JPC has been approved by the Ministry. JPC has now in the process of publication and release of new data services.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation (Sl. No. 15, Para No. 5.4.9)

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

The Committee was unhappy to note that the KIOCL had not been able to procure alternate technology to use hematite ore resulting in under utilisation of Pellet Plant. The Committee, therefore, recommended 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.

Action Taken

As per the judgment of Hon'ble Supreme Court given in October 2002, the mining operations at Kudremukh have been stopped with effect from 31st December 2005. The Company initially procured some quantity of Hematite ore in sizes suitable as pellet feed and the same was blended with Magnetite concentrate from Kudremukh. Large-scale procurement was not feasible, as the size of the ore was larger than the pellet feed whereas the grinding facilities are located at Kudremukh, and the filtration facilities are located at Mangalore.

The Company has taken timely action to shift Ball Mills from Kudremukh to Mangalore to take care of the requirement of grinding of ore to be procured from outside. Further, based on the recommendations of M/s. Met-Chem, Canada (Consultant) and considering the ecological impact in a high sensitive area of Mangalore and also with a view to achieve cost reduction, KIOCL shifted the existing ball mills available in Kudremukh to Mangalore for wet process of grinding. However, due to clayey nature of the ore available from NMDC, Donimalai, initially the company faced tremendous difficulties in wet grinding as well as filtration due to generation of higher quantity of slimes. Several in-house modifications were carried out such as modification of grinding circuit, introduction of screens, installation of Cyclones etc., from time to time. The Company also took the help of M/s. Met-Chem, Canada for testing ore at M/s. COREM Laboratory, Canada, M/s. RRL (a CISR unit, now known as Institute of Minerals and Materials Technology, Bhubneshwar), M/s. KHD, West Germany and certain other academic experts like IIT, etc. After receipt of test reports/recommendations of the Consultant, further corrective steps will be taken to improve capacity utilization in Pellet Plant. Since this is a new process altogether, the stabilization of process has taken some time and it is considered a normal practice in similar industries.

In the meantime, with the corrective steps taken so far, KIOCL has achieved production of 195000 tonnes of pellets in October, 2007 against the MoU target of 240000 tonnes for the month (81%).

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 16, Para No. 5.5.6)

The Committee noted that the annual plan outlay of the National Mineral Development Corporation (NMDC) for the year 2007-08 had 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 were constrained to note that the NMDC had spent Rs.89.60 crores in 2006-07. The Committee further noted that the forest clearance for Kumaraswamy iron ore project had been received in January 2007 but work could not be commenced due to stay order from Karnataka High Court against lease renewal. However a sum of Rs. 2 crore had been earmarked for carrying out preliminary work. For the ongoing schemes *i.e.* Bailadila Deposit-11B and Wind Mill in Karnataka, a sum of Rs. 55 crore and Rs. 50 crore respectively had been allotted for the year 2007-08.

The Committee felt that implementation of these schemes were essential to improve performance of the NMDC and were 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, desired 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 utilization of funds.

Action Taken

1. Utilization of funds during 2006-07 : The amount of utilization of Rs 89.60 crores as stated above was upto February 2007 only. The total utilization of funds during the year 2006-07 is Rs 112.75 crores as against the RE 2006-07 of Rs. 150 crores. Thus the actual ultilization of funds during the year 2006-07 is 75% of the RE.

2. Kumaraswamy iron ore project : The work of Kumaraswamy iron ore project could not be speeded up as M/s. Deccan Mining Syndicate has brought a stay order from the Karnataka High Court against the renewal of lease in favour of NMDC. Govt. of Karnataka and NMDC have approached the High Court for vacation of stay. Decision of the High Court of Karnataka is awaited.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 17, Para No. 5.5.8)

The Committee noted that the National Mineral Development Corporation (NMDC) was 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 was pending before the Hon'ble Supreme Court.

The Committee, therefore, desired 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.

Action Taken

It is stated that the matter is presently *sub judice* before the Hon'ble Supreme Court and administrative intervention at the level of Ministry of Steel is not possible. The mining operations at the project were stopped *w.e.f.* 22.8.2005 and subsequently the plant operations were also stopped from 19.04.06 as desired by the Central Empowered Committee constituted by Hon'ble Supreme Court of India. The Hon'ble Supreme Court had heard the case on different dates and the last hearing was on 2.11.2007. On 2.11.2007 the case has been adjourned to 22.01.2008. Matter pending in Hon'ble Supreme Court.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Recommendation (Sl. No. 19, Para No. 5.5.12)

The Committee noted that the State Government of Chhattisgarh had recommended certain areas earlier held by the National Mineral Development Corporation (NMDC) in Bailadila Deposit No.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. had 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 filed by the NMDC against the approval given by the Ministry in favour of M/s. Essar Steel.

The Committee observed that the application of the NMDC had not been considered by the State Government for the reason that it had no schemes for value addition in Chhattisgarh. The Committee were distressed to note that both the State Government and the Ministry of Mines had 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 had also remained unheeded in the Ministry of Mines. The Committee felt that lack of coordination between the Ministries of Mines and Steel and ore rich State Governments had not only resulted into deprivation of mining lease held by the NMDC but also delayed in approval of mining leases applied by PSUs in various States.

The Committee, therefore, recommended that the Ministry of Steel in coordination with Ministry of Mines and the NMDC took 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.

Action Taken

It may be stated that the matter pertaining to Bailadila deposit 1 and 3 has already been taken up by Ministry of Steel with Ministry of Mines at various levels including that at the level of Minister for Chemicals and Fertilizers and Steel with Minister for Mines and Secretary (Steel) with Chief Secretary (Chhattisgarh). In-spite of all these correspondences at the highest level, Ministry of Mines granted prior approval for grant of Deposit 1 and 3 to M/s. Tata Steel and M/s. Essar respectively subject to decision of the mining tribunal on the revision applications filed by NMDC. In both the cases, NMDC filed Revision Applications against the decision of the State Government before the Mining Tribunal in the Ministry of Mines. NMDC has also filed cases in the Delhi High Court on 30.10.2007 against the decision of Ministry of Mines to grant prior approval to Chhattisgarh Government for grant of Bailadila Deposit-1 and 3, after taking due approval of Committee on Disputes(CoD) in this regard. Meanwhile on 2.11.2007 Mining tribunal in the Ministry of Mines has passed its order on the three Revision applications filed by NMDC with regard to Bailadila Deposit-3. The Mining Tribunal in its order has upheld the orders of the State Government of Chhattisgarh regarding Bailadila Deposit-3 and has dismissed the Revision Applications filed by NMDC. The case filed by NMDC with regard to Bailadila Deposit-3 has been admitted by the Delhi High Court in its hearing held on 14.11.2007. The case filed by NMDC with regard to Bailadila Deposit-1 came up for hearing in the Delhi High Court on 15.11.2007. Next date of hearing has been fixed on 22.11.2007 with direction to file rejoinder within one week to the replies of Govt. of Chhattisgarh and M/s. Tata Steel filed on 14.11.2007. Therefore, both the matters of Bailadila deposit 1 and 3 are now in the realm of judicial review before the Delhi High Court.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 6, Para No. 4.5)

The Committee noted that the Ministry had 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 noted 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 was 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 had no plan of action to achieve the export target during 11th Plan.

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

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

Action Taken

Export Projection : The export projections given in the Eleventh Plan document are not 'targets' but are export possibilities given a domestic demand ranging between 72 and 78 million tonnes. In India, exports always take place after meeting the domestic demand. The 10-14 million tonnes of exports are shown merely as possible exportable surplus and not 'targets'. As a matter of fact, in the last three years as domestic demand grew by 10%, 14% and 11%, net exports (Exports-Imports) fell from a high of 3.5 Million Tonnes (2003-04) to a mere 0.5 Million Tonnes (2006-07). This happened because exports stagnated while imports increased almost four-fold. The primary goal of the Indian steel industry is to meet the requirements of a fast paced growth in the domestic steel-consuming sectors.

Moreover, export are taking place because of the inherent cost competitiveness of Indian steel and not because of any specific export promotion programmes. This is in keeping with the provisions of the multilateral trading regime such as the WTO.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Comments of the Committee

(Please *See* Para Nos. 1.19 and 1.20 of Chapter-I of the Report)

Recommendation (Sl. No. 22, Para No. 6.12)

The Committee noted 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 had two sub-sector namely, the large scale integrated units and small size secondary steel units includes Small and Medium Enterprises (SMEs). SMEs produced finished steel products from semis were meeting the local demand as they were widely dispersed. The Committee also noted that some of the SMEs which were closed down in later 90's had been refurbished and proliferated following upswing in the steel sector.

The Committee further noted that the Ministry of Steel had 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 had not approved due to pending finalisation of scheme by the Ministry.

The Committee observed that the SMEs were occupying a central place in fulfilling the local demand considering their wide geographical dispersion. The Committee also observed 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 felt that keeping in view the role being played by SMEs in the country by meeting the local demands, they desired the Ministry to strengthen them by providing necessary infrastructure and fulfilling their various requirement like raw material through Small Scale Industries Corporation to derive the benefits of proposed technology upgradation.

Action Taken

In pursuance of the recommendations made by the Working Group on Iron & Steel for the 11th Five Year Plan. Ministry of Steel has proposed formation of a Technology Upgradation Fund Scheme (TUFS) for Small and Medium Enterprises (SMEs) with the proposed token outlay of Rs.10 crore over the 11th Five-Year Plan Period *i.e.* 2007—2012. Planning Commission is of the view that replication of the scheme on the pattern of TUFS would not be encouraged in other sectors of the industry.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Comments of the Committee

(Please *See* Para No. 1.25 of Chapter-I of the Report)

Recommendation (Sl. No. 24, Para No. 6.15)

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

The Committee, therefore, recommended 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.

Action Taken

Fiscal Incentives to Steel as an 'Infrastructure' Industry: The Ministry of Steel has made several attempts to get steel industry classified as an 'Infrastructure' industry so that this industry also get accelerated benefits accorded to the infrastructure industries. But its proposals have not found favour with the Finance Ministry.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

Comments of the Committee

(Please *See* Para No. 1.29 of Chapter-I of the Report)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 20, Para No. 6.8)

The Committee noted that the National Steel Policy (NSP) had 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 was necessary to create required infrastructure for steel industry as well as increase per capita consumption of steel. In this regard, the Ministry of Steel had constituted several task force and study committees to take care of the facilities required for development of domestic steel sector and launched National Steel Promotion Campaign on 20.03.2007 to create consumer awareness with a focus on rural area. The Committee further noted 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 felt that promotion of steel usage was quite important to attain the goals envisaged in NSP. The Committee observed that the biggest challenge in achieving the desired level of consumption was removing the wide disparity between urban and rural areas. Though the major steel producers and the Ministry had resolved to address this disparity, the Committee were, however, constrained to note that the Ministry had not facilitated steel producers in assessing the demand of steel in rural areas in order to produce the same.

The Committee believed that identifying the products required in rural areas would immensely help the steel producers. The Committee, therefore, desired 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.

Action Taken

Institute of Steel Development & Growth (INSDAG) have intimated that neither they have ever undertaken such a survey nor do they have the requisite expertise for such work and have therefore suggested that an agency with the desired competence may be hired for the survey. The response from INSDAG is under examination/consideration.

[Ministry of Steel O.M. No. 11014(5)/2007 Parl., dated 22.11.2007]

NEW DELHI;
5 *December,* 2007
14 *Agrahayana,* 1929 *(Saka)*

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

ANNEXURE I

TARGET AND ACHIEVEMENT OF INTERNAL AND EXTRA BUDGETARY RESOURCES (IEBR) OF STEEL PSUs DURING 10TH PLAN

(Rs. in crore)

No.	Name of PSU	Target of PSU for generation of IEBR during 10th Plan	10th Plan approved component of outlay to be financed by IEBR (Revised)	Actual IEBR utilization during the 10th Plan	Percentage of utilization in relation to approved outlay	Percentage of shortfall in utilization	Reasons for shortfall in the utilisation of 10th Plan outlay
1	2	3	4	5	6	7	8
1.	SAIL	5,000.00	3700.00	3172.98	85.76%	14.24%	The minor shortfall is due to delay in design & engineering, equipment supply by contractors, firming up the cost of schemes/projects and in civil & structural work.
2.	NMDC	3,615.74	2660.00	458.96	17.25%	82.75%	Delay in getting forest clearance/ environmental clearance for the company's schemes/ projects from the Central/ State authorities and weeding out of certain schemes like NMDC Iron & Steel Plant due to lack of viable technology.
3.	KIOCL	594.27	200.00	81.61	40.81%	59.19%	As per Hon'ble Supreme Court's directive, mining

1	2	3	4	5	6	7	8
							had to be stopped at Kudremukh by the end of Dec., 2005, which adversely affected the Plan schemes of KIOCL resulting in reduced expenditure on Plan schemes. Utilisation of Plan funds has also suffered due to dispute over land allotted to the company, lack of mining lease with the company for Other Mine Development scheme and delay in formation of joint venture.
4.	RINL	5,639.31	1219.65	705.51	57.84%	42.16%	Delay by Original Equipment Manufacturers (OEM) and suppliers affecting implementation of AMR schemes; delay in approval from the Govt. for COB-4 and capacity expansion schemes resulting in envisaged plan expenditure not taking place and non-allotment of Iron Ore and Coking coal mines due to state policies of allotment of mines only on the basis of value addition within the states.
5.	MOIL	158.00	100.23	128.62	128.32%	Nil	Not Applicable.
6.	MSTC	72.82	30.00	19.15	63.83%	36.17%	Scheme for setting up of stockyard did not materialize due to non-allocation of land at Haldia for the scheme.

1	2	3	4	5	6	7	8
7.	FSNL	64.00	56.00	69.33	123.80%	Nil	Not Applicable.
8.	SIIL	25.00	25.00	7.28	29.12%	70.88%	No expenditure could be incurred on the capacity expansion of Sponge Iron plant because SIIL was listed for disinvestment till 2004-05, and thereafter due to proposed merger of SIIL with NMDC.
9.	Bird Group (Govt. managed company)	107.80	107.80	33.66	31.22%	68.78%	Poor financial performance of 3 out of 4 companies under Bird Group, uncertainty in the renewal of leases and changes in the administrative set up at the top level hampered initiation of new projects/ schemes.
10.	MECON	53.49	0.00	20.14	—	Nil	Against I&EBR generation target of Rs. 53.49 crore, the company generated Rs. 48.52 cr. This minor shortfall of Rs. 4.97 crore is due to recession in the steel sector during the initial period of 10th Plan.
11.	HSCL	0.00	3.00	0.00	0%	100%	Due to continuous losses the company could not generate any IEBR during 10th Plan for expenditure on Plan schemes.
12.	BRL	10.00	10.00	0.00	0%	100%	Due to losses the company could not generate any IEBR during 10th Plan for expenditure on Plan schemes.

ANNEXURE II

SCHEMES/PROJECTS OF PSUS SPILLING OVER TO 11TH PLAN FROM 9TH/10TH PLAN AND LIKELY TO BE COMPLETED AFTER 2008-09

Sl. No.	Name of PSU and Scheme/ Project	Estimated/ Sanctioned cost of the Scheme (Rs. in crore)	Remarks/Reasons for completion of scheme extending beyond 2008-09
1	2	3	4
1.	**KIOCL**		
(i)	Other Mine Development	145.00	As per the directive of Hon'ble Supreme Court, KIOCL had to stop mining activities at Kudremeukh *w.e.f.* 31.12.2005. For sustained growth of the company and keeping in view the good market potential and demand for iron ore concentrate and pellets, it became necessary for the company to explore alternate deposits for long term operations. In this direction, the company had also applied to Govt. of Karnataka for grant of mining lease in Tumkur and Bellary district of Karnataka. An MoU has been entered into with SAIL for formation of Jt. Venture company for mining and related activities to develop and work on Taldih along with Barsua and Kalta. However, the mining lease has not been renewed in favour of SAIL by the State Government. Govt. of

1	2	3	4
			Karnataka in principle has agreed to allot 50% of Ramanadurg mine in Bellary district to KIOCL. Matter is being followed up with the State Government.
			It would take about 4/5 years to start production once mining lease and all other clearances are available. The anticipated date of completion of the scheme can be indicated once the mining lease is available.
(ii)	Ductile Iron Spun Pipe Plant (DISP Plant)	225.00	The initial proposal was to set up the plant as a JV with KISCO. During 2001, global tender inviting offers for setting up of DISP plant on turnkey basis was floated by KISCO. However, due to funds constraint and concern for giving priority to KIOCL's survival (following banning of mining at Kudremenkh from 31.12.2005), the setting up of DISP Plant was deferred.
			KISCO on stand alone basis is not in a position to raise finance for implementation of DISP project and hence merger of KISCO with KIOCL was proposed. Orders from BIFR in respect of the proposed merger is awaited. KIOCL is executing DISP project and Engineering Consultancy contract has already been awarded to M/s MECON.
			It would not be possible for the completion of DISP within

1	2	3	4
			2007-08 since it would take about 24 months from date of ordering etc.
2.	**NMDC**		
(i)	Bailadila Deposit 11B	295.89	As the various clearances for the projects could be obtained only by October, 2006, starting of the project got delayed. The Zero date of the Project was announced as 1st January, 2007. MECON has been appointed as the consultants. Civil works have already started. The other packages will be awarded in the year 2007-08. Hence the project cannot be completed in the FY 2007-08. The expected completion date of the Project is October, 2009.
(ii)	Kumaraswamy Iron Ore Project	296.03	Project delayed due to delay in receipt of environment and forest clearance. Final clearance was received in January, 2007 only. MECON has been appointed as the consultant and finalization of tender documents for various packages is in progress. However, Karnataka High Court has imposed stay on the renewal of the mining lease which is yet to be disposed. Tree falling clearance is awaited. Subject to clearance and vacation of stay by the Hon'ble High Court of Karnataka by 2007-08, the project will be completed during 11th Plan period.

1	2	3	4
(iii)	Investment in other JVs Deposit-13	300.00	A provision of Rs. 300.00 crore was made in 10th Plan for development of Deposit-13. However the same could not be materialized. The project is now planned as a JV Project with Chhattisgarh Mineral Development Corporation Ltd. The process of finalization of JV Company is in progress.
(iv)	Development of Rawghat—Jagdalpur Railway Line	25.00	A provision of Rs. 25.00 crore was made for NMDC's share towards the development of the Railway Line in the 10th Plan but no utilization has been made. Rawghat-Jagdalpur Railway Line is supposed to be taken up in Phase-II by Indian Railways, which may start the work after completion of Phase-I of linking Rawghat with Bhilai. Now a provision of Rs. 200.00 crore towards NMDC's share in the project has been made in the 11th Plan (starting from the year 2009-10 onwards). No allocation has been made for 2007-08.
3.	**SAIL**		
	IISCO Steel Plant—Rebuilding of COB-10	416.50	The scheme was sanctioned in March, 2007 *i.e.* in the last month of the 10th Plan period. The scheduled date of completion of the scheme is September, 2009.

ANNEXURE-III

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2007-08) HELD ON 5.12.2007 IN COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1530 hrs. to 1600 hrs.

PRESENT

Dr. Satyanarayan Jatiya—*Chairman*

Members

2. Shri Hansraj G. Ahir
3. Shri Hiten Barman
4. Shri Bansagopal Choudhury
5. Shri Chandra Shekhar Dubey
6. Shri Chandrakant B. Khaire
7. Dr. Rameshwar Oraon
8. Shri Dalpat Singh Paraste
9. Smt. Ranjeet Ranjan
10. Smt. Karuna Shukla
11. Shri Ali Anwar
12. Shri Swapan Sadhan Bose
13. Shri Jai Narain Prasad Nishad
14. Shri B.J.Panda
15. Shri Bashistha Narain Singh

SECRETARIAT

1. Shri Ashok Sarin — *Joint Secretary*
2. Shri Shiv Singh — *Deputy Secretary*

2. At the outset, Chairperson, welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the

following draft Action Taken Reports:—

(i) ** ** ** **

(ii) ** ** ** **

(iii) Action Taken by the Government on the recommendations contained in the Twenty-Fifth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel(2006-07) on "Demands for Grants (2007-08)" of the Ministry of Steel.

4. The Committee adopted the aforesaid Draft Reports with minor additions/deletions/amendments.

5. The Committee authorised the Chairman to finalise these Reports after making consequential change arising out of factual verification by the concerned Ministries and to present the same to both the Houses of Parliament.

The Committee then adjourned.

**Does not pertain to this Report.

ANNEXURE IV

(*Vide* Para IV of Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY FIFTH REPORT OF THE STANDING COMMITTEE ON COAL AND STEEL (2006-07)

I.	Total No. of Recommendations made	27
II.	Recommendations/Observations which have been accepted by the Government: (*vide* recommendation at Sl. Nos. 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 18, 21, 23, 25, 26, and 27)	19
	Percentage of total	70.37%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies: (*vide* Recommendation at Sl. Nos. 15, 16, 17 and 19)	4
	Percentage of total	14.81%
IV.	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: (*vide* Recommendation at Sl. Nos. 6, 22 and 24)	3
	Percentage of total	11.11%
V.	Recommendations/Observations in respect of which final replies of the Government are still awaited: (*vide* Recommendation at Sl. No. 20)	1
	Percentage of total	3.70%