33

STANDING COMMITTEE ON COAL AND STEEL
(2007-2008)

FOURTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS
(2008-09)

THIRTY-THIRD REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 2008/*Chaitra,* 1930 (*Saka*)

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Presented to Lok Sabha on 16.4.2008
Laid in Rajya Sabha on 16.4.2008

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$ Assumed the charge of the office of the Minister of State in the Ministry of Tribal Affairs on 6.4.2008.

@ Retired *w.e.f.* 9th April, 2008.

Disqualified *w.e.f.* 26th March, 2008.

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 Thirty-third Report (Fourteenth Lok Sabha) on Demands for Grants (2008-09) of the Ministry of Steel.

2. The Demands for Grants of the Ministry of Steel were laid on the table of the House on 19th March, 2008. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Coal and Steel are required to consider the Demands for Grants of Ministries/Departments under their provisions and present reports on the same to both the Houses of Parliament.

3. The Committee took evidence of the representatives of the Ministry of Steel on 25th March, 2008.

4. The Committee wish to thanks to the officials of the Ministry of Steel for the cooperation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

5. The Committee in their sitting held on 11th April, 2008 considered and adopted the Report.

6. 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;
11 *April*, 2008
22 *Chaitra*, 1930 *(Saka)*

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

CHAPTER I

INTRODUCTORY

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

1.2 India is emerging as one of the predominant producer and consumer of steel in the world. With a significant rate of growth in the steel sector, the country has recently emerged as fifth largest producer of crude steel globally, two notches above its seventh rank in 2006. India can improve upon its global ranking further in 2008 depends to a significant extent on the pace and result of implementation of its capacity expansion projects, and the commissioning of new capacities during the year, so as to raise crude steel production.

1.3 With a view to create enabling conditions for the Indian steel industry to expand its production base adequately in response to the anticipated increase in domestic and oversees demand in the coming decade, the Government announced the National Steel Policy 2005. The focus of the policy is to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity. This will require indigenous production of 110 Million Tonnes (MT) per annum by 2019-2020 from the 2004-05 level of 38 MT, which implies a compounded annual growth of 7.3 percent per annum. However, considering the growth in steel sector, it is expected that the target of 110 MT would be considerably surpassed. It is estimated that India's crude steel production capacity is likely to be 124 MT by 2011-12.

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

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

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

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

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

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

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

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

(iii) Kudremukh Iron Ore Company Ltd.(KIOCL), Bengaluru.

(iv) NMDC Ltd., Hyderabad.

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

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

(vii) MSTC Ltd., Kolkata.

(viii) Ferro Scrap Nigam Ltd.(FSNL - a subsidiary of MSTC Ltd.), Bhilai.

(ix) MECON Ltd., Ranchi.

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

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

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

1.6 The detailed Demands for Grants(2008-09) of the Ministry of Steel were presented to the Lok Sabha on 20.3.2008. The Ministry has highlighted the Relativity of Outcome Budget (2008-09) with policy initiatives that the schemes proposed to be undertaken by the Ministry and PSUs during the year 2008-09 like Scheme for Promotion of Research and Development (R&D) in Steel Sector, Coke Oven Plant, Ductile Iron Spun Pipe, Rebuilding of Coke Oven Battery, technological upgradation, installation of new slab caster and Addition, Modification and Replacement (AMR) schemes that would increase the production capacity and bring down the cost of production.

1.7 Considering the importance of Steel Industry in the development of economy and for sustained growth of GDP, the Government ought to create an environment for the Indian Steel Industry to expand its production base adequately in response to the anticipated increase in domestic and overseas demand. The Committee expect the Ministry to take appropriate measures to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity, expeditious removal of procedural bottlenecks, availability of critical raw material, infrastructure and modern technology and some of the key areas which need immediate and sustained attention. The Committee would like to be apprised of the steps taken/proposed to be taken in this regard.

CHAPTER II

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE TWENTY-FIFTH REPORT OF THE STANDING COMMITTEE ON COAL AND STEEL ON DEMANDS FOR GRANTS (2007-08) OF THE MINISTRY OF STEEL

The Parliamentary Standing Committee on Coal and Steel had presented their Twenty-fifth Report on Demands for Grants (2007-08) to the Ministry of Steel on 27th April, 2007. The Committee have presented their Thirtieth Report on Action Taken by the Government on the Recommendations contained in the Twenty-fifth Report of the Committee. Out of 27 Recommendations contained in their Twenty-fifth Report, 19 Recommendations (Nos.1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 18, 21, 23, 25, 26 and 27) were accepted by the Government. In respect of 4 Recommendations (Nos.15, 16, 17 and 19), the Committee did not desire to pursue in view of the replies of the Government. The replies to the 3 Recommendations (Nos.6, 22 and 24) were not accepted by the Committee and in respect of one Recommendation (No.20), the reply of the Government was of interim nature.

2.1 The Committee hope that the Ministry of Steel will implement the Recommendations in a time-bound manner which the Committee made in their Action Taken Report. The Committee desire that the Ministry should furnish final replies to the Recommendation (No.20) which was categorised as of interim nature. The Committee would like to be apprised of the action taken in this regard.

CHAPTER III

ANALYSIS OF DEMANDS FOR GRANTS (2008-09)

The Ministry of Steel has presented the Demands for Grants No.91 for the year 2008-09 to the Lok Sabha. The Demand includes provisions for Non-Plan expenditure for the Ministry proper and its attached/ subordinate offices, and Plan and Non-Plan expenditure of the Public Sector Undertakings (PSUs) under its administrative control. Budgetary Support (BS) is being provided to some of the financially weak and loss making PSUs under the Ministry. Internal and Extra Budgetary Resources (IEBR) are being raised by the profit making PSUs to implement various schemes. The details of Demands under Revenue and Capital sections are shown in **Annexure-I**. Various points arising out of the scrutiny of Demands for Grants of the Ministry are discussed in the following paragraphs:

Annual Plan Outlay For 2008-09

3.1 Based on the Annual Plan (2008-09) proposals of the PSUs under the administrative control of Ministry and the discussions held with the Planning Commission, and within the overall context of the 11th Five Year Plan (2007-2012), the following plan outlay for 2008-09 (BE) of Ministry of Steel has been approved by the Planning Commission:

(Rs. in crore)

(a)	Budgetary Support(BS)	34.00
(b)	Internal & Extra Budgetary Resources (IEBR)	9509.00
(c)	Total Outlay (a+b)	9543.00

3.2 PSU-wise Plan outlays for Annual Plan 2007-08 (BE & RE) and 2008-09 (BE) are given in the table below:

(Rs. in crore)

Name of the PSU/ Organisation		BE 2007-08			RE 2007-08			BE 2008-09		
		Outlay	IEBR	B.S.	Outlay	IEBR	B.S.	Outlay	IEBR	B.S.
1	2	3	4	5	6	7	8	9	10	11
1.	SAIL	2641.00	2641.00	0.00	2007.00	2007.00	0.00	4674.00	4674.00	0.00
2.	RINL	3056.70	3056.70	0.00	1861.15	1861.15	0.00	4166.00	4166.00	0.00

1	2	3	4	5	6	7	8	9	10	11
3.	SIIL	5.00	5.00	0.00	5.00	5.00	0.00	5.00	5.00	0.00
4.	HSCL	1.00	0.00	1.00	1.00	0.00	1.00	6.50	0.00	6.50
5.	MECON	66.00	3.00	63.00	63.00	0.00	63.00	0.00	0.00	0.00
6.	BRL	1.00	0.00	1.00	*8.00	0.00	*8.00	8.00	0.00	8.00
7.	MSTC	5.00	5.00	0.00	13.60	13.60	0.00	5.00	5.00	0.00
8.	FSNL	12.00	12.00	0.00	12.00	12.00	0.00	11.80	11.80	0.00
9.	NMDC Ltd.	250.00	250.00	0.00	150.00	150.00	0.00	400.00	400.00	0.00
10.	KIOCL	75.00	75.00	0.00	45.00	45.00	0.00	100.00	100.00	0.00
11.	MOIL	65.00	65.00	0.00	140.06	140.06	0.00	117.20	117.20	0.00
12.	Bird Group	25.00	25.00	0.00	26.00	26.00	0.00	31.00	30.00	1.00
TOTAL - A		6202.70	6137.70	65.00	4331.81	4259.81	72.00	9524.50	9509.00	15.50
B. Ministry of Steel										
Scheme for promotion of R&D in Iron & Steel sector		1.00	0.00	1.00	1.00	0.00	1.00	18.50	0.00	18.50
TOTAL - B		1.00	0.00	1.00	1.00	0.00	1.00	18.50	0.00	18.50
GRAND TOTAL– A + B		6203.70	6137.70	66.00	4332.81	4259.81	73.00	9543.00	9509.00	34.00

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

* Additional provision of Rs.7.00 crore for equity investment in BRL has been obtained in the third batch of supplementary Demands for Grants for 2007-08.

3.3 For Annual Plan 2007-08, against the total Plan outlay of Rs. 6420.20 crore (IEBR: Rs. 6299.20 crore + BS: Rs. 121 crore) proposed by this Ministry, Planning Commission had approved total outlay of Rs. 6203.70 crore, with IEBR of Rs. 6137.70 crore and BS of Rs. 66.00 crore.

3.4 Of the 8 PSUs whose outlay was to be met entirely from their respective I&EBR, the Plan outlay proposed by this Ministry in respect of 5 PSUs *viz*. SAIL, RINL, SIIL, MSTC and FSNL was approved by the Planning Commission. Of the remaining 3 PSUs, while the outlay in respect of KIOCL was approved at half (Rs. 75 crore) of that proposed (Rs. 150 crore), the outlay in respect of NMDC was reduced to Rs. 250 crore from the proposed outlay of Rs. 333 crore and that of MOIL reduced to Rs. 65.00 crore from the proposed outlay of Rs. 68.50 crore. The reduction in outlay of NMDC, KIOCL & MOIL was made, in consultation with the respective PSU, as it was felt that their proposed outlays for 2007-08 were on the higher side and not realistic taking into account the trend of past expenditure and the present status of their schemes/ projects.

3.5 For Annual Plan 2008-09, against the total Plan outlay of Rs. 9545.11 crore (IEBR: Rs. 9509.11 crore + BS: Rs. 36 crore) proposed by this Ministry in respect of the PSUs, Planning Commission has approved total outlay of Rs. 9543.00 crore, (IEBR : Rs. 9509.00 crore + BS : Rs. 34.00 crore). Thus, while the proposed IEBR component of Plan outlay for 2008-09 has been approved by Planning Commission, a minor reduction of Rs. 2.00 crore in the Plan budgetary support has been made by Planning Commission with the Plan BS for HSCL being reduced by Rs. 0.50 crore to Rs. 6.50 crore (against Rs. 7.00 crore) and that for R&D scheme reduced by Rs. 1.50 crore to Rs. 18.50 crore (against Rs. 20.00 crore).

Allocation for 11th Five-Year Plan

3.6 Ministry of Steel had originally proposed a total 11th Plan (2007-12) outlay of Rs. 45,678.08 crore (IEBR of Rs. 45,390.08 crore and BS of Rs. 288.00 crore). Planning Commission had approved a total BS of Rs. 217.00 crore for the 11th Plan. Subsequently, based on revised IEBR outlays furnished by some PSUs, the total 11th Plan outlay was revised upward to Rs. 61,755.59 crore (IEBR of Rs. 61,538.59 crore and BS of Rs. 217.00 crore).

3.7 Total as well as PSU/ Scheme – wise and year – wise break up of 11th Plan outlay are given in table A & B below:

Table A: 11th Plan 2007-2012 (PSU/Scheme-wise break up)

(Rs. in crore)

Sl.No	Name of the PSU	Proposed Outlay for 11th Plan			Outlay for 11th Plan		
		IEBR	BS	Total	IEBR	BS *	Total
1	2	3	4	5	6	7	8
A.	**PSUs**						
1.	SAIL	43628.00	0.00	43628.00	43628.00	0.00	43628.00
2.	RINL	9569.18	0.00	9569.18	9569.18	0.00	9569.18

1	2	3	4	5	6	7	8
3.	SIIL	25.00	0.00	25.00	25.00	0.00	25.00
4.	HSCL	0.00	35.00	35.00	0.00	35.00	35.00
5.	MECON Ltd.	3.00	63.00	66.00	3.00	63.00	66.00
6.	BRL	0.00	54.00	54.00	0.00	0.00	0.00
7.	MSTC Ltd.	30.00	0.00	30.00	30.00	0.00	30.00
8.	FSNL	59.20	0.00	59.20	59.20	0.00	59.20
9.	NMDC	7147.00	0.00	7147.00	7147.00	0.00	7147.00
10.	KIOCL	650.00	0.00	650.00	650.00	0.00	650.00
11.	MOIL	279.21	0.00	279.21	279.21	0.00	279.21
12.	Bird Group	148.00	1.00	149.00	148.00	1.00	149.00
B.	**New Scheme**						
1.	Scheme for promotion of R&D in the Iron & Steel Sector	0.00	100.00	100.00	0.00	118.00	118.00
2.	TUFS for SMEs	0.00	10.00	10.00	0.00	0.00	0.00
3.	Scheme for Institution of Manpower Development	0.00	25.00	25.00	0.00	0.00	0.00
	Total (A+B)	61,538.59	288.00	61,826.59	61,538.59	217.00	61,755.59

* Approved by National Development Council.

Table B: 11th Plan Outlay (Year-wise break up)

(Rs. in crore)

Sl.No	PSUs/ Schemes	2007-08 (Approved)		2008-09 (Approved)		2009-10 (Proposed)		2010-11 (Proposed)		2011-12 (Proposed)	
		IEBR	BS	IEBR	BS	IEBR	BS	IEBR	BS	IEBR	BS
1	2	3	4	5	6	7	8	9	10	11	12
A.	**Schemes of PSUs**										
1.	SAIL	2641.00	0.00	4674.00	0.00	10356.00	0.00	12254.00	0.00	14337.00	0.00
2.	RINL	3056.70	0.00	4166.00	0.00	1593.67	0.00	573.32	0.00	264.44	0.00

1	2	3	4	5	6	7	8	9	10	11	12
3.	SIIL	5.00	0.00	5.00	0.00	5.00	0.00	5.00	0.00	5.00	0.00
4.	HSCL	0.00	1.00	0.00	6.50	0.00	7.00	0.00	7.00	0.00	7.00
5.	MECON Ltd.	3.00	63.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.	BRL	0.00	1.00	0.00	8.00	0.00	0.00	0.00	0.00	0.00	0.00
7.	MSTC Ltd.	5.00	0.00	5.00	0.00	5.00	0.00	5.00	0.00	10.00	0.00
8.	FSNL	12.00	0.00	11.80	0.00	11.80	0.00	11.80	0.00	11.80	0.00
9.	NMDC	250.00	0.00	400.00	0.00	996.00	0.00	1795.00	0.00	3301.00	0.00
10.	KIOCL	75.00	0.00	100.00	0.00	116.00	0.00	107.00	0.00	86.00	0.00
11.	MOIL	65.00	0.00	117.20	0.00	29.90	0.00	33.00	0.00	34.00	0.00
12.	Bird Group	25.00	0.00	30.00	1.00	31.00	0.00	31.00	0.00	31.00	0.00
B.	**Scheme of Ministry of Steel**										
13.	Scheme for Promotion of R&D in the Iron & Steel sector	0.00	1.00	0.00	18.50	0.00	@	0.00	@	0.00	@
	Total	6137.70	66.00	9509.00	34.00	13144.37	7.00	14815.12	7.00	18080.24	7.00

@To be finalized after details of the R&D scheme are worked out.

3.8 According to the Ministry, the outlays proposed for 2009-10, 2010-11 and 2011-12 are tentative projections only, based as they are on the conditions prevailing up to December, 2007 and are subject to revision/finalization during the exercise for formulation of each of the Annual Plans 2009-10, 2010-11 and 2011-12 that would be undertaken in consultation with the Planning Commission.

3.9 The Committee have been given to understand that Budgetary Support (BS) is being provided by the Ministry to some of the financially weak and loss making PSUs and Internal and Extra Budgetary Resources (IEBR) are being raised by profit making PSUs for implementing their schemes. As against the proposed annual plan outlay of Rs. 9545.11 crore, the Planning Commission has approved an outlay of Rs. 9543.00 crore.

It is, however, pertinent to note that whereas the Budget Estimate (BE) for 2008-09 has increased to Rs. 9543.00 crore as compared to that of Rs. 6203.70 crore in 2007-08, the Revised Estimate (RE) for 2007-08 was reduced to only Rs. 4325.81 crore. It is evident from this that there is wide variation between BE and RE from which the Committee are inclined to conclude that either the estimates on the part of the Ministry are not realistic or they have utterly failed to

utilize the estimated funds subsequently. The Committee have time and again emphasized the need for preparation of realistic estimates as far as possible. The Committee would like to be apprised of the precise reasons due to which the RE in 2007-08 were sharply reduced and would also like to be satisfied that the steep increase in the BE in 2008-09 would be fully utilized.

Plan Outlay 2008-09

3.10 While the total Plan budgetary support of Rs. 66.00 crore in BE 2007-08 was increased to Rs. 73.00 crore in RE 2007-08 following additional allocation of Rs. 7.00 crore for Bharat Refractories Ltd. (BRL) in the third batch of supplementary Demands for Grants for 2007-08, budgetary support of Rs. 34.00 crore has been provided in BE 2008-09.

3.11 The details of/reasons for reduction in Plan allocation in BE 2008-09 as compared to 2007-08 (BE & RE) are given in the following table:-

(Rs. in crore)

Sl. No	Name of Organisation/ PSU	Scheme	BE 2007-08	RE 2007-08	BE 2008-09
1.	Bharat Refractories Ltd. (BRL)	(i) Equity Investment Plan loan for AMR Schemes	0.00	#7.00	8.00
		(ii) Token provision in view of proposed scheme for restructuring of BRL	1.00	1.00	0.00
2.	Hindustan Steelworks Construction Ltd. (HSCL)	(i) Plan loan for capital repair and procurement of construction equipments & machinery	0.00	0.00	6.50
		(ii) Token provision in view of proposed scheme for restructuring of HSCL	1.00	1.00	0.00
3.	MECON Ltd.	Infusion of funds by way of 5% non-cumulative redeemable Preference Share Capital*	63.00	63.00	0.00
4.	Bird Group of Co.	Plan loan for AMR Schemes	0.00	0.00	1.00
5.	Ministry of Steel	Grants-in-aid for the scheme for promotion of R&D in the Iron & Steel sector	1.00	1.00	18.50
		Total	66.00	73.00	34.00

* Part of the revival/restructuring package for MECON approved by the Government.

Obtained in the third batch of supplementary Demands for Grants for 2007-08.

3.12 In 2007-08, Rs. 63.00 crore was allocated to MECON Ltd. under their restructuring package approved by the Government, which was the major portion of total Plan BS of Rs. 66.00 crore. No Plan BS has been provided for MECON in BE 2008-09.

3.13 For BE 2008-09, an amount of Rs. 36.00 crore Plan BS was proposed by the Ministry, which was reduced by Rs. 2.00 crore by Planning Commission. The allocation for HSCL was reduced by Rs. 0.50 crore to Rs. 6.50 crore and for R&D promotion scheme reduced by Rs. 1.50 crore to Rs. 18.50 crore. Against this, allocations of Rs. 1.00 each only was provided for HSCL and R&D scheme in 2007-08. Similarly, against Rs. 1.00 crore in BE 2007-08, Rs. 8.00 crore Plan BS has been allocated for BRL in BE 2008-09.

3.14 On being asked whether Rs. 8.00 crore earmarked in BE 2008-09 is sufficient to meet the requirement of BRL, the Ministry has stated as follows:—

> "The amount of Rs. 8.00 crore earmarked in BE 2008-09 for BRL will be sufficient to meet its requirement. This will enable the company to replace old and obsolete machinery / equipment and also to procure new equipment to cater to the changing demand of the customer".

3.15 The Committee has also been informed that a proposal for financial restructuring and merger of BRL with SAIL is also under active consideration of the Government. On approval of restructuring proposal, there would be no paucity of orders/working capital for BRL and BRL will be able to achieve the projected targets.

3.16 Bird Group of Companies (BGC) has been provided Rs. 1 crore as a budgetary support for the 11th Five Year Plan and the same has been allotted in BE 2008-09.

3.17 When enquired whether the budgetary support of Rs. 1 crore is sufficient for BGC to improve its performance, the Ministry in their post-evidence reply has stated as under:—

> "For the 11th Five Year Plan (2007-12), the Bird Group of Companies proposed total outlay of Rs. 150 crores (Rs. 148 crores as I&EBR and Rs. 2 crores as Budgetary Support). The Budgetary Support of Rs. 2 crores (Rs. 1 crore each for the years 2007-08 and 2008-09) was proposed in respect of BSLC, a company under Bird Group of Companies for its Addition, Modification and Replacement (AMR) Scheme as the company has no generation of

I&EBR. The proposal of Bird Group of Companies was included in the plan proposals of Ministry of Steel sent to Planning Commission. However, Planning Commission did not agree for Rs. 1 crore Budgetary Support for the Bird Group of Companies during 2007-08. For the Revised Estimates 2007-08, the company informed that due to uncertainty of renewal of mining leases, they are not in a position to take up any major project job.

However, this year Planning Commission agreed to the proposal therefore Budgetary Support of Rs. 1 crore has been allocated in the Annual Plan 2008-09 for the Bird Group of Companies (for the AMR Scheme of BSLC, a company under Bird Group of Companies).

To improve overall performance of the Bird Group of Companies, a restructuring proposal is under consideration in the Ministry. A Committee was constituted under the Chairmanship of Dr. J.K. Bagchi, former Secretary, Ministry of Steel for restructuring/ reorganisation of Bird Group of Companies. The report of the Committee is presently under active examination in the Ministry and appropriate action will be taken in the due course of time".

3.18 The Committee understand that 11th Five Year Plan allocation of the Ministry of Steel has been increased to Rs. 61755.59 crore from Rs. 45678.08 crore because of increase in Internal and Extra Budgetary Resources (IEBR) to Rs. 61538.59 crore from Rs. 45390.08 crore. But the Budgetary Support (BS) has been reduced to Rs. 217.00 crore from Rs. 288.00 crore mainly due to non-allocation of Rs. 54.00 crore to Bharat Refractories Ltd. (BRL). Further, BS of Rs. 1.00 crore has been provided to BRL in 2007-08 in view of proposed restructuring scheme and Rs. 8.00 crore in 2008-09 for Addition, Modification and Replacement (AMR) schemes. A proposal for financial restructuring and merger of BRL with Steel Authority of India Ltd. (SAIL) is stated to be under consideration of the Government.

The Ministry have also proposed BS of only Rs. 1.00 crore for Bird Group of Companies (BGC), a financially weak and loss making Government company, for 11th Five Year Plan and the same have been allocated in 2008-09. No amount has been proposed for the remaining period of 11th Five Year Plan. The Ministry have informed that to improve over all performance of BGC, a restructuring proposal is under their active consideration and appropriate action will be taken in this regard in due course of time.

The Committee would urge upon the Government to approve the restructuring proposals of BRL and BGC expeditiously and adequate funds should be provided to these companies till approval of the restructuring proposals.

Research and Development (R&D)

3.19 The Government have launched a new fund for domestic producers called the "Steel Research & Development Mission (SRDM)" at the cost of Rs. 65 crore with a move to streamlining the Research and Development (R&D) of the steel industry to produce quality steel in the most cost effective way.

3.20 While the Ministry had no plan schemes to implement upto 2006-07, efforts will be made to incorporate some components in the new scheme of 'Promotion of R&D in Iron & Steel Sector' approved for the 11th Plan with budgetary provision of Rs. 118 crore, which may directly lead to the empowerment of women as a beneficiary group. For Annual Plan 2008-09, Rs. 18.50 crore has been approved by Planning Commission for promotion of R&D scheme against Rs. 20.00 crore proposed by the Ministry. The specific details of the R&D scheme is being finalized in consultation with the various stakeholders in the field.

3.21 On being asked the reasons for implementing a new Scheme for promotion of R&D in iron and steel sector when the Ministry has already launched Steel Research & Development Mission (SRDM) for R&D in steel sector, the Ministry has submitted the following:-

> "SRDM is being set up as a Virtual Centre and a registered society to, inter-alia, take up path breaking research and development work pertaining to iron and steel industry with particular reference to address problems relating to climate changes.
>
> Under the new scheme for promotion of R&D in iron and steel sector, it is proposed to further supplement R&D activities in the iron and steel sector in the country".

3.22 When further asked how the scheme for promotion of R&D in iron and steel sector would empower women, the Ministry in its written reply has stated as below:—

> "The scheme is under formulation. In the scheme it has been ensured that preference would be given to the female researcher(s) while allocating fund".

3.23 Despite sharp improvement in the global presence of the Indian steel makers, the operational performance of most of the steel plants has fallen short of the level achieved by the international best, barring a few exception like the facilities set up recently in either the old plants or in the new ones.

3.24 The Ministry has furnished performance of Steel PSUs on each of the technical parameters against the global benchmarks as follows:—

"Global benchmarks on important parameters are not clearly defined as the performance and methodologies for measurement of parameters vary from company to company and also country to country. The scheme for Prime Minister's Trophy for best-integrated Steel Plant envisages global benchmarks on three operational parameters namely, Blast Furnace (BF) Productivity, Carbon Rate in BF and Specific Energy Consumption. The performance of steel PSUs with reference to these benchmarks is given below:—

Parameter	Unit	Global Benchmark for PM's Trophy	2006-07 (Actual)				
			BSP	DSP	RSP	BSL	RINL
B F Productivity	t/m3/d	2.39	1.71	1.56	1.37	1.54	2.01
Carbon Rate in BF	Kg/THM	450	465	447	474	457	458
Specific Energy Consumption	Gcal/tcs	5.92	6.82	7.07	7.98	7.09	6.53

The relatively lower performance in some cases is mainly on account of technological obsolescence and quality constraints in raw materials particularly, high alumina and silica content in Indian iron ore and high ash content in coking coal".

3.25 The Indian steel sector has to meet the challenges of international competition, ranging across areas like access to raw materials, modern technology and the marketing of value-added products.

3.26 When asked about the efforts made by each steel PSU for strategic tie-up with the world's major steel companies in select areas including technological development and R&D, the Ministry has submitted the followings:—

"Research & Development Centre for Iron and Steel (RDCIS) of SAIL at Ranchi entered into an agreement with CBMM, Brazil, a technology provider and largest producer ferro-niobium in the world, which is used for the production of high strength steels for line pipe and structural applications. This collaboration provided opportunity to get acquainted with the recent technological trends for processing of the above mentioned products. The collaboration resulted in the development of API X-70 plates/HR coils and HT-750 grade plates at SAIL units.

A strategic alliance between SAIL and POSCO has been entered into in August 2007 for cooperation in a wide range of business and commercial interest areas. These include, information sharing in the area of corporate strategy planning, exchange of engineers/technicians/professionals, sharing of know-how in mines development and business practices, joint usage of each others existing marketing and warehousing network, coordination in procurement of coking coal, nickel and ferro alloys and engagement of transportation vessels and co-operation in R&D and other mutually agreed projects.

RDCIS, SAIL has been interacting with Royal Institute of Technology, Sweden for collaboration in 3 areas of process research- Beneficiation of high ash coking coal; Pelletisation technology for Indian iron ore fines; CFD studies for production of clean steel in LF and RH/RH-OB. A draft MoU has been prepared for necessary clearance and acceptance by both sides.

RINL is not having any strategic tie-ups with the world's major steel companies; however, to pursue R&D activities, RINL has tie-ups with academic Institutes *viz* IIT-Madras, IIT-Kanpur, NIT-Trichy, IMMT-Bhubaneshwar, IICT-Hyderabad, Andhra University etc".

3.27 The Committee find that the Ministry had proposed Rs. 100.00 crore for the new scheme "Promotion of Research and Development (R&D) in Iron and Steel Sector" for 11th Five Year Plan, but the Planning Commission approved higher allocation of Rs. 118.00 crore. Out of Rs. 118.00 crore, a token provision of Rs. 1.00 crore was made in 2007-08 and Rs. 18.50 crore allotted for 2008-09. The specific details of the R&D Scheme is stated to be being finalised. The Committee regret to observe that the Ministry have not yet finalised this scheme even after the beginning of the

second year of the 11th Plan which in turn has resulted in lesser allocation therefor in 2007-08 and 2008-09. The Committee desire the Ministry to finalise the scheme at the earliest and seek additional funds therefor at RE stage.

The Committee also desire the Ministry to give priority for taking up the project "Use of indigenous non-coking coal" under R&D scheme for steel production so as to reduce dependence on the imported coking coal.

3.28 The Committee note that Indian steel makers have improved their presence in the global steel market. However, their performance on techno-economic parameters has not been satisfactory. The Ministry have admitted that global benchmarks on important parameters are not clearly defined as the performance and methodologies for measurement of parameters vary amongst the companies. Whereas the Government have fixed global benchmarks on three operational parameters namely Blast Furnace (BF), Productivity (2.39 t/m3/d), Carbon Rate in BF (450 kg/THM) and Specific Energy Consumption (5.92 Gcal/tcs), the performance of the units of Steel Authority of India Ltd. (SAIL) and Rashtriya Ispat Nigam Ltd. (RINL) is relatively lower on the above parameters mainly on account of technological obsolescence and quality constraints in raw materials.

The Committee also note that while SAIL has entered into strategic tie-ups with global companies for technological development, RINL has not having any such strategic tie-ups with the global companies but pursuing Research and Development (R&D) activities with the domestic academic institutes.

The Committee are concerned to note that steel PSUs are still operating with the low technological efficiencies and lackadaisical in taking up R&D schemes to improve the said parameters. The achievement of global benchmarks in the identified areas is of paramount importance to have cutting edge in their competitiveness, production of quality steel products at low cost and the necessity to increase rural steel consumption. The Committee hope that suitable remedial steps would be taken in this direction at the earliest.

Non-Plan Outlay 2008-09

3.29 The Non-Plan expenditure of the Ministry of Steel can broadly be classified under the following two categories:—

(i) Administrative expenditure of the Ministry (Secretariat Proper & PAO) and office of DCI&S, Kolkata; and

(ii) Budgetary support in the form of interest subsidies, waiver of guarantee fee, Non-Plan loan, etc. to some of the financially weak PSUs under the Ministry.

3.30 The Non-Plan provision for the Ministry in BE 2008-09, along with the corresponding provisions in BE 2007-08 & 2006-07 and the reasons for variations are given in the table below:—

(Rs. in crore)

Sl.No	Major Head & Item of Expenditure	BE 2008-09	BE 2007-08	BE 2006-07	Reasons for increase/ decrease in BE 2008-09 vis-à-vis BE 2007-08 & 2006-07
1	2	3	4	5	6
MH – 3451					
1.	Sectt.—Economic Services	13.91	11.62	9.89	Increased provision is to meet the normal increases in salaries, wages, medical treatment, office expenses and other routine administrative expenditure of the Sectt.
MH – 2852					
2.	DCI&S, Kolkata	1.58	1.82	2.15	Decrease is due to less expenditure on salaries & wages due to redeployment/retirement of employees of office of DCI&S following the closure of the office.
3.	Awards to Distinguished Metallurgists	0.12	0.12	0.10	No variation *vis-a-vis* BE 2007-08. Increase w.r.t. BE 2006-07 is due to creation of additional category of awards.
4.	Interest Subsidy :				
	(i) HSCL	56.02	56.02	59.19	No variation *vis-a-vis* BE 2007-08. Decrease *w.r.t.* BE 2006-07 is due to lowering of interest rates charged by banks and consequently lesser interest subsidy requirement.

1	2	3	4	5	6
	(ii) MECON	5.60	6.03	6.03	Decrease is due to lower interest payments following part repayment of VRS loans taken by the company from banks.
5.	Waiver of guarantee fee (Non-cash transaction):				
	(i) HSCL	6.10	6.60	6.60	Decrease is due to HSCL not planning to raising VRS loans of Rs. 50 crore (with Govt. guarantee) following poor response to VRS in the company.
	(ii) BRL	0.54	0.54	0.54	No variation.
	(iii) MECON Ltd.	1.65	1.75	0.00	Decrease is due to part repayment of VRS loans taken by the company from banks with Govt. guarantee.
	Total	85.52	84.50	84.50	

3.31 During the course of oral evidence with the representatives of the Ministry of Steel in connection with the examination of Demands for Grants (2008-09), the Committee enquired about the merger of HSCL with SAIL and pending payment to employees of HSCL. The Chairman-cum-Managing Director of HSCL replied that the restructuring proposal of HSCL is yet to be approved by the Government. The outstanding payment to employees would be made after approval of restructuring proposal. Similarly, merger of HSCL with SAIL would be considered after implementation of the proposed restructuring programme.

3.32 The Committee note that in the Annual Plan 2008-09, Budgetary Support have been provided in the form of interest subsidy of Rs. 59.19 crore and Rs. 6.60 crore for waiver of guarantee fee to Hindustan Steelworks Construction Ltd.(HSCL) towards implementation of Voluntary Retirement Scheme (VRS). The Committee in their earlier Reports had recommended that the restructuring proposal of HSCL should be approved at the earliest. The Committee, however, find that the proposal of restructuring of HSCL including settlement of arrears of the employees is yet to be approved. Any further delay in this regard would further deteriorate the balance sheet of HSCL. The Committee would, therefore, like to

re-emphasise that the restructuring proposal of HSCL should be approved without any further delay.

The Committee also desire the Ministry to instruct the steel PSUs to award works directly to HSCL on priority basis.

Implementation of Schemes

3.33 It has been stated in the Economic Survey (2007-08) that though expenditure is an important indicator of the process of plan implementation, it does not measure the effectiveness of the expenditure undertaken in generating the desired outcomes. It is, therefore, important to move systematically from financial monitoring to output and outcome monitoring.

3.34 On being asked whether expenditure incurred by the PSUs in 2007-08 have yielded desired output and outcomes, the Ministry has stated as under:—

> "In the Outcome Budget 2007-08, 32 schemes, consisting of 31 Plan and 1 Non-Plan scheme, were included. Out of the 31 Plan schemes, only 7 schemes (pertaining to SAIL) have so far been completed. Of these 7 completed schemes, desired output/outcome has been achieved in 4 schemes, namely Revamping of B-Strand of Wire Rod Mill, Technological Upgradation of BF–7, Bloom Caster with associated facilities and Rebuilding of Coke Oven Battery-5. The other three schemes, though completed, are under stabilization and their achievements can be evaluated once regular operation begins. The remaining 24 Plan schemes are presently under various stages of implementation, and as such a meaningful and realistic assessment of the actual achievements *vis-a-vis* the projected outputs/outcomes would be possible only upon completion of the schemes.
>
> The major constraints faced by the PSUs in implementation of Plan schemes are due to delay in obtaining statutory clearances *i.e.* forest and environment clearance, delay in vendor selection/floating of tenders, etc.
>
> In respect of the Non-Plan scheme of HSCL *viz*. interest subsidy on term loan taken for implementation of VRS to rationalize the manpower, which is a continuing scheme, the employee strength has been brought down to 1531, as on 1.1.2008, against the target of 1500 up to 31.3.2008. With the employee strength expected to come down to 1481 by 31.3.2008, the projected outcome for 2007-08 would be achieved".

3.35 When asked about the steps taken by the Ministry in overcoming the constraints mentioned above for implementation of schemes, the Ministry in their post-evidence reply, has furnished the following:—

"As far as NMDC is concerned, there were only 4 schemes included in the outcome budget 2007-08 which are following:—

(i) Bailadila Deposit 11B

(ii) Kumaraswamy iron ore project

(iii) Sponge Iron & 10 MW Power Plant Nagarnar

(iv) Wind Mill in Karnataka.

Out of these, NMDC expects to complete 3 schemes mentioned at (i) (ii) & (iii) above by their schedule date and only one scheme *viz*. Wind Mill in Karnataka is expected to be delayed by a period of 5 months. The delay has occurred due to deviations in the technical and commercial terms between the tender and the offers, leading to delay in finalization of the tender.

As far as statutory clearance such as forest and environment clearance are concerned, Ministry of Steel takes up the matter with the concerned organization/Ministries from time to time to expedite the environment & forestry clearance".

3.36 About the steps taken/proposed to be taken and suggestions for improvement in the implementation of the schemes/projects, the Ministry has stated as follows:—

"During the 10th Plan period (2002-2007), the utilization of Plan outlays and implementation of Plan schemes/projects by the PSUs under the Ministry of Steel were not very satisfactory. In the discussions in the quarterly review meetings, it came out that one of the reasons common to most of the PSUs behind the tardy progress in the utilization of Plan outlays/implementation of schemes during the 10th Plan was the delay in tendering process, finalization of contracts, selection of vendors, etc. A decision was, therefore, taken to form a Committee under the Chairmanship of Director (Finance), SAIL, and with representatives from RINL, NMDC, MOIL and MECON, to examine the procedural deficiencies in the tendering process, selection of vendors, etc. and to work out strategies for effective implementation and time-bound completion of schemes. The Committee will look into the need to rationalize and standardize the best practices and procedures in various areas of project management *viz*. floating tenders, bidding documents, vendor selection, etc. across the steel PSUs. It is expected to work out an appropriate strategy to address the inherent deficiencies and solve the same through common approach.

The Committee in its first meeting held on 3rd August, 2007, has agreed to work perpetually with an agenda of meeting at least once in a quarter to share the knowledge base and to review the progress".

3.37 On the question of strengthening the monitoring and control system to monitor output and outcomes of the PSUs, the Ministry has replied as follows:—

"The Ministry has strengthened its monitoring and control system to monitor the output and outcomes of the PSUs as envisaged in the Outcome Budget. Quarterly Performance Review (QPR) meetings are held in the Ministry in respect of each PSU wherein *inter-alia* the major schemes of PSUs are subjected to detailed review. In particular, utilization of Plan outlays by the PSUs and the progress of schemes/projects costing more than Rs. 20.00 crore in respect of major PSUs like SAIL, RINL, NMDC, etc. and more than Rs. 5.00 crore in respect of other PSUs are also reviewed on quarterly basis. Further, details such as outlay, projected outcome, actual achievements, expenditure, reasons for delay, risk factors, etc. in respect of schemes/projects with estimated/sanctioned cost of more than Rs. 50.00 crore are included in the Outcome Budget of the Ministry".

3.38 The Committee note that out of 31 on-going Plan schemes, only 7 schemes pertaining to Steel Authority of India Ltd. (SAIL) have so far been completed. The remaining 24 schemes are presently under various stages of implementation. The Ministry have attributed the delay in implementation of schemes mainly to environment and forest clearances. The Committee observe that delay in environment and forest clearances is taking unduly long time which is the biggest impediment for steel sector. The Committee feel that time-bound implementation of on-going expansion and modernization programmes of steel PSUs and full utilization of funds in 11th Five Year Plan wholly depends on timely grant of environment and forest clearances. The Committee, therefore, recommend that the Government should set up a separate monitoring mechanism for environment and forest clearances for steel projects.

CHAPTER IV

INVESTMENT IN STEEL PUBLIC SECTOR UNDERTAKINGS

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

A. Steel Authority of India Ltd. (SAIL)

4.1 It has five major steel plants located at Bokaro, Bhilai, Rourkela, Durgapur and Salem and Alloy Steel Plant at Durgapur. With effect from 16.2.2006, Indian Iron and Steel Company (IISCO), which has an integrated steel plant at Burnpur and was a subsidiary of SAIL, has been merged with SAIL and renamed as IISCO Steel Plant. Maharashtra Elektrosmelt Ltd. (MEL) which is engaged in the production of ferro alloys, is the only subsidiary of SAIL. The plan outlay of SAIL plants/units and its subsidiaries is being met from the IEBR of SAIL. The details of BE/RE 2007-08 and BE 2008-09 are given below:-

(Rs. in crore)

Major Head	BE 2007-08			RE 2007-08			BE2008-09		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	—	2641.00	2641.00	—	2007.00	2007.00	—	4674.00	4674.00

4.2 In 2007-08, IEBR of SAIL was reduced to Rs. 2007 crore in RE from Rs. 2641 crore in BE. The reasons for reduction of funds in RE 2007-08 and the actual utilisation during the year 2007-08 are as given below:—

"The funds in BE 2007-08 were provided in September-October 06 based on the projected physical progress and scheduled completion of the schemes during 2007-08. However, the fund allocation to specific schemes had to be revised in RE 2007-08, keeping in view the progress of work on these schemes.

The actual capital expenditure incurred during April 2007 to February 2008 is Rs. 1635 crore".

4.3 The reasons for increased allocation of IEBR at BE 2008-09 as compared to 2007-08 are given below:—

"The funds against various capital schemes are allocated depending upon projected progress and schedule for achieving identified milestones. As 2007-08 is the initial period of expansion plans of Steel Plants, the capital expenditure will increase with the progress of the projects based on completion schedule and achieving targetted milestone. Hence, higher expenditure for 2008-09 has been provided".

4.4 *Physical Performance:*

(in '000 tonnes)

Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 BE
				BE	Actual (Upto Dec.'07)	
Hot Metal	13202	14603	14606	14730	11311	16459
Crude Steel	12460	13470	13506	13739	10379	15043
Saleable Steel	11317	12051	12581	12530	9600	13692
Pig Iron	364	579	509	497	346	1060

4.5 When asked about the steps taken/proposed to be taken by steel PSUs to produce new products, the Ministry has informed that SAIL plants have been continuously developing various new special quality products to meet requirement of various segments including Infrastructure, agriculture and automobile sector. The unit-wise details of special quality products for last 5 years is as given below:

(Unit'000 t)

Plant	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual
Bhilai Steel Plant	922	1144	1363	1417	1552
Durgapur Steel plant	151	156	216	217	334
Rourkela Steel Plant	176	243	240	238	278
Bokaro Steel Plant	143	202	287	242	313
IISCO Steel Plant	22	16	24	31	38
Special Steel plants	222	272	333	300	352
Total Special Steel	1635	2033	2463	2444	2867

4.6 Certain special steel products in three segments *viz*. Agriculture, Automobile and Infrastructure have been identified as future product mix of SAIL in the post modernization period i.e. by 2012. The feasibility of production of these special steels has been linked with augmentation of appropriate steel making and down the line processing facilities. RDCIS along with plants & CMO will be involved in bringing these products in the market place soon after completion of modernization of various units of SAIL.

4.7 *Financial Performance*:

(Rs. in crore))

Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
				BE	Actual (Upto Dec.'07)	
Income	33235	34839	41419	40425	33108	40704
Gross Margin	11097	7381	10966	7004	8921	5405
Profit after Tax (PAT)	6817	4013	6202	3442	5160	2336

4.8 There is no shortfall in the physical and financial performance of SAIL *vis-à-vis* the targets for 2005-06 & 2006-07. In fact, the financial performance of SAIL during both years was exceptional with actual PAT being almost twice the target for the respective years.

Mining Lease of SAIL

4.9 SAIL is operating nine iron ore mines to meet the iron ore requirement of its steel plants. There are 25 iron ore mining leases. Out of these, only 6 leases are valid, 14 are under deemed extension and 5 are under dispute. Details are given below:—

Details	Jharkhand	Orissa	Chhattisgarh	Total
Total no. of leases	13	07	05	25
Valid	01	01	04	06
Deemed Extension	08	05	01	14
Under dispute	04	01	nil	05

4.10 The development of new mines at Chiria, Rowghat, Thakurani, Taldih are getting delayed due to delay in grant/renewal of leases and statutory clearances. Further delay would severely affect the growth plan of SAIL.

Corporate Plan of SAIL

4.11 SAIL has planned its Corporate Plan with an envisaged production of 26 million tonnes of hot metal by 2010. The Plan envisages upgradation of all its units to meet India's growing demand for steel. SAIL is also preparing a directional plan for growth beyond 2010.

4.12 When asked whether SAIL would be able to complete the corporate plan by 2010, the Ministry has submitted the following:—

> "The expansion Plans of SAIL Plants/Units are planned to be completed progressively by the year 2010-11. The progress is generally as per schedule. However, the final commissioning schedule for each plant will be worked out after orders are finalized for various packages for different plants which is dependent on various factors such as:
>
> (i) Adequate level of response against various tenders.
>
> (ii) Bidders not seeking time extensions before submitting their bids and not seeking many clarifications during techno commercial discussions.
>
> (iii) Bidders not deviating from the technical and commercial terms & conditions stipulated in NIT while submitting their bids including the desired timelines for completing the projects.
>
> (iv) The bids received are closer to our cost estimates so as not to go for protracted negotiations or re-appraisals by the financial institutions; and
>
> (v) There is no retendering on account of higher prices, lack of adequate response or a material deviation from the technical specifications or terms and conditions of the NIT".

4.13 About the directional plan for growth beyond 2010, the Ministry in their written reply, has stated as under:—

> "SAIL is in the process of firming its growth plan for the period beyond 2010. Tentatively, it is planned to cross 60 MT capacity by 2020. The growth is expected through (a) brown-field expansion, (b) green-field expansion, and (c) Mergers & Acquisitions. In addition to the growth in production, it is also planned to enhance SAIL's cost and quality competitiveness by including state-of-the art technology. However, the growth will depend on market and availability of critical raw-material".

4.14 The Committee note that Annual Plan outlay of Steel Authority of India Ltd. (SAIL) for the year 2008-09 has been increased to Rs. 4674 crore from Rs. 2007 crore in 2007-08 for various on-going expansion schemes. Ironically, in 2007-08 SAIL has made reduction in Internal and Extra Budgetary Resources (IEBR) to Rs. 2007 crore at RE stage from BE of Rs. 2641 crore. While the RE has been reduced in 2007-08, the development of new mines on the other hand at Chiria, Rowghat, Thakurani, Taldih are getting delayed.

The Committee are of the view that BE are prepared keeping in view the likely expenditure to be incurred on various on-going schemes/or new schemes. The effort therefore, ought to be ensure full utilization of funds so that the implementation of on-going schemes/projects is not affected and there is no escalation in the cost. The Committee hope that SAIL would make all out efforts to utilize the earmarked funds and complete the schemes as well as expansion programme without any time and cost overruns.

4.15 The Committee also note that SAIL has been producing special quality products to meet the requirements of various segments including infrastructure, agriculture and automobile sector and also planned to produce some more special steel products in the post-modernisation period. Considering the increasing demand for special products both in the global and domestic market and a lot of scope for further demand in the future also, the Committee are of the view that steel PSUs should produce unique special steel products as it would facilitate them to emerge as dominant steel producers in the global steel market. The Committee desire that SAIL and other PSUs should formulate a strategy to identify and produce unique special products and implement the same in their on-going expansion/ modernisation programmes to sustain their growth and development.

B. Kudremukh Iron Ore Company Ltd. (KIOCL)

4.16 KIOCL is a fully owned Government Company with registered office in Bangalore, was formed in April, 1976 for development of the Iron Ore deposits in Karnataka State for sale of iron ore concentrates produced therefrom.

4.17 Plant outlay has been provided for ongoing schemes like Ductile Iron Spun Pipe Plant, Development of Infrastructure for receipt of iron ore by rail at Mangalore, AMR schemes, R&D/feasibility studies and new schemes of Eco Town development, coal injection system and coke oven plant. Outlay is being met from IEBR without any budgetary support. The details of BE/RE 2007-08 and BE 2008-09 are given below:—

(Rs. in crore)

Major Head	BE 2007-08			RE 2007-08			BE 2008-09		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	—	75.00	75.00	—	45.00	45.00	—	100.00	100.00

4.18 The outlay of KIOCL is reduced from Rs. 75 crore in BE 2007-08 to Rs. 45 crore in RE 2007-08 and increased to Rs. 100 crore in BE 2008-09. The reasons for drastic reduction in allocation of funds in RE 2007-08 are furnished below:—

(i) "Consequent on stoppage of mining activities at Kudremukh from 31.12.2005, hematite Iron Ore Fines were procured from Bellary-Hospet Region for Pellet plant operations. In order to ensure that plant receives adequate raw material by rail, as an interim measure, a plot of land was taken on lease from New Mangalore Port Trust and a railway siding with 4 lines was constructed in record time by December, 2005. However, a permanent railway siding is essential to handle higher volumes. Due to prolonged litigation between one of the land owner and KIADB, there was delay in handing over possession. Consequently, the allocation in RE 2007-08 has been reduced from Rs. 7 crore to Rs. 5 crore.

(ii) Bulk Material Handling system through a closed conveyor system was planned next to proposed new Railway siding. As a result of the land dispute stated above, this project also consequently got delayed. Consequently, the allocation in RE 2007-08 has been reduced from Rs. 10 crore to Rs. 5 crore.

(iii) The Company is on the look out for mining leases at Karnataka and other States. In this direction, Govt. of Karnataka in principle has agreed to allot 50% of the Ramanadurg deposits. This matter is also under prolonged litigation between the State Govt. and other parties. As the matter is *sub judice*, no provision has been made in this regard in RE 2007-08 as against provision made in BE 2007-08 of Rs. 5 crore.

(iv) Subsidiary company KISCO has been merged with KIOCL w.e.f. 1.4.2007. The order for the same was received from

BIFR by the end of July 2007. Global Tender for setting up DISP plant, though floated, could not result in placement of order. Consequently, the allocation in RE 2007-08 has been reduced from Rs. 30 crore to Rs. 14 crore for DISP plant. Hence, Global Tender Notice has been issued afresh and the due date for submission of the bids is 31.3.2008.

(v) In BE 2007-08 a provision of Rs. 2 crore was made towards joint venture with IDCOL for Ferro Chrome project. The project could not take off as IDCOL, later was not interested in disinvestments of Ferro Chrome unit alone".

4.19 When further asked whether the company would be able to utilize the allocated funds in BE 2008-09, the Ministry has submitted the following:

(i) "The Board has accorded approval for inviting global tender afresh for setting up of DISP Plant by KIOCL inside Pig Iron Complex at Mangalore. A Global tender dated 03-01-2008 has been published on 7th January, 2008. Pre-bid meeting was held on 28th Jan 2008 and offers are due on 31st March 2008. A provision of Rs. 30 crore has been made in BE 2008-09.

(ii) Board of Directors, in their meeting held at Bangalore recently, approved for setting up of coal injection system at Blast Furnace Unit to reduce the cost of production at an estimated cost of Rs. 19.0 crore. Order on M/s MECON has been finalized for the consultancy services. M/s MECON is preparing the technical specification and on receipt, global tender will be floated for procurement of PCI system during first week of March 2008. A provision of Rs. 10 crore has been made in BE 2008-09.

(iii) The Company is planning for installation of 5 lakh tonnes per annum coke oven plant in BF unit. A provision of Rs. 10 crore has been made in BE 2008-09.

(iv) Board had approved setting up of a permanent facility for Bulk material handling of 4 million tons of iron ore per annum for unloading of iron ore received through wagons using wagon tipplers, transportation through tubular conveyor from siding area to KIOCL Pellet Plant at a total estimated cost of Rs. 126 crore. However, due to prolonged litigation between the land owner and KIADB, there was delay in handing over possession of land. The matter has been disposed off by the High Court of Karnataka after a joint memo was filed between KIADB, land owner and KIOCL. The exchange deed for the land swapped between

KIADB and the land owner is under progress. On receipt of the land possession certificate from KIADB, activities will commence. A provision of Rs. 5 crore has been made in BE 2008-09. In addition, a provision of Rs. 5 crore is made for Railway siding.

(v) The Company is also hopeful of getting mining lease in respect of Ramanadurg and Chickkanayakanahalli Iron Ore deposit. Furthermore, the Company has also applied for grant of Mining lease in the States of Orissa, Jharkhand, Kerala, Madhya Pradesh and Maharashtra. A provision of Rs. 5 crore has been made in BE 2008-09.

(vi) In order to gainfully utilize the existing excellent infrastructure and facilities created in Kudremukh, protecting the employment at the location to a certain extent as well as generating some revenue, the Company is trying to venture into eco-tourism. In this regard, Govt. of Karnataka has agreed in-principle *vide* their letter No.RD 67 LGU 2007 dated 8.8.2007 in reply to our request, to accord permission for change of purpose from mining to eco-tourism to utilize the land leased to KIOCL, or acquired for it by the State Govt. in the past. Agency to make detailed project report (DPR) in respect of eco-tourism is under finalisation. The Company has taken up the matter with Government of Karnataka in respect of renewal of lease of the Revenue land. A provision of Rs. 10 crore has been made in BE 2008-09.

(vii) A provision of Rs. 20 crore towards AMR scheme and Rs. 5 crore for R&D and feasibility studies has also been made.

The Company is hopeful of utilizing the entire allocation of Rs. 100 crore during the year 2008-09".

4.20 *Physical Performance*:

(Production in Million Tonnes)

Sl.No.	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 BE	2007-08 Actual (Upto Dec. 07)	2008-09 (BE)
(i)	Concentrate Plant	4.350	2.922	—	—	—	—
(ii)	Pellet Plant	3.795	2.834	0.630	2.100	1.561	2.700
(iii)	Blast Furnace Unit	—	—	—	0.167	0.116	0.180

Note: (i) Mining has been stopped w.e.f. 31.12.2005 in view of Hon'ble Supreme Court judgment.

(ii) KISCO has been merged with KIOCL w.e.f. 1.4.2007 and as such figures for 2007-08 includes Blast Furnace Unit.

4.21 Financial Performance:

(Rs. in crore)

Sl.No.	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 BE*	2007-08 Actual (Upto Dec. 07)	2008-09 (BE)
(i)	Income	1866.70	1301.63	368.87	1191.54	1050.39	1973.24
(ii)	Operating Cost	658.07	614.57	317.05	1112.36	952.35	1837.70
(iii)	Gross Margin	1208.63	687.06	51.81	79.18	98.04	135.54
(iv)	Profit/Loss after Tax	649.84	356.30	13.77	27.39	37.63	61.87

* Up to Dec., 2007

4.22 Hon'ble Supreme Court had directed KIOCL to stop mining at Kudremukh w.e.f. 31.12.2005. Accordingly, mining had to be stopped at Kudremukh which resulted in discontinuation of magnetite ore supplies from Kudremukh mines and consequent shortfall in production of both Concentrate and Pellets from 2005-06 onwards. This has adversely affected both the physical and financial performance of the company. While the Concentrate Plant had to be closed down, the company has carried out necessary process modification in the Pellet Plant to produce pellets from haemetite ore which has to be outsourced. The operation of the Pellet Plant is under stabilization.

4.23 KIOCL has expressed its intention to take up contract mining in the mines of NMDC, SAIL and OMDC. When enquired whether KIOCL has received any contract for mining from NMDC, SAIL and OMDC, the Ministry in its written reply has submitted that SAIL has not awarded any contract for mining to KIOCL.

4.24 The Committee have been given to understand that delay in implementation of schemes viz. setting up of Ductile Iron Spun Plant (DISP) and Permanent Railway Siding forced KIOCL to make reduction in IEBR in 2007-08 and further delay in the implementation of the said schemes would cause adverse impact on the performance of KIOCL. The Committee feel that early functioning of Pellet Plant and grant of mining lease are vital to improve the performance of KIOCL.

The Committee, therefore, recommend that KIOCL should make all out efforts for implementation of planned schemes and utilize the allocated funds in 2008-09. The Committee also recommend that

KIOCL should formulate a diversification plan to improve its business in the light of closure of mines as per the directions of Hon'ble Supreme Court. The Committee further desire the Ministry to facilitate KIOCL for approval of contract mining in the mines of NMDC, SAIL and OMDC till grant of mining leases to KIOCL.

CHAPTER V

ISSUES RELATING TO STEEL SECTOR

A. Raw Material

Steel industry development cannot take place in isolation and for that there will have to be creation of supportive infrastructure and also development of a sound and efficient raw material base. Since the competitive strength of the Indian steel industry is derived to a large extent from its raw materials base, unless there is integrated development of all the related sectors, the competitive position of the industry will be vastly eroded. Ensuring control over raw material is becoming an important part of the overall business strategy and a necessity for sustainable growth. The extremely tight supply conditions and skyrocketing of prices of iron ore and coking coal created by the entry of China in the global bulk material market has made the producers realize the importance of assured sources of raw material.

5.1 A key determinant for attaining the country's enhanced steel production targets is ensuring security of coking coal and iron ore.

5.2 When asked whether there was any mis-match between demand and supply of iron ore during the last five years, the Ministry has submitted the following:—

> "Coking coal and iron ore are key ingredient raw materials for production of steel. During the last five years, there was no mis-match between demand and supply of iron ore. As regards, coking coal, it may be mentioned that, in view of inferior quality of Indian coking coal due to presence of high ash content and also limited resources, majority of coking coal is being imported from countries like Australia, New Zealand, USA, etc. to meet the production requirements of SAIL steel plants.
>
> The total production of iron ore in India is presently quite high in comparison to the demand of domestic iron and steel industries and iron ore in large quantity is being exported. The details of

production, domestic consumption and export of iron ore during the last five years is given below:—

(Quantity in Million Tonnes: MT)

Year	Production (MT)	Export (MT)	Domestic Consumption (MT)
2002-03	99.07	48.02	39.88
2003-04	123	62.57	51.606
2004-05	146	78.14	55.348
2005-06	165	89.27	60.892 (Provisional)
2006-07 (Prov.)	181	93.79	68.504 (Estimated)

(Source: Ministry of Mines for production and domestic consumption and Department of Commerce for Export)".

5.3 Conservation of iron ore, particularly of higher quality, should be the most critical component of policy. India's comparison has to be with countries such as Russia, USA and China which conserve their raw materials for domestic value addition, rather than with Brazil and Australia where per capita availability of iron ore is 12 times and 90 times respectively more than India. An export duty of Rs. 300 per tonne on export of iron ore fines having 62% and above Fe content and on all kinds of lump ore has been imposed to help conserve quality iron ore.

5.4 On being asked whether any study has been done to access demand–supply projections to restrict export of ore with 62 percent and higher iron content and action taken thereon, the Ministry in its written reply has stated as under:—

"National Council of Applied Economic Research (NCAER), New Delhi in a paper (2006) on 'Social Cost Benefit Analysis-Application to POSCO Project-Policy implication of the Analysis' has concluded that the useful life of High & Medium Grade iron ore at the average consumption level (average of current & projected consumption levels) is only 19 years".

5.5 When further asked whether the Government propose to introduce a mechanism that would automatically impose control on iron ore export when exports exceed the pre-determined level, the Ministry in their written reply has furnished as follows:—

"Group of Ministers (GoM) on National Mineral Policy has decided that conservation of iron ore resources of the country is of paramount importance and the same may not be achieved by banning or capping the export of iron ore, but by taking recourse to appropriate fiscal measures".

5.6 As per a study done by Economic Research Unit under the Ministry of Steel on "Iron ore fines utilisation in India", fines consumption in 2005-06 by domestic steel industry was 52.2% of the total consumption of iron ore. The Study has further concluded that the technology matrix of the various capacity expansion plans and new steel plants is heavily biased towards technologies using agglomerated fines. To encourage optimum utilisation of domestic iron ore fines, Ministry of Steel has recommended fiscal and other measures for promotion of beneficiation and agglomeration (sintering & pelletisation) of iron ore in India.

5.7 When asked what action has been taken by the Government to grant fiscal incentives and implement other measures to encourage beneficiation and agglomeration of iron ore, the Ministry has submitted as follows:—

"Ministry of Steel had recommended fiscal and other measures for promotion of beneficiation and agglomeration (sintering and pelletisation) of iron ore in India. However, these have not been provided for in the Budget 2008-09".

5.8 When enquired about the reasons for not providing the fiscal incentives for promotion of beneficiation and agglomeration of iron ore in BE 2008-09, the Ministry in their post-evidence reply, has stated as under:—

"While various Ministries give their recommendation for inclusion in the Budgetary proposals, it is the discretion of the Ministry of Finance to include or not to include recommendations made by these Ministries. On the part of Ministry of Steel, we had requested Ministry of Finance for providing fiscal incentives for beneficiation and agglomeration of iron ore. However, Ministry of Finance has not agreed to the proposal of Ministry of Steel".

5.9 When further asked what steps have been taken by the PSUs under the Ministry to utilize fines and concentrates, the Ministry has stated the following:—

"To utilize iron ore slime, NMDC has been on the look out for suitable technology for converting the same into pig iron. NMDC is interacting with M/s Rio Tinto on Hismelt technology. A team of Engineers have visited the plant at Australia. It is proposed to send 10000 tonnes of iron ore slimes to Australia for testing in their plant and also go for Detailed Feasibility Study.

SAIL has taken the following steps to utilize fines:—

1. As per ongoing expansion plan of SAIL, the hot metal production will increase from the level of 14.6 MTPA in 2006-07 to 26.2 MTPA in 2010-11. It is envisaged that the iron ore burden in the blast furnaces would be in the form lump, pellets and sinter. Proportion of sinter would be in the range of 70% – 72% & balance would be in the form of lumps & pellets. Pellets will account for about 10% – 15% in the burden.

2. The usage of pellets in blast furnace burden has certain advantages like :

   - Higher reducibility due to high micro-porosity as compared to lump ore.

   - Better softening – melting properties as compared to lump ore.

   - Helps in increase in blast furnace productivity and decrease in coke rate.

   However, there are certain problems in using pellets like high cost of production and limitation in usage due to lower angle of repose resulting in their rolling towards centre as well as periphery inside blast furnace. Hence techno-economics decides the amount of pellets usage.

3. Pelletisation in a mine will depend on availability of micro fines in the deposit and compulsion for micro pelletising of fines for reduction of gangue, particularly alumina.

4. To utilize the total resources available in the iron ore deposits, it has been decided to upgrade low grade fines and slimes to sinter fines/pellets.

5. Initially, slimes/low grades fines of Dalli mines and low grade fines of Gua mines will be converted into pellets with capacity of about 1 MTPA each. This will be followed by Taldih with production capacity of 2-3 MTPA.

6. 0.9 MTPA Pellet plant at Dalli: Engagement of agency is under finalization.

7. For conversion of Gua dump fines into pellets through barter route, engagement of agency is under process.
8. Process has also been initiated for establishment of Pellet plant at Taldih mine with a capacity of about 2-3 MTPA. The Pellet plant of Taldih will utilize low grade fines of Barsua, adjacent to Taldih and will be developed with the development of new mine at Taldih."

5.10 On the question of supply of iron ore, it has been seen that much of the iron ore reserves are in thick forest and ecologically sensitive areas. This may make their extraction difficult in the face of stringent forest and environment protection laws in the country.

5.11 About the estimated reserve of iron ore in forest and ecologically sensitive areas, the Ministry has submitted the following:—

"All the SAIL Iron ore mines of Kiriburu, Meghahatuburu, Gua, Manoharpur (Chiria), Bolani, Kalta, Barsua , Dalli, Rajhara group of mines are in forest area and having the estimated reserves of about 2800 MT.

No such formal study for estimating the reserves of iron ore in forest and ecologically sensitive areas has been undertaken by Ministry of Steel. However, it may be stated that the matter of estimating the total reserves of iron ore in the country pertains to Indian Bureau of Mines under the administrative control of Ministry of Mines."

5.12 When enquired whether SAIL and NMDC have suitable technology to execute mining in such areas, the Ministry informed as under:—

"SAIL is using scientific mining methodology utilizing state-of-the art- technology for development of existing iron ore mines. However, the new mines at Chiria and Rowghat would require guidance of Consultant of global repute considering the magnitude and size of mining operations.

NMDC already undertakes eco-friendly and environment protective mining operations in its existing mines in areas which are more eco-sensitive. NMDC has drawn plan for undertaking underground mining operations without affecting surface environment. A plan in this regard has been sent by NMDC to Government of Karnataka."

5.13 The reserves of non-coking coal are 83% of total reserves of coal in the country. However, it may be mentioned that small-scale steel industry is not getting appropriate supplies of non-coking coal especially in terms of quality. The industry requires 'B' and 'C' grades of non-coking coal, while it is meeting its requirements through inferior 'D', 'E' and 'F'grades.

5.14 Asked about the steps taken by the Government to make available of 'B' and 'C' grades of non-coking coal to the small-scale industry, the Ministry has submitted as follows:—

> "Ministry of Steel has been taking up the matter for distribution of "B" & "C" grade non-coking coal on priority to sponge iron units. However, the final allocation of coal linkage also depend upon the proximity of the coal mines to the consuming units. During the recent Standing Linkage Committee (Long-Term) meetings, Ministry of Steel has attempted to allocate the higher grade of Coal linkages to sponge iron units subject to the transportation and logistic conveniences."

5.15 The Committee note that securing coking coal and iron ore plays an important role for sustainable growth and development of steel industry. At present the Indian steel industry import large quantity of coking coal due to inferior quality of Indian coking coal and its limited availability. The requirement of iron ore is being met from domestic reserves. Export of iron ore has surpassed the domestic consumption since 2002-03 and it reached 93.79 million tonnes in 2006-07. The high and medium grade iron ore at the average consumption level would last for next 19 years only.

The Government have admitted that conservation of iron ore reserves is of paramount importance and the same may not be achieved by banning or capping the export of iron ore but by taking recourse to fiscal measures. However, no such fiscal measures have been provided in 2008-09. Even the Government have not acceded to the request of the Ministry to provide fiscal and other measures for promotion of beneficiation and agglomeration of iron ore.

The Committee feel that fiscal measures on iron ore would have little impact in restricting the export of iron ore. The Committee are of firm view that considering the ambitious production target set out in the National Steel Policy and increased addition of steel making capacities, it is necessary to conserve iron ore for the use of domestic steel industry in future. The Committee, therefore, recommend that the Government should examine the feasibility of

banning the export of iron ore and provide necessary fiscal incentives to the companies for production of value-added items of iron ore. At the same time the Government ought to encourage exploration of iron ore reserves.

The Committee also desire the Ministry to take necessary steps for uninterrupted supply of superior quality of non-coking coal to small scale industry.

5.16 National Task Force (NTF) for steel industry on Environment was constituted by Ministry of Environment and Forests (MoEF) in 1989, which hastened the process of identification of critical areas.

5.17 When asked whether there is any need for setting up of new task force to look into the emerging environmental issues affecting the growth of steel sector particularly ban on the mining due to environmental reasons, the Ministry in their post-evidence reply, has stated as follows:—

> "Setting up of a new Task Force or extension of the existing Task Force for Steel Industry is considered desirable in view of the changing phase of the Indian iron & steel industry with massive capacity build up by way of brown field expansion and green field additions including rapid growth in the sponge iron and steel making capacities in secondary sector adopting induction furnaces *vis-a-vis* many fold increase in the requirement of iron ore, coal and other inputs and the related environmental considerations. This is, however, subject to the approval of Ministry of Environment and Forests, Government of India."

5.18 According to the Ministry, the National Task Force (NTF) for steel industry on environment was constituted by the Government in 1989 for identification of critical areas and is still in existence. The Ministry of Steel have submitted that setting up of a new Task Force or extension of the existing Task Force is considered desirable in view of the changing phase of the Indian iron and steel industry with massive capacity addition and manifold increase in the requirement of iron ore, coal and other inputs and the related environmental considerations. The Committee observe that the steel PSUs viz. Kudremukh Iron Ore Company Ltd. (KIOCL) and NMDC Ltd. have already been affected because of the closure of mines due to orders of Hon'ble Supreme Court on account of environmental/ ecological concerns. The Committee feel that there is need to strike a balance between the environment and growing steel sector for development of the economy. The Committee, therefore, recommend

that the Government should re-constitute the existing Task Force to look into the emerging environmental issues affecting the steel sector.

B. Steel Price

5.19 Steel prices in the retail market have moved up in a range of 2.6% to 12.4% for different steel products, during the period from October, 2004 to October, 2007. The Ministry has furnished the reasons for the hike as follows:-

"The reasons for the rise in price of steel are increase in raw material prices, strong demand in the international and domestic market and up-trend in the global steel prices. The table below shows the steep rise in price of steel making raw materials during the past one year:-

Raw Material Spot Prices (FOB)

(in $/tonne)

Period	India Spot Iron Ore 63.5% Fe	Australian Spot hard Coking Coal	China met Coke 12.5% Ash	Shredded Scrap
Jan-07	60.0	98.0	180.0	280
Feb-07	59.5	100.0	180.0	290
Mar-07	62.5	103.0	185.0	340
Apr-07	70.0	107.0	195.0	307
May-07	75.0	109.0	212.0	313
Jun-07	74.5	120.0	252.0	300
Jul-07	78.0	129.0	256.0	295
Aug-07	88.0	140.0	256.0	302
Sep-07	114.0	150.0	275.0	302
Oct-07	130.0	165.0	340.0	302
Nov-07	155.0	172.5	400.0	302
Dec-07	140.0	180.0	390.0	317
Jan-08	140.0	200.0	450.0	407
Growth Rate on Y-O-Y Basis	133.3	104.1	150.0	45.4

The mis-match in demand and supply is the main reason on the demand side for the rise in steel prices. In the current year *i.e.* 2007-08 during the period April 2007-January 2008, while the production of finished carbon steel showed a growth of 5.1% (42.48 mt) the consumption during the same period showed a growth of 12.7% (39.4 mt) compared to the same period of last year. India is now a net importer of steel, with imports of finished steel at 5.6 mt during April 2007-January 2008 in comparison to exports of finished steel at 3.9 mt during the same period. In percentage terms import of finished steel has increased by 70% during the April 2007-January 2008 compared to the same period last year and during the same period exports have gone down by 0.1%".

5.20 During the evidence, Secretary, Ministry of Steel informed the Committee that during the months from December 2007 to March 2008, there has been increase of 30% in steel prices.

5.21 When asked whether export of steel by PSUs and private companies taken place at prices lower than the domestic prices during the said period and action taken by the Ministry to curb the export, the Ministry has stated the following in its written reply:-

"The Steel PSUs generally export when there is an excess availability in the domestic market. Since prices of steel items are subject to wide fluctuations, prices may change during the period of booking of the export order and dispatch of the consignment. Hence it is difficult to compare prices of export orders with domestic prices. Nonetheless, as per a study made by the Economic Research Unit (ERU), after taking into account DEPB benefits-normally the export realization is higher than domestic realization.

As per the extant Exim Policy export and import of steel is free and therefore Ministry of Steel on its own cannot put any restriction on steel exports. Nonetheless, the steel PSUs have been advised to give priority in meeting the domestic demand over exports. Such PSUs have been advised not to export items which are required in domestic market at a price lower than the domestic market. The strong domestic demand has in fact brought down export of finished steel in real terms. During the first ten months of the current fiscal *i.e*. April 2007-January 2008 while the import of finished steel has shown a whopping growth of 70% (5.6 mt), the export of finished steel during the same period has gone down by 0.1% (3.9 mt)".

5.22 When further asked what steps have been taken by the Ministry to protect the interest of consumers from hike of steel prices, the Ministry has submitted as follows:-

> "In a liberalized scenario the price of steel is determined by the interplay of the market forces. Nonetheless, the Government has taken the following measures for stabilizing the steel prices in the domestic market:
>
> (i) The Government has over the years reduced the import duty on steel to the current level of 5%;
>
> (ii) The import duties on steel making inputs have also been reduced over the years and also exempted in case of coking coal. In case of iron ore it has been reduced to 2%;
>
> (iii) In the Union Budget Proposal 2008-09, the import duty on melting scrap has been reduced from 5% to NIL;
>
> (iv) In order to ease the supply of iron ore to domestic steel producers Government has imposed an export duty at the rate of Rs. 300 per tonne on export of all varieties iron ore lumps. Export duty has also been imposed at the rate of Rs. 300 per tonne on export of iron ore fines with more than 62% Fe content and at the rate Rs 50 per tonne on export of iron ore fines with less than 62% Fe content.; and
>
> (v) General Rate of Excise Duty has also been reduced from 16% to 14% in the Union Budget Proposal 2008-09.
>
> In addition to the above measures on the supply side the Government has also constituted an Inter-Ministerial Group (IMG) to facilitate creation of new steel making capacities and mitigate the constraints on the demand side. IMG aims at providing a common platform for the investors and the various state and government agencies to address and resolve various constraints faced by the investors in sourcing of mines, accessing infrastructure facilities including transportation, land, water and power. Further, a Steel Price Monitoring Committee (SPMC) has been constituted, which provides interface between the consumers and steel producers to discuss issues pertaining to steel prices".

5.23 On the question of setting up of regulator for steel sector, the Ministry, in their post-evidence reply, has stated as under: -

> "Commodities, all over the world, are either in the government control or totally deregulated. However independent bodies, similar to competition commission or fair trade commission, act as regulators in many advanced countries, to ensure that commodity producing companies do not indulge into any anti-competitive practices.

Discussion with the Industry and fiscal measures are being invoked to contain the prices. Regulator, if and when appointed, well interact with the Industry will regulate prices".

5.24 The Committee note that Steel is the backbone of infrastructure development and is directly related to Country's economy and inflation. Though in a liberalized economy steel price is determined by market forces, but it is a matter of concern that prices of steel products have been rapidly increasing over the years. The Ministry have attributed the price hike to increase in raw material prices, strong demand both in the international and domestic market and surge in the global steel prices.

The Ministry have submitted that various fiscal measures such as reduction in import duty on steel and export duty on iron ore have been taken up for stabilizing steel prices. The Government have constituted an Inter-Ministerial Group (IMG) to facilitate investors in new steel making capacities and mitigate the constraints on the demand side. The Ministry have also constituted a Steel Price Monitoring Committee (SPMC) to discuss issues pertaining to steel prices between the consumers and steel producers. The Ministry have also stated that discussion with the Industry and fiscal measures are being invoked to contain the prices. Regulator, if and when appointed, well interact with the Industry will regulate prices.

It is needless to say that uncontrolled and arbitrary increase of steel prices would drastically affect the common people and ambitious programmes of the Government such as Bharat Nirman, Indra Awas Yojana, irrigation projects and mega power projects and it will also create unemployment. It should be the duty of the Government to see that the consumers are protected from the arbitrary increase of steel prices by the producers. As neither the fiscal measures nor IMG and SPMC have effectively checked the spiralling steel prices, the Committee recommend that the Government should take immediate appropriate steps to check the spiralling steel prices.

NEW DELHI;
11 *April,* 2008
22 *Chaitra,* 1930 *(Saka)*

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

STATEMENT OF RECOMMENDATIONS/OBSERVATIONS OF THE STANDING COMMITTEE ON COAL AND STEEL CONTAINED IN THE REPORT

Sl.No.	Reference Para No. of the Report	Recommendations/Observations
1	2	3
1.	1.7	Considering the importance of Steel Industry in the development of economy and for sustained growth of GDP, the Government ought to create an environment for the Indian Steel Industry to expand its production base adequately in response to the anticipated increase in domestic and overseas demand. The Committee expect the Ministry to take appropriate measures to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity, expeditious removal of procedural bottlenecks, availability of critical raw material, infrastructure and modern technology and some of the key areas which need immediate and sustained attention. The Committee would like to be apprised of the steps taken/proposed to be taken in this regard.
2.	2.1	The Committee hope that the Ministry of Steel will implement the Recommendations in a time-bound manner which the Committee made in their Action Taken Report. The Committee desire that the Ministry should furnish final replies to the Recommendation (No.20) which was categorised as of interim nature. The Committee would like to be apprised of the action taken in this regard.

1	2	3
3.	3.9	The Committee have been given to understand that Budgetary Support (BS) is being provided by the Ministry to some of the financially weak and loss making PSUs and Internal and Extra Budgetary Resources (IEBR) are being raised by profit making PSUs for implementing their schemes. As against the proposed annual plan outlay of Rs. 9545.11 crore, the Planning Commission has approved an outlay of Rs. 9543.00 crore. It is, however, pertinent to note that whereas the Budget Estimate (BE) for 2008-09 has increased to Rs. 9543.00 crore as compared to that of Rs. 6203.70 crore in 2007-08, the Revised Estimate (RE) for 2007-08 was reduced to only Rs. 4325.81 crore. It is evident from this that there is wide variation between BE and RE from which the Committee are inclined to conclude that either the estimates on the part of the Ministry are not realistic or they have utterly failed to utilize the estimated funds subsequently. The Committee have time and again emphasized the need for preparation of realistic estimates as far as possible. The Committee would like to be apprised of the precise reasons due to which the RE in 2007-08 were sharply reduced and would also like to be satisfied that the steep increase in the BE in 2008-09 would be fully utilized.
4.	3.18	The Committee understand that 11th Five Year Plan allocation of the Ministry of Steel has been increased to Rs. 61755.59 crore from Rs. 45678.08 crore because of increase in Internal and Extra Budgetary Resources (IEBR) to Rs. 61538.59 crore from Rs. 45390.08 crore. But the Budgetary Support (BS) has been reduced to Rs. 217.00 crore

1	2	3
		from Rs. 288.00 crore mainly due to non-allocation of Rs. 54.00 crore to Bharat Refractories Ltd. (BRL). Further, BS of Rs. 1.00 crore has been provided to BRL in 2007-08 in view of proposed restructuring scheme and Rs. 8.00 crore in 2008-09 for Addition, Modification and Replacement (AMR) schemes. A proposal for financial restructuring and merger of BRL with Steel Authority of India Ltd. (SAIL) is stated to be under consideration of the Government.
		The Ministry have also proposed BS of only Rs. 1.00 crore for Bird Group of Companies (BGC), a financially weak and loss making Government company, for 11th Five Year Plan and the same have been allocated in 2008-09. No amount has been proposed for the remaining period of 11th Five Year Plan. The Ministry have informed that to improve over all performance of BGC, a restructuring proposal is under their active consideration and appropriate action will be taken in this regard in due course of time.
		The Committee would urge upon the Government to approve the restructuring proposals of BRL and BGC expeditiously and adequate funds should be provided to these companies till approval of the restructuring proposals.
5.	3.27	The Committee find that the Ministry had proposed Rs. 100.00 crore for the new scheme "Promotion of Research and Development (R&D) in Iron and Steel Sector" for 11th Five Year Plan, but the Planning Commission approved higher allocation of Rs. 118.00 crore. Out of Rs. 118.00 crore, a token provision of

1	2	3
		Rs. 1.00 crore was made in 2007-08 and Rs. 18.50 crore allotted for 2008-09. The specific details of the R&D Scheme is stated to be being finalised. The Committee regret to observe that the Ministry have not yet finalised this scheme even after the beginning of the second year of the 11th Plan which in turn has resulted in lesser allocation therefor in 2007-08 and 2008-09. The Committee desire the Ministry to finalise the scheme at the earliest and seek additional funds therefor at RE stage.
		The Committee also desire the Ministry to give priority for taking up the project "Use of indigenous non-coking coal" under R&D scheme for steel production so as to reduce dependence on the imported coking coal.
6.	3.28	The Committee note that Indian steel makers have improved their presence in the global steel market. However, their performance on techno-economic parameters has not been satisfactory. The Ministry have admitted that global benchmarks on important parameters are not clearly defined as the performance and methodologies for measurement of parameters vary amongst the companies. Whereas the Government have fixed global benchmarks on three operational parameters namely Blast Furnace (BF), Productivity (2.39 t/m3/d), Carbon Rate in BF (450 kg/THM) and Specific Energy Consumption (5.92 Gcal/tcs), the performance of the units of Steel Authority of India Ltd. (SAIL) and Rashtriya Ispat Nigam Ltd. (RINL) is relatively lower on the above parameters mainly on account of technological obsolescence and quality constraints in raw materials.

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		The Committee also note that while SAIL has entered into strategic tie-ups with global companies for technological development, RINL has not having any such strategic tie-ups with the global companies but pursuing Research and Development (R&D) activities with the domestic academic institutes.
		The Committee are concerned to note that steel PSUs are still operating with the low technological efficiencies and lackadaisical in taking up R&D schemes to improve the said parameters. The achievement of global benchmarks in the identified areas is of paramount importance to have cutting edge in their competitiveness, production of quality steel products at low cost and the necessity to increase rural steel consumption. The Committee hope that suitable remedial steps would be taken in this direction at the earliest.
7.	3.32	The Committee note that in the Annual Plan 2008-09, Budgetary Support have been provided in the form of interest subsidy of Rs. 59.19 crore and Rs. 6.60 crore for waiver of guarantee fee to Hindustan Steelworks Construction Ltd. (HSCL) towards implementation of Voluntary Retirement Scheme (VRS). The Committee in their earlier Reports had recommended that the restructuring proposal of HSCL should be approved at the earliest. The Committee, however, find that the proposal of restructuring of HSCL including settlement of arrears of the employees is yet to be approved. Any further delay in this regard would further deteriorate the balance sheet of HSCL. The Committee would, therefore, like to re-emphasise that the restructuring

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		proposal of HSCL should be approved without any further delay. The Committee also desire the Ministry to instruct the steel PSUs to award works directly to HSCL on priority basis.
8.	3.38	The Committee note that out of 31 on-going Plan schemes, only 7 schemes pertaining to Steel Authority of India Ltd. (SAIL) have so far been completed. The remaining 24 schemes are presently under various stages of implementation. The Ministry have attributed the delay in implementation of schemes mainly to environment and forest clearances. The Committee observe that delay in environment and forest clearances is taking unduly long time which is the biggest impediment for steel sector. The Committee feel that time-bound implementation of on-going expansion and modernization programmes of steel PSUs and full utilization of funds in 11th Five Year Plan wholly depends on timely grant of environment and forest clearances. The Committee, therefore, recommend that the Government should set up a separate monitoring mechanism for environment and forest clearances for steel projects.
9.	4.14	The Committee note that Annual Plan outlay of Steel Authority of India Ltd. (SAIL) for the year 2008-09 has been increased to Rs. 4674 crore from Rs. 2007 crore in 2007-08 for various on-going expansion schemes. Ironically, in 2007-08 SAIL has made reduction in Internal and Extra Budgetary Resources (IEBR) to Rs. 2007 crore at RE stage from BE of Rs. 2641 crore. While the RE has been reduced in 2007-08, the development of new mines on the other hand at Chiria, Rowghat, Thakurani, Taldih are getting delayed.

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		The Committee are of the view that BE are prepared keeping in view the likely expenditure to be incurred on various on-going schemes/or new schemes. The effort therefore, ought to be ensure full utilization of funds so that the implementation of on-going schemes / projects is not affected and there is no escalation in the cost. The Committee hope that SAIL would make all out efforts to utilize the earmarked funds and complete the schemes as well as expansion programme without any time and cost overruns.
10.	4.15	The Committee also note that SAIL has been producing special quality products to meet the requirements of various segments including infrastructure, agriculture and automobile sector and also planned to produce some more special steel products in the post-modernisation period. Considering the increasing demand for special products both in the global and domestic market and a lot of scope for further demand in the future also, the Committee are of the view that steel PSUs should produce unique special steel products as it would facilitate them to emerge as dominant steel producers in the global steel market. The Committee desire that SAIL and other PSUs should formulate a strategy to identify and produce unique special products and implement the same in their on-going expansion/ modernisation programmes to sustain their growth and development.
11.	4.24	The Committee have been given to understand that delay in implementation of schemes *viz*. setting up of Ductile Iron Spun Plant (DISP) and Permanent Railway Siding

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		forced KIOCL to make reduction in IEBR in 2007-08 and further delay in the implementation of the said schemes would cause adverse impact on the performance of KIOCL. The Committee feel that early functioning of Pellet Plant and grant of mining lease are vital to improve the performance of KIOCL.
		The Committee, therefore, recommend that KIOCL should make all out efforts for implementation of planned schemes and utilize the allocated funds in 2008-09. The Committee also recommend that KIOCL should formulate a diversification plan to improve its business in the light of closure of mines as per the directions of Hon'ble Supreme Court. The Committee further desire the Ministry to facilitate KIOCL for approval of contract mining in the mines of NMDC, SAIL and OMDC till grant of mining leases to KIOCL.
12.	5.15	The Committee note that securing coking coal and iron ore plays an important role for sustainable growth and development of steel industry. At present the Indian steel industry import large quantity of coking coal due to inferior quality of Indian coking coal and its limited availability. The requirement of iron ore is being met from domestic reserves. Export of iron ore has surpassed the domestic consumption since 2002-03 and it reached 93.79 million tonnes in 2006-07. The high and medium grade iron ore at the average consumption level would last for next 19 years only.
		The Government have admitted that conservation of iron ore reserves is of paramount importance and the same may not be achieved by banning or capping the

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		export of iron ore but by taking recourse to fiscal measures. However, no such fiscal measures have been provided in 2008-09. Even the Government have not acceded to the request of the Ministry to provide fiscal and other measures for promotion of beneficiation and agglomeration of iron ore.
		The Committee feel that fiscal measures on iron ore would have little impact in restricting the export of iron ore. The Committee are of firm view that considering the ambitious production target set out in the National Steel Policy and increased addition of steel making capacities, it is necessary to conserve iron ore for the use of domestic steel industry in future. The Committee, therefore, recommend that the Government should examine the feasibility of banning the export of iron ore and provide necessary fiscal incentives to the companies for production of value-added items of iron ore. At the same time the Government ought to encourage exploration of iron-ore reserves.
		The Committee also desire the Ministry to take necessary steps for uninterrupted supply of superior quality of non-coking coal to small scale industry.
13.	5.18	According to the Ministry, the National Task Force (NTF) for steel industry on environment was constituted by the Government in 1989 for identification of critical areas and is still in existence. The Ministry of Steel have submitted that setting up of a new Task Force or extension of the existing Task Force is considered desirable in view of the changing phase of the Indian iron and steel industry with

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		massive capacity addition and manifold increase in the requirement of iron ore, coal and other inputs and the related environmental considerations. The Committee observe that the steel PSUs *viz*. Kudremukh Iron Ore Company Ltd. (KIOCL) and NMDC Ltd. have already been affected because of the closure of mines due to orders of Hon'ble Supreme Court on account of environmental/ ecological concerns. The Committee feel that there is need to strike a balance between the environment and growing steel sector for development of the economy. The Committee, therefore, recommend that the Government should re-constitute the existing Task Force to look into the emerging environmental issues affecting the steel sector.
14.	5.24	The Committee note that Steel is the backbone of infrastructure development and is directly related to Country's economy and inflation. Though in a liberalized economy steel price is determined by market forces, but it is a matter of concern that prices of steel products have been rapidly increasing over the years. The Ministry have attributed the price hike to increase in raw material prices, strong demand both in the international and domestic market and surge in the global steel prices.
		The Ministry have submitted that various fiscal measures such as reduction in import duty on steel and export duty on iron ore have been taken up for stabilizing steel prices. The Government have constituted an Inter-Ministerial Group (IMG) to facilitate investors in new steel making capacities

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		and mitigate the constraints on the demand side. The Ministry have also constituted a Steel Price Monitoring Committee (SPMC) to discuss issues pertaining to steel prices between the consumers and steel producers. The Ministry have also stated that discussion with the Industry and fiscal measures are being invoked to contain the prices. Regulator, if and when appointed, well interact with the Industry will regulate prices. It is needless to say that uncontrolled and arbitrary increase of steel prices would drastically affect the common people and ambitious programmes of the Government such as Bharat Nirman, Indra Awas Yojana, irrigation projects and mega power projects and it will also create unemployment. It should be the duty of the Government to see that the consumers are protected from the arbitrary increase of steel prices by the producers. As neither the fiscal measures nor IMG and SPMC have effectively checked the spiralling steel prices, the Committee recommend that the Government should take immediate appropriate steps to check the spiralling steel prices.

ANNEXURE I

(*Vide* Para 3.0 of the Report)

DETAILS OF DEMANDS FOR GRANTS (2008-09) AT A GLANCE

Demand No. 91/Ministry of Steel

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

(Rs. in crore)

Sl. No.	Details	Major Head	BE 2007-2008			RE 2007-2008			BE 2008-2009		
			Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
1	2	3	4	5	6	7	8	9	10	11	12
		Revenue	1.00	84.50	85.00	1.00	75.53	76.53	18.50	77.23	95.73
		Capital	65.00	0.00	65.00	65.00	0.00	65.00	15.50	0.00	15.50
		Total	66.00	84.50	150.50	66.00	*75.53	141.53	34.00	#77.23	111.23
1.	**Secretariat Economic Services**	3451	0.00	11.62	11.62	0.00	11.60	11.60	0.00	13.91	13.91
	Development Commissioner for Iron and Steel, Kolkata	3451	0.00	1.82	1.82	0.00	1.84	1.84	0.00	1.58	1.58
2.	**Subsidies to Public Sector Steel Plants**										
(i)	Subsidy to Hindustan Steelworks Construction Ltd. (HSCL) for waiver of guarantee fee	2852	0.00	6.60	6.60	0.00	6.10	6.10	0.00	6.10	6.10

* Excluding provision of Rs. 12.52 crore for accounting adjustments relating to waiver of guarantee fee.

\# Excluding provision of Rs. 8.29 core for accounting adjustments relating to waiver of guarantee fee.

1	2	3	4	5	6	7	8	9	10	11	12
(ii)	Subsidy to HSCL for payment interest on loans raised for implementation of VRS		0.00	56.02	56.02	0.00	56.02	56.02	0.00	56.02	56.02
(iii)	Subsidy to MECON Ltd. for payment of interest on loans raised for implementation of VRS	2852	0.00	6.03	6.03	0.00	5.95	5.95	0.00	5.60	5.60
(iv)	Subsidy to MECON Ltd. for waiver of guarantee fees for the guarantee given by GOI		0.00	1.75	1.75	0.00	1.75	1.75	0.00	1.65	1.65
(v)	Subsidy to BRL for waiver of guarantee fee		0.00	0.54	0.54	0.00	0.40	0.40	0.00	0.54	0.54
	Total		0.00	70.94	70.94	0.00	70.22	70.22	0.00	69.31	69.31
3. Investment in Public Enterprises											
(i)	Bharat Refractories Ltd.	4852	1.00	0.00	1.00	1.00	0.00	1.00	8.00	0.00	8.00
(ii)	MECON Ltd		63.00	0.00	63.00	63.00	0.00	63.00	0.00	0.00	0.00
(iii)	Bird Group of Companies	6852	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	1.00
(iv)	HSCL		1.00	0.00	1.00	1.00	0.00	1.00	6.50	0.00	6.50
	Total		65.00	0.00	65.00	65.00	0.00	65.00	15.50	0.00	15.50
4.	**Other Programmes**	2852	0.00	0.12	0.12	0.00	0.12	0.12	0.00	0.12	0.12
(i)	Ministry of Steel		1.00	0.00	1.00	1.00	0.00	1.00	18.50	0.00	18.50

B. Investment in Public Enterprises

Sl. No.	Details	Head of Division	BE 2007-2008			RE 2007-2008			BE 2008-2009		
			Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
(i)	Steel Authority of India Ltd.	12852	0.00	2641.00	2641.00	0.00	2007.00	2007.00	0.00	4674.00	4674.00
(ii)	Rashtriya Ispat Nigam Ltd.	12852	0.00	3056.70	3056.70	0.00	1861.15	1861.15	0.00	4166.00	4166.00
(iii)	Sponge Iron India Nigam Ltd.	12852	0.00	5.00	5.00	0.00	5.00	5.00	0.00	5.00	5.00
(iv)	HSCL	6852	1.00	0.00	1.00	1.00	0.00	1.00	6.50	0.00	6.50
(v)	Bharat Refractories Ltd.	6852	1.00	0.00	1.00	8.00	0.00	8.00	8.00	0.00	8.00
(vi)	National Mineral Development Corporation Ltd.	12852	0.00	250.00	250.00	0.00	150.00	150.00	0.00	400.00	400.00
(vii)	Kudremukh Iron Ore Co. Ltd.	12852	0.00	75.00	75.00	0.00	45.00	45.00	0.00	100.00	100.00
(viii)	Manganese Ore India Ltd.	12852	0.00	65.00	65.00	0.00	140.00	140.00	0.00	117.20	117.20
(ix)	Bird Group of Companies	12852	0.00	25.00	25.00	1.00	26.00	26.00	1.00	30.00	31.00
(x)	MECON Ltd.	12852	63.00	3.00	66.00	63.00	0.00	63.00	0.00	0.00	0.00
(xi)	MSTC Ltd.	12852	0.00	5.00	5.00	0.00	13.60	13.60	0.00	5.00	5.00
(xii)	Ferro Scrap Nigam Ltd.	12852	0.00	12.00	12.00	0.00	12.00	12.00	0.00	11.80	11.80
	Total		66.00	6137.70	6203.70	73.00	4259.81	4332.81	34.00	9509.00	9543.00
5.	Plan Outlay		66.00	6137.70	6203.70	73.00	4259.81	4332.81	34.00	9509.00	9543.00

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 25th MARCH 2008 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1100 hours to 1300 hours.

PRESENT

Dr. Satyanarayan Jatiya — *Chairman*

MEMBERS

2. Shri Hiten Barman
3. Shri Chandra Shekhar Dubey
4. Dr. Rameshwar Oraon
5. Shri Ali Anwar
6. Shri Bashistha Narain Singh

SECRETARIAT

1. Shri S. K. Sharma	—	*Additional Secretary*
2. Shri Ashok Sarin	—	*Joint Secretary*
3. Shri A. S. Chera	—	*Director*
4. Shri Raj Kumar	—	*Deputy Secretary*

WITNESSES

1. Shri R.S. Pandey, Secretary	Ministry of Steel
2. Shri B.S. Meena, AS&FA	-do-
3. Shri G. Elias, Joint Secretary	-do-
4. Shri Uday Pratap Singh, Joint Secretary	-do-
5. Smt. Vibha Pandey, CCA	-do-
6. Smt. Chandralekha Malviya, EA	-do-
7. Shri A.C.R. Das, Industrial Adviser	-do-
8. Shri Sanjay Mangal, Director	-do-

9. Shri J.P. Shukla, Director	Ministry of Steel
10. Shri Nihar Ranjan Dash, Director	-do-
11. Shri Mukhmeet S.Bhatia, Director	-do-
12. Shri Navin Soi, Director	-do-
13. Shri S. K. Roongta, Chairman	Steel Authority of India Ltd. (SAIL)
14. Shri P. Ganesan, CMD	Kudremukh Iron Ore Company Ltd. (KIOCL)
15. Shri P.K. Bishnoi, CMD	Rashtriya Ispat Nigam Ltd. (RINL)
16. Shri K.L. Mehrotra, CMD	Manganese Ore (India) Ltd. (MOIL)
17. Shri Parthasarathy K.CMD	Hindustan Steelworks Company Ltd. (HSCL)
18. Shri D. Rath, CMD	MECON Ltd.
19. Shri V.K. Uppal, CMD	Sponge Iron (India) Ltd. (SIIL)
20. Shri M. Sengupta, CMD	MSTC Ltd.
21. Shri V.K. Jain, Director	NMDC Ltd.
22. Shri K.J. Singh, CMD	Bharat Refractories Ltd. (BRL)

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

3. Thereafter, the Secretary, Ministry of Steel gave a visual presentation on Demands for Grants (2008-09) of the Ministry of Steel, briefed on PSUs, focus areas and initiatives and key policies concerns. The points discussed during the sitting broadly related to the issues such as, implementation of ongoing schemes of Steel PSUs; Utilisation of funds earmarked for the Scheme "Research and Development (R&D)" during 11th Five Year Plan; Fiscal measures for pelletisation and agglomeration of iron ore fines; Use of non-coking coal for steel production; Stoppage of Export of iron ore; Early forest clearance and allotment of mines to steel PSUs pending with the Government; Production of unique products by steel PSUs; Increase in steel prices and availability of steel products to common man at an affordable price; Awarding of works directly to Hindustan Steelworks Construction Ltd. (HSCL) by Steel PSUs with priority, etc.

4. A copy of the verbatim proceedings of the sitting of the Committee has been kept.

The Committee then adjourned.

ANNEXURE III

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 11th APRIL, 2008 IN COMMITTEE ROOM '62', PARLIAMENT HOUSE, NEW DELHI

The Committee met from 1530 hrs. to 1650 hrs. to consider and adopt the Reports on Demands for Grants (2008-09) pertaining to the Ministries of Coal, Mines and Steel.

PRESENT

Dr. Satyanarayan Jatiya — *Chairman*

MEMBERS

2. Shri Hiten Barman
3. Shri Chandrakant B.Khaire
4. Shri Faggan Singh Kulaste
5. Shri Raghuraj Singh Shakya
6. Shri Rewati Raman Singh
7. Shri Anirudh Prasad *alias* Sadhu Yadav
8. Shri Ali Anwar

SECRETARIAT

1. Shri S. K. Sharma	—	*Additional Secretary*
2. Shri Ashok Sarin	—	*Joint Secretary*
3. Shri A. S. Chera	—	*Director*
4. Shri Raj Kumar	—	*Deputy Secretary*

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

3. The Committee then considered and adopted the following Draft Reports:—

(i) ** ** ** **

(ii) ** ** ** **

(iii) Report on Demands for Grants (2008-09) of the Ministry of Steel.

**Does not pertain to this Report.

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

The Committee then adjourned.