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**STANDING COMMITTEE ON COAL
AND STEEL (2008-2009)**

FOURTEENTH LOK SABHA

MINISTRY OF STEEL

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

THIRTY-FOURTH REPORT



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

October, 2008 / Asvina, 1930 (Saka)

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(2008-2009)

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*[Action Taken by the Government on the Recommendations/Observations
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Coal and Steel (Fourteenth Lok Sabha)]*

Presented to Lok Sabha on 21.10.2008

Laid in Rajya Sabha on 21.10.2008



LOK SABHA SECRETARIAT
NEW DELHI

October, 2008 / Asvina, 1930 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE
ON COAL AND STEEL (2008-09)

Dr. Satyanarayan Jatiya — *Chairman*

MEMBERS

Lok Sabha

2. Shri Hansraj G. Ahir
3. Shri D.K. Audikesavulu
4. Shri Hiten Barman
5. Shri Bansagopal Choudhury
6. Shri Chandra Shekhar Dubey
7. Shri Chandrakant B. Khaire
8. Shri Faggan Singh Kulaste
9. Shri Vikrambhai Arjanbhai Maadam
10. Shri Dalpat Singh Paraste
11. Smt. Ranjeet Ranjan
12. Shri Tarachand Sahu
13. Shri Raghuraj Singh Shakya
14. Smt. Karuna Shukla
15. Shri Prabhunath Singh
16. Shri Rewati Raman Singh
17. Shri Sugrib Singh
18. Shri Bhishm Shanker *alias* Kushal Tiwari
19. Shri M. Anjan Kumar Yadav
20. Shri Anirudh Prasad *alias* Sadhu Yadav
21. Shri Arun Yadav

Rajya Sabha

22. Shri Mohd. Ali Khan
23. Dr. T. Subbarami Reddy
24. Shri Jesudas Seelam
25. Shri Yashwant Sinha
26. Shri Jai Prakash Narayan Singh
27. Shri Ali Anwar Ansari
28. Shri T.K. Rangarajan
29. Shri B.J. Panda
30. Shri R.C. Singh *alias* Ram Chandra Singh
31. Shri Swapan Sadhan Bose

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

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Thirty-fourth Report (Fourteenth Lok Sabha) on Action Taken by the Government on the Recommendations/Observations contained in the Twenty-sixth Report of the Standing Committee on Coal and Steel on the subject "Review of Performance of Rashtriya Ispat Nigam Ltd. (RINL)" of the Ministry of Steel.

2. The Twenty-sixth Report of the Standing Committee on Coal and Steel was presented to Lok Sabha on 14th May 2007. Replies of the Government to all the Recommendations/Observations contained in the Report were received on 23rd October, 2007.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 11th August, 2008.

4. An analysis of the Action Taken by the Government on the Recommendations/Observations contained in the Twenty-sixth Report of the Committee is given at Annexure-II.

5. For facility of reference and convenience, the Recommendations/Observations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI;
16 October, 2008

24 *Asvina*, 1930 (*Saka*)

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

REPORT

CHAPTER I

This Report of the Committee deals with Action Taken by the Government on the Recommendations/Observations contained in the Twenty-sixth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2006-07) on the Subject "Review of Performance of Rashtriya Ispat Nigam Ltd. (RINL)" which was presented to Lok Sabha on 14th May, 2007.

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

- (i) Recommendations/Observations that have been accepted by the Government (Chapter-II):
Sl. Nos. 2, 3, 4, 5, 12, 14, 15, 16, 17, 18 and 20 Total : 11
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government (Chapter-III):
Sl. No. 6 Total : 01
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Chapter-IV):
Sl. Nos. 1, 7, 8, 10 and 13 Total : 05
- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited (Chapter-V):
Sl. Nos. 9, 11 and 19 Total : 03

1.3 The Committee desire that final replies in respect of the Recommendations for which only interim replies have been given by the Government should be furnished to the Committee expeditiously.

1.4 The Committee further desire that utmost importance should be given to the implementation of Recommendations accepted by the Government. In case, it is not possible for the Government to implement any Recommendation(s) in letter and spirit for any reasons, the matter

should be reported to the Committee in time with reasons for non-implementation.

1.5 The Committee will now deal with the Action Taken by the Government on some of their Recommendations/Observations made in the succeeding paragraphs.

ACHIEVEMENT OF GLOBAL BENCHMARKS

Recommendation (Sl. No. 1, Para No. 1.8)

1.6 The Committee noted that Rashtriya Ispat Nigam Limited (RINL) which was facing financial crunch in the past, had turned around and made significant improvement in its performance over the last five years. The Committee observed that the steel industry at global level was witnessing phenomenal growth in demand and supply. Indian steel industry was also poised for a quantum jump in the next 15 years. The Committee felt that as the coming years would be crucial for the growth of steel industry, RINL had to prepare itself for technological and productivity improvements and benchmarking them to global standards to remain competitive and also to develop the strength to withstand the vagaries of cyclic nature of the steel industry. The Committee, therefore, recommended that RINL should strive to set new standards in global steel industry by improving and achieving higher techno-economic parameters relating to raw material, energy, water consumption, etc. having multiplying effect on productivity. The Committee also desired that in consonance with National Steel Policy, the Ministry of Steel should ensure adequate and enabling infrastructure for RINL.

1.7 The Ministry of Steel in its Action Taken reply have stated that RINL have always been striving to achieve higher techno-economic parameters. The data for the past three years is given below. All-out efforts would be put to further improve upon the parameters.

Technical Parameters

Item	Unit	2004-05	2005-06	2006-07
1	2	3	4	5
Yield				
Gross Coke	%	74.1	74.6	74.6
CC Blooms	%	94.2	94.2	94.2
Billets	%	97.7	97.7	97.7
Bar Products	%	98.02	98.02	98.03
Wire rods	%	97.87	97.85	97.90
MMSM Products	%	95.8	95.8	95.8

1	2	3	4	5
Specific Consumption				
Raw Material	t/t Sal Steel	2.901	2.909	2.851
Energy	GCal/t Liq Steel	6.14	6.08	6.15
Water	Cum/t Liq Steel	2.76	2.56	2.29
Refractories	Kg/t Liq Steel	8.89	8.80	8.74
Other Parameters				
Total Coke Rate	Kg/tHM	529.3	533.1	530.2
Converter Life	Nos.	2445	2926	3274
Ladle Life	Nos.	77.8	76.8	80.4
Tundish Life	Nos.	4.5	4.5	4.7

1.8 The Committee are not satisfied with the reply of the Ministry as they have not apprised them about the plan of Rashtriya Ispat Nigam Limited (RINL) for achieving new standards in global steel industry on each of the technical parameters. The reply is also silent on the action plan and progress in ensuring adequate and enabling infrastructure for RINL. The Committee, therefore, recommend that the Ministry should ensure that RINL should prepare and implement the detailed action plan so as to benchmark their technologies and productivities to the global standard. The Committee also recommend that the Ministry should give top priority to provide requisite infrastructure to RINL and other steel PSUs so that their expansion and modernisation programmes should yield the desired results and enable them to achieve the objectives of the National Steel Policy.

IMPLEMENTATION OF PROJECTS

Recommendation (Sl. No. 7, Para No. 2.22)

1.9 The Committee noted that RINL was implementing the major projects *viz.* installation of Coke Oven Battery No.4, Power Plant & Air Separation Unit on Build-Operate-Own (BOO) basis and Pulverized Coal Injection System in Blast Furnace 1&2 to reduce the operating cost. The Committee were dismayed to note that all the above mentioned projects were unlikely to be commissioned as per schedule due to delays in finalisation of consultant, tendering process and delivery of equipments. The Committee strongly felt that speedy implementation of the above projects was essential to reap the benefits of on-going expansion programme of RINL. The Committee, therefore, recommended that RINL should expedite processes and procedures in finalising the consultant and tender and make all out efforts for early completion of the projects. The Committee also desired that RINL should explore the possibility of

setting up the Power Plant & Air Separation Unit on Build-Operate-Own –Transfer (BOOT) basis as it can be cost effective and help sustainable development in the future.

1.10 In its Action Taken reply, the Ministry of Steel have furnished the following reply:–

APPRAISAL OF MAJOR PROJECTS

PROJECT-1: COKE OVEN BATTERY-4

Schedule

Original approved date of commissioning	10/12/2006
Now anticipated	December 2007

Cost

Original approved	Rs. 286.83 Crores (Base II Qr. 2002)
Anticipated	Rs. 355.21 Crores
Expenditure in 2006-07	Rs. 84.97 Crores
Expenditure till Mar'07	Rs. 250.64 Crores
Expenditure in 2007-08	Rs. 04.20 Crores
Cumulative Expenditure till 31.05.07	Rs. 254.84 Crores

Work Progress

Description of critical milestone, Pert Event No.	Progress of Work		Total Qty. (Scope)	Cumulative Progress (%)
	For The Year 2006-2007			
	Plan	Actual (%)		
Erection of structure To be achieved by IV-Qtr.	1,309 MT	122 MT (9.32 %)	5,500* MT	4,268 (77 %)
Erection of refractory To be achieved by IV-Qtr.	4,630 MT	1,868 MT (40.34 %)	26,310 MT	23,124 (87.89 %)
Erection of Equipment To be achieved by IV-Qtr.	5,417 MT	1,413 MT (26.08 %)	9,074* MT	4,770 (52.57 %)

Constraints & Issues to be taken up

- M/s HSCL's Work affected due to Court order restraining VSP to make direct payments for work done. M/s HSCL to make up back log for structural steel works.
- Refractory work in Battery proper badly affected due to non-supply of replacement bricks for rejected quantities of silica bricks from M/s TRL and Fire Clay Bricks from M/s MPR.

- Contract for erection of Refractory work, mechanical & piping works of M/s NCCPL, terminated due to continuous failure in achieving the target.
- Delay in Supply and starting of erection of Oven Machines, DE Car and Electrics, Hydraulics of Mechanical items by M/s Bhilai Engineering Corporation.
- Technical specification for Pushing Emission Control is awaited from M/s MECON.

Corrective Actions Taken/Being Taken

- Taken up the issue of timely delivery of refractory items & other equipments with the concerned suppliers at different levels.
- Follow-up by visiting the manufacturer's premises on regular basis.
- The balance Refractory work, mechanical & piping works were awarded to M/s Rosy Enterprises & M/s Sailaja Industries (Part quantity) on 13/03/07.

PROJECT-2: AIR SEPARATION UNIT

Schedule

Original approved date of commissioning	18/10/07
Latest approved date of commissioning	Revised commissioning date will be put up to Board after signing of Consultancy work agreement
Now anticipated	Not applicable at this stage

Cost

Original approved	Rs. 96 Crores (Base February 06)
Anticipated	Not applicable at this stage
Expenditure in 2006-07	NIL
Expenditure till Mar'07	NIL
Expenditure in 2007-08	NIL
Cumulative Expenditure till 31.05.07	NIL

Work Progress

Fax LoA issued on M/s M. N. Dastur & Co., Kolkata on 03/05/07 for Engineering Consultancy.

Constraints & Issues to be taken up

Signing of agreement is under process.

Corrective Actions Taken/Being Taken

1. M/s M. N. Dastur & Co. has been asked to submit Tender Specification in two months time instead of three months provided in Bid document.
2. Setting up Air Separation Plant on BOO Basis also.

PROJECT-3: PULVERISED COAL INJECTION SYSTEM IN BF-1 & 2

Schedule

Original approved date of commissioning	25/10/07
Latest approved date of commissioning	Revised commissioning date will be put up to Board after award of work
Now anticipated	Not Applicable at this stage

Cost

Original approved	Rs. 187 Crores (Base February, 06)
Anticipated	Rs. 191 Crores
Expenditure in 2006-07	NIL
Expenditure till Mar'07	NIL
Expenditure in 2007-08	NIL
Cumulative Expenditure till 31.05.07	NIL

Work Progress

- Tender was invited on 16.08.2005.
- Five Tenders *viz.*, M/s Paul Worth S.A. Luxemburg, M/s Simplex Engg. & Foundry Works Pvt. Ltd, M/s Kuttner GmbH, Germany, M/s FEE Mineral India Pvt. Ltd, Chennai & Claudius Peters Projects GmbH, Germany, received on 24.07.2006. Technical and commercial evaluations are completed.

Constraints & Issues to be taken up

- (i) Proposal approved by Board on 23.01.05 and submitted to GoI for approval on 04.02.05 MoS/GoI by letter dated 20.07.06 informed RINL/VSP to exercise enhanced delegated financial & operation Power after VSP was accorded MINI—RATNA status. Accordingly

Board approved the proposal on 26.07.06 with completion period as 15 Months.

- (ii) TC held on 05/06/07. TC minutes recommending deviations in terms and conditions approved and communicated to parties for responding by 10/7/07.

Corrective Actions Taken/Being Taken

Completion Schedule will be discussed with the successful Tenderer.

PROJECT-4: POWER PLANT

It is planned to go in for Joint Venture with NTPC for Setting up of the Power Plant in expansion as per the decision taken by Board of RINL.

1.11 The Committee are unhappy to note that the projects of RINL namely Air Separation Unit, Pulverized Coal Injection and Power Plant are yet to take off as the Company is still grappling with the tendering process. From the Action Taken Reply submitted by the Ministry, the Committee note that Air Separation Unit would be set up on BOO basis and Power Plant on joint venture basis with the National Thermal Power Corporation (NTPC). The Committee deprecate the casual reply of the Ministry as it has not justified the setting up of the Air Separation Unit on BOO basis instead of BOOT basis. The Committee feel that implementation of the projects on BOOT basis would benefit RINL in the long run. The Committee, therefore, desire the Ministry/RINL to furnish the reasons for setting up Air Separation Unit on BOO basis instead of BOOT basis. The Committee also reiterate their recommendation that RINL should remove all procedural bottlenecks and implement the above projects without any loss of time as the delay in completion of various formalities would not only affect the expansion programme of the company but also raise the cost of the projects considerably.

COST EFFICIENCY

Recommendation (Sl. No. 8, Para No. 3.20)

1.12 The Committee were happy to note that revival packages coupled with concerted efforts had not only achieved turn around for RINL but also transformed it as a profit making and debt free Mini-Ratna Company. The Committee further noted that RINL had achieved a net profit of Rs. 2008.09 crore in 2004-05 as against Rs. 520.69 crore in

2002-03. The Committee were, however, constrained to observe that in view of rapidly increasing operating cost which was Rs. 3846.30 crore in 2002-03 but leaped to Rs. 7646.56 crore in 2006-07, the profit of RINL had drastically declined to Rs. 1252.74 crore in 2005-06 from Rs. 2008.09 crore in 2004-05. The profits were likely to be Rs. 1400.00 crore in 2006-07. The Committee had been informed that operating cost was escalating due to hike in prices of critical raw material *viz.* imported coking coal and iron ore, unilateral increase of iron ore prices by National Mineral Development Corporation (NMDC), increase in landed cost of raw material and payment of regular corporate tax at 33.66 per cent as against Minimum Alternate Tax (MAT). The Ministry had further stated that various measures for improving the production of Hot Metal and Saleable Steel and increasing the sales along with other cost reduction measures apart from securing raw material were being contemplated to arrest the declining trend in profit.

The Committee found that RINL had taken several measures to contain the operating cost but these initiatives have not made significant impact on the financial performance of the company and the operating cost continues to escalate year after year. The Committee in their 17th Report had recommended that RINL should devise long-term plan keeping in mind the uncertainty of steel industry and make efforts pro-actively to contain the operating cost and ensure consistency in profits. The Committee further noted that in 2005-06, nearly 40 per cent was spent on raw material and 20 per cent to meet expenses on stock depletion, stores & spares, power and fuel and repairs & maintenance, etc. The Committee observed that RINL had to make efforts to reduce the operating cost drastically keeping in mind the escalating cost of inputs and emerging threat from new technologies.

The Committee, therefore, reiterated their earlier recommendation to reduce the operating cost and desired RINL to take effective measures to contain the escalating operating cost by relying more and more on newer and efficient technologies. The Committee also recommended that the Ministry should constitute a special audit team to verify and suggest the measures to bring down the operating cost of RINL and the Committee might be apprised in this regard.

1.13 The Ministry of Steel in its Action Taken Reply have informed the Committee as follows:—

“Strategic initiatives to reduce the cost of production: In line with the company-wide special thrust on cost reduction, all the departments take initiatives for reducing cost and generate additional revenue. The potential technical parameters are selected

at the beginning of the year for improvement over previous year and committed by the departments. These savings are monthly monitored and reviewed. The main cost reduction initiatives adopted at VSP are brought out below:

Substitution of materials for Cost advantage: Many innovations have been carried out for utilizing lesser cost materials without compromising the quality of output and the same is being pursued vigorously. Some of them are:

- Nut Coke in partial replacement of Metallurgical Coke in Blast furnace.
- LD Slag at Sinter plant and BF as flux material to replace BF Limestone.
- Coke dust as partial replacement of Coke breeze in Sinter plant.

Recovery of waste materials and recycling: The waste materials generated in the plant are identified continuously and are gainfully utilized for improving the environmental conditions as well as cost saving. The major items are:

- Recycling of Tar sludge and Benzol Muck in place of charge coal to the extent possible.
- Partial replacement of Iron Ore fines with Metallurgical waste generated in the plant.
- Separation of Steel scrap from LD Slag by magnetic separators.
- Recovery of steel/Iron scrap from various dumps and maintenance scrap.
- Collection and processing of Copper scrap from electric motors, tuyeres etc. and its usage for making value-added heats.
- Briquetting of lime fines and their usage in place of coarse lime in LD converters.
- Reclamation of used Lube oils and its usage in place of fresh oil.
- Utilization of used lube oil (which can't be reclaimed) as a fuel in CRMP.
- Usage of used Silica bricks to replace Quartzite lump in BF.
- Usage of discarded Carbon blocks of BF in place of petro coke in SMS".

1.14 The Committee are dissatisfied with the reply of the Ministry as they have failed to furnish specific details regarding adoption of newer and efficient technologies by various Departments in RINL to contain the operating cost. The reply is also silent with regard to constitution of special audit team as recommended earlier by the Committee. They deplore this attitude of the Ministry and expect them to furnish proper reply to their specific recommendation. The Committee are of the view that since the global steel companies are emerging as low cost manufacturers, adoption of newer and efficient technologies is essential for cost competitiveness of RINL. The Committee, therefore, reiterate their earlier recommendation that RINL should make efforts pro-actively to adopt newer technologies. The Committee would also like to re-emphasise the need to constitute a special audit team to suggest measures to bring down the operating cost of RINL.

RAW MATERIAL

Recommendation (Sl. No. 10, Para No. 4.18)

1.15 The Committee emphasised that an access to raw material in right quantities/quality and at right time was critical for profitability and growth of steel companies. The Committee noted that RINL had no captive mines and presently meeting out its requirement of iron ore fines and lumps from National Mineral Development Corporation (NMDC), medium coking coal from indigenous sources and soft coking coal from abroad. RINL had been taking measures like blending imported coking coal with indigenous medium coking coal, installation of Pulverized Coal Injection (PCI) system and using Natural gas in blast furnaces to reduce the consumption of raw material.

The Committee further noted that RINL had also taken various steps to secure the availability of raw material and had since been allotted Mahal coal block whereas the allotment of Tenughat—Jhirki coking coal block in Jharkhand and non-coking coal blocks in Andhra Pradesh was under consideration with the Ministry of Mines. In so far as securing the adequate availability of iron ore, the RINL had entered into Memorandum of Understanding (MoU) with NMDC to set up Pelletisation unit in Chhattisgarh and was planning to set up one more Pelletisation unit in Andhra Pradesh on joint venture basis. RINL had also applied for iron ore mining leases in Orissa, Chhattisgarh and Jharkhand. The Committee also note that RINL was in the process of acquiring coking coal mines abroad.

The Committee were dismayed to note that while State Government of Orissa had rejected two iron ore mining lease applications out of five

leases applied by RINL on the ground that RINL had no plan or programme for establishment of mineral based industry in the State. The remaining three applications were still pending with them. The State Government of Chhattisgarh had also rejected one mining lease application of RINL since the prospecting licence already granted to a private company while no decision taken on its other applications. The State Government of Jharkhand had also rejected its lone application on technical grounds. The Committee were extremely concerned to note that problem of the availability of iron ore to RINL was a very grave one and needed to be addressed quite seriously as it was shelling out a major share of its profit for raw material and it was the only steel plant under the public sector undertaking which did not have a captive mine.

The Committee also noted that in pursuance of directions given by them in the meetings held on 16.10.2006 with the representatives of the Ministries of Steel, Mines and Railways, RINL, NMDC and representatives of the State Governments of Chhattisgarh, Jharkhand, Karnataka and Orissa to thrash out the issue of availability of raw material to Steel PSUs, the Secretary, Ministry of Mines had convened a meeting with all Ministry/State Governments and PSUs concerned. The Committee were, however, concerned to note that no visible improvement had been noticed with regard to availability of raw material to Steel PSUs specially RINL as the applications for the allotment of mining lease to the PSUs were still pending with various State Governments.

Keeping in view the capacity addition by steel companies across the world coupled with unprecedented rise in the prices of key inputs, the Committee felt that without having an assured supply of iron ore, a basic raw material for the steel plant, the expansion programme of RINL would not yield the desired results. The Committee were of the view that allotment of captive mines to RINL was extremely essential for its profitable sustenance. The Committee, therefore, recommended the Ministry of Steel to take up the issue of allotment of captive mines to RINL at the highest level with the Ministry of Mines in close coordination with the State Governments concerned. The Committee also recommended to bring necessary changes in Policy, etc. to accord priority to steel PSUs in allotment of captive mines.

The Committee further desired the Ministry of Steel to ensure early commencement of mining works by RINL in Mahal coal blocks and the Ministry of Mines might be approached for expediting the applications of RINL for allotment of coking coal and non-coking coal blocks in Jharia Coalfields in Jharkhand and Khammam District in Andhra Pradesh respectively.

1.16 In its Action Taken Reply, the Ministry of Steel have stated as follows:—

Coking Coal – Jharkhand

Pre-feasibility report for Mahal Coal Block was received from CMDPI, Ranchi on 16.11.2006. Notification for publishing in the Gazette of India under section 4(1) of C.B.A. Act 1957 was sent to 6 parties to offer budgetary quotations for preparation of Detailed Project Report (DPR), Mining Plan (M.P.), Progressive Mine Closer Plan (MCP), Environment Impact Assessment (EIA), Environment Management plan (EMP). Land acquisition and other statutory reports are to be carried out. Proposal for engaging a consultant has been initiated.

RINL also applied for Tenughat-Jhirki coking coal in Bokaro Distt., Jharkhand where the block is of 2.5 sq. kms. with reserves of 203.98 million tonnes. Presentation was made to the Screening Committee on 25.8.2006. Allotment by Ministry of Coal is still pending. Ministry of Steel has taken up with Ministry of Mines and the State Govt. of Jharkhand.

Non-Coking Coal – Andhra Pradesh

Applied for three blocks located in Khammam district in the State of Andhra Pradesh. Presentation was made to the Screening Committee on 2.9.2006 and 8.9.2006. Allotment by Ministry of Coal is still pending. Ministry of Steel has taken up with Ministry of Mines and the State Govt. of Andhra Pradesh.

1.17 In their Original Report the Committee had expressed their concern that RINL had no Captive Mines and was meeting its requirement of raw-material from various agencies. They, therefore, had felt that without assured supply of basic raw-material, RINL would not yield the desired results and had recommended to the Ministry of Steel to take up the issue of allotment of Captive Mines to RINL at the highest level. The Committee note from the Action Taken Reply that although the Ministry have taken up the issue of grant of coking and non-coking coal blocks with the Ministry of Mines and the State Governments concerned, the allotment of coal blocks, however, is still pending with the Ministry of Coal. The Committee are not satisfied with the reply as the Ministry have not apprised the Committee about the steps being taken for allotment of Captive Iron Ore Mines to RINL. The Committee strongly recommend that NMDC Ltd. should be merged with RINL so that RINL could get uninterrupted supply of raw material and scale up the productivity. The Committee further note that the

reply is also silent on the issue of preferential allotment of Captive Mines to Steel PSUs. The Committee are of the view that grant of Captive Mines to Steel PSUs on preferential basis would not only place them at cutting edge but also help them to discharge their social responsibilities in a better way. The Committee, therefore, reiterate that the Ministry of Steel should take up the matter at the highest level with the Ministry of Coal in consultation with State Governments for allotment of Captive Mines to RINL for its profitable sustenance. They also desire that Ministry should make all out efforts to ensure allotment of coal blocks to RINL for early commencement of its mining work.

ROAD-MAP BEYOND 2020

Recommendation (Sl. No. 13, Para No. 5.13)

1.18 The Committee noted that as per projections made in the National Steel Policy, the production of steel in the country was expected to increase to 60 mt by 2011-12 and 110 mt by 2019-20. Keeping in view the National Steel Policy, RINL had also planned to expand the capacity in phases with a vision to become a continuously growing world-class steel plant. Initially, it was proposed to expand the capacity to 6.3 mt from the present level of 3.5 mt by 2008-09. It has also planned to raise the capacity to 8.5 mt by 2010-11, 13 mt by 2014-15 and 16 mt by 2019-20. The Committee noted that at present, RINL's products were 100 per cent long-bars, re-bars, wire-rods and structurals that are used in the construction industry. During the first-phase of expansion, RINL would continue to produce long-products in view of the company's brand image and to meet the envisaged demand for wire-rods. During second-phase of expansion, special coils would be produced to meet the demand of the automobile and oil & gas units. The Committee hoped that expansion plan of RINL would strengthen its competitiveness and ignite further growth and development of steel sector. The Committee, therefore, desired RINL to gear up to complete the mammoth task of expansion within the scheduled period and attains world benchmarks in all parameters in its expansion programme and explore the possibilities for technological tie-ups with Steel Authority of India Limited (SAIL).

The Committee further observed that as domestic economy was on the growth path, huge investment was pouring in for infrastructure development and global steel companies were entering in the domestic steel sector, RINL had to look beyond 2020. The Committee, therefore, recommended that RINL should devise a road-map for its growth and development beyond 2020 and start ground works for creating enabling infrastructures.

1.19 The Ministry of Steel in its Action taken reply have furnished the following information:

“The schedule, cost, work progress, constraints & issues to be taken up, and corrective actions taken/being taken regarding Visakhapatnam steel plant expansion from 3 Mtpy to 6.3 Mtpy of liquid steel are given below:

Schedule

Original approved date of commissioning	Stage-I : 27.10.2008 (SP-3,BF-3, SMS-2,WRM-2,SLTM) Stage-II: 27.07.2009-SBM 27.10.2009-SM
Now anticipated.	31.12.2009

Cost

Original approved. (Base 2nd quarter 2005)	Rs. 8692 Crores
Latest approved.	Rs. 8692 Crores
Anticipated.	Rs. 10500 Crores
Expenditure till Mar'06	Rs. 1.77 Crores
Expenditure in 2006-07	Rs. 310.50 Crores
Expenditure in 2007-08 (Till May '07)	Rs. 36.90 Crores
Consultancy Paid	Rs 0.36 Crores
Cumulative Expenditure till 31.05.07	Rs. 349.53 Crores

Work Progress

- Orders have been placed for 46 specifications (Value Rs. 5323.44 crore) as on 25/6/2007 like piling, civil, structural & main units.
- Agreement signed with M/s TPE, Russia for Sinter Plant-3 Rs. 728.35 crore on 01.05.07. Contractual Completion date 01.11.09. Work started.
- Agreement signed with M/s L&T/Paulwirth for Blast Furnace-3 Rs. 1545.53 crore on 11.05.07. Contractual Completion date 10.11.09.
- LoA for Vertical Shaft Kiln (CRMP) placed on 24.05.07 to M/s Terruzzi Fercalx, Italy Rs.105.61 crore Agreement expected 30.06.07 and Contractual completion date, 22 Months from date of Agreement.

- LoA for SMS-CCM on 29.05.07 to M/s Danieli & Co. Rs. 538.87 crore. Agreement expected 30.06.07 and Contractual completion date, 25 Months from date of Agreement.
- LoA for WRM-2 placed on 29.05.07 to M/s Morgan (Ind & US) & MECON Rs. 622.36 crore.
- LoA issued for SMS-LF & RH on 11.06.07 to M/s SMS DEMAG Rs. 184.85 crore.
- LoA issued for TB-4 (TPP & BH) on 11.06.07 to M/s BHEL & M/s MAN-Turbo Rs. 137.28 crore.
- FAX LoA issued for SMS-Converter on 23.06.07 & M/s SMS DEMAG became L1 Rs. 752.75 crore.

Constraints & Issues to be taken up

1. Process equipment suppliers asked more completion time & submitting incomplete Technical offers necessitating clarifications and prolonged technical discussions, thus causing delay in finalization.
2. International bidders are not adhering to the dates given by VSP for clarifications and subsequent discussions.
3. Acute shortage of Skilled & Highly skilled Category of Workforce. (Welders, Carpenters, Bar Benders & Crane Operators.)
4. Non-availability of working fronts due to delay in Placement of Order for WRM & SLTM. WRM LoA issued on 29.05.07. SLTM LoA is expected by end of July 2007.

Corrective Actions Taken/Being Taken

- Meetings are being taken at GM/ED/Director/CMD level for improvement.
- Regarding Contractual Labour issue, efforts are being made at the State Government Level with Honourable Minister of Labour.
- Efforts are being made to constitute Wage committee with Deputy Labour Commissioner.

- For major Process packages, bonus & penalty clauses have been provided in the bid documents.
- Changes/modifications in the commercial conditions were made for packages like SP-3, BF-3 and WRM-2 and further changes in clauses are being offered in SMS packages to attract Key players. Commercial condition changes made for packages like SP-3, BF-3 & WRM-2 incorporated in stage-II package of Special Bar Mill & Structural Mill.
- Pre-Bid conference is proposed for ASP (BOO) package”.

1.20 Regarding technological tie-up with SAIL, RINL is more advanced in it's technology in many areas and already achieves better techno-economics than SAIL plants. RINL and SAIL units also interact with each other to Bench Mark certain performance parameters and RINL has improved its performance in certain areas by learning from SAIL.

1.21 An MoU was signed between SAIL, RINL and NMDC on 17th August, 2007 for setting up a 4 Mtpa integrated steel plant in Chhattisgarh. M/s MECON Ltd. was appointed as the consultants by SAIL. The first meeting of the three organizing PSUs was held on 18th September 2007 and further action as required is being taken. The production targets set by RINL is 16 MT by 2019-20 in a phased manner. The liquid steel capacity is proposed to be increased to 3.5 million tonnes in the phase-I expansion by December 2008 and to 6.8 million tonnes by March 2012 and 10.5 MT by 2018 and ultimately 16 MT by 2020”.

1.22 The Committee had time and again recommended that processes and procedures be streamlined and the cost and time overruns be avoided in implementation of the projects. The Committee are, however, unhappy to note that expansion programme of RINL has been moving at snail's pace resulting in avoidable cost and time overruns which would erode the profitability and competitiveness of the Company. The Committee hardly need to emphasise that time-bound completion of expansion programme would strengthen RINL and provide momentum to the development of steel sector. The Committee, therefore, reiterate their recommendation that RINL should make all out efforts to complete expansion programme without further cost and time overruns. The Committee would also like the Ministry to look into the reasons in this regard and take corrective measures accordingly.

The Committee had also recommended that as domestic economy and steel sector are on the growth trajectory, RINL should prepare a Road-Map for its growth and development beyond 2020 and start ground works for creating enabling infrastructure. The Committee have been informed that RINL have had expansion programme to increase liquid steel capacity to 16 MT by 2020. However, the Ministry have not furnished any categorical reply on the Road-Map of RINL beyond 2020. The Committee while expressing their displeasure over the casual reply of the Ministry, desire that RINL should prepare a Road-Map for its growth and development beyond 2020. The Committee would like to be apprised of the action taken in this regard.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 2, Para No. 2.6)

The Committee noted that Rashtriya Ispat Nigam Limited (RINL) had installed capacity to produce 3 million tonnes (mt) per annum of Liquid Steel and was operating at production level of about 4.1 mt hot metal, 3.5 mt of Liquid Steel and 3.1 mt of Saleable Steel representing capacity utilization levels of 122%, 120% and 122% respectively. The Committee further noted that since turn around in 2002-03, RINL had been able to surpass its rated capacities early in the year 2002 and improving thereafter every year. The Committee observed that domestic demand for steel especially in construction sector had been steadily growing since 2002-03 and was estimated to grow further. The Committee, therefore, desired that RINL should strive to further improve its techno-economic parameters and achieve higher capacity utilisation so as to reap the benefits of boom period in domestic steel market. Efforts should also be made to bring down the cost of products to make it competitive in the market.

Action Taken

The Capacity Utilization had improved from a level of 119% to 124 % in Saleable Steel (data given below). RINL shall make efforts to further improve the Capacity Utilization.

Item	Unit	2004-05	2005-06	2006-07
Hot Metal	%	115	122	119
Liquid Steel	%	119	120	120
Saleable Steel	%	119	122	124

The measures initiated to contain cost are given below:—

In line with the company-wide special thrust on cost reduction, all the departments take initiatives for reducing cost and generate additional revenue. The potential technical parameters are selected at the beginning of the year for improvement over previous year and committed by the

departments. These savings are monthly monitored and reviewed. The main cost reduction initiatives adopted at VSP are brought out below:—

Substitution of materials for Cost advantage: Many innovations have been carried out for utilizing lesser cost materials without compromising the quality of output and the same is being pursued vigorously. Some of them are:

- Nut Coke in partial replacement of Metallurgical Coke in Blast furnace.
- LD Slag at Sinter plant and BF as flux material to replace BF Limestone.
- Coke dust as partial replacement of Coke breeze in Sinter plant.

Recovery of waste materials and recycling: The waste materials generated in the plant are identified continuously and are gainfully utilized for improving the environmental conditions as well as cost saving. The major items are:

- Recycling of Tar sludge and Benzol Muck in place of charge coal to the extent possible.
- Partial replacement of Iron Ore fines with Metallurgical waste generated in the plant.
- Separation of Steel scrap from LD Slag by magnetic separators.
- Recovery of steel/Iron scrap from various dumps and maintenance scrap.
- Collection and processing of Copper scrap from electric motors, tuyeres etc. and its usage for making value-added heats.
- Briquetting of lime fines and their usage in place of coarse lime in LD converters.
- Reclamation of used Lube oils and its usage in place of fresh oil.
- Utilization of used lube oil (which can't be reclaimed) as a fuel in CRMP.
- Usage of used Silica bricks to replace Quartzite lump in BF.
- Usage of discarded Carbon blocks of BF in place of petro coke in SMS.

All out efforts are being made to further improve the already high level of techno-economic parameters achieved in RINL.

[Ministry of Steel O.M. No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 3, Para No. 2.7)

The Committee noted that as against the targets fixed in Memorandum of Understanding (MoU) for the production of saleable steel of 2.9 mt, 2.95 mt and 3.12 mt for the years 2003-04, 2004-05 and 2005-06 respectively, RINL had produced 3.16 mt, 3.17 mt and 3.23 mt marginally higher than the target. The Committee were unhappy to note that instead of fixing achievement as target for the next year, the target fixed for the years 2003-04, 2004-05 and 2005-06 was lesser than the achievement of the previous year and percentage of fulfilment of target also decreased from 114 per cent in 2002-03 to 104 per cent in 2005-06 resulting in overall lower achievement in subsequent years. The Committee were of the view that had the target been fixed higher than the achievement on previous years, RINL could have performed even better.

The Committee felt that the Ministry should fix the MoU targets suitably after taking into account the new opportunities and new concerns that might have emerged during the year rather than routinely updating the previous year's target. The Committee, therefore, recommended that RINL should make efforts to surpass the target in order to give further impetus to its competitiveness and financial performance and devise suitable mechanism for taking corrective steps for its all-round progress and improvement in the performance.

The Committee also desired that due care should be taken for the maintenance and operation of the plant and machinery as capacity utilisation was 122 per cent. Hence, scheduled maintenance of the plants and machinery must be taken as and when due.

Action Taken

RINL surpassed the MoU targets in the production of Liquid Steel and Saleable Steel (figures in % fulfilment are given below).

Item	Unit	2004-05	2005-06	2006-07
Liquid Steel	%	108	103	101
Saleable Steel	%	107	104	103

The target for liquid steel production for the year 2007-08 is kept at 3.62 Mt as against the actual achievement of 3.606 Mt in 2006-07.

Maintenance

The health of the equipment is regularly monitored and reviewed. Based on the condition of the equipment, capital repair/shut down for the equipment is planned in the beginning of the year. As per the plan and the prevailing conditions at site, the equipment is put down for maintenance. The number of days equipment is put down for planned maintenance is given below.

Capital Repair Status

Unit: No.of days

Shop	Equipment	2004-05	2005-06	2006-07
SP	M/C-1	8	9	-
	M/C-2	8	-	8
BF	F/C-1	2	3	-
	F/C-2	-	-	-
SMS	CONV-A	-	-	-
	CONV-B	-	21	-
	CONV-C	-	-	21
LMMM	BILLET MILL	-	11	10
	BAR MILL	-	11	10
WRM	MILL	15	12	12
MMSM	MILL	10	10	9

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 4, Para No. 2.8)

The Committee noted that as against the production of saleable steel of 3.16 mt, 3.17 mt and 3.23. mt, RINL had sold 2.44 mt, 2.77 mt and 2.83 mt only during the years 2003-04, 2004-05 and 2005-06 respectively. The Committee were pained to observe that RINL's market share for sale of steel products to different sectors had been hovering around 50 percent only between 2003-04 and 2005-06 while the production had been increasing year after year. The Committee noted that Secondary Steel Sector in Long-Products especially in production of TMT, wire-rods and structural and upcoming of large number of units in ore rich States like Chhattisgarh, Orissa, Jharkhand and West Bengal and some units with international technology like Thermex and Tempcore for production of TMT had increased their share of market at the expense of RINL. The Committee, therefore, could not but deprecate the failure of RINL in capitalizing the upswing in the steel industry being witnessed during the last couple of years in terms of market penetration and also showing ineptitude in becoming resilient competitor to the growing Secondary Steel Sector.

The Committee, therefore, recommended that RINL should initiate a comprehensive exercise to identify requirements of the consumers, region

wise and frame a long-term perspective plan to increase the presence of its Long-Products in the domestic market.

Action Taken

VSP had improved its production of finished steel in all the three mills, as given below:—

Mills production vs capacity Unit: 000 t

Item	Capacity	2004-05	2005-06	2006-07
Bar Mill	710	858	873	878
Wire Rod Mill	850	1014	1043	1055
MMSM	850	1014	1058	1077

2. VSP also gave thrust on the production of re-bars and around 65% of the bar products are the re-bar category, as can be seen below:

Rebar production Unit: 000 t

Item	2004-05	2005-06	2006-07
Bar Mill - Total production	858	873	878
- Rebar production	539	568	566
- % on total production	63	65	64
Wire Rod Mill - Total production	1014	1043	1055
- Rebar production	432	469	475
- % on total production	43	45	45

VSP has surpassed its rated capacity in 2001-02 and since then steadily improving its capacity utilization over the years. The plant is operating at about 120% capacity utilization. However, to further take advantage of the growth in steel production of steel industry, RINL has ambitious expansion plan to double its capacity. This would ensure growth in RINL's share. At VSP, all-out efforts are made to sell the total quantity of production of iron and steel products produced during the year. In some years, there could be marginal increase or decrease in the stocks depending on the prevailing market conditions. The production and sale of saleable steel during the period 2003-04 to 2006-07 are brought out below:

Unit: million tons

Year	Total Production	% Growth	% Cap. Utilisation	Sales	% of Sales to Production
2003-04	3.169	3.7	119	3.156	99.6
2004-05	3.173	0.1	119	3.119	98.3
2005-06	3.237	2.0	122	3.307	102.2
2006-07	3.290	1.6	124	3.266	99.3

3. There is a steady growth in the apparent steel consumption in the country as can be seen from the data given below:

Unit: Mt

Item	2003-04	% Gr	2004-05	% Gr	2005-06	% Gr	2006-07	% Gr
Apparent Steel Consumption	31.169	8	34.389	10	39.185	14	43.743	12

4. Production of steel in the longs category by the main producers and secondary producers is given below:

Unit: Mt

Item	2003-04	% Gr	2004-05	% Gr	2005-06	% Gr	2006-07	% Gr
Main Producers	6.25	4.4	6.45	3.3	6.60	2.4	7.18	8.8
Secondary Producers	8.89	11.9	9.43	6.0	11.18	18.5	12.42	11.1
Total Longs	15.14	8.7	15.88	4.9	17.78	12.0	19.60	10.2

5. It may be seen from the above that the growth in the main producers is less compared to the secondary producers.

6. Although there is growth in the production and sales at VSP in the last few years, due to higher rate of growth in the apparent steel consumption in the country, the market share of VSP has remained at about 50%.

7. With a view to realising the emerging opportunity of increasing demand for steel products in the country, RINL, VSP has taken action for expanding its capacity to 6.3 Mt by 2009. The expansion proposal was put up to the Government in December 2004 and Govt. of India accorded approval on 28th October 2005. It may be mentioned that RINL is one of the first PSUs to take action for expanding the capacity. Currently, the expansion is under progress.

8. With a view to identifying the requirements of the consumers region wise and frame a long-term perspective plan, a Committee consisting of officials from Marketing Department has been constituted. The Committee will map the growing demand for the products of RINL for all the envisaged finishing mills in Phase-1 expansion. The tasks to be covered by the Committee include macro environment analysis of steel industry (Domestic and Export), competition analysis, customer analysis and market segmentation. The Committee will be submitting its report during 2008.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 5, Para No. 2.19)

The Committee noted that RINL was basically designed to produce carbon steel. However, with Research and Development (R&D) efforts and minor design modifications, the production of value-added steel commenced which had been gradually increasing from 15% in 2002-03 to 25.3% in 2003-04, 27.7% in 2004-05 and 27.5% in 2005-06. The Committee also noted that RINL had been taking several measures such as improvement in facilities of secondary metallurgy, Lime addition system, installation of an electro-magnetic stirrer and expansion units are being so designed for producing value-added steel so as to increase its production to 44 per cent off saleable steel production. The Committee desired that a time-schedule be drawn up to achieve this target.

The Committee were constrained to note that though RINL had been keeping pace with the changes in steel industry by producing 'value-added steel, it had not fully exploited the growing demand for value-added steel as its share of value-added steel production had not increased since 2003-04. The Committee were, therefore, unhappy to note that rather than taking corrective steps immediately, RINL had planned to take up value-added production in the Second-Phase of expansion plan. The Committee were of the view that as the automobile industry was witnessing steep growth and steel companies were vying to capture the market by focusing on value-added steel, a tactical strategy was needed to enable RINL to become a leading producer of value-added steel.

The Committee, therefore, recommended that RINL should strive to increase value-added productions in the coming years by appropriate modifications in the First-Phase of expansion plan and if feasible, enter into future trade agreement with consumers of both steel and non-steel sectors in order to capitalize the existing resources to yield maximum return. The Committee also recommended the Ministry to set reasonable target for value-added products in MoU for the coming years.

Action Taken

The value-added steel production details for past three years is given below:—

Description	2004-05	2005-06	2006-07
Value-added production ('000 t)	880	889	1087
% growth over previous year	10	1	22
% Value-added steel production in saleable steel	28	27	33

2. The facilities available at the Steel Melting Shop of VSP are designed to produce only mild steel grades. For production of value—added steel, specific provisions like “Combined Blowing System” at the LD converters, Electro Magnetic Stirring in moulds (EMS) in the CCMs, Vacuum Degassing Systems (VAD) & Vacuum Arc Refining (VAR) etc. are required.

3. In spite of non-availability of the above mentioned facilities, VSP has taken innovative approaches and a lot of initiatives introduced to produce value—added steel to the maximum extent to meet the requirement of value—added steel to maximize the revenue earnings. Initiatives taken by VSP after commissioning of the SMS in 1992 for production of Value—added steel are:

- a. Improvement in facilities of secondary metallurgy like
 - a.1 Introduction of Ladle Furnace
 - a.2 On-line bottom purging
- b. On-line bottom purging during tapping
- c. Introduction of Lime addition system during tapping to reduce Phosphorus reversal
- d. Control of Super Heat at Continuous Casting Department
- e. Control of cooling parameters as per the grade requirement at CCD and rolling mills
- f. 100% inspection of the grades
- g. Introduction of LAN system for on-line correction in composition
- h. Electronic logging of all parameters and monitoring/tracking stacking/dispatches of all the grades.
- i. Branding of products
- j. Tungsten Carbide rolls for rolling of Special Steels

4. All these initiatives resulted in an increase in the value added production, as can be seen from the table, given above. However, all modern facilities are planned to be installed in the SMS of 6.3 Mt expansion stage for production of value—added steel.

5. The sales of value—added products and total saleable steel sales in the last four years are as under:—

Unit: '000 tonnes

Item	2003-04	2004-05	2005-06	2006-07
Sales of value—added steel	752	882	927	1111
Sales of total saleable steel	3156	3119	3307	3266
% of value—added steel over saleable steel	24	28	28	34

6. VSP is taking steps to increase production of value—added steel products from the existing Steel Melting Shop. During the current year *i.e.* 2007-08, it is planned to produce 36.6% of saleable steel in the value—added steel category.

7. VSP gives utmost importance for production of value—added steel products. Percentage of value—added steel production in the saleable steel is one of the parameters included in the MoU signed by RINL with the Ministry of Steel every year. The performance on this parameters has always been above the target fixed for the year.

8. In the on going expansion, facilities like External Desulphurization, Argon Rinsing Station, Ladle Furnace, RH Degassing Unit, Electro Magnetic Stirrer etc. are going to be installed for producing value—added steel products suiting to specific customer segments like automobile sector, forging sector, spring steels etc. Time schedules have been drawn for commissioning of expansion units including the facilities for production of value—added steel.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 12, Para No. 4.32)

The Committee had been informed that RINL had some outstanding issues with the Railways regarding availability of more rakes from Bailadilla, waiver of surcharge on Kinnadual-Kotavasala (K.K. Line) for iron ore, charging for actual distance from Visakhapatnam Port to Visakhapatnam Steel Plant (VSP) and cooperation for expansion of VSP.

The Committee were of the strong view that besides commercial considerations, Railways had to be little more responsive to the social responsibilities and more open to the growing needs of the infrastructure

and economy. The Committee, therefore, recommended the Ministry of Steel to convene a meeting at the highest level with the Ministry of Railways and other organisations to find immediate solution to the outstanding issues so that future expansion of the plant can be done as per schedule.

Action Taken

The pending issues with the Railways including waiver of surcharge on K-K line for iron ore and the charging for the actual distance from Visakhapatnam Port to VSP was taken up at the highest level with the Railways. A meeting was also held with a view to seek full cooperation of railways in the RINL's expansion plan which is presently under implementation. All efforts are being taken to complete the expansion plan as per the schedule. A comprehensive study to assess the adequacy of infrastructure for proposed capacity creation in steel sector is being finalized taking into consideration the requirements arising existing, planned and possible steel capacities in the Railways, Roads, Ports and Water Sector. The future requirements of the steel industry including details like tonnage per kilometre berthing and handling facilities, new tracks, new water linkages etc. are also being taken care of. The gaps between the available facilities and actual requirements of steel making units have also been taken care of. The environment protection/pollution control etc. while making these concrete plans in the States of Orissa, Chhattisgarh and Jharkhand have been covered.

A high level Coordination Committee with representatives from major steel producers both public and private, Railways and the Ministry of Steel was constituted. The terms of reference of this Committee include infrastructure facilities for steel sector with Railways, rationalizations of freight class for transportation of steel products and raw materials, major schemes and sorting out the various problems of steel sector with Railways.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 14, Para No. 6.6)

The Committee noted that R&D plays a vital role in the steel sector in designing and development of new technologies, development of new value-added products, improvement in productivity and quality, reduction in consumption of raw material and conservation of energy. RINL had been pursuing R&D projects through MoU with the Ministry of Steel and also in collaboration with technical institutions in the country focusing on process improvement, new products/grades development and waste

utilisation, etc. RINL had proposed to spend an amount of Rs.85 crore by 2008-09, Rs.345 crore by 2014-15 and Rs.460 crore by 2019-20 in line with the objectives of the National Steel Policy (NSP) to spend 2 per cent of turnover under R&D.

The Committee further noted that though RINL had been taking up R&D projects every year on its own and jointly with the technical institutions, it could spend barely 0.15 per cent against Rs 33.71 crore allotted under R&D during 10th Five Year Plan. The Committee felt that had RINL taken up R&D projects in right spirit and spent the allocated funds, it would have reaped the benefits by reducing the cost of production. The Committee were apprehensive that unless RINL prune its R&D strategy by identifying new areas in R&D, estimating futuristic needs of special steel products and developing innovative technology ahead of markets and its rivals, RINL would be failing in achieving global competitiveness, not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity as envisaged in NSP.

The Committee, therefore, desired that RINL should adopt innovative approach for achievement in R&D and develop, adopt and absorb technology which leads to cost reduction, improve quality and save energy. The Committee also desired that RINL should take up a continuous improvement in different areas of steel plant operations so as to build its own strength in meeting the growing/changing demands of different sector and become a formidable competitor in the steel industry.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

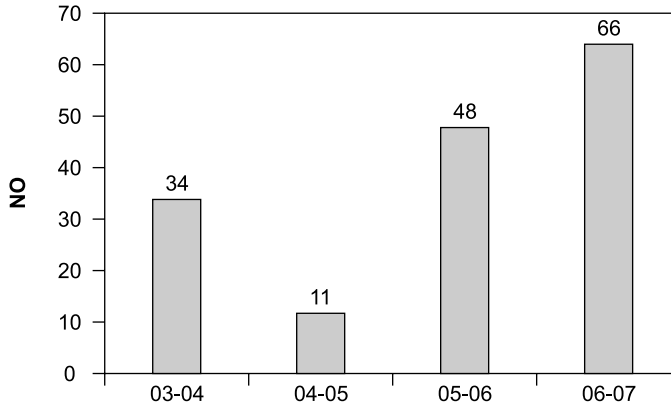
Action Taken

Together with in-house development of pilot projects and new product development Industry-Institution and Industry-Research Organization relationship is also being established to take care of the R&D activities of Rashtriya Ispat Nigam Limited. It is also planned and action is being taken to increase the R&D expenditure up to 2% of the turn over by 2020.

At VSP great emphasis is laid on development of new special grade products and also to improve the existing products to the customers delight. To remain globally competitive, to meet customers' expectations and to improve product mix and there by garner more market share improvement in technological facilities and innovative improvements in

the processes are done. The figure below indicates the continuous improvement the new products developed.

New Products Developed



In 2007-08 also lot of emphasis is being given to develop new products. The following new grades are proposed for development:

1. SAE1522'S' grade blooms for heavy duty automobile wheels.
2. Low carbon variety wire rods (SAE1006S) for stapler pins and 45/50 mm dia., rounds for forged polar parts.
3. 27C15 grade steel for fasteners.
4. SUP-10 grade semis for manufacture of flats, leaf springs of heavy automobiles.
5. Boron bearing Steels for high tensile automobile fasteners etc.

Some of the planned R&D activities in the coming years:

- i. Developing more sophisticated laboratory facilities/Pilot plant Facilities.
- ii. Development of extensive collaboration with educational Institutions and Research Organizations like IITs and leading Institutes abroad.
- iii. Improvement in process control through continuous up gradation, automation, introduction of new technology.
- iv. Developing more cost effective methods of producing high quality metallurgical coke.

- v. Solid waste utilization through briquetting, pelletization, agglomeration etc.
- vi. Development of new lining material for long life in LD converters.
- vii. Development of new steels as per changing market demand from time to time.
- viii. Developing new products for automotive industry.
- ix. Alternate routes for steel making, Setting up of Pilot Plants for new technologies of steel making.
- x. Developing new products for agriculture implements.
- xi. Modeling and optimization of all reheating furnaces for achieving energy efficiency.
- xii. Development of castable refractory etc., for reduction in refractory consumption.
- xiii. Lab, Pilot plant and Industrial trials of alternate raw materials.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 15, Para No. 6.19)

The Committee noted that RINL was marketing its products on long term contracts and giving due priority in supplies to the Government Departments, PSUs, Railways and Small Scale Sectors. RINL was taking marketing initiatives such as opening up of new sales branches and setting up of District Level Dealerships (DLDs) in all Districts of Southern States to expand their network and increase penetration into rural markets for steel promotion etc. The Committee desired that while allotting DLDs due representation should be given to SCs/STs and OBCs, etc.

The Committee felt that though the market forces play, an important role in determining demand and prices, RINL could have earned more by strengthening its marketing. The Committee, therefore, desired that in addition to completing the task of appointment of DLDs in Southern States, RINL should also expand its marketing network all over India. The Committee also desired that in order to promote steel consumption in rural areas, RINL should identify and produce steel items required in rural areas and organize Grameen Ispat Melas in villages in cooperation with Institute for Steel Development and Growth (INSDAG).

The Committee further desired that RINL should try to increase its exports by opening marketing offices abroad also and examine whether the sale of by-products can also be done through its district offices to increase its revenue from by-products.

Action Taken

In order to reach RINL's product to rural areas, RINL has taken up to appoint District Level Dealers across the Country. While allotting District Level Dealerships, due consideration is given to the SCs, STs and OBCs.

The selection of District Level Dealerships is based on five criteria with each criteria having a specified weightage. The criteria and their weightages are given below:

Criteria	Weightage
Basis data of application	1
Financial data	5
Infrastructure facilities	4
Experience	5
Selling ability	5
Total	20

Applicants for District Level Dealerships scoring maximum points will be recommended. Irrespective of the score of General Category applicants, preference will be given to SC/ST and OBC applicants, if they score a minimum of 4 points out of 20 points.

As on 31.3.07, there were 99 District Level Dealers to RINL. The State-wise and Category-wise distribution of District Level Dealers is given below:

State	Category			
	General	OBCs	SC/ST	Total
Andhra Pradesh	13	-	6	19
Karnataka	16	1	5	22
Kerala	6	4	1	11
Pondicherry (UT)	-	1	-	1
Tamil Nadu	14	9	5	28
Chhattishgarh	1	-	-	1
Goa	1	-	-	1
Gujarat	-	-	1	1
Madhya Pradesh	-	-	1	1
Maharashtra	1	-	-	1
Jharkhand	1	-	-	1
Orissa	3	-	-	3
West Bengal	3	-	-	3
Haryana	-	-	1	1
Punjab	1	-	-	1
Rajasthan	2	-	-	2
Uttar Pradesh	1	-	1	2
Total	63	15	21	99

It can be seen from the above that SC/ST and OBC District Level Dealerships constitute 36% of the total DLDs.

RINL, VSP plans to appoint DLDs in phases. Initially, all the districts in South India have been covered. In the next phase, it is proposed to cover the districts in the adjacent States *i.e.* Orissa, Chhattisgarh and Maharashtra in 2007-08. Subsequently, it is planned to cover all the districts in the other States in the country. The phase-wise plan for appointment of DLDs is brought out below:

Phase	Year	No. of DLDs	Cum. No. of DLDs
Phase-1	2004-05 & 2005-06	39	39
Phase-2	2006-07	60	99
Phase-3	2007-08	83	182
Phase-4	2008-09 & 2009-10	394	576
Branches & CSAs		27	603
Total No. of Districts in the country : 603			

Further, as a part of Corporate Social Responsibility, RINL, VSP proposes to construct a model Steel Village consisting of houses and community hall constructed from steel structures. This would also promote usage of steel in rural areas.

In order to promote usage of steel in rural areas, it is planned to conduct Technical Meets at District Head Quarters. Any special requirements for rural areas that can be addressed by RINL would also be discussed in these meetings.

RINL has envisioned opening of marketing offices abroad in its Corporate Plan and would consider spread of by-product sale in due course.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 16, Para No. 6.23)

The Committee noted that the manpower strength of RINL was 16,522 as against the sanctioned strength of 17,800. RINL had planned to redeploy some of the existing manpower and add about 2000 employees for capacity expansion and fill up backlog vacancies under the reserved categories in the year 2007.

The Committee felt that focusing on human resource, the most important factor for continuous development, especially on proper utilisation, multi-skill training, performance development workshop and

enlisting skills would be of paramount importance in achieving the objectives of expansion programme focusing on production of wire-rods during the first phase and special steel during the second phase.

The Committee, therefore, desired RINL to ensure that the skills of employees were continuously upgraded in the areas like process control, improvement of quality, new products for automotive industry, development of new steels and awareness of latest technology in order to improve the productivity further and training programmes were aligned with attainment of global benchmark as envisaged in National Steel Policy. The Committee also desired RINL to clear all backlog vacancies under reserved categories at the earliest and the Committee might be appraised in this regard.

The Committee further desired that proper Grievance Redressal Procedure should be put in place which should work directly under Chairman-cum-Managing Director (CMD), RINL. The Recommendations made by the Grievance handling machinery should be given due weightage and implemented.

Action Taken

For expansion units, our consultants have indicated a manpower requirement of 1995 employees. The requirement shall be through redeployment of existing personnel and fresh recruitment. From the existing manpower till date 100 employees in different grades have been redeployed in Projects division. Further, the recruitment of 150 Management Trainees is in final stage. On joining of these trainees some of them will be posted to Projects Division and balance will be allotted to Works Division for re-deployment of experienced personnel from Works Division to Projects Division. Recruitment and Re-deployment to meet further requirement of Projects Division have been lined up.

There are no backlog posts for SC/STs in RINL, VSP except certain unfilled points in the Post Based Rosters which are to be filled up in a phased manner, as and when there is a need for induction of manpower.

Group-D

In respect of Group-D, there is a shortfall of 0.7% in SC and 0.04% in ST. Action has already been taken to make up the shortfall through recruitment of 32 Khalasis in SC category.

Group-C

In Group-C there is no shortfall in respect of SC/ST categories.

Group-B

Posts in Group-B are filled only through promotion from Group-C and not through direct recruitment. While there is no shortfall in SC category, the shortfall in ST percentage shall be made up through promotion from the feeder Group-C in due course.

Group-A

- The percentage quota for SC has already been fulfilled in Group-A.
- As regards shortfall in ST category (i.e. by 2.69%) in Group A, efforts are on to make up the same by earmarking more posts for STs.
- Process of recruitment of 150 Management Trainees is in final stages and depending on the no. of SC/ST candidates joining, further efforts for making up the shortfall in the reserved categories will be taken.

The suggestions of the Committee regarding continuous development of human resource and continuous upgrading of skills of employees have been taken into consideration by the Standing Training Advisory Committee and suitable training programmes on 'Multi-skilled basis' are incorporated in the Annual Training Calendar.

At present RINL is having a well-defined Grievance Redressal Procedure to deal with individual grievances of executives and non-executives

Under the extant Executive Grievance Redressal Procedure, grievance can be resolved at the level of HOD (Stage-I) or the Divisional Head (Stage-II), or the Grievance Council comprising representatives from various departments (Stage-III), with in the framework of the existing rules/policies of the Company and within stipulated time periods. The matter is put up to CMD in two situations:

- i. Where the unanimous Recommendations of the Council involve deviating from the existing rules, regulations or policy or calls for a change of rules, regulations or policy, or
- ii. In case of difference of opinion amongst members of the council.

In addition, the executive may also represent his grievance before CMD directly if the grievance is not settled to his satisfaction at Stage-III or within the prescribed time limits. He may also represent his case personally to CMD, before a decision is taken on the grievance.

In respect of the non-executives, grievances are sought to be resolved first by the informal grievance procedure, failing which they are addressed by the grievance machinery *viz.* the Area Grievance Redressal Forum (AGREF). In case the decision is not unanimous or the AGREF feels that the grievance is genuine but it falls beyond the company's policy/rule, the matter is referred to the Central Grievance Redressal Forum (CENGREF). Also, in cases where the aggrieved is not satisfied by the outcome at AGREF level, he/she shall submit his grievance to CENGREF. In case there is no unanimity at this stage, the matter is referred to D (P) for a decision. In case CENGREF comes to a conclusion that grievance is genuine but it falls beyond the rules/procedure/policy, the Chairman of CENGREF will take up, with the approval of CMD depending on the issue involved, and process for necessary approval. The time limits, modalities and forms, wherever necessary, have been prescribed for each of the above stages.

Separately, an aggrieved person can also seek specific appointment with CMD for sorting out his grievance.

While an effective grievance machinery is already in position, action will be taken to sensitize the process handling grievances through the said machinery so as to make the processes expeditious and lend required weight to its Recommendations for redressal of the grievances.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 17, Para No. 6.26)

The Committee noted that Visakhapatnam Steel Plant (VSP) had been providing employment to Displaced Persons (DPs) from VSP area. 6310 DPs were already appointed as regular employees, 2747 DPs were being engaged by the contractors. 141 DPs were likely to be given contractual employment in the near future. The Committee further noted that RINL would employ remaining DPs, if any, into contractual jobs for which a list is being prepared at the District level.

The Committee while appreciating that RINL had already employed 6310 DPs in regular posts based on their skills/qualifications and requirement, they were extremely concerned at the RINL's proposal to provide contractual jobs to other DPs instead of providing them employment on regular basis.

The Committee felt that as the contractual jobs were temporary in nature and the future of such DPs employed on contractual basis is uncertain, they would be rendered jobless on the completion of such contractual jobs. The Committee, therefore, desired that RINL should

arrange to impart institutional training to make the unskilled DPs into skilled ones and absorb them into the regular employment as far as possible while recruiting people for the ongoing expansion plan.

The Committee also desired that RINL should take up the matter with the district authorities and to finalise a updated list of DPs at the earliest.

Action Taken

RINL is imparting Vocational Training Programme for women and unemployed youth including those belonging to weaker sections. Light Motor Vehicle Driving, M.S. Office PC training etc. were organised in RH Colonies and peripheral villages where most of the DPs reside. It was organised through Jan Sikshana Samstha, an outfit sponsored by Ministry of HRD. Similar training will continue to be part of VSP's CSR programmes.

District Administration has been requested earlier to finalize the updated list of DPs. In January, 2007 *vide* G.O. Rt. No.35 dated 12/1/07, AP Govt. has permitted transfer of 'R' Cards of DPs to either major son or major unmarried daughter only. Accordingly, action has been initiated by District Administration and such requests are being processed by them. However, for such transfers, there is no cut-off date for submission of application in the GO.

Training and Development Centre has prepared standard training packages for imparting necessary institutional training to the displaced persons as and when they are recruited.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 18, Para No. 6.30)

The Committee noted that in the year 2004 and 2005 fatal accident reported cases were 5 & 4 respectively involving mostly contract workers. The Committee further noted that non-fatal accidents also increased from 69 in 2003 to 83 in 2004 and declined to 64 in 2005. The Ministry had stated that though the "Reportable"(non-fatal) accidents had been decreasing, fatal accidents had suddenly increased in respect of contract workers and to arrest this trend, RINL had strengthened its systems like "Safety Induction Training" etc. for ensuring the safety of regular employees and contract workers.

The Committee were, however, dismayed to note that given the accident cases reported in VSP, the measures taken / being taken by RINL

had not been found adequate. The Committee, therefore, recommended that since safety was a key priority area for steel industry, RINL should modernise the safety training programmes and provide safety appliances to the contract workers also. The Committee also recommended that RINL should devise a system whereby the responsibility of the contractors for the safety of their workers is ensured.

The Committee desired that in case of non-fatal and fatal accidents, compensation to the affected workers and their families should be provided as per law and at the earliest. The Committee also desired that in case of contractor's workers, it should be ensured that timely payment is made by him to the affected workers. In case of his failure, payment should be made by the Company as per law and the amount should be deducted from the payments to be made to the contractor concerned.

Action Taken

At RINL the following measures are being taken to provide Safe environment for the workers:

1. The system of giving safety induction training to contractors' workers was modified and has been implemented *vide* circular no. WK/E&S/373 dated 23-10-2006. After taking safety training, all the workers have to report to the Engineer-in-charge at site for specific safety induction training. During this time, their safety appliances are also checked.
2. A 5-point action plan to reach 'ZERO' accident has been made and circulated *vide* no. VSP/ED (W)/269/019 dated 30-01-2007. This has also been printed as a safety bulletin (5,000 nos.) and widely circulated in all departments. The thrust areas identified on the basis of analysis of accidents are:
 - Permit-to-work
 - Hot work permit
 - Safety of contractors' workers
 - Inspection of chains/slings/lifting tackles
 - Use of PPE (personal protective equipment)
3. The 5-point 'Action Plan' is also being given as a power-point presentation *w.e.f* 19-04-2007 in various departments by rotation so as to encourage the front-line executives to have a better appreciation of their role and responsibility in enforcing safety measures on the

shop floor. This has been appreciated by the HoDs / front-line executives and shall be a continuing programme.

4. Two new ½-day refresher training modules have been started for contractors and their workers *w.e.f.* 16.05.2007 *viz.* (i) on General Safety for contractor supervisors (ii) safety in material handling for contractor workers. The impact of this program has been very positive.
5. A major thrust is also given for improving road safety. Four home-guards were deployed earlier for traffic control. However *w.e.f.* 17-06-2007, eighteen (18) home guards are deployed at strategic areas throughout the plant. Checking of licences and enforcing the movement of Heavy Motor Vehicles during restricted timings is also being enforced.
6. Contractors are required to supply the basic safety appliances like safety shoes and safety helmet. This cost is loaded in the estimate for the job. Special safety items not covered under the responsibility of the contractor is supplied by VSP as per requirement.
7. Penalties are being imposed on contractors for violating safety rules. A provision for imposing penalties for violations under Motor Vehicles Act. 1988 is also under process for approval.
8. With the above efforts, there has been a significant reduction in accidents, as evident from the statistics given below:

S.No	Category	2003	2004	2005	2006	2007
1	Regular Employees					
	a. Reportable	50	64	46	42	22
	b. Fatal	2	NIL	NIL	1	NIL
2	Contractors Workers					
	a. Reportable	19	19	18	22	12
	b. Fatal	3	NIL	4	4	NIL
	Grand Total	74	83	68	69	34

In VSP, regular employees are covered under the Workmen's Compensation Act, 1923 and compensation is immediately released in terms of the provisions of the said Act by VSP Management in case of accident arising out of and in the course of employment. Comprehensive medical care is also provided in the full-fledged General Hospital of the company as well as referral to higher medical institutions. The employee is given injury on duty leave with full pay during his convalescence.

One member of the dependant family is also provided employment in VSP in case of fatal accident arising out of and in the course of employment.

In case of contract labour, all the contract labour are covered under the ESI scheme which ensures comprehensive medical care and social security under the Law. To elaborate, contract labour employed by contractors in VSP, are provided with medical facilities through ESI dispensary and ESI hospital. The hospitals have also got referral facility to corporate hospitals like Seven Hills hospitals in Vizag. Apart from this, benefits such as sickness benefit, disablement benefit on accident on duty, dependents benefit on death on duty, funeral expenses, rehabilitation allowances are extended to contract labour under the ESI Act.

The contract labour is also entitled to lumpsum of Rs. 1,00,000/- as Group Personal Accident Insurance amount, in case of fatal accident.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 20, Para No. 6.38)

The Committee noted that RINL was discharging its Corporate Social Responsibility (CSR) with a focus on education, health, peripheral development and adoption of steel villages. The Committee further noted that RINL was implementing CSR activities on its own, partnering with voluntary bodies and State and Central Government agencies, facilitating socially beneficial projects and extending technical and managerial assistance to such projects.

The Committee were, however, concerned to note that expenditure incurred by RINL for implementing CSR activities which was less than 2 per cent of profit earned during 10th Five Year Plan had not been very encouraging. The Secretary, Ministry of Steel had admitted during the oral evidence that expenditure incurred under CSR had been much less and now 2 per cent of the profit made in the year 2005-06 was likely to be spent in the year 2006-07 and there would be big take off of utilisation of funds and the Ministry was also monitoring the expenditure under CSR.

The Committee felt that while PSUs had to ensure profit, they should not forget their social responsibilities and it should be one of the parameters in their policies. The Committee, therefore, desired that in addition to taking up of traditional CSR activities like Health care, etc. the steel PSUs should also take up promotional schemes in diverse areas for improvement of the standards of living of local people. The Committee

also desired the Ministry to ensure that all the PSUs under its jurisdiction spend 2 per cent of profit under CSR every year.

Action Taken

1. A full-fledged CSR Department has been formed to give more thrust to the CSR Activities.
2. Budget earmarked for CSR Department for 2006-07 is Rs. 7 Crores. and for 2007-08 is approximately Rs. 27 Crores., which is about 2% of net profit.
3. The Company has taken up a number of initiatives under CSR that would benefit peripheral villages and nearby areas including the weaker sections. The same are mentioned below in two parts:
 - (a) VSP is committed to the communities where it operates. The company has brought out a Corporate Social Responsibility policy which forms a guideline for implementing various activities related to social responsibility. The scope of CSR activities includes the following:
 - Peripheral Development
 - Education
 - Medical & Health
 - Environmental care & concern
 - Empowerment & Welfare
 - Cultural Efflorescence
 - Sports & Games
 - Sponsorships & Contribution for public cause
 - (b) Budget for CSR activities for the year 2007-08 is 2% of the net profit *i.e.* about Rs. 27 crores. Main focus of VSP's CSR activities shall be in the peripheral villages including the four Rehabilitation Colonies of the Displaced persons at Gantyada, Agnampudi, Vadlapudi and Gangavaram. Typically the following CSR Works are being taken up in the peripheral villages.
 - Construction/Modification of Community Welfare Centre
 - Construction of school buildings, additional rooms to the existing school buildings, compound walls
 - Construction of Library buildings
 - Laying of Roads, Drains

- Market yards development
- Bore wells and overhead tanks
- Vocational training programmes in LMV driving, fashion technology, plastic bottle manufacturing, Tailoring, Computer training etc.,
- Sensitisation programmes for de-addiction, prevention of AIDS etc.,
- Distribution of Wheel Chairs, Callipers etc., to the differently abled persons
- Scholarships to promote girl child education
- Distribution of personal computers in the ZP schools in peripheral villages

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

CHAPTER III

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

Recommendation (Sl. No. 6, Para No. 2.20)

The Committee observed that RINL had been supplying material to the Defence projects on priority basis through Military Engineering Service Contractors. The Committee felt that supplying the material directly to the Defence sectors rather than through contractors would benefit both the Defence sectors and RINL and therefore, recommended RINL to approach the Ministry of Defence and their organisations for supplying the material directly to them on future trade basis.

Action Taken

RINL, VSP adheres to the Policy Guidelines for Distribution of Iron and Steel Products issued by Ministry of Steel, Govt. of India. As per these guidelines, the steel products are to be sold as per the following priority:

Priority	Category of Consumers
(i) First	Govt. Departments like Defence, Railways, etc./ PSUs
(ii) Second	SSI Units through SSICs and NSICs or through SSI Associations
(iii) Third	Open Market [After meeting requirement of (i) & (ii) above]

As per the above prioritization, first priority will be given to Defence, which is a Government Department. RINL directly responds to the various tenders and quotations called by Defence Organizations for the supply of various defence needs which RINL produces.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

CHAPTER IV

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

Recommendation (Sl. No. 1, Para No. 1.18)

The Committee noted that Rashtriya Ispat Nigam Limited (RINL) which was facing financial crunch in the past, had turned around and made significant improvement in its performance over the last five years.

The Committee observed that the steel industry at global level was witnessing phenomenal growth in demand and supply. Indian steel industry was also poised for a quantum jump in the next 15 years. The Committee felt that as the coming years would be crucial for the growth of steel industry, RINL had to prepare itself for technological and productivity improvements and benchmarking them to global standards to remain competitive and also to develop the strength to withstand the vagaries of cyclic nature of the steel industry.

The Committee, therefore, recommended that RINL should strive to set new standards in global steel industry by improving and achieving higher techno-economic parameters relating to raw material, energy, water consumption, etc. having multiplying effect on productivity. The Committee also desired that in consonance with National Steel Policy, the Ministry of Steel should ensure adequate and enabling infrastructure for RINL.

Action Taken

RINL has always been striving to achieve higher techno-economic parameters. The data for the past three years is given below. All-out efforts would be put to further improve upon the parameters.

Technical Parameters

Item	Unit	2004-05	2005-06	2006-07
1	2	3	4	5
Yield				
Gross Coke	%	74.1	74.6	74.6
CC Blooms	%	94.2	94.2	94.2

1	2	3	4	5
Billets	%	97.7	97.7	97.7
Bar Products	%	98.02	98.02	98.03
Wire rods	%	97.87	97.85	97.90
MMSM Products	%	95.8	95.8	95.8
Specific Consumption				
Raw Material	t/t Sal Steel	2.901	2.909	2.851
Energy	GCal/t Liq Steel	6.14	6.08	6.15
Water	Cum/t Liq Steel	2.76	2.56	2.29
Refractories	Kg/t Liq Steel	8.89	8.80	8.74
Other Parameters				
Total Coke Rate	Kg/tHM	529.3	533.1	530.2
Converter Life	Nos.	2445	2926	3274
Ladle Life	Nos.	77.8	76.8	80.4
Tundish Life	Nos.	4.5	4.5	4.7

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Comments of the Committee

(Please See Para No 1.8 of Chapter-I of the Report)

Recommendation (Sl. No. 7, Para No. 2.22)

The Committee noted that RINL was implementing the major projects *viz.* installation of Coke Oven Battery No. 4, Power Plant & Air Separation Unit on Build-Operate-Own (BOO) basis and Pulverized Coal Injection System in Blast Furnace 1&2 to reduce the operating cost. The Committee were dismayed to note that all the above-mentioned projects were unlikely to be commissioned as per schedule due to delays in finalisation of consultant, tendering process and delivery of equipments. The Committee strongly felt that speedy implementation of the above projects was essential to reap the benefits of on-going expansion programme of RINL.

The Committee, therefore, recommended that RINL should expedite processes and procedures in finalising the consultant and tender and make all out efforts for early completion of the projects. The Committee also desired that RINL should explore the possibility of setting up the Power Plant & Air Separation Unit on Build-Operate-Own-Transfer (BOOT) basis as it can be cost effective and help sustainable development in the future.

Action Taken

APPRAISAL OF MAJOR PROJECTS

PROJECT-1 : COKE OVEN BATTERY – 4

Schedule

Original approved date of commissioning	10/12/2006
Now anticipated	December'07

Cost

Original approved	Rs. 286.83 Crores (Base II Qr 2002)
Anticipated	Rs. 355.21 Crores
Expenditure in 2006-07	Rs. 84.97 Crores
Expenditure till Mar'07	Rs. 250.64 Crores
Expenditure in 2007-08	Rs. 04.20 Crores
Cumulative Expenditure till 31.05.07	Rs. 254.84 Crores

Work Progress

Description of critical milestone, Pert Event No.	Progress of Work		Total Qty. (Scope)	Cumulative Progress (%)
	For The Year 2006-2007			
	Plan	Actual (%)		
Erection of structure To be achieved by IV-Qtr.	1,309 MT	122 MT (9.32 %)	5,500 MT	4,268 (77 %)
Erection of refractory To be achieved by IV-Qtr.	4,630 MT	1,868 MT (40.34 %)	26,310 MT	23,124 (87.89 %)
Erection of Equipment To be achieved by IV-Qtr.	5,417 MT	1,413 MT (26.08 %)	9,074 MT	4,770 (52.57 %)

Constraints & Issues to be taken up

- M/s HSCL's Work affected due to Court order restraining VSP to make direct payments for work done. M/s HSCL to make up back log for structural steel works.
- Refractory work in Battery proper badly affected due to non-supply of replacement bricks for rejected quantities of silica bricks from M/s. TRL and Fire Clay Bricks from M/s. MPR.
- Contract for erection of Refractory work, mechanical & piping works of M/s. NCCPL, terminated due to continuous failure in achieving the target.

- Delay in Supply and starting of erection of Oven Machines, DE Car and Electrics, Hydraulics of Mechanical items by M/s Bhilai Engineering Corporation.
- Technical specification for Pushing Emission Control is awaited from M/s MECON.

Corrective Actions Taken/Being Taken

- Taken up the issue of timely delivery of refractory items & other equipments with the concerned suppliers at different levels.
- Follow-up by visiting the manufacturer's premises on regular basis
- The balance Refractory work, mechanical & piping works were awarded to M/s. Rosy Enterprises & M/s. Sailaja Industries (Part quantity) on 13/03/07.

PROJECT-2 : AIR SEPARATION UNIT

Schedule

Original approved date of commissioning	18/10/07
Latest approved date of commissioning	Revised commissioning date will be put up to Board after signing of Consultancy work agreement
Now anticipated	Not applicable at this stage

Cost

Original approved	Rs. 96 Crores (Base February 06)
Anticipated	Not applicable at this stage
Expenditure in 2006-07	NIL
Expenditure till Mar'07	NIL
Expenditure in 2007-08	NIL
Cumulative Expenditure till 31.05.07	NIL

Work Progress

Fax LOA issued on M/s. M. N. Dastur & Co., Kolkata on 03/05/07 for Engineering Consultancy.

Constraints & Issues to be taken up

Signing of agreement is under process.

Corrective Actions Taken/Being Taken

1. M/s M.N. Dastur & Co has been asked to submit Tender Specification in two months time instead of three months provided in Bid document.
2. Setting up Air Separation Plant on BOO Basis also.

PROJECT-3 : PULVERISED COAL INJECTION SYSTEM IN BF-1 & 2

Schedule

Original approved date of commissioning	25/10/07
Latest approved date of commissioning	Revised commissioning date will be put up to Board after award of work
Now anticipated	Not Applicable at this stage

Cost

Original approved	Rs. 187 Crores (Base February '06)
Anticipated	Rs. 191 Crores
Expenditure in 2006-07	NIL
Expenditure till Mar'07	NIL
Expenditure in 2007-08	NIL
Cumulative Expenditure till 31.05.07	NIL

Work Progress

- Tender was invited on 16.08.2005.
- Five Tenders *viz.*, M/s Paul Worth S.A. Luxemburg, M/s Simplex Engg. & Foundry Works Pvt. Ltd., M/s Kuttner GmbH, Germany, M/s FEE Mineral India Pvt. Ltd., Chennai & Claudius Peters Projects GmbH, Germany, received on 24.07.2006. Technical and commercial evaluations are completed.

Constraints & Issues to be taken up

- i. Proposal approved by Board on 23.01.05 and submitted to GoI for approval on 04.02.05 MoS/GoI by letter dated 20.07.06 informed RINL/VSP to exercise enhanced delegated financial & operation Power after VSP was accorded MINI—RATNA status. Accordingly Board approved the proposal on 26.07.06 with completion period as 15 Months.

- ii. TC held on 05/06/07. TC minutes recommending deviations in terms and conditions approved and communicated to parties for responding by 10/7/07.

Corrective Actions Taken/Being Taken

Completion Schedule will be discussed with the successful Tenderer.

PROJECT-4: POWER PLANT

It is planned to go in for Joint Venture with NTPC for Setting up of the Power Plant in expansion as per the decision taken by Board of RINL.

[Ministry of Steel O.M. No. 11014(6)/2007 Parl., dated 23.10.2007]

Comments of the Committee

(Please See Para No. 1.11 of Chapter-I of the Report)

Recommendation (Sl. No. 8, Para No. 3.20)

The Committee were happy to note that revival packages coupled with concerted efforts had not only achieved turn around for RINL but also transformed it as a profit making and debt free Mini-Ratna Company. The Committee further noted that RINL had achieved a net profit of Rs. 2008.09 crore in 2004-05 as against Rs. 520.69 crore in 2002-03. The Committee were, however, constrained to observe that in view of rapidly increasing operating cost which was Rs. 3846.30 crore in 2002-03 but leaped to Rs. 7646.56 crore in 2006-07, the profit of RINL had drastically declined to Rs. 1252.74 crore in 2005-06 from Rs. 2008.09 crore in 2004-05. The profits were likely to be Rs. 1400.00 crore in 2006-07.

The Committee had been informed that operating cost was escalating due to hike in prices of critical raw material *viz.* imported coking coal and iron ore, unilateral increase of iron ore prices by National Mineral Development Corporation (NMDC), increase in landed cost of raw material and payment of regular corporate tax at 33.66 per cent as against Minimum Alternate Tax (MAT). The Ministry had further stated that various measures for improving the production of Hot Metal and Saleable Steel and increasing the sales along with other cost reduction measures apart from securing raw material were being contemplated to arrest the declining trend in profit.

The Committee found that RINL had taken several measures to contain the operating cost but these initiatives have not made significant

impact on the financial performance of the company and the operating cost continues to escalate year after year. The Committee in their 17th Report had recommended that RINL should devise long-term plan keeping in mind the uncertainty of steel industry and make efforts pro-actively to contain the operating cost and ensure consistency in profits. The Committee further noted that in 2005-06, nearly 40 per cent was spent on raw material and 20 per cent to meet expenses on stock depletion, stores & spares, power and fuel and repairs & maintenance, etc. The Committee observed that RINL had to make efforts to reduce the operating cost drastically keeping in mind the escalating cost of inputs and emerging threat from new technologies.

The Committee, therefore, reiterated their earlier recommendation to reduce the operating cost and desired RINL to take effective measures to contain the escalating operating cost by relying more and more on newer and efficient technologies. The Committee also recommended that the Ministry should constitute a special audit team to verify and suggest the measures to bring down the operating cost of RINL and the Committee might be apprised in this regard.

Action Taken

Strategic initiatives to reduce the cost of production: In line with the company-wide special thrust on cost reduction, all the departments take initiatives for reducing cost and generate additional revenue. The potential technical parameters are selected at the beginning of the year for improvement over previous year and committed by the departments. These savings are monthly monitored and reviewed. The main cost reduction initiatives adopted at VSP are brought out below:

Substitution of materials for Cost advantage: Many innovations have been carried out for utilizing lesser cost materials without compromising the quality of output and the same is being pursued vigorously. Some of them are:

- Nut Coke in partial replacement of Metallurgical Coke in Blast furnace.
- LD Slag at Sinter plant and BF as flux material to replace BF Limestone.
- Coke dust as partial replacement of Coke breeze in Sinter plant.

Recovery of waste materials and recycling: The waste materials generated in the plant are identified continuously and are gainfully

utilized for improving the environmental conditions as well as cost saving. The major items are:

- Recycling of Tar sludge and Benzol Muck in place of charge coal to the extent possible.
- Partial replacement of Iron Ore fines with Metallurgical waste generated in the plant.
- Separation of Steel scrap from LD Slag by magnetic separators.
- Recovery of steel / Iron scrap from various dumps and maintenance scrap.
- Collection and processing of Copper scrap from electric motors, tyres etc. and its usage for making value-added heats.
- Briquetting of lime fines and their usage in place of coarse lime in LD converters.
- Reclamation of used Lube oils and its usage in place of fresh oil.
- Utilization of used lube oil (which can't be reclaimed) as a fuel in CRMP.
- Usage of used Silica bricks to replace Quartzite lump in BF.
- Usage of discarded Carbon blocks of BF in place of petro coke in SMS.

[Ministry of Steel O.M. No. 11014(6)/2007 Parl., dated 23.10.2007]

Comments of the Committee

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

Recommendation (Sl. No. 10, Para No. 4.18)

The Committee emphasised that an access to raw material in right quantities/quality and at right time was critical for profitability and growth of steel companies. The Committee noted that RINL had no captive mines and presently meeting out its requirement of iron ore fines and lumps from National Mineral Development Corporation (NMDC), medium coking coal from indigenous sources and soft coking coal from abroad. RINL had been taking measures like blending imported coking coal with indigenous medium coking coal, installation of Pulverized Coal Injection

(PCI) system and using Natural gas in blast furnaces to reduce the consumption of raw material.

The Committee further noted that RINL had also taken various steps to secure the availability of raw material and had since been allotted Mahal coal block whereas the allotment of Tenughat—Jhirki coking coal block in Jharkhand and non-coking coal blocks in Andhra Pradesh was under consideration with the Ministry of Mines. In so far as securing the adequate availability of iron ore, the RINL had entered into Memorandum of Understanding (MoU) with NMDC to set up Pelletisation unit in Chhattisgarh and was planning to set up one more Pelletisation unit in Andhra Pradesh on joint venture basis. RINL had also applied for iron ore mining leases in Orissa, Chhattisgarh and Jharkhand. The Committee also noted that RINL was in the process of acquiring coking coal mines abroad.

The Committee were dismayed to note that while State Government of Orissa had rejected two iron ore mining lease applications out of five leases applied by RINL on the ground that RINL had no plan or programme for establishment of mineral based industry in the State. The remaining three applications were still pending with them. The State Government of Chhattisgarh had also rejected one mining lease application of RINL since the prospecting licence already granted to a private company while no decision taken on its other applications. The State Government of Jharkhand had also rejected its lone application on technical grounds.

The Committee were extremely concerned to note that problem of the availability of iron ore to RINL was a very grave one and needed to be addressed quite seriously as it was shelling out a major share of its profit for raw material and it was the only steel plant under the public sector undertaking which did not have a captive mine.

The Committee also noted that in pursuance of directions given by them in the meetings held on 16.10.2006 with the representatives of the Ministries of Steel, Mines and Railways, RINL, NMDC and representatives of the State Governments of Chhattisgarh, Jharkhand, Karnataka and Orissa to thrash out the issue of availability of raw material to Steel PSUs, the Secretary, Ministry of Mines had convened a meeting with all Ministry/State Governments and PSUs concerned. The Committee were, however, concerned to note that no visible improvement had been noticed with regard to availability of raw material to Steel PSUs specially RINL as the applications for the allotment of mining lease to the PSUs were still pending with various State Governments.

Keeping in view the capacity addition by steel companies across the world coupled with unprecedented rise in the prices of key inputs, the Committee felt that without having an assured supply of iron ore, a basic raw material for the steel plant, the expansion programme of RINL would not yield the desired results. The Committee were of the view that allotment of captive mines to RINL was extremely essential for its profitable sustenance.

The Committee, therefore, recommended the Ministry of Steel to take up the issue of allotment of captive mines to RINL at the highest level with the Ministry of Mines in close coordination with the State Governments concerned. The Committee also recommended to bring necessary changes in Policy, etc. to accord priority to steel PSUs in allotment of captive mines.

The Committee further desired the Ministry of Steel to ensure early commencement of mining works by RINL in Mahal coal blocks and the Ministry of Mines might be approached for expediting the applications of RINL for allotment of coking coal and non-coking coal blocks in Jharia Coalfields in Jharkhand and Khammam District in Andhra Pradesh respectively.

Action Taken

The status of efforts of acquisition of mines by RINL is given below:—

Coking Coal – Jharkhand

Pre – feasibility report for Mahal Coal Block was received from CMDPI, Ranchi on 16.11.2006. Notification for publishing in the Gazette of India under section 4(1) of C.B.A Act 1957 was sent to 6 parties to offer budgetary quotations for preparation of Detailed Project Report (DPR), Mining Plan (M.P.), Progressive Mine Closer Plan (MCP), Environment Impact Assessment (EIA), Environment Management plan (EMP). Land acquisition and other statutory reports are to be carried out. Proposal for engaging a consultant has been initiated.

RINL also applied for Tenughat - Jhirki coking coal in Bokaro Distt., Jharkhand where the block is of 2.5 sq. kms with reserves of 203.98 million tonnes. Presentation was made to the Screening Committee on 25.8.2006. Allotment by Ministry of Coal is still pending. Ministry of Steel has taken up with Ministry of Mines and the State Govt. of Jharkhand.

Non-Coking Coal – Andhra Pradesh

Applied for three blocks located in Khammam district in the State of Andhra Pradesh. Presentation was made to the Screening Committee on 2.9.2006 and 8.9.2006. Allotment by Ministry of Coal is still pending. Ministry of Steel has taken up with Ministry of Mines and the State Govt. of Andhra Pradesh.

[Ministry of Steel O.M. No. 11014(6)/2007 Parl., dated 23.10.2007]

Comments of the Committee

(Please See Para No. 1.17 of Chapter-I of the Report)

Recommendation (Sl. No. 13, Para No. 5.13)

The Committee noted that as per projections made in the National Steel Policy, the production of steel in the country was expected to increase to 60 mt by 2011-12 and 110 mt by 2019-20. Keeping in view the National Steel Policy, RINL had also planned to expand the capacity in phases with a vision to become a continuously growing world-class steel plant. Initially, it was proposed to expand the capacity to 6.3 mt from the present level of 3.5 mt by 2008-09. It has also planned to raise the capacity to 8.5 mt by 2010-11, 13 mt by 2014-15 and 16 mt by 2019-20. The Committee noted that at present, RINL's products were 100 per cent long-bars, re-bars, wire-rods and structurals that are used in the construction industry. During the first-phase of expansion, RINL would continue to produce long-products in view of the company's brand image and to meet the envisaged demand for wire-rods. During second-phase of expansion, special coils would be produced to meet the demand of the automobile and oil & gas units.

The Committee hoped that expansion plan of RINL would strengthen its competitiveness and ignite further growth and development of steel sector. The Committee, therefore, desired RINL to gear up to complete the mammoth task of expansion within the scheduled period and attains world benchmarks in all parameters in its expansion programme and explore the possibilities for technological tie-ups with Steel Authority of India Limited (SAIL).

The Committee further observed that as domestic economy was on the growth path, huge investment was pouring in for infrastructure development and global steel companies were entering in the domestic steel sector, RINL had to look beyond 2020. The Committee, therefore, recommended that RINL should devise a road-map for its growth and development beyond 2020 and start ground works for creating enabling infrastructures.

Action Taken

Schedule, Cost, Work Progress, Constraints & Issues to be taken up, and corrective actions taken/being taken regarding Visakhapatnam Steel Plant expansion from 3 Mtpy to 6.3 Mtpy of Liquid Steel are given below:—

Schedule

Original approved date of commissioning	Stage-I : 27.10.2008 (SP-3, BF-3, SMS-2, WRM-2, SLTM) Stage-II : 27.07.2009-SBM 27.10.2009-SM
Now anticipated.	31.12.2009

Cost

Original approved. (Base 2nd Qtr. 2005)	Rs. 8692 crore
Latest approved	Rs. 8692 crore
Anticipated	Rs. 10500 crore
Expenditure till Mar '06	Rs. 1.77 crore
Expenditure in 2006-07	Rs. 310.50 crore
Expenditure in 2007-08 (Till May '07)	Rs. 36.90 crore
Consultancy Paid	Rs. 0.36 crore
Cumulative Expenditure till 31.05.07	Rs. 349.53 crore

Work progress

- Orders have been placed for 46 specifications (Value Rs. 5323.44 crore) as on 25/6/2007 like piling, civil, structural & main units.
- Agreement signed with M/s TPE, Russia for Sinter Plant-3 Rs. 728.35 crore on 01.05.07. Contractual Completion date 01.11.09. Work started.
- Agreement signed with M/s L&T/Paulwirth for Blast Furnace-3 Rs. 1545.53 crore on 11.05.07. Contractual Completion date 10.11.09.
- LoA for Vertical Shaft Kiln (CRMP) placed on 24.05.07 to M/s Terruzi Fercalx, Italy Rs. 105.61 crore. Agreement expected 30.06.07 and Contractual completion date, 22 Months from date of Agreement.
- LoA for SMS-CCM on 29.05.07 to M/s Danieli & Co. Rs. 538.87 crore. Agreement expected 30.06.07 and Contractual completion date, 25 Months from date of Agreement.

- LoA for WRM-2 placed on 29.05.07 to M/s Morgan (Ind & US) & MECON Rs. 622.36 crore.
- LoA issued for SMS-LF & RH on 11.06.07 to M/s SMS DEMAG Rs.184.85 crore.
- LoA issued for TB-4 (TPP & BH) on 11.06.07 to M/s BHEL & M/s MAN-Turbo Rs.137.28 crore.
- FAX LOA issued for SMS-Converter on 23.06.07 & M/s SMS DEMAG became L1 Rs. 752.75 crore.

Constraints & Issues to be taken up

1. Process equipment suppliers asked more completion time & submitting incomplete Technical offers necessitating clarifications and prolonged technical discussions, thus causing delay in finalization.
2. International bidders are not adhering to the dates given by VSP for clarifications and subsequent discussions.
3. Acute shortage of Skilled & Highly skilled Category of Workforce. (Welders, Carpenters, Bar Benders & Crane Operators.)
4. Non-availability of working fronts due to delay in Placement of Order for WRM & SLTM. WRM LoA issued on 29.05.07. SLTM LoA is expected by end of July 2007.

Corrective Actions Taken/Being Taken

- Meetings are being taken at GM/ED/Director/CMD level for improvement.
- Regarding Contractual Labour issue, efforts are being made at the State Government Level with Honourable Minister of Labour.
- Efforts are being made to constitute Wage committee with Deputy Labour Commissioner.
- For major Process packages, bonus & penalty clauses have been provided in the bid documents.
- Changes/modifications in the commercial conditions were made for packages like SP-3, BF-3 and WRM-2 and further changes in clauses are being offered in SMS packages to attract Key players. Commercial condition changes made for packages like SP-3,

BF-3 & WRM-2 incorporated in stage-II package of Special Bar Mill & Structural Mill.

- Pre-Bid conference is proposed for ASP (BOO) package.

Regarding technological tie-up with SAIL, RINL is more advanced in its technology in many areas and already achieves better techno-economics than SAIL plants. RINL and SAIL units also interact with each other to Bench Mark certain performance parameters and RINL has improved its performance in certain areas by learning from SAIL.

An MoU was signed between SAIL, RINL and NMDC on 17th August, 2007 for setting up a 4 Mtpa integrated steel plant in Chhattisgarh. M/s MECON Ltd. was appointed as the consultants by SAIL. The first meeting of the three organizing PSUs was held on 18th September 2007 and further action as required is being taken. The production targets set by RINL is 16 million tonnes by 2019-20 in a phased manner. The liquid steel capacity is proposed to be increased to 3.5 million tonnes in the phase-I expansion by December 2008 and to 6.8 million tonnes by March 2012 and 10.5 MT by 2018 and ultimately 16 MT by 2020.

[Ministry of Steel O.M.No.11014(6)/2007 Parl., dated 23.10.2007]

Comments of the Committee

(Please See Para No. 1.22 of Chapter-I of the Report)

CHAPTER V

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

Recommendation (Sl. No. 9, Para No. 3.21)

The Committee noted that payment of corporate tax at an exorbitant rate of 33.66 per cent is leaving RINL with little resources for investment in the future development plans. The Committee, therefore, recommended the Ministry of Steel to take up the matter with the Ministry of Finance to provide financial relief to RINL as a special case by rationalizing the taxes, etc. till the completion of expansion plan *i.e.* 2012.

The Committee desired that the Road-Map for Business Promotion should be implemented in a time-bound manner so that the desired results can be achieved.

Action Taken

The matter regarding payment of corporate tax at an exorbitant rate of 33.66 per cent is being taken up by RINL with Ministry of Finance through Ministry of Steel.

As regards Road—Map for Business Promotion is concerned, the same is under study. In the on—going expansion to 6.3 Mt, four new rolling mills are going to be commissioned. The product range in this expansion will be wire rod coils, special bar products, structural products and seamless pipes.

With a view to identify requirements of the consumers, region-wise and frame a long-term perspective plan, a Committee consisting of officials from Marketing Department has been constituted. The Committee will map the growing demand for the products of RINL for all the envisaged finishing mills in Phase-1 expansion. The Committee will be submitting its report in 2008.

[Ministry of Steel O.M. No. 11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 11, Para No. 4.19)

The Committee understood that due to the financial crunch being faced by the State Governments, their insistence on value-addition was one of the pre-conditions for allotment of captive mines. The Committee, therefore, desired RINL to consider setting up of any mineral based industry involving value-addition in Orissa for early allotment of captive mines. The Committee also desired RINL to act on war footing for acquiring the coking coal mines abroad and getting supply of Natural Gas so as to ensure long-term availability of raw material required for meeting its current and future growth plans.

The Company should also point out to the State Governments that the Company which already had a working plant can be a source of good revenue to the State than a new Company which had yet to set up the plant and exploit the mine and hence it should be given preference in allotment of mines, etc.

Action Taken

Regarding getting supply of Natural Gas, the status is given below:

Earlier a projection was made for 4 MMSCD (Million Standard Cubic meters per day) of natural gas up to the year 2010 considering the plan of using in the existing two Blast Furnaces to enhance the capacity to 5 Mtpa. However, in view of change in the corporate plan due to non-confirmation regarding availability of natural gas, it was decided to adopt Pulverized Coal Injection (PCI) along with oxygen enrichment in BF-3 in place of natural gas. The third Blast Furnace proposed under expansion to be commissioned by end of 2009 will operate on PCI.

However, VSP shall be embarking on expansion plan to enhance its capacity to 8.5 Mtpa further by 2011 where in it is proposed to use Natural gas. The requirement of natural gas during 2001-12 shall be about 4 MMSCD

As on date, VSP entered into Memorandum of Understanding (MoU) with M/s Gujarat State Petro Chemicals Ltd. (GSPC) and M/s Gas Authority of India Ltd. (GAIL) for supply of natural gas. As per the indications given by GAIL, gas is expected to be available by 2009. Based on the certainty of available gas, Gas Sale Agreement (GSA) shall be finalized after examining the other details such as modality of supply, financial viability of the usage of gas *vis-à-vis* metallurgical coke etc.,

Regarding acquiring coking coal mines abroad, the status is given below:

VSP has received five responses from Australia and three from USA from coking coal miners for setting up Joint Ventures. Action is being taken to finalize the proposals. Apart from this, Ministry of Steel has constituted a Committee under the Chairmanship of former Director (Finance), Rashtriya Ispat Nigam Ltd. (RINL) to submit a Status Paper on "Securing Coking Coal Supplies for Steel Authority of India Ltd. (SAIL) and Rashtriya Ispat Nigam Ltd. (RINL)". Based on the Recommendations of the Committee, an Empowered Special Purpose Vehicle (SPV) comprising Steel Authority of India Limited (SAIL), Coal India Limited (CIL), Rashtriya Ispat Nigam Ltd. (RINL), National Thermal Power Corporation (NTPC) and National Mineral Development Corporation (NMDC) has been proposed for incorporation for the purpose of acquisition of coal mining companies/properties in overseas territories. The proposed SPV would specifically cater to meet the requirements of coking and thermal coal of the participant companies. This proposal is under finalization.

Regarding setting up of any mineral based industry involving value-addition in Orissa for early allotment of captive mines, the status is given below:

VSP made a proposal to a Committee appointed by MoS for restructuring of BIRD Group of companies that it is interested in acquiring major stake in OMDC which has 290 million tonne reserve of Iron Ore as per their estimates. VSP proposed that it will invest for an Integrated plant in Orissa if OMDC is acquired by VSP.

[Ministry of Steel O.M. No. 11014(6)/2007 Parl., dated 23.10.2007]

Recommendation (Sl. No. 19, Para No. 6.32)

The Committee noted that in the wake of buoyancy in the steel market and huge profits of SAIL and RINL, the Ministry of Steel had constituted an Expert Group to study the requests of small PSUs to merge either with SAIL or RINL. Keeping in view that the major steel producers across the world were strengthening their operation and competitive edge through planned mergers and acquisitions, the Committee were of the opinion that RINL should also venture into merger and acquisition for not only to remain strong but also to gain access to captive mines and more resources.

The Committee, therefore, recommended that RINL should look at the merger and acquisition opportunities in India and abroad to

consolidate its position. The Committee also recommended the Ministry to expedite the task of Expert Group constituted for studying the merger and acquisition of small PSUs either with SAIL or RINL and implement its Recommendations in order to sharpen the competitive edge of Steel PSUs. The Committee would like to be apprised in this regard.

Action Taken

RINL is exploring the acquisition opportunities through formation of a Special Purpose Vehicle (SPV) to secure metallurgical coal and thermal coal assets from overseas. The proposal is under finalization. The Expert Group constituted for studying the merger and acquisition of small PSUs has submitted its report and the Recommendations are under implementation.

[Ministry of Steel O.M. No. 11014(6)/2007 Parl., dated 23.10.2007]

NEW DELHI;
16 October, 2008
24 *Asvina*, 1930 (*Saka*)

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

ANNEXURE I

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON
COAL AND STEEL (2008-09) HELD ON 11TH AUGUST 2008 IN
COMMITTEE ROOM 'D', PARLIAMENT HOUSE ANNEXE,
NEW DELHI

The Committee sat from 1530 hours to 1615 hours for consideration and adoption of draft Action Taken Report on 26th Report on the subject "Review of Performance of Rashtriya Ispat Nigam Ltd. (RINL)".

PRESENT

Shri Yashwant Sinha — *In the Chair*

MEMBERS

2. Shri Hansraj G. Ahir
3. Shri Hiten Barman
4. Shri Chandra Shekhar Dubey
5. Shri Chandrakant B. Khaire
6. Shri Vikrambhai Arjanbhai Maadam
7. Shri Raghuraj Singh Shakya
8. Smt. Karuna Shukla
9. Shri Sugrib Singh
10. Shri M. Anjan Kumar Yadav
11. Shri Anirudh Prasad *alias* Sadhu Yadav
12. Shri Mohd. Ali Khan
13. Dr. T. Subbarami Reddy
14. Shri Jesudas Seelam

15. Shri Jai Prakash Narayan Singh
16. Shri Ali Anwar Ansari
17. Shri R.C. Singh *alias* Ram Chandra Singh

SECRETARIAT

1. Shri A.S. Chera — *Director*
2. Shri Raj Kumar — *Deputy Secretary*

2. In the absence of the Chairman, the Committee chose Shri Yashwant Sinha to act as Chairman for the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha. Thereafter, he welcomed the Members to the sitting of the Committee.

3. The Committee then took up for consideration the draft Report on Action Taken by the Government on the Recommendations contained in the Twenty-sixth Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2006-07) on the subject "Review of Performance of Rashtriya Ispat Nigam Ltd. (RINL)". The Committee adopted the draft Report with minor modifications.

4. The Committee authorised the Chairman to finalise the Report and present the same to both the Houses of Parliament.

The Committee then adjourned.

ANNEXURE II

(Vide Para IV of Introduction)

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

I.	Total No. of Recommendations made	20
II.	Recommendations/Observations which have been accepted by the Government: <i>(vide Recommendation at Sl. Nos. 2, 3, 4, 5, 12, 14, 15, 16, 17, 18 and 20)</i>	11
	Percentage of total	55%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies: <i>(vide Recommendation at Sl. No. 6)</i>	01
	Percentage of total	5%
IV.	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: <i>(vide Recommendation at Sl. Nos. 1, 7, 8, 10 and 13)</i>	05
	Percentage of total	25%
V.	Recommendations/Observations in respect of which final replies of the Government are still awaited: <i>(vide Recommendation at Sl. Nos. 9, 11 and 19)</i>	03
	Percentage of total	15%

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