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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 Thirty-third Report of the Standing Committee on Coal and Steel (Fourteenth Lok Sabha) on Demands for Grants (2008-2009) of the Ministry of Steel]

THIRTY-EIGHTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

December, 2008/*Agrahayana*, 1930 (*Saka*)

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Presented to Lok Sabha on 12.12.2008

Laid in Rajya Sabha on 12.12.2008

सत्यमेव जयते

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ON COAL AND STEEL (2008-09)

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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
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16. Shri Rewati Raman Singh
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20. Shri Anirudh Prasad a*lias* Sadhu Yadav
21. Shri Arun Yadav

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22. Shri Mohd. Ali Khan
23. Dr. T. Subbarami Reddy
24. Shri Jesudas Seelam

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*Resigned from the Membership of Lok Sabha on 11.11.2008.

25. Shri Yashwant Sinha
26. Shri Jai Prakash Narayan Singh
27. Shri Ali Anwar Ansari
28. Shri T.K. Rangarajan
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1. Shri A. Louis Martin	—	*Joint Secretary*
2. Shri A.S. Chera	—	*Director*
3. Shri Shiv Singh	—	*Deputy Secretary*
4. 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-eighth Report on Action Taken by the Government on the Recommendations/Observations contained in the Thirty-third Report of the Standing Committee on Coal and Steel (Fourteenth Lok Sabha) on "Demands for Grants (2008-2009)" of the Ministry of Steel.

2. The Thirty-third Report of the Standing Committee on Coal and Steel (Fourteenth Lok Sabha) was presented to Lok Sabha on 16th April, 2008. Replies of the Government to all the Recommendations/Observations contained in the Report were received on 29th September, 2008.

3. The Standing Committee on Coal & Steel considered and adopted this Report at their sitting held on 5th December 2008.

4. An analysis on the Action Taken by the Government on the Recommendations/Observations contained in the Thirty-third Report (Fourteenth Lok Sabha) of the Committee is given at Annexure-III.

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;
5 *December,* 2008
14 *Agrahayana,* 1930 *(Saka)*

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

CHAPTER I

REPORT

This Report of the Standing Committee on Coal and Steel deals with Action Taken by the Government on the Recommendations/ Observations contained in their Thirty-third Report (Fourteenth Lok Sabha) on Demands for Grants (2008-09) of the Ministry of Steel which was presented to Lok Sabha/laid in Rajya Sabha on 16th April, 2008.

1.2 The Report contained 14 Recommendations/Observations. Action Taken Notes have been received from the Ministry of Steel in respect of all the Recommendations/Observations contained in the Report. These have been categorised as follows:

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

Recommendation Sl. Nos. 1 (Para No. 1.7), 2 (Para No. 2.1) 3 (Para No. 3.9), 5 (Para No. 3.27), 6 (Para No. 3.28), 7 (Para No. 3.32), 9 (Para No. 4.14), 10 (Para No. 4.15), 11 (Para No. 4.24), 12 (Para No. 5.13) and 14 (Para No. 5.24).

Total-11 (Chapter II)

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

NIL (Chapter III)

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

NIL (Chapter IV)

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

Recommendation Sl. Nos. 4 (Para No. 3.18), 8 (Para No. 3.38) and 13 (Para No. 5.18)

Total-3 (Chapter V)

1.3 The Committee desire that the replies to the Recommendations/ Observations contained in Chapter-I and Chapter-V should be furnished to them expeditiously.

1.4 The Committee also desire that utmost importance should be given to the implementation of the Recommendations/Observations accepted by the Ministry. In case, it is not possible for the Ministry 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 their Thirty-third Report.

Award of works to HSCL

Recommendation Sl.No. 7 (Para No. 3.32)

1.6 The Committee noted that in the Annual Plan 2008-09, Budgetary Support had been provided in the form of interest subsidy of Rs. 59.19 crore and Rs. 6.60 crore for waiver of guarantee fee to Hindustan Steelworks Construction Ltd. (HSCL) towards implementation of Voluntary Retirement Scheme (VRS). The Committee in their earlier Reports had recommended that the restructuring proposal of HSCL should be approved at the earliest. The Committee, however, found that the proposal of restructuring of HSCL including settlement of arrears of the employees was yet to be approved. Any further delay in this regard would further deterorate the balance sheet of HSCL. The Committee, therefore, re-emphasised that the restructuring proposal of HSCL should be approved without any further delay.

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

1.7 The Ministry of Steel in their Action Taken Reply have stated that the proposal for restructuring of HSCL has been approved by Bureau for Reconstruction of Public Sector Enterprises (BRPSE) during its meeting held on 13.5.2008. The proposal aims at improving the financial and physical structure of the company. Action has been initiated by the Ministry to seek the approval of the Cabinet by circulating a draft cabinet note to concerned Ministries/Departments of Govt.

As regards awards of work to HSCL by Steel PSUs on priority basis, it is submitted that in case of capital project, Steel Authority of India Ltd. (SAIL) awards work on competitive bidding and whenever HSCL participates in SAIL tenders, HSCL is being awarded work on the basis of their competitive bidding (L1). Reshtriya Ispat Nigam Ltd.

(RINL) has also been extending preference/support to HSCL by obtaining special approvals wherever necessary in tenders where HSCL is participating.

1.8 The Committee appreciate that RINL has been extending preference/support to HSCL in awarding works but are at a loss to understand why SAIL has not taken similar steps and is awarding work only on the basis of competitive bidding. The Committee would like to be informed of the reasons in this regard and would like to reiterate that SAIL should accord priority to HSCL in awarding of works.

Development of Mines by SAIL

Recommendation Sl. No. 9 (Para No. 4.14)

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

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

1.10. The Ministry of Steel in their Action Taken Reply have stated that the Budget Estimates for Capital Expenditure of SAIL PLants for 2008-09 amounting to Rs. 4674 crore has already been approved by Government of India. Based on actual progress of the schemes, this outlay will be reviewed in October/November 2008. However, following measures have been taken for effective utilization of earmarked funds to avoid time and cost overruns in implementing the schemes:

> "In order to ensure that the projects are completed on schedule, the projects are monitored on day to day basis by the respective

Project Managers of the plats and the Project Heads. Further, the project is monitored by the Plant Level Standing Committee comprising of Head of Projects, Head of Works and Head of Finance on a monthly basis. This Plant Level Standing Committee submits its action plan to the Managing Director/Chief Executive of the Plant for remedial actions, if any, to be taken to ensure that the projects are completed in time. Managing Director/Chief Executive of the Plant reviews the projects every month for timely action to complete the projects on schedule.

Further a Board Sub-Committee, comprising of two independent Directors, Director (Technical) and Managing Director of the Plant, has been constituted to review the major projects (Rs. 100 Crore & above) on a quarterly basis. The major projects are further reviewed at the level of Secretary (Steel), Ministry of Steel, on a quarterly basis.

As a step towards ensuring full utilization of earmarked funds thereby expediting completion of projects as per schedule, SAIL has simplified its purchase and contract procedures. The new procedure aims at meeting the expectations of internal and external customers, transparency requirements, improving the speed of decision making, instilling confidence amongst the decision taking authorities, etc. for timely implementation of ensuing projects.

For Rowghat, Chiria and Taldih mines, the proposal for appointment of Consultant for development of mines including beneficiation and pelletisation plant have been approved by SAIL Board. The tenders have already been issued and the evaluation is in advanced stage. As far as Thakurani mine is concerned, the application for prospecting license has already been filed with the Government of Orissa. However, the development of the mines will depend upon statutory clearances from Government of India."

1.11 It is not clear from the reply whether there is any delay in getting license from the Government of Orissa for Thakurani mine. If that is the case, it is the responsibility of the Ministry of Steel to take up the matter with the State Government of Orissa at the highest level and ensure speedy clearance. This is ncessary for synchronization of the on-going expansion programme of SAIL with the development of the mines to ensure that there are no bottlenecks regarding availability of inputs on commissioning of the new units.

Supply of Coal to Small Scale Steel Sector

Recommendation Sl. No. 12 (Para No. 5.15)

1.12 The Committee had, *inter-alia*, desired the Ministry to take necessary steps for uninterrupted supply of superior quality of non-coking coal to small scale industry.

1.13 The Ministry of Steel in their Action Taken Reply have stated, *inter-alia*, that the matter regarding allocation of superior grade coal linkages as well as allotment of coal blocks with superior quality sponge iron grade non-coking coal and coking coal, have been taken up with the Ministry of Coal at appropriate level of respective Committees constituted for examination and recommending of coal linkage and coal block. These are also subjected to other techno-economic factors such as geographical location and availability of logistics and transportation arrangement.

1.14 Having noted that providing necessary feedstock to small scale steel sector is one of the objectives envisaged in National Steel Policy, the Committee had recommended that necessary steps be taken for uninterrupted supply of superior quality of non-coking coal to small scale steel sector. The Ministry of Steel have not given any specific response to this recommendation. The Committee hope that the Ministry of Steel have taken note of the Committee's recommendation for necessary action.

The Committee would, however, suggest the Ministry to hold a tripartite meeting where the representatives of the small scale steel sector and the Ministry of Coal are also present to arrive at an amicable solution to the problems of small scale steel sector.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 1.17)

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

Action Taken

As regard monitoring and implementation of steel projects and remove bottlenecks Prime Minister has approved constitution of an Inter Ministerial Group (IMG) under the Chairmanship of Secretary (Steel) to monitor and coordinate issues concerning major steel investments in the country. The other members are Secretaries of Department of Industrial Policy and Promotion, Department of Shipping, Department of Road Transport & Highways, Ministry of Mines, Ministry of Environment and Forests, Member (Traffic) of the Railway Board and as well as Chief Secretaries of the concerned State Government.

Further, Ministry of Steel is undertaking a study of the status of infrastructure as well as augmentation requirements in terms of road and rail networks, ports and the water sectors in various steel producing States.

Public Sector steel plants namely SAIL and RINL have taken several initiatives to achieve international norms of consumption and to attain international standards on productivity, energy consumption and quality of steel products. While existing steel plants are continuously modernizing and adopting latest technological innovations, new plants have been set up/are being set up with the state-of-art technologies. Government is also encouraging induction of modern equipment and process technologies through liberalized import regime. After the completion of modernization/technology upgradation in the existing steel plants and completion of the new steel plants, major Indian steel producers are expected to be world class subject to availability of world class raw material and other inputs.

[Ministry of Steel O.M. No. H-11014(3)/2008-Parl.
dated 24th September, 2008]

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

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

Action Taken

A Technical Committee headed by Chairman, JPC and comprising of representatives of steel producers and key industry associations have been constituted to provide overall guidance/direction to the study. The Technical Committee has decided to outsource the study to a professional agency, with expertise and record of completion of similar projects in the past. In its last meeting, held on 17th July 2008, the Technical Committee short-listed three agencies for conducting the study. These agencies are being approached with the Terms of Reference (ToR) for the study with the request to submit their respective proposals involving both technical and commercial bids.

[Ministry of Steel O.M. No. H-11014(3)/2008-Parl.
dated 24th September, 2008]

Recommendation (Sl. No. 3, Para No. 3.9)

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

It is, however, pertinent to note that whereas the Budget Estimate (BE) for 2008-09 has increased to Rs. 9543.00 crore as compared to that of Rs. 6203.70 crore in 2007-08, the Revised Estimate (RE) for 2007-08 was reduced to only Rs. 4325.81 crore. It is evident from this that there is wide variation between BE and RE from which the Committee are inclined to conclude that either the estimates on the part of the Ministry are not realistic or they have utterly failed to utilize the estimated funds subsequently. The Committee have time and again emphasized the need for preparation of realistic estimates as far as possible. The Committee would like to be apprised of the precise reasons due to which the RE in 2007-08 were sharply reduced and would also like to be satisfied that the steep increase in the BE in 2008-09 would be fully utilized.

Action Taken

The reduction in the Plan outlay of the Ministry in RE 2007-08 *vis-a-vis* the approved outlay for BE 2007-08 was mainly due to the reduction in the outlays of SAIL, RINL, NMDC and KIOCL. The reasons due to which these 4 PSUs reduced their respective Plan outlays for 2007-08 are given in **Annexure I**.

As regards the steep increase of Rs. 3339.30 crore in the Plan outlay for BE 2008-09 (Rs. 9543.00 crore) *vis-a-vis* that for 2007-08 (Rs. 6203.70 crore), this increase is almost entirely due to the increase in the 2008-09 outlays of SAIL and RINL. While SAIL's outlay has been raised from Rs. 2641.00 crore in BE 2007-08 to Rs. 4674.00 crore in BE 2008-09 (increase of Rs. 2033.00 crore), that of RINL has been raised from Rs. 3056.70 crore to Rs. 4166.00 crore (increase of Rs. 1109.30 crore).

The increased outlay for SAIL in 2008-09 is due to the expansion plans of the company initiated during 2007-08. As the implementation of various schemes/projects relating to the expansion plans of SAIL is likely to pick up steam from 2008-09 onwards, the capital expenditure of the company during 2008-09 (and in subsequent years) would also increase significantly. In fact, capital expenditure of SAIL during the first two months of 2008-09 was Rs. 409.00 crore which is higher by more than 100% compared to corresponding period of previous year 2007-08. If this expenditure trend is sustained, it is expected that SAIL would be able to utilize the entire Plan outlay for 2008-09.

Similarly, RINL is also in the midst of implementing its flagship scheme of 6.3 MTPA capacity expansion. Contract-wise micro detailing of expected expenditure has been worked out for the expansion plan. It is expected that with the contracts for major packages already finalized/signed and site activities having commenced, the implementation of expansion plans will gain momentum during 2008-09 thereby resulting in higher capital expenditure during the year. It may be noted that out of RINL's total outlay of Rs. 4166.00 crore in BE 2008-09, Rs. 3000.00 crore has been earmarked for the capacity expansion scheme. Expenditure in respect of other schemes are also expected to take place in the current year 2008-09 as major orders are getting finalized. The company's thrust is now on ordering of balance specifications by Sept.-Oct., 2008. In respect of orders already placed, RINL is following up with designers, suppliers, vendors and sub-vendors for timely supplies. Similar action has been initiated for all site activities. In view of the above, the company is optimistic about being able to fully utilise its Plan outlay for 2008-09.

[Ministry of Steel O.M. No. H-11014(3)/2008-Parl.
dated 24th September, 2008]

Recommendation (Sl. No. 5, Para No. 3.27)

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

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

Action Taken

Ministry of Steel has already prepared the Draft Scheme after getting confirmed allocation of funds for the new R&D Scheme entitled "Promotion of Research and Development (R&D) in Iron and Steel Sector" for 11th Five Year Plan. The Draft Scheme has been sent to the Planning Commission for their vetting as per laid down procedure. In principle approval of Planning Commission has been received on 18.06.2008 and further follow-up action is being initiated.

On the issue of use of non-coking coal for steel production, it is submitted that non-coking coal is already used in iron and steel making in India, details of which are given below:

(i) Production of sponge iron in coal based sponge iron plants where indigenous non-coking coal is used.

(ii) Production of hot metal/pig iron in Corex Plant where mostly imported non-coking coal is used.

(iii) Pulverised coal injection/coal dust injection in blast furnace (for partial replacement of metallurgical coke/coking coal) for production of hot metal/pig iron.

(iv) Production of metallurgical coke (through stamp charge coke oven batteries/heat recovery coke ovens by replacing 5-10% coking coal) for us inblast furnaces for production of hot metal/pig iron.

Further, the recommendations of the Standing Committee for taking up the project "Use of Indigenous non-coking coal" under R&D scheme for steel production was discussed in the 19th meeting of the Empowered Committee (EC) held on 28.5.2008 under the Chairmanship of Secretary (Steel). Having taken a note of the suggestions of the Standing Committee, the EC has decided to call for R&D proposals in specific thrust areas of national importance to be selected based on the aforesaid recommendation and feedback from the Members of the Empowered Committee. The Ministry is taking follow-up action in this direction.

[Ministry of Steel O.M. No. H-11014(3)/2008-Parl.
dated 24th September, 2008]

Recommendation (Sl. No. 6, Para No. 3.28)

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

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

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

Action Taken

RINL has resorted to a number of R&D efforts in collaboration with reputed institutes like IMMT, Bhubaneshwar and IIT, Kanpur. The projects under taken are bio-leaching of phosphorus from LD Slag, use of SMS-GCP sludge briquettes in place of sized iron ore and reduction of residual skull in tundish through water modeling. These efforts are instrumental in lower energy consumption and cost savings in production of steel and other bio-products.

The recommendations/observations of the Standing Committee have been noted and the steel plants have been instructed to take suitable follow-up action at their end. It is, however, submitted that SAIL and RINL, the two public sector steel plants have taken several initiatives to improve their productivity, reduce energy consumption, to improve quality, to reduce cost *i.e.* to improve the overall techno-economics of these plants. The specific strategies adopted towards these objectives include improvement in raw material quality and processing techniques, modernization of old/outdated production facilities to adopt modern, energy efficient, environment friendly technologies and operational practices. Details are given in the annexure.

It is expected that with the implementation of the new technologies and process improvement measures in all the plants in the upcoming modernization/expansion/rebuilding/capital repair programme, the techno-economics of these plants would substantially improve by the turn of the 11th five year plan. However, achievement of global benchmark would still be subject to quality of indigenously available raw materials and gaps in technology, if any.

R&D interventions in these steel plants, so far have been limited to incremental improvements in the parameters mentioned above rather than path breaking developments due to constraints and the policy and philosophy of the companies. However, R&D will be closely associated in all aspects of technological management *viz*. assessment, acquisition, assimilation, adoption and exploitation of the full potential of the new technologies being adopted or to be adopted in the steel plants in the years to come.

Initiatives taken by SAIL and RINL for improvement of techno-economics:

Steel Authority of India Ltd. (SAIL)

I. Initiatives for improvement of techno-economics in Blast Furnaces:

- Improvement in quality of Iron ore lump and fines to bring down the gangue input (Silica and Alumina <4%) in blast furnace by suitable beneficiation at different mines.
- Enhance use of prepared burden *i.e.* sinter and pellet to the tune of 80% in the blast furnace.
- Introduction of auxiliary fuel injection *i.e.* coal tar, coal bed methane/natural gas in all the blast furnaces (CDI: from 50 kg/thm to 150 kg; Coal Tar upto 30 kg/thm).
- Use of oxygen enrichment to enhance production (upto 6%).
- Modernization of stoves to achieve a higher hot blast temperature (upto 1150°C).
- Strengthening of auxiliary/logistic facilities *i.e.* turbo blower, hot metal ladles/torpedo car, blast furnace refractory lining and cooling system.
- Introduction of advance diagnostic tools *i.e.* various probe, instrument, sensor and models etc.

These measures will be incorporated in all these steel plants during upcoming modernization/rebuilding/capital repair in a phase manner.

II. Initiatives to decrease the Specific Energy consumption in SAIL

The present energy consumption level in Steel Authority of India Limited (SAIL) is 6.94 Gcal/tcs. SAIL has planned to bring down energy consumption by about 1 Gcal/tcs through improvement in existing processes and adopting newer energy efficient technologies. Major process improvement & technologies under implementation are given below:

(A) Process improvement in existing plants/facilities

1. Enhancement of coal dust injection rates in all BFs
2. Reduction in coke ash
3. Beneficiation in iron ore to reduce alumina and silica
4. Optimization of bye-product fuel recovery, distribution and its utilization
5. Enhancement of lining life of BOF vessels and ladles
6. Process optimization by use of mathematical model and supervisory control in Blast Furnaces, Steel making and Rolling mills.
7. More frequent in-house inter-plant energy audit to identify potential areas of energy conservation in thermal and electrical energy and implementation of the same.
8. Operation of optimum number of units through proper inter-departmental co-ordination.

(B) Adoption of energy efficient technologies

1. Phasing out high energy consumption process like soaking pits at DSP, BSP and BSL (100% concast route production)
2. Phasing out Twin hearth/Open hearth furnaces in BSP and ISP (to BFO process)
3. Replacement of pusher type reheating furnaces by energy efficient walking beam reheating furnaces at BSP, DSP and ISP
4. Replacement of small capacity BFs in BSP, ISP and RSP with bigger capacity BFs
5. Introduction of Top Recovery Tubines in BFs at BSP, RSP and ISP
6. Introduction of waste heat recovery in the coolers of sinter plants
7. Introduction of Thin slab casting in BSL

It is expected that above-mentioned process improvement and new technologies will be implemented in SAIL plants by 2010-11, which will help to bring down energy consumption level below 6.0 Gcal/tcs.

Rashtriya Ispat Nigam Ltd. (RINL)

(i) Bio-leaching of Phosphorus from LD slag (with IMMT, Bhubaneswar).

The project aims to remove phosphorus from LD slag through bio-leaching to increase the recycling of LD slag through sinter making. This would save cost by saving Limestone and Dolomite.

(ii) Use of SMS-GCP sludge briquettes in place of sized iron ore.

Briquette making from SMS-GCP sludge and subsequent industrial trial was successful and commercial scale production is about to commence. This would cut cost by saving costly iron ore lump.

(iii) Reduction of residual skull in tundish through water modeling (with IIT, Kanpur) to reduce the skull of continuous casting tundish which will reduce cost and specific energy consumption by increasing the yield.

[Ministry of Steel, O.M. No. H-11014(3)/2008-Parl., dated 24th September, 2008]

Recommendation (Sl. No. 7, Para No. 3.32)

The Committee note that in the Annual Plan 2008-09, Budgetary Support have been provided in the form of interest subsidy of Rs. 59.19 crore and Rs. 6.60 crore for waiver of guarantee fee to Hindustan Steel works Construction Ltd. (HSCL) towards implementation of Voluntary Retirement Scheme (VRS). The Committee in their earlier Reports had recommended that the restructuring proposal of HSCL should be approved at the earliest. The Committee, however, find that the proposal of restructuring of HSCL including settlement of arrears of the employees is yet to be approved. Any further delay in this regard would further deteriorate the balance-sheet of HSCL. The Committee would, therefore, like to re-emphasise that the restructuring proposal of HSCL should be approved without any further delay.

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

Action Taken

The proposal for restucturing of HSCL has been approved by BRPSE during its meeting held on 13.5.2008. The proposal aims at improving the financial and physical structure of the company. Action has been initiated by the Ministry to seek the approval of the Cabinet by circulating a draft cabinet note to concerned Ministries/Departments of Govt.

As regards awards of work to HSCL by Steel PSUs on priority basis, it is submitted that in case of capital project, SAIL awards work on competitive bidding and whenever HSCL participates in SAIL tenders, HSCL is being awarded work on the basis of their competitive bidding (L1). RINL has also been extending preference/support to HSCL by obtaining special approvals wherever necessary in tenders where HSCL is participating.

[Ministry of Steel, O.M. No. H-11014(3)/2008-Parl.,
dated 24th September, 2008]

Comments of the Committee

(Please *see* Para No. 1.8 of Chapter-I of the Report)

Recommendation (Sl.No. 9, Para No. 4.14)

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

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

Action taken

The Budget Estimates for Capital Expenditure of SAIL Plants for 2008-09 amounting to Rs. 4674 crore has already been approved by Government of India. Based on actual progress of the schemes, this outlay will be reviewed in Oct./Nov. 2008. However, following measures have been taken for effective utilization of earmarked funds to avoid time and cost overruns in implementing the schemes:

In order to ensure that the projects are completed on schedule the projects are monitored on day to day basis by the respective Project Managers of the Plants and the Project Heads. Further, the project is monitored by the Plant Level Standing Committee comprising of Head of Projects, Head of Works and Head of Finance on a monthly basis. This Plant Level Standing Committee submits its action plan to the Managing Director/Chief Executive of the Plant for remedial actions, if any, to be taken to ensure that the projects are completed in time. Managing Director/Chief Executive of the Plant reviews the projects every month for timely action to complete the projects on schedule.

Further a Board Sub-Committee, comprising of two independent Directors, Director (Technical) and Managing Director of the Plant, has been constituted to review the major projects (Rs. 100 Crore & above) on a quarterly basis. The major projects are further reviewed at the level of Secretary (Steel) Ministry of Steel, on a quarterly basis.

As a step towards ensuring full utilization of earmarked funds thereby expediting completion of projects as per schedule, SAIL has simplified its purchase and contract procedures. The new procedure aims at meeting the expectations of internal and external customers, transparency requirements, improving the speed of decision making, instilling confidence amongst the decision taking authorities, etc. for timely implementation of ensuing projects.

For Rowghat, Chiria and Taldih mines, the proposal for appointment of Consultant for development of mines including beneficiation and pelletisation plant have been approved by SAIL Board. The tenders have already been issued and the evaluation is in advanced stage. As far as Thakurani mine is concerned, the application for prospecting license has already been filed with the Govt. of Orissa. However, the development of the mines will depend upon statutory clearances from Government of India.

[Ministry of Steel, O.M. No. H-11014(3)/2008-Parl.,
dated 24th September, 2008]

Comments of the Committee

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

Recommendation Sl.No. 10 (Para No. 4.15)

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

Action Taken

The steel industry is poised for rapid growth in the next ten years, from the present level of 54 MT of crude steel to 200MT by 2020. SAIL has plans to augment its hot metal production from 14.6 MT (2006-07) to about 26.2 MT by 2010-11 in the ongoing expansion plan. The expansion plan focuses on the following fast growing segments: Construction, Automobile, Transportation of petroleum products and Cold reduction.

For the construction segment, BSP has plans to install 2 six strand billet casters, 1 bar and rod mill and 1 universal beam mill. Similarly at DSP, action has been initiated for putting up a new bar and rod mill and 1 medium structural mill. Similarly, ISP is planning to introduce 2 six strand billet caster, 1 bloom caster, 1 bar mill and 1 heavy section mill. The above facilities will enable SAIL to produce a wide variety of special steel bars and wire rods such as cold heading quality, forging quality, spring steel grades, free cutting grades, electrode quality etc. In addition, parallel flange beam, equal angle, channels squares etc will be manufactured in different qualities.

For the flat products segments with particular reference to auto, line pipe and cold reducers, Bokaro Steel Plant has plans to introduce state-of-art steel making facility with RH-OB, 2 compact strip casters and 1 modern slab caster capable of producing interstitial free (IF), Dual phase and TRIP steels. Down stream processing facility such as a new CRM complex with hot dip galvanizing and hydrogen annealing facility will enable production of a wide array of special cold rolled and galvanized grades by SAIL. A new plate mill capable of rolling

4500 mm wide plates will enable SAIL to produce a wide variety of micro alloyed steel grades for line pipe and construction segment. A new CRNO mill at RSP will help SAIL to maintain its market leadership in electrical steel segment and also provide opportunity to produce higher grades of CRNO such as M-27/M-16 grades.

The modernization programme will enable SAIL to achieve a leadership role in the development and marketing of new special steel products in the country.

RINL is the leader in Integrated Steel Plants in production of Special Steel grades in its production. In 2007-08, 62% of its production was of special steels. Currently it has facilities for long products and it will continue to be in the long products segment in this phase of expansion, in view of increasing demand for long products. The following is the envisaged product Mix with specific quality of special steel products:

Wire rods: 5.5 to 20 mm in coils—medium and high carbon case hardening, cold heading quality, electrode quality and spring steel, bearing steel, free cutting steel etc.

Special bars: 16 mm to 40 mm—in coils and straight lengths—Medium and high carbon, case hardening, cold heading quality, electrode quality, spring steel, bearing steel, free cutting steel, etc.

Structurals: Light structurals including high strength quality (and plain rounds and re-bars depending on the market demand)

[Ministry of Steel O.M. No. H-11014(3)/2008-Parl. dated 24th September, 2008]

Recommendation Sl. No. 11 (Para No. 4.24)

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

The Committee, therefore, recommend that KIOCL should make all out efforts for implementation of planned schemes and utilize the allocated funds in 2008-09. The Committee also recommend that KIOCL should formulate a diversification plan to improve its business in the light of closure of mines as per the directions of Hon'ble Supreme Court. The Committee further desire the Ministry to facilitate KIOCL for approval of contract mining in the mines of NMDC, SAIL and OMDC till grant of mining leases to KIOCL.

Action Taken

1. Functioning of Pellet Plant

Once KIOCL switched its operation for usage of 100% Haematite iron ore for pellet making and started operating the ball mills with full capacity from February 2006, the problem of ultra fine generation surfaced. Problems encountered in the Grinding Plant, Filtration Plant and the Pellet Plant while processing of Haematite ore were addressed with the available in house expertise and as well the advise from M/S METCHEM.

Ministry of Steel had constituted on 27.10.2006 a three members team to study the technical problems being faced by the Pellet Plant. The Expert Team has submitted its report in December, 2006. The report suggested following measures:

- To identify a permanent and regular source of Haematite ore.
- To appoint an experienced process technologist.
- To complete the Laboratory test of characteristics and process cycle for permanent and regular source of raw material.
- Plant modification after completion of above.

Based on the expert's advise certain modifications to the grinding plant flow sheet were carried out which resulted in some marginal improvement. KIOCL is putting all efforts to achieve the desired level of capacity, quality and consistency in production.

On advice from M/S METCHEM, KIOCL decided to get the ore from Donimalai iron ore deposit tested at a laboratory of international repute. M/S COREM LABORATORIES, Canada, who have the required expertise for carrying out the grinding, filtration and pelletisation tests, were identified and work was awarded to M/S COREM for testing of the iron ore samples from Donimalai deposit. M/S COREM completed the Phase-I testing. In their report, M/S COREM concluded that pellets can be made to meet commercial standards without de-sliming. On conducting the optimization tests, the final report received from

M/S METCHEM indicates that good quality pellets can be produced with the filter cake having Blaine in the range of 1950 and process prameters as per the pot grate test conducted at COREM Laboratory. On the behest of Ministry of Steel, Technical Conferences were also organized by KIOCL on 2nd March, 2007 and 28 April, 2008.

In their report M/S COREM have recommended to install Pressure filters to filter the slurry and to replace the cyclones with screens to reduce water consumption. KIOCL is going ahead with the procurement and installation of 3 Horizontal pressure filters in the first phase. They have already introduced screens, wherever possible, in order to reduce the water consumption. As a result of the steps taken by the Company and the Ministry of Steel so far, the production of Pellets has been improved to the extent of 19.27 lakh tonnes during 2007-08 against the production of 6.30 lakh tonnes during 2006-07.

2. Grant of mining leases:

(a) Mining lease at Chikkanayakanahalli (Karnataka)

Govt. of Karnataka recommended a mining lease at Chikkanayakanahalli Iron Ore deposit, consisting of an area of 116.55 Ha. on 6th March 2006. KIOCL application for Exploratory Drilling is under process with MoEF, Govt. of India Approved Terms of Reference for EIA/EMP study has been received from Ministry of Environment & Forests (MoEF). EIA/EMP studies are being carried out for obtaining Environmental clearance from MoEF. KIOCL has submitted Mine Plan for approval to the Indian Bureau of Mines, Bangalore. De-reservation proposal for diversion of forest land for mining purpose to the Forest Department, Govt. of Karnataka. DRP is also under process with Forest Department, Karnataka. Ministry of Mines, Govt. of India, has granted the prior approval of Mining lease for a period of 30 years for the above area as per section 5 (1) of the Mines & Mineral Development and Regulation Act, 1957 *vide* their letter No. 5/18/2008-ML.IV, New Delhi dated 12th June 2008 and Govt. of Karnataka also given consent for the same on 01.08.2008.

(b) Mining lease at Ramanadurg (Karnataka)

The Company had applied for mining lease in Ramanadurg, Karnataka. In principle, Govt. of Karnataka has agreed for allotment of 50% of the deposit to KIOCL. However, the matter was delayed due to stay by High Court. High Court of Karnataka has pronounced its Judgement on 27.11.2006. Government of Karnataka has reportedly filed a Review Petition in the High Court. The hearing has been completed and the judgement is reserved. This has been further taken up by the Secretary (Steel) in a meeting with Chief Secretary, Karnataka on 26.4.2008 to expedite early judgement and allotment of mining lease to KIOCL.,

(c) Mining lease at Khandadhar, Orissa.

KIOCL had applied for mining lease at Khandadhar in Orissa. The drilling/exploratory work has been done by Directorate of Geology, Bhubneshwar. KIOCL has paid an amount of Rs. 1.11 crore for this work. Suddenly, Govt. of Orissa has decided not to allow M/s. KIOCL for setting up beneficiation/pelletisation plant for the iron ore reserves in Khandadhar and recommended to allot mining lease in favour of M/s. POSCO. KIOCL has filed a Writ Petition in the High Court of Orissa in the matter. High Court on 16.4.2007 directed that the objection filed by KIOCL to the orders of the Orissa Govt. may be considered as a Revision Petition by The Mining Tribunal under the Ministry of Mines and disposed of the Revision Petition within 3 months. The Tribunal, Ministry heard the matter on 5th July, 2007 and directed to Govt. of Orissa to dispose of all the applications received for mining lease prior to the POSCO. Department of Mines of Government of Orissa conducted the hearing on 12.11.2007, 30.11.2007 and 10.4.2008. The decision of Government of Orissa is awaited.

3. Implementation of Plan Schemes and utilization of allocated funds in 2008-2009.

During the year 2008-09, an outlay of Rs. 100 crores has been made for implementation of Plan schemes. However, the Audit Committee/Board of the KIOCL has decided to reduce the original outlay from Rs. 100 crores to Rs. 60 crores due to delay in the receipt of possession of the required land for execution of schemes of Permanent Railway Siding & Bulk Material Handling and Infrastructure System at Mangalore as well as delay in execution of DISP (Ductile Iron Spun Pipe) plant due to time consuming process of Global Tendering/Re-tendering.

The entire expenditure envisaged for the Plan scheme would be met out from the internal resources generated by the Company and no budgetary support or grant is envisaged from the Government.

The details of the various schemes being implemented by KIOCL are as under:-

(Rs. in crore)

	Schemes	BE 2008-09	RE 2008-09
A.	**Ongoing Schemes**		
1.	Development of permanent Railway siding at Mangalore	5.00	10.00
2.	Construction of bulk material handling	5.00	5.00
3.	Other Mine Development	5.00	1.00
4.	Ductile Spun Pipe Plant	30.00	25.00
5.	Addition/Modification/Replacements	20.00	14.00
6.	Expenditure on R&D & Feasibility studies	5.00	1.00
	Total (A)	70.00	56.00
B.	**New Scheme**		
1.	Eco Town Development at Kudremukh	10.00	0.50
2.	Coal Injunction System at Blast Furnace	10.00	3.00
3.	Coke Oven Plant	10.00	0.50
	Total (B)	30.00	4.00
	Grand Total	100.00	60.00

4. Formation of diversification plan to improve its business sales

In terms of Supreme Court, Mining has been stopped at Kudremukh w.e.f. 31.12.2005. The Company has embarked upon various diversification plans and investment will commence from the current financial year onwards. The various projects undertaken by the Company and their present status is as under:—

(i) Setting up of Ductile Iron Spun Pipe project (DISP) of 1 lakh tonne capacity with an estimated expenditure of Rs. 225 crores. A Global Tender was published in January, 2008 and the bids were received in March, 2008. Techno-commercial discussions with the qualified bidders held in July, 2008.

(ii) Setting up of Coke Oven Plant of 0.3 million tonnes capacity. M/s MECON has been appointed as Consultant who has submitted the report in July, 2008.

(iii) Eco tourism at Kudremukh—The Government of Karnataka had agreed in principle for extension of lease for Revenue land at Kudremukh on an interim basis to facilitate the preparation of detailed project report and thereafter, extension of lease for 30 years. The project will be executed initially with M/s. Jungle Lodges and Resorts Limited (a Karnataka Govt. undertaking). EOI for preparation of DPR, Open tender were issued in June, 2008. Offers received and their scrutiny is under progress.

(iv) Contract Mining—An MoU for mining has been signed with OMDC in June, 2008. Detailed agreement has been finalized and sent for the concurrence of OMDC. KIOCL is further exploring the scope of contract mining with other CPSEs like NMDC & SAIL.

[Ministry of Steel O.M. No. H-11014(3)/2008-Parl. dated 24th September, 2008]

Recommendation (Sl. No. 12, Para No. 5.15)

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

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

The Committee feel that fiscal measures on iron ore would have little impact in restricting the export of iron ore. The Committee are of firm view that considering the ambitious production target set out in the National Steel Policy and increased addition of steel making capacities, it is necessary to conserve iron ore for the use of domestic steel industry in future. The Committee, therefore, recommend that the Government should examine the feasibility of banning the export of iron ore and provide necessary fiscal incentives to the companies for production of value-added items of iron ore. At the same time the Government ought to encourage exploration of iron ore reserves.

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

Action Taken

Ministry of Steel has been taking up the matter regarding allocation of superior grade coal linkages as well as allotment of coal blocks with superior quality sponge iron grade non coking coal and coking coal, with Ministry of Coal at appropriate level of respective Committees constituted for examination and recommending of coal linkage and coal block. These are also subjected to other techno-economic factors such as geographical location and availability of logistics and transportation arrangement.

1. Ministry of Steel is of the view that export of iron ore should be discouraged so as to ensure long term availability of iron ore for the domestic steel industry. The Government has decided that although conservation of iron ore resources of the country is of paramount importance, the same may not be achieved by banning or capping the export of iron ore but by taking recourse to appropriate fiscal measures. In accordance with this, Govt. of India imposed an ad-valorem export duty of 15% on all varieties of iron ore, irrespective of Fe content w.e.f. 13th June, 2008.

2. Banning exports, however, with immediate effect may hit employment in mining sector and the problem of disposal of fines, for which the absorption facilities are presently inadequate, may arise.

3. The Government has approved National Mineral Policy, 2008 and alongwith it has given in-principle approval to the High Level committee's (Hoda Committee) recommendations on the basis of consultations with State Governments, Inter-Ministerial consultations and recommendations of the Group of Ministers. This will make provisions for giving preference to value address in the grant of mineral concessions for iron ore and preferential allocation of captive iron ore mines for existing steel industry. The issue of providing fiscal incentives for pelletisation, a value added product of iron ore, by excluding it from the purview of export duty will also be taken up for further discussion at appropriate level by Ministry of Steel.

4. The recently approved National Mineral Policy, 2008 also provides measures for attracting technology and investment on the required scale in exploration and mining and for developing the country's mining sector to its full potential so as to put the nation's mineral resources to best use and thereby maximize sectoral contribution to the Gross Domestic Product.

[Ministry of Steel, O.M. No. H-11014(3)/2008-Parl., dated 24th September, 2008]

Comments of the Committee

(Please *see* Para No. 1.14 of Chapter-1 of the Report)

Recommendation Sl.No. 14 (Para No. 5.24)

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

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

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

Action Taken

There has been an up-trend in the domestic steel prices since 2006-07 and the trend accentuated since January this year. Rise in raw material prices, strong demand in the international and domestic market and up-trend in the global steel prices have been some of the reasons citied by the industry for increase in the steel prices in the domestic market.

The Honourable Steel Minister convened a meeting with major steel produecrs on 14.02.2008 and during the interaction made an appeal to review their last round of rise in price. In response to the appeal steel producers like SAIL., Tata Steel and Jindal Steel & Power rolled back prices by Rs. 1000 per tonne for TMT, rounds and bars and Rs. 500 per tonne for other steel products.

The mismatch in demand and supply is considered to be the main reason on the demand side for the rise in steel prices. The Honourable Steel Minister held discussion with all major steel investors including Arecllor-Mittal, POSCO, Tata Steel, Essar, Ispat and also SAIL, RINL on 03.03.2008 to explore the possibility of expediting the ongoing as well as envisaged steel projects.

The Government continued its dialogue and extensive discussions were again held with major steel producers, secondary steel producers and iron ore producers separately on 2nd and 3rd April 2008 to rein the rising steel prices and its contribution to the inflation in the economy. As a result of these deliberations, price of different long products, which includes bars, rods and structurals, used by even the common man for housing, came down in the range of Rs. 4000-5000 per tonne during 25th March to 12th April 2008.

The Government also took various fiscal and other measures for stabilizing the steel prices like exempting pig iron, non alloy steel and steel making inputs like zinc, ferro-alloys and metcoke from customs duty; withdrawing DEPB benefits on export of various categories of steel products and bringing back railway freight on iron ore from classification 180 to 170 for domestic steel producers.

The CEOs of major steel producing companies, namely, Steel Authority of India Limited, Tata Steel, RINL, JSW, Essar Steel, Ispat Industries Ltd. and representative of Jindal Steel & Power Limited met the Hon'ble Prime Minister on 7th May 2008. They shared the Government's concern regarding the inflationary situation in the country and in accordance with the Prime Minister's advice to contain prices, decided to take the following measures, with immediate effect:

a. Those producers, who had increased the prices in April, would reduce the price of flat products by Rs. 4000 per tonne. In addition prices of re-bars and structurals where in increase was effected in April/May 08 would also be reduced by Rs. 2000 per tonne.

b. These reductions will be applicable for all steel that gets consumed in India either directly or after further processing.

c. The Steel Producers will hold these prices for the next three months.

In May, the Government imposed 15% export duty on semi-finished products, and hot rolled coils/sheet, 10% export duty on cold rolled coils/sheets and pipes and tubes and 5% export duty on galvanized steel in coil/sheet from in order to further curtail rising prices and increase supply of steel in the domestic market.

The retail price movement of a representative category of steel items at Mumbai from December 2007 to May 2008 on monthly basis (Table-1) and from 2nd week of April to 2nd week of May 2008 on weekly basis (Table-2) is given below:—

Table-1: Market Prices of Select Steel Items at Mumbai on Monthly basis

(In Rs./tonne)

	Pig Iron LM Gr. IV	TMT 10 mm	Wire Rods 8 mm	Rounds 16 mm	Plates 12 mm	HR Coils 2.5 mm	CR Coils 0.63 mm	GP Sheets 0.63 mm	Pencil Ingot/ Billets 100 mm
15th Dec., 2007	20000	33000	30800	30800	33750	34250	38000	42750	26600
15th Jan., 2008	21400	35000	32100	33250	34500	34500	38000	42500	28500
15th Feb., 2008	21700	36500	33250	35500	34750	35250	38000	43250	28900
15th Mar., 2008	28800	49150	43175	44975	42375	43675	47600	49675	39825
15th Apr., 2008	36500	47700	44000	45900	47400	48450	52000	55000	38900
13th May, 2008	33500	43950	40250	—	—	—	47300	50500	34500

(Source: ERU/JPC)
Note: Prices are inclusive of excise duty and sales tax

Table-1: Market Prices of Select Steel Items at Mumbai on Weekly basis

(In Rs./tonne)

	Pig Iron LM Gr. IV	TMT 10mm	Wire Rods 8 mm	Rounds 16 mm	Plates 10 mm	HR Coils 2.0 mm	CR Coils 0.63 mm	GP Shheets 0.63 mm	Pencil Ingot/ Billets 100 mm
15.04.2008	36500	46600	43500	45000	46500	47500	51000	54000	38500
22.04.2008	36500	48100	44000	45800	47250	48300	52000	55000	38900
29.04.2008	36000	47600	43700	45600	45250	45400	49450	53000	38650
06.05.2008	34000	47200	43000	45000	44750	45200	49750	52500	36850
13.05.2008	33500	43950	40250	42800	42500	42950	47300	50500	34500

(Source: ERU/JPC)
Note: Prices are inclusive of excise duty and sales tax

[Ministry of Steel, O.M. No. H-11014(3)/2008-Parl., dated 24th September, 2008]

CHAPTER III

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

-NIL-

CHAPTER IV

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

-NIL-

CHAPTER V

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

Recommendation Sl. No. 4 (Para No. 3.18)

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

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

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

Action Taken

The proposal of Restructuring/re-organisation of Bird Group of Companies is under consideration in the Ministry in consultation with Bird Group of Companies.

Government on 24.4.2008 has approved merger of BRL with SAIL including financial restructuring of BRL. Action has been initiated by both the companies for effecting the merger and the merger process is expected to be completed by March, 2009.

[Ministry of Steel O.M. No. H-11014(3)/2008-Parl. dated 24th September, 2008]

Recommendation Sl.No. 8 (Para No. 3.38)

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

Action taken

As the environment and forestry clearances of all projects (including steel projects) are approved by the Ministry of Environment and Forests (MoEF), this Ministry has referred the observations/recommendations of the committee to MoEF for their consideration.

[Ministry of Steel O.M. No. H-11014(3)/2008-Parl. dated 24th September, 2008]

Recommendation Sl.No. 13 (Para No. 5.18)

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

Court on account of environmental/ecological concerns. The Committee feel that there is need to strike a balance between the environment and growing steel sector for development of the economy. The Committee, therefore, recommend that the Government should re-constitute the existing Task Force to look into the emerging environmental issues affecting the steel sector.

Action Taken

The National Task Force for Steel Industry was constituted by the M/o Environment and Forests, Government of India. Therefore, the recommendations of the Standing Committee have been forwarded to Central Pollution Control Board (CPCB) and Ministry of Environment & Forests for suitable follow-up-action.

[Ministry of Steel, O.M. No. H-11014(3)/2008-Parl., dated 24th September, 2008]

NEW DELHI;
5 *December*, 2008
14 *Agrahayana*, 1930 *(Saka)*

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

ANNEXURE I

(*vide* Recommendation Sl. No. 3 of Chapter II)

REASONS FOR REDUCTION OF ANNUAL PLAN OUTLAY IN RE 2007-08 *VIS-A-VIS* THE APPROVED OUTLAY FOR 2007-08 (BE)

(Rs. in crore)

Sl. No.	Name of PSU	Approved Plan outlay 2007-08 (BE)	Revised Plan outlay 2007-08 (RE)	Shortfall in RE	Reasons for reduction of outlay in RE 2007-08
1	2	3	4	5	6
1.	SAIL	2641.00	2007.00	(-) 634.00	The Plan outlay for 2007-08 (BE) was finalized in Sept.-Oct, 2006 and was based on the projected physical progress and scheduled completion of the schemes/ projects during 2007-08. However, the fund allocation for various schemes had to be revised downward in RE 2007-08 due to delays in actual progress of work on these schemes and reprioritization of schemes in time with the expansion plans of the company.
2.	RINL	3056.70	1861.15	(-) 1195.55	The major reasons for the reduction in RE was scaling down of the estimates for the 6.3 MTPA capacity expansion scheme. Orignally it was anticipted that work on all major packages would commence at the beginning of F Y 2007-08 and therefore, an outlay of Rs. 2500 crore was provided in BE 2007-08 for the scheme. However, due to delay in fixing of Project Consullant, extension

1	2	3	4	5	6
					of time for opening of tenders to get more participation, bidders seeking more time for submission of offers, etc., signing of contracts for major packages got extended up to the middle of the 3rd quarter of 2007-08. Consequently, there was delay in commencement of site activities and hence the outlay for the expansion scheme was reduced to Rs. 1500 crore in RE 2007-08. Thus, of the total reduction of Rs. 1195.55 crore in the RE 2007-08 outlay of RINL Rs. 1000 crore is accounted for by reduced estimates for the capacity expansion scheme. Further the outlays for some of the other schemes of the company like Coke Oven Battery No IV (Phase II) Pulverised Coal Injection. An Separation Plant. Blast Furnace I (Cal. 1 Repairs) and Acquisition of Iron Ore Mines were also reduced in RE 2007-08. Broadly, reasons for reduced outlays for these schemes are delay in fixation of consultants, non-finalisation of contracts, delays in tendering and receipt of bids, delay in execution of works, pending of company's applications for iron ore/coking coal/ limestone mines with various State Govts. and reprioritization of schemes in line with the expansion plans of the company.

1	2	3	4	5	6
3.	NMDC	250.00	150.00	(-) 100.00	Reduction of outlay in RE 2007-08 was mainly due to the downward revision in the allocations for the following schemes: (i) Windmill in Karnataka in view of the deviations in the technical and commercial terms between the tender and the offers, there was delay in the finalization of tenders and hence the scheme allocation of Rs. 50.00 crore in BE 2007-08 had to be revised to Rs. 11.30 crore in RE. (ii) AMR (including Township)-Provision had to be revised to Rs. 58 crore from Rs. 100 crore as the tender for 5 nos. shovels had to be canclled due to poor response and the tendering process had to be restared. (iii) R&D Schemes-As the selection of type of hydrogen generator for one of the R&D pilot projects 'Production of Carbon Free Sponge Iron Powder from Blue Dust could not be finalized provison for R&D had to be reduced to Rs. 10 crore in RE from the BE allocation of Rs. 25 crore.
4.	KIOCL	75.00	45.00	(-) 30.00	Reduction in the outlay for the following schemes resulted in KIOCL reducing its total outlay in RE 2007-08: (i) Railway siding at Mangalore and Construction

1	2	3	4	5	6
					of bulk material handling facilities—As the land required for both these schemes was under litigation, no work could he executed on the two schemes till Sept-Oct., 2007. However, expecting the resolution of the dispute before the end of F Y 2007-08, the BE provision of Rs. 17 crore was reduced to Rs. 10 crore in RE.
					(ii) Ductile Iron Spun Pipe Plant—This scheme was earlier being implemented by KISCO, subsidiary company of KIOCL., Following merger of KISCO with KIOCL *w.e.f.* 1.4.2007, the order for which was received from BIFR only by the end of July, 2007, global tender though floated could not result in placement of order due to certain contractual conditions/ clarifications. Thereafter. Board of KIOCL, directed to issue a fresh global tender. Consequently, the BE provision of Rs. 30 crore for the scheme was reduced to Rs. 14 crore in RE.
					(iii) Other Mine Development—Though the Govt, of Karnataka had agreed to allot 50% of Ramandurg deposit to KIOCL., the matter fell under litigation between the State Govt and other parties. As the issue was *sub-judice*, the BE allocation of Rs. 5 crore for the scheme was reduced to NIL at the RE stage.

ANNEXURE II

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2008-09) HELD ON 5.12.2008 IN COMMITTEE ROOM 'C' PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1530 hrs. to 1720 hrs.

PRESENT

Dr. Satyanarayan Jatiya — *Chairman*

MEMBERS

2. Shri Hansraj G. Ahir
3. Shri Chandrakant B. Khaire
4. Shri Faggan Singh Kulaste
5. Shri Dalpat Singh Paraste
6. Shri Raghuraj Singh Shakya
7. Smt. Karuna Shukla
8. Shri Anirudh Prasad *alias* Sadhu Yadav
9. Shri Mohd. Ali Khan
10. Dr. T. Subbarami Reddy
11. Shri Jeasudas Seelam
12. Shri Ali Anwar Ansari

SECRETARIAT

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

** ** **

2. At the outset, Chairman, welcomed the Members to the sitting of the Committee. The Committee then took up first agenda regarding consideration and adoption of the following draft Action Taken Reports:-

(i) ** ** **

(ii) ** ** **

(iii) Action Taken by the Government on the recommendations/observations contained in the Thirty-third Report (Fourteenth Lok Sabha) of the Standing Committee on Coal and Steel (2007-08) on "Demands for Grants (2008-09)" of the Ministry of Steel.

3. The Committee adopted the aforesaid Draft Reports. The Committee authorised the Chairman to finalise these Reports and present the same to both the House of Parliament.

4. ** ** **

5. ** ** **

The Committee then adjourned.

**Does not pertain to this Report.

ANNEXURE III
(*Vide* Para IV of Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS/OBSERVATIONS CONTAINED IN THE THIRTY-THIRD REPORT OF THE STANDING COMMITTEE ON COAL AND STEEL

I.	Total No. of Recommendations made	14
II.	Recommendations that have been accepted by the Government	11
	(*vide* recommendations at Sl. Nos. 1, 2, 3, 5, 6, 7, 9, 10, 11, 12 and 14)	
	Percentage of total	78.57
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies	Nil
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee	Nil
V.	Recommendations in respect of which final replies of the Government are still awaited	3
	(*Vide* recommendations at Sl. Nos. 4, 8 and 13)	
	Percentage of total	21.43

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