26

STANDING COMMITTEE ON COAL AND STEEL (2011-2012)

FIFTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS

(2012-13)

सत्यमेव जयते

TWENTY-SIXTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

May, 2012/ Vaisakha, 1934 (Saka)

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Presented to Lok Sabha on 08.05.2012

Laid in Rajya Sabha on 08.05.2012

LOK SABHA SECRETARIAT

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CC&S No. 65

Price: Rs.

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Twelfth Edition) and Printed by,

New Delhi – 110 005.

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Shri Kalyan Banerjee - Chairman

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3. Shri Jaywant Gangaram Awale#
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28. Shri Nand Kumar Sai
29. Shri Jai Prakash Narayan Singh
30. Shri R.C. Singh $
31. Smt. Smriti Zubin Irani*

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* Nominated to the Committee *w.e.f*. 17.09.2011

@ Nominated to the Committee *w.e.f*. 03.01.2012

Ceased to be the Member of the Committee w.e.f. 3.01.2012
$ Retired w.e.f. 02.04.2012
^ Retired w.e.f. 03.04.2012

SECRETARIAT

1.	Shri P. Sreedharan	-	Additional Secretary
2.	Shri Shiv Singh	-	Director
3.	Shri Arvind Sharma	-	Deputy Secretary
4.	Smt. Vandana Pathania Guleria	-	Sr. Executive Assistant

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorized by the Committee to present the Report on their behalf, present this Twenty-Sixth Report (Fifteenth Lok Sabha) on Demands for Grants (2012-13) relating to the Ministry of Steel.

2. The Demands for Grants of the Ministry of Steel were laid on the Table of the House on 26.03.2012. Under rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Coal and Steel are required to consider the Demands for Grants of Ministries under their jurisdiction and make Report on the same to both the Houses of Parliament.

3. The Committee took evidence of the representatives of the Ministry of Steel on 17th April, 2012.

4. The Report was considered and adopted by the Committee at their sitting held on 04.05.2012.

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

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

NEW DELHI;
07 May, 2012
17 Vaisakha, 1934 (Saka)

KALYAN BANERJEE
Chairman,
Standing Committee on Coal and Steel

REPORT

PART-I

CHAPTER I

INTRODUCTORY

At the time of independence in 1947, India had only three steel plants - the Tata Iron & Steel Company, the Indian Iron and Steel Company and Visveswaraya Iron & Steel Ltd and a few electric arc furnace-based plants. The period till 1947 thus witnessed a small but viable steel industry in the country, which operated with a capacity of about 1 million tonne and was completely in the private sector. From the fledgling one million tonne capacity status at the time of independence, India has now risen to be the 5th largest crude steel producer in the world and the largest producer of sponge iron. As per official estimates, the Iron and Steel Industry contributes around 2 per cent of the Gross Domestic Product (GDP) and its weight in the Index of Industrial Production (IIP) is 6.2 per cent. From a negligible global presence, the Indian steel industry is now globally acknowledged for its product quality. As it traversed its long history during the past 63 years, the Indian steel industry has responded to the challenges of the highs and lows of business cycles.

1.2 From the mid-50s to the early 1970s, the Government of India set up large integrated steel plants in the public sector at Bhilai, Durgapur, Rourkela and Bokaro. The large-scale capacity creation in the public sector during these years contributed to making India the 10th largest steel producer in the world as crude steel production grew markedly to nearly 15 million tonne in the span of a decade from a mere 1 million tonne in 1947. But the trend could not be sustained from the late 1970's onwards, as the economic slowdown adversely affected the pace of growth of the Indian Steel Industry. However, this phase was reversed in 1991-92, when the country replaced the control regime by liberalisation and deregulation in the context of globalisation. After 1996-97, with the steady decline in the domestic economy's growth rate, the Indian steel industry's pace of growth slowed down. However, from the year 2002, the global industry turned around, helped to a great extent by China, whose spectacular economic growth and rapidly-expanding infrastructure led to soaring demand for steel, which its domestic supply could not meet. The rapid pace of growth of the industry and the observed market trends called for certain guidelines and framework. Thus was born the concept of the National Steel Policy, with the aim to provide a roadmap of growth and development for the Indian steel industry. The National Steel Policy (NSP) was announced in November 2005 as a basic blueprint for the growth of a self-reliant and globally competitive steel sector. Being a core sector, the sustained growth of steel sector is a prerequisite for attaining the high level of GDP growth. The industry has strong forward and backward linkages with other sectors of the economy and, therefore, its own growth pattern is also influenced by other sectors of the economy specially infrastructure development, real estates, auto mobiles/auto components etc.

1.3 The Ministry are responsible for planning and development of iron and steel industry, development of essential inputs such as iron ore, limestone, dolomite, manganese ore, chromites, ferro-alloys, sponge iron etc. and other related functions.

Key functions of the Ministry of Steel:

a) Development of Steel Plants in Public and Private Sectors, the re-rolling industry and ferro-alloys;

b) Policy formulation regarding production, distribution, pricing of iron & steel and ferro alloys;
c) Development of iron ore mines in the public sector and other ore mines like manganese ore, chrome ore, limestone and other minerals used in the iron and steel industry (but excluding mining lease or matters related thereto);
d) Providing a platform for interaction of all producers and consumers of steel in the country;
e) Identification of infrastructural and related facilities required by steel industry; and
f) Overseeing the performance of 10 PSUs and their subsidiaries.

1.4 The Ministry of Steel have the following Public Sector Undertakings under its administrative control:

a) Steel Authority of India Ltd., (SAIL), New Delhi
b) Rashtriya Ispat Nigam Ltd.(RINL), Visakhapatnam
c) National Mineral Development Corporation (NMDC) Ltd., Hyderabad
d) Manganese Ore (India) Ltd. (MOIL), Nagpur
e) Kudremukh Iron Ore Company Ltd. (KIOCL), Bangalore
f) Hindustan Steelworks Construction Ltd. (HSCL), Kolkata
g) Metallurgical Engineering and Construction(MECON) Ltd., Ranchi
h) Metal Scrap Trading Corporation (MSTC) Ltd., Kolkata
i) Ferro Scrap Nigam Ltd. (FSNL), Bhilai, (A subsidiary of MSTC Ltd.)

1.5 The detailed Demands for Grants(2012-13) of the Ministry of Steel were presented to the Lok Sabha on 26.03.2012. The Ministry have highlighted the relativity of Outcome Budget (2010-11) with policy initiatives that the schemes proposed to be undertaken by the Ministry and PSUs during the year 2011-12. Various points arising out of the scrutiny of Demands for Grants(2012-13) of the Ministry are discussed in the subsequent Chapters.

CHAPTER II

ANALYSIS OF DEMANDS FOR GRANTS (2012-13)

The Ministry of Steel presented the Demands for Grants No.92 for the year 2012-13 to the Lok Sabha on 26.03.2012. The Demand includes provisions for Non-Plan expenditure for the Ministry proper and its attached/subordinate offices, and Plan and Non-Plan expenditure of the Public Sector Undertakings (PSUs) under its administrative control. Budgetary Support (BS) is being provided to some of the financially weak and loss making PSUs under the Ministry. Internal and Extra Budgetary Resources (I&EBR) are being raised by the profit making PSUs to implement various schemes.

PLAN EXPENDITURE

2.2 The total Plan budgetary support of Rs. 40.00 crore in BE 2011-12 was reduced to 30.00 crore in RE 2011-12. A total Plan budgetary support of Rs. 46.00 crore has been provided in BE 2012-13. The break-up of Plan provision during 2011-12 to 2012-13 is given in the following table:-

(Rs. in crore)

No	Name of Organisation/ PSU	Scheme	Plan BS 2011-12 (BE)	Plan BS 2011-12 (RE)	Plan BS 2012-13 (BE)
1.	HSCL	Plan loan for capital repair and procurement of construction equipments & machinery	1.00*	1.00*	0.00
2.	Ministry of Steel				
(i)		Grants-in-aid for the scheme for promotion of R&D in the Iron & Steel sector	39.00	29.00	44.00
(ii)		Scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines	-	-	1.00
(iii)		Scheme for improving energy efficiency of secondary steel sector	-	-	1.00
	Total		**40.00**	**30.00**	**46.00**

* Token provision for restructuring of HSCL under consideration of the Govt.

The actual utilization of Plan expenditure under the Ministry's grant during 2011-12 is given in the table below: (Rs, in crore)

Year	BE	RE	Actual Expenditure	%age
2011-12	40.00	30.00	9.63	24.1%

NON-PLAN EXPENDITURE

2.3 The Non-Plan provision of Ministry of Steel, including Secretariat Proper, PAO (Steel), Development Commissioner for Iron & Steel (DCI&S), Kolkata and the PSUs under this Ministry, in 2011-12 (BE & RE) and requirement of fund in 2012-13 (BE) are given in the following table :-

(Rs. in crore)

No.	Major Head & Item of Expenditure	BE 2011-12	RE 2011-12	% age increase in RE over BE 2011-12	BE 2012-13	% age increase over BE 2011-12
I.	MH – 3451					
1.	Secretariat - Economic Services	20.37	17.54	*-13.89%*	20.00	*-1.82%*
II.	MH – 2852					
2.	Development Commissioner for Iron & Steel, Kolkata	0.52	0.56	*7.69%*	0.61	*17.31%*
3.	Awards to Distinguished Metallurgists.	0.14	0.14	*0.00%*	0.14	*0.00%*
4.	Interest Subsidy :					
(i)	Subsidy to Hindustan Steelworks Construction Ltd. (HSCL) for payment of interest on loans raised from Banks for implementation of VRS	46.90	46.90	*0.00%*	46.90	*0.00%*
(ii)	Subsidy to MECON Ltd. for payment of interest on loans raised from banks for implementation of VRS	2.83	2.71	*-4.24%*	1.64	*-42.05%*
5.	Waiver of guarantee fee (Non-cash transaction) :					
(i)	HSCL – Waiver of guarantee fee in respect of Govt. guarantee for cash credit (CC) limit, bank guarantee (BG) and VRS loans	6.10	6.10	*0.00%*	6.10	*0.00%*
(ii)	MECON Ltd. – Waiver of guarantee fee in respect of Govt. guarantee for VRS loans/ bonds	0.85	0.85	*0.00%*	0.50	*-41.18%*

	Less – Receipts netted [5(i) to (ii)]#	*-6.95*	*-6.95*	*0.00%*	*-6.60*	*-5.04%*
6.	*Grant-in-aid*					
(i)	*Grants to Bisra Stone Lime Company Ltd., a company under Bird Group of Companies*	-	*137.09*	-	-	-
	Total : Non- Plan Expenditure(Net of receipts)	**70.76**	**204.94**	**189.63%**	**69.29**	**-2.08%**
	Total : Non- Plan Expenditure(Gross)	**77.71**	**211.89**	**172.67%**	**75.89**	**-2.34%**

As per the advice of Ministry of Finance, in cases where there are no cash transactions, the provisions are to be netted.

ANNUAL PLAN OUTLAY FOR 2012-13

2.4 Based on the Annual Plan, 2012-13 proposals of the PSUs under the administrative control of Ministry of Steel, discussions held with the Planning Commission, and within the overall context of the 12^{th} Five Year Plan (2012-2017), the following Plan outlay for 2012-13 (BE) for Ministry of Steel has been approved:-

(Rs. in crore)

a)	Gross Budgetary Support	46.00
b)	Internal & Extra Budgetary Resources (I&EBR) of PSUs	21756.00
	Total	**21802.00**

2.5 Details of PSU-wise plan outlays for Annual Plan, 2011-12 (BE & RE), Annual Plan 2012-13 (BE) are given in the table below:

(Rs. in crore)

No.	Name of the PSU/ Organisation	BE 2011-12			RE 2011-12			BE 2012-13		
		IEBR	B.S.	Outlay	IEBR	B.S.	Outlay	IEBR	B.S.	Outlay
	A. Schemes of PSUs									
1	SAIL	14337.00	0.00	14337.00	12630.00	0.00	12630.00	14500.00	0.00	14500.00
2	RINL*	3046.00	0.00	3046.00	1964.50	0.00	1964.50	1942.00	0.00	1942.00
3	HSCL	0.00	1.00@	1.00	0.00	1.00@	1.00	0.00	0.00	0.00
4	MECON Ltd.	2.00	0.00	2.00	2.00	0.00	2.00	5.00	0.00	5.00
5	MSTC Ltd.	15.00	0.00	15.00	5.00	0.00	5.00	25.00	0.00	25.00

6	FSNL	12.00	0.00	12.00	12.00	0.00	12.00	12.00	0.00	12.00
7	NMDC Ltd.	3309.00	0.00	3309.00	2020.00	0.00	2020.00	4655.00	0.00	4655.00
8	KIOCL Ltd.	98.00	0.00	98.00	75.00	0.00	75.00	409.00	0.00	409.00
9	MOIL Ltd.	107.71	0.00	107.71	114.88	0.00	114.88	208.00	0.00	208.00
10	Bird Group of Cos.*	136.00	0.00	136.00	3.75	0.00	3.75	--	--	--
11	Scheme for promotion of R&D in Iron & Steel sector	0.00	39.00	39.00	0.00	29.00	29.00	0.00	44.00	44.00
12	Scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
13	Scheme for improving energy efficiency of secondary steel sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
	TOTAL - A	**21062.71**	**40.00**	**21102.71**	**16827.13**	**30.00**	**16857.13**	**21756.00**	**46.00**	**21802.00**
	B. Centrally Sponsored Schemes (CSS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	TOTAL - B	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	GRAND TOTAL – A + B	**21062.71**	**40.00**	**21102.71**	**16827.13**	**30.00**	**16857.13**	**21756.00**	**46.00**	**21802.00**

@ Token provision for restructuring of HSCL under consideration of the Govt.

* After restructuring of M/s. Bird Group of Companies, M/s. The Bisra Stone Lime Co. Ltd. (BSLC) and M/s. Orissa Minerals Development Corporation Ltd. (OMDC) have become subsidiary of RINL and their figures have been clubbed with RINL.

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

ALLOCATIONS AND UTILIZATION OF FUNDS DURING 11TH FIVE YEAR PLAN

2.6 For the 11th five year plan (2007-12), Planning Commission had approved total outlay of Rs. 45,607.08 crore (i.e. I&EBR of Rs. 45,390.08 crore and Gross Budgetary Support (GBS) of Rs. 217.00 crore). The outlay for 11th plan (approved) and the cumulative expenditure from 2007-08 to 2011-12 (upto Dec'2011) are given in the table below:- (Rs. In crore)

No.	Name of the PSU	Outlay for 11th Plan (Approved) (2007-08 to 2011-12)			Actual Expenditure (2007-08 to 2011-12) (upto Dec'11)		
		IEBR	GBS	Total	IEBR	GBS	Total
A.	**PSUs**						
1	Steel Authority of India Ltd.	27409.00	0.00	27409.00	36615.00	0.00	36615.00
2	Rashtriya Ispat Nigam Ltd.	9569.18	0.00	9569.18	10624.24	0.00	10624.24
3	Sponge Iron India Ltd.*	25.00	0.00	25.00	4.36	0.00	4.36
4	Hindustan Steelworks Con. Ltd.	0.00	35.00	35.00	0.00	3.00	3.00
5	MECON Ltd.	9.00	63.00	72.00	8.57	63.00	71.57
6	Bharat Refractories Ltd*	0.00	0.00	0.00	3.33	7.00	10.33
7	MSTC Ltd.	30.00	0.00	30.00	15.97	0.00	15.97
8	Ferro Scrap Nigam Ltd.	60.00	0.00	60.00	48.47	0.00	48.47
9	NMDC Ltd	7147.00	0.00	7147.00	2375.33	0.00	2375.33
10	KIOCL Ltd.	650.00	0.00	650.00	117.99	0.00	117.99
11	MOIL Ltd.	342.90	0.00	342.90	233.10	0.00	233.10
12	Bird Group of Companies	148.00	1.00	149.00	98.32	0.00	98.32
B.	**New Scheme**						
1	Scheme for promotion of R&D in the Iron & Steel Sector	0.00	118.00	118.00	0.00	40.70	40.70
2	TUFS for SME	0.00	0.00	0.00	0.00	0.00	0.00
3	Scheme for Institution of Manpower Development	0.00	0.00	0.00	0.00	0.00	0.00
Total (A+B)		**45390.08**	**217.00**	**45607.08**	**50144.68**	**113.70**	**50258.38**

*BRL and SIIL have been merged with SAIL and NMDC Ltd. respectively.

Summary of 11th Five Year Plan (2007-08 to 2011-12) upto December, 2011

2.7 The year-wise total outlay approved by the Planning Commission and the total expenditure during 11th Plan (upto December 2011) are shown in the table given below:-

(Rs. In crore)

Year	BE			RE			Actual Expenditure		
	IEBR	GBS	Total	IEBR	GBS	Total	IEBR	GBS	Total
2007-08	6137.70	66.00	6203.70	4259.81	66.00	4325.81	3761.03	70.00	3831.03
2008-09	9509.00	34.00	9543.00	8065.82	26.00	8091.82	*8529.33*	0.00	*8529.33*
2009-10	13722.66	34.00	13756.66	13236.45	16.01	13252.46	13315.68	7.14	13322.82
2010-11	17163.82	36.00	17199.82	16129.25	30.00	16159.29	15067.54	27.05	15094.59
2011-12 (upto Dec'11)	21062.71	40.00	21102.71	16827.13	30.00	16857.13	9471.10	9.51	9480.61
Total	**67595.89**	**210.00**	**67805.89**	**58518.46**	**168.01**	**58686.51**	**50144.68**	**113.70**	**50258.38**

Year-wise analysis of gross Budgetary Support (GBS) outlay in 11th Five Year Plan

2.8 The PSU/Scheme - wise break up of GBS of Rs.217.00 crore approved for 11th Plan (2007-12), actual expenditure during the 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 (up to Dec'11) is as below :

(Rs. in crore)

No	Name of Scheme	Plan BS allocated for 11th Plan (2007-12)	2007-08		2008-09		2009-10		2010-11		2011-2		Actual upto Dec'11
			Approved	Actual	Approved	Actual	Approved	Actual	Approved	Actual	BE	RE	
A.	Schemes of PSUs												
1.	HSCL – Capital repair and procurement of construction equipments & machinery	35.00	1.00	0.00	6.50	0.00	7.00	3.00	1.00	0.00	1.00	1.00	0.00
2.	MECON – Infusion of funds for Preference Share Capital	63.00*	63.00*	63.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.	Bird Group –AMR Schemes	1.00	0.00	0.00	1.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Bharat Refractories Ltd.-AMR schemes	0.00	1.00	7.00	8.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
B.	Scheme of the Ministry												
1.	Scheme for Promotion of R&D in the Iron & Steel sector	118.00	1.00	0.00	18.50	0.00	26.00	4.14	35.00	27.05	39.00	29.00	9.51
	TOTAL	**217.00**	**66.00**	**70.00**	**34.00**	**0.00**	**34.00**	**7.14**	**36.00**	**27.05**	**40.00**	**30.00**	**9.51**

* Provided under the restructuring package for MECON.

Proposed Outlay for 12th Five Year Plan (2012-17)

2.9 The proposed outlay for 12th Five Year Plan 2012-17 for the PSUs and schemes under the Ministry of Steel is Rs. 91526.64 crore comprising of Rs. 90974.64 crore as IEBR and Rs. 552.00 crore as Budgetary Support(BS). Out of Rs. 552 crore proposed as Budgetary Support, Rs. 1.00 crore each has been proposed for two new schemes i.e. Scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines and Scheme for improving energy efficiency of secondary steel sector and Rs. 550.00 crore for ongoing scheme for promotion of Research & Development in Iron & Steel sector.

The details of proposed I&EBR and BS for 12th Five Year Plan (2012-17) are given in the table below:-

(Rs. in crore)

No	Name of the PSUs	12th Plan (2012-17) Proposed Outlay		
		IEBR	BS	Total
A.	**Central Sector Scheme**			
1	Steel Authority of India Ltd.	45000.00	0.00	45000.00
2	Rashtriya Ispat Nigam Ltd.*	13373.00	0.00	13373.00
3	Hindustan Steelworks Con. Ltd.	0.00	0.00	0.00
4	MECON Ltd.	25.00	0.00	25.00
5	MSTC Ltd.	105.00	0.00	105.00
6	Ferro Scrap Nigam Ltd.	60.00	0.00	60.00
7	National Mineral Dev. Corpn. Ltd.	27872.17	0.00	27872.17
8	Kudremukh Iron Ore Co. Ltd.	3080.00	0.00	3080.00
9	Manganese Ore India Ltd	1459.47	0.00	1459.47
	Total (A)	**90974.64**	**0.00**	**90974.64**
B	**Centrally Sponsored Scheme**			
1	Scheme for promotion of Research & Development in Iron & Steel sector	0.00	550.00	550.00
2	Scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines	0.00	1.00	1.00
3	Scheme for improving energy efficiency of secondary steel sector	0.00	1.00	1.00
	Total (B)	**0.00**	**552.00**	**552.00**
	Grand Total (A+B)	**90974.64**	**552.00**	**91526.64**

(i) * After restructuring of M/s. Bird Group of Companies, M/s. The Bisra Stone Lime Co. Ltd. (BSLC) and M/s. The Orissa Minerals Development Corporation Ltd. (OMDC) have become subsidiary of RINL and their figures have been clubbed with RINL.

CHAPTER-III

R&D IN IRON AND STEEL SECTOR

In order to provide accelerated thrust on R&D, the Ministry of Steel are encouraging Research and Development activities both in public and private steel sectors by providing financial assistance under the following scheme:

(i)Scheme for promotion of R&D with Steel Development Fund (SDF).

Under the SDF scheme, 68 R&D projects costing Rs.544 crore have been approved by the Empowered Committee (EC) under Chairmanship of Secretary (Steel). Of these, 35 R&D projects have been completed so far yielding benefits to the industry. 9 R&D projects have been stopped after mid course review and 24 R&D projects are in progress.

(ii) Based on the recommendation of the Working Group on Steel Industry for 11th Plan (2007-12), a new scheme i.e. 'Scheme for Promotion of R&D in Iron and Steel Sector' was included in the 11th Five Year Plan with an outlay of Rs. 118.00 crore. The objective of the scheme is to promote and accelerate R&D activities in development of innovative/path breaking technologies utilizing Indian iron ore fines and non-coking coal, improvement of quality of steel produced through induction furnace route and beneficiation of raw materials like iron ore, coal etc. and agglomeration (e.g. pelletization). The scheme was approved on 23.1.2009 for implementation from FY 2009-10 (w.e.f. 1.4.2009).

3.2 The year wise fund allocation and the amount released under the scheme is given below:

(Rs. in crore)

Period	B.E	RE	Actual	Remarks
2009-10	26.00	13.00	4.14	The amount was released as the first installment of grant-in-aid.
2010-11	35.00	29.00	27.05	Actual utilization is very close to RE
2011-12	39.00	29.00	9.51	Rs. 9.51 released till December, 2011
2012-13	46.00	--	--	Out of Rs. 46.00 crore budgetary support, provision of Rs. 1.00 crore each for two new schemes.

3.3 On being asked about the reason for reduced allocation of funds for R&D activities at RE stage during 2011-12 and less than utilization of funds for R&D during the year, the Ministry in their reply have informed the Committee that for BE 2011-12, the provision of Rs. 39.00 crore for the scheme was reduced to Rs. 29.00 crore at RE stage. Due to delay by SAIL on their contribution of 50% amount in Capital head, non-acceptance of Intellectual Property Rights (IPR) condition by TATA Steel Ltd., Procedural delays in Institute of Minerals and Materials Technology (IMMT), Bhubaneswar in procurement of equipments, only Rs. 9.63 crore has been released under the scheme. The remaining amount of Rs. 29.37 crore has been surrendered.

3.4 The Ministry have also furnished the details of projects/schemes identified for the year 2012-13:-

"The total approved plan outlay for BE 2012-13 is Rs. 46.00 crore, the details of which is given in the table below:

(Rs. in crore)

No	Scheme	2012-13 (BE)	Remarks
1	Grants-in-aid for the scheme for promotion of R&D in the Iron & Steel sector	44.00	This is an ongoing scheme since the Eleventh Five Year Plan period. The earmarked amount of Rs.44 crore includes expenditure on 8 ongoing R&D projects and token approval for 3 newly proposed projects identified under the ongoing schemes.
2	Scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines	1.00	New scheme introduced in Annual Plan 2012-13. The detailed components of the scheme is being worked out.
3	Scheme for improving energy efficiency of secondary steel sector	1.00	New scheme introduced in Annual Plan 2012-13. The detailed components of the scheme is being worked out.
		46.00	

3.5 When asked about guidelines regarding investment in R&D, the Ministry informed that the Department of Public Enterprises (DPE) has issued MOU guidelines for R&D for Central PSUs as under:

Sl. No.	Category of CPSE	Minimum Expenditure on R&D as a percentage of PAT
1	Maharatna & Navaratna	1% of PAT
2	Miniratna – I & II and below	0.5% of PAT

These guidelines have been included as targets in the MOUs of the two Steel PSUs for 2012-13 Ministry of Steel have communicated to the Steel PSUs the international benchmark for R&D expenditure as 1-2% of turnover, with a request to draw an R&D roadmap for achieving the international benchmark. Further, in the report of the Working Group on steel industry for the 12th Five Year Plan, it has been recommended that the steel companies must increase their R&D investment and achieve the target of 1% of turnover by the terminal year 2016-17. Moreover, Ministry of Steel has published a Roadmap for Research and Development and Technology for Indian Iron and Steel Industry in the year 2011-12 wherein it has been recommended that there is a need to increase R&D investment to at least 1% of the total turnover in the immediate near future (by 2015-16) which may be increased to about 2% in the next 10 years (by 2020)."

Investment by Steel PSUs in R&D

(i) SAIL

3.6 Research & Development Centre for Iron & Steel (RDCIS) has undertaken 107 R&D projects in the current year 2011-2012, out of which, 69 projects are scheduled for completion by March 2012. These projects provide technological inputs to SAIL plants / units with thrust on cost reduction, value addition, quality improvement and development of new products.

Expenditure on R&D by SAIL during last two years is as under:

(Rs. in crore)

Year	SAIL's turnover	R&D Expenditure			
		Capital	Revenue	Total	% of turnover
2009-10	43935	4.32	102.94	107.26	0.24
2010-11	47041	5.08	127.06	132.14	0.28

(ii) RINL

3.7 In RINL, R&D initiatives are directed towards meeting the future challenges and providing technical inputs to the plant. Focus for the R&D efforts is to meet the present and future requirements of the plant based on thrust areas like process improvement, waste management, cost reduction, new technology development and environment protection.

Expenditure on R&D by RINL during last three years:

(Rs. in crore)

Year	Turnover	Expenditure	% of turnover
2009-10	10634	12.66	0.119
2010-11	11537	14.34	0.124
2011-12* (till Dec.)	9944	11.40	0.115

(iii) NMDC Ltd.

3.8 From a nucleus R&D cell set up in 1970, it has grown into a highly sophisticated R&D Centre. One of the best-equipped laboratories of its kind, the Centre at Hyderabad can take up any assignment in the field of ore beneficiation and mineral processing. With its excellent research facilities, the Centre carries out technology development missions in fields like mineral processing, flow sheet development, mineralogical studies and product development. It has been recognized as a "Centre of Excellence".

Expenditure on R&D by NMDC Ltd. during last three years:

(Rs. in crore)

Year	Turnover	Expenditure	% of turnover
2009-10	6239.09	13.82	0.22
2010-11	11368.94	14.47	0.13
2011-12 (Upto Dec. 11)	8623	9.19	0.11

(iv) MOIL Ltd.

3.9 The thrust areas for the R & D efforts are therefore directed towards meeting the challenges of safe and cost effective mining practices in underground & opencast mines with increasing depth. The thrust is also being given in the R & D activities for the development of exploration, exploitation and beneficiation techniques in addition to exploration of the new deposits.

Expenditure on R&D by MOIL Ltd. during last three years:

(Rs. in crore)

Year	Turnover	Expenditure	% of turnover
2009-10	965.47	2.88	0.298
2010-11	1145.31	6.76	0.59
2011-12 (upto Dec. 2011 Prov.)	703.40	5.56	0.79

(v) KIOCL

3.10 Highlights of the R&D work done by the company are given below:

- Introduction of horizontal pressure filter plant
- Augmentation of the existing ball mill feeding system by creating additional storage capacity of the iron ore fines.
- MBR Technology: The MBR process is an emerging advanced wastewater treatment technology.

The MBR process involves a suspended growth activated sludge system that utilises microporous membranes for solid/liquid separation in lieu of secondary clarifiers

Expenditure on R & D by KIOCL during last three years :–

(Rs. in crore)

Year	Turnover	Expenditure	% of turnover
2009-10	992.72	21.25	2.14
2010-11	1803.46	0.58	0.032
2011-12 (April-Dec. 2011)	1056.73	1.22	0.12

3.11 During the course of oral evidence, on expenditure in R&D Schemes, Chairman, Sail further elaborated as under:-

> "we cannot match our expenditure with the best of the world because best of the steel companies, our counterparts overseas, their expenditure is up to 1.5 per cent of the turn over and today our expenditure is 0.28 per cent of the turn over. But we have prepared a R&D Master Plan which has been approved by our Board and this R&D Master Plan is in the midst of implementation in SAIL. We hired the services of an eminent Metallurgist from USA, he is an Indian settled in USA. As a result of this implementation we are going to set up centres of excellence in all of our steel plants and certain technologically important projects we have taken up at the centralised corporate level. All the schemes are at different stages of completion now and once we are able to complete our R&D Master Plan, our expenditure on R&D will gradually scale up to about one percent of the turn over."

CHAPTER- IV

INVESTMENT IN PUBLIC SECTOR UNDERTAKINGS (PSUs)

The PSUs under the administrative control of the Ministry formulate and implement various schemes/ programmes related to their respective area of operations. The schemes of the PSUs are components of their respective Annual or long term plans. Each PSU has several schemes, most of which are related to the normal day to day functioning as well as MOU linked operations of the company. Most PSUs meet the capital expenditure on the schemes from their Internal and Extra Budgetary Resources (IEBR).

A. Steel Authority of India Ltd (SAIL):-

4.2 It has five major steel plants at Bhilai (Chhattisgarh), Rourkela (Orissa), Durgapur (West Bengal), Bokaro (Jharkhand) and Burnpur (West Bengal). SAIL has three special and alloy steels plants viz. Alloy Steels Plant at Durgapur (West Bengal), Salem Steel Plant at Salem (Tamil Nadu) and Visveswaraya Iron and Steel Plant at Bhadravati (Karnataka). In addition to these, a Ferro Alloy producing plant at Chandrapur is owned by Maharashtra Elektrosmelt Ltd. (MEL) which is a subsidiary of SAIL. SAIL has eleven units viz. Research and Development Centre for Iron and Steel (RDCIS), Centre for Engineering and Technology (CET) and Management Training Institute (MTI), all located at Ranchi, Central Coal Supply Organisation (CCSO) located at Dhanbad and Raw Materials Division (RMD), Environment Management Division (EMD), Growth Division (GD) and SAIL Safety Organisation (SSO) all located at Kolkata. The plan outlay of SAIL plants/units and its subsidiaries is being met from the IEBR of SAIL.

4.3 The Plan outlay of the Ministry of Steel for BE 2012-13 is Rs. 21802.00 crore which will be financed by budgetary support of Rs. 46.00 crore and IEBR of Rs. 21756.00 crore. Out of the total I&EBR outlay of Rs. *21756.00* crore in Annual Plan 2012-13 (BE), an amount of *Rs.14500.00 crore* has been provided for Steel Authority of India Limited (SAIL), which will be met out of its Internal & Extra Budgetary Resources (I&EBR).

(Rs. in crore)

Major Head	**Budget Estimate 2011-12**			**Revised Estimates 2011-12**			**Budget Estimate 2012-13**		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	--	14337.00	14337.00	--	12630.00	12630.00	--	14500.00.00	14500.00

The Financial and Physical performance of SAIL during the past 3 years is as under:-

FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2009-10	2010-11	2011-12			2012-13
		(Actual)	**(Actual)**	**BE**	**RE**	**Actual (upto Dec'11)**	**BE (LII)**
(i)	Income	45565	50697	46036	46036	39340	51680
(ii)	Operating Cost	33694	41542	40560	40560	34756	45679
(iii)	Gross Margin	11871	9155	5476	5476	4584	6000
(iv)	Profit (Loss) before Tax	10132	7194	2180	2180	2850	3302
(v)	Profit (Loss) after Tax	6754	4905	1473	1473	1966	2230
(vi)	Dividend proposed*	1363	991	826	826	496	826
	of which:						
	Dividend proposed to the Govt. of India	1170	851	709	709	425	709

PHYSICAL PERFORMANCE

(in '000 tonnes)

No	Item	2009-10	2010-11	2011-12			2012-13
		(Actual)	**(Actual)**	**BE**	**RE**	**Actual (upto Dec'11)**	**BE (LII)**
(i)	Hot Metal	14505	14888	14468	14468	10519	14361
(ii)	Crude Steel	13506	13761	13812	13812	9961	13605
(iii)	Saleable Steel	12632	12887	12600	12600	9107	12750
(iv)	Pig Iron	323	261	84	84	58	342

4.4 SAIL reported a turnover of Rs. 35564 crore during 2011-12, an increase of 5% over 2010-11 (Rs. 33905 crore). SAIL achieved profit before tax (PBT) and profit after tax (PAT) of Rs. 2850 crore and Rs. 1996 crore respectively during 2011-12.

4.5 In the current nine months compared to corresponding period of last year the profit declined mainly due to lower production, sales volume of saleable steel, adverse impact of input prices consisting of imported coal, indigenous coal, BF coke, dolomite, alloys, boiler coal, purchased power and increase in royalty on iron ore. Also there was increase in salaries & wages, adverse foreign exchange variations, higher interest and depreciation. However, the adverse impact in profitability was partially offset by higher net sales realization of saleable steel and interest earned on term deposits.

4.6 On being asked about the reasons for increased allocation of IEBR at BE 2012-13 as compared to BE and RE for 2011-12, the Ministry in a written reply have informed the Committee as under:-

> "Budget estimates for the financial years are prepared after detailed discussions at Plant & Corporate level based on the physical progress of capital projects including modernization & expansion plan under implementation in SAIL.
>
> In the initial period of modernization & expansion plan of SAIL, the budget provision had been kept for expenditure on enabling work and initial milestone payments. In the subsequent years, the expenditure increased with the progress of design engineering, civil & structural works and supplies & erection of equipment etc."

Modernization and Expansion Programme of SAIL

4.7 With a view to increasing market share, to enhance the production capacity and to introduce state-of-the-art technologies to produce steel of international quality at competitive price, Steel Authority of India Limited (SAIL) is currently implementing Modernisation & Expansion Plan of its five integrated Steel Plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and Special Steel Plant at Salem. This will increase production capacity of crude steel from 12.84 million tonnes per annum to 21.4 million tonnes per annum in the current phase. The plan shall also address the issues of technological obsolescence, energy savings, enriching product mix, pollution control, mines and collieries development to meet higher requirement of key raw materials, introduction of customer centric processes and create matching infrastructure facilities in the Plant to support higher production volumes.

4.8 A part of the operations in the company continues to be from energy inefficient processes viz. open hearth and ingot route of production, which will be eliminated only after the completion of the current expansion programme. At present around 20% of the products are in the form of semi-finished steel, resulting in lower value addition. This will continue till new rolling mills planned under expansion plan contribute to value addition as almost all semis will be converted to finished steel.

4.9 Regarding the present status of modernisation and expansion of various plants/ units of SAIL, the Ministry have stated as under:-

> "Expansion of Salem Steel Plant has been completed in Sep'10 and the facilities are in regular operation. Under BSL expansion, manual strip threading was done in Pickling Line & Tandem Cold Mill in Dec'11 and Coil Packaging Line-2 has been completed in Mar'12 under New Cold Rolling Mill complex. Under RSP Expansion, new Sinter Plant-3 has been completed successfully on 01.04.12 and sinter is being transported to existing blast furnaces via existing Sinter Plant No.2. This is the first unit to start production under RSP expansion. Further, all major facilities at IISCO Steel Plant, Bhilai Steel Plant, Durgapur Steel Plant, Rourkela Steel Plant and Bokaro Steel Plant are in various stage of execution. SAIL is putting in all efforts to complete current phase of modernisation & expansion plan by 2013."

4.10 The details of BE, RE and Actual of 2010–11 & 2011–12 in respect of modernization and expansion of SAIL are given below:

(Rs. in Crore)

	2010 – 11			**2011 – 12**		
	BE	**RE**	**ACTUAL**	**BE**	**RE**	**Expenditure**
SAIL	10937	10968	10210	13169	11529	10059*

* *Figures are provisional.*

4.11 The broad details of outlay provided for various schemes of SAIL are as under:-

(i) Outlay of *Rs.4717.00* crore has been provided for Bhilai Steel Plant. Major portion (Rs.4465.00 crore) of the total outlay is for modernization and expansion the Plant. Balance outlay is for schemes like installation of HAGC, PVR in Plate Mill, Hot Metal Desulphurisation unit, Slab Caster, RH Degasser, Mining Railway track-Rowghat and other ongoing & new schemes.

(ii) Outlay of *Rs.1215.00 crore* has been provided for Durgapur Steel Plant, of which Rs.1100.00 crore is earmarked for expansion of the Plant. Other schemes covered under the outlay include Installation of Bell less top charging system in BF, Steel Processing Units at Kangra and other small schemes.

(iii) An amount of *Rs.3400.00 crore* has been provided for Rourkela Steel Plant. Major scheme included in the outlay is expansion of RSP (Rs.3200.00 crore). Other schemes are Rebuilding of COB No.4, Installation of 700 TPD Oxygen Plant, Jagdishpur Steel project and other ongoing & new schemes.

(iv) An outlay of *Rs.1980.00 crore* for Bokaro Steel Plant has been provided. Out of this, expenditure on expansion of Bokaro Plant (Rs.1540.00 crore) and balance amount for Rebuilding of COB No.1 & 2, Installation of TB in Turbo Blower station, Upgradation of BF-2, Steel Processing Unit in Bettiah and other ongoing & new schemes.

(v) Outlay of *Rs.2615.00 crores* is for IISCO Steel Plant. Major portion is for Expansion of ISP (Rs.2550.00 crore), Rebuilding of COB No.10 and balance amount is for other ongoing and new schemes.

(vi) Outlay of *Rs.20.00 crore* for Alloy Steels Plant is for several completed and ongoing schemes.

(vii) Outlay of *Rs.75.00 crore* has been allocated for Salem Steel Plant. Major portion of the outlay is for Expansion of SSP (Rs.67.00 crore) and the remaining amount is for small value miscellaneous schemes.

(viii) Remaining outlay of *Rs.478.00 crore* have been provided for Visvesvaraya Iron & Steel Ltd. (Rs. 5.00 crore), Central Units of SAIL (Rs. 103.00 crore), Raw Materials Division (Rs. 340.00 crore), Chandrapur Ferro Alloy Plant (Rs. 30 crore) for various ongoing and new schemes/ projects and research work.

4.12 In this regard, during evidence, Chairman, SAIL further elaborated as under:-

"We have taken up a massive modernisation and expansion programme. The total cost for modernisation and expansion of programme is coming out to Rs. 62000 crore. Of this, we have already placed orders of Rs. 56533 crore and till 31st March, 2012, we have incurred expenditure of Rs. 35120 crore. After this expansion and modernisation programme is complete, our hot pedal capacity will get escalated to 23.46 million tonne per annum and saleable steel production will go up to 20.23 million tonne per annum. Salem expansion and modernisation programme is complete and the unit has already started production in the last one and half years. As envisaged in the Plan, the unit is operating at about 60 per cent in the first year, 70 per cent in the second year and then 90 per cent of the enhanced capacity and the unit is functioning.

Now, in the Rourkela Steel Plant the most important thing is to start the blast furnace and this blast furnace is slated to be started in this year as per the schedule and there is no time overrun and no cost overrun and we hope that by August-September, 2012, we will be able start the commercial production of Rourkela Steel Plant blast furnace and the capacity of the blast furnace is 4060 meter cube which is the highest capacity blast furnace in the country. Our other facilities like coke oven centre are already complete and on 1st April, 2012, we already started commercial production in the Rourkela Steel Plant. Plate Mill will be complete by March, 2013 and BUFCC will be complete by December, 2012 and Coke Oven will be complete by July, 2012. This is the position in regard to Rourkela Steel Plant.

As far as Bhillai Steel Plant is concerned, as per the schedule, the plant has to become operational by March-June, 2013 and most of the facilities they are going as per the given schedule and we are hopeful that by June, 2013 we will be able to start the blast furnace.

As far as Bokaro steel plant is concerned, the new CRMS and coal trials have been started and the commercial production of CRM will be started by September, 2012 and this is going as per schedule. Coke Oven Battery No.I and II in Bokaro Steel Plant has already started. Then some other minor facilities will be started in the course of the current year. ISP I is the most important. There has been time overrun and because of some problems during the construction period and financial fluctuation, consequently there have been some cost overruns also. But we are hopeful that during the year 2012-13, the commercial production and the integrated commissioning of the Burnpur Steel Plant will be started. The Wire Rog Mill of Burnpur Steel Plant we are going to start by June-July 2013. Coke Oven Battery is already under chimney heating and battery heating will be started after a week or a ten days time and then we hope that chimney light up and coke oven pushing will be started three months thereafter. Our blast furnace in Burnpur is ready but there have been some delay in the converters and the converters will be ready only by October-November, 2012. So, we are not starting the blast furnace because we do not want to start the pigging of the steel. We will be starting the integrated commissioning after we are able to complete the converters which will be ready by October-November, 2012 and then the blast furnace will also be started thereafter.

In regard to Durgapur Steel Plant, the coke oven battery no. II will be completed by March, 2013 and medium structure mill, bloom cum round cast will be complete by March, 2013."

Revival of Sindri Unit of Fertilizer Corporation of India (FCI)

4.13 SAIL is reported to take the special purpose vehicle (SPV) route for the revival of the Sindri unit of Fertilizer Corporation of India (FCI). The company proposes to set up three SPVs by roping in different strategic partners to set up a steel plant, a fertilizer unit and a power plant after dismantling the defunct FCI unit at Sindri, which stopped production in 2002. (Business Line – 18.8.2011)

4.14 When asked about the details of the said project, the Ministry in their written reply have stated as follows:

"The projected capital investments in the different projects are as follows:

Project/JV	Targeted Production	Projected Capital Investment (Approximately)
Integrated Steel Plant	5.6 million tonnes per annum	Rs 29000 Cr
Fertilizer Plant (Gas Based)	1.15 million tonnes per annum	Rs 4400 Cr
Power Plant (Gas/Coal Based)	1000 MW	Rs 5000 Cr

However, the final clearance of BIFR approving the draft rehabilitation scheme for revival of Sindri Unit of FCIL is still awaited.

While a gas allocation of 2.1 million metric standard cubic metre per day (MMSCMD) has been made for fertilizer plant as per CCEA decision, for steel & power SAIL has to arrange its own raw material & fuel linkages. The projected investment will materialize only if required iron ore & coal linkages for steel plant and thermal coal linkage for power plant are made available.

- Necessary funds for investment in SPV and the proposed Joint Ventures shall be met from Internal & Extra Budgetary Resources (I&EBR).
- For Fertilizer plant, apart from SAIL & National Fertilizer Ltd (NFL) a strategic partner shall also be selected in such a manner that joint shareholding of PSU partners is not less than 51%.
- Project funding shall be done in a debt equity ratio of 70:30. The equity shall be contributed by SAIL, NFL and the selected strategic partner. The debt will be raised from the open market.
- For Steel plant & Power plant, strategic partner shall be inducted, along with SAIL in such a manner that joint shareholding of PSU partners is not less than 51%.
- Project funding shall be done in a debt equity ratio of 70:30. The equity shall be contributed by SAIL and the selected strategic partner. The debt will be raised from the open market.
- These projects are likely to be completed within 48 months from the date of placement of orders after receipt of the final clearance of the Draft Rehabilitation Scheme (DRS) for revival of Sindri Unit of FCIL, by BIFR and other approvals from Empowered Committee of Secretaries (ECOS) and signing of the Concessionaire Agreement between SAIL and Fertilizer Corporation of India Limited."

B. Rashtriya Ispat Nigam Ltd. (RINL):-

4.15 This is the first shore-based Integrated Steel Plant set up in India. The outlay is being met from the internal resources of the company.

(Rs. in crore)

Major Head	***Budget Estimate 2011-12***			***Revised Estimates 2011-12***			***Budget Estimate 2012-13***		
	Budget Support	*IEBR*	*Total*	*Budget Support*	*IEBR*	*Total*	*Budget Support*	*IEBR*	*Total*
12852	*--*	*3046.00*	*3046.00*	*--*	*1964.50*	*1964.50*	*--*	*1942.00*	*1942.00*

4.16 The amount earmarked for different projects/schemes implemented by RINL through IEBR at BE 2011-12 of Rs. 3046.00 crore was reduced to Rs.1964.50 crore at RE stage. It has further been decreased to Rs.1942.00 crore at BE 2012-13.

4.17 An outlay of Rs.1942.00 crore has been provided for Rashtriya Ispat Nigam Ltd. for 2012-13. Major portion of this outlay amounting to Rs. 800.00 crore is earmarked for expansion of RINL's production capacity. Balance outlay is for AMR schemes, Coke Oven Battery No. 4 (Phase-I & II), Air Separation Plant, Facility of Iron ore storage, Strengthening and augmentation of power system, BF-1 category-1 repair, Sinter plant productivity enhancements, Pulverized Coal Injection, Acquisition of iron Ore Mines & Coking Coal mines, 67.5 MW TG-5 Power Evacuation System etc. Entire outlay will be met from I&EBR of the company.

4.18 When the Committee enquired about the reasons for reduction of funds at RE 2011-12 and reasons for decreased allocation of IEBR at BE 2012-13 as compared to BE and RE 2011-12, the Ministry in their reply have submitted as follows:-

(Rs. in crore)

Year	**Budget Estimates (BE)**	**Revised Estimates (RE)**	**Actual utilization**	**% Fulfillment w.r.t. RE**
2011-12	3046.00	1964.50	1896.47	97

Major expenditure towards Projects is pertaining to Expansion. Balance payment mainly pertains to Preliminary Acceptance Certificate (PAC), Final Acceptance Certificate (FAC), Performance Guarantee (PG) test, liquidation of defects etc. which are delayed and will be paid progressively. Though agencies are pressurizing these payments, the same is not getting released so as to put adequate pressure on them to complete balance finishing work, to show the rated capacity utilization, etc. Considering the above, the budget estimate of Rs.3046 crore for the year 2011-12 was reviewed along with rescheduling of revamping & modernization projects of the existing units and was got revised to Rs.1964.50 crore. RINL has achieved 97% (Rs 1896.47 crore.) against RE target of Rs.1964.50 crore. Also, part reduction of funds at RE 2011-12 are due to poor performance and supplies by M/s BHEL and M/s MECON.

Reduction in IEBR from Rs.1,964.50 Cr of 2011-12 to Rs.1,800.00 Cr in 2012-13 is mainly due to reduction of expenditure in the current phase of expansion. There are number of other projects taken up but most of them are at initial stages of ordering, engineering, civil work etc., resulting in low expenditure. The expenditure would again go up during 2013-14 once supplies start in a bigger way."

4.19 Physical and Financial achievements by RINL during the last three years:-

<u>PHYSICAL PERFORMANCE</u>

(in '000 tonnes)

No	**Item**	**2008-**	**2009-10**	**2010-11**	**2011-12**	**2012-13**

		09*						
		(Actual)	(Actual)	(Actual)	BE	RE	Actual (upto Dec'11)	BE @
(i)	Hot Metal	3546	3900	3830	4350	3900	2848	4185
(ii)	Crude Steel	2963	3205	3235	3673	3187	2297	3513
(iii)	Saleable Steel	2701	3167	3077	3467	3036	2199	3300
(iv)	Pig Iron	322	408	318	368	454	361	370

*In second half of 2008-09 production cut was resorted due to un-precedented global meltdown.

FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2008-09	2009-10	2010-11	2011-12			2012-13
		(Actual)	(Actual)	(Actual)	BE	RE	Actual (Prov.) (upto Dec'11)	BE @
(i)	Income	12303.61	11392.16	12042.55	13763.22	13666.99	10192.21	14821.74
(ii)	Operating Cost	9948.10	9789.79	10630.40	12962.84	12657.26	9207.60	14420.74
(iii)	Gross Margin	2355.51	1602.37	1412.15	800.38	1009.73	984.61	401.00
(iv)	Profit (Loss) before Tax	2026.59	1247.65	981.66	29.21	541.27	587.59	-313.47
(v)	Profit (Loss) after Tax	1335.57	796.67	658.49	89.88	374.01	401.27	-302.86
(vi)	Dividend paid	--	339.18	285.29	--	271.47	271.47	--

@ As per MoU 2012-13 submitted to DPE which would be finalized after discussion with ATF members.

4.20 The continuous increase of Iron Ore & Coking coal prices and further due to high cost carry forward quantity of 2008-09 agreement coking coal severely affected the profitability of 2009-10, 2010-11 and 2011-12. Although financial performance during the current year is better than budgeted, there will be shortfall in production due to non commencement of expansion units as envisaged in the Budgeted estimates. As majority of the expansion units are scheduled to be commissioned during the year 2012-

13, this would have the impact of higher depreciation cost apart from generation of large quantities of semi finished products due to required stabilization time thereby affecting the overall profitability of the year. High cost of key raw materials such as Coal and Iron Ore and Depreciation of rupee against US dollar also affecting the profitability of the Company.

4.21 Many of the expansion projects envisaged during the 11th Plan have now been planned for completion during the 12th Plan. Therefore, there would be a spill over of expenditure in the 12th Plan.

4.22 The Committee have been informed that the projects planned during 11th Five Year Plan were basically towards expansion of Plant to 6.3 million tons per annum (mtpa) capacity. The same has been completed and is at various stages of commissioning and stabilization except for special bar mill and structural mill which will spill over to 12th Five Year Plan and is likely to be completed during 2012-13.

4.23 CMD, RINL during evidence added, "About taking note of the bottlenecks that we faced in the last phase of expansion, we have constituted a Task Force also. Major delays have happened on account of placement of orders, resource mobilisation, inadequate number of bidders, etc. These have been the major causes of delays. So, this later part we have created ourselves, labour colonies, etc. So, all those things we are taking care of. We are presenting to the Board also. Whatever problems we have faced we will take care of them in the next phase of expansion, which is under consideration."

4.24 When asked to furnish the details of schemes of RINL (above Rs.100.00 crores) which are running behind the original schedule, the Ministry have submitted the following:-

Sl. No.	Name of the Scheme	Estimated/ Approved Cost	Original Schedule	Amount Spent till Mar'2012	Schedule & Status of the Scheme	Remarks
1	Coke Oven Battery IV - Phase- II	355.30	-	162.53	**Coal Handling Side:** Additional facilities are likely to be completed progressively by Jun '12 in line with requirement of higher production of coke.	**By-Product side** **Time Over run** Not likely w.r.t. contractual schedule. However there has been delays w.r.t. original

					By-Product side: Benzol recovery plant package ordered on MECON in July'10 after several round of re-tendering due to poor response of bidders. Scheduled to be completed by Oct'12 as per contract.	schedule mainly due to: - Delay in finalization of consultant due to poor response from bidders. **Cost Over run:** No cost over run is anticipated with respect to the likely ordered cost except contractual escalations
	Expansion 6.3 Mtpa	12291.00	36/48 Months in phases from 28.10.2005/ Feb.,11	9481.85	**Stage-I**: Major physical work for most of the expansion and its related facilities has been completed and test, trial runs & commissioning of various packages also in progress. Project is proceeding towards the stage of integrated commissioning to commence production. Blast Furnace is planned for Hot Commissioning during 11th to 25th April , 2012 to commence Hot Metal production. Heat is already taken in LHF & Caster. Converter is getting ready. Integration of all the 3 major units i.e. BF-BOF-Caster is likely by May-June'12 . **Stage-II:** Second stage of expansion includes installation of Special Bar Mill and Structural Mill. Major Civil & Structural works are completed. Several dependent units viz., water system, power system etc are getting commissioned matching the requirement.	Cost has been updated to Rs.12291Crs. The increase in cost is mainly due to statutory variations during project cycle like exchange rate, taxes, WPI index changes etc., except for 11% increase on account of increase in volume of work. The cost overrun on account of escalation is likely to be small w.r.t ordered value as most of the contracts are on firm price basis except escalation towards labour, cement, steel etc. However, the exact escalation will known on completion of the project. **Time over run** -The net impact of intermediate delay of auxiliary packages is likely to get nullified as various inputs are being made available as per requirement of major packages like Blast Furnace, Steel Melting Shop, Mills etc.

3	Pulverized Coal Injection	133.00	Oct.,2007	88.30	Detailed engineering, civil and Structural works almost completed. Equipment erection is in progress. It is planned to be commissioned by June'12.	The package has been delayed by Chinese firm M/s CERI. Equipment from China have been received at site and erection is in progress under supervision of foreign experts
4	Facilities for Iron Ore Storage	481.00	Oct.,2009	190.54	Major packages ordered. Construction work commenced and planned to be completed by Dec'12.	Project re-scheduled due to cancellation and re-tendering of major packages. Augmentation of Iron Ore Storage project, though delayed, would not have impact on operation of the plant as this is required only for building up of stock. **Time over run**: Nil w.r.t to contractual schedule **Cost Over run: Nil**
5	330 TPH (6th) Boiler with Auxiliaries	350.00	Dec.,2010	241.50	Hydraulic test of Boiler No.6 completed and erection of main stream piping in progress. Electrical & Instrumentation and light up activities are under progress. However, there is delay by M/s BHEL and they are being pursued for commissioning by June'12.	**Time Overrun:** There is likely time over run in completion of the project by M/s BHEL mainly due to delay in supply and also poor erection activity at site in spite of monitoring at highest level including ministry. However, there has been improvement in pace of work recently but project is yet behind the schedule. **Cost Overrun**: No cost over run is anticipated over ordered value on M/s BHEL except for statutory variations.
6	67.5MW TG-5 Power Evacuation systems	343.58	Dec.,2010	246.84	Major civil and structural works completed. Auxiliary Steam piping work is under progress. Balance equipment yet to be supplied. There is delay by M/s BHEL. Being pursued to commission by July'12.	**Same as above**

7	20.6 MW Waste Heat Recovery Project on Straight line cooler of Sinter Machines 1 & 2	150.20	25.03.12	6.30	Planned to be commissioned by March 2013. Civil and Structural works are in progress in Boiler and Turbine area.	**There have been delays by one of the sub-agency which got foreclosed and new agency inducted.**

4.25 Regarding allocation of captive coal blocks to RINL the Committee have been informed Out of de-allocated 25 blocks were de-allocated of which 2 blocks were that allocated to RINL as per details given below:

Name of the Company	Block allocated	Date of allocation	End-use	Date of de-allocation	Reasons for de-allocation
Rashtriya Ispat Nigam Ltd.	Mahal	09.12.2005	Steel	07.03.2011	The company surrendered the block due to difficult geo-mining conditions
	Tenughat-Jhirki	10.09.2008			

4.26 When asked during evidence about the reasons for surrendering of coal blocks by RINL, Secretary, Ministry of Steel replied as under:-

> "Regarding surrendering of coal mines, after allotment on getting detailed report, it was found that hardly eight to nine million tonnes of coking coal is there, that too of lower grade. That was the prima facie observation. Both the mines are very tough. They were gaseous, etc. So, it was found not viable. That is why it was surrendered with a request to the Ministry of Coal to allot another coking coal mine to RINL. But the Ministry of Coal had mentioned that there is no rule for allotment of another mine in lieu of mines which is already allotted. But on 16th October, 2011, the Secretary, Ministry of Steel had written a letter to the Ministry of Coal for allotment of two coking coal blocks and thermal coal blocks through the Government dispensation route and that is under consideration. So far we have not got that, but the Ministry of Coal is considering our application."

C. National Mineral Development Corporation (NMDC)

4.27 NMDC is the single largest producer of iron ore and diamond in the country. It is engaged in exploration, development and exploitation of various other minerals such as Dolomite, Limestone, Magnetite etc. The outlay is being met from IEBR of the company.

The BE and RE of NMDC for 2011-12 and BE for 2012-13 are as under:-

(Rs. in crore)

Major Head	**Budget Estimate 2011-12**			**Revised Estimates 2011-12**			**Budget Estimate 2012-13**		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	--	3309.00	3309.00	--	2020.00	2020.00	--	4655.00	4655.00

4.28 When asked about the reasons for drastically reducing the Plan outlay at RE 2011-12 and actual utilisation of funds during the year 2011-12, the Ministry have informed the Committee as under:-

4.29 While furnishing the reasons for increased Plan outlay during 2012-13 which have been pegged at Rs 4655 crore at BE stage, the Ministry have informed the Committee as under:-

D. J&K MINERAL DEVELOPMENT CORPORATION

4.30 J&K Mineral Development Corporation Ltd. (J&KMDC) a subsidiary company of NMDC Ltd. was set up in 1989 with the objective to undertake exploration, prospecting and processing of magnesite, sapphire, marble, limestone, iron-ore, coal, phosphate, manganese-ore and other mineral deposits and for trading and dealing in minerals of all nature. J&KMDC is an uncategorized CPSE under the administrative control of Ministry of Steel having its regional and corporate office at Jammu. It is subsidiary of NMDC which hold 74 percent equity share. Total number of staff as on 31.3.2011 is only 4.

4.31 When asked to furnish note on current activities of J&K Mineral Development Corporation, the Ministry have replied as under:

> "J&KMDC is at present in the stage of acquiring necessary permissions/leases/ tendering/ awarding various work packages. A 30000 Ton Per Annum (TPA) Dead Burnt Magnesite (DBM) Plant at an estimated cost of Rs. 143.00 crore is to be developed at Panthal Magnesite Project, Jammu. Mining Lease (ML) has been transferred to Joint Venture Company on 10.01.11. Meeting of NWLB was held on 14.10.11 and NOC from NWLB accorded on 14.11.2011. Engineering, Procurement & Construction Management (EPCM) Consultant for DBM plant appointed. The project is planned to be executed through 5 packages. Soil investigation work completed. Civil works package ordered on 21.11.11. Work has commenced at site. Technology package tenders opened. Techno commercial scrutiny under progress.
>
> A PIL has been filed against the environmental clearance of Panthal Magnesite Project. Interim order dated 19.03.12 has been issued by Hon'ble High Court of J&K to maintain status quo. On completion of the project, it is expected that the company will be financially viable."

E. KIOCL Ltd. (formerly known as Kudremukh Iron Ore Company Limited):-

4.32 KIOCL Ltd. is a fully owned Government Company with registered office in Bangalore, was formed in April, 1976 for development of the Iron Ore deposits in Karnataka State for sale of iron ore concentrates produced therefrom. The Authorised Capital of KIOCL Ltd. is Rs. 675.00 crore. The Issued and Paid – up capital is Rs.634.51 crore, approximately 99% (Rs.628.14 crore) of which is held by the Govt. of India. The BE, RE 2011-12 and BE 2012-13 of the company are as under:-

(Rs. in crore)

Major Head	**Budget Estimate 2011-12**			**Revised Estimates 2011-12**			**Budget Estimate 2012-13**		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	--	98.00	98.00	--	75.00	75.00	--	409.00	409.00

4.33 The Physical and Financial Performance of the company are as under :-

PHYSICAL PERFORMANCE

(In million tonnes)

No	Item	2009-10	2010-11	2011-12			2012-13
		(Actual)	**(Actual)**	**BE**	**RE**	**Actual (upto Dec'11)**	**BE**
(i)	Pellet	1.273	2.124	3.000	2.000	1.297	2.500
(ii)	Pig Iron (incl. auxiliary)	0.062	-	-	-	-	-

Note: Mining has been stopped w.e.f. 31.12.2005 in view of Hon'ble Supreme Court Judgment.

FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2009-10	2010-11	2011-12			2012-13
		(Actual)	**(Actual)**	**BE**	**RE**	**Actual (upto Dec'11)**	**BE**
(i)	Income	912.59	1784.85	2554.00	2580.80	1226.15	2581.72
(ii)	Operating Cost	1047.23	1622.24	2445.54	2420.74	1149.62	2407.22
(iii)	Gross Margin	-134.64	162.61	108.46	160.06	76.53	174.50
(iv)	Profit (Loss) before Tax	-194.95	99.95	74.84	120.41	47.23	140.30
(v)	Profit (Loss) after Tax	-177.27	76.27	49.99	80.41	31.54	93.69
(vi)	Dividend paid/ proposed	-	15.86	-	-	-	18.74
	Of which :						
	Dividend paid/ proposed to the Govt. of India	-	15.70	-	-	-	18.55

4.34 During BE 2011-12 an amount of Rs. 98 crores was allocated which was reduced to Rs. 75 crores in RE 2011-12. For BE 2012-13 there has been a huge increase in allocation of funds i.e. to the tune of Rs. 409 crores which is more than 5 times of RE 2011-12. On being asked about the reasons for the same and the steps taken to ensure utilisation of the allocated funds as budgeted during 2012-13, the Ministry in their reply have stated as under:-

"Outlay of Rs. 409.00 crore from I&EBR of the company has been provided for KIOCL Ltd. of which Rs. 70.00 crore is for development of permanent railway siding at Mangalore, Rs. 73.00 crore for construction of Bulk Material Handling facilities for receipt of Iron ore by rail and Rs. 150.00 crore for Coke Oven Plant. Remaining outlay is for various ongoing/AMR scheme and R&D/feasibility studies. Outlay is being met from I&EBR of the company.

Detailed Project Reports (DPRs) for Railway Siding and Bulk Material Handling have been prepared. Land required for the project, except for a few acres of land from private party, has been procured from KIADB and also from other private land owners. Efforts are on to procure the balance land from the private party.

M/s. TATA Consulting Engineers have been fixed as the consultants for the Coke Oven Plant. EIA/EMP study report based on the approved Terms of reference (TOR) by MoEF has been already filed for obtaining clearance from Ministry of Environment and Forest (MOEF). Tender documents are being finalized for floating the tender for Coke Oven Plant and Coal & Coke Handling System."

F Hindustan Steelworks Construction Limited (HSCL)

4.35 Hindustan Steelworks Construction Limited (HSCL) has undertaken major construction works connected with setting up of steel plants such as at Bokaro, Vizag and Salem and modernization of steel plants at Bhilai, Durgapur, Burnpur (IISCO) etc. The company has been unable to achieve the results envisaged under the revival/ restructuring package approved by the Govt. in 1999 due to mounting interest liability on Govt. of India loans and VRS expenditure charged to accounts.

4.36 Operational Profit (PBDIT) and Profit after Tax (PAT) of HSCL for the last three years are given as under:-

(Rs. in Crore)

Description	2009-10	2010-11	2011-12 *
Operational Profit (PBDIT)	69.09	71.21	73.53
Profit After Tax (PAT)	-54.59	-38.09	-31.16

* Provisional.
** PBDIT – Profit Before Depreciation Interest and Tax

<u>Physical and Financial Performance</u>

Regarding Physical and Financial Performance of HSCL, the Ministry have stated as under:

(Rs. in crore)

No	Item	2009-10	2010-11	2011-12	2012-13

		(Actual)	**(Actual)**	**BE (Plan)**	**RE (MOU)**	**Actual (upto Dec'11)**	**BE**
(i)	**Order Booking**	1036.00	1826.00	--	1800.00	1652.64	

FINANCIAL PERFORMANCE

(Rs. in crore)

No	**Item**	**2009-10**	**2010-11**	**2011-12**			**2012-13**
		(Actual)	**(Actual)**	**BE (Plan)**	**RE (MOU)**	**Actual (upto Dec'11)**	**BE**
(i)	Income	800.35	996.30	550.00	1200.00	786.89	1250.00
(ii)	Operating Cost	731.26	925.09	495.50	1120.00	745.77	1175.00
(iii)	Gross Margin (PBIDT)	69.09	71.21	54.50	80.00	41.12	75.00
(iv)	Profit (Loss) before Tax	-54.59	-38.09	-98.70	-26.00	-37.29	-35.00
(v)	Profit (Loss) after Tax	-54.59	-38.09	-98.70	-26.00	-37.29	-35.00
(vi)	Dividend paid/ proposed	Nil	Nil	Nil	Nil	Nil	Nil
	of which:						
	Dividend proposed to the Govt. of India	Nil	Nil	Nil	Nil	Nil	Nil

The financial results are improving with the company earning an operating profit of Rs.71.21 crore during 2010-11. The company is taking various initiatives to improve all round efficiency in business operations.

Restructuring of HSCL

4.37 A fresh financial restructuring proposal of HSCL is under consideration. On being asked about the status report in this regard, the Ministry replied that "after recommendation by the Committee of Secretaries (CoS) in its meeting held on 19.10.2011, a revised Note for Cabinet Committee on Economic Affairs (CCEA) for restructuring/revival of HSCL was circulated. The Planning Commission has raised certain objections of substantive nature. Hence the Ministry of Steel has been advised to present a more credible plan that can give some assurance of future viability. The further course of action is being taken accordingly.

The Ministry have also informed that HSCL has taken loan of Rs.518.36 Crore in two phases (2000-01 to 2002-03) from the following banks under the Guarantee given by the Government of India for rationalization of manpower through VRS:-

Sl.No	Name of the Bank	Amount (Rs. in Crore)	1st disbursement
1	SBI	209.82	2.6.2000
2	ICICI	52.16	28.11.2000
3	ICICI	56.38	21.3.2001
4	ICICI	50.00	1.8.2002
5	ICICI	50.00	1.11.2002
6	ICICI	50.00	9.1.2003
7	Vijaya Bank	50.00	28.3.2003
	Total	518.36	

Pending restructuring package for the company, the total overdue bank loan as on 31.12.2011 is Rs.518.36 crore.

11485 employees have been separated on VRS in HSCL after implementation of Restructuring package in 1999. At present, VRS option has been closed."

4.38 When asked about the restructuring of HSCL during evidence, the Secretary of Steel replied that "starting with the question regarding the HSCL which concerns the Government and the restructuring of HSCL, the position is that we had moved a Cabinet note for restructuring of the HSCL and the Ministry of Finance had also agreed to it. But the Planning Commission had said that the company should be closed or should be merged with SAIL. To address that point, the Cabinet Secretary is taking a meeting after ten days or so. Then, we take it to the Cabinet. I think we can get some decisions from Cabinet regarding HSCL in a shorter time.

4.39 During evidence, MD, HSCL also elaborated that our proposal is in an advanced stage of restructuring. We have got a Plan loan of Rs. 513 crore and Non-Plan loan of Rs. 518 crore. The operating profit is also increasing.

The witness further added:-

"Today, we have job orders of more than Rs. 4000 crore in hand whereas only 12% of our market capital is in steel sector. We have decided to pay Rs. 52 crore bank loan in the next ten years. The Secretary has already taken it up with the Cabinet Secretary. It is going to come up very soon. Once that is done, we are going to become a profit-making organisation in 2015. The company is going to earn a positive net-worth by 2015. Today we are a company having a fixed deposit of more than Rs. 350 crore. Once upon a time, the company never had money to get bank guarantee. Today, we are participating in global tenders."

CHAPTER-V

ISSUES RELATING TO STEEL SECTOR

A. Steel Production

The physical targets for 2011-12-(RE) and 2012-13 (BE) in respect of the PSUs under the Ministry of Steel are given below:-

S.No.	Name of PSU	Physical Parameters	2011-12 (RE) Target	2012-13 (BE) Target
1.	SAIL	Production - Saleable Steel (in million tonnes)	12600	12750
2.	RINL	Production - Saleable Steel (in million tonnes)	3036	3300
3.	NMDC	(i) Iron Ore production (in LakhMT)	275.00	265.00
		(ii) Diamonds (Carats)	15000	23500
4.	KIOCL	Production (in million tonnes)		
		(i) Pellet (including fines)	2.00	2.50
5.	MOIL	Production (in MT)		
		i) Manganese Ore	1150000	1200000
		ii) Electrolytic Manganese Dioxide	800	1000
		iii) Ferro Manganese	7800	10000
6.	MSTC	(i) Marketing (volume of business in Rs. crore)	2000.00	2900
		(ii) Selling Agency (volume of business in Rs. crore)	6600.00	9500.00
7.	FSNL	Recovery of Scrap (in Lakh MT)	24.94	27.69
8.	MECON	(i) Business procurement (value	-	-

		in Rs. crore)		
9.	HSCL	Order Booking (value in Rs.crore)	1800.00	-
10.	Bird Group	Production (in lakh MT)		
	(i) OMDC	(i) Iron Ore	8.00	10.00
		(ii) Sponge Iron	-	-
		(iii) Manganese Ore	0.18	0.20
	(ii) BSLC	(iv) Limestone	0.22	1.00
		(v) Dolomite	4.92	6.00

5.2 Asked about the achievement of Various production targets fixed for the year 2011-12 for steel PSUs, the Ministry of Steel have informed the Committee that these have been generally achieved. Each PSU is required to sign an MOU with the Ministry of Steel indicating annual targets to be achieved, in consultation with Department of Public Enterprises. Performance of each PSU is reviewed / monitored on monthly basis in the Ministry with respect to monthly targets of MOU. Deficiencies/short comings in the Monthly performance, noticed if any, is communicated to each PSU for remedial action. Quarterly Performance Review (QPR) meetings are also held at the level of Steel Minister / Secretary to monitor / review the performance of all PSUs.

5.3 The Committee are further, informed that India has become 4th largest producer of crude steel in the world as against the 8th position in 2003 and is expected to become the 2nd largest producer of crude steel in the world by 2015. Capacity for crude steel production expanded from 51.17 million tonnes per annum (mtpa) in 2005-06 to 78 mtpa in 2010-11. Crude steel production was 53.357 MT, a growth of 3.5% over same period of last year. The Major Producers (Steel Authority of India Limited, Rashtriya Ispat Nigam Limited, Tata Steel, Essar, JSW Steel, JSW Ispat Steel and Jindal Steel & Power) together produced 29.984 MT during this period, which was a growth of 8.07% compared to last year. The rest i.e. 23.373 MT was the contribution of the Other Producers, which was a growth of 1.3% compared to last year. Crude steel production grew at 8% annually [Compounded Annual Growth Rate (CAGR)] from 46.46 million tonnes in 2005-06 to 69.57 million tonnes in 2010-11.

5.4 The Committee note that Indian Steel Industry has missed its production target for 2011-12 by 40% as mega steel projects announced during the last decade are yet to be started. Steel production in the country inched to 72 million tonnes last fiscal, against the target of 124 million tonnes. The Government has now revised the timeline for achieving the target to 2016-17. Some major private projects of Posco (capacity 12.0 mn tonne), 2 projects of Arcelor Mittal (capacity 12.0 mn tonne) and three projects of Tata Steel (capacity 12.0, 6.0 and 5.5 mn tonne) have been delayed on account of problem relating to land acquisition. Posco's Rs. 52000 crore project, the country biggest foreign direct investment (FDI) project, expected to go on stream by July, 2010 is facing a nearly 6 year delay as the company has not been able to acquire land.

5.5 As regards the 301 MoUs, that have been signed with various States for planned capacity of around 488.56 million tonnes, the Committee have been informed as under:-

The break-up of 301 MoU signed by various State Governments

State	No. of MoUs signed	Approx. Capacity (in million tonnes per annum)
Orissa	63	81.16
Jharkhand	49	105.11
Chhattisgarh	76	60.00
West Bengal	16	39.40
Karnataka	57	173.00
Andhra Pradesh	18	11.79
Other States	22	18.20*
Total	301	488.66

*estimated

B. Promotion of Steel Sector Usage

5.6 The Ministry of Steel have carried out a survey/study through the Joint Plant Committee to assess the demand for steel in rural areas. The JPC has submitted the final Report of this survey in July, 2011. The survey has come out with findings regarding average per capita consumption of finished steel in rural areas, trends of consumption of steel and future projections of steel in rural India. The survey collected the data for the purpose of analysis for the three years i.e. 2006-07, 2007-08 and 2008-09 and assessment of rural steel demand for the periods 2011-12, 2016-17 and 2019-20. The average per capita consumption of finished steel in rural India has been assessed at 9.78

kg. during the period 2007 to 2009, which is estimated to increase to around 12 kg. in 2020 based on increased penetration of steel products. This growth would be powered mainly by construction activities, largely at the household level but also by purchase of items such as items for professional use, furniture and vehicles. It is also expected that the demand for household items would decrease over the years. The major reason for the same is increasing replacement of steel by plastic for some of the major contributing items of that category.

5.7 The survey has also made recommendations for enhancing the consumption of steel in rural India such as shift in type of housing structure, re-looking steel design for various applications, investment in community structures, small and medium steel products manufacturing, highlighting advantages of steel, increasing aesthetics of steel , improving logistics & supply chain for steel and addressing steel quality issues.

5.8 SAIL has launched a new Rural Dealership Scheme in August, 2011 with a view to expand its scope of business in rural areas of the country and to meet the steel demands of the small rural consumers at block, tehsils and taluka levels. SAIL is present in 630 districts with over 2700 dealers, of which 728 are in rural areas. In the current fiscal, SAIL intends to appoint 1500 dealers, of which about 1000 will be in rural areas. About 27 percent of SAIL's retail sales of 5.8 lakh tonnes in 2010-11 were from rural areas.

5.9 As per SAIL Dealership Policy, dealers are required to stock TMT Bars, GP/GC Sheets and other items required by common man and sell to small/retail customers at prices fixed by SAIL. Appointment of dealers in various districts/blocks has helped in making steel items of mass consumption available near the consuming points at competitive prices as SAIL absorbs transportation cost from the nearest SAIL warehouse to the dealers' premises. As a result, SAIL material is made available in rural and remote locations at the same price at which it is available at the nearest SAIL warehouse location. As per SAIL Dealership Policy, preference is given to applicants from SC, ST and OBC categories for dealership of SAIL products. Dealers under SC/ST/OBC have been exempted from payment of security deposit while the dealers under general category shall furnish a security deposit @ Rs. 500/- per tonne of agreed monthly off take. Applicants belonging to SC/ST/OBC are being given preference in appointment as SAIL dealer, subject to their fulfilling eligibility criteria/conditions, as prescribed for them.

5.10 RINL introduced a simpler Rural Dealership Scheme in 2011 for the benefit of Äam Admi". Under the scheme rural entrepreneurs are appointed dealers at Block and Panchayat level. In less than a year, as many as 217 Rural Dealers were appointed.

As far as SAIL is concerned, the following is submitted:

(i) As on 1.4.12, SAIL has 2662 dealers covering 629 districts in the country. In the year 2011-12 SAIL has launched a new "Rural dealership policy" with focus on appointment of dealers at talukas and block level. Under this policy 476 rural dealers were appointed.

(ii) SAIL has plans to initially appoint approximately 1000 dealers under its Rural Dealership Scheme. In the first phase, approximately 476 numbers of rural dealers have been appointed. The appointment exercise for balance 534 numbers shall be taken up in phases during 2012-13."

5.11 When asked to furnish the percentage consumption of steel in rural and urban area during 2010-11 and 2011-12 and whether SAIL was successful in appointing the proposed dealers during 2011-12, the Ministry furnished as under:-

"Percentage consumption of finished steel in rural and urban area during 2010-11 and 2011-12 are given below.

2010-11			**2011-12**	
Finished Steel Consumption	**Qty (million tonnes)**	**% share***	**Qty (million tonnes)**	**% share ***
Total	65.6	100	70.3	100
Rural	8.5	13	8.6	12
Urban	57.1	87	61.7	88
* % share in total finished steel consumption Note:- Figures for 2010-11 and 2011-12 are provisional.				

Source : Joint Plant Committee

C. Raw Material For Steel Sector

5.12 Prudent utilisation of critical raw materials viz. coking coal and iron ore is of fundamental importance as they play a very important role in sustained development of steel industries. As regards iron ore, the Government has taken a decision in 2008 that although conservation of iron ore resources is of the 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. As a policy measure, Ministry of Steel has been taking up the issue of conservation of iron ore for long term use by the domestic iron and steel industry and also the issue of imposition of appropriate export duty on iron ore with Ministry of Finance, from time to time, with a view to restrict iron ore export and to increase availability of iron ore at affordable prices, for the domestic iron and steel industries. Consequently, since 1st March, 2007 export duty is being imposed on iron ore and the rates of export duty have changed from time to time, since then. Recently, the export duty on iron ore has been increased from 20% ad valorem to 30% ad valorem on export of all grades of iron ore (excluding pellets) with effect from 30.12.2011.

5.13 When enquired about the steps taken by the Government to encourage beneficiation and agglomeration of iron ore, the Ministry have furnished as under:

> "The following fiscal measures have been taken for encouraging beneficiation and pelletization of iron ore in the country, based on the recommendations of Ministry of Steel:
>
> i) Basic Customs Duty on import of plants/ equipments used in initial set up and expansion of iron ore pellet plants and iron ore beneficiation plants has been reduced to 2.5% from 7.5% in the General Budget 2012-13.
> ii) Export duty on iron ore pellets has been withdrawn in the General Budget 2011-12."

5.14 Regarding the steps taken by SAIL to utilize fines and concentrates, the Ministry have submitted the following information:-

> "SAIL will gainfully utilize low grade iron ore and slimes with installation of new beneficiation facilities and pellet plants resulting in total utilization of iron ore. This will help in mineral conservation and optimum utilization of mineral resources.
>
> For effective utilization of iron ore fines at steel plants new sinter plant is being setup at ISP, Burnpur and new sinter machine is being set up at BSP, Bhilai. At RSP new sinter plant has already been installed.
>
> SAIL's Plan for setting up beneficiation /pelletisation facilities
>
> i. Beneficiation Plants
>
> New beneficiation facilities are proposed to be installed at iron ore mines. Details are given below:
>
> 1. Bolani – 10 Mtpa
> 2. Gua – 10 Mtpa
> 3. Taldih(Including Barsua) – 8 Mtpa

4. Rowghat – 14 Mtpa
5. Chiria – 7 Mtpa

ii. Pelletisation facilities

New pellet making facilities with an annual capacity of 6-8 Mtpa is proposed in the expansion plan. One pellet plant of 4 Mtpa at Gua mines is under progress and for the balance pelletisation capacities selection of location in plant/mines is in progress."

5.15 On being asked about the current status of pelletisation facilities proposed, the Ministry in a written reply have informed the Committee as under:

"Green clearances to 3 key iron ore mines in West Singbhum District of Jharkhand have been refused by the Expert Appraisal Committee (EAC) of the Ministry of Environment & Forest.

Expert Appraisal Committee (EAC) of MoEF considered the proposals of Jhillingburu-I, Jhillingburu-II and Topailore leases of Gua Iron Ore Mines of SAIL on 24.1.12 for issuance of terms of references (TORs) for preparation Environment Impact Assessment (EIA) /Environment Management Plan (EMP) reports. As per the minutes of meeting, issued on the MoEF web site on 17.2.12, EAC observed that the leases are located in the West Singhbhum District, an identified severely polluted area where Respirable Suspended Particulate Matter (RSPM) level in the area are high, even exceeding the prescribed standards. In view of this, EAC deferred prescribing of TOR's to these leases till appropriate control measures are implemented in the area and their effectiveness shown based on the air quality monitoring results.

Regarding Bolani mines, MoEF has granted Stage-I forest clearance for 5.1 Sq. Mile Lease of Bolani mine on 12.11.10 with 37 conditions and in addition State Government has laid another 4 conditions. For complying these conditions, one year working permission was granted by MoEF w.e.f. 12.11.10. Compliance of all the conditions is prerequisite for grant of Stage-II approval. As SAIL has complied with most of the conditions and is in final stage of compliance of all the conditions therefore, in November 11, State Govt. recommended for extension of 3 months only. Accordingly, GoI granted extension of 3 months only which expired on 11.2.2012. In absence of working permission beyond 11.2.12, State Govt. asked SAIL to stop mining operation till extension of working permission is granted by MoEF. SAIL sought a clarification and in view of the clarification State Government further recommended extension of working permission to MoEF for 9 months on 9.2.12, however, MoEF granted extension of only 2 months on 2.3.12 w.e.f.12.2.12 which is expiring on 11.4.12. During this period, State Govt. was asked to furnish the detailed status of compliance with particular reference to compliance on Forest Right Act in respect of forest land of the lease. Mining operation resumed on 3.3.12 after grant of extension of working permission by MoEF on 2.3.12. Mining operation remained suspended from 12.2.12 till 2.3.12.

In view of the significant progress made especially with regard to compliance of Forest Right Act and period permissible under para 4.18 of FC Act guidelines, Odisha State Govt. has recommended extension of working permission for another 7 months on 22.3.12 to MoEF so that all conditions of Stage-I could be complied. Proposal is pending with MoEF. Working permission is valid up to 10.4.12."

5.16 When asked about the course of action adopted by the Ministry in view of the above, the Ministry have submitted that presently these three leases of Gua mines are mainly being used for providing infrastructure support for doing mining operation in Duargaiburu lease of Gua iron ore mine. However, small mining operations of manganese mining in Jhillingburu-I lease would be affected till grant of forest and environment clearance by MoEF. In order to meet enhanced requirement of iron ore, production capacity of existing mines at Gua, Bolani, Kiriburu, Meghahatuburu and Barsua is being expanded to its maximum potential and new mines are planned to be developed at Rowghat, Chiria and Taldih. Iron ore production capacity will be enhanced to about 40 Mtpa in the next 2-3 years time. SAIL has planned to invest Rs.10,000 crores in raw material areas for development of new mines, expansion & modernization of existing mines with state-of-art technology."

NMDC LIMITED

5.17 A Pellet Plant of 1.2 mtpa capacity is being set up by NMDC at Donimalai, Karnataka to utilize fines/slimes. A 0.36 mtpa beneficiation plant is also being set up at Donimalai to beneficiate BHJ iron ore and upgrade it from 41.5% Fe to +64% Fe iron ore concentrates for pellet manufacture. NMDC had planned to set up new projects viz. Bailadila Iron Ore Deposit No. 11 B (7 mtpa by June, 2011), Kumaraswamy Iron Ore Project (7 mtpa by Sept. 2012) to increase production of iron ore and Pellet Plant (1.2 mtpa by Dec., 2012) at Donimalai to diversify into pellet production.

5.18 When enquired about the current status of the above-mentioned projects, the Ministry in a written reply have furnished the following information:-

(Rs. in Crore)

Projects	Project cost	Allocation upto 2011-12	Spent upto 2011-12	Allocation for 2012-13
Bailadila iron ore Deposit -11B	607.18	283	313.67	60

Kumaraswamy iron ore project	898.55	279	72.35	200
Pellet Plant, Donimalai	572	250	86.55	200

Bailadila Deposit No-11B:

- Capacity – 7 mtpa
- Total project is being executed through seven packages.
- Work is in progress for all the packages.
- Trial run done for Downhill Conveying system (Conveyor-1120).
- Trial run done for Secondary Crusher and Scalping Screen under package-1.

Frequent 'Bandh' calls by Maoists and related activities have been affecting the progress at site.

Kumaraswamy Project:

- Capacity – 7 mtpa
- Total project is being executed through 6 packages.
- Work awarded for 5 Packages (Crushing Plant, Downhill, Electrical works, water supply pipeline (5A) and Service Centre (5B)).
- Design and engineering is in progress for package 2. Site work is in progress for package 1, 2 & 3. 2800 m3 RCC completed in package-1. RCC raft of Primary Crusher House completed, 1003 level works completed. 1008 level works started.
- Offers received for package-4 (Telecommunication) and package 6 (Approach road) are under scrutiny.
- Order placed for package-5C (cranes)

1.2 mtpa Pellet Plant, Donimalai:

- The project is being executed through 6 packages (Pelletisation, Beneficiation, Site leveling, MRSS, Boundary wall & miscellaneous buildings and Mobile equipments)
- Basic engineering and ordering of major equipments completed.
- All major Packages have been ordered and works have commenced at site. Some equipments of pellet package are ready for inspection/ dispatch. Inspection done for 1st set of imported equipments.
- Package 6 (Mobile equipments) is being tendered."

RASHTRIYA ISPAT NIGAM LIMITED (RINL)

5.19 At RINL, Iron input to the Blast Furnace primarily is through Sinter. Sinter is produced by an agglomeration process where the main raw material is Iron ore fines. Currently, RINL has already two Sinter Plants for usage of iron ore fines of around 65-75% in its total consumption of iron ore.

5.20 The company has planned higher usage of fines in its existing plants as well as new plants by enhancing the sinter and pellet usage for which the new Sinter Plants, Pellet Plant and up-gradation of existing Sinter Plants are planned as part of the current expansion plan / revamping and modernization/ next phase of expansion. Additional new sinter plant for production of sinter using about 3 Million Tonne (MT) of iron ore fines is already under advanced stage of commissioning.

5.21 The Committee have been informed that RINL has a proposal for installation of 4 to 6 MT capacity pelletisation plant. For this, utilization of iron ore fines in the form of concentrates after beneficiation at mines and transportation through pipeline (NMDC) has been contemplated along with NMDC.

5.22 When asked about the monitoring system by the Ministry to augment and ensure best utilization of coal and iron ore by the PSUs, the Ministry have informed the Committee that they have been monitoring the Techno Economic Performance Parameters of Steel PSUs, which, inter-alia, include 'coke rate and coal dust injection (CDI) rate' in blast furnace with an aim to reduce consumption of scarce and costly cocking coal besides reduction in overall fuel (Coke+CDI) consumption at par with international benchmarks. Ministry of Steel has been emphasizing on optimum utilization of Iron Ore resources through extensive utilization of fines, low grade Ore/ Slimes and metallurgical wastes in the production of Iron and Steel. The working Group Report for the 12th Five Year Plan has inter-alia, recommended the above strategy."

D. International Coal Ventures Ltd.

5.23 A Special Purpose Vehicle (SPV) called International Coal Ventures Ltd. (ICVL) has been incorporated as a Joint Venture Company on 20.5.2009 with SAIL, CIL, RINL, NMDC and NTPC as its promoter companies. ICVL has been granted powers to acquire raw material assets of Rs. 1500 crore. ICVL is actively scouting for coal properties in target countries such as Australia, Canada, Indonesia, Mozambique and USA.

5.24 When asked to give details of investments made and targets achieved so far, the Ministry in a written reply have informed the committee as under:-

> "ICVL has been scouting for acquisition opportunities in the target countries mentioned above. It may be pertinent to mention that good coking coal assets in established coal basins in Australia and USA are now in the hands of the mining majors and not many good opportunities come frequently. Inspite of this position,

ICVL is making all out efforts to make an acquisition at the earliest. Sufficient flexibility is being exercised on quality parameters so that an acquisition could be accomplished.

A Memorandum of Understanding between ICVL and the Government of Central Kalimantan of the Republic of Indonesia was signed on 25th January, 2011 which inter-alia envisages taking up a joint feasibility study for setting up mineral processing facility/ steel plant of suitable capacity and direct allocation of mineral resources such as iron ore, limestone and coal (both coking and thermal) for domestic consumption in the proposed mineral processing facility as well as for exports to India for use in the steel plant system of its promoter companies.

ICVL is also actively exploring investment opportunities in USA."

5.25 Regarding ICVL, during the course of oral evidence, Chairman, SAIL further submitted as under:-

"In this, SAIL is holding 28.57 per cent; CIL is holding 28.57 per cent; RINL is holding 14.28 per cent; NMDC is holding 14.28 per cent and NTPC is holding 14.28 per cent. This company was started in May, 2009. There are two routes of acquiring assets outside. One is Government to Government allocation basis and the other is by participating in the commercial bids. We have taken up both the routes. Now, on a Government to Government allocation basis, up till now we have finalised one MoU with the Government of Indonesia. We will be setting up a steel plant there and the coal so produced will first feed the requirement of the steel plant and the surplus coal will be brought in India and will be shared amongst the promoter companies in the proportion of the share holding in the ICVL. Second, important agreement that we have finalised and which is going to be documented in the next one month's time is with the Government of Mongolia.

The second route is the bidding in the commercial transitions. We had bid in a number of commercial transitions. It is a fact that the company has been existing since May, 2009. But we have not been able to finalise any deal uptil now. The reason has been that for the last about two years, there has been a great deal of volatility in the coal prices. Now, the coal prices have started coming down. But again during the last one month, major coal producing companies in Australia have again declared force majeure condition. They are saying that this time there is going to be a labour strike. When the coal prices have started coming down from the level of 350 dollars per tonne and now to a level of 200 dollars per tonne or even lesser, we feel that all these coal producing companies are having a fear of a further fall in the coal prices.

We had two or three levels of transitions. In fact, one transition has already been approved by our Board and it is at a higher level of discussion and consultation. I am hopeful that in the next three to four months time, at least one transition should happen through ICVL."

On the question of impact of investment and the benefits, Chairman, SAIL replied that "the steel plant and coal allocation mine in Indonesia is through Government to Government negotiations. We are not paying anything upfront to acquire the mine.

The witness further added, "that since the coal block has not been identified, it was difficult to envisage the benefits and all but whenever we get a coal block at the time of making the evaluation, we will be making a cost benefit analysis and will see that once it is available, only then we will go ahead.

Regarding opportunities in the US, Chairman, SAIL furnished that "as far as US is concerned, we are having three or four properties in mind and we are in various stages of evaluation of these properties. In fact, Governor of Virginia had paid a visit to our company alongwith his senior advisors and we are in constant touch with them and we have sent our team three to four times there."

E. New National Steel Policy

5.26 Steel industry is basically driven by changes in domestic and global market trends. This meant that most of the objectives and targets included in the NSP 2005 needed to be reassessed/reevaluated in the light of changing market conditions. Therefore, with the approval of the Minister of Steel, it has been decided to formulate a New National Steel Policy. The new policy, while retaining the core structure of National Steel Policy 2005, will aim for much broader policy formulation covering various aspects of steel sector in the country such as growth of steel demand in India, raw materials, research and design, environment, and facilitation of new steel projects. An Apex Committee, headed by Secretary, Ministry of Steel and consisting of representatives of Planning Commission, Ministries/Departments of Central Government and concerned State Governments has been constituted for monitoring the process of formulation of the New National Steel Policy.

5.27 The Ministry further elaborated that four Task Forces have been constituted under the Chairmanship of eminent experts to study, analyze, consult and formulate draft policy documents in different aspects of the subject as given below:-

(i)	Task Force 1	Economy & Coordination
(ii)	Task Force 2	Technology, Environment & Manpower
(iii)	Task Force 3	Raw Material
(iv)	Task Force 4	Infrastructure & Facilitations

A final view on the New National Steel Policy will be taken on receipt of reports of these Task Forces and after discussions with the various stakeholders in the matter.

CHAPTER-VI

IMPLEMENTATION STATUS OF THE RECOMMENDATIONS MADE BY THE COMMITTEE IN THEIR EIGHTEENTH REPORT ON DEMANDS FOR GRANTS (2011-12) OF MINISTRY OF STEEL UNDER DIRECTIONS 73-A OF THE DIRECTIONS BY THE SPEAKER, LOK SABHA

As per Direction 73A of the Directions by the Speaker, Lok Sabha, the Minister concerned shall make once in six months a Statement in the House regarding the status of implementation of recommendations contained in the Reports of Departmentally Related Standing Committees of Lok Sabha with regard to the Ministry.

6.2 The Standing Committee on Coal and Steel presented their Eighteenth report on Demands for Grants (2011-12) of the Ministry of Steel to Lok Sabha on 29th August, 2011. The Report was laid in Rajya Sabha on the same day. However, the Minister made a Statement regarding status of implementation of the observations/recommendations contained in the 18th Report of the Committee on 30.04.2012. Out of 20 recommendations made by the Committee in the said Report, 9 recommendations were accepted by the Government, final replies in respect of 5 recommendations are still awaited. Reply to 5 recommendations were not accepted by the Committee which was reiterated in the 22nd Action Taken Report of the Ministry of Mines.

PART II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

Analysis of Demands for Grants

Utilization of approved outlay for XIth Plan

1. **The Committee note that the Planning Commission had approved a total outlay of Rs. 45607.08 crore (Internal & Extra Budgetary Resources(IEBR)-Rs. 45390.08 crore and Gross Budgetary Support Rs. 217.00 crore) for the XIth Five Year Plan. Subsequently the IEBR component for each of the year had been projected by the PSUs and approved by the Planning Commission. The total outlay for the Plan Period (2007-12) thus amounted to Rs. 67805.89 crore. On scrutiny, the Committee find that out of the total approved outlay of Rs. 67805.89 crore, only Rs. 50258.38 has been utilized upto Dec. 2011, which comes out to only 74% of the approved outlays. The utilization of funds by PSUs like Metal Scrap Trading Corporation (MSTC) (45%), National Mineral Development Corporation (NMDC) (45%), Kudremukh Iron Ore Company Ltd. (KIOCL) (27%), Manganese Ore (India) Ltd. (MOIL) (45%) were much below 50%. Further, the R&D expenditure during the Plan Period was also dismally low at 34%. Moreover, several schemes/projects which were to be completed during the XIth Plan have spilled over to the XIIth Plan. All these show that the record of utilisation of funds during the XIth Five Year Plan had been totally dismal which is a matter of serious concern to the Committee. The Committee, therefore, desire that the Ministry of Steel should introspect and improve their systems so**

as to ensure utilization of Rs. 91526.64 crore projected for the entire XIIth Plan Period with an effective monitoring mechanism to check the progress of projects and expenditure incurred thereon. The Committee also desire that the Ministry should make serious efforts for utilization of the funds from the beginning of the next financial year itself and judiciously utilize the amount approved to avoid underutilization of funds at the end of the year.

Research & Development

2. The Committee find that the Research and Development in the iron and steel sector in the country is carried out mainly by the iron and steel plants, National Research Laboratories and Academic Institutions. The Committee, however, note with dismay that although the Working Group on Steel Industry for XIth Plan recommended a new scheme with an outlay of Rs. 118 crore for 'Promotion of R&D in Iron and Steel Sector', the actual utilization was Rs. 40.70 crore only (till Dec. 2011). Also the R&D expenditure for 2011-12 has been abysmally low at Rs. 9.63 crore as against an allocation of Rs. 39 crore (BE) and RE of Rs. 29 crore. The reasons attributed by the Ministry for low utilization of funds on R&D activities during 2011-12 such as delay by Steel Authority of India Ltd. (SAIL) in making their contribution of 50% amount in the Capital head, non-acceptance of Intellectual Property Rights (IPR) condition by TATA Steel Ltd., procedural delays in the Institute of Mineral and Materials Technology (IMMT), Bhubaneswar in procurement of equipment under the scheme are hardly convincing and the poor performance is nothing but a sad commentary on the part of the Ministry for neglecting R&D activities. Since the objective of the scheme is to promote and accelerate R&D activities in the development of innovative/path breaking

technologies utilizing Indian iron, ore fines and non-coking coal, improvement of quality of steel produced through induction of furnace route and beneficiation of raw material like iron, ore, coal etc. and agglomeration, the Committee feel that there is an urgent need to pay the required attention for R&D activities for this important infrastructure sector. From the reasons stated by the Ministry for underutilization of funds it is evident that the Ministry/SAIL have not made sincere efforts to accelerate the pace of R&D activities. The Committee, therefore, strongly recommend that the Government should take necessary steps so that the pace of R&D activities get momentum. The Committee expect that the allocated funds of Rs. 44 crore for the scheme during 2012-13 will be fully utilized.

3. The Committee are dismayed to note the low investment in R&D by the Steel PSUs and it varied in the range of 0.15 to 0.25% of the sales turnover as against investment of 1-2% by steel plants in advanced countries. The Committee are concerned to note that though the Department of Public Enterprises (DPE) has issued guidelines for R&D activities by PSUs stipulating that the Maharatna or Navratna Central Public Sector Enterprises (CPSE) should spend 1% of Profit after Tax on R&D expenditure, SAIL, one of the biggest in-house research and development centers in Asia, expended only 0.24% and 0.28% of the total turnover during 2009-10 and 2010-11 respectively. Similarly, R&D expenditure for Rashtriya Ispat Nigam Ltd. (RINL) and National Mineral Development Corporation (NMDC) was as low as 0.115% and 0.11% respectively. Taking note of the recommendations of the Working Group on Steel Industry for the XIIth Five

Year Plan that the steel companies must increase their R&D investment and achieve the target of 1% of turnover by the terminal year 2016-17, the Committee recommend that the Ministry should issue necessary directions to the steel PSUs as well as private sector companies to chalk out a strategy for taking up more and more R&D activities by spending at least 1% of their sales turnover.

Steel Authority of India Limited (SAIL)

4. The Committee find that the plan outlay of SAIL for 2011-12 was revised downward from Rs. 14337 crore at BE stage to Rs. 12630 crore at RE stage and the actual utilisation of outlays (upto Dec. 2011) was Rs.7315.00 crore which accounts for only 51.02%. The Committee are doubtful whether the remaining outlay would be utilized during the last quarter of the financial year. The financial requirement of SAIL for the year 2012-13 has been pegged at Rs.14500 crore. Further, the Profit after Tax have also come down from Rs. 6754 crore in 2009-10 to Rs. 1966 crore during 2011-12. The physical performance of the company in the production of hot metal, crude steel, saleable steel and pig iron during 2011-12 has been nearly 70% as against more than 100% during the preceding year. The reasons attributed by the Ministry for decline in profit by the company are lower production and sales volume of saleable steel, adverse impact of input prices consisting of imported coal, indigenous coal, BF coke, dolomite, alloys, boiler coal, purchased power and increase in royalty on iron ore, etc. Taking note of the declining trend of profits earned by SAIL, the Committee desire the Ministry/SAIL to take necessary remedial measures to increase the production and enter long term agreement for imported coal which among other factors like increase in input price of indigenous coal, BF coke,

dolomite, alloys etc. have an adverse impact on the profitability of the Company. The Committee expect SAIL to plan its schemes and execute them meticulously so as to enable it to achieve the physical and financial targets with the enhanced allocation of funds.

5. The Committee note that SAIL is currently implementing Modernisation and Expansion Plan of its five Integrated Steel Plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and Special Steel Plant at Salem to increase steel production capacity of crude steel from 12.84 million tonnes per annum to 21.4 million tonnes per annum in the current phase. The expansion of Salem Steel Plant (SSP) was reported to be completed in September, 2010 and facilities are in operation, out of an outlay of Rs. 75 crore during 2012-13, Rs. 67 crore is for expansion of SSP. Out of the plan outlays of Rs. 14500 crore for SAIL during 2012-13, Rs. 12942 crore has been provided for various modernisation and expansion plans of Bokaro Steel Plant (BSL) Rourkela Steel Plant (RSP) Bhilai Steel Plant (BSP) and Durgapur Steel Plant, IISCO Steel Plant, Burnpur. The Committee have been given to understand that energy inefficient processes like open hearth and ingot route of production of steel should be eliminated once the expansion programme is completed. The Committee have been informed that there have been financial fluctuations due to which there was some time and cost overruns in some of the modernisation and expansion schemes of SAIL.

Since Modernization and Expansion Programme of different plants of SAIL viz. Bokaro Steel Plant (BSL) Rourkela Steel Plant (RSP) Bhilai Steel Plant (BSP) and Durgapur Steel Plant, IISCO Steel Plant, Burnpur has been slowed down, the general perception is that the company will be in losses._ The Committee feel that in order to maintain the market leadership position and to enhance its

competitiveness, it is important that the capabilities of the company are to be constantly upgraded by carrying out major capital repairs/revamp of equipment for attaining high production level and productivity of plant. Therefore, it becomes imperative for the SAIL management to remove all the bottlenecks/hurdles in completing the expansion programme with full zeal. The Committee desire that sincere and concerted efforts should be made to complete this phase of modernization and expansion by the end of this financial year.

6. The Committee note that SAIL proposes to take the Special Purpose Vehicle route to set up a steel plant, Fertilizer Plant and Power Plant after dismantling the defunct Fertilizer Corporation of India (FCI) Plant at Sindri by roping in different strategic partners. The projected investment in the Integrated Steel Plant (ISP) will be approximately Rs. 29000 crore. The Committee note that these projects are likely to be completed within 48 months from the date of placement of orders after receipt of the final clearance of the Draft Rehabilitation Scheme (DRS) for revival of Sindri Unit of FCIL, by BIFR and other approvals from Empowered Committee of Secretaries (ECOS) and signing of the Concessionaire Agreement between SAIL and Fertilizer Corporation of India Limited. The Committee have been informed that while gas allocation of 2.1 Million Metric Standard Cubic Metre per Day (MMSCMD) has been made for the fertilizer plant as per CCEA decision, for steel & power, SAIL has to arrange its own raw material and fuel linkages. The projected investment will materialize only if required iron ore and coal linkages for steel plant and thermal coal linkage for power plant are made available. While strongly urging the Ministry/SAIL to pursue final clearance of BIFR approving for rehabilitation scheme for revival of Sindri Unit, the Committee also desire SAIL to identify the source of iron ore

and coal linkages for the steel plant before starting investments in the proposed steel plant. The Committee expect that necessary clearances will be obtained and work for the proposed SPV takes place from the current year itself.

Rashtriya Ispat Nigam Limited (RINL)

7. The Committee note that the plan outlays of RINL during 2009-10, 2010-11 and 2011-12 were Rs.2437.00 crore, Rs.4049.00 crore and Rs.3046.00 respectively and the actual expenditure during these three years has been Rs.2278.20 crore , Rs.2901.99 crore and Rs.1248.00(upto Dec. 2011) respectively. While the percentage of expenditure during 2009-10 had been 93.40%, the same was 71.67% and 41% during 2010-11 and 2011-12(upto Dec. 2011). Now an outlay of Rs.1942.00 crore has been provided for 2012-13. The Committee observe that physical performance of RINL for production of Hot Metal during 2011-12 has been revised to 3900000 tonnes from the target of 4350000 tonnes. Further, the targets of 4185000 tonnes set for 2012-13 have been set much below than what were projected for 2011-12. Similarly, low production targets have been fixed for crude steel and saleable steel during 2012-13. As regards the financial performance of RINL, the Committee find that though the Profit after Tax has declined from Rs. 1335.57 crore in 2008-09 to Rs. 658.49 crore during 2010-11, the projected profit after tax during 2011-12 has been revised from Rs. 89.88 crore to Rs. 374.01 crore. To the dismay of the Committee, the Company has projected a loss of Rs. 302.86 crore during 2012-13. The Committee have been given to understand that though the financial performance during the current year is better than budgeted, there will be shortfall in production due to non

commencement of expansion units as envisaged in the Budget estimates. As majority of the expansion units are scheduled to be commissioned during the year 2012-13, this would have the impact of higher depreciation cost apart from generation of large quantities of semi finished products due to required stabilization time thereby affecting the overall profitability of the year. High cost of key raw materials such as Coal and Iron Ore and depreciation of rupee against US dollar will also affect the profitability of the Company. In the opinion of the Committee, there is an imperative need for the Ministry of Steel to take in close view of the functioning of RINL so that the PSU regain its profit earning trend. Further, keeping in view the low production achievement during 2011-12 and low projections for the year 2012-13, the Committee urge the Ministry/RINL to take necessary steps to increase the supply of raw material i.e. iron ore and coking coal which otherwise had severely affected the profitability of the company in the past.

8. The Committee note that RINL has completed the first phase of expansion to raise liquid steel capacity to 6.3 million tonne per annum and is focusing on long products category which is required for infrastructure growth of the country. Further, Modernisation and upgradation of existing Blast Furnaces, Steel Melt Shop and others along with addition of one Converter and one Caster have also been taken up with which the capacity will go up to 7.3 million tonnes of liquid steel by 2013-14. The Committee are however, concerned to note that as against BE of Rs. 3046 crore during 2011-12, the actual utilisation was Rs. 1896.47 crore only. Although, the Ministry have informed that the Committee that the low utilization of funds is due to the fact that payment to certain agencies was not

released as they had to complete balance finishing work, the Committee find that the IEBR for 2012-13 has been further reduced to Rs. 1942.00 crore which is mainly due to reduction of expenditure in the current 2nd phase of expansion. The Committee have also been informed that to remove the bottlenecks experienced in the first phase of modernization and expansion, a task force has been constituted. While recommending that RINL should function at the rated capacity after expansion programme of the first phase, the Committee desire that the Ministry/RINL should take up the next expansion programme by making the task force effective to give the desired results. The Committee would like RINL to remove all the bottlenecks that were noticed during the implementation of 1st Phase Expansion Programme, while implementing the 2nd Phase Expansion Programme.

9. The Committee find that the Ministry of Coal had allocated 2 coal blocks at Mahal & Tenughat-Jhirki during 2005 and 2008 to RINL under the Coal Mines (Nationalisation) Act, 1973. The Committee have been informed that RINL was not interested in exploiting the coalfields due to difficult geo-mining. The Committee fail to understand why the difficult geo-mining conditions were not anticipated by the company at the time of allocation of coal blocks. The Committee have further been informed that the Ministry of Coal have refused to allot alternate mines through Government dispensation route in lieu of the de-allocated mines stating that there is no provision for the same. The Committee have been given to understand that the profitability of the company has been eroding due to non-availability of its captive mines for iron ore and coal. The Committee need hardly emphasise that the availability of the raw material in

required quantity is essential for a steel company. The Committee, therefore, recommend that the Ministry of Steel should vigorously pursue the matter with the Ministry of Coal for allocation of coal blocks including coal block in lieu of the de-allocated ones to RINL on priority basis and inform the Committee about the progress in this regard. The Committee would also like the Ministry to take up the matter with the concerned State Government for approval of various mining leases applied by RINL.

10. The Committee are not happy to observe that about 7 schemes of RINL viz. Coke Oven Battery IV – Phase-II, Expansion 6.3 MTPA, Pulverized Coal Injection, Facilities for Iron Ore Storage, 330 TPH (6th) Boiler with Auxiliaries, 67.5MW TG-5 Power Evacuation systems and 20.6MW Waste Heat Recovery Project on Straight line cooler of Sinter Machines 1 & 2 (above Rs. 100 crore) are running behind the schedule. The Committee note that the original schedule for completion of the two schemes, namely, Pulverized Coal Injection and Facilities of iron ore stage which were due for completion in October, 2007 and October, 2009 respectively are yet to be completed. As the delay in completion of projects has direct bearing on underutilization of funds and idling of manpower resulting in time and cost overruns, the Committee feel that proper planning and groundwork should be done in advance before commencing any project/schemes. The Committee, therefore, recommend that the work on the ongoing projects should be accelerated and completed at the earliest without further delay. The Committee would like to be apprised of the steps taken to ensure timely completion of these projects.

__National Mineral Development Corporation (NMDC)__

11. The Committee are constrained to note that out of the total outlay of Rs. 7147.00 crore earmarked for NMDC during XIth Five Year Plan, it could utilize only Rs. 2375.33 crore till December, 2011, which is just 33% of the total funds. Similarly, a sum of Rs. 3309 crore was earmarked for NMDC at BE (2011-12) stage which was substantially reduced by 40% to Rs. 2020 crore at RE (2011-12) stage. Yet again, the actual utilization of funds during 2011-12 was only Rs. 1533 crore which is only 46% of BE and 75% of RE. For implementing its various schemes/projects an outlay of Rs.4655.00 crore has been earmarked during the year 2012-13. The reasons for less utilization furnished by NMDC mainly relate to non-receipt of environmental clearance for the scheme, Third Screening Plant & Augmentation of Loading facilities at Kirandul wherein a sum of Rs. 25 crore earmarked at BE was reduced to only 1 crore at RE stage. Also there was 50% reduction at RE for Bailadila Depost-11B scheme from Rs. 100 crore at BE to Rs. 50 crore at RE. The reduction has been attributed to work being affected due to Maoist activities. Reasons have not been furnished for reducing outlay of Arki Lime Store Project from Rs. 2 crore to 0.50 crore and Kumaraswamy iron ore project from Rs. 80 crore to Rs. 60 crore of which only Rs. 46.60 crore were actually spent. The BE outlay for 3 MTPA steel plant in Chhattisgarh was reduced from Rs. 2615 crore to Rs. 1352 crore, out of which actual expenditure was only to the tune of Rs. 81.60 crore. The reason for delay was attributed to awaiting second stage forest land clearance and that the land acquired in August, 2010 could not be taken in possession as most land was under cultivation and NMDC had to wait until the standing crop was cut & harvested

which in turn delayed soil testing and other requisite parameters. The Committee are not convinced with the reasons advanced by the Ministry as all these factors were supposed to have been taken into consideration before approving the outlay. The Committee had similarly recommended in their 18th Report on Demands for Grants (2010-11) that NMDC have been preparing unrealistic estimates. No provision for BHJ Beneficiation Plant and slurry pipeline was made in BE. At RE a sum of Rs. 9 crore was sanctioned for the two schemes, but there was no expenditure in both the schemes till the end of the year. Now again, a substantial outlay of Rs. 4655 crore has been earmarked for BE (2012-13) of which majority of the funds are to be spent for Business Development (Rs. 1200 crore), Kumaraswamy Iron Ore Project and Pelletisation Plant at Donimalai (Rs. 200 crore each) BHJ Beneficiation Plant for which RE (2011-12) of Rs. 4 crore has been increased to Rs. 100 crore in BE (2012-13) and outlay of Rs. 50 crore have been earmarked in BE (2012-13) for Third Screening Plant & Augmentation of loading facilities at Kirandul as against RE (2011-12) of Rs. 1 crore. The Committee feel that NMDC ought to do sufficient groundwork before finalizing the outlays. The Committee would like NMDC to prepare an action plan for addressing the constraints impeding the progress of the ongoing schemes. The Committee strongly recommend that the progress of projects should be closely monitored and execution of work initiated during the first quarter itself and the project-wise progress be maintained by NMDC to enable it to assess the progress of the projects so that judicious and prudent outlay of funds could be projected. The Committee strongly believe that setting up of 3 MTPA Steel projects in Chhattisgarh is a right step for the diversification of the

company's activity and therefore, would like the Ministry/NMDC to commission the project as per schedule by taking timely corrective measures.

12. The Committee note that Jammu & Kashmir Mineral Development(J&K MDC) Corporation is a subsidiary company of NMDC and was set up in 1989 having its regional and corporate office at Jammu. The staff strength of the Corporation as on 31.03.2012 is 4. The Committee have been informed that currently J&K MDC has one project in hand wherein a 30000 tonne per annum (TPA) Dead Burnt Magnesite Plant is to be developed at Panthal Magnesite Project in Jammu. To Committee fail to understand how the Corporation plan to propose to complete various works undertaken by it with a limited staff of 4 officials. The Committee feel that implementation of the project will be adversely affected with limited staff strength. The Committee have also been informed that a PIL has been filed against environmental clearance of this project and the Hon'ble High Court has ordered to maintain status quo. The Committee have also been assured that on completion of the project, it is expected that the company will be financially viable. The Committee are surprised to note that no physical & financial targets were set for the company during the last 3 years. The Committee wonder how it is possible for a company incepted in 1989 has not been able to fix physical and financial target which is the basis for any ground work undertaken by CPSE. The Committee desire NMDC/Ministry to look into the matter and take necessary remedial action accordingly. The Committee strongly recommend that Ministry/NMDC should ensure provision of adequate staff strength to the corporation so that it is in a position to take up, manage & handle other projects

besides the one in hand. The Committee also desire that in order to make the corporation financially viable, a team may be constituted to look after the various activities of the corporation so as to bring additional projects and also to rope in potential partners.

Kudremukh Iron Ore Company Limited (KIOCL)

13. The Committee are dismayed to note that an outlay of Rs. 98 crore for BE 2011-12 was reduced to Rs. 75 crore at RE stage. The Committee also note that out of the total outlays of Rs. 433 crore provided for KIOCL during the XIth Five Year Plan, the company could utilize only Rs. 117.99 crore which comes to a dismal 27% of the total outlay provided. Now a substantial amount of Rs. 409 crore has been earmarked for RE 2012-13. The Committee have been informed that out of the outlay provided Rs. 150 crore is for coke oven plan, 70 crore for development of permanent railway siding at Mangalore and Rs. 73 crore for construction of Bulk Material Handling facilities for receipt of iron ore by rail. The Committee note that these projects which are the company's capital projects were initiated during the XIth Five year Plan but could not be materialized and now have spilled over to the XIIth Plan. The Committee have now been informed that most of the land required for Railway Siding and Bulk Material Handling have been procured and efforts are on to procure balance land available. The Committee want that all out efforts should be made by KIOCL to acquire the remaining land at the earliest and in the meantime work should begin on the available land in full swing. While deprecating the underutilization of funds, the Committee recommend that KIOCL management should ensure

that all bottlenecks and hurdles halting the execution of the ongoing projects should be resolved within time frame and also that no fund lies unutilized at the end of the year.

14. The Committee note that KIOCL suffered a major loss of Rs. 177.27 crore during 2009-10 as production activities were stopped since January, 2009 for plant maintenance and restarted in July, 2009. Also the prices of pellets came down in 2009-10. While the company made an impressive turnaround in 2010-11 and registered a profit of Rs. 76.27 crore in 2010-11, it has failed to perform during 2011-12. The profit was pegged at Rs. 49.99 crore at BE 2011-12 which was increased to Rs. 80.41 crore, but the profit recorded till December, 2011 has been Rs. 31.54 crore only. The Committee want that KIOCL put in more efforts and try to surpass the profit achieved during 2010-11. The Committee also note that KIOCL has suffered due to closure of Kudremukh mines as per orders of Hon'ble Supreme Court. The Committee note that in the highly volatile spot market that KIOCL operates in, the stability of prices is highly unlikely and unpredictable, therefore, the company should make sincere efforts in the direction like exploring options to reduce the cost of production of pellets by introducing cost effective techniques aimed at enhancing production and reduce wastage. The Committee are extremely unhappy to note that the much delayed projects of KIOCL for Railway Siding and Bulk Material Handling have still remained a non-starter and like them to be accelerated. The Committee also like the company to diversify its activities by its own or through joint ventures

for specific projects where the technical expertise required is not available with the company.

<u>Hindustan Steelworks Construction Limited (HSCL)</u>

15. The Committee note that the operating profit of HSCL since the last 3 years has been steadily increasing. During 2009-10 it was Rs. 69.09 crore which rose to Rs. 71.21 crore during 2010-11. Now during 2011-12 the provisional operating profit of HSCL is Rs. 73.53 crore. The Committee have also been informed that HSCL has a job order of more than Rs. 4000 crore in hand. The Committee feel that HSCL has the potential to overcome its liabilities and rise to the position of a profit making organization. The Committee are dismayed to observe that no budgetary support has been provided in the XIIth Five Year Plan to HSCL. The Committee desire that the budgetary support to the company should be continued till the company becomes a profitable one. The Committee also desire that the Ministry of Steel should instruct all Steel PSUs to consider giving preference to HSCL in the award of works in setting up of Greenfield Projects as well Brownfield Projects.

16. The Committee have been informed that HSCL has been unable to achieve the results envisaged under the revival / restructuring packages approved by the Government in 1999 due to the mounting liability on Government of India loans and VRS expenditure charged on the account. Steep competition faced by the company resulting in declining margin has also affected its financial performance. The company has reportedly undertaken major construction works connected with setting up of steel plants such as at Bokaro, Vizag and Salem

and modernization of steel plants at Bhilai, Durgapur and Burnpur(IISCO). Besides, the company diversified in infrastructure sectors like roads/highways, bridges, dams, underground communication and transport system and industrial and township complexes involving high degree of planning, coordination and modern sophisticated techniques. The Committee are, however, constrained to note that despite a number of construction activities the company has undertaken in the recent past its performance still reflects very poorly and has been incurring financial losses. A restructuring proposal of the company is stated to be under consideration of the Government. The Committee have been informed that a cabinet note for restructuring of HSCL has been moved and the Ministry of Finance had also agreed to it but the final decision is still pending as Planning Commission opined that the company should be closed or merged with SAIL. The Committee would like the Government to approve the restructuring proposal of the company without any loss of time and implement it in the right perspective to derive maximum benefits unlike the last restructuring of the company. The Committee would also like the Ministry to consider the merge of the company with SAIL

Issues relating to Steel Sector

Steel Production

17. The Committee have been given to understand that the steel production in the country during 2011-12 by steel PSUs as well as private sector majors has been much below the target fixed. The Committee are, however, concerned to

note that steel producers could not add the targeted capacity announced during the last decade due to non-acquisition of land by them in States of Jharkhand, Orissa and Chhattisgarh. The projects with an additional capacity of about 59.5 million tonnes have been delayed nearly by six years and are now as per revised targets are likely to be commissioned by 2016-17. As one of the major functions of the Ministry of Steel is planning, development and facilitation for setting up of iron and steel production facilities, the Committee recommend the Ministry to act as facilitator in resolving the land acquisition issue with the concerned State Government so that these major Greenfield steel projects being set up by PSUs and the private sectors are completed at the earliest.

Promotion of Steel Usage

18. The Committee are happy to note that major PSUs like SAIL are making efforts to promote usage of Steel in rural areas which at present is a dismal 12% as compared to 88% in urban areas. The Committee note that the per-capita consumption of steel in India is only 56 kg. as compared to world average of 200 kg. Therefore, the Committee feel that there is a huge potential for growth of steel consumption which needs to be tapped especially in the rural areas. The Committee also note that in pursuance of an earlier recommendation of the Committee, the Ministry of Steel carried out a study to assess demand for steel in rural areas which says that per-capita consumption of steel in rural areas will grow from 9.78 kg. during 2007-08 to 12 kg. in 2020. The Committee note that SAIL plans to appoint 1000 dealers in rural areas during 2012-13 under the Rural Dealership Policy launched by it in 2011. The Committee feel that there is immense potential for SAIL to be a pioneer PSU in this regard and set an

example for other PSUs to follow. The Committee, therefore, recommend that SAIL management should take up this task on a priority basis and chalk out a concrete action plan in this regard. SAIL should also organize/set up stalls at rural fairs and distribute pamphlets at block and taluka levels to make the average consumer aware about its presence and make their household products available to rural consumers at an affordable price. SAIL can also sponsor certain rural schemes in selected projects to further make its presence felt. The Committee desire that Steel PSUs should make sufficient funds available for popularizing promotion of steel usage particularly in rural areas.

Raw Material for Steel Sector

19. The Committee observe that Ministry of Steel has been taking up the issue of conservation of iron ore for long term use by the domestic iron and steel industry and also the issue of imposition of appropriate export duty on iron ore with the Ministry of Finance, from time to time, with a view to restricting iron ore export and to increase availability of iron ore at affordable prices, for the domestic iron and steel industries. The export duty on iron ore has been increased from 20% ad valorem to 30% ad valorem on export of all grades of iron ore (excluding pellets) with effect from 30.12.2011. As regards the mining of iron ore by Steel PSUs, the Committee are concerned to note that green clearances to 3 key iron are mines of SAIL in west Singhbhum District of Jharkhand have been refused by Economic Advisory Committee (EAC) of the Ministry of Environment and Forests till appropriate control measures are implemented in the area and their effectiveness shown based on the air quality

monitoring results. As regards the Bailadila Deposit No. 11-B (7 mpa), the Committee have been informed that frequent 'Bandh' calls by Maoists and related activities have been affecting the progress at site. To ensure best utilization of coal and iron ore by the PSUs, the Ministry have informed the Committee that they have been monitoring the Techno Economic Performance Parameters of Steel PSUs, which, inter-alia, include 'coke rate and coal dust injection (CDI) rate' in blast furnace with an aim to reduce consumption of scarce and costly cocking coal besides reduction in overall fuel (Coke+CDI) consumption at par with international benchmarks. Further, the Ministry of Steel have been emphasizing on optimum utilization of Iron Ore resources through extensive utilization of fines, low grade Ore/ Slimes and metallurgical wastes in the production of Iron and Steel. In view of the increasing demand of raw material to meet the future demand and expansion plans of steel PSUs as well as by private sector, the Committee feel that a balance between the exploitation of raw material for steel sector and environment has to be maintained. Though alternate reserves are identified in forest areas, the Committee recommend the Government to explore the possibilities of inclined mining to tap the mineral reserves in forest areas. The Committee, therefore, recommend that the Ministry should take effective steps to get necessary clearances from the Ministry of Environment and Forests for new mines to be developed in forest areas by taking appropriate measures.

<u>International Coal Ventures Ltd. (ICVL)</u>

20. The Committee note that a joint venture of SAIL, CIL, RINL, NMDC and NTPC was incorporated on 20.5.2009 to acquire raw material assets of Rs. 1500 crore in countries such as Australia, Canada, Indonesia, Mozambique and USA. The Committee note that though the ICVL has been operational since 2009, it has not got concrete proposals in any country except for Indonesia and that too on Government to Government allocation basis. This venture has not been successful in commercial bids so far. The Committee have been informed that no deal could be finalised till now due to the volatility in the prices of coal in the international market. The Committee further note that the coal produced through the assets acquired abroad would first feed the requirement of local steel plant/industry and the surplus coal if any, will only be brought and distributed amongst promoters companies. Regarding return on investment accrued on the joint venture, the Committee did not get satisfactory reply from the Government. The Committee are however, informed that in the next three or four months at least one transaction would take place through ICVL. The Committee hope that in view of the stabilization of international coal prices, joint venture would gain some ground in the international territory. In the meantime, the Committee desire that the promoter companies should also target other coal producing countries so that the venture could gain some success in commercial bids.

<u>New National Steel Policy</u>

21. The Committee have been given to understand that the Ministry of Steel have decided to formulate a New National Steel Policy replacing the National

Steel Policy 2005 which aims for broader policy formulation covering various aspects of steel sector in the country such as growth of steel demand in India, raw materials, research and design, environment and facilitation of new steel projects. An Apex Committee headed by the Secretary and consisting of representatives of Planning Commission, Ministries / Departments of Central Government and concerned State Governments has been constituted for monitoring the process of formulation of the New National Steel Policy. Four Task Forces have been constituted under the Chairmanship of eminent experts to study, analyse, consult and formulate draft policy documents in different aspects of the subject. A final view on the New National Steel Policy will be taken on receipt of reports of these Task Forces and after discussions with the various stakeholders in the matter. The Committee regret to observe that the National Steel Policy, 2005 did not succeed in visualizing the changes and future needs of the steel sector necessitating formulating an altogether new policy. The Committee would like the Ministry to give due weightage to the views of various stakeholders in the matter. The Committee would also like the Ministry to formulate the policy keeping in view all relevant factors including the futuristic needs of the steel sector which would facilitate not only the growth of the sector in India and it remains competitive in the world market, but would also effectively contribute to the overall growth of the economy.

Implementation status of Recommendations contained in 18th Report

22. The Committee observe that though the Hon'ble Minister of Steel was required to make a Statement in Lok Sabha regarding the status of

implementation of the recommendations of the Committee contained in 18th Report by 29 February, 2012 under Direction 73A of the Directions by the Speaker, Lok Sabha, the same has been made only on 30.04.2012. The Committee, therefore, recommend that the Ministry should be more careful in future and ensure that the Statement be made invariably on each of the original Reports of the Committee within the specific period i.e. six months after the presentation of Report to Parliament as per Direction 73A of the Directions by the Speaker, Lok Sabha.

New Delhi;	**KALYAN BANERJEE**
07 May,2012	**Chairman,**
17 Vaisakha, 1934 (Saka)	**Standing Committee on Coal and Steel**

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2011-12) HELD ON 17.04.2012 IN COMMITTEE ROOM D, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1400 hrs. to 1645 hrs.

PRESENT

Shri Kalyan Banerjee- **Chairman**

MEMBERS

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Abu Hasem Khan Choudhury
4. Smt. Jyoti Dhurve
5. Adv. Ganeshrao Nagorao Dudhgaonkar
6. Shri Ismail Hussain
7. Sardar Sukhdev Singh Libra
8. Shri Govind Prasad Mishra
9. Shri Deoraj Singh Patel
10. Shri Pashupati Nath Singh
11. Shri K. Sugumar
12. Dr. G. Vivekanand

RAJYA SABHA

13. Shri Jugul Kishore
14. Shri Nand Kumar Sai
15. Shri Jai Prakash Narayan Singh
16. Smt. Smriti Zubin Irani

SECRETARIAT

1.	Shri P. Sreedharan	-	Additional Secretary
2.	Shri Shiv Singh	-	Director
3.	Shri Arvind Sharma	-	Deputy Secretary

WITNESSES

MINISTRY OF STEEL

1. Shri D.R.S. Chaudhary, Secretary
2. Shri S. Machendranathan, AS&FA
3. Shri Udai Pratap Singh, Joint Secretary
4. Shri Upendra Prasad Singh, Joint Secretary
5. Dr. Dalip Singh, Joint Secretary
6. Shri J.P. Shukla, Joint Secretary
7. Shri C.S. Verma, Chairman, SAIL

8. Shri A.P. Choudhary, CMD, RINL
9. Shri K. Ranganath, CMD, KIOCL
10. Shri N.K. Nanda, CMD, NMDC
11. Shri K.J. Singh, CMD, MOIL
12. Dr. Satish Chandra, MD, Bird Group of Companies
13. Shri Antony Chacko, MD, FSNL
14. Shri K.K. Mehrotra, CMD, MECON Ltd.
15. Shri S.K. Tripathi, CMD, MSTC
16. Shri Malay Chatterjee, MD, HSCL

2. At the outset, Chairman, welcomed the Members to the sitting of the Committee.

3. ** ** ** **

4. ** ** ** **

5. After that the Chairman welcomed the Secretary and other representatives of the Ministry of Steel and Public Sector Undertakings to the sitting of Committee and apprised them of the provisions of Direction 58 of the Directions by the Speaker, Lok Sabha. The Chairman mentioned that the sitting of the Committee has been convened in connection with examination of Demands for Grants (2012-13) of the Ministry of Steel.

6. Thereafter, a power point presentation was made by highlighting the plan outlay and their utilization by PSUs. The points discussed during the sitting broadly related to the utilization of financial outlays by PSUs, vis-à-vis physical achievement, Corporate Social Responsibility of PSUs, research and development activities, promotion of steel usage, especially in rural areas, international ventures by Steel PSUs, mergers/acquisitions, revival and restructuring of sick PSUs, etc.

7. The Members raised various issues and sought clarifications from Ministry of Steel on the subject. Some of the points were clarified by the representatives of Ministry of Steel. Further, the Chairman directed the representatives of the Ministry of Steel to furnish written replies to the queries raised by the Members which could not be responded to.

A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

** Do not pertain to this Report

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2011-12) HELD ON 04.05.2012 IN COMMITTEE ROOM 'D', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 0945 hrs. to 1030 hrs.

PRESENT

Shri Kalyan Banerjee- **Chairman**

MEMBERS

LOK SABHA

2. Shri Bansa Gopal Chowdhury
3. Adv. Ganeshrao Nagorao Dudhgaonkar
4. Shri Ismail Hussain
5. Sardar Sukhdev Singh Libra
6. Shri Govind Prasad Mishra
7. Shri Deoraj Singh Patel
8. Shri Pashupati Nath Singh

RAJYA SABHA

9. Shri Jai Prakash Narayan Singh
10. Smt. Smriti Zubin Irani

SECRETARIAT

1.	Shri P. Sreedharan	-	Additional Secretary
2.	Shri Shiv Singh	-	Director
3.	Shri Arvind Sharma	-	Deputy Secretary

2. At the outset, Chairman, welcomed the Members to the sitting of the Committee.

3. The Committee thereafter took up for consideration the following Draft Reports:-

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

(ii) Report on Demands for Grants (2012-13) of the Ministry of Steel

4. The Committee adopted the above Reports with minor changes/modifications and authorized the Chairman to finalise the Report(s) on the basis of factual verification from the concerned Ministry and present the same to both the Houses of Parliament.

5. ** ** ** ** ** **

The Committee then adjourned.

**Do not pertain to this Report.