THIRTY FIFTH REPORT

STANDING COMMITTEE ON COAL AND STEEL (2012-2013)

(FIFTEENTH LOK SABHA)

MINISTRY OF STEEL

DEMANDS FOR GRANTS (2013-2014)

Presented to Lok Sabha on 02.05.2013
Laid in Rajya Sabha on 02.05.2013

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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20. Shri Om Prakash Yadav
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* Nominated *w.e.f.* 13.12.2012.

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2. Shri Shiv Singh — *Director*
3. Shri Arvind Sharma — *Deputy Secretary*
4. Smt. Vandana P. Guleria — *Sr. Committee 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 Thirty Fifth Report (Fifteenth Lok Sabha) on Demands for Grants (2013-14) 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 18.03.2013. 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 8th April, 2013.

4. The Report was considered and adopted by the Committee at their sitting held on 30.04.2013.

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 Part-II of the Report.

NEW DELHI;
30 *April*, 2013
10 *Vaisakha*, 1935 *(Saka)*

KALYAN BANERJEE,
Chairman,
Standing Committee on Coal and Steel.

REPORT

PART I

CHAPTER I

INTRODUCTORY

From the fledgling one million tonne capacity status at the time of independence, India has now risen to be the 4th largest crude steel producer in the world and the largest producer of sponge iron. 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 tonnes 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. 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.

1.2 In 2011 the world crude steel production reached 1518 Million Tonnes (MT) and showed a growth of 6.2% over 2010. China remained the world's largest crude steel producer in 2011 (684 MT) followed by Japan (108 MT) then USA (86.4 MT) and India (72.2 MT; provisional) at the 4th position. According to World Steel Association (WSA), the global apparent steel use will increase by 3.6% to 1422 MT in 2012, following growth of 5.6% in 2011. In 2013, it is forecast that the world steel demand will grow further by 4.5% to around 1486 MT. China's apparent steel use in 2012 and 2013 is expected to increase by 4% in both the years. For India, growth in apparent steel use is expected to grow by 6.9% in 2012 and by 9.4% in 2013. Per capita finished steel consumption in 2011 is estimated at 215 kg. for world and 460 kg. for China.

1.3 The Ministry of Steel 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.

The main functions of the Ministry are:—

(a) Formulation of policies in respect of production, distribution, imports and exports of Iron and Steel and Ferro Alloys;

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

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

(d) Overseeing the performance of Public Sector Undertakings and their subsidiaries.

1.4 The following Public Sector Undertakings are under the administrative control of Ministry of Steel:—

(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 (2013-14) of the Ministry of Steel were presented to the Lok Sabha on 18.03.2013. In their Outcome Budget (2013-14), the Ministry have highlighted the policy initiatives, and plan investments in the schemes proposed to be undertaken by the Ministry and PSUs during the year. Various points arising out of the scrutiny of Demands for Grants (2013-14) of the Ministry are discussed in the subsequent Chapters.

CHAPTER II

ANALYSIS OF DEMANDS FOR GRANTS (2013-14)

The Ministry of Steel presented the Demands for Grants No.92 for the year 2013-14 to the Lok Sabha on 18.03.2012. 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.

TOTAL REQUIREMENT OF FUNDS FOR 2013-14

2.2 The total financial requirements covered in Demand No. 92 for BE 2013-14, are summarized in the following Table:—

(Rs. in crore)

Demand No. 92 for 2013-2014	BE 2013-14		
	Plan	Non-Plan	Total
REVENUE SECTION	46.00	72.97	118.97
CAPITAL SECTION	0.00	0.00	0.00
Total (Gross)	46.00	72.97#	118.97

Includes provision of Rs. 6.10 crore for accounting adjustments relating to waiver of guarantee fee.

Plan Head

2.3 The total Plan budgetary support of Rs. 46.00 crore in BE 2012-13 has been reduced to 26.49 crore in RE 2012-13. A total Plan budgetary support of Rs. 46.00 crore has been provided in BE 2013-14.

The break-up of Plan provision during 2012-13 & 2013-14 are given in the following table:—

(Rs. in crore)

Sl. No.	Name of Scheme	Plan BS 2012-13 (BE)	Plan BS 2012-13 (RE)	Plan BS 2013-14 (BE)	%age increase/ decrease over BE 2012-13 in BE 2013-14
1.	Scheme of the Ministry: Promotion of R&D in iron & steel sector				
1.(i)	Scheme for Promotion of Research & Development in Iron & Steel sector On-going R&D projects	44.00	26.49	12.00	-72.73%
1.(ii)	Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products (new component)	—	—	32.00	
1.(iii)	Development of innovative iron/steel making process/technology (new project under the existing scheme)	—	—	2.00	
2.	Scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines	1.00	—*	—	
3.	Scheme for improving energy efficiency of secondary steel sector	1.00	—*	—	
	Total	46.00	26.49	46.00	0.00%

* Scheme dropped due to the lower overall allocation to Ministry of Steel for the 12th Plan by the Planning Commission.

PROMOTION OF RESEARCH & DEVELOPMENT IN IRON & STEEL SECTOR

2.4 Two new schemes namely Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets & Other Value Added Innovative Steel Products (New Component) and Development of

Innovative Iron/Steel making Process Technology (New Projects under existing Scheme) have been introduced under this head from this year (2013-14) with an outlay of Rs. 32 crore and Rs. 2 crore respectively.

2.5 Elaborating on the details of these schemes along with the plan of the Ministry to utilize the said allocation, the Ministry have furnished as under:—

"The Scheme: 'Promotion of Research & Development in Iron & Steel Sector' was introduced in the 11th Five Year Plan. This Scheme has been continued in the 12th Five Year Plan with an allocation of Rs. 200 crore by the Planning Commission."

The following are the details of the scheme:—

(Rs. in crore)

Sl.No.	Scheme/Project	Outlay	Remarks
1	2	3	4
1.	Ongoing Projects	48	8 R&D projects (1 just completed & 7 on progress) were approved in the 11th Five Year Plan and have continued in 12th Five Year Plan. The list of the projects is placed at Annexure-IV. In 2013-14, an allocation of Rs. 12 crore has been made by the Planning Commission under this head.
2.	Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products (New Component)	150	Under this scheme one project on Development of CRGO Steel Sheets is proposed to be pursued. The total cost of the project is Rs. 500 crore which is to be met by Ministry of Steel, Department of Scientific and Industrial Research (DSIR), Rashtriya Ispat Nigam Ltd. (RINL) and Tata Steel Ltd. Exact contribution is being worked out in consultation of the stakeholders. The proposal for in-principle approval of the scheme has been submitted to the Planning Commission. In 2013-14, an allocation of Rs. 32 crore has been made by the Planning Commission under this head.

1	2	3	4
3.	Development of Innovative Iron/Steel making Process/ Technology (New Projects under the existing scheme)	2	Rs. 2 crore has been allocated by the Planning Commission in the financial year 2013-14 for taking up new projects on Development of Innovative Iron/ Steel making Process/Technology under the existing objectives of the R&D scheme. Ministry of Steel has already advertised in leading newspapers for submission of R&D proposals. On receipt of R&D proposals further action will be initiated.
	Total	200	

2.6 When asked to furnish the current status of the Scheme for Promotion of beneficiation & agglomeration of low grade iron ore & ore fines and Scheme for improving energy efficiency of secondary steel sector for which an allocation of Rs. 1 crore was made under Plan Head in BE (2012-13), the Ministry in their replies have furnished as under:—

"The two schemes on promotion of beneficiation & agglomeration of low grade iron ore & ore fines and on improving energy efficiency of secondary steel sector was proposed to be implemented during the 12th Five Year Plan. These schemes were not pursued since the required fund to pursue these schemes is not substantial. A sum of Rs. 2417 crore was proposed for the scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines for the 12th Plan Period and Rs. 1693 crore for the 13th Plan Period. Similarly, for the scheme on improving energy efficiency of secondary steel sector a sum of Rs. 272 crore was proposed for 12th Plan Period and Rs. 191 crore for the 13th Plan Period. However, Planning Commission has allocated Rs. 200 crore to Ministry of Steel for the 12th Five Year Plan only for the scheme 'Promotion of R&D in Iron & Steel Sector'."

NON-PLAN HEAD

2.7 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 2012-13

(BE & RE) and requirement of fund in 2013-14 (BE) are given in the following table :-

(Rs. in crore)

Sl. No.	Major Head & Item of Expenditure	BE 2012-13	RE 2012-13	% age increase in RE over BE 2012-13	BE 2013-14	% age increase over BE 2012-13
1	2	3	4	5	6	7
I.	MH—3451					
1.	Secretariat—Economic Services	20.00	20.22	1.10%	22.02	10.10%
II.	MH—2852					
2.	Development Commissioner for Iron & Steel, Kolkata	0.61	0.58	-4.92%	0.60	-1.64%
3.	Awards to Distinguished Metallurgists.	0.14	0.12	-14.29%	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	44.11	-5.95%	44.11	-5.95%
(ii)	Subsidy to MECON Ltd. for payment of interest on loans raised from banks for implementation of VRS	1.64	0.00	-100.00%	0.00	-100.00%
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 Government guarantee for VRS loans/bonds	0.50	0.00	-100.00%	0.00	-100.00%
	Less - Receipts netted [5(i) to (ii)]#	-6.60	-6.10	-7.58%	-6.10	-7.58%

1	2	3	4	5	6	7
6.	Grant-in-aid					
(i)	Grants-in-aid to Bisra Stone Lime Company Ltd.	—	149.45	—	—	—
	Total : Non-Plan Expenditure (Net of receipts)	69.29	214.48	209.54%	66.87	-3.49%
	Total : Non-Plan Expenditure (Gross)	75.89	220.58	190.66%	72.97	-3.85%

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

2.8 According to Ministry of Steel, non-plan provision of the Ministry in RE 2012-13 was enhanced by Rs. 149.45 crore to provide grant-in-aid to Bisra Stone Lime Company Ltd. for discharge of Income Tax liability arising out of restructuring of M/s. Bird Group of Companies approved by the Government. The proposal to provide the grant-in-aid was approved by the Cabinet in its meeting held on 24.5.2012 and a supplementary demand for grants was obtained in the first Batch for Supplementary Demands for Grants, 2012-13. The entire amount has been deposited with the Income Tax Department and the transaction is deficit neutral.

CHAPTER III

ANNUAL PLAN INVESTMENT OF PSUs

Based on the Annual Plan, 2013-14 proposals of the PSUs under the administrative control of Ministry of Steel and the discussions held with the Planning Commission, and within the overall context of the 12th Five Year Plan (2012-2017), the following Plan Outlay for 2013-14 (BE) for Ministry of Steel has been approved by the Planning Commission:—

(Rs. in crore)

		Actual 2011-12	BE 2012-13	RE 2012-13	BE 2013-14
(a)	Gross Budgetary Support	9.63	46.00	26.49	46.00
	EAP component of GBS	0.00	0.00	0.00	0.00
(b)	Internal & Extra Budgetary Resources (I&EBR)	14574.73	21756.00	16360.60	19684.77
	Total	14584.36	21802.00	16387.09	19730.77

3.2 Details of PSU-wise Plan Outlays for Annual Plan, 2012-13 (BE & RE) Annual Plan 2013-14 (BE) is given in the table below:—

(Rs. in crore)

Sl. No.	Name of the PSU/ Organisation	BE 2012-13			RE 2012-13			BE 2013-14		
		IEBR	B.S.	Outlay	IEBR	B.S.	Outlay	IEBR	B.S.	Outlay
1	2	3	4	5	6	7	8	9	10	11
A.	Central Sector Scheme									
1.	SAIL	14500.00	0.00	14500.00	12000.00	0.00	12000.00	13000.00	0.00	13000.00
2.	RINL*	1942.00	0.00	1942.00	1365.86	0.00	1365.86	2216.14	0.00	2216.14
3.	HSCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	MECON Ltd.	5.00	0.00	5.00	5.00	0.00	5.00	5.00	0.00	5.00

1	2	3	4	5	6	7	8	9	10	11
5.	MSTC Ltd.	25.00	0.00	25.00	20.00	0.00	20.00	65.00	0.00	65.00
6.	FSNL	12.00	0.00	12.00	12.00	0.00	12.00	12.00	0.00	12.00
7.	NMDC Ltd.	4655.00	0.00	4655.00	2814.00	0.00	2814.00	4084.00	0.00	4084.00
8.	KIOCL Ltd.	409.00	0.00	409.00	40.00	0.00	40.00	95.00	0.00	95.00
9.	MOIL Ltd.	208.00	0.00	208.00	103.74	0.00	103.74	207.63	0.00	207.63
10.	Scheme for promotion of R&D in Iron & Steel sector									
10.(i)	Scheme for Promotion of Research & Development in Iron & Steel sector on-going R&D Projects	0.00	44.00	44.00	0.00	26.49	26.49	0.00	12.00	12.00
10.(ii)	Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products (new component)	—	—	—	—	—	—	0.00	32.00	32.00
10.(iii)	Development of innovative iron /steel making process/ technology (new project under the existing scheme)	—	—	—	—	—	—	0.00	2.00	2.00

1	2	3	4	5	6	7	8	9	10	11
11.	Scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines		1.00	1.00	—	—#	—	—	—	—
12.	Scheme for improving energy efficiency of secondary steel sector		1.00	1.00	—	—#	—	—	—	—
	Total - A	21756.00	46.00	21802.00	16360.60	26.49	16387.09	19684.77	46.00	19730.77
B.	Centrally Sponsored Schemes	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	21756.00	46.00	21802.00	16360.60	26.49	16387.09	19684.77	46.00	19730.77

* OMDC Ltd. and BSLC Ltd. were constituents of erstwhile Bird Group of Companies, which have become subsidiary PSUs of RINL and their figures have been clubbed with RINL.

\# The scheme has been dropped.

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

According to the Outcome Budget 2013-14 of the Ministry of Steel, PSU-wise Outlays provided in BE 2013-2014 for various schemes of the PSUs are given below:—

SAIL

3.3 Out of the total outlay of Rs. 19730.77 crore in Annual Plan 2013-14 (BE), an amount of Rs. 13000.00 crore has been provided for Steel Authority of India Limited (SAIL), which will be met out of its

Internal & Extra Budgetary Resources (I&EBR). The broad details of outlay provided for various schemes of SAIL are as under:—

(i) Outlay of Rs. 5900.00 crore has been provided for Bhilai Steel Plant. Major portion (Rs. 5300.00 crore) of the total outlay is for modernization and expansion the Plant. Balance outlay is for schemes like installation of 700 TPD Oxygen Plant, HAGC, PVR in Plate Mill, Hot Metal Desulphurisation unit, Slab Caster, RH Degasser, Mining Railway track-Rowghat and other ongoing and new schemes.

(ii) Outlay of Rs. 900.00 crore has been provided for Durgapur Steel Plant, of which Rs. 775.00 crore is earmarked for expansion of the Plant. Other schemes covered under the outlay include installation of Bell less top charging system in BF, installation of Steel Processing Units at Kangra, Modification/modernization of Gas cleaning plant of BF-3 and other small schemes.

(iii) An amount of Rs. 2400.00 crore has been provided for Rourkela Steel Plant. Major scheme included in the outlay is expansion of RSP (Rs. 2050.00 crore). Other schemes are Rebuilding of COB No. 4, Installation of 700 TPD Oxygen Plant, Installation of Coke Oven Gas Holder, Simultaneous blowing of BOF Converters of SMS-II, Jagdishpur Steel Project and other ongoing and new schemes.

(iv) Outlay of Rs. 1425.00 crore for Bokaro Steel Plant has been provided for expenditure on expansion of Bokaro Plant (Rs. 1200.00 crore), 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 and new schemes.

(v) Outlay of Rs. 1800.00 crores for IISCO Steel Plant. Major portion is for Expansion of ISP (Rs. 1750.00 crore), Rebuilding of COB No.10 and balance amount is for other ongoing and new schemes.

(vi) Outlay of Rs. 25.00 crore for Alloy Steels Plant is for several completed and ongoing schemes.

(vii) Outlay of Rs. 45.00 crore has been allocated for Salem Steel Plant. Major portion of the outlay is for Expansion of SSP (Rs. 40.00 crore) and the remaining amount is for small value miscellaneous schemes.

(viii) Remaining outlay of Rs. 505.00 crore has been provided for Visvesvaraya Iron & Steel Ltd. (Rs. 20.00 crore), Central Units of SAIL (Rs. 350.00 crore), Raw Materials Division (Rs. 30 crore), Chandrapur Ferro Alloy Plant (Rs. 105 crore) for various ongoing and new schemes/projects and research work.

RINL

3.4 Outlay of Rs. 2216.14 crore has been provided for Rashtriya Ispat Nigam Ltd. Major portion of this outlay amounting to Rs. 600 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, BF-1 category—1 & repairs, 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. RINL's outlay includes the outlays of two subsidiary PSUs *viz*., OMDC Ltd. and BSLC Ltd., which were constituents of erstwhile Bird Group of Companies.

NMDC Ltd.

3.5 Outlay of Rs. 4084.00 crore, to be met from I&EBR of the company, has been provided for NMDC Ltd. Plan outlay has been made for schemes/projects like Bailadila Deposit-11B, Kumarswamy Iron Ore Project, 3 million tonne Steel Plant in Chhattisgarh, Pelletisation Plant at Donimalai and Bacheli, AMR/Township and R&D schemes etc.

KIOCL

3.6 Outlay of Rs. 95.00 crore has been provided for KIOCL Ltd., of which Rs. 32.35 crore is for AMR schemes and Rs. 10.00 crore for Coke Oven Plan. Remaining outlay is for various ongoing scheme and R&D/feasibility studies. Outlay is being met from I&EBR of the company.

MOIL Ltd.

3.7 Outlay of Rs. 207.63 crore for MOIL Ltd. has been provided for investment in joint venture for Ferro Manganese/Silico Manganese Plant with RINL (Rs. 15 crore), sinking of vertical shaft at Munsar, Chikla, Balaghat, Ukwa and Gumgaon Mine, AMR schemes, township, R&D/feasibility studies etc. Entire outlay will be met from I&EBR of the company.

MECON Ltd.

3.8 Outlay of Rs. 5.00 crore for MECON Ltd., to be met from the company's I&EBR, is for expansion, modification & augmentation of office space/guest house at various locations.

MSTC Ltd.

3.9 Outlay of Rs. 65.00 crore, to be met out of I&EBR, has been provided for MSTC Ltd. for Shredding Plant.

FSN Ltd.

3.10 Outlay of Rs. 12.00 crore provided for Ferro Scrap Nigam Ltd., to be met out of the company's I&EBR, is for AMR schemes.

11TH FIVE YEAR PLAN 2007-2012 (APPROVED) & ACTUAL EXPENDITURE

3.11 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 actual expenditure are given in the table below:—

(Rs. in crore)

Sl. No.	Name of the PSU	Outlay for11th Plan (Approved) (2007-08 to 2011-12)			Actual Expenditure		
		IEBR	GBS	Total	IEBR	GBS	Total
1	2	3	4	5	6	7	8
A.	PSUs						
1.	Steel Authority of India Ltd.	27409.00	0.00	27409.00	40321.00	0.00	40321.00
2.	Rashtriya Ispat Nigam Ltd.	9569.18	0.00	9569.18	11271.84	0.00	11271.84
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	8.90	63.00	71.90
6.	Bharat Refractories Ltd.*	0.00	0.00	0.00	3.33	7.00	10.33

1	2	3	4	5	6	7	8
7.	MSTC Ltd.	30.00	0.00	30.00	19.27	0.00	19.27
8.	Ferro Scrap Nigam Ltd.	60.00	0.00	60.00	55.69	0.00	55.69
9.	NMDC Ltd.	7147.00	0.00	7147.00	3082.76	0.00	3082.76
10.	KIOCL Ltd.	650.00	0.00	650.00	128.45	0.00	128.45
11.	MOIL Ltd.	342.90	0.00	342.90	254.27	0.00	254.27
12.	Bird Group of Companies	148.00	1.00	149.00	98.44	0.00	98.44
B.	New Schemes						
1.	Scheme for promotion of R&D in the Iron & Steel Sector	0.00	118.00	118.00	0.00	40.82	40.82
2.	TUFS for SME	0.00	0.00	0.00	—	—	—
3.	Scheme for Institution of Manpower Development	0.00	0.00	0.00	—	—	—
Total (A+B)		45390.08	217.00	45607.08	55248.31	113.82	55362.13

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

SUMMARY OF 11TH FIVE YEAR PLAN (2007-08 to 2011-12)

3.12 The total approved outlay for the 11th Plan (2007-12) was Rs. 45607.08 crore [IEBR of Rs. 45390.08 crore and Gross Budgetary Support (GBS) of Rs. 217.00 crore]. The year-wise total outlay approved by the Planning Commission and the total expenditure during 11th Plan 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	21062.71	40.00	21102.71	16827.13	30.00	16857.13	14574.73	9.63	14584.36
Total	67595.89	210.00	67805.89	58518.46	168.01	58686.51	55248.31	113.82	55362.13

Plan outlay and actual expenditure during 2012-13 (upto December, 2012)

3.13 For the financial year 2012-13, the Planning Commission approved an outlay of Rs. 21802.00 crore (Rs. 21756.00 crore as IEBR and Rs. 46 crore as GBS). The source-wise details of approved outlay for 2012-13 (BE) and actual expenditure upto December, 2012 are given in the table below:—

(Rs. in crore)

Sl. No.	Name of the PSUs	2012-13 (BE)			2012-13 Actual expenditure (upto Dec. 2012)		
		I&EBR	B.S.	Total	I&EBR	B.S.	Total
1	2	3	4	5	6	7	8
A.	Central Sector Scheme						
1.	SAIL	14500.00	0.00	14500.00	6554.00	0.00	6554.00
2.	RINL^	1942.00	0.00	1942.00	833.33	0.00	833.33
3.	HSCL	0.00	0.00	0.00	0.00	0.00	0.00
4.	MECON Ltd.	5.00	0.00	5.00	3.46	0.00	3.46
5.	MSTC Ltd.	25.00	0.00	25.00	0.00	0.00	0.00
6.	FSNL	12.00	0.00	12.00	6.34	0.00	6.34
7.	NMDC Ltd.	4655.00	0.00	4655.00	1018.00	0.00	1018.00
8.	KIOCL Ltd.	409.00	0.00	409.00	5.37	0.00	5.37
9.	MOIL Ltd.	208.00	0.00	208.00	33.76	0.00	33.76
10.	Scheme for promotion of R&D in Iron & Steel sector						
10.(i)	Scheme for Promotion of Research & Development in Iron & Steel sector-ongoing R&D projects	0.00	44.00	44.00	0.00	10.69	10.69

1	2	3	4	5	6	7	8
11.	Scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines	0.00	1.00	1.00	0.00	0.00	0.00
12.	Scheme for improving energy efficiency of secondary steel sector	0.00	1.00	1.00	0.00	0.00	0.00
B.	Centrally Sponsored Scheme	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
	Grand Total (A+B)	21756.00	46.00	21802.00	8454.26	10.69	8464.95

^OMDC Ltd. and BSLC Ltd. were constituents of erstwhile Bird Group of Companies, which have become subsidiary PSUs of RINL and their figures have been clubbed with RINL.

I&EBR Utilisation by PSUs (quarter-wise) during 2010-11 and 2011-12

(Rs. in crore)

Sl. No.	Name of PSUs	2010-11									20111-12								
		Budget Estimates (BE)	(Apr'10 Jun'10)		(Jul'10-Sept'10)		(Oct'10-Dec'10)		(Jan'11-Mar'11)		Budget Estimates (BE)	(Apr'11-Jun'11)		(Jul'11-Sept'11)		(Oct'11-Dec'11)		(Jan'12-Mar'12)	
			Actual	%age	Actual	%age	Actual	%age	Actual	%age		Actual	%age	Actual	%age	Actual	%age	Actual	%age
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1.	SAIL	12254.00	1074.00	8.76	5314.00	43.37	8002.00	65.30	11280.00	92.05	14337.00	2006.00	13.99	4745.00	33.10	7315.00	51.02	11021.00	76.87
2.	RINL	4049.00	916.62	22.64	1589.78	39.26	2155.28	53.23	2901.99	71.67	3046.00	451.73	14.83	939.66	30.85	1248.85	41.00	1896.45	62.26
3.	HSCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	MECON Ltd.	2.00	0.00	0.00	0.00	0.00	0.00	0.00	1.48	74.00	2.00	0.23	11.50	0.23	11.50	2.05	102.50	2.38	119.00
5.	MSTC Ltd.	5.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00	100.00	15.00	0.00	0.00	0.00	0.00	1.47	9.80	4.77	31.80
6.	FSNL	12.00	2.78	23.17	6.30	52.50	8.30	69.17	10.58	88.17	12.00	0.61	5.08	1.19	9.92	3.49	29.08	10.71	89.25
7.	NMDC Ltd.	611.00	32.80	5.37	261.01	42.72	440.93	72.17	614.33	100.55	3309.00	184.08	5.56	358.62	10.84	826.16	24.97	1533.59	46.35

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
8.	KIOCL Ltd.	75.00	0.35	0.47	1.37	1.83	4.56	6.08	60.83	81.11	98.00	2.50	2.55	34.58	35.29	41.06	41.90	51.52	52.57
9.	MOIL Ltd.	115.82	6.59	5.69	22.35	19.30	29.12	25.14	37.20	32.12	107.71	8.83	8.20	17.59	16.33	28.74	26.68	49.91	46.34
10.	BIRD GROUP	40.00	3.00	7.50	72.78	181.95	74.52	186.30	74.86	187.15	136.00	2.98	2.19	3.68	2.71	4.28	3.15	4.48	3.29
	Total	17163.82	2036.14	11.86	7267.59	42.34	10714.71	62.43	14986.27	87.31	21062.71	2656.96	12.61	6100.55	28.96	9471.10	44.97	14574.81	69.20

CHAPTER IV

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS

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 The Steel Authority of India Limited (SAIL) is a company registered under the Indian Companies Act, 1956 and is an enterprise of the Government of India. It has five integrated steel plants at Bhilai (Chhattisgarh), Rourkela (Odisha), 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). The authorised capital of SAIL is Rs. 5000 crores. The paid-up capital of the company was Rs. 4130.52 crores as on 31st March, 2012, out of which 85.82% is held by the Government of India and the balance 14.18% by the financial institutions/GDR holders/banks/employees/individuals etc.

Financial Performance

4.3 SAIL has reported a turnover of Rs. 23888 crore during 2012-13, was marginally higher as compared to the corresponding period of last year, resulting from increase in net sales realization of saleable steel despite lower saleable steel sales volume. However, the profitability has declined mainly due to adverse impact of input prices consisting of iron ore including royalty, lime stone, dolomite, silico manganese, furnace oil/LSHS, LPG and purchased power. Also, there was increase in consumption of external coke, furnace oil, stores & spares, repairs & maintenance, depreciation, lower interest earnings on term deposits, etc. The adverse impact has partially been offset by higher production, higher net sales realization, better product mix, increase in value added production, lower price of coal, lower salary & wages, lower interest cost and lower loss due to FE variations.

(Rs. in crore)

Sl. No.	Item	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13			2013-14@
					BE	RE	Actual (upto Dec'12)	BE (LII)
1.	Income	45565	50697	54017	51680	51680	40057	57237
2.	Operating Cost	33694	41542	46359	45679	45679	35569	51947
3.	Gross Margin	11871	9155	7658	6000	6000	4488	5291
4.	Profit (Loss) before Tax	10132	7194	5151	3302	3302	2500	2237
5.	Profit (Loss) after Tax	6754	4905	3543	2230	2230	1724	1511
6.	Dividend proposed* of which:	1363	991	826	826	826$	660.88#	826
	Dividend proposed to the Govt. of India	1170	851	709	709	709	567	709

* Excluding dividend tax.

$ 20% of PAT or equity whichever is higher, as per letter dated 15th Jan'13 sent to MoS.

Interim dividend @ 16% of paid-up equity capital.

@ Plan for 2013-14 is proposed and shall be finalized during the Task Force meeting of MoU which is planned in Feb'13.

4.4 From the above table, it may be seen that the profitability of SAIL has been considerably declining during the last 3 years and is set to further decline during 2013-14. On being asked about what proactive measures have been contemplated by SAIL to increase its profitability, the Ministry in a written reply have furnish as under:—

(i) "In view of reduction in profit, all Plants/Units have been advised to focus on operating as well as on non-operating areas to improve the liquidity and profitability position of the Company. In addition to improvement in the areas of production, sales, product-mix & value added products, techno-economic parameters, the following are the other areas for profitability improvement:

- Identification and sale of idle assets.

- Sale of surplus scrap.
- Sale of non-moving/obsolete stores & spares.
- Maximizing sales of coal chemicals, by-products & secondary steel.
- Reduction in inventory of finished/semi-finished goods, raw materials and stores & spares.
- Identification and closure of uneconomic activities.
- Waste management.
- Full utilisation of engineering shops and replacing purchased items.
- Strict control on demurrage expenses.
- Monitoring and control over Coal to Hot Metal Ratio to reduce cost.
- Reduction in procurement cost through strict monitoring.
- Control of administrative expenses.

(ii) Close monitoring of procurement/service contracts above Rs. 2 crore by Plants/Units.

(iii) The management of funds is being given due importance. In this regard, the following efforts are worth mentioning:

- Borrowing of short-term loans at competitive rates in the form of Buyers' Credit, Commercial Paper, etc. instead of cash credit from banks.
- Substitution of higher cost loans with lower cost.
- Keeping in view the volatility in Forex Market, the FX loans are being taken on a full hedged basis."

Modernisation and Expansion Programme of SAIL

4.5 SAIL has been implementing Modernisation and Expansion Programme 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.

4.6 When asked to furnish year wise allocation and utilization of funds for this programme and their utilization since the inception of the programme the Ministry has furnished the following information:—

"Year-wise allocation and utilization of funds for Modernization and Expansion Plan of SAIL since inception is given below:—

(Rs. in crore)

Year	Allocation	Actual Utilisation
2006-07	—	101
2007-08	380	680
2008-09	2790	4575
2009-10	7757	9495
2010-11	10103	10210
2011-12	10878	10059
2012-13	10730	7773*

* Provisional

4.7 Regarding details of the amount of work left, plant-wise, and the estimated expenditure yet to be incurred to complete the Modernisation and Expansion Plan, the Ministry has informed the Committee as under:—

(Rs. in crore)

Plant	Estimated Cost (Net of Cenvat).	Ordered Cost	Cumulative Expenditure Till February, 2013	Status of Work Left
BSP	17,266	15999	7995	Under Implementation/Completion planned by March, 2014 with one BOF & two Casters
RSP	11,812	11445	8862	Under Implementation/Completion planned by December, 2013
DSP	2,875	2490	1420	Under Implementation/Completion planned by December, 2013
BSL	6,325	5495	3314	Under Implementation/new CRM completion planned by December, 2013
ISP	16,408	15494	14281	Under Implementation/Completion planned by December, 2013
SSP	1,902	1902	2238	Completed in September, 2010

4.8 Out of an annual outlay of Rs. 13000.00 crores, Rs. 11115.00 crores have been earmarked for the modernization and expansion of various plants of SAIL during 2013-14. Elaborating on the action plan that SAIL has prepared to ensure that the outlay provided for modernization and expansion of its units is fully utilized and there will be no time and cost over run in this regard, the Ministry has informed the Committee that SAIL is implementing modernization and expansion project at its five integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur and Burnpur and special steel plant at Salem to enhance its crude steel production capacity from 12.8 Mtpa to 21.4 Mtpa in the current phase. Orders worth around Rs. 58000 crore have been placed against which actual expenditure of Rs. 42893 crore has been incurred till February, 2013. The expansion of Salem Steel Plant has been completed in 2010-11 and major expenditure has already been incurred including final contractual payments. The expansion of IISCO Steel Plant is in advance stage and completion of facilities has already commenced. Around 80% expenditure has already been incurred and the balance expenditure is planned towards commissioning of facilities and final contractual obligation. In case of Rourkela and Bokaro also, completion of facilities has already commenced. The execution of various facilities of Bhilai and Durgapur is in progress.

4.9 The advance planning towards the expenditure for the year 2013-14 is being done keeping in view the progress payments towards balance work of the current expansion plan & fulfilment of contractual obligation. The outlays mainly include final contractual payments towards completed facilities for expansion of ISP, RSP and BSL and progress payments for BSP and DSP expansion and development/expansion/modernization of raw material Mines for iron and coking coal. All efforts are being taken towards quarterly planning of expenditure and close monitoring of actual utilization of the planned outlay.

B. RASHTRIYA ISPAT NIGAM LIMITED (RINL)

4.10 Rashtriya Ispat Nigam Limited (RINL), a Navratna PSE, is the corporate entity of Visakhapatnam Steel Plant—the country's first shore based integrated steel plant at Visakhapatnam, Andhra Pradesh. Visakhapatnam Steel Plant, which was fully commissioned in 1992 with a capacity of 3 Mtpa liquid steel, is now on the verge of completing and stabilizing its 6.3 Mtpa facilities.

4.11 The company's capital structure as on 31st March, 2012 comprises of Rs. 4889.85 crore of Equity Capital and Rs. 2837.47 crore of 7% Non-Cumulative redeemable preference share capital. The entire shares are held by the Government of India.

Financial Performance

(Rs. in crore)

Sl.No.	Item	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 BE	2012-13 RE	2012-13 Actual (Prov.) (upto Dec. 12)	2013-14 BE @
1.	Income	11392.16	12042.55	14898.58	15148.55	14732.72	10220.65	16363.82
2.	Operating Cost	9789.79	10630.40	13253.11	13873.20	13928.48	9416.41	15294.81
3.	Gross Margin	1602.37	1412.15	1645.47	1275.35	804.24	804.18	1069.01
4.	Profit (Loss) before Tax	1247.65	981.66	1110.01	387.06	138.00	362.97	141.19
5.	Profit (Loss) after Tax	796.67	658.49	751.46	309.61	93.22	250.78	95.38
6.	Dividend paid	339.18	285.29	271.47	0.00	187.91	0.00	0.00

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

4.12 The Committee had earlier recommended that since Rashtriya Ispat Nigam Limited (RINL) do not have captive mines for coal, 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 de-allocated ones which could not be exploited due to difficult geo-mining conditions on priority basis. The Committee had also urged for Ministry of Steel to pursue with Ministry of Coal and convene a meeting of Inter Ministerial Group (IMG) to sort out the issue of allotment of captive mines to RINL.

4.13 Regarding efforts made by RINL/Ministry of Steel to get allocation of coal mines through Government dispensation route, it has been informed that RINL has taken up with the Ministry of Steel to consider allocation of coal blocks, reserved by the Ministry of Coal for integrated PSUs. Ministry of Steel has taken up the matter with Ministry of Coal. It is indicated that the Ministry of Coal would ask for applications. However, since long notification regarding the same is awaited. Additionally, against the notification issued by the Ministry of Coal for allocation of coal blocks through competitive bidding, RINL has applied for 3 blocks and same is reported to be in process. However, what strategy is going to be adopted by Ministry of Coal for allotment is not known.

Modernization and Expansion Plan of RINL

4.14 RINL has drawn up its long term directional plans to expand the capacity of liquid steel to 20 million tonnes in phases by the year 2022-23. In this endeavour, expansion to 6.3 Mtpa of liquid steel, funded fully through internal accruals, is on the verge of completion. All units of stage-I (covering Iron and Steel zone including Wire Rod Mill) have been commissioned and several units are under operation, except Converter Shop, Sinter Plant-3 and part of Wire Rod Mill-2. Blast Furnace-3 commissioned in April, 2012 and is under stabilization. Wire Rod Mill-2, Stage-1 up to roughing stands to roll 70 mm rounds got commissioned with first billet rolling in June, 2012.

4.15 Balance units are planned to be commissioned progressively during 2013-14. Special Bar Mill and Structural Mill under Stage-2 are also brought to trial run stage. Implementation of up-gradation and modernization of existing Blast Furnaces and Converters is in full swing. Revamp of existing Sinter Plant is also at an advance stage of ordering. These will be implemented progressively from 2013 to 2014 adding 1Mt capacity. Next phase of Expansion: Feasibility study for next phase of expansion to 11 Mtpa of crude steel is under initialization has already commenced and implementation is envisaged by 2017-18.

(A) Status of 6.3 Mtpa Expansion

Approved Project Cost	:	Rs. 12,291 crore
Expenditure	:	Rs. 10,193 crore

4.16 Balance amount pertains mainly to last 15% payment against Preliminary Acceptance Certificate (PAC), Final Acceptance Certificate (FAC), performance guarantee, liquidation of defects etc. which is taking time mainly in completion of finishing works and also kept on hold to keep pressure on agencies to show 100% capacity utilization. Part of balance amount also pertains to execution of Stage-2 units.

(B) Expenditure

4.17 The total expenditure incurred by RIN-VSP on their modernization and expansion for the past three years and the current year till February, 2013 is as follows:—

2009-10	:	Rs. 2265 crore
2010-11	:	Rs. 2888 crore
2011-12	:	Rs. 1876 crore
2012-13	:	Rs. 1168 crore (till Feb., 2013)

Raw Material

4.18 On being asked about the steps taken by RINL to increase supply of raw material, the Ministry have furnished the following:—

(i) "Government of Rajasthan has recommended for allotment of mining lease of Iron Ore in an area of about 1,000 Hectares in Bhilwara district to RINL. Under consideration of Ministry of Mines.

The Ministry of Mines, Government of India, has cleared the proposal on 19.03.13 for issue of LoI to RINL for mining lease for an area of 999.08 hectares in Bhilwara District in Rajasthan. LoI is expected to be issued by the Government of Rajasthan shortly.

(ii) Government of Andhra Pradesh is also actively considering for allotment of Iron ore mines Bayyaram, Khammam district.

Hon'ble Steel Minister has written a letter in March, 2013 to the Hon'ble Chief Minister to expedite allotment of iron ore mines in Andhra Pradesh. Several rounds of discussions have been held by CMD, RINL with the Hon'ble Chief Minister of Andhra Pradesh; Hon'ble Finance Minister; Principal Secretary, Industries and Commerce; and DMG, requesting for expediting allotment of the applied areas. The Secretary (Steel) and Addl. Secretary (Steel) have also taken up with the Chief Secretary of Andhra Pradesh, for immediate consideration of RINL's request for allotment of mines. It is understood that for in principle approval, proposal has been now initiated for allotment of 2 blocks directly to RINL and 1 block through APMDC. Matter is being followed up.

(iii) Meeting was held with Chief Secretary, Government of Odisha by Ministry of Steel, to expedite allotment of Iron Ore mines to RINL.

Hon'ble Steel Minister has written a letter in March, 2013 to the Hon'ble Chief Minister of Odisha to expedite grant of mining leases to RINL.

In this regard, it is to be mentioned that CMD, along with Joint Secretary (Steel), met the Chief Secretary, Government of Odisha, and other officials to persuade the State Government for early allocation of iron ore mines to RINL. As advised by the Government of Odisha, RINL had submitted a proposal in July, 2012 itself for setting up of a Steel Processing Unit with an investment of Rs. 2,000 to 2,500 crore. However, subsequently, Government of Odisha passed a resolution, reserving all the remaining area bearing iron ore for undertaking prospecting or mining operation through Odisha Mining Corporation. Considering RINL, being a PSU, Government of Odisha was requested not to resort to such action as RINL had applied for iron ore blocks long back and has been getting assurances of favourable consideration all the time. Subsequently, a meeting was held in this regard with the Chief Secretary by the Joint Secretary (Steel), wherein the Government of Odisha was requested to exclude RINL from the resolution. Confirmation in this regard is awaited.

(iv) Ministry of Coal has identified four coking coal blocks for allotment to steel PSUs.

No significant progress is made since last meeting of Parliamentary Committee of Coal and Steel. Status is as below:—

- RINL has taken up with the Ministry of Steel to consider allocation of coal blocks, reserved by the Ministry of Coal for integrated PSUs. It is understood that the Ministry of Coal would ask for applications and notification regarding the same which is still awaited.
- Additionally, against the notification issued by the Ministry of Coal for allocation of coal blocks through competitive bidding, RINL has applied for 3 blocks, decision on which is awaited.
- Ministry of Steel has taken up the matter with Ministry of Coal.

(v) Additionally, RINL has applied for Iron Ore Mines in the States of Jharkhand, Uttar Pradesh, Karnataka and Chhattisgarh and the applications are pending.

RINL has applied for 29 iron ore mining applications in the States of Andhra Pradesh, Chhattisgarh, Odisha, Jharkhand, Karnataka, Rajasthan and Uttar Pradesh, of which approval has been obtained for one mine in the State of Rajasthan. For the balance 28 applications, including in the States of Chhattisgarh, Jharkhand, Karnataka and Uttar Pradesh, the matter is being pursued with the respective State Governments. Secretary (Steel) and Additional Secretary (Steel) have also written to the respective State Governments to consider favourable allocation of iron ore mines to RINL at the earliest. The matter is being continuously pursued.

(vi) Ministry of Steel is pursuing all the above for early allotment of adequate deposits of Iron Ore and Coal.

Hon'ble Minister of Steel has further taken up the matter of allotment of Iron Ore mines with respective Hon'ble Chief Ministers. Matter has also been taken up including across the table discussions by Ministry with State Governments and matter is meticulously being followed up so that few blocks of Iron Ore and Coal are made available to RINL."

4.19 During the study tour undertaken in January-February, 2013 the Committee were informed by RINL that help is required from the Government for reduction in Excise Duty on Rebars used by common people and Export benefit of 6% for finished steel and 3% of Pig Iron in Duty Drawback Scheme (DDBS)., The Ministry, when asked to furnish their comments on the above proposal of RINL have stated that till date no proposal has been received from RINL. The matter would be examined and taken up with Ministry of Finance as and when the proposal is received.

C. NATIONAL MINERAL DEVELOPMENT CORPORATION (NMDC)

4.20 NMDC Limited is a "Navratna" public sector company under the Ministry of Steel, Government of India, primarily engaged in the business of exploring minerals and developing mines to produce raw materials for the industry. It is also expanding its activities towards steel making and other value added products. NMDC operates the large mechanized iron ore mines in the country at Bailadila (Chhattisgarh) and Donimalai (Karnataka). The Diamond Mine of NMDC is situated at Panna (Madhya Pradesh).

Physical Performance

(in MT)

Sl. No.	Item	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 BE	2012-13 RE	2012-13 Actual upto Dec. 12 (Prov.)	2013-14 BE
1.	Production:							
	Iron Ore (Lac MT)	238.03	251.55	272.60	265.00	264.00	175.80	278.00
	Diamonds (Carats)	16529.21	10865.93	18043.44	23500	23500	21254	24700
	Sponge Iron (MT)	0.00	38962	37237.40	42500	42500	27688	44600
2.	Sales							
	Iron Ore (Lac MT)	240.85	263.15	273.01	265.00	264.00	180.30	278.00
	Diamonds (Carats)	7335.34	18421.22	8085.16	23500	23500	6737	24700
	Sponge Iron (MT)	0.00	39775	33731.79	42500	42500	28978	44600

Financial Performance

(Rs. in crore)

Sl. No.	Item	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 BE	2012-13 RE	2012-13 Actual (upto Dec. 12 (Prov.)	2013-14 BE
1.	Income	7098.90	12687.81	13278.38	12723.00	13670.00	9247.28	13972.00
2.	Operating Cost	1814.96	2835.66	2385.28	3098.00	3277.00	1895.70	3500.00
3.	Gross Margin (1-2)	5283.94	9852.15	10893.10	9625.00	10393.00	7351.58	10472.00
4.	Depreciation/DRE	76.62	124.98	133.63	175.00	145.00	101.58	190.00
5.	Profit (Loss) before Tax	5207.32	9727.17	10759.47	9450.00	10248.00	7250.00	10282.00
6.	Profit (Loss) after Tax	3447.26	6499.22	7265.39	6384.00	6923.00	4895.60	6946.00
7.	Dividend paid/Proposed* of which:	693.82	1308.35	1784.12	0.00	0.00	792.94	0.00
	Dividend paid/proposed to the GoI	649.39	1177.58	1605.78	0.00	0.00	713.68	0.00

*Balance sheet figure for the year.

4.21 NMDC has reported a 30 per cent drop in net profit for the quarter ended December, 31, 2012. Its net profit was Rs. 1,293 crore, down from Rs. 1,859 crore in the year-ago quarter. On being asked to furnish the reasons for decline in the net profit targeted for NMDC during 2012-13 as compared to 2011-12 and stapes taken to tide over such situation, the Ministry of Steel informed the Committee as under:—

> "The net profit of NMDC was reduced during the quarter ended December 31, 2012 as compared to the same period previous year. This was primarily due to the heavy rains during the quarter, which recorded highest rainfall in the last 18 years, which affected production and evacuation of iron ore. The pricing of iron ore also affected lifting of iron ore specially that of lump ore during the quarter ended December, 2012."

4.22 During the oral evidence, the matter regarding appointment to the post of CMD, NMDC which is laying vacant for the last one year came up for discussion. A representative of Ministry of Steel furnished as under:—

> "A new Search Committee has been constituted for the same. The applications have been called by the Search Committee. The last date was 2nd of April. Initially there was a selection process which was done, but then there were some problems with the CVC clearance and other things."

D. KIOCL LTD.

4.23 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 there from. 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 Government of India.

Physical Performance

(In million tonnes)

Sl. No.	Item	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 BE	2012-13 RE	2012-13 Actual (upto Dec. 12)	2013-14 BE
1.	Pellet	1,273	2,124	1,710	2,500	1,600	1,090	2,000
2.	Pig Iron (incl. auxiliary)	0.062	2,090	1,716	2,500	1,600	1,056	2,000

Financial Performance

(Rs. in crore)

Sl.No.	Item	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 BE	2012-13 RE	2012-13 Actual (upto Dec. 12)	2013-14 BE
1.	Income	912.59	1784.85	1560.62	2416.08	1583.78	1136.33	1845.03
2.	Operating Cost	1047.23	1622.24	1392.95	2253.78	1512.38	1100.55	1757.04
3.	Gross Margin	-134.64	162.61	167.67	162.30	71.40	35.77	87.99
4.	Profit (Loss) before Tax	-194.95	99.95	115.39	128.10	37.10	10.04	53.68
5.	Profit (Loss) after Tax	-177.27	76.27	94.30	85.55	24.77	6.89	35.85
6.	Dividend paid/ proposed of which :	0.00	15.86	19.03	17.11	0.00	0.00	7.17
	Dividend paid/ proposed to the Government of India	0.00	15.70	18.84	17.10	0.00	0.00	7.16

4.24 The Committee were informed that the KIOCL plant in Kudremukh was closed following a Supreme Court order and mining activities at Kudremukh project were carried out up to 31.12.2005. Hundreds of huge machines are reported to be lying around waiting for a potential buyer. In this regard, when enquired about the details of the machinery lying idle with KIOCL, the Ministry have furnished the following information:—

"The Kudremukh project had major equipments as under:—

(1) Mining equipments consists of drills, shovels, dumpers, aggregate plants in Mines, Crusher and conveying equipments, Concentrator plants etc.

(2) Beneficiation equipments consists of Autogenous Mills, Ball Mills, Spirals, Magnetic Separators, Water Pumps, Sizing Screens, Mechanical Flotation, Column Flotation, Agitators, Thickeners etc.

(3) Central Stores & Warehouse, Central Shops, Barge Pump House, Sub-Station etc.

All the equipments are lying idle with effect from 01.01.2006 onwards. Efforts taken to gainfully utilize/disposal of these equipments:—

KIOCL approached SAIL, NMDC, RINL for utilizing the equipments lying in Kudremukh projects. However, they have not shown interest regarding utilization of the above equipments. Some Mining equipments like JCB, Loaders, Trucks, Electrical Sub-Station items, Instrumentation Items, Process Control laboratory equipments etc., were shifted to KIOCL's Mangalore unit for their use in Pellet Plant, Mangalore. The remaining items which are not required for Pellet Plant were kept for global auction "as a package and as is where no complaint basis". In response to the global tender, M/s. Annam Steels Private Limited, Chennai stood as H1 bidder at a price of Rs. 227.11 crores plus applicable taxes. Sale contract was entered with them on 12.10.2012. The party was to make 100% payment plus applicable taxes. Last date for payment was 08.03.2013. In the meantime, M/s Annam Steels Private Limited, Chennai requested for extension of time by another 60 days *i.e.* till 08.05.2013 for making 100% payment."

Coke Oven Plant and Captive Power Plant of KIOCL

4.25 According to Ministry of Steel, KIOCL Board in the 201st meeting held on 25th March, 2011 at New Delhi, had accorded approval for setting up of a 0.3 MTPA capacity Coke Oven Plant along with 25 MW captive power plant at an estimated cost of Rs. 452.22 crores as per the DPR prepared by M/s. M.N. Dastur & Company (P) Ltd., Kolkata. For obtaining the necessary environmental clearance for the proposed project, an application had been submitted to MoEF, New Delhi during January 2012. Soil investigation for the proposed Coke Oven Plant area is completed. It is further informed that the tender documents for supply & installation of coke oven battery have been finalized and global tender enquiry shall be floated after receipt of environmental clearances.

Regarding details of the project, the Ministry have further informed that M/s. M.N. Dastur & Company (P) Ltd., Kolkata prepared the DPR for the project and soil investigation for the proposed project area has been completed. For carrying out detailed engineering services, order has been placed on M/s. Tata Consulting Engineering Services. The Environmental Clearance for the project from Ministry of

Environment and Forests (MoEF) has been obtained during February 2013 and an application had been submitted to Karnataka State Pollution Control Board (KSPCB) for obtaining the Consent for Establishment (CFE) for the project. Inspection of the site by KSPCB officials has also been completed and consent for establishment is awaited. The tender documents for ground leveling, road & drain making and supply & installation of coke oven battery have been finalized.

As directed by the Board to go for a joint venture with SAIL, KIOCL has approached M/s. SAIL to consider the above project under Joint Venture in the interest of SAIL/VISL Bhadravati & KIOCL. The matter is under consideration. Tendering activities will be started after finalization of the JV partner.

E. HINDUSTAN STEELWORKS CONSTRUCTION LIMITED (HSCL)

4.26 Hindustan Steelworks Construction Limited (HSCL) is one of the major construction agencies in the Public Sector established in 1964 under the administrative control of Ministry of Steel. The Authorized and Paid-up share capital of the company is Rs. 150 crore and Rs. 117.10 crore respectively. All the shares are held by the Government of India.

4.27 The Committee were informed that a restructuring proposal of the company is under active consideration of the Government. On the advice of Prime Minister's Office the matter regarding restructuring of HSCL was taken to the Committee of Secretaries (CoS), which held a meeting under the Chairmanship of Cabinet Secretary on 19.10.2011. After recommendation by the Committee of Secretaries, a revised note for Cabinet Committee on Economic Affairs (CCEA) for restructuring/ revival of HSCL was circulated. The Ministry in their reply have further informed that Since Committee of Secretaries (CoS) was constituted to develop an agreed position on the restructuring proposals of HSCL and that could not be achieved in the inter-ministerial consultation, a copy of the revised Note for CoS in this regard was sent to Cabinet Secretariat on 20.04.2012 for placing the above issue again before Committee of Secretaries (CoS) to take a final view in the matter. A meeting of CoS was earlier scheduled on 1.06.2012 and rescheduled on various occasions. However, that meeting could not take place and after that Cabinet Sectt. has conveyed that since the CoS has already been held on 19.10.2011, it has been decided that M/o Steel may bring a Note for consideration by Cabinet Committee on Economic Affairs (CCEA).

The Ministry of Steel further apprised the Committee that BRPSE reviewed the status on Implementation of the Restructuring Package of HSCL on 22.2.2013. Board for Reconstruction of Public Sector Enterprises (BRPSE) has now suggested certain changes in the earlier restructuring package. The Board advised Ministry of Steel to make suitable changes while seeking approval of the CCEA. The Note for CCEA is under preparation.

F. BISRA STONE LIME COMPANY LIMITED (BSLC)

4.28 The BSLC was incorporated in the year 1910 and is a major source of employment to the tribal people in the area. The mines are located in Birmitrapur in the district of Sundargarh, Odisha. BSLC became a PSU on 19.03.2010 and became a subsidiary company of the Eastern Investments Limited (EIL) which became subsidiary of RINL on 05.01.2011. Thus, BSLC became subsidiary of RINL. The authorized and paid up capital of the company is Rs. 87.50 crore and Rs. 87.29 crore respectively.

4.29 The Committee were informed that BSLC is operating one lease of limestone and dolomite in Sundargarh District of the State of Odisha. It supplies limestone and dolomite mainly to SAIL steel plants located in the eastern region. It also has plans for increasing the production capacity up to 5 million tonnes by modernizing mining operations and increasing the number of crushers.

Physical Performance is furnished below:—

(in lakh MT)

Sl. No.	Item	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 BE	2012-13 RE	2012-13 Actual (upto Dec. 12)	2013-14
1.	Production							
(i)	Limestone	2.09	1.25	0.25	1.00	0.24	0.19	0.60
(ii)	Dolomite	9.56	8.60	5.10	6.00	2.16	2.18	7.20
2.	Despatch							
(i)	Limestone	2.44	2.02	0.45	1.00	0.24	0.12	0.60
(ii)	Dolomite	9.26	8.44	5.17	6.00	2.16	2.36	7.20

Financial Performance is furnished below:—

(Rs. in crore)

Sl.No.	Item	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 BE	2012-13 RE	2012-13 Actual (upto Dec'12)	2013-14
1.	Income	682.73*	58.89	31.69	45.00	13.85	18.33	45.50
2.	Operating Cost	621.42	63.82	38.55	54.50	34.67	30.65	49.34
3.	Gross Margin	621.24*	-4.93	-8.86	-9.50	-20.32	-11.73	-3.44
4.	Profit (Loss) before Tax	620.63*	-5.45	-6.86	-10.00	-20.82	-12.32	-4.34
5.	Profit (Loss) after Tax	620.63*	-5.45	-6.86	-10.00	-20.82	-12.32	-4.34
6.	Dividend paid/ proposed	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7.	Of which Dividend paid/proposed to the Govt. of India	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* Due to waiver of accumulated interest on Government loan of Rs. 624.20 crore during 2009-10 (as part of the approved restructuring scheme) the company registered a profit of Rs. 620.63 crore for the year 2009-10.

G. MANGANESE ORE (INDIA) LTD. (MOIL)

4.30 MOIL Ltd., earlier known as Manganese Ore (India) Ltd., is a Miniratna Category I Public Sector Undertaking under the Ministry of Steel. It is the largest producer of Manganese ore in India. MOIL was established in 1962. At the time of inception, the Central Province manganese Ore Co. Ltd. (CPMO) held 49% of shares and the remaining 51% in equal proportion by Government of India and the State Government of Madhya Pradesh and Maharashtra. Subsequently, in 1977, Government of India acquired the shares held by CPMO in MOIL and MOIL became a wholly owned Government Company with effect from October, 1977.

4.31 As regards the physical and financial performance of the Company, the Committee informed as under:—

Physical Performance

(Production in MT)

Sl.No.		2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 BE	2012-13 RE	2012-13 Actual (upto Dec. 12)	2013-14 BE
	PRODUCTION:							
1.	Manganese Ore	1093363	1150742	1070717	1200000	1150000	801673	1100000
2.	Electrolytic Manganese Dioxide	1150	805	714	1000	700	528	750
3.	Ferro Manganese	9555	9081	8694	10000	8000	6859	9000

Financial Performance

(Rs. in crore)

Sl.No.		2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 BE	2012-13 RE	2012-13 Actual (upto Dec. 12)	2013-14 BE
1.	Income	1101.37	1290.80	1102.90	1102.77	1075.80	854.30	1071.41
2.	Operating Cost	383.47	427.77	453.21	529.33	511.91	365.01	561.93
3.	Gross Margin	732.09	912.66	636.54	537.45	578.24	462.41	534.95
4.	Profit (Loss) before Tax	706.79	880.75	606.63	501.49	541.37	439.91	498.08
5.	Profit (Loss) after Tax	466.35	588.06	410.77	334.91	365.73	293.40	336.48
6.	Dividend Paid/ Proposed	94.08	117.60	84.00	66.98	73.15	0.00	67.30
	of which :							
	Dividend paid/ proposed to the GoI	76.74	84.17	60.12	47.94	52.35	0.00	48.16

4.32 According to Ministry of Steel, there is no shortfall in physical and financial performance of MOIL *vis-à-vis* targets. Infact, the performance of the company on both counts has exceeded the targets, except production of Electrolytic Manganese Dioxide.

CHAPTER V

REFORM MEASURES & POLICY INITIATIVES

A. RURAL STEEL CONSUMPTION

In order to obtain a full picture of the pattern of rural steel consumption in the country, an all India survey was commissioned by the Ministry of Steel. The survey work was coordinated by Joint Plant Committee, Kolkata and the field work was carried out by IMRB International, a leading market research organization. The study report was examined by a high-level Committee appointed by the Ministry of Steel for devising roadmap for implementation of the recommendations of the study, which have submitted its report to Ministry of Steel.

5.2 As per the decisions of this Committee, a Monitoring Committee has been constituted by the Ministry of Steel under the Chairmanship of Joint Secretary to Government of India and comprising of representatives from public sector steel plants *i.e.* SAIL, RINL, Ministry of Steel, JPC and INSDAG. The Terms of Reference of the Monitoring Committee include:—

(a) To monitor the implementation of the various action areas approved in the Action Plan.

(b) To periodically review the results of the various action areas, post implementation.

(c) To build up a database on rural stock points of various steel producers and any other parameter considered important.

(d) To suggest areas for further improvement.

(e) Any other related area considered important over course of time.

5.3 The current abysmally low per capita consumption of steel of 59 Kg. in India compared to world average of estimated 200 Kg. strengthens the argument that the domestic steel industry has a huge growth potential.

5.4 Asked about strengthening of dealership network, the Committee were informed that as on 1st January, 2013 SAIL dealership network consists of 2433 dealers spread over 629 districts. Further, SAIL has appointed 541 rural dealers under its new Rural Dealership Scheme launched in 2011-12 with a view to expand its scope of business in rural areas of the country especially at block/taluka level. Process for further appointment of rural dealers is under progress. The primary objective of the Rural Dealership Scheme is to meet the steel demands of the small rural consumers at block, tehsils and taluka levels. Total number of dealers as on 01.01.2013 is 2974 (including Rural Dealers).

5.5 With a view to popularizing usage of steel in rural areas, RINL-VSP introduced the scheme of registration of District Level Dealers in Small Towns and Rural Dealers at Block and Panchayat Level locations. The process of registration of Rural Dealers is continuous and simple. Preference is given for the minorities and women entrepreneurs in the Rural Areas for the Rural Dealerships. Till the end of December 2012, RINL has 519 Rural Dealers spread across 234 Districts, covering 23 States and Union Territories in the country to supply steel products to the semi-urban and rural consumers. For promotion of e-sales, RINL has also launched e-portal.

B. RAW MATERIAL

5.6 Certain important policy measures have been taken over the years for growth & development of Indian iron & steel sector.

- The import regime for iron and steel has undergone major liberalization moving gradually from a controlled import by way of import licensing, foreign exchange release, canalization and high import tariffs to total freeing of iron and steel imports from licensing, canalization and lowering of import duty levels. Export of iron and steel items has also been freely allowed.
- Currently, the import duty on steel items is 7.5 per cent for flat steel (alloy and non-alloy) and at 5 per cent for all other items. The import duty on raw materials like melting scrap, coking coal, metcoke is NIL and between 2 to 5 percent for other raw materials such as Zinc, Iron Ore and Ferro Alloys. There is no export duty on any steel item. However, Government has imposed *advalorem* export duty of 30 per cent on all forms of iron ore (except pellets, on which there is no duty) in order to conserve the mineral for long term requirement of the domestic steel industry.

5.7 According to a news item it has been stated that about 2.1 million tonnes of iron ore having 64% Fe content or high grade lumps will be exported to Japan & South Korea from NMDC's Chhattisgarh mines this year. The said supplies have begun from July, 2012 and the agreements are for a period of three years. The Ministry of Steel informed the Committee that NMDC Limited export iron ore to Japan and South Korea through MMTC Limited under long term agreements in compliance of the decision taken by the Cabinet. The Cabinet has taken the decision taking into consideration all the factors including the iron ore production and supply in the country. As per the available information, overall there is no shortage of iron ore, at present, for the domestic iron and steel industry. The production of iron ore in the country is higher in comparison to the domestic consumption (about 116 million tonnes estimated consumption during 2011-12 in comparison to the domestic production of iron ore of about 167 million tonnes). However, due to the decision of Supreme Court to suspend mining operations in three districts of Karnataka in July 2011 (except by NMDC) has led to some local constraints regarding availability of iron ore for the iron and steel industry of Karnataka and nearby areas. Besides, as per directions of Supreme Court, the iron ore produced by NMDC from Karnataka mines has to be supplied on e-auction basis only. The Supreme Court has now allowed resumption of mining operations in some Category A & B mines in Karnataka subject to fulfilment of certain conditions. With resumption of these mines, the iron ore supply to the plants located in and around Karnataka will further improve. Since this agreement is an International Agreement entered into by NMDC as per the decision of the Cabinet, which was taken after taking into consideration the broader long term relationship of India with these countries, it would be inadvisable to review this Agreement. However, considering the higher domestic demand, NMDC in discussion with POSCO and JSM was able to revise the export commitment downward during the year 2012-13 from 2.0 million tonnes to 1.58 million tonnes. The balance quantity is to be adjusted in the next year's allocation.

5.8 As regards the present trade policy, the Ministry of Steel has further informed the Committee as under:—

> "As per the present foreign trade policy, export of iron ore up to 64% Fe content is freely allowed. The export of iron ore with Fe content above 64% is canalized through MMTC. Ministry of Steel is of the view that Iron ore is a non-renewable natural resource and is one of the most important strategic raw materials for steel industry. Steel sector of the country has planned huge capacity

expansions, both through greenfield as well as brownfield route. Successful implementation of these expansion plans depends a lot upon long term availability of iron ore for domestic steel industry. Ministry of Steel is of the view that the iron ore reserves of the country should be conserved for fulfilling long term requirement of domestic steel industry and that the policy measures need to be taken for curbing export of iron ore. The policy regarding iron ore export should aim at attracting investment in steel making capacity so that the value added finished products are exported instead of raw materials. Canalization of high grade iron ore export by State Trading Agency is intended to deter export of high grade ore and also to keep watch on the export of high grade iron ore from the country. Canalization is also a measure to check unhindered export of high grade iron ore. Since the policy of the Government is to conserve iron ore resources for long term domestic utilization by the iron and steel industry, it is felt that canalization of high grade iron ore may continue. Ministry of Steel is also of the view that since NMDC Limited is the largest producer and supplier of the iron ore and is also a Navratna Public Sector Enterprise, it may also be designated as State Trading Agency for export of iron ore, if any, from its own mines."

C. NATIONAL STEEL POLICY

5.9 A new National Steel Policy is being formulated by replacing the National Steel Policy, 2005. The new policy will aim 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.

5.10The Ministry in their Replies have further furnished that Four Task Forces constituted under the Chairmanship of eminent experts to study, analyse, to consult and formulate draft policy documents in their respective fields, have since submitted their respective reports to the Ministry of Steel. These reports have been compiled into a draft National Steel Policy, 2012. As per the decision taken by the Apex Committee in its meeting held on 01.02.2013, the draft National Steel Policy (NSP), 2012 was uploaded on the website of the Ministry of Steel to have comments of Public/Industrial Associations/Bodies etc. Upon receipt of comments/views from various quarters, a meeting was held under the Chairmanship of SS & FA, Ministry of Steel on 05-03-2013 to discuss the same with Industrial Associations/Bodies. Now the comments/views received from various quarters are being analyzed for being incorporated in the draft. A final view in the matter will be taken after discussions with the concerned Ministries/ Departments, the concerned State Governments and the Steel Industry Associations/Federations.

D. INTERNATIONAL COAL VENTURES LIMITED

5.11 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 noted that though the ICVL had been operational since 2009, it had not got concrete proposals in any country except for Indonesia and that too on Government to Government allocation basis. It has been informed that ICVL has participated in a number of bidding and non-bidding processes for acquisition of coal in target countries. An MoU was also signed between ICVL and Government of Kalimantan (Republic of Indonesia) for various purposes.

5.12 When asked to furnish details about the progress made by ICVL with regard to MoU with Government of Kalimantan, Indonesia, the Ministry of Steel has informed the Committee that an MoU was signed between ICVL and the GoCK on 25th January, 2011. Its main provisions included the direct allocation (G2G basis) of required mineral blocks/deposits (suitable size of Coking coal block, Thermal coal block, Iron ore deposit and Limestone deposit), setting up of mineral processing facilities/steel plant and development of the required infrastructure in the province of Central Kalimantan, Indonesia. In order to progress on the provisions of this MoU, the senior officials of ICVL have made a number of visits to Jakarta/Palangka Raya including posting a Resident officer in Indonesia for four months. A suitable site for proposed Steel plant and prospective areas for required minerals *i.e.* coking coal, thermal coal blocks, iron ore and limestone areas have been identified followed by the preparation of a joint report for the project. During the course of discussions with the GoCK, it has been understood that there are several issues with regard to the allocation of suitable coking & thermal coal concessions to ICVL on nomination basis, but considering the huge investments that would be required to be made in setting up a mineral processing facility/steel plant, direct allocation of the mineral resources continues to be an important aspect of the project. ICVL has therefore once again requested the GoCK to find ways in which these concessions could be allocated to ICVL in the best interest of both the countries. ICVL has also requested the GoCK for the extension of the MoU for a further period of one year. ICVL is still awaiting an appropriate positive response from the Indonesian side.

Regarding the issue of acquisition of coal mines in target countries, the Committee were apprised as under:—

> "ICVL has been the front runner in a number of global bidding as well as non-bidding processes for acquisition of coal assets in target overseas countries. However, a firm acquisition is yet to materialize due to the fact that in a number of the cases, the processes were shelved by the sellers themselves whereas in the remaining, the processes have been slowed down due to the softening of coal prices globally thereby reducing the valuations substantially. Now that the international coking coal prices seem to have stabilized to some extent, ICVL is presently exploring the possibility of reopening the dialogue with sellers in Australia and Mozambiq. Apart from this, it is also pursuing a number of new proposals in Australia, Mozambique, Indonesia and more particularly in USA, wherein the new shale gas policy of the Federal Government has brought a number of coal assets up for sale."

E. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES BY STEEL PSUs

5.13 Corporate Social Responsibility (CSR) is a concept whereby organizations serve the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. Harnessing of natural resources has a direct impact on the economy, environment and society at large. CSR is thus linked with the practice of Sustainable Development.

5.14 As far as possible, CSR activities are undertaken in the periphery where company carries out its commercial activities. But it is not mandatory to confine CSR activities in the periphery of the PSE only. The CSR activities may be carried out elsewhere also keeping in view the long supply chain, broadening of consumer base and social and environmental demands. According to the Department of Public Enterprises guidelines dated 9th April 2010, the CSR budget will be mandatorily created through a Board Resolution as a percentage of net profit in the following manner:—

Type of CPSE (Net Profit Previous Year)	Expenditure Range for CSR in a financial year (%of Profit)
Less than Rs. 100 crores	3%-5%
Rs. 100 crores to Rs. 500 crores	2%-3%(subject to a minimum of Rs. 3 crores)
Rs. 500 crores and above.	0.5%-2%

The PSUs under the Ministry of Steel have made allocations as per DPE guidelines and details are as under:—

Budget and Expenditure on CSR by Steel PSUs

(Rs. in Lakhs)

PSU	2009-10		2010-11		2011-12		2012-13	
	Budgeted	Exp.	Budgeted	Exp.	Budgeted	Exp.	Budgeted	Exp.
SAIL	8000	7879.40	9400.00	6895.26	6400	6125.00	4200	3272.00
RINL	900	937.00	1540.00	1173.00	1200	1062.22	750	899.34
NMDC	8000	8307.00	8156.00	6223.00	8013	8671.00	13321	5500.00
MOIL	300	157.00	542.00	575.00	628	655.91	950	428.00
KIOCL	150	271.00	100.00	59.36	230	119.00	283	31.76
MSTC	110	67.75	100.00	95.74	150	166.00	355	129.86
FSNL	2	2.00	10.00	9.06	9	9.06	9	0.00
MECON	140	80.71	180.50	110.91	325	220.51	220	118.49
HSCL	10	0.00	25.00	2.87	0	7.51	0	21.47
BGC	3	0.34	216.00	83.00	38	26.00	163	24.00
Total	17615	17702.20	20269.50	15227.20	16993	17062.21	20251	10424.92

5.15 In a post evidence reply, the Ministry of Steel have informed the Committee about the details of CSR funds spent by PSUs in Uttar Pradesh, especially in Barabanki and Gonda, Districts. The details furnished by the Ministry are as under:—

"During the year 2012-13 the profit of SAIL was around 2200 crores and Rs. 64 crore was spent on CSR which comes to about three per cent. The Committee have been informed that out of a total amount of Rs. 8,19,98,180 spent by SAIL on CSR activities in the State of U.P., SAIL spent an amount of Rs. 7,43,32,180 during 2012-13 in Barabanki, Gonda and Balrampur, Uttar Pradesh which comes to 90.6% of the total amount spent in the State. Compared with other States, the total CSR expenditure for 2012-13 for U.P. stands fourth, next only to Jharkhand, Odisha and Chhattisgarh other States like West Bengal, Tamil Nadu, Karnataka, Maharashtra, Andhra Pradesh etc. lag far behind.

RINL spent Rs. 12.68 crore on CSR activities during (2012-13), out of which Rs. 2.06 crore has been spent in U.P. second only to Andhra Pradesh, despite the fact that RINL has no steel plant in U.P.

NMDC has spent Rs. 5,15,52,000 in Uttar Pradesh during 2011-12. Out of the 7 projects it took up in Uttar Pradesh, 5 of them were in Gonda and Barabanki *i.e.* out of total 5,15,52,000, an amount of Rs. 5, 01,67,000 was spent in these two districts which is 97% of the total amount spent. Similarly, during 2012-13 out of a total amount of 3,63,18,000 spent for Uttar Pradesh about Rs. 3,53,44,000 has been spent in Barabanki and Gonda district which constitute 97% of the total amount spent. Out of the total amount of Rs. 6,55,91,000 spent for CSR activities by MOIL having its headquarter at Nagpur, during the last three years, Rs. 83,38,000 has been spent for Gonda district, Uttar Pradesh. Apart from its activities in Maharashtra and Madhya Pradesh, Uttar Pradesh is the only State for which MOIL has spent its CSR allocation.

Regarding MECON Ltd. out of total expenditure of Rs. 2,34,40150 on CSR activities during 2012-13, Rs. 31,56,786 were spent in 3 districts in U.P. namely Balrampur, Barabanki and Gonda and rest of Rs. 2,02,83,365 has been spent in Jharkhand.

Regarding MSTC, during 2011-12, out of Rs. 166.38 lakh spent on CSR activities, Rs. 115.75 lakh *i.e.* 70% were spent for a single project *i.e.* community centre project in Barabanki. The remaining 30% amount was spent on 16 projects in West Bengal. During 2012-13, for a total amount of Rs. 128.28 lakh spent, Rs. 91.61 crore *i.e.* 71% was spent on Gonda District, Uttar Pradesh and rest 29% for West Bengal.

Similarly, HSCL have also spent Rs. 18.21 lakh on upgradation of Karura Tarapur link rural road in District Barabanki, Uttar Pradesh."

CHAPTER VI

IMPLEMENTATION STATUS OF THE RECOMMENDATIONS CONTAINED IN 26TH REPORT OF THE COMMITTEE

The Twenty-Sixth Report of the Committee on Coal and Steel on "Demands for Grants(2012-13)" of the Ministry of Steel was presented to Lok Sabha and laid on the Table of Rajya Sabha on 8th May, 2012. The Report contained 22 Recommendations.

6.2 On the basis of Action Taken Notes furnished by the Ministry of Steel in respect of the recommendations contained in the Twenty-Sixth Report, the Committee prepared their Twenty-Ninth Report on Action Taken by the Government on recommendations/observations contained in Twenty Sixth Report on DFG (2012-13). The Twenty-Ninth Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 17th December, 2012. After analyzing the Action Taken Notes furnished by the Ministry, the Committee commented on the action taken by the Government in the context of recommendation at Serial Nos. 6, 9, 16, 17 and 20 of the Twenty-Sixth Report. The Analysis further revealed that out of 22 recommendations contained in the Twenty-Sixth Report of the Committee, 15 recommendations (68.18%) have been accepted by the Committee, replies in respect of 2 recommendations (9.09%) have not been accepted by the Committee. The Committee did not desire to pursue 1 recommendation (4.54%) in view of the reply of the Government. For the remaining 4 recommendations (18.18%) the final replies of the Government were awaited.

6.3 In terms of Direction 73 A of the Directions by Speaker, Lok Sabha, the Minister concerned is required to make a Statement in Lok Sabha about the status of implementation of recommendations contained in the original Report of the Committee within six months of the said Report to Parliament. Though the six months time frame stipulated for the purpose elapsed on 8th November, 2012, a Statement under Direction 73A in the context of the Twenty-Sixth Report was made by the Minister of Steel on 4th December, 2012.

PART II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

Plan Head: Promotion of R&D Schemes in Steel Sector

1. The Committee note that the two schemes on 'Promotion of beneficiation & agglomeration of low grade iron ore & ore fines' and 'Improving energy efficiency of secondary steel sector' were proposed to be implemented during the 12th Five Year Plan. A sum of Rs. 2417 crore was proposed for the scheme for promotion of beneficiation & agglomeration of low grade iron ore & ore fines for the 12th Plan Period and Rs. 1693 crore for the 13th Plan Period. Similarly, for the scheme on improving energy efficiency of secondary steel sector a sum of Rs. 272 crore was proposed for 12th Plan Period and Rs. 191 crore for the 13th Plan Period. However, Planning Commission has allocated Rs. 200 crore to Ministry of Steel for the 12th Five Year Plan only for the scheme 'Promotion of R&D in Iron & Steel Sector'. The Committee have been given to understand that these schemes were not pursued since the required fund to pursue these schemes was not substantial. The Committee are however unable to comprehend the rationale behind not pursuing these two important R&D schemes. The Committee would therefore, like to be apprised of the study, if any, conducted for likely benefits from implementation of these schemes, and the grounds on which Planning Commission has not recommended the required funds. The Committee therefore, recommend the Ministry to pursue the matter with Planning Commission and the Commission be apprised about the ground work already done in the matter and be requested to resume allocation to these two important schemes during the current financial year in order to sustain long term growth of the Indian steel sector.

Utilization of approved plan outlay

2. The Committee note that an outlay of Rs. 91174.64 crores have been provided for the Ministry of Steel during the 12th Plan Period, out of which an outlay for 2012-13 is pegged at Rs. 21802 crore. While scrutinizing the actual expenditure of PSUs during 2012-13, the Committee find that actual utilization of outlay (upto December, 2012) by most of the PSUs has been very dismal. During 2012-13, against an approved outlay of Rs. 14500 crore only Rs. 6554 crore were spent by SAIL till December, 2012 which is about 45% of the

total outlay for the year. RINL had an outlay of Rs. 1942 crores for 2012-13 of which only 42% of the funds *i.e.* Rs. 833 crore have been utilized till December, 2012. Similarly the utilization of funds by NMDC up to December, 2012 is a disappointing 21.8% as only Rs. 1018 crore could be spent against the approved outlays of Rs. 3080 crore. Utilization of funds by other PSUs like KIOCL (1.3%) and MOIL (16.2%) depicts a similar story. The quarterly utilization of funds by PSUs shows disturbing trend amongst most of the steel PSU's as more than 50% of the I&EBR allocation is utilized in the final quarter. The Committee have time and again been emphasizing on even utilization of funds from the beginning of the financial year itself. The Committee feel that ideally by the third quarter 75% of the funds allocated should have been utilized. But while studying quarterwise utilization of funds by different PSUs during the years 2010-11 and 2011-12, the Committee note that SAIL utilized 65.30% & 51.02% respectively of the total funds allocated in the first 3 quarters. Similarly, RINL could utilize 53.23% and 41.00% of the allocated in the first three quarters. The figures for other PSUs for utilization of funds in the first 3 quarters of 2010-11 and 2011-12 were also similar. MECON (0% & 102.5%), MSTC (0% & 9.8%), FSNL (69.17% & 29.08%), NMDC (72.17% & 24.97%) etc. In view of the lower utilization of funds in the first 3 quarters of financial year, the Committee strongly urge the Ministry of Steel/PSUs to take adequate advance action and planning to ensure that quarterwise uniform outlays be utilized in order to avoid drastic reduction in plan funds of steel PSUs. The Committee would like to be apprised of the corrective measures initiated by all PSUs so that the funds allocated are properly and fully utilized and evenly spent throughout the year.

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS

Steel Authority of India

Decline in profitability of SAIL

3. The Committee note that the profitability of SAIL has been declining during the last 3 years and the Company has not been able to arrest this trend. The Profit After Tax (PAT) during (2009-10) was Rs. 6754 crore which declined to Rs. 4905 crore during 2010-11. There was a further decrease in profit of the Company during 2011-12 which was Rs. 3543 crore. What further perturbed the Committee is that upto to December, 2012, an amount of only Rs. 1724 crore has been shown as PAT for SAIL. The Ministry of Steel/SAIL have attributed the decline in profitability to adverse

impact of input prices consisting of iron ore including royalty, lime stone, dolomite, silica manganese, furnace oil/LSHS, LPG and power purchased for the plant and increase in consumption of external coke, furnace oil, stores & spares, repairs & maintenance, depreciation, lower interest earnings on term deposits, etc. The Committee feel that the company should have focused on increase in production and sales realization etc. to reverse the ongoing trend. To ensure that SAIL a premier PSU, should not lose its position, the Committee feel that all out measures be taken by the management by giving adequate attention to areas such as identification and sale of idle assets, sale of surplus scrap, sale of non-moving/obsolete stores & spares, identification and closure of uneconomic activities, waste management, full utilization of engineering shops, strict control on demurrage expenses, reduction in procurement cost through strict monitoring, control of administrative expenses etc. so that this trend of declining of profit of the company is contained.

Modernisation and expansion programme of SAIL

4. The Committee note that SAIL has been implementing Modernisation and Expansion Programme 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. While observing that Orders worth around Rs. 58000 crore have been placed against which actual expenditure of Rs. 42893 crore has been incurred till February, 2013 and the expansion of Salem Steel Plant has been completed in 2010-11, the Committee are unhappy to note that physical performance of the Company indicate a stagnant production as approximately 14.5 MT of Hot metal, 13.6 MT of crude steel, 12.8 MT of saleable steel and 0.3 MT of pig iron have been produced by the Company during each of the last four years (2009-10 to 2012-2013). The Committee are anguished to note that due to poor performance of the contractors, the completion of modernization and expansion of Bhilai, Durgapur Steel Plants have been delayed resulting in underutilization of outlays. Against the project cost of Rs. 18884 crore, only Rs. 7353 crore has been spent so for by Bhilai Steel Plant. Similarly out of a project cost of Rs. 3164 crore, Durgapur Steel Plant could spend only Rs. 1282 crore so far. In the case of Bokaro Steel Plant, project implementation has been delayed and is to be completed in June, 2013 as against the target date of December, 2011. What is disturbing to the Committee is that IISCO expansion project which was to be completed by the December, 2010 has been badly delayed and now the completion

will be by June, 2013. The Committee desire the Government/SAIL to make all out efforts to ensure that the Modernization and Expansion plan is not dragged on year after year and is completed during the current fiscal to avoid cost and time overrun. The Committee would also like to be apprised of the resultant enhancement of the crude steel production capacity from the ongoing modernization and expansion plans as well as the action taken against the contractors who have failed to achieved the milestones causing delay in the implementation of various projects of SAIL plants.

Rashtriya Ispat Nigam Limited

5. The Committee acknowledge the fact that RINL has to suffer on account of absence of captive mines for iron ore and coal. The Committee had earlier recommended Ministry of Steel to vigorously pursue the matter with the concerned State Governments for acquiring iron ore mines and Ministry of Coal for allocation of coal blocks reserved for integrated PSUs. The Committee are dismayed to learn that no significant progress has been made in the matter. The Committee are, however, happy to note that the Ministry of Mines, Government of India, has cleared the proposal on 19.03.2013 for issue of Letter of Intent (LoI) to RINL for mining lease for an area of 999.08 hectares in Bhilwara District in Rajasthan. LoI is expected to be issued by the Government of Rajasthan shortly. The Committee also note that Ministry of Steel is pursuing the matter for allotment of iron ore mines to RINL with State Governments of Andhra Pradesh and Odisha. Further, in principle, approval has been obtained for allotment of 2 iron ore blocks directly to RINL and 1 block through Andhra Pradesh Mineral Development Corporation (APMDC). Applications of RINL for iron ore mining are also reported to be pending in States of Jharkhand, U.P., Karnataka and Chhattisgarh. While appreciating the concerted efforts made by the Ministry of Steel and RINL for allocation of captive iron ore mines, the Committee hope that concrete results would emerge from other sources as well. Meanwhile, the Committee are, however, concerned to note that no significant progress has been made in allocation of coal blocks reserved by the Ministry of Coal for integrated PSUs to RINL. The Committee therefore, strongly recommend that the Ministry of Steel should take up the matter at the highest level of the Government and the representatives of Ministry of Steel/RINL take up the matter with the Ministry of Coal to resolve the issue expeditiously.

6. Regarding reduction in Excise Duty on rebars used by common people and export benefit of 6% for furnished steel and 3% of pig iron in Duty Drawback Scheme (DDBS), as suggested by RINL, the Committee recommend that Steel Ministry should immediately send a concrete proposal to the Ministry of Finance.

7. Though the Committee are happy to note that feasibility study for next phase of expansion of RINL to 11 MTPA of crude steel has already commenced and implementation is envisaged by 2017-18, they are apprehensive about the time line for the implementation of the expansion programme given the scarcity of raw material being faced by the Company. The Committee would like RINL to analyze and study the constraints being faced by them during the current modernization programme and overcome them by drawing up an advance action plan for implementing the next phase of expansion programme.

8. The Committee note that RINL has registered a profit (PAT) of Rs. 796.67 crore, Rs. 658.49 crore and Rs. 751.46 crore during the 2009-10, 2010-11 and 2011-12 respectively. However, the profit of the Company during 2012-13(upto December, 2012) has plummeted to Rs. 250.78 crore and estimated profit for the year 2013-14 has been pegged at Rs. 95.38 crore. Sluggish market conditions, sharp drop in realizations, increase in prices of raw materials, power restrictions by Government of Andhra Pradesh, strikes called by the trade unions on several occasions have been cited by the Ministry for decline in the profit of RINL. The Committee note that several units of RINL got commissioned and are under operation as per the requirement and some are under stabilization. The balance units are under advanced stage of commissioning and would be put into operation during 2013-14. The Committee hope that the Company would show better results in view of the fact that most of the units have already been commissioned and the rest are to be commissioned during 2013-14. The Committee desire that RINL should commission all the remaining units during 2013-14 and take all corrective measures to ensure that the same may not spill over to the next financial year. The Committee would also like RINL to adopt cost cutting measures to restrict the unwarranted expenditures. The Committee also would like the Ministry of Steel to take up the matter regarding power restrictions imposed on RINL by the Government of Andhra Pradesh.

National Mineral Development Corporation (NMDC)

Appointment of CMD for NMDC

9. The Committee note that National Mineral Development Corporation has been without a permanent Chairman and Managing Director since December 31, 2011. The Committee have been given to understand that Public Enterprises Selection Board (PESB) in July, 2011 had reportedly recommended the name of Shri M.S. Rana, CMD, Security Printing and Minting Corporation of India, to head NMDC. The Committee are surprised to note that PSEB's recommendation was not accepted by the Ministry of Steel and instead the Director (Technical), NMDC was given the additional charge for three months. Now Shri C.S. Verma, CMD SAIL is currently holding additional charge of CMD of NMDC. The Committee have been informed by the Ministry that the panel recommended by PSEB had been scraped and a five Member Search Committee headed by a Planning Commission Member has been constituted for selection of the CMD, NMDC. The manner in which the name of Shri M.S. Rana who was duly recommended by PESB was ignored and subsequently the panel scrapped by the Ministry creates doubt of its being transparent in the whole process. The Committee feel that important policy decisions are to be taken at this level which needs full attention and some one with an additional charge would not be able to do justice as there are pressing demands to run the organization efficiently which needs urgent handling. The Committee, therefore recommend that at least now immediate steps be taken so that the process is expedited and NMDC gets a full-fledged CMD immediately.

10. Besides setting up a number of brownfield projects, NMDC as a part of Greenfield expansion/diversification programme is also setting up an integrated steel plant at Nagarnar, Chhattisgarh at an estimated cost of Rs. 15525 crore. The acquisition of land for construction of the plant is completed and all required statutory clearances are reported to have been obtained. Further, all enabling packages have been awarded and works for some of the enabling packages are completed and the rest of the packages are reported to be in advance stage of completion. MECON has been appointed as the consultant for engineering and design supervision and also project management during execution stage. Since land acquisition and all statutory clearances have been obtained and most of the packages have been awarded, there is no scope for commissioning of the project getting delayed, the Committee feel. The Committee therefore, recommend that NMDC should put their heads together to ensure that the project takes off as scheduled through strict monitoring.

Idle equipment at Kudremukh

11. The Committee are appalled to note that equipments worth rupees hundreds of crores are lying idle for more than seven years at KIOCL plant in Kudremukh which was closed following a Supreme Court order. Moreover, the company has to maintain them as these equipments have been lying idle since December, 2005 when the mining activities were stopped. The Committee further note that though KIOCL approached SAIL, NMDC and RINL for utilization of these equipments, yet none of them showed interest to utilize/purchase the same. The Committee fail to understand the role the Ministry of Steel who had been providing a platform for interaction of all producers and overseeing the performance of PSUs under its control as it had failed to act as a facilitator to help the Company to dispose off or properly utilize the equipments. As Ministry of Steel and other steel PSUs had not shown any interest in proper utilization of these equipments, the company (KIOCL) is reported to have shifted some mining equipments to KIOCL's Managalore unit for their use and remaining items were auctioned. The Committee have been given to understand that M/s Annam Steel Pvt. Ltd., Chennai, which stood as the H1 bidder in the global auction at a price of Rs. 227.11 crores have asked for extension of time for payment by 8.5.2013. Taking note of the fact that these steps have not been taken earlier, the Committee would like to be apprised of the amount spent to maintain the equipment and the total market price at the time of purchase of all equipments which are now being sold as scrap. The Committee expect that in future due care is taken by the Ministry/Steel PSUs so that scarce public funds used to procure such heavy equipments should be properly utilized.

12. The Committee note that the overall performance of KIOCL has not been very encouraging ever since the mining activities were discontinued at Kudremukh with effect from 1.1.2006 in pursuance of Supreme Court Order and the Company has been encountering serious challenge since then for one reason or other. Due to non-availability of assured quantity and quality of iron ore, the Company is unable to enter into any long term contract with its buyers and therefore limiting to the option of selling its pellets in spot market. Needless to say that the survival of the company is at stake. The Committee therefore would like the Ministry of Steel to take up the matter of issue of allotment of iron ore mines to KIOCL at the highest level. 28 applications for mining lease and 9 applications for prospecting licences applied by the Company have been pending with the State Governments of Karnataka, Odisha and

Jharkhand for approval. Though the Secretary, Ministry of Steel is reported to have taken up the matter with the Chief Secretary of respective States, no progress has been made so far.

KIOCL Joint venture for coke oven plant and captive power plant

13. The Committee note that KIOCL has approached M/s SAIL to form JV Partner for setting up of a 0.3 MTPA capacity Coke Oven Plant along with 25 MW captive power plant at an estimated cost of Rs. 452.22 crores. For carrying out detailed engineering services, order has been reportedly placed with M/s. TATA Consulting Engineering services. The Committee further note that the environmental clearance for the project from Ministry of Environment and Forest (MoEF) has been obtained during February 2013 and an application had been submitted to Karnataka State Pollution Control Board (KSPCB) for obtaining the Consent for Establishment (CFE) for the project. As inspection of the site by KSPCB officials has also been completed and consent for establishment is awaited, the Committee expect that this joint venture project between KIOCL and SAIL will be started during the current financial year and this will go a long way in improving the financial health of KIOCL which has been struggling hard to come out of the red. The Committee would also like to be apprised of the time-frame by which KIOCL and SAIL will complete the project.

Restructuring of HSCL

14. The Committee note that the issue of restructuring of HSCL has been under consideration of the Government since long. The Committee in their 26th Report of DFG (2012-13), (15th Lok Sabha) had urged the Government to approve the restructuring proposal of the company without any further loss of time and implement it in the right perspective to derive maximum benefits. As regards the present status of restructuring, the Committee find that a meeting of Committee of Secretaries (CoS), scheduled for 1.6.2012 was rescheduled on various occasions. Now Cabinet Secretariat has conveyed that since CoS has already been held on 19.10.2011, the Ministry of Steel has been asked to bring a note for consideration by Cabinet Committee on Economic Affairs (CCEA). Further, Board for Reconstruction of Public Sector Enterprises (BRPSE) has reviewed the status on implementation of the Restructuring Package of HSCL on 22.2.2013 and has suggested certain changes in the earlier restructuring package. The Board advised Ministry of Steel to make suitable changes while seeking approval of the CCEA. The Committee

are surprised to note the lackadaisical attitude of the Government in taking a decision in the matter and feel that the Government is not serious in resolving the issue and are of the view that such an important issue which needs urgent and sensitive handling, is being delayed for one reason or other. While appreciating the financial results of the company which are improving with an operating profit of Rs. 86.64 crore during (2011-12), the Committee desire an early settlement of the matter. The Committee therefore, recommend that the restructuring proposal of the company be accorded top priority and approved accordingly.

Bisra Stone Lime Company Limited (BSLC)

15. The Committee are dismayed to note the poor physical and financial performance of BSLC, a century old company which is a major source of employment to the tribal people of Sundergarh District of Odisha and supply limestone and dolomite mainly to steel plants located in the Eastern Regions. What further perturbed the Committee is that though BSLC became a Public Sector Undertaking on 19.03.2010 and became subsidiary of RINL on 05.01.2011, with an authorized and paid up capital of Rs. 87.50 crore and Rs. 87.29 crore, the total income of the company has come down from Rs. 58.89 crore in 2010-11 to Rs. 31.69 crore during 2011-12. Further, against the BE and RE of Rs. 45.00 crore and 13.85 crore for 2012-13, the actual upto December, 2012 were reported to be Rs. 18.33 crore. The dismal physical performance of the company also indicate that the company has failed to maintain the production target as against the actual of 2.09 lakh MT of lime stone produced in 2009-10, during 2010-11 and 2011-12, only 1.25 lakh MT and 0.25 lakh MT was produced. Similarly, the production of dolomite of 9.56 lakh MT in 2009-10 came down to 5.10 lakh MT during 2011-12. The actual production for 2012-13 (upto December, 2012) were reported to be 2.16 lakh MT. While the Government have extended grant of Rs. 149.50 crore to BSLC Ltd. for discharge of income tax liability arising out of restructuring of M/s Bird Group of Companies, the Committee expect that Ministry of Steel/RINL to aim for higher production targets of limestone and dolomite by BSLC and a dedicated team be prepared to resolve all the issues in the right perspective to ensure that the company becomes a profitable one.

Manganese Ore (India) Ltd. (MOIL)

16. The Committee note that MOIL produces and sell high grade ores for production of Ferro manganese, medium grade ore for production of silico manganese, blast furnace grade ore required for

production of hot metal and dioxide for dry battery cells and chemical industries. Further, MOIL has set up a plant based on indigenous technology to manufacture Electrolytic Manganese Dioxide (EMD) which is used for manufacture of dry battery cells. Although, the Ministry of Steel has informed the Committee that there is no shortfall in physical and financial performance of MOIL *vis-à-vis* targets, the Committee find that EMD production during 2011-12 decreased to 714 MT as compared to 805 MT in 2010-11. Similarly, Ferro manganese production has also fallen down to 8694 MT during 2011-12 as compared to 9081 MT in 2010-11. The Committee are also concerned to note the decline in profit after tax of MOIL that come down to Rs. 410.77 crore during 2011-12 from Rs. 588.06 crore in 2010-11. The profit after tax during 2012-13 are targeted only at Rs. 365.73 crore. In view of the foregoing, the Committee cannot but deplore the continuous deterioration in the performance by MOIL and expect the Ministry of Steel/ MOIL to take corrective measures to improve its physical as well as financial performance. Furthermore, while appreciating the diversification programme of MOIL into Wind Energy Farm whereby it has installed 4.8 MW Wind Energy Farm at Nagda hills and 15.2 MW Wind Farm at Ratedi Hills, District Dewas in Madhya Pradesh, the Committee would like to be apprised of the total investments made therein and the income generated therefrom so far.

Rural steel consumption

17. The Committee observe that per capita consumption of steel in India is abysmally low at 59 Kg. as compared to world average of 200 Kg. Further, 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. While deploring the very low utilization of steel in the rural areas in the country as compared to India and world average, the Committee feel that the Government/Steel Companies have failed miserably in the development of Rural Areas by targeting increased steel production. While acknowledging the fact that there is huge competition of steel with plastic as far as the products for household consumption are concerned, the Committee feel that consumption of finished steel in rural India will increase only once the steel products made deep inroads into the remotest areas of the country. The Committee, therefore, desire that steel companies should focus on consumption of steel in other related areas like the construction activities, items for professional use, furniture, vehicles, etc. The Committee also observe that in order to obtain a full picture of pattern

of rural consumption in the country, an all India survey was coordinated by Joint Plant Committee, Kolkata and field work was carried out by Indian Market Research Bureau (IMRB) International. The Study Report was examined by a high level Committee appointed by Ministry of Steel for devising roadmap for implementation of recommendations of the study. Taking note of the recommendations of the Study Report which *inter-alia* include 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, the Committee would like to be apprised of the implementation of these recommendations by the Government/Steel Companies for enhancing consumption of steel in rural India.

Raw material

18. The Committee have time and again expressed their concern over the matter of availability of raw material and have emphasized on prudent utilization of critical raw material in their 18th Report on DFG 2011-12, (15th Lok Sabha). The Committee note that the Government have contended that overall there is no shortage of iron ore at present for the domestic iron and steel industry and the production of iron ore in the country is higher in comparison to domestic consumption as against 116 Million Tonnes of estimated domestic consumption during 2011-12, the domestic production of iron ore was 167 MT during 2011-12. But the Committee would like to draw attention of the Government to the draft National Steel Policy 2012 (NSP-2012) according to which the recent developments in India's mining sector have given rise to uncertainties in regard to adequate supply of raw material potential, especially of iron ore, and have brought the issue of long term raw material security for India's burgeoning steel industry to the centre stage. The Committee feel that sustaining the competitive advantage for the Indian steel industry rests crucially on devising appropriate strategies to ensure uninterrupted supply of the steel making raw materials to the Indian Steel Industry over the next few decades. Despite the country having a total resources of over 28 billion tonnes of iron ore and the fact that the quantum of resources can rise with greater efforts towards exploration, the currently assessed reserves for iron ore seem inadequate if the steel industry capacity expansion and production potential are to be fully realized.

The Committee also note that the Government have entered into long term agreements for supply of iron ore with Japan and South Korea whereby about 2.1 MT of iron ore having 64% Fe content or high grade lumps will be exported to Japan and South Korea from NMDC's Chhattisgarh mines this year. According to the draft NSP-2012, if export of iron ore is not restricted, the country may have to import iron in large quantities in future with the present rate of growth of the steel industry. The Committee feel that export of Iron Ore may jeopardize the long term competitiveness of Indian steel industry. Given the possibility of early exhaustion of iron ore, the Committee desire the Government to constitute an Inter Ministerial Committee to draw up a road map of phased reduction of iron ore exports to a moderate level. The Committee are dismayed to note that though they in their 26th Report on DFG 2012-13 of the Ministry of Coal have recommended the Government to formulate the policy keeping in view all relevant factors including the futuristic needs of the steel sector, the Ministry have yet to finalize the same even after one year. The Committee therefore, strongly recommend that Ministry of Steel should give due consideration to the recommendations of the Committee in a right perspective and implement the same without any further delay to facilitate the growth of steel sector in the country as well as preserving the natural resources for future use. The Committee expect that the new National Steel Policy, which is reported to be under various stages of formulation, will be announced by the Government within next three months time.

International coal ventures limited

19. The Committee are dismayed to note that ICVL, a joint venture of SAIL, CIL, RINL, NMDC & NTPC, which was incorporated on 20.5.2009 to acquire raw material assets in various countries has failed to come up with a single concrete acquisition even after $3^1/_2$ years of its inception. The Committee are informed that MoU was signed between ICVL & Government of Kalimantan (GOCK), Indonesia on 25th January, 2011 and senior officials of ICVL made a number of visits to Jakarta/Palangkya Raya including posting a Resident officer in Indonesia for four months. A suitable site for proposed steel plant had been identified and joint report for the project prepared. The Committee are however surprised to note that even after 2 years and after completion of adequate groundwork in the matter, issues regarding allocation of suitable coking and thermal coal concessions to ICVL on nomination basis, etc. have cropped up at this juncture. The Committee feel that this is a lapse on the part of the Ministry and the joint venture company. The Committee fail

to understand as to why these issues were not properly addressed before signing of MoU. The Committee feel that ICVL should pursue the matter with the GoCK and amicably settle all the disputes and ensure that work begin on the proposed project in right earnest. Regarding acquiring of coal assets in other target countries, the Committee would again stress that Government/ICVL should continue with sustained efforts till success is achieved in the matter.

CSR Activities in Steel PSUs

20. The Committee find that as per DPE guidelines Corporate Social Responsibility (CSR) is a concept whereby organizations serve the interest of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. The Committee also feel that CSR activities should ethically be undertaken within the operational area or within the periphery of the plants/mine where the company is carrying out its activity to directly benefit the people residing therein and who are the most affected. But the Committee have found that there has been no criteria for doling out goodies under the garb of CSR activities by Steel PSUs to areas of their own choice. The Committee are appalled to note the haphazard manner in which CSR activities have been carried out by Steel PSUs in particularly 2 districts of Uttar Pradesh namely Barabanki and Gonda.

The Committee fail to understand the logic behind concentrating their activities by all the steel PSUs in these 2 districts as if the headquarters of these PSUs have been shifted to these two districts. Incidentally, one of the districts happens to be constituency of the Steel Minister. The Committee note that during the year 2012-13 the profit of SAIL was around 2200 crores and Rs. 64 crore was spent on CSR which comes to about three percent. The Committee note that according to the Department of Public Enterprises Guidelines dated 9 April, 2010 when the profit of a company is Rs. 500 crores and above, 0.5% to 2% of the profit has to be spent on CSR activities. But the surprising fact is that maximum amount has been spent in 1 district only *i.e.* Barabanki in Uttar Pradesh. Another surprising fact which came out during the evidence was that there is no existing steel plant in Barabanki and a new project is coming up at Jagdishpur.

The Committee have been informed that out of a total amount of Rs. 8,19,98,180 spent by SAIL on CSR activities in the State of UP, SAIL spent an amount of Rs. 7,43,32,180 during 2012-13 in Barabanki, Gonda and Balrampur, Uttar Pradesh which comes to 90.6% of the total amount spent in the State. Compared with other States, the total CSR expenditure for 2012-13 for U.P. stands fourth,

next only to Jharkhand, Odisha and Chhattisgarh; other States like West Bengal, Tamil Nadu, Karnataka, Maharashtra, Andhra Pradesh etc. lag far behind.

The Committee further observe that RINL spent Rs. 12.68 crore on CSR activities during (2012-13), out of which Rs. 2.06 crore has been spent in U.P. second only to Andhra Pradesh, despite the fact that RINL has no steel plant in U.P.

As regards NMDC, the Committee find that NMDC has spent Rs. 5,15,52,000 in Uttar Pradesh during 2011-12. Out of the 7 projects it took up in Uttar Pradesh, 5 of them were in Gonda and Barabanki *i.e.* out of total 5,15,52,000, an amount of Rs. 5,01,67,000 was spent in these two districts which is 97% of the total amount spent. Similarly, during 2012-13 out of a total amount of 3,63,18,000 spent for Uttar Pradesh, about Rs. 3,53,44,000 has been spent in Barabanki and Gonda district which again constitute 97% of the total amount spent. Similarly, out of the total amount of Rs. 6,55,91,000/- spent for CSR activities by MOIL unit which has its headquarter at Nagpur, during the last three years, Rs. 83,38,000 has been spent for Gonda district, Uttar Pradesh. It may be pertinent to mention here that apart from its activities in Maharashtra and Madhya Pradesh, Uttar Pradesh is the only State for which MOIL has spent its CSR allocation.

Regarding MECON Ltd. the Committee observe that out of total expenditure of Rs. 2,34,40150/- on CSR activities during 2012-13, Rs. 31,56,786/- were spent in 3 districts in U.P. namely Balrampur, Barabanki and Gonda and rest of Rs. 2,02,83,365/- has been spent in Jharkhand.

Regarding MSTC, the Committee note that during 2011-12, out of Rs. 166.38 lakh spent on CSR activities, Rs. 115.75 lakh *i.e.* 70% were spent for a single project *i.e.* community centre project in Barabanki. The remaining 30% amount was spent on 16 projects in West Bengal. During 2012-13, for a total amount of Rs. 128.28 lakh spent, Rs. 91.61 lakh *i.e.* 71% was spent on Gonda District, Uttar Pradesh and rest 29% for West Bengal. MSTC Ltd. has no activities in Uttar Pradesh. Similarly, HSCL have also spent Rs. 18.21 lakh on upgradation of Karura Tarapur link rural road in District Barabanki, U.P.

Although, the Ministry of Steel in their Annual Report 2012-13 have mentioned that it is not mandatory to confine CSR activities in the periphery of the PSE only but at the same time the principle behind CSR activities may be carried out elsewhere is only for the purpose of keeping in view the long supply chain, broadening of consumer base and social and environmental demands. The Committee note with concern that the utilization of major CSR funds has taken place by steel PSUs in these districts of Uttar Pradesh

where none of the above mentioned PSUs have any major steel plant or project in the constituency of Steel Minsiter. The Committee are unable to understand how spending in these two districts of Uttar Pradesh will help the long supply chain, broadening of consumer base and social and environmental demands of all steel PSUs including those who are otherwise rendering consultancy services only. This is nothing but gross abuse of power by the Ministry and to satisfy the Minister in charge. The activities of Steel PSUs are beyond any norms. This type of attitude of Public Sector Undertaking are detrimental to the nation's interest.

While recording their strong disapproval of the manner in which CSR funds have been spent by all steel PSUs in these two districts of Barabanki and Gonda in Uttar Pradesh at the cost of all the deserving places where actual funds are required to be spent, the Committee strongly recommend the Government to enquire into the whole matter of investing CSR funds recklessly in these two districts of Uttar Pradesh by all PSUs through a Central Investigating Agency and those found responsible and guilty be made accountable for misutilization of funds. The Committee would also like to be apprised of the stringent departmental action taken against those officials of steel PSUs who sanctioned CSR funds for these two districts.

Implementation status of the Recommendations contained in 26th Report of the Committee

21. The Committee have analyzed the implementation of the observations/recommendations contained in their Twenty-Sixth Report on Demands for Grants for the year 2012-13 of the Ministry of Steel. The analysis of the Committee shows that out of the 22 recommendations pertaining to the Ministry of Steel contained in their Report, 2 recommendations have been implemented by the Government. 19 recommendations are under the process of being implemented by the Ministry and the reply in respect of 1 recommendation has not been accepted by the Committee. The Committee would review the implementation of its recommendations by the Ministry in due course. The Committee, therefore, wish that the process of implementation of the recommendations under process be also expedited at the earliest.

NEW DELHI;
30 *April*, 2013
10 *Vaisakha*, 1935 *(Saka)*

KALYAN BANERJEE,
Chairman,
Standing Committee on Coal and Steel.

ANNEXURE I

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 8 APRIL, 2013 IN COMMITTEE ROOM 'B', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1100 hrs. to 1400 hrs.

PRESENT

Shri Kalyan Banerjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Hansraj G. Ahir
3. Shri Ganeshrao Nagorao Dudhgaonkar
4. Shri Vishwa Mohan Kumar
5. Shri Govind Prasad Mishra
6. Kumari Saroj Pandey
7. Shri Gajendra Singh Rajukhedi
8. Shri Pashupati Nath Singh
9. Shri Om Prakash Yadav

Rajya Sabha

10. Shri Ali Anwar Ansari
11. Dr. Pradeep Kumar Balmuchu
12. Smt. Smriti Zubin Irani
13. Shri Sanjay Raut

SECRETARIAT

1. Shri S. Bal Shekar — *Additional Secretary*
2. Shri Shiv Singh — *Director*
3. Shri Arvind Sharma — *Deputy Secretary*

WITNESSES

MINISTRY OF STEEL AND ITS PSU's

1. Shri E.K. Bharat Bhushan, SS & FA
2. Shri Lokesh Chandra, Joint Secretary
3. Shri Upendra Prasad Singh, Joint Secretary
4. Shri J.P. Shuka, Joint Secretary
5. Shri P.L. Sahu, CCA

6. Shri Suraj Bhan, Economic Advisor
7. Shri A.C.R. Das, Industrial Advisor
8. Shri A.P. Choudhary, CMD, RINL
9. Shri S.S. Mohanty, Director, SAIL
10. Shri Shuman Mukherjee, Director, SAIL
11. Shri S. Thiagarajan, Director, NMDC
12. Shri N.K. Nanda, Director (Tech.), NMDC
13. Shri Moyukh Bhaduri, Director, HSCL
14. Shri Moyukh Bhaduri, Director, HSCL
15. Shri Mukund Chaudhari, Director, MOIL
16. Dir. Satish Chandra, MD, Bird Group of Companies
17. Shri S.K. Tripathi, CMD, MSTC Ltd.
18. Shri K.K. Mehrotra, CMD, MECON

2. At the outset, the Chairman welcomed the Special Secretary and Financial Advisor, Ministry of Steel and other representatives of Ministry of Steel and Steel PSUs to the sitting of Committee convened in connection with examination of "Demands for Grants (2013-14)" of the "Ministry of Steel". The Chairman informed the Committee that he has granted leave of absence to Secretary(Steel) and Chairman (SAIL) and NMDC as they have to go to Tanzania with the Hon'ble Minister of Steel for the purpose of entering into an MoU. As the Committee had to deliberate on performance of all the Steel PSUs, Hon'ble Chairman and the Members of the Committee took a serious note of the absence of Chairman-cum-Managing Director, MOIL who was not granted leave of absence as sought by the Secretary, Steel and directed the Special Secretary, Ministry of Steel to furnish a note explaining how the Chairman-cum-Managing Director left without getting Committee's permission.

3. Thereafter, the Secretary, Ministry of Steel briefed the Committee about Plan Outlays *vis-à-vis* actual utilisation by the Ministry and PSUs under its administrative control and the physical achievements during 2012-13. In a visual presentation, he also explained the financial and physical targets set and achieved for these organizations during the 11th Plan Period and thrust areas envisaged for the development of Steel sector during 12th Plan.

4. The Committee, during the sitting discussed the issues relating to the detailed plan outlays and expenditure by Steel PSUs, steel production, physical and financial performance of Steel PSUs, intended steel capacity enhancement, modernization and expansion of PSUs, issue of non-filling of post of CMD, NMDC for the last one year, utilization of CSR funds by Steel PSUs etc.

5. The Members raised their concerns on the above issues and sought clarifications from the Ministry of Steel. Some of the points were clarified by the representatives of Ministry of Steel. 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 copy of verbatim proceedings of the sitting of the Committee has been kept on record.

The Committee then adjourned.

ANNEXURE II

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 30 APRIL, 2013 IN ROOM NO. '112', FIRST FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1500 hrs. to 1530 hrs.

PRESENT

Shri Kalyan Banerjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Hansraj G. Ahir
3. Shri Sabbam Hari
4. Shri Vishwa Mohan Kumar
5. Shri Yashbant N.S. Laguri
6. Shri Pakauri Lal
7. Shri Govind Prasad Mishra
8. Kumari Saroj pandey
9. Shri Pashupati Nath Singh
10. Shri Uday Pratap Singh

SECRETARIAT

1. Shri S. Bal Shekar — *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 (2013-14)" of the Ministry of Steel.

4. The Committee adopted the Reports without any changes/modifications. The Committee then authorized the Chairman to finalise the Reports on the basis of factual verification from the concerned Ministry and present the same to both the Houses of Parliament.

The Committee then adjourned.

**Do not pertain to this Report.