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**STANDING COMMITTEE ON
COAL AND STEEL (2013-2014)
FIFTEENTH LOK SABHA**

MINISTRY OF STEEL

"DEMANDS FOR GRANTS(2013-14)"

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

FORTY-SIXTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI
FEBRUARY, 2014/MAGHA, 1935(Saka)**

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Presented to Lok Sabha on 06.02.2014

Laid in Rajya Sabha on 06.02.2014



**LOK SABHA SECRETARIAT
NEW DELHI
February, 2014/Magha 1935 (Saka)**

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COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2013-14)

Shri Kalyan Banerjee - Chairman

Name of the Member

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Sanjay Bhoi
4. Shri Bansa Gopal Choudhary
5. Smt. Jyoti Dhurve
6. Shri Ganeshrao Nagorao Dudhgaonkar
7. Shri Sabbam Hari
8. Shri Vishwa Mohan Kumar

9. Shri Yashbant N.S. Laguri
10. Shri Pakauri Lal
11. Shri Babu Lal Marandi
12. Shri Govind Prasad Mishra
13. Shri Rajaram Pal
14. Kumari Saroj Pandey
15. Shri Gajendra Singh Rajukhedi
16. Shri K.R.G. Reddy
17. Shri Pashupati Nath Singh
18. Smt. Rajesh Nandini Singh
19. Shri Uday Pratap Singh
20. Shri K. Shivkumar alias J.K. Ritheesh
21. Shri Om Prakash Yadav

Rajya Sabha

22. Shri Ali Anwar Ansari
23. Dr. Pradeep Kumar Balmuchu
24. Shri Srinjoy Bose
25. Smt. Smriti Zubin Irani
26. Shri Jugul Kishore
27. Shri T. Rathinavel
28. Shri Sanjay Raut
29. Shri Dhiraj Prasad Sahu
30. Shri Nand Kumar Sai
31. Shri Dilip Kumar Tirkey

(iii)

SECRETARIAT

1. Shri Shiv Singh - Director
2. Shri Arvind Sharma - Additional Secretary

(iv)

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Forty-Sixth Report (Fifteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Thirty-Fifth Report of the Standing Committee on Coal and Steel (Fifteenth Lok Sabha) on "Demands for Grants (2013-14)" pertaining to the Ministry of Steel.

2. The Thirty-Fifth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 2nd May, 2013. Replies of the Government to all the observations/recommendations contained in the Report were received on 8th November, 2013.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 17.12.2013.

4. An analysis on the Action Taken by the Government on the observations/recommendation contained in the Thirty-Fifth Report (Fifteenth Lok Sabha) of the Committee is given at **Annexure-VI**.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Chapter-I of the Report.

NEW DELHI;
— December, 2013
— Agrahayana, 1935(Saka)

KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel

(v)

REPORT

CHAPTER - I

This Report of the Standing Committee on Coal and Steel deals with Action Taken by the Government on the Observations/Recommendations contained in the Thirty-Fifth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel on Demands for Grants (2013-14) of the Ministry of Steel which was presented to Lok Sabha/laid in Rajya Sabha on 02.05.2013.

2. The Report contained 21 Observations/Recommendations. Action taken replies have been received from the Ministry of Steel in respect of all the Observations/Recommendations contained in the Report on 8th November, 2013. These have been categorised as follows:

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

Sl. Nos. 1, 2, 3, 6, 8, 9, 10, 13, 15, 16, 17 and 21.

Total – 12
(Chapter II)

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

Sl. No. Nil

Total – 00
(Chapter III)

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

Sl. Nos. 4, 5, 7, 11, 12 and 20

Total – 06
(Chapter IV)

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

Sl. Nos. 14, 18 and 19

Total – 03
(Chapter V)

3. The Committee trust that utmost importance would be given to implementation of the Observations/Recommendations accepted by the Government. In case, where it is not possible for the Ministry to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee desire that further Action Taken notes on the Observations/Recommendations contained in Chapter-I and final Action Taken replies to the recommendations contained in Chapter-V of this Report be furnished to them at an early date.

4. The Committee will now deal with the action taken by the Ministry on some of their Observations/Recommendations made in the Thirty-Fifth Report.

PLAN HEAD: PROMOTION OF R&D SCHEMES IN STEEL SECTOR

Recommendation Serial No.1

5. The Committee noted 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 had 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 had been given to understand that these schemes were not pursued since the required fund to pursue these schemes was not substantial. The Committee were however unable to comprehend the rationale behind not pursuing these two important R&D schemes. The Committee would 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 had not recommended the required funds. The Committee, therefore, recommended 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.

6. The Ministry of Steel in their action taken replies have furnished as follows:-

"The Working Group on Steel Industry for the 12th Five Year Plan, had recommended a token provision of Rs. one crore each for the two interest subsidy schemes, namely, 'Promotion of Beneficiation & Agglomeration of low grade iron ore & low grade iron ore & ore fines' and 'Improving energy efficiency of secondary steel sector' with an estimated budget of Rs. 2417 crore and Rs. 272 crore respectively for the 12th Five Year Plan Period. However, Planning Commission allocated Rs. 200 crore only to Ministry of Steel for the 12th Five Year Plan. Due to the insufficient allocation, the aforesaid two interest subsidy schemes were dropped.

It is, however relevant to mention that the objective of the first scheme viz. 'Promotion of Beneficiation & Agglomeration of low grade iron ore & low grade iron ore & ore fines' was to promote setting up of new facilities for beneficiation & agglomeration. It is satisfying to note that off late large number of beneficiation & agglomeration plants have been set up and are being set up. Further, Ministry of Steel is supporting two high value R&D projects to facilitate beneficiation & agglomeration of Indian Iron Ore.

In so far as the second scheme viz. 'Improving energy efficiency of secondary steel sector', Ministry of Steel and UNDP have already been pursuing an Energy Efficiency Improvement Programme in Steel Re-rolling Mills in India. Further, a new project have been approved with financial assistance from UNDP, Australian Government and Ministry of Steel through Steel Development Fund, for addressing the issue of

energy efficiency improvement in Steel Re-rolling Mills & related sub sector such as Induction Furnace Units.

Notwithstanding the above, Ministry of Steel has taken up the matter with Planning Commission for giving the required allocation for the aforesaid two scheme."

7. The Committee had observed that 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. The Committee were given to understand that these schemes were not pursued since the required fund to pursue these schemes was not substantial. The Committee do not agree with the reply of the Government that because of late large number of beneficiation & agglomeration plants have been set up and are being set up and as Ministry of Steel is supporting two high value R&D projects to facilitate beneficiation and agglomeration of Indian Iron Ore, the Government should shelve the 'Promotion of Beneficiation and Agglomeration of low grade iron ore and low grade iron ore and ore fines for which Rs. 2417 crore were proposed during 12th Plan and Rs. 1693 crore for the 13th Five Year Plan. The Committee further, note that as regards second scheme, viz. 'Improving energy efficiency of secondary steel sector' , Ministry of Steel and UNDP have already been pursuing an Energy Efficiency Improvement Programme in Steel Re-rolling Mills in India. The

Ministry have further informed that a new project has been approved with financial assistance from UNDP, Australian Government and Ministry of Steel through Steel Development Fund for addressing the issue of energy efficiency improvements in Steel Re-rolling Mills and related sub sector such as Induction Furnace Units. Although, the Committee would like that both the schemes be vigorously pursued by the Ministry of Steel with Planning Commission, the Committee desire that the Government should ensure that there should be no overlapping in implementation of schemes by two different agencies.

MODERNISATION AND EXPANSION PROGRAMME OF SAIL

Recommendation Serial No. 4

8. The Committee noted that SAIL had 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 had been placed against which actual expenditure of Rs. 42893 crore has been incurred till February, 2013 and the expansion of Salem Steel Plant had been completed in 2010-11, the Committee were 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 had been produced by the Company during each of the last four years (2009-10 to 2012-2013). The Committee were anguished to note that due to poor performance of the contractors, the completion of modernization and expansion of Bhilai, Durgapur Steel Plants had been delayed resulting in

underutilization of outlays. Against the project cost of Rs. 18884 crore, only Rs. 7353 crore had been spent so far 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 had been delayed and is to be completed in June, 2013 as against the target date of December, 2011. What was disturbing to the Committee was that IISCO expansion project which was to be completed by the December, 2010 had been badly delayed and now the completion will be by June, 2013. The Committee desired the Government/SAIL to make all out efforts to ensure that the Modernization and Expansion plan was not dragged on year after year and was 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 had failed to achieve the milestones causing delay in the implementation of various projects of SAIL plants.

9. The Ministry of Steel in their action taken replies have furnished as follows:-

"SAIL is putting in all efforts to complete modernisation and expansion plan within the revised target schedule. Regular review of the implementation is being taken by Board Sub-Committees SAIL Board & Ministry of Steel. For expediting the implementation for achievement of planned milestones, the matter is being continuously followed up with the top management of contracting agencies to ensure adequate resources at site. Risk Purchase Notices have been issued to erring contractors and packages have been re-ordered at risk & cost of the defaulting contractors.

The crude steel production capacity shall be achieved after the current modernization & expansion plan as given below:-

	Installed (Mtpa)	After Modernisation & expansion (Mtpa)
Crude Steel capacity	12.84	21.40

Expansion of Salem Steel Plant was completed in September, 2010 and is under regular operation. Commissioning of individual units is

being done at other steel plants. Present status of various Plants is as under:-

- At Rourkela Steel Plant, Ore Bedding & Blending Plant, COB-6 complex including Coal Handling Plant, Coke Dry Cooling Plant & Coal Chemicals Deptt, Sinter Plant-3 & Continuous Caster have been completed and are under operation/stabilisation. Integrated testing & trials of Blast Furnace-5 have been completed. Preparations are on for blowing-in of the furnace.
- At IISCO Steel Plant, Coke Oven Battery, Sinter Plant & Wire Rod Mill have been completed and are under operation/stabilisation. Coke and sinter is presently being sent to sinter plants. The Blast Furnace & Oxygen Plant are ready and commissioning is linked with the completion of BOF Shop.
- At Bokaro Steel Plant, Acid Regeneration Plant, Coil Packaging Lines, Skin Pass Mill & Power supply facilities required for new CRM have been completed. Integrated trial run of Pickling Line and Cold Tandem Mill done in Jul'13 for reduction of Pickled HR coils through Cold Tandem Mill.
- At Bhilai Steel Plant and Durgapur Steel Plant, facilities are in various stages of execution.

Efforts are on to complete the current phase of Modernization & Expansion progressively by 2013-14.

In case of Expansion at ISP Burnpur, difficult & unforeseen soil conditions, removal of underground boulders and hillocks etc led to increase in civil & structural work substantially and also took extra time. For commissioning of Coke Oven Battery and Sinter Plant, the coke & sinter dispatch systems were required to be constructed which was falling in the area of village deity known as 'Jhoraburi'. The work for shifting the deity to some alternate place outside the plant premises was obstructed by the local villagers. After continuous efforts, the issue was resolved and the deity has been shifted to the alternate place in Jun'12 after which the work was resumed."

10. The IISCO Steel Plant by its letter dated 10th December, 2013 informed the Committee as regards development of modernisation of Burnpur Plant which reads as follows:-

11. The Committee appreciate the steps taken by Burnpur Plant for completion of modernisation. The Committee expect that the Burnpur plant will complete its modernization programme as expeditiously as possible.

12. The Committee were unhappy to note that except for Modernization and Expansion of Salem Steel Plant plan, all other plants of SAIL are under various stages of implementation. The Committee are dismayed to note that the original time schedule for completion of Rourkela Steel Plant and Bokaro Steel Plant was March, 2013 and December, 2011 respectively. Though the Ministry have informed that Risk Purchase Notices issued to erring contractors and packages have been re-ordered at risk and cost of the defaulting contractors as a part of follow up measures, yet the Committee feel that the delay cannot be compensated by the contractor as not only the project got escalated, but the company has been deprived of the resultant benefits from Modernization and Expansion of its plant. The Committee also recollect that during oral evidence in connection with examination of the subject "Modernization and Expansion of Steel Sector" held on 19.02.2010, the then Secretary (Steel) had informed the Committee that original cost for expansion of IISCO Steel Plant, Durgapur as envisaged by the consultant was Rs. 8900 crore and it was to be completed by December, 2010. By February, 2010, the cost got escalated to Rs. 14400 crore. The Committee further note that though the original

plan of SAIL was to complete its Modernisation and Expansion programme by December, 2012, the Ministry of Steel in a letter to Prime Minister's Office had reportedly directed the company to compress the completion schedule and ensure that new facilities are commissioned by 2010. The then Chairman, SAIL during oral evidence on 6.4.2011 had also committed that Modernisation and Expansion Programme will be completed by December, 2012. The Committee are unable to accept the various administrative delays adduced by the Ministry in completion of projects and feel that desired attention has not been paid and the programme has been badly delayed even after commitment has been given to Hon'ble PM in this regard. Not at all happy with the pace of progress of work on Modernization and Expansion programme of SAIL, the Committee feel that adequate groundwork has not been done before implementation and initiation of the programme which has led to delays. The Committee, therefore cannot but deplore the lackadaisical approach of the SAIL management in completing the project in time and desire that the 'Modernisation and Expansion Programme' be completed at the earliest and all pending issues be individually looked into and effective mechanism to resolve them be put into place and the programme be completed at the earliest. The Committee would also like to be apprised of the latest position and targeted date for completion of all ongoing Modernization and Expansion projects of SAIL and the investments made therein so far.

RASHTRIYA ISPAT NIGAM LIMITED

Recommendation Serial Nos. 5 & 7

13. The Committee acknowledged 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 were dismayed to learn that no significant progress had been made in the matter. The Committee were, however, happy to note that the Ministry of Mines, Government of India, had 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 was expected to be issued by the Government of Rajasthan shortly. The Committee also noted that Ministry of Steel was pursuing the matter for allotment of iron ore mines to RINL with State Governments of Andhra Pradesh and Odisha. Further, in principle, approval had 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 were 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 hoped that concrete results would emerge from other sources as well. Meanwhile, the Committee were, however, concerned to note that no significant progress had been made in allocation of coal blocks reserved by the Ministry of Coal for integrated PSUs to RINL. The Committee therefore, strongly recommended 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.

14. Though the Committee were happy to note that feasibility study for next phase of expansion of RINL to 11 MTPA of crude steel had already

commenced and implementation was envisaged by 2017-18, they were 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.

15. The Ministry of Steel in their action taken replies have furnished as follows:-

"Iron Ore:

- I. **Rajasthan:** LOI from Govt. of Rajasthan for 1st ever Iron Ore block in the State received on 31/05/13. Another Iron Ore block is under active consideration of Govt. of Rajasthan.

However, to get actual benefits of mining of Iron Ore and bring to VSP for use would depend on how fast all the balance statutory clearances are given by Govt. - Matter is being pursued.

- II. **Jharkhand:** Govt. of Jharkhand got favourable order from Supreme Court for allotment of Ghatkuri mines to PSUs. Accordingly, the matter is being pursued by Ministry of Steel and RINL with Govt of Jharkhand for which series of meetings took place in April & May, 2013 – the last being on 28th May, 2013 by Secretary (Steel) with Advisors to the Governor of Jharkhand and Chief Secretary, Govt of Jharkhand.

Jharkhand is most suited location for sourcing of Iron Ore at moderate freight rate by RINL.

- III. **Andhra Pradesh:** There has been good response from Govt of AP recently. But, for early accrual of benefits to RINL, expeditious movement of proposal by Govt of AP for necessary clearances is essential.

- IV **Odisha:** Government of Odisha is being persued by the Ministry of Steel for expediting the allotment of mines to RINL in Odisha.

Coal:

Secretary (Steel) has written to Secretary (Coal) on 26th Mar'13 for considering early allotment of at least one or two coal blocks in favour of RINL which are earmarked for PSEs by Ministry of Coal, preferably Aluara and Parbatpur North.

Feasibility study for the next phase of 11 Mtpa of Crude Steel has been carried out. Addressing the following major constraints is essential for achieving the growth plans of RINL.

Iron Ore: Recent positive developments in respect of mines in Rajasthan, Andhra Pradesh and Jharkhand are reassuring. However, expeditious clearances from the respective State and Central Governments are most essential at this juncture.

Coal: Secretary (Steel) has written to Secretary (Coal) on 26th March, 2013 for considering early allotment of at least one or two coal blocks in favour of RINL which are earmarked for PSEs by Ministry of Coal, preferably Aluara and Parbatpur North. Early action from Ministry of Coal is essential.

Water: RINL is facing acute problem in getting water from Govt of AP even for 6.3 Mtpa stage, though contract exists. RINL has taken up with AP State Govt. to get adequate water supply and also going for augmentation of water storage facility by constructing a new Water Reservoir. As an alternative, RINL is also exploring installation of Desalination Plant; but, it would add to the cost.

Power: RINL is expanding its power production capacity by implementing various new power production schemes. RINL has also taken up with AP Transco for strengthening of infrastructure facility to receive adequate power and for increasing quantum of contractual maximum demand power import signed earlier.

Funds: RINL has been generating surplus cash with which Expansion up to 6.3 Mtpa has almost been completed. RINL has now started borrowing for Modernisation and Upgradation schemes, which would enhance the capacity to 7.3 Mtpa. For further expansion to 11 Mtpa, significant increase in surplus cash is required, for which all efforts are being made by RINL. Early allotment of Iron Ore and Coking Coal mines would help in enhancing the margins and generation of surplus cash."

16. The Committee had been vigorously pursuing the matter of allocating captive mines of iron ore and coal to RINL. The Committee have time and again recommended that the Ministry of Steel and RINL should take up the matter with representatives of Ministry of Coal and concerned State Governments in this regard. The Committee have been informed that on 26th March, 2013, Secretary (Steel) has written to Secretary (Coal) for early allotment of at least

1 or 2 coal blocks preferably Aluara and Parbatpur North which have been earmarked for the purpose. As regards allocation of iron ore mines, the Committee have been informed that Letter of Intent (LOI) from Government of Rajasthan for 1st ever Iron Ore block in the State has been received by RINL on 31.05.2013. Further, Government of Jharkhand got favourable order from Supreme Court for allotment of Ghatkuri mines to PSUs. Accordingly, the matter is being pursued by Ministry of Steel and RINL with Government of Jharkhand for which series of meetings took place in April & May, 2013. The Committee are, however, concerned to note the inaction on the part of the Ministry as no action has been taken by the Ministry of Steel since 26th March, 2013 when Secretary, Steel wrote to Secretary, Coal for considering allotment of coal blocks to RINL. The Committee, therefore, would like the Ministry of Steel to immediately take up the matter with the Ministry of Coal for allotment of captive coal block to RINL. The Committee also expect the Ministry of Steel and RINL to take timely action to ensure that the expansion plan of the company do not go haywire due to scarcity of raw material and they get iron ore mining lease well in time before their targeted expansion programmes.

NATIONAL MINERAL DEVELOPMENT CORPORATION (NMDC)

Recommendation Serial No.9

Appointment of CMD for NMDC

17. The Committee noted that National Mineral Development Corporation had been without a permanent Chairman and Managing Director since December 31, 2011. The Committee had 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 were 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 was currently holding additional charge of CMD of NMDC. The Committee had been informed by the Ministry that the panel recommended by PSEB had been scrapped and a five Member Search Committee headed by a Planning Commission Member had 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 felt that important policy decisions were 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 were pressing demands to run the organization efficiently which needs urgent handling. The Committee, therefore recommended that at least now immediate steps be taken so that the process was expedited and NMDC gets a full-fledged CMD immediately.

18. The Ministry of Steel in their action taken replies have furnished as follows:-

"A Search Committee for the selection of candidates for appointment to the post of CMD, NMDC Ltd was constituted on 17.01.2013. The Search Committee gave wide publicity to the vacant post of CMD, NMDC and invited applications from eligible candidates. The short listed were interviewed on 30.05.2013 and the names recommended by the Search Committee have been sent to CVC on 07.06.2013 for vigilance clearance. On receipt of vigilance clearance, approval of Competent Authority will be taken for appointment of a candidate as CMD, NMDC Ltd."

19. As regards the post of Chairman and Managing Director of NMDC which was lying vacant since December, 2011, the Committee had recommended that immediate steps should be taken to expedite selection process to ensure that the company gets a full-fledged CMD immediately. In their action taken reply, the Ministry of Steel have informed the Committee that a Search Committee for the selection of

candidate for appointment to the post of CMD, NMDC Ltd. was constituted on 17 January, 2013. The shortlisted candidates were interviewed on 13th May, 2013 and the names recommended by the Search Committee were sent to Central Vigilance Commission (CVC) on 7 June, 2013 for vigilance clearance. The Committee are surprised to note that even after lapse of six months when the names were referred to CVC, the same have yet to be cleared by the organisation. As no reasons have been put forward by the Government for this delay by CVC, the Committee strongly urge the Government to vigorously pursue the matter with CVC so that NMDC Ltd. gets its full-fledged Head so that he is able to discharge his duties in the overall interest of the company.

IDLE EQUIPMENT AT KUDREMUKH

Recommendation Serial No.11

20. The Committee were 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 had to maintain them as these equipments had been lying idle since December, 2005 when the mining activities were stopped. The Committee further noted 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 failed 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) was reported to have shifted some mining equipments to KIOCL's Managalore unit for their use and remaining items were auctioned. The Committee had 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 had asked for extension of time for payment by 8.5.2013. Taking note of the fact that these steps had 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 were now being sold as scrap. The Committee expected that in future due care was taken by the Ministry/Steel PSUs so that scarce public funds used to procure such heavy equipments should be properly utilized.

21. The Ministry of Steel in their action taken replies have furnished as follows:-

"The mining activities at Kudremukh were stopped as per the order of Hon'ble Supreme Court w.e.f. 01.01.2006, consequently the mining and beneficiation equipments are lying idle. To upkeep these equipments in proper conditions and for better realization, KIOCL is maintaining these equipments. For guarding against theft etc. of these equipments, KIOCL has been utilizing the services of Central Industrial Security Force. From the date of closure to till date KIOCL spent Rs.60.56 crores on maintenance and security. The break- up of the same is as follows:-

Sl. No.	Details	Amount (Rs. in crores)
1.	Spares and Consumables	0.18
2.	Power Charges	20.62
3.	Security	39.76
	Total	60.56

The above mentioned amount does not include salary and allowance paid to the employees of Kudremukh unit.

The procurement cost of the Mining & Beneficiation Equipments together with stores and spares which is offered for sale was

Rs.442.28 crores. The book value of the Mining & Beneficiation Equipments together with stores and spares is Rs.690."

22. Taking note of the equipments worth Rs. hundreds of crores lying idle for more than 7 years at KIOCL Plant, Kudremukh, the Committee observed that the Ministry of Steel had failed to act as a facilitator to help the company to dispose them off properly or utilize the equipments. The Committee, therefore, had desired that in future due care be taken by the Ministry of Steel so that scarce public funds used to procure heavy equipment should be properly utilized. In their action taken reply, the Government have informed the Committee that procurement cost of mining and beneficiation equipment together with source and spares is offered for sale at Rs. 442.28 crore against the book value of Rs. 690 crore. What has further perturbed the Committee is that from the date of closure to till date, KIOCL had spent Rs. 60.56 crore on maintenance and security. The break up of expenditure indicate that an amount of Rs. 39.76 crore were spent on security only. In view of the wasteful expenditure of public money on account of equipment lying idle for more than 7 years and huge expenditure incurred on maintenance and security of these equipments, the reply of the Ministry of Steel is silent on the steps to be taken by them for disposal or otherwise utilisation of equipment lying idle by other steel companies. The Committee, therefore, reiterate their earlier recommendation and desire that the Ministry of Steel should take due care in future and act as a facilitator to help the companies to dispose off or properly

utilize the equipments and would like to be apprised of the steps taken by the Ministry in this regard.

Recommendation Serial No.12

23. The Committee noted that the overall performance of KIOCL had 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 had 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 was 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 was 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 had been pending with the State Governments of Karnataka, Odisha and Jharkhand for approval. Though the Secretary Ministry of Steel was reported to have taken up the matter with the Chief Secretary of respective States, no progress had been made so far.

24. The Ministry of Steel in their action taken replies have furnished as follows:-

"In pursuance to the directive of the Hon'ble Supreme Court, mining activities at Kudremukh were stopped w.e.f.01.01.2006. Consequent to closure of mining activities at Kudremukh, Company has been exploring various alternatives for mining at other locations within Karnataka and also other States. The details of latest developments made to get iron ore mining lease are given as under:-

(i) Memorandum of Understanding (MoU) with Andhra Pradesh State Mineral Development Corporation (APMDC) Limited, Hyderabad

Industries & Commerce Department, Govt of Andhra Pradesh issued memo dated 18.04.2013 conveying decision of Govt of AP to grant prospecting license for iron ore over an extent of 1513 hectares in

Minchery RF, Rayadurgam Range Bommanhal Mandal, Anantapur dist in favour of APMDC, being state public sector undertaking. Govt of Andhra Pradesh also permitted APMDC to form joint venture with KIOCL Ltd for exploration and exploitation of iron ore deposit for the aforesaid area.

KIOCL had entered into Tri-partite MoU with M/s APMDC, an arm of the provincial government of Andhra Pradesh and M/s RINL on 22.06.2013. As per understanding between the three entities, KIOCL and APMDC would jointly explore and develop iron ore reserves in the Anantpur Dist., in AP, while KIOCL would set up beneficiation and pelletisation plant near the mines. 50% of pellets produced by KIOCL will be given to RINL on cost plus basis. The remaining 50% of the pellets produced may be sold in the open market or offered to RINL at mutually agreed price.

(ii) Allocation of Category "C" mines

The Central Empowered Committee has submitted its final report dated 03.02.2012 to Hon'ble Supreme Court in WP No.(C) 562 of 2009 regarding mining leases surveyed by the joint team in the districts of Bellary, Chitradurga and Tumkur and classification of the mining leases into different categories on the basis of illegalities found. Based on the report of Central Empowered Committee, the Hon'ble Supreme Court by its judgment dated 18.04.2013, allowed all Category "A" and "B" mines for operation with conditions and recommended for cancellation of mines under Category "C" in the districts of Bellary, Tumkur and Chitradurga. Pending decision of KIOCL's application for allotment of mines, it was requested that the Govt. of Karnataka to consider for allocation of Category "C" mines in order to make pellet plant operations viable.

Hon'ble Minister of Steel vide D.O. No.6(4)/2012-KDH/5600 dated 20.06.2013 requested Hon'ble Chief Minister of Karnataka for his intervention for allocation of Category "C" mines by Govt. of Karnataka to KIOCL in order to make the pellet plant operation viable.

(iii) Hombalghatta and Hosahalli Mining Lease (Chikkanayakanahalli Iron Ore Mining Lease, Karnataka)

Govt of Karnataka recommended for grant of mining lease(ML) in block no. 02 over an area of 116.55 Ha in Hombalghatta & Hosahalli villages, Chikkanayakanahalli Taluk, Tumkur District vide letter No.709/MMM/04-2005-06 dated 06.03.2006 against Govt. Notification No.CI63 MMM 2004 dated 20.07.2004 .

KIOCL is awaiting revised ML sketch from Directorate of Mines and Geology to obtain Forest Clearance for the project and other statutory clearances. Hon'ble Supreme Court vide its judgment dated

18.04.2013, pronounced that an embargo on grant of fresh mining leases need not be continued any further i.e. Govt of Karnataka can grant fresh mining leases in future. Grant of fresh mining leases and consideration of pending applications be dealt with in accordance with law. With this judgment, Govt of Karnataka need to sort out the overlapping issue among all ML allottees and issue revised sketch for obtaining forest and other clearances.

(iv) Ramanadurga (Block no. 13/1) iron ore deposit, Bellary Dist., Karnataka

An application for grant of Mining Lease for an area of 1573 hectares (about 6.5 sq. miles) in Ramanadurga area to the Director, Mines and Geology, Govt. of Karnataka (Government of Karnataka) was submitted by KIOCL on 09.03.2000, as the area was reserved for State Exploitation at that time. Subsequently, Secretary (Mines, Textile and SSI) Government of Karnataka conducted a hearing on 31.08.2010 and 02.09.2010 for consideration of KIOCL's application for grant of mining lease for iron ore in block No. 13/1. KIOCL submitted a map on 14.09.2010 demarcating 50% of area available in block No. 13/1 Ramanadurga Range to an extent of 840 hectares for grant of mining lease with a copy to Secretary (Mines, Textile and SSI), Government of Karnataka.

Hon'ble Supreme Court vide its judgment dated 18.04.2013, pronounced that an embargo on grant of fresh mining leases need not be continued any further. Grant of fresh mining leases and consideration of pending applications be dealt with in accordance with law i.e. Govt of Karnataka can grant fresh mining leases in future. With this judgment, Govt of Karnataka has to take appropriate decision for allotment of mining lease of block No 13/1 (Ramanadurga iron ore deposit), since already hearing was held on 31.08.2010 and 02.09.2010. Company is pursuing the matter with Govt of Karnataka to resolve the issue and allocate ML at the earliest.

Secretary, Ministry of Steel vide DO No.6(4)/2012-KDH dated 07.01.2013 requested Chief Secretary, Govt. of Karnataka for looking into KIOCL's pending prospecting/mining lease including block No.13/, Ramanadurga iron ore deposit on priority.

(v) Khandadhar iron ore deposit, Odisha

KIOCL submitted PL application on 17.10.2002 over an area of 54.1 sq km in village Barsua, Rajabasha, Khandadhar & Rantha in the district of Sundargarh, Odisha and ML application on 29.03.2006. Dept of Geology, Govt. of Odisha, on behalf of KIOCL did prospecting drilling from 2003 to 2005 in the applied area and submitted report in December, 2005.

Govt. of Odisha rejected the KIOCL applications and recommended the applied area to POSCO. KIOCL challenged the Govt. of Odisha decision in various courts. Hon'ble Supreme Court vide its judgment dated 10.05.2013 set aside the impugned judgment dated 14.07. 2010 passed by the Division Bench of the Orissa High Court and remit the matter to the Central Government to consider the question of approval under Section 5(1) taking into consideration the recommendations made by the State Government.

(vi) Ghatkuri iron ore deposit, Jharkhand

KIOCL Ltd submitted its application for grant of Mining Lease (ML) on 21.07.2007 for an area of 2500 ha against Gazette Notification on 30.10.2006. KIOCL Ltd also submitted Prospecting License (PL) application for the same area on 25.08.2012. vide No. A/MM-40510/62-6209/M dated 21 Dec 1962 and No. B/M-6-1019/68-1564/M dated 28 Feb 1969 of the then State of Bihar reserved the Ghatkuri iron ore deposit for exploitation by Public Sector Undertaking (PSU) or Joint Venture Project of the State Govt. Special Leave Petition (SLP) filed by some of Private Mining Companies was dismissed by Hon'ble Supreme Court in Jul 2012 and upheld year 2009 order of the Jharkhand High Court, that the Govt has right to reserve areas for exploitation by PSU. Secretary, Ministry of Steel vide DO letter No.6(4)/2012-KDH dated 07.01.2013 requested for looking into KIOCL's pending Prospecting/Mining Lease application on priority.

A meeting was held under Chairmanship of Secretary (Steel), MoS with RINL, SAIL and KIOCL on 17.05.2013 to discuss the issue related to allocation of iron ore mines in the State of Jharkhand to Central Steel Sector PSUs i.e. SAIL RINL & KIOCL.

(vii) Memorandum of Understanding (MoU) with Kerala State Industrial Development Corporation Limited (KSIDC)

A MoU was signed between KIOCL Limited (KIOCL) and Kerala State Industrial Development Corporation Limited (KSIDC) for iron ore mining, setting up of beneficiation & pelletisation Plant in the Kasaragod / Kozhikode Dist. in the state of Kerala on 22.09.2011 at New Delhi. The MoU was valid for a period of one year from the date of signing and shall be renewed thereafter upon mutual consent. KIOCL took up with M/s KSIDC for extension of MoU till the execution of JV agreement. CMD, KIOCL met Hon'ble CM of Kerala on 16.10.2012 at Thiruvananthapuram to discuss on the status of MoU. In furtherance, Director (Commercial) vide letter dated 20.10.2012 requested the intervention of Hon'ble CM in allotment of mining lease to KIOCL for establishing a suitable business entity in Kerala.

Secretary, Ministry of Steel vide DO letter No.6(4)/2012-KDH dated 07.06.2013 requested Chief Secretary, Govt. of Kerala for suitable

mineral rights in the State of Kerala to the proposed joint venture of KSIDC and KIOCL and also possible joint venture among KIOCL, KSIDC and KEMDEL to take up the Titanium Dioxide separation plant."

25. In view of the discontinued mining activities of KIOCL at Kudremukh w.e.f. 1.1.2006 and due to non-availability of assured quantity and quality of iron ore; the Committee were informed that KIOCL was unable to enter into any long term contract with its buyers and therefore, overall performance of the company had not been very encouraging. The Committee were given to understand that 28 applications for mining lease and 9 applications for prospecting licenses applied by the company have been pending with the State Governments of Karnataka, Odisha and Jharkhand for approval. The Committee had desired the Ministry of Steel to take up the issue of allotment of iron ore mines to KIOCL at the highest level with respective State governments. In pursuance to the Committee's recommendation, the Ministry of Steel have informed the Committee that Memoranda of Understanding between KIOCL and Andhra Pradesh State Mineral Development Corporation was signed on 22.6.2013 to develop iron ore reserves in Anantpur (Andhra Pradesh). Moreover, on 20.6.2013 the State Government of Karnataka were requested to allocate category 'C' mines in order to make pellet plant operational and viable. Furthermore, MoU have been reportedly signed between KIOCL Ltd. and Kerala State Industrial Development Corporation Ltd. to get suitable mineral rights allocated for joint venture. As regards the Ghatkuri iron ore deposits in Jharkhand, the Committee have been apprised that

Secretary, Ministry of Steel vide his D.O. letter dated 7.1.2013 has requested for looking into KIOCL's pending Prospecting/Mining Lease application on priority. While appreciating the joint venture formed by KIOCL in Andhra Pradesh and Kerala, the Committee find that no action has been taken as regard Ghatkuri iron ore deposits in Jharkhand after they had made the recommendation and the Ministry of Steel have furnished the status only as on 7.1.2013 i.e. much before the Committee made the recommendation. The Committee are pained to observe that the Ministry has failed time and again to furnish updated reply and desire the Ministry to take appropriate action on their recommendation with all sincerity and due care be taken in future so that only updated replies be furnished to them. The Committee would, therefore, like the Ministry to immediately pursue the issues pertaining to allotment of Ghatkuri iron ore mine in Jharkhand, allotment of Category 'C' mines by State Government of Karnataka and allocation of suitable mining lease in Kerala at the highest level and the Committee be apprised.

CSR ACTIVITIES IN STEEL PSUS

Recommendation Serial No.20

26. The Committee found that as per DPE guidelines Corporate Social Responsibility (CSR) was 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 felt that CSR activities should ethically be undertaken within the operational area or within the periphery of the plants/mine where the company was carrying out its activity

to directly benefit the people residing therein and who were the most affected. But the Committee had found that there had been no criteria for doling out goodies under the garb of CSR activities by Steel PSUs to areas of their own choice. The Committee were appalled to note the haphazard manner in which CSR activities had been carried out by Steel PSUs in particularly 2 districts of Uttar Pradesh namely Barabanki and Gonda.

The Committee failed to understand the logic behind concentrating their activities by all the steel PSUs in these 2 districts as if the headquarters of these PSUs had been shifted to these two districts. Incidentally, one of the districts happened to be constituency of the Steel Minister. The Committee noted 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 noted that according to the Department of Public Enterprises Guidelines dated 9 April, 2010 when the profit of a company was Rs. 500 crores and above, 0.5% to 2% of the profit had to be spent on CSR activities. But the surprising fact was that maximum amount had been spent in 1 district only i.e. Barabanki in Uttar Pradesh. Another surprising fact which came out during the evidence was that there was no existing steel plant in Barabanki and a new project was coming up at Jagdishpur.

The Committee had 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 observed that RINL spent Rs. 12.68 crore on CSR activities during (2012-13), out of which Rs. 2.06 crore had been spent

in D.P. second only to Andhra Pradesh, despite the fact that RINL had no steel plant in U.P.

As regards NMDC, the Committee found that NMDC had 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 was 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 had 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 had its headquarter at Nagpur, during the last three years, Rs. 83,38,000 had been spent for Gonda district, Uttar Pradesh. It might be pertinent to mention here that apart from its activities in Maharashtra and Madhya Pradesh, Uttar Pradesh was the only State for which MOIL had spent its CSR allocation.

Regarding MECON Ltd. the Committee observed that out of total expenditure of Rs. 2,34,40,150/- 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/- had been spent in Jharkhand.

Regarding MSTC, the Committee noted 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. had no activities in Uttar Pradesh. Similarly, HSCL had also spent Rs. 18.21 lakh on up gradation of Karura Tarapur link rural road in District Barabanki, U.P.

Although, the Ministry of Steel in their Annual Report 2012-13 had mentioned that it was not mandatory to confine CSR activities in the

periphery of the PSE only but at the same time the principle behind CSR activities might be carried out elsewhere was only for the purpose of keeping in view the long supply chain, broadening of consumer base and social and environmental demands. The Committee noted 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 had any major steel plant or project in the constituency of Steel Minister. The Committee were unable to understand how spending in these two districts of Uttar Pradesh would help the long supply chain, broadening of consumer base and social and environmental demands of all steel PSUs including those who were otherwise rendering consultancy services only. This was nothing but gross abuse of power by the Ministry and to satisfy the Minister in charge. The activities of Steel PSUs were beyond any norms. This type of attitude of Public Sector Undertaking were detrimental to the nation's interest.

While recording their strong disapproval of the manner in which CSR funds had 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 were required to be spent, the Committee strongly recommended 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.

27. The Ministry of Steel in their action taken replies have furnished as follows:-

"As per DPE guidelines, every year, each CPSE is required to make a budgetary allocation for CSR and Sustainability activities/projects for the year. The budgetary allocation will be based on the profitability of the company. More specifically, it will be determined by the Profit After Tax (PAT) of the company in the previous year as shown here under:

PAT of CPSE in the previous year	Range of Budgetary allocation for CSR and Sustainability activities (as % of PAT in previous year)
(i) Less than Rs. 100 crore	3%-5%
(ii) Rs. 100 crore to Rs. 500 crores	2%-3%
(iii) Rs. 500 crore and above	1%-2%

The guidelines also make it mandatory for all CPSEs to undertake some projects for the development of the backward district of the country. Gonda and Barabanki are identified as backward districts. The list of CSR activities done by various PSUs during the last five years along with percentage of expenditure in Uttar Pradesh is at **Annexure –IV**. PSU-wise details are as under:-

Steel Authority of India Limited (SAIL)

Audited PAT of SAIL for FY 2012-13 is Rs.2170 crore and CSR expenditure during 2012-13 stands at Rs.53.29 Crore. Provisional CSR expenditure for 2012-13 (un-audited) was Rs.63.65 crore, estimated based on the projected activities.

SAIL earmarked Rs.42 Crore towards CSR budget for 2012-13 i.e. 1.19% of previous year's (2011-12) PAT of Rs.3543 Crore in the range of 0.5 – 2.0 % of net profit of pervious year prescribed by the DPE guidelines on CSR.

Additionally, a carry forward amount of Rs.28.48 Crore on account of unspent budget from previous years was also available for CSR projects during 2012-13, thereby making a total fund availability of Rs.70.48 Crore for CSR projects.

CSR activities in Gonda, Barabanki and Balrampur:

SAIL plants/units were set up during 60s -70s in the green field areas which were extremely backward in terms of modern civic-societal amenities. SAIL being a responsible corporate body took up this opportunity to develop the peripheral areas and developed the region into modern townships of today, equipped with state of art civic amenities viz. hospitals, schools, roads, drinking water facilities/sanitation, parks, community centres and other related infrastructure. SAIL now a MAHARATNA has more responsibility towards social sector and have expanded its CSR efforts to pan India.

SAIL, as a part of its expansion plan, acquired the assets of M/s Malvika Steel at Jagdishpur (U.P) in the year 2009, now known as Jagdishpur SAIL Unit (JSU). Commissioning of facilities at Jagdishpur SAIL Unit is in advance stages. SAIL Board also approved setting up of Steel Processing Units (SPUs) at a number of new strategic locations

and out of the total 12 SPUs planned in the northern region; seven belong to Uttar Pradesh and as such the region promises huge potential for SAIL. The SPUs are planned to be set up in Gonda, Barabanki and Behraich districts of Uttar Pradesh.

It is relevant to mention here that Gonda, Barabanki and Balrampur districts have been identified as Backward Districts by the Planning Commission for the purpose of Backward Region Grant Fund (BRGF). These districts are quite backward from all socio-economic aspects as evident from the fact that literacy rates of Gonda, Barabanki and Balrampur are 61.16 %, 63.76% and 51.76% respectively which are much below the national figure of 74.04 %. These districts have very low HDI values.

As SAIL is expanding its presence by commissioning of some new plants/units in this region, it was felt that creating a brand name would bring in goodwill for SAIL amongst the local mass. In order to build conducive and harmonious atmosphere and with a view to replicate the SAIL's developmental model, a number of development oriented social welfare schemes were undertaken in these places also. To start with, different facilities were created in the region, under the CSR thrust areas i.e. education, medical & health-care, infrastructure building at Jagdishpur, Barabanki, Gonda, Balrampur etc. in the last few years.

Compared with other states, on the basis of CSR expenditure in 2012-13, Uttar Pradesh stands third after Jharkhand and Chhattisgarh.

Rashtriya Ispat Nigam Limited (RINL)

The CSR activities in UP comprises of education infrastructure, drinking water, community infrastructure, environmental (solar) and skill development for youth which have all been also established at Vizag under the vicinity of the Plant. Such activities are also being planned at other backward regions of the country too.

RINL is a company with commercial outlets at 5 regions & 23 branches covering all major States. Out of 23 marketing branches all over India, RINL is having 3 branches in Agra, Ghaziabad and Kanpur in Uttar Pradesh, with a total business of around Rs. 600 crores per annum. RINL is also in the process of opening marketing branch at Allahabad and Consignment Sales Agent (CSA) at Varanasi. In the backdrop of expansion and product volume increasing from 3 million tonnes to 7.3 million tonnes, the Company is planning to spread its distribution network further.

Recent developments indicate that in the case of mining lease, in some of the States, the State Government favoured other applicants vis-a-vis RINL which could be due to the better general public opinion

and goodwill generated in the minds of people of the State due to higher levels of CSR activities by these applicants as compared to RINL. Therefore, it is felt essential that RINL also gives equal thrust to such initiatives as being done by others more importantly since RINL will shortly be a 7.3 MT steel producer and plans to further increase its capacity RINL would also be increasingly dependent on the potential steel consumption in the rural markets.

UP State has both vast rural dominance and population which are advantageous for future steel marketing in rural areas. Recently, RINL has launched Rural Dealership Scheme (RDS) at Lucknow and has appointed 11 (eleven) rural dealers. The total business, with the plans of expanding RINL's commercial activities, is expected to grow much more in the coming years in UP. The Company has also filed application for Iron Ore Mining Lease at Lalitpur, Uttar Pradesh (UP). Hence, it is essential that RINL makes its presence felt in the State of UP so as to maintain a competitive edge in rural areas especially for long products which will be available in large quantities after the current capacity expansion of RINL and also increase its image as a responsible Corporate Citizen in the State of UP.

It is also expected that, in the days to come, steel markets would become more volatile and customer retention for preferential sourcing will depend to a great extent on goodwill generated. Rural markets would ideally qualify for CSR activities with this end in mind. While the coverage in Western UP is adequate, Eastern UP ie from Barabanki, Gorakhpur, Gonda, Balarampur, Basti and Bahraich needs to be catered to. Gonda district is a central hub for Eastern UP and is also one of the backward districts in UP as per the list of Backward Areas published by the Planning Commission.

Govt. of India has laid emphasis on rural infrastructure as the foundation for Rural Development. Infrastructure development also generates relevant employment especially in the skilled & semi-skilled sector. The recent report of the study on sector-wise manpower requirements in skill gaps by the National Skill Development Corporation (NSDC) projects that the gap is maximum in the infrastructure skill development domain. Considering the importance of development of rural infrastructure and its concurrent relation to steel consumption/marketability of the Company's products in rural sector, various CSR activities in UP have been taken up for skill development as a Project in line with the Company's natural corollary of business. These activities taken up in rural areas of the largest State, Uttar Pradesh will be of strategic benefit both from business as well as from social responsibility points of view. Such projects are also being initiated in other backward areas of the Country. Initially skill development center/ITI model have been initiated in Gonda and Vizag. In view of the HDI being lowest in Gonda, the first project among the proposed ten (10) locations was initiated here.

Further RINL by its inherent nature is an energy intensive industry. Energy consumed should be returned in some form or other so as to make an energy neutral impact; otherwise the future generations will be deprived of even essential means. In this context investment in Solar Power & Wind Mill technology, rain water harvesting etc are currently nascent domains of RINL.

Moreover this domain is also a high priority focus area for the Government. As such RINL has also made significant contribution in the areas of solar street lighting in remote and rural areas, solar lighting in schools and homes for night study for children.

NMDC Limited

The amount spent in Uttar Pradesh during 2011-12 and 2012-13 has to be seen in the overall perspective of CSR expenditure of NMDC. During the year 2011-12, NMDC has spent Rs.86.72 crore and for the year 2012-13 the CSR expenditure was Rs.101.10 crore. The amount spent in Uttar Pradesh constitute only 6.3% and 4.3% of the total CSR expenditure of NMDC during these two years respectively. The Districts of Barabanki and Gonda are listed in the backward districts identified by Planning Commission under Backward Regions Grant Fund (BRGF) and for this reason CSR projects in the above districts have been undertaken apart from other backward districts in UP like Sitapur, Balrampur, etc. Thus, the funds have been mostly utilized for infrastructural development in these backward districts through Public Sector agencies like M/s. HSCL, UP Rajkiya Nirman Nigam Limited and UP Jal Nigam Limited.

MSTC Limited

MSTC is a trading organization and acts as a service provider to the various Government Departments and PSU's by holding web based e-auction / e-tender for sale/ procurement of various items. MSTC does not have any manufacturing unit. It has presence in about 10 locations whereas its activities as e-commerce service provider are spread across the country. MSTC has got more than 350 Principals for whom it acts as selling agent / procurement agent. MSTC has got thousand of registered buyers across the country who participate/bid in the e-auctions / e-tenders conducted by MSTC on behalf of its Principals. Therefore, although the Head Office of MSTC is situated at Kolkata, the e-commerce activities of the company are spread all over the country and there are locations where the business volume of e-Auction is actually more than that around Kolkata, where the company's head quarter is situated. The business volume of the company in the state of Uttar Pradesh, which comes under jurisdiction of the Northern Regional Office located at New Delhi, in the last two financial years viz. 2011-12 and 2012-13 to the tune of Rs.250.00 Crore and Rs.300.00

Crore respectively. In the state of Uttar Pradesh alone, MSTC has about 28 Principals and about 2300 bidders, who participate in e-auction / e-tenders. In coming years the volume of business is expected to grow further. In fact, a proposal has already being mooted for opening an office at Lucknow to focus on the business in and around Uttar Pradesh since the state has got tremendous prospect in terms of growth in the e-commerce business. Accordingly, expenditure has been incurred by the company in the state of Uttar Pradesh towards CSR. Proposals received from the local bodies of Uttar Pradesh were, considered for CSR activities, particularly in the areas of infrastructure and skill enhancement. All the 3 districts of U.P., where MSTC made investments on CSR activities viz. Balrampur, Barabankee and Gonda are backward districts identified by the planning commission for Backward Regions Grant Fund (BRGF). The proposals for investments in different projects in all the three districts were approved by the CSR Committee and the Board of Directors of MSTC. MSTC has also invested in a host of projects in West Bengal, from where most of the proposals were received because of proximity to the head office of the Company. The Proposals received from Karnataka, New Delhi, Maharashtra, Madhya Pradesh, Tamilnadu were also accepted in the last few years under the CSR activities of the company. The Regional and Branch Offices of the company have also been advised to send suitable proposals for CSR allocation. The company shall also take more pro-active steps to obtain proposals from various states, particularly from backward districts to spread out its CSR activity in future.

KIOCL Limited

KIOCL have not undertaken any Corporate Social Responsibility activities in the two districts of Barabanki and Gonda in Uttar Pradesh state as reported in the observations/recommendations of the Hon'ble Committee.

Hindustan Steelworks Construction Limited (HSCL)

HSCL spent Rs.18.21 Lac for Up gradation of 1 Km rural road from Karaura to Tatarpur in District Barabanki, UP during 2012-13. HSCL also spent Rs.3.26 Lac towards donation of one Ambulance to District Hospital at Kailashsahar in Tripura during 2012-13.

HSCL allocates its CSR budget in accordance with the CSR policy, duly approved by the Board of Directors in line with the DPE guidelines. While taking up CSR activities, business integration of the Company is given due consideration.

HSCL has unit offices in Lucknow and Varanasi for monitoring its projects under execution for Banaras Hindu University (BHU), Central

University for Tibetan Studies (CUTs) and CSR projects of other PSUs. Besides this, HSCL has its major business exposure with NTPC at Unchahar, Vindhyachal and Shaktinagar in UP. HSCL is also exploring possibilities to increase its business volume in the State. The Company executed about Rs.80 Cr. worth of orders in UP during the last 2 years 2011-12 and 2012-13 and generated surplus of over Rs.5 Cr.

In view of the reasons stated above, HSCL took up CSR activities in the State of UP also along with other parts of the country.

MECON Limited

1. The company ended-up financial year 2009-10 with PAT of Rs.8262.77 lakhs and CSR expenditure of Rs.80.72 lakhs only.
2. In order to ensure that "Carry-forward CSR Fund", are well directed towards the under privileged / backward sections of the society /LWE (Left Wing Extremism) affected villages, through planning, based on "Need Assessment" (with the involvement of villagers / Gramsabha etc.) was considered essential.
3. Accordingly, the company began by adopting following villages of Jharkhand State, which are in LWE (Left Wing Extremism) affected areas and are also in backward districts of Jharkhand State, for development of basic amenities and infrastructure.

Village	District of Jharkhand
Pancha	Ranchi
Pandu	Ranchi
Rupru	Ranchi
Belagara	Khunti
Sungi	Khunti
Rai	Khunti

4. The mechanism of undertaking & executing Projects in LWE (Left Wing Extremism) affected villages, through involvement of Village-Pradhan / Gramsabha for Need-assessment, making available the requisite land with NOC etc is very time consuming.
5. Finding a suitable executing agency for working in LWE affected villages is difficult. The pace of project execution in this area is also slow leading to lower utilization of CSR funds.
6. In line with this scenario, the CSR budget provisions were being progressively raised in financial years FY 2010-11 & 201 1-12 and all the "Unutilised CSR fund w.r.t. allocations as per DPE Guidelines" of

previous years (i.e. FY 2010-11 & 2011-12) are carried-forward in the CSR Budget Provision of FY 2012-13, as indicated in **Annexure-II**.

7. Moreover, in current financial year 2013-14 also, all the "Unutilised CSR fund of previous years, w.r.t. allocations as per DPE Guidelines" have been included in the Budget Provision."

28. The Committee were appalled to note the haphazard manner in which CSR activities have been carried out by Steel PSUs, particularly in 2 districts of Uttar Pradesh, namely Barabanki and Gonda. While recording their strong disapproval of the manner in which CSR funds were spent by all steel PSUs in these two districts of Baranbaki and Gonda in Uttar Pradesh at the cost of all the deserving places where actual funds should have been spent, the Committee had strongly recommended 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. In their action taken reply, the Ministry of Steel have informed the Committee that Gonda, Barabanki and Behraich have been identified as backward districts by Planning Commission for the purpose of backward region grant fund. It has been further stated that SAIL as a part of its expansion plan acquired the assets of M/s Malvika Steel at Jagdishpur (U.P.) in the year 2009, now known as Jagdishpur SAIL Unit (JSU). Commissioning of facilities at Jagdishpur SAIL Unit is in advance stages. SAIL Board has also approved setting up of Steel Processing Units at a number of new strategic locations including Gonda, Barabanki and Behraich. As

regards RINL, the Committee have been informed that the company has filed application for iron ore mining lease at Lalitpur, Uttar Pradesh and plans to expand its marketing network in the State, hence, it is felt essential that RINL should make its presence felt in State of Uttar Pradesh by taking higher levels of CSR activities. In respect of MSTC Ltd., the Committee were informed that the Company has about 28 Principals and about 2300 bidders from Uttar Pradesh to participate in e-auction / e-tenders. Of the 3 districts of Uttar Pradesh where MSTC Ltd. made investments on CSR activities viz. Barabanki, Balrampur and Gonda are backward districts identified by the Planning Commission for backward region grant fund. The Committee find the reply of the Ministry as unsatisfactory as all the Steel Public Undertakings are concentrating their CSR activities, in these districts on the ground of expanding their business activities to target rural areas for the marketing of steel products and these districts are reported to be eligible for backward region grant fund by the Planning Commission. Even the Steel companies engaged in e-tendering process like MSTC Ltd. and the like MECON who give consultancy services have spent their CSR funds in the 3 districts of UP namely Balrampur, Barabanki and Gonda. While strongly disproving the method by which CSR funds were spent by all Steel PSUs in these districts of Uttar Pradesh where all Steel PSUs showed more and more interests rather than other identified backward region of the State and the country, the Committee deplore the way all steel companies are taking the one or

the other plea to justify carrying out CSR activities in these districts in complete discrimination to other backward districts in the country. The Committee, therefore, cannot but reiterate their earlier recommendation and recommend that the matter be investigated through a Central Investigating Agency and those found responsible and guilty be made accountable for mis-utilization of funds.

CHAPTER –II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

PLAN HEAD: PROMOTION OF R&D SCHEMES IN STEEL SECTOR

Recommendation Serial No.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.

Action Taken

The Working Group on Steel Industry for the 12th Five Year Plan, had recommended a token provision of Rs. one crore each for the two interest subsidy schemes, namely, 'Promotion of Beneficiation & Agglomeration of low grade iron ore & low grade iron ore & ore fines' and 'Improving energy efficiency of secondary steel sector' with an estimated budget of Rs. 2417 crore and Rs. 272 crore respectively for the 12th Five Year Plan Period. However, Planning Commission allocated Rs. 200 crore only to Ministry of Steel for the 12th Five Year Plan. Due to the insufficient allocation, the aforesaid two interest subsidy schemes were dropped.

It is, however relevant to mention that the objective of the first scheme viz. 'Promotion of Beneficiation & Agglomeration of low grade iron ore & low grade

iron ore & ore fines' was to promote setting up of new facilities for beneficiation & agglomeration. It is satisfying to note that off late large number of beneficiation & agglomeration plants have been set up and are being set up. Further, Ministry of Steel is supporting two high value R&D projects to facilitate beneficiation & agglomeration of Indian Iron Ore.

In so far as the second scheme viz. 'Improving energy efficiency of secondary steel sector', Ministry of Steel and UNDP have already been pursuing an Energy Efficiency Improvement Programme in Steel Re-rolling Mills in India. Further, a new project have been approved with financial assistance from UNDP, Australian Government and Ministry of Steel through Steel Development Fund, for addressing the issue of energy efficiency improvement in Steel Re-rolling Mills & related sub sector such as Induction Furnace Units.

Notwithstanding the above, Ministry of Steel has taken up the matter with Planning Commission for giving the required allocation for the aforesaid two scheme.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Comments of the Committee

(Please see para 7 of Chapter I of the Report)

UTILIZATION OF APPROVED PLAN OUTLAY

Recommendation Serial No.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.

Action Taken

Steel Authority of India Limited (SAIL)

The capital expenditure during any financial year mainly depends on the physical work planned and actual progress made during that year may not be uniform in every quarter. SAIL has been putting in all efforts to ensure that more or less uniform quarterly outlays be maintained. The actual expenditure during 2012-13 was Rs. 9731 crore which is around 81% of the Revised approved outlay (RE) of Rs. 12000 crore. The quarter wise distribution of fund and actual expenditure is given below:-

(Rs. in crore)

Quarter-I		Quarter-II		Quarter-III		Quarter-IV	
Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
2200	1960	2600	2454	2900	2140	4300	3177

For the financial year 2013-14, SAIL has made advance planning for each quarter for full utilization of the outlays during the year. The expenditure monitoring is being done with the plants/units on regular basis against the physical progress of work. Shortfall is due to delay in completion of expansion programmes. Also, efforts are being made to ensure funds availability through I&EBR matching with the plan.

No Budgetary support is provided to Steel Authority of India Limited (SAIL) for its plan outlay.

Rashtriya Ispat Nigam Limited (RINL)

RINL has fulfilled over 100% target of expenditure for 2012-13 (RE) as given below:-

Plan : Rs.1, 260 Cr.

Actual : Rs.1, 287 Cr. (102% fulfilment)

However, BE was revised from Rs.1, 800 Cr. to Rs.1, 260 Cr. depending on the capital expenditure plan. About quarterly expenditure, which generally vary to a great extent with supplies, it is to be mentioned that all efforts are being made to fulfill 100% target every quarter. Major payments in most of projects pertain to supply of equipment and it is not always feasible to make such

payments uniform quarter-wise. However, RINL has noted the concern and corrective actions are being taken to make it uniform to the extent feasible.

NMDC Limited

The Lower utilization of funds in case of NMDC for the first three quarters of FY-2012-13 was mainly due to following reasons:-

- (i) Delay in awarding & signing of contract agreement for Steel Melting Shop package and Thin Slab Caster and Hot Strip Mill package in respect of 3.MTPA from Steel Plant at Nagarnar. Further some of the auxiliary packages also could not be awarded as envisaged.
- (ii) Delay in opening of LC for some of the Parties thus delaying the foreign payments.
- (iii) Slow progress of work at site by the contractors executing the work with respect to approved schedule.

For proper utilization of the plan funds, following corrective measures have been taken by NMDC:-

- (i) The budget estimates have been linked to milestones for better monitoring and effective control.
- (ii) Project execution teams at project locations headed by separate Project Managers have been established to monitor the implementation through respective EPCM consultants for quicker resolution of construction issues on day to day basis.
- (iii) Teams at Head Office have been established to oversee & monitor for speedy coordination w.r.t. engineering, procurement and all issues of contract management with consultant, contractors, sub- suppliers etc. based on daily and weekly reporting system.
- (iv) Detailed work planning and expenditure planning commitments are being obtained from the contracting agencies in line with the projected budget outlays.
- (v) Availability of working drawings with requisite approvals by Consultant are ensured to meet the work plan requirements of the contracting agencies at site and at their manufacturing units.
- (vi) Progress review meetings are taken with suppliers, contractors and consultants.
- (vii) Weekly/ monthly review meetings are being taken at site.
- (viii) Video conferences from Head Office are being arranged at the Directors level for monitoring the progress.
- (ix) Quarterly progress/expenditure of ongoing projects is reviewed by the Sub-Committee of the Board of Directors.

The Capital BE 2013-14 of Rs. 2720 crores in respect of NMDC is quarterly distributed as below:-

Quarter-1	=	Rs. 450 Crs.
Quarter-2	=	Rs. 503 Crs.
Quarter-3	=	Rs. 837 Crs.
Quarter-4	=	Rs. 930 Crs.

Total for BE 2013-14 = Rs. 2720 Crs.

As against the quarter-1 target of Rs. 450 Crs. the actual expenditure achieved is Rs. 525.55 Crs. The scheme-wise detail for the same is attached herein as **Annexure-1**.

MSTC Limited

The target of Rs. 5.00 Crore for the year 2010-11 was earmarked for logistics of a Joint Venture. Earlier it was envisaged that the expenditure for logistic will be incurred when the stockyard will be ready for operation. But the stockyard was given on rent to a third party during 2010-11; hence no expenditure has been made in this regard. The target for the year 2011-12 was Rs.15.00 Crore i.e. the balance amount of Eleventh Plan period. An amount of Rs.5.00 Crore was identified for up-gradation of server and DPR for Shredding plant and balance Rs.10.00 Crore was kept for unidentified projects. During 2011-12 Rs.4.77 Crore was spent for up-gradation of Server and DPR of Shredding Plant and the balance remained unutilized in absence of any viable project.

MOIL Limited

The details of utilization of plan outlay are as under:

(Rs. In Crore)

2012-13				2012-13		% to total outlay as per BE	% to total outlay as per RE
Budget Estimates				Actual Expenditure (upto March 2013)			
Plan Outlay (BE)	Plan Outlay (RE)*	Total (BE)	Total (RE)	Plan Outlay	Total		
208.00	103.76	208.00	103.76	54.89	54.89	26.39%	52.90%

* Plan outlay of Rs. 70 crores in FY 2012-13 on investment in joint venture companies formed with SAIL and RINL is not included above as technical specifications of furnace are reworked in tune with their revised requirement of silico and ferro manganese. Taking into consideration the RE figures, the actual expenditure upto March, 2013 (Provisional) works out to 52.90%. The Company is making all efforts to improve the utilization of plan outlay in a uniform manner.

Hindustan Steelworks Construction Limited (HSCL)

Being a Project Management Consultancy Company (PMC), HSCL has no project of its own. It is only an implementing agency for civil construction work. Hence question of utilization of target does not arise.

KIOCL Limited

KIOCL prepared the Capital Budget for 2012-13 envisaging an expenditure of Rs.409 crores. However, due to non-receipt of environmental clearance and litigation in acquisition of land, the major projects like Coke Oven Battery, Permanent Railway Siding and Bulk Material Handling at Mangalore could not be taken up. As such the target could not be achieved.

Keeping the above points in view, KIOCL has allocated Rs.95 crores in the Plan Outlay for the year 2013-14. The annual target is split into four quarters and the performance is being monitored closely for achieving the target. All out efforts are put to achieve the plan target of Rs.95 crores during 2013-14.

Ferro Scrap Nigam Limited (FSNL)

Statement showing outlay earmarked and Actual expenditure of I&EBR of Ferro Scrap Nigam Limited for last 3 years.

(Rs. in crore)				
	Particulars	2010-11 (FY)	2011-12 (FY)	2012-13 (FY)
I.	Approved outlay in Annual Plan	12.00	12.00	12.00
II.	Outlay earmarked upto 3 rd quarter	9.00	9.00	9.00
II.	Actual Expenditure upto 3 rd quarter	9.05	3.49	6.34
IV.	% of Actual expenditure to outlay earmarked (II/III*100)	100.56	38.78	70.44

The company has already placed purchase order for procurement of capital equipments to the tune of Rs.5.80 crores. Moreover capital equipment of worth Rs.4.68 crores already supplied by the vendor. Purchase order for capital equipment to the tune of Rs.5.76 crores is to be placed in the present FY 2013-14 and thus approved outlay of Rs.12.00 crores will be properly and fully utilized and will be evenly spent within the FY 2013-14.

The company will spend capital expenditure evenly in every quarter of financial year 2013-14.

MECON Limited

Year wise and quarter wise beakup of utilization of I&EBR is as follows:-

(Rs. in crore)					
Year	Approved Outlay	Utilisation of I&EBR			
		Upto Qtr I	Upto Qtr II	Upto Qtr III	Upto Qtr IV
2010-11	2.27	NIL	NIL	NIL	1.79
2011-12	2.00	0.23	0.23	2.05	2.38

2012-13	5.00	NIL	0.78	3.46	5.01
2013-14	5.00	0.53	1.91 (upto 31.7.2013)	-	-

From the above, it can be seen that although utilization of I&EBR was not uniform for the FY 2010-11, steps have been taken to ensure that approved outlays are utilized uniformly for all quarters from the FY 2011-12 onwards.

Orissa Minerals Development Company Ltd. (OMDC)

The approved plan outlay of OMDC for the year 2012-13 was Rs.142 crores. In the Revised Capital outlay the amount was Rs.105.56 crores. Due to closure of all the six mines of OMDC and also uncertainty in opening of mines, all the proposal for the capital expenditure are put into hold except pressing expenditure for Hospital, repairing Roads, etc. The actual Capital outlay for 2012-13 was Rs.8.12 crores only.

Bisra Stone Lime Company Limited (BSLC)

The proposed capital outlay of BSLC for 2012-13 was Rs.30 lakhs and expenditure incurred during the year was 15.22 Lakhs due to poor financial condition.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS

Recommendation Serial No.3

Steel Authority of India

Decline in profitability of SAIL

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 crores which declined to Rs. 4905 crores 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.

Action Taken

Plan for 13-14 envisages following which will help in improving profitability of SAIL:-

- Production of 14.3 MT of saleable steel with a growth of 15% over 12-13.
- Production of 6.6 MT of value added steel with a growth of 31% over 12-13.
- Production of 10.8 MT of crude steel through energy efficient concast route with a growth of 14% over 12-13.
- Specific energy consumption of 6.6 Gcal/tcs has been planned with an improvement of 1% over 12-13.

In order to decrease wagon detention all plants of SAIL engaged M/s RITES (an organization under Ministry of Railways) for study of the existing infrastructure, prepare the feasibility reports/Detailed Project Reports (DPRs) for up-gradation/ modernization and development of rail infrastructure. MECON, who is the main consultant for expansion projects, have integrated the suggestion/ recommendations of M/s RITES in the expansion schemes of respective plants, which are under different stages of implementation.

In addition, measures as under are being taken by SAIL to arrest the fall in profits:-

1. Close interaction & meetings with Plants/Units to reduce cost and improve revenue in various areas of operations.
2. All Plants/Units have been advised to focus on operating as well as on non-operating areas to improve the profitability position of the Company. In addition to improvement in production, sales, product-mix & value added products, techno-economic parameters, the following are the other areas for profitability improvement:
 - Increase usage of Coal Dust injection in Blast Furnaces thereby reducing the BF Coke consumption.
 - Maximizing production through the energy and cost effective Concast route.
 - Reduction in specific refractory consumption/cost.
 - Reduction in specific water consumption.

- 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 utilisation/ Management.
- Full utilisation of engineering shops and replacing purchased items.
- Strict control on demurrage expenses.
- Reduction in procurement cost through strict monitoring.
- Control of administrative expenses.

3. Close monitoring of major procurement/service contracts of Plants/Units by Corporate Office.

4. 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 hedged basis.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

MODERNISATION AND EXPANSION PROGRAMME OF SAIL

Recommendation Serial No.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 far 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.

Action Taken

SAIL is putting in all efforts to complete modernisation and expansion plan within the revised target schedule. Regular review of the implementation is being taken by Board Sub-Committees SAIL Board & Ministry of Steel. For expediting the implementation for achievement of planned milestones, the matter is being continuously followed up with the top management of contracting agencies to ensure adequate resources at site. Risk Purchase Notices have been issued to erring contractors and packages have been re-ordered at risk & cost of the defaulting contractors.

The crude steel production capacity shall be achieved after the current modernization & expansion plan as given below:-

	Installed (Mtpa)	After Modernisation & expansion (Mtpa)
Crude Steel capacity	12.84	21.40

Expansion of Salem Steel Plant was completed in September, 2010 and is under regular operation. Commissioning of individual units is being done at other steel plants. Present status of various Plants is as under:-

- At Rourkela Steel Plant, Ore Bedding & Blending Plant, COB-6 complex including Coal Handling Plant, Coke Dry Cooling Plant & Coal Chemicals Deptt, Sinter Plant-3 & Continuous Caster have been completed and are under operation/stabilisation. Integrated testing & trials of Blast Furnace-5 have been completed. Preparations are on for blowing-in of the furnace.
- At IISCO Steel Plant, Coke Oven Battery, Sinter Plant & Wire Rod Mill have been completed and are under operation/stabilisation. Coke and sinter is presently being sent to sinter plants. The Blast Furnace & Oxygen

Plant are ready and commissioning is linked with the completion of BOF Shop.

- At Bokaro Steel Plant, Acid Regeneration Plant, Coil Packaging Lines, Skin Pass Mill & Power supply facilities required for new CRM have been completed. Integrated trial run of Pickling Line and Cold Tandem Mill done in Jul'13 for reduction of Pickled HR coils through Cold Tandem Mill.
- At Bhilai Steel Plant and Durgapur Steel Plant, facilities are in various stages of execution.

Efforts are on to complete the current phase of Modernization & Expansion progressively by 2013-14.

In case of Expansion at ISP Burnpur, difficult & unforeseen soil conditions, removal of underground boulders and hillocks etc led to increase in civil & structural work substantially and also took extra time. For commissioning of Coke Oven Battery and Sinter Plant, the coke & sinter dispatch systems were required to be constructed which was falling in the area of village deity known as 'Jhoraburi'. The work for shifting the deity to some alternate place outside the plant premises was obstructed by the local villagers. After continuous efforts, the issue was resolved and the diety has been shifted to the alternate place in Jun'12 after which the work was resumed.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

RASHTRIYA ISPAT NIGAM LIMITED

Recommendation Serial No.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.

Action Taken

Iron Ore:

- I. **Rajasthan:** LOI from Govt of Rajasthan for 1st ever Iron Ore block in the State received on 31/05/13. Another Iron Ore block is under active consideration of Govt of Rajasthan.

However, to get actual benefits of mining of Iron Ore and bring to VSP for use would depend on how fast all the balance statutory clearances are given by Govt. - Matter is being pursued.

- II. **Jharkhand:** Govt of Jharkhand got favourable order from Supreme Court for allotment of Ghatkuri mines to PSUs. Accordingly, the matter is being pursued by Ministry of Steel and RINL with Govt of Jharkhand for which series of meetings took place in April & May, 2013 – the last being on 28th May, 2013 by Secretary (Steel) with Advisors to the Governor of Jharkhand and Chief Secretary, Govt of Jharkhand.

Jharkhand is most suited location for sourcing of Iron Ore at moderate freight rate by RINL.

- III. **Andhra Pradesh:** There has been good response from Govt of AP recently. But, for early accrual of benefits to RINL, expeditious movement of proposal by Govt of AP for necessary clearances is essential.
- IV **Odisha:** Government of Odisha is being pursued by the Ministry of Steel for expediting the allotment of mines to RINL in Odisha.

Coal:

Secretary (Steel) has written to Secretary (Coal) on 26th Mar'13 for considering early allotment of at least one or two coal blocks in favour of RINL which are earmarked for PSEs by Ministry of Coal, preferably Aluara and Parbatpur North.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Recommendation Serial No.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.

Action Taken

Revision of rates in duty drawback scheme for pig iron and finished products etc. will be taken at the time of sending budget proposals for steel industry to the Ministry of Finance, Department of Revenue for the year 2014-15.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Recommendation Serial No.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.

Action Taken

As desired by the committee, to ensure commissioning of all the remaining units during 2013-14, necessary corrective actions are taken and commissioning activities are progressing as per schedule. The major units commissioned includes New Blast Furnace, new Turbo Blower, New Casters 1&2, Oxygen Plant, Power Distribution System, Water Supply Complex, Gas & Utility Systems and several other auxiliary units and are in operation. Balance major units, namely, Converter Shop, Sinter Plant and Wire Rod Mill are at various stages of commissioning. Special Bar Mill and Structural Mill are at advanced stage of completion and planned to commence cold trials from 2nd Quarter so as to start production during the year 2013-14.

Cost cutting measures: Austerity Measure & Controls have been put in place to reduce the Administrative Expenditure. Budgets have been cut for reducing the expenditure for revenue and Capital Expenditure and Non-Plan expenditure is permitted only when it is utmost urgent for functioning of the Company.

Thrust on cost cutting measures to restrict expenditure has been further intensified in operational areas which have larger potential of cost cutting. Special drive has been launched in areas such as:-

- Recycling of Tar sludge and Benzol Muck.
- Optimization of coal blend.
- Recycling of CRMP returns in place of BF Lime stone.
- Recycling of LD slag and its use in place of BF Lime stone
- Utilization of Metallurgical Waste to replace Iron ore fines.
- Increase in Average Converter life.
- Recycling of Copper Scrap and used refractory for usage in SMS.
- Utilization of lime Briquette in SMS.
- Recycling of Maintenance Scrap.
- Conservation of Water.

In order to reduce the outgo on account of ocean freight, cape size vessels with a carrying capacity of about 1.5 lakh tonne are being nominated for coal shipments instead of Panamax vessels wherever feasible.

Power Restrictions: Power Restrictions were imposed on RINL by Govt. of Andhra Pradesh from Sept.2012 and are still in force. Penal charges for exceeding the imposed power limits have been as high as 5-6 times of normal charges, even for drawals well within the contracted limits. On one hand adequate power as contracted is not made available, on the other hand heavy penal charges aggregating to Rs.118 Cr have been levied for the period from Sept.2012 to April 2013.

RINL has taken up the matter of exemption of R&C measures imposed by APEPDCL and waiver of penal charges with the Hon'ble Chief Minister of Andhra Pradesh; Chief Secretary, Andhra Pradesh and Principal Secretary to the Hon'ble Chief Minister for consideration and requested the following:-

- to exempt RINL from the R&C measures and permitting drawal of power as per the Contracted Maximum Demand;
- to regularize RINL's request for enhancement of Contracted Maximum Demand from 135 MVA to 235 MVA; and
- waiver of penalty imposed on RINL.

RINL also filed a writ petition in the Hon'ble High Court of Andhra Pradesh seeking relief from imposition of R&C measures.

Honourable Minister of Steel has taken up the matter of exempting RINL-VSP from R&C measures and penal charges with Chief Minister of Andhra Pradesh, vide letter dated 2.2.13.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

NATIONAL MINERAL DEVELOPMENT CORPORATION (NMDC)

Recommendation Serial No.9

Appointment of CMD for NMDC

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 scrapped 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.

Action Taken

A Search Committee for the selection of candidates for appointment to the post of CMD, NMDC Ltd was constituted on 17.01.2013. The Search Committee gave wide publicity to the vacant post of CMD, NMDC and invited applications from eligible candidates. The short listed were interviewed on 30.05.2013 and the names recommended by the Search Committee have been sent to CVC on 07.06.2013 for vigilance clearance. On receipt of vigilance clearance, approval of Competent Authority will be taken for appointment of a candidate as CMD, NMDC Ltd.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Comments of the Committee

(Please see para 17 of Chapter I of the Report)

Recommendation Serial No.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 Nagarniu, 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.

Action Taken

NMDC is striving to ensure completion of Steel Plant Project in time, by taking the following actions:-

- (i) Approved schedules for the Major Technological Packages are being monitored periodically.
- (ii) Dedicated teams with Engineer in charge for the individual packages have been posted for effective and timely monitoring and execution of packages.
- (iii) Adequate personnel with experience in construction and operation of Steel Plants have been recruited and positioned and further such experienced and new recruitment is being done for monitoring and executing the project.
- (iv) High level review meetings at regular intervals for monitoring, resolving of problems etc are being conducted.
- (v) Progress review meetings with supplier, contractor and consultants being conducted regularly.
- (vi) Fortnightly review meetings are being conducted by the functional Director.
- (vii) Sub-committee of Board is reviewing the progress of projects every quarterly.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

KIOCL JOINT VENTURE FOR COKE OVEN PLANT AND CAPTIVE POWER PLANT

Recommendation Serial No.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.

Action Taken

1. Board of Directors of KIOCL Limited in its 201st meeting held on 25.03.2011 approved to set up 0.3 MTPA capacity Coke Oven Battery with 25MW Captive Power Plant at an estimated cost of Rs.452.22 crores in the Blast Furnace Unit at Mangalore as a backward integration with Debt: Equity ratio of 1:2. The project requires environmental clearance from MoE&F, New Delhi for which KIOCL made necessary application as per the guidelines.
2. During the pendency of environmental clearance from MoE&F, Board of Directors of KIOCL Limited in its 219th meeting held on 03.01.2013 expressed its doubt regarding the prudence to make investment on Coke Oven Battery Project on standalone basis as the site is neither in proximity to the mine head nor near to the consumption centre. The Board apprehended that this project may have to encounter the same challenges that are being encountered by the Pellet Plant due to non existence of Captive Mine. Board appreciated the initiative taken by KIOCL to rope up SAIL for setting up of the Project on Joint Venture basis. In view of the expected early environmental clearance, Board suggested to expedite the matter of forming Joint Venture with SAIL for setting up of the Coke Oven Battery Project. If SAIL does not come forward for setting up of Joint Venture, the investment decision regarding setting up of the Coke Oven Battery Project requires re-look.
3. As per the direction of KIOCL Board, M/s SAIL were approached for a possible tie up to take the above project forward on Joint Venture basis in the best interest of both KIOCL & VISL unit of SAIL at Bhadravati, as both the plants require coke for their furnaces. KIOCL is having regular interaction with SAIL officials and a draft MoU to be entered into between the two organizations has also been forwarded to M/s SAIL for their approval and for further course of action. The purpose of the MoU is to lay down the basic understanding between KIOCL & SAIL for setting up of 3 lakh tonnes per annum capacity Coke Oven Plant, adopting non-recovery route along with a waste heat recovery power plant of 25 MW capacity at the BFU premises, Mangalore on Joint Venture basis. As per the proposed MoU, KIOCL and SAIL will form a Joint Venture Company (JVC) for Establishment and Operation of the Coke Oven Plant. The JV will have

the equity share of 74% with KIOCL and 26% with SAIL. The approval from M/s SAIL is awaited for carrying forward this project. As far as the statutory approvals are concerned, KIOCL has already obtained the environmental clearance for the project from MoE&F and consent for establishment from Karnataka State Pollution Control Board (KSPCB). Once the JV is finalized between KIOCL and SAIL, the project will be taken up immediately and the implementation schedule for completion of the project is estimated to be 30 months from the date of commencement of tendering action for various packages identified for the coke oven project along with the associated captive power plant.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

BISRA STONE LIME COMPANY LIMITED (BSLC)

Recommendation Serial No.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 up to 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 9.6 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.

Action Taken

BSLC became a PSU on 19th March, 2010. As per restructuring scheme, the accumulated interest of Rs.624 crores on Government loan of Rs.86.79 crores was waived off without giving provision for meeting the income tax liability of Rs.117 crores. This liability had grown to Rs.149.45 crores till January, 2013 and met through a grant-in-aid of Rs.149.45 crores. Similarly outstanding loan of Rs.86.79 crores was converted into equity without giving the provision for accumulated losses of Rs.81.64 crores as on 31-3-2010 in the restructuring scheme. This caused the paid up capital of the company to be raised from Rs.50 lacs to Rs.87.29 crores and the company did not have money either for repairing the depleted & age old crushers

or to buy new mining equipments required for the mining company. The company does not have any working capital and meets its financial requirement through monthly sales only and its losses are huge because of poor sales realization compared to high cost of production due to huge manpower and fixed annual capacity of 9.6 lacs tonnes per annum of low value commodities of lime stone & dolomite put together. The Physical & Financial Performance from 2009-10 to 2012-13 and company's revival plan are given at **Annexure-III**.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

MANGANESE ORE (INDIA) LTD. (MOIL)

Recommendation Serial No.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.

Action Taken

As regards reduction in the production of EMD and Ferro Manganese during the year 2011-12 as compared to the previous year 2010-11, it is to be mentioned here that during 2011-12, the demand for EMD as well as Ferro Manganese fell down as compared to the previous year. In order to avoid built up of stocks, the Company had decided to curtail the production in line with the market demand / conditions. Therefore, the reduction in the physical production of EMD and Ferro Manganese is on account of market conditions and done voluntarily by the company.

As regards reduction in profit after tax, the reasons are given below:

(1) Reduction in profit after tax from Rs. 588.06 crores in 2010-11 to Rs. 410.77 crores in BE 2011-12 and targeted profit after tax of Rs. 365.73 crores in BE 2012-13:

Reduction in profit in 2011-12 is mainly due to downward trend in sales realization of manganese ore. Manganese ore prices fell by about 40% in 2011 due to piling up of inventories of manganese ore, which had major impact on the top line of the Company. Turnover of the Company came down from Rs. 1145.31 crores to Rs. 905.68 crores (i.e. a reduction of Rs. 239.63 crores). This had straightway affected profit before tax and after tax accordingly. BE 2012-13 has been prepared taking into consideration situation prevailing at the time of preparation of budgets and accordingly, profit after tax was estimated at Rs. 365.73 crores. As against this, actual profit after tax (provisional) is Rs. 425.12 crores, which is more than budgeted profit as well as actual profit of financial year 2011-12.

(2) Actual Results:

The turn over of the Company has increased from Rs. 905.68 crores in FY 2011-12 to Rs. 977.27 crores (provisional) in FY 2012-13. The profit after tax for financial year 2012-13 is Rs. 425.13 crores (Provisional) as against Rs. 410.77 crores in financial year 2011-12 registering a growth of 3.49%.

As regards the investment made by MOIL in Wind Farm, this is to mention that MOIL has set up two farms in Nagda Hills (4.8MW) and Ratedi Hills (15.2MW) aggregating to 20MW. MOIL is the first PSU in the country to venture into wind power generation. The power generated through these wind farms are utilized partly for captive use in Ferro Manganese Plant / Mine at Balaghat and the balance is sold to the utilities. The total investment made in the wind farm is Rs. 97.73 crores in two phases viz Rs. 22.20 crores in 2006-07 and Rs. 75.53 crores in 2007-08. So far the Company has earned a sum of Rs. 76.24 crores, which includes savings in electricity bills of Balaghat mine and ferro manganese plant and revenue earned through sale of power to utilities.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Recommendation Paragraph No.17

Rural steel consumption

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.

Action Taken

Joint Plant Committee (JPC) had undertaken a study / survey on Assessment of Steel Demand in Rural India. The survey has made recommendations for enhancing the consumption of steel in rural India through shift in type of housing structure (with more steel) with:-

- Re-looking steel design for various applications;
- Investment in community structures;
- Small and medium steel product manufacturing;
- Highlighting the advantages of steel;
- Increased aesthetics of steel, improving logistics & supply chain; and
- Addressing steel quality issues.

2.1. It is necessary to make the rural consumers aware of the advantages of steel usage instead of the traditional materials like wood and plastic in terms of inherent strength, design flexibility, fire resistance, lesser deterioration over time and life cycle cost advantage besides the eco friendliness of using steel in construction, storage and other household items. Rural campaign for promotion of steel aims to achieve these ends.

2.2. According to reports from INSDAG, some steel companies have come forward to sponsor “Showcase Models “of specially designed steel houses for villages. Besides this, the Institute has been assigned the task of developing design manuals for rural infrastructure such as culverts and bridges where steel could be used as a major material. Another innovative concept popularised by INSDAG is to promote “steel bullock carts” in villages in association with the “Central Mechanical Engineering Research Institute”, Durgapur. These bullock carts will have a minimum life span of 20 years. Public sector Banks have been roped in for providing loan to rural people for purchase of the steel bullock carts.

The Institute is also engaged in convincing the steel companies to support production of the steel carts. Several local NGOs and Khadi & Village Industries Corporations are taking part in this initiative to promote the said item. From one village in Odisha an order for 250 such bullock carts has been received and more efforts are underway from several other villages.

3.1 Consequent to the survey a Committee was constituted by the Ministry of Steel to suggest measures for implementation of the recommendations in the Study Report. As per the decisions of this Committee, the recommendations of the Study were communicated by the Ministry of Steel to concerned Departments of the Government of India, as well as the State Government and steel producers, for further action. A Monitoring Committee has also been constituted by the Ministry of Steel under the chairmanship of Joint Secretary to Government of India and comprising 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.

3.2 Joint Plant Committee has been entrusted with the role of the Secretariat of the Monitoring Committee which will meet on a quarterly / half-yearly basis. As of now, two meetings of the Monitoring Committee have been held (on 7th November 2012 and 1st February 2013) both at Ministry of Steel under the chairmanship of Shri Sydedain Abbasi, Joint Secretary to Govt of India, Ministry of Steel.

3.3 The said meetings have reviewed in detail the extent of implementation of the recommendations of the Rural Study Demand Report, which included, among others:-

- funding of INSDAG projects on rural skill development program under the Market Development Project scheme by JPC.
- collection of data on rural level stock points by INSDAG.
- publication of books/study reports in connection with framed steel structures for rural areas by INSDAG.

4.1. INSDAG had prepared training modules for masons and fabricators. In this connection, INSDAG had organized masons training programmes with RINL at Vizag, SAIL at Burdwan District, West Bengal and Tata Steel at Guwahati. On the use of steel in fabrication as well as for masonry jobs like bar bending etc. Tata Steel and JSW Ispat had also organized training programmes at Jamshedpur, Bhubaneswar, Rourkela, Dehradun and Jalandhar respectively.

4.2. Regarding propagation of steel fabrication in rural areas, a programme on Skill cum Entrepreneurship Development had been organized by INSDAG under MDP programme sanctioned by Ministry of Steel near Kolkata (West Bengal) at ESAB Welding Institute for 25 village entrepreneurs during December 03 – 22, 2012 and at Advanced Training Institute, Kanpur (UP) for 35 participants during June 03 – 22, 2013. These entrepreneurs have been given theoretical training as well as hands-on training in the workshop to enable them to become steel fabricators for various fabricated items required by the rural household. After publication of the scheme by PMEGP on 16th / 20th May 2013, INSDAG is providing all hand-holding support to these village entrepreneurs which includes preparation of project reports to enable them to receive subsidized bank loans from banks like Union Bank of India under the Prime Minister's Employment Generation Programme (PMEGP), getting pollution certificate and electricity connection, identification of the machinery required for fabrication at designated places, etc. INSDAG has written to all the major steel producers including SAIL, RINL, Tata Steel, Essar Steel, JSW and JSPL to sponsor one programme each at their places for Skill cum Entrepreneurship Development programme for village entrepreneurs as steel fabricators. Tata Steel has already sponsored one such programme at Bhubaneswar (Odisha) for 55 nos. of rural entrepreneurs to make them steel fabricators during February 11 – March 02, 2013. Next programme for Tata Steel is likely to be held at Ranchi, Jharkhand shortly. Bokaro Steel Plant (SAIL) will also organize such programme at Bokaro in coming months. In addition to the already approved MDP funded projects (West Bengal, UP and Patna) INSDAG has also requested Ministry of Steel to approve another two programmes one each at Tripura and UP. The proposals are under active consideration of the Ministry of Steel.

4.3. Regarding publication of books/study reports in connection with framed structures made of steel in the rural areas, a lot of work in the field of analysis and design of one model (in steel) with the model plan for the single storied residential building for Indira Awas Yojana scheme rural house, structural steel framing and ferro cement wall panel for wall cladding, analysis and design of one model of school building and analysis, design and detailed drawings for a meeting hall has been done by INSDAG. The structural steel framing and ferro cement wall panel for wall cladding are viable and the total cost is Rs.1.35 lakhs under Indira Awas Yojana. The main producers will be exhorted to take it up under their CSR activities.

4.4. Regarding revisiting of designs of various pre-fabricated/semi fabricated applications and increasing the aesthetics of steel used by rural populations, INSDAG has already initiated discussion with Centre for Engineering and Technology (CET)/SAIL and RDCIS (SAIL).

5.1. SAIL has launched a Dealership Scheme in 2006 with a view to increasing consumption of steel in far flung areas of the country and to carry out steel business at grass root level. At present SAIL has a network of 2314 dealers under this scheme spread across 611 district of the country. SAIL Dealership has helped in easy availability and increased usages of items like TMT Bars, GP/GC Sheets and Structurals required by common man in interior areas.

5.2. SAIL has introduced Rural Dealership Scheme during August, 2011 to expand its scope of business in rural areas (block/taluka) of the country with the primary objective of meeting the steel demands of the small rural consumers at block, tehsil and taluka levels which will keep in increasing steel consumption in rural areas. Under this scheme, 665 rural dealers have been appointed as on 1.5.2013.

5.3. Promotional activities like outdoor advertisements, printed materials, audio visuals, events etc. are also undertaken by SAIL and its dealers.

6.1 **Rashtriya Ispat Nigam Limited (RINL)**

RINL adopted a 3 pronged approach for promotion of steel consumption, especially in the rural areas. These are enumerated below:-

I. **Widening Marketing Distribution Network**

Objective: To make steel available easily to consumer in nook and corner of the country.

Special thrust is being given by RINL for steel to reach to common mass so as to promote steel usage and push higher volume for mutual benefit to Consumers and the Company. In this endeavour, RINL has been widening the distribution network across the country.

Under the Rural Dealership Scheme introduced by RINL, the number of Dealers has increased six fold to 606 in the last three years. Region-wise number of Rural Dealers is as under:-

Unit : Nos.		
Region	March, 2010	March, 2013
North	3	190
West	8	81
South	29	162
East	25	158
Andhra	35	15
Total	100	606

Out of 606 Dealers, 90 belong to SC/ST category and 109 belong to OBC category.

In order to further improve distribution of steel in rural areas, it is planned to increase the number of Dealers to 1000 by end of current year. Keeping in view the ongoing and future expansion of the plant capacity actions have been initiated to open 6 New Branches and also plans to appoint Marketing Contact Officers (MCOs) at 7 locations.

II. **Development of new products**

Objective: To serve customers better by meeting their requirement of quality and cost competitive products.

Product development is a continuous process at RINL to meet the specific requirements of customers. In response to the customers need, product development is taken up and successfully developed products are supplied to them.

During last 3 years, about 65 new products have been developed. The new products developed are aimed at improving the quality and cost competitiveness. The rebars produced by RINL make steel usage economical with higher strength at nominal cost.

III. **Advertisement Campaigns**

Objective: To build brand name of the company and to promote steel usage by bringing awareness amongst larger cross section of people.

Earlier, RINL was depending more on mouth-to-mouth publicity arising out of its excellent Marketing Services. Survey made by PM's Trophy Team has also brought out this feature. Hence, there was limited expenditure on publicity. However, now with expansion products and availability of higher product volume, RINL's expenditure on sales promotion is getting increased in stages. During the last 2 years, expenditure increased by 53% to Rs 3.05 cr. of last year i.e. 2012-13. Keeping in view the need and the initiatives required to be taken for product campaigns, Board of RINL has also enhanced the budget for product promotion to Rs.15 per tonne of steel sales. Steel promotion activities being taken includes:-

- Conducting workshops of Architects, Designers, Builder, Consultants etc. at Major Metros (New Delhi, Kolkata, Chennai, Mumbai Hyderabad, Bangalore, Ahmadabad, Patna, Bhubaneswar, Kanpur/Agra).
- RINL organized Training Program on "Increasing Awareness and Usage of Steel in Construction Industry" for Masons, Bar Benders and Fabricators at Visakhapatnam.
- Meet on Rural Marketing to promote "Steel consumption in Rural Areas" was undertaken in association with CII and ASSOCHAM.
- Partners Summit is held every year at HQ, Visakhapatnam, where Rural Dealers participate and discuss various interface issues.
- Regular Rural Dealers Meets are being conducted in the Branch Offices.
- CSR Programmes along with promotion of steel in rural areas have been conducted in Bhubaneswar, Bangalore, Jaipur, Lucknow and Kanpur & such programmes will be taken up in other areas.
- Advertisements during important Sports Events, Seminars etc.
- Making a Product Film in local languages and telecast through local Cable Network.
- Making a CD consisting of Product Features and Contact Persons.
- Advertisements on Buses, Hoardings at Bus Stands, Airports, Railway Stations and vantage points.

- Glow Sign Boards at Stock Yards, Retailers, DLDs and RDs locations.
- Product Campaign through News papers, Magazines etc.
- Product Campaign in Airlines In-flight Magazines.
- Hoardings on RINL's Products in Tier II Cities & Rural Areas.
- Projections of video clips on RINL Products in Cinema Halls.
- Participation in Exhibitions for displaying RINL's Products.
- Printing of Product Brochures for Circulation amongst customers.
- RINL along with INSDAG has also taken up steel product promotion campaign for improving steel consumption in the country.

RINL has also taken several CSR activities in other States to improve its visibility and branding of products. Such initiatives are giving twin benefits of societal development / public goodwill and publicity to the company.

Institute for Steel Development and Growth (INSDAG), promoted by the major steel producers in the country and the Ministry of Steel (MOS) has been acting as a nodal agency for undertaking promotion of steel usage campaign in the country. RINL is a member of this campaign committee and finances the promotional activities undertaken by INSDAG.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

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

Recommendation Serial No.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.

Action Taken

Observations of the Committee have been noted for compliance.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

CHAPTER – III

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

-NIL-

CHAPTER – IV

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

MODERNISATION AND EXPANSION PROGRAMME OF SAIL

Recommendation Serial No.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 Steer 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 far 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.

Action Taken

SAIL is putting in all efforts to complete modernisation and expansion plan within the revised target schedule. Regular review of the implementation is being taken by Board Sub-Committees SAIL Board & Ministry of Steel. For expediting the implementation for achievement of planned milestones, the matter is being continuously followed up with the top management of contracting agencies to ensure adequate resources at site. Risk Purchase Notices have been issued to

erring contractors and packages have been re-ordered at risk & cost of the defaulting contractors.

The crude steel production capacity shall be achieved after the current modernization & expansion plan as given below:-

	Installed (Mtpa)	After Modernisation & expansion (Mtpa)
Crude Steel capacity	12.84	21.40

Expansion of Salem Steel Plant was completed in September, 2010 and is under regular operation. Commissioning of individual units is being done at other steel plants. Present status of various Plants is as under:-

- At Rourkela Steel Plant, Ore Bedding & Blending Plant, COB-6 complex including Coal Handling Plant, Coke Dry Cooling Plant & Coal Chemicals Deptt, Sinter Plant-3 & Continuous Caster have been completed and are under operation/stabilisation. Integrated testing & trials of Blast Furnace-5 have been completed. Preparations are on for blowing-in of the furnace.
- At IISCO Steel Plant, Coke Oven Battery, Sinter Plant & Wire Rod Mill have been completed and are under operation/stabilisation. Coke and sinter is presently being sent to sinter plants. The Blast Furnace & Oxygen Plant are ready and commissioning is linked with the completion of BOF Shop.
- At Bokaro Steel Plant, Acid Regeneration Plant, Coil Packaging Lines, Skin Pass Mill & Power supply facilities required for new CRM have been completed. Integrated trial run of Pickling Line and Cold Tandem Mill done in Jul'13 for reduction of Pickled HR coils through Cold Tandem Mill.
- At Bhilai Steel Plant and Durgapur Steel Plant, facilities are in various stages of execution.

Efforts are on to complete the current phase of Modernization & Expansion progressively by 2013-14.

In case of Expansion at ISP Burnpur, difficult & unforeseen soil conditions, removal of underground boulders and hillocks etc led to increase in civil & structural work substantially and also took extra time. For commissioning of Coke Oven Battery and Sinter Plant, the coke & sinter dispatch systems were required to be constructed which was falling in the area of village deity known as 'Jhoraburi'. The work for shifting the deity to some alternate place outside the plant premises was obstructed by the local villagers. After continuous efforts, the issue was resolved and the diety has been shifted to the alternate place in Jun'12 after which the work was resumed.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Comments of the Committee

(Please see para 10 of Chapter I of the Report)

RASHTRIYA ISPAT NIGAM LIMITED

Recommendation Serial No.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.

Action Taken

Iron Ore:

- I. **Rajasthan:** LOI from Govt of Rajasthan for 1st ever Iron Ore block in the State received on 31/05/13. Another Iron Ore block is under active consideration of Govt of Rajasthan.

However, to get actual benefits of mining of Iron Ore and bring to VSP for use would depend on how fast all the balance statutory clearances are given by Govt. - Matter is being pursued.

- II. **Jharkhand:** Govt of Jharkhand got favourable order from Supreme Court for allotment of Ghatkuri mines to PSUs. Accordingly, the matter is being pursued by Ministry of Steel and RINL with Govt of Jharkhand for which series of meetings took place in April & May, 2013 – the last being on 28th

May, 2013 by Secretary (Steel) with Advisors to the Governor of Jharkhand and Chief Secretary, Govt of Jharkhand.

Jharkhand is most suited location for sourcing of Iron Ore at moderate freight rate by RINL.

- III. **Andhra Pradesh:** There has been good response from Govt of AP recently. But, for early accrual of benefits to RINL, expeditious movement of proposal by Govt of AP for necessary clearances is essential.
- IV **Odisha:** Government of Odisha is being persuaded by the Ministry of Steel for expediting the allotment of mines to RINL in Odisha.

Coal:

Secretary (Steel) has written to Secretary (Coal) on 26th Mar'13 for considering early allotment of at least one or two coal blocks in favour of RINL which are earmarked for PSEs by Ministry of Coal, preferably Aluara and Parbatpur North.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Comments of the Committee

(Please see para 14 of Chapter I of the Report)

Recommendation Serial No.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.

Action Taken

Feasibility study for the next phase of 11 Mtpa of Crude Steel has been carried out. Addressing the following major constraints is essential for achieving the growth plans of RINL.

Iron Ore: Recent positive developments in respect of mines in Rajasthan, Andhra Pradesh and Jharkhand are reassuring. However, expeditious clearances from the respective State and Central Governments are most essential at this juncture.

Coal: Secretary (Steel) has written to Secretary (Coal) on 26th March, 2013 for considering early allotment of at least one or two coal blocks in favour of RINL

which are earmarked for PSEs by Ministry of Coal, preferably Aluara and Parbatpur North. Early action from Ministry of Coal is essential.

Water: RINL is facing acute problem in getting water from Govt of AP even for 6.3 Mtpa stage, though contract exists. RINL has taken up with AP State Govt. to get adequate water supply and also going for augmentation of water storage facility by constructing a new Water Reservoir. As an alternative, RINL is also exploring installation of Desalination Plant; but, it would add to the cost.

Power: RINL is expanding its power production capacity by implementing various new power production schemes. RINL has also taken up with AP Transco for strengthening of infrastructure facility to receive adequate power and for increasing quantum of contractual maximum demand power import signed earlier.

Funds: RINL has been generating surplus cash with which Expansion up to 6.3 Mtpa has almost been completed. RINL has now started borrowing for Modernisation and Upgradation schemes, which would enhance the capacity to 7.3 Mtpa. For further expansion to 11 Mtpa, significant increase in surplus cash is required, for which all efforts are being made by RINL. Early allotment of Iron Ore and Coking Coal mines would help in enhancing the margins and generation of surplus cash.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Comments of the Committee

(Please see para 14 of Chapter I of the Report)

IDLE EQUIPMENT AT KUDREMUKE

Recommendation Serial No.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.

Action Taken

The mining activities at Kudremukh were stopped as per the order of Hon'ble Supreme Court w.e.f. 01.01.2006, consequently the mining and beneficiation equipments are lying idle. To upkeep these equipments in proper conditions and for better realization, KIOCL is maintaining these equipments. For guarding against theft etc. of these equipments, KIOCL has been utilizing the services of Central Industrial Security Force. From the date of closure to till date KIOCL spent Rs.60.56 crores on maintenance and security. The break- up of the same is as follows:-

Sl. No.	Details	Amount (Rs. in crores)
1.	Spares and Consumables	0.18
2.	Power Charges	20.62
3.	Security	39.76
	Total	60.56

The above mentioned amount does not include salary and allowance paid to the employees of Kudremukh unit.

The procurement cost of the Mining & Beneficiation Equipments together with stores and spares which is offered for sale was Rs.442.28 crores. The book value of the Mining & Beneficiation Equipments together with stores and spares is Rs.690.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Comments of the Committee

(Please see para 20 of Chapter I of the Report)

Recommendation Serial No.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.

Action Taken

In pursuance to the directive of the Hon'ble Supreme Court, mining activities at Kudremukh were stopped w.e.f.01.01.2006. Consequent to closure of mining activities at Kudremukh, Company has been exploring various alternatives for mining at other locations within Karnataka and also other States. The details of latest developments made to get iron ore mining lease are given as under:-

(i) Memorandum of Understanding (MoU) with Andhra Pradesh State Mineral Development Corporation (APMDC) Limited, Hyderabad

Industries & Commerce Department, Govt of Andhra Pradesh issued memo dated 18.04.2013 conveying decision of Govt of AP to grant prospecting license for iron ore over an extent of 1513 hectares in Minchery RF, Rayadurgam Range Bommanhal Mandal, Anantapur dist in favour of APMDC, being state public sector undertaking. Govt of Andhra Pradesh also permitted APMDC to form joint venture with KIOCL Ltd for exploration and exploitation of iron ore deposit for the aforesaid area.

KIOCL had entered into Tri-partite MoU with M/s APMDC, an arm of the provincial government of Andhra Pradesh and M/s RINL on 22.06.2013. As per understanding between the three entities, KIOCL and APMDC would jointly explore and develop iron ore reserves in the Anantpur Dist., in AP, while KIOCL would set up beneficiation and pelletisation plant near the mines. 50% of pellets produced by KIOCL will be given to RINL on cost plus basis. The remaining 50% of the pellets produced may be sold in the open market or offered to RINL at mutually agreed price.

(ii) Allocation of Category "C" mines

The Central Empowered Committee has submitted its final report dated 03.02.2012 to Hon'ble Supreme Court in WP No.(C) 562 of 2009 regarding mining leases surveyed by the joint team in the districts of Bellary, Chitradurga and Tumkur and classification of the mining leases into different categories on the basis of illegalities found. Based on the report of Central Empowered Committee, the Hon'ble Supreme Court by its judgment dated 18.04.2013,

allowed all Category “A” and “B” mines for operation with conditions and recommended for cancellation of mines under Category “C” in the districts of Bellary, Tumkur and Chitradurga. Pending decision of KIOCL’s application for allotment of mines, it was requested that the Govt. of Karnataka to consider for allocation of Category “C” mines in order to make pellet plant operations viable.

Hon’ble Minister of Steel vide D.O. No.6(4)/2012-KDH/5600 dated 20.06.2013 requested Hon’ble Chief Minister of Karnataka for his intervention for allocation of Category “C” mines by Govt. of Karnataka to KIOCL in order to make the pellet plant operation viable.

(iii) Hombalghatta and Hosahalli Mining Lease (Chikkanayakanahalli Iron Ore Mining Lease, Karnataka)

Govt of Karnataka recommended for grant of mining lease(ML) in block no. 02 over an area of 116.55 Ha in Hombalghatta & Hosahalli villages, Chikkanayakanahalli Taluk, Tumkur District vide letter No.709/MMM/04-2005-06 dated 06.03.2006 against Govt. Notification No.CI63 MMM 2004 dated 20.07.2004 .

KIOCL is awaiting revised ML sketch from Directorate of Mines and Geology to obtain Forest Clearance for the project and other statutory clearances. Hon’ble Supreme Court vide its judgment dated 18.04.2013, pronounced that an embargo on grant of fresh mining leases need not be continued any further i.e. Govt of Karnataka can grant fresh mining leases in future. Grant of fresh mining leases and consideration of pending applications be dealt with in accordance with law. With this judgment, Govt of Karnataka need to sort out the overlapping issue among all ML allottees and issue revised sketch for obtaining forest and other clearances.

(iv) Ramanadurga (Block no. 13/1) iron ore deposit, Bellary Dist., Karnataka

An application for grant of Mining Lease for an area of 1573 hectares (about 6.5 sq. miles) in Ramanadurga area to the Director, Mines and Geology, Govt. of Karnataka (Government of Karnataka) was submitted by KIOCL on 09.03.2000, as the area was reserved for State Exploitation at that time. Subsequently, Secretary (Mines, Textile and SSI) Government of Karnataka conducted a hearing on 31.08.2010 and 02.09.2010 for consideration of KIOCL’s application for grant of mining lease for iron ore in block No. 13/1. KIOCL submitted a map on 14.09.2010 demarcating 50% of area available in block No. 13/1 Ramanadurga Range to an extent of 840 hectares for grant of mining lease with a copy to Secretary (Mines, Textile and SSI), Government of Karnataka.

Hon’ble Supreme Court vide its judgment dated 18.04.2013, pronounced that an embargo on grant of fresh mining leases need not be continued any further. Grant of fresh mining leases and consideration of pending applications

be dealt with in accordance with law i.e. Govt of Karnataka can grant fresh mining leases in future. With this judgment, Govt of Karnataka has to take appropriate decision for allotment of mining lease of block No 13/1 (Ramanadurga iron ore deposit), since already hearing was held on 31.08.2010 and 02.09.2010. Company is pursuing the matter with Govt of Karnataka to resolve the issue and allocate ML at the earliest.

Secretary, Ministry of Steel vide DO No.6(4)/2012-KDH dated 07.01.2013 requested Chief Secretary, Govt. of Karnataka for looking into KIOCL's pending prospecting/mining lease including block No.13/, Ramanadurga iron ore deposit on priority.

(v) Khandadhar iron ore deposit, Odisha

KIOCL submitted PL application on 17.10.2002 over an area of 54.1 sq km in village Barsua, Rajabasha, Khandadhar & Rantha in the district of Sundargrah, Odisha and ML application on 29.03.2006. Dept of Geology, Govt. of Odisha, on behalf of KIOCL did prospecting drilling from 2003 to 2005 in the applied area and submitted report in December, 2005.

Govt. of Odisha rejected the KIOCL applications and recommended the applied area to POSCO. KIOCL challenged the Govt. of Odisha decision in various courts. Hon'ble Supreme Court vide its judgment dated 10.05.2013 set aside the impugned judgment dated 14.07. 2010 passed by the Division Bench of the Orissa High Court and remit the matter to the Central Government to consider the question of approval under Section 5(1) taking into consideration the recommendations made by the State Government.

(vi) Ghatkuri iron ore deposit, Jharkhand

KIOCL Ltd submitted its application for grant of Mining Lease (ML) on 21.07.2007 for an area of 2500 ha against Gazette Notification on 30.10.2006. KIOCL Ltd also submitted Prospecting License (PL) application for the same area on 25.08.2012. vide No. A/MM-40510/62-6209/M dated 21 Dec 1962 and No. B/M-6-1019/68-1564/M dated 28 Feb 1969 of the then State of Bihar reserved the Ghatkuri iron ore deposit for exploitation by Public Sector Undertaking (PSU) or Joint Venture Project of the State Govt. Special Leave Petition (SLP) filed by some of Private Mining Companies was dismissed by Hon'ble Supreme Court in Jul 2012 and upheld year 2009 order of the Jharkhand High Court, that the Govt has right to reserve areas for exploitation by PSU. Secretary, Ministry of Steel vide DO letter No.6(4)/2012-KDH dated 07.01.2013 requested for looking into KIOCL's pending Prospecting/Mining Lease application on priority.

A meeting was held under Chairmanship of Secretary (Steel), MoS with RINL, SAIL and KIOCL on 17.05.2013 to discuss the issue related to allocation of

iron ore mines in the State of Jharkhand to Central Steel Sector PSUs i.e. SAIL RINL & KIOCL.

(vii) Memorandum of Understanding (MoU) with Kerala State Industrial Development Corporation Limited (KSIDC)

A MoU was signed between KIOCL Limited (KIOCL) and Kerala State Industrial Development Corporation Limited (KSIDC) for iron ore mining, setting up of beneficiation & pelletisation Plant in the Kasaragod / Kozhikode Dist. in the state of Kerala on 22.09.2011 at New Delhi. The MoU was valid for a period of one year from the date of signing and shall be renewed thereafter upon mutual consent. KIOCL took up with M/s KSIDC for extension of MoU till the execution of JV agreement. CMD, KIOCL met Hon'ble CM of Kerala on 16.10.2012 at Thiruvananthapuram to discuss on the status of MoU. In furtherance, Director (Commercial) vide letter dated 20.10.2012 requested the intervention of Hon'ble CM in allotment of mining lease to KIOCL for establishing a suitable business entity in Kerala.

Secretary, Ministry of Steel vide DO letter No.6(4)/2012-KDH dated 07.06.2013 requested Chief Secretary, Govt. of Kerala for suitable mineral rights in the State of Kerala to the proposed joint venture of KSIDC and KIOCL and also possible joint venture among KIOCL, KSIDC and KEMDEL to take up the Titanium Dioxide separation plant.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Comments of the Committee

(Please see para 23 of Chapter I of the Report)

CSR ACTIVITIES IN STEEL PSUS

Recommendation Serial No.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 D.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. 2,34,40,150/- 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 up gradation 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 Minister. 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.

Action Taken

As per DPE guidelines, every year, each CPSE is required to make a budgetary allocation for CSR and Sustainability activities/projects for the year. The budgetary allocation will be based on the profitability of the company. More specifically, it will be determined by the Profit After Tax (PAT) of the company in the previous year as shown here under:

PAT of CPSE in the previous year	Range of Budgetary allocation for CSR and Sustainability activities (as % of PAT in previous year)
(i) Less than Rs. 100 crore	3%-5%
(ii) Rs. 100 crore to Rs. 500 crores	2%-3%
(iii) Rs. 500 crore and above	1%-2%

The guidelines also make it mandatory for all CPSEs to undertake some projects for the development of the backward district of the country. Gonda and Barabanki are identified as backward districts. The list of CSR activities done by

various PSUs during the last five years along with percentage of expenditure in Uttar Pradesh is at **Annexure –IV**. PSU-wise details are as under:-

Steel Authority of India Limited (SAIL)

Audited PAT of SAIL for FY 2012-13 is Rs.2170 crore and CSR expenditure during 2012-13 stands at Rs.53.29 Crore. Provisional CSR expenditure for 2012-13 (un-audited) was Rs.63.65 crore, estimated based on the projected activities.

SAIL earmarked Rs.42 Crore towards CSR budget for 2012-13 i.e. 1.19% of previous year's (2011-12) PAT of Rs.3543 Crore in the range of 0.5 – 2.0 % of net profit of previous year prescribed by the DPE guidelines on CSR.

Additionally, a carry forward amount of Rs.28.48 Crore on account of unspent budget from previous years was also available for CSR projects during 2012-13, thereby making a total fund availability of Rs.70.48 Crore for CSR projects.

CSR activities in Gonda, Barabanki and Balrampur:

SAIL plants/units were set up during 60s -70s in the green field areas which were extremely backward in terms of modern civic-societal amenities. SAIL being a responsible corporate body took up this opportunity to develop the peripheral areas and developed the region into modern townships of today, equipped with state of art civic amenities viz. hospitals, schools, roads, drinking water facilities/sanitation, parks, community centres and other related infrastructure. SAIL now a MAHARATNA has more responsibility towards social sector and have expanded its CSR efforts to pan India.

SAIL, as a part of its expansion plan, acquired the assets of M/s Malvika Steel at Jagdishpur (U.P) in the year 2009, now known as Jagdishpur SAIL Unit (JSU). Commissioning of facilities at Jagdishpur SAIL Unit is in advance stages. SAIL Board also approved setting up of Steel Processing Units (SPUs) at a number of new strategic locations and out of the total 12 SPUs planned in the northern region; seven belong to Uttar Pradesh and as such the region promises huge potential for SAIL. The SPUs are planned to be set up in Gonda, Barabanki and Behraich districts of Uttar Pradesh.

It is relevant to mention here that Gonda, Barabanki and Balrampur districts have been identified as Backward Districts by the Planning Commission for the purpose of Backward Region Grant Fund (BRGF). These districts are quite backward from all socio-economic aspects as evident from the fact that literacy rates of Gonda, Barabanki and Balrampur are 61.16 %, 63.76% and 51.76% respectively which are much below the national figure of 74.04 %. These districts have very low HDI values.

As SAIL is expanding its presence by commissioning of some new plants/units in this region, it was felt that creating a brand name would bring in goodwill for SAIL amongst the local mass. In order to build conducive and harmonious atmosphere and with a view to replicate the SAIL's developmental model, a number of development oriented social welfare schemes were undertaken in these places also. To start with, different facilities were created in the region, under the CSR thrust areas i.e. education, medical & health-care, infrastructure building at Jagdishpur, Barabanki, Gonda, Balrampur etc. in the last few years.

Compared with other states, on the basis of CSR expenditure in 2012-13, Uttar Pradesh stands third after Jharkhand and Chhattisgarh.

Rashtriya Ispat Nigam Limited (RINL)

The CSR activities in UP comprises of education infrastructure, drinking water, community infrastructure, environmental (solar) and skill development for youth which have all been also established at Vizag under the vicinity of the Plant. Such activities are also being planned at other backward regions of the country too.

RINL is a company with commercial outlets at 5 regions & 23 branches covering all major States. Out of 23 marketing branches all over India, RINL is having 3 branches in Agra, Ghaziabad and Kanpur in Uttar Pradesh, with a total business of around Rs. 600 crores per annum. RINL is also in the process of opening marketing branch at Allahabad and Consignment Sales Agent (CSA) at Varanasi. In the backdrop of expansion and product volume increasing from 3 million tonns to 7.3 million tonns, the Company is planning to spread its distribution network further.

Recent developments indicate that in the case of mining lease, in some of the States, the State Government favoured other applicants vis a vis RINL which could be due to the better general public opinion and goodwill generated in the minds of people of the State due to higher levels of CSR activities by these applicants as compared to RINL. Therefore, it is felt essential that RINL also gives equal thrust to such initiatives as being done by others more importantly since RINL will shortly be a 7.3 MT steel producer and plans to further increase its capacity RINL would also be increasingly dependent on the potential steel consumption in the rural markets.

UP State has both vast rural dominance and population which are advantageous for future steel marketing in rural areas. Recently, RINL has launched Rural Dealership Scheme (RDS) at Lucknow and has appointed 11 (eleven) rural dealers. The total business, with the plans of expanding RINL's commercial activities, is expected to grow much more in the coming years in UP. The Company has also filed application for Iron Ore Mining Lease at Lalitpur, Uttar Pradesh (UP). Hence, it is essential that RINL makes its presence felt in

the State of UP so as to maintain a competitive edge in rural areas especially for long products which will be available in large quantities after the current capacity expansion of RINL and also increase its image as a responsible Corporate Citizen in the State of UP.

It is also expected that, in the days to come, steel markets would become more volatile and customer retention for preferential sourcing will depend to a great extent on goodwill generated. Rural markets would ideally qualify for CSR activities with this end in mind. While the coverage in Western UP is adequate, Eastern UP ie from Barabanki, Gorakhpur, Gonda, Balarampur, Basti and Bahraich needs to be catered to. Gonda district is a central hub for Eastern UP and is also one of the backward districts in UP as per the list of Backward Areas published by the Planning Commission.

Govt. of India has laid emphasis on rural infrastructure as the foundation for Rural Development. Infrastructure development also generates relevant employment especially in the skilled & semi-skilled sector. The recent report of the study on sector-wise manpower requirements in skill gaps by the National Skill Development Corporation (NSDC) projects that the gap is maximum in the infrastructure skill development domain. Considering the importance of development of rural infrastructure and its concurrent relation to steel consumption/marketability of the Company's products in rural sector, various CSR activities in UP have been taken up for skill development as a Project in line with the Company's natural corollary of business. These activities taken up in rural areas of the largest State, Uttar Pradesh will be of strategic benefit both from business as well as from social responsibility points of view. Such projects are also being initiated in other backward areas of the Country. Initially skill development center/ITI model have been initiated in Gonda and Vizag. In view of the HDI being lowest in Gonda, the first project among the proposed ten (10) locations was initiated here.

Further RINL by its inherent nature is an energy intensive industry. Energy consumed should be returned in some form or other so as to make an energy neutral impact; otherwise the future generations will be deprived of even essential means. In this context investment in Solar Power & Wind Mill technology, rain water harvesting etc are currently nascent domains of RINL.

Moreover this domain is also a high priority focus area for the Government. As such RINL has also made significant contribution in the areas of solar street lighting in remote and rural areas, solar lighting in schools and homes for night study for children.

NMDC Limited

The amount spent in Uttar Pradesh during 2011-12 and 2012-13 has to be seen in the overall perspective of CSR expenditure of NMDC. During the year 2011-12, NMDC has spent Rs.86.72 crore and for the year 2012-13 the CSR

expenditure was Rs.101.10 crore. The amount spent in Uttar Pradesh constitute only 6.3% and 4.3% of the total CSR expenditure of NMDC during these two years respectively. The Districts of Barabanki and Gonda are listed in the backward districts identified by Planning Commission under Backward Regions Grant Fund (BRGF) and for this reason CSR projects in the above districts have been undertaken apart from other backward districts in UP like Sitapur, Balrampur, etc. Thus, the funds have been mostly utilized for infrastructural development in these backward districts through Public Sector agencies like M/s. HSCL, UP Rajkiya Nirman Nigam Limited and UP Jal Nigam Limited.

MSTC Limited

MSTC is a trading organization and acts as a service provider to the various Government Departments and PSU's by holding web based e-auction / e-tender for sale/ procurement of various items. MSTC does not have any manufacturing unit. It has presence in about 10 locations whereas its activities as e-commerce service provider are spread across the country. MSTC has got more than 350 Principals for whom it acts as selling agent / procurement agent. MSTC has got thousand of registered buyers across the country who participate/bid in the e-auctions / e-tenders conducted by MSTC on behalf of its Principals. Therefore, although the Head Office of MSTC is situated at Kolkata, the e-commerce activities of the company are spread all over the country and there are locations where the business volume of e-Auction is actually more than that around Kolkata, where the company's head quarter is situated. The business volume of the company in the state of Uttar Pradesh, which comes under jurisdiction of the Northern Regional Office located at New Delhi, in the last two financial years viz. 2011-12 and 2012-13 to the tune of Rs.250.00 Crore and Rs.300.00 Crore respectively. In the state of Uttar Pradesh alone, MSTC has about 28 Principals and about 2300 bidders, who participate in e-auction / e-tenders. In coming years the volume of business is expected to grow further. In fact, a proposal has already being mooted for opening an office at Lucknow to focus on the business in and around Uttar Pradesh since the state has got tremendous prospect in terms of growth in the e-commerce business. Accordingly, expenditure has been incurred by the company in the state of Uttar Pradesh towards CSR. Proposals received from the local bodies of Uttar Pradesh were, considered for CSR activities, particularly in the areas of infrastructure and skill enhancement. All the 3 districts of U.P., where MSTC made investments on CSR activities viz. Balrampur, Barabankee and Gonda are backward districts identified by the planning commission for Backward Regions Grant Fund (BRGF). The proposals for investments in different projects in all the three districts were approved by the CSR Committee and the Board of Directors of MSTC. MSTC has also invested in a host of projects in West Bengal, from where most of the proposals were received because of proximity to the head office of the Company. The Proposals received from Karnataka, New Delhi, Maharashtra, Madhya Pradesh, Tamilnadu were also accepted in the last few years under the CSR activities of the company. The Regional and Branch Offices of the company have also been advised to send suitable proposals for CSR

allocation. The company shall also take more pro-active steps to obtain proposals from various states, particularly from backward districts to spread out its CSR activity in future.

KIOCL Limited

KIOCL have not undertaken any Corporate Social Responsibility activities in the two districts of Barabanki and Gonda in Uttar Pradesh state as reported in the observations/recommendations of the Hon'ble Committee.

Hindustan Steelworks Construction Limited (HSCL)

HSCL spent Rs.18.21 Lac for Up gradation of 1 Km rural road from Karaura to Tatarpur in District Barabanki, UP during 2012-13. HSCL also spent Rs.3.26 Lac towards donation of one Ambulance to District Hospital at Kailashsahar in Tripura during 2012-13.

HSCL allocates its CSR budget in accordance with the CSR policy, duly approved by the Board of Directors in line with the DPE guidelines. While taking up CSR activities, business integration of the Company is given due consideration.

HSCL has unit offices in Lucknow and Varanasi for monitoring its projects under execution for Banaras Hindu University (BHU), Central University for Tibetan Studies (CUTs) and CSR projects of other PSUs. Besides this, HSCL has its major business exposure with NTPC at Unchahar, Vindhyachal and Shaktinagar in UP. HSCL is also exploring possibilities to increase its business volume in the State. The Company executed about Rs.80 Cr. worth of orders in UP during the last 2 years 2011-12 and 2012-13 and generated surplus of over Rs.5 Cr.

In view of the reasons stated above, HSCL took up CSR activities in the State of UP also along with other parts of the country.

MECON Limited

1. The company ended-up financial year 2009-10 with PAT of Rs.8262.77 lakhs and CSR expenditure of Rs.80.72 lakhs only. **Details are at Annexure-IV.**
2. In order to ensure that "Carry-forward CSR Fund", are well directed towards the under privileged / backward sections of the society /LWE (Left Wing Extremism) affected villages, through planning, based on "Need Assessment" (with the involvement of villagers / Gramsabha etc.) was considered essential.
3. Accordingly, the company began by adopting following villages of Jharkhand State, which are in LWE (Left Wing Extremism) affected areas and

are also in backward districts of Jharkhand State, for development of basic amenities and infrastructure.

Village	District of Jharkhand
Pancha	Ranchi
Pandu	Ranchi
Rupru	Ranchi
Belagara	Khunti
Sungi	Khunti
Rai	Khunti

4. The mechanism of undertaking & executing Projects in LWE (Left Wing Extremism) affected villages, through involvement of Village-Pradhan / Gramsabha for Need-assessment, making available the requisite land with NOC etc is very time consuming.

5. Finding a suitable executing agency for working in LWE affected villages is difficult. The pace of project execution in this area is also slow leading to lower utilization of CSR funds.

6. In line with this scenario, the CSR budget provisions were being progressively raised in financial years FY 2010-11 & 2011-12 and all the "Unutilised CSR fund w.r.t. allocations as per DPE Guidelines" of previous years (i.e. FY 2010-11 & 2011-12) are carried-forward in the CSR Budget Provision of FY 2012-13, as indicated in **Annexure-II**.

7. Moreover, in current financial year 2013-14 also, all the "Unutilised CSR fund of previous years, w.r.t. allocations as per DPE Guidelines" have been included in the Budget Provision.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Comments of the Committee

(Please see para 26 of Chapter I of the Report)

CHAPTER – V

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

RESTRUCTURING OF HSCL

Recommendation Serial No.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.

Action Taken

Board for Reconstruction of Public Sector Enterprise (BRPSE) reviewed the status on Implementation of the Restructuring Package of HSCL on 22.2.2013. 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. On the basis of updated financial figures of HSCL upto 31.03.2013, the Note for Cabinet Committee on Economic Affairs (CCEA) is under preparation by the M/o Steel in consultation with HSCL and Integrated Finance Division of the Ministry.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

RAW MATERIAL

Recommendation Serial No.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.

Action Taken

Ministry of Steel is of the view that iron ore, being a non-renewable natural resource, should be conserved for long term utilization of domestic steel industry. Therefore, the policy should aim at value addition of iron ore within the country instead of exporting iron ore. The Government has decided that though conservation of iron ore resources of the country is of paramount importance, the same may not be achieved by banning or capping the export of iron ore but by taking recourse to appropriate fiscal measures. Accordingly, Ministry of Steel has been taking up matter regularly with Department of Revenue for levying an appropriate export duty on iron ore to discourage its unabated export. The export duty on iron ore of all grades and varieties has been increased from 20% ad valorem to 30% ad valorem with effect from 30th December, 2011 as a result of efforts of Ministry of Steel. Further, to encourage optimum utilization of iron ore resources of the country and to improve domestic utilization of low grade iron ore and fines through beneficiation and pelletization, import duty on plants and equipments used for initial setting up and substantial expansion of beneficiation and pelletization plants has been reduced from 7.5% to 2.5% in the General Budget for year 2012-13.

The Ministry of Steel is in the process of finalization of New National Steel Policy. Long term resource security and development plan for the Indian Steel industry is one of the core issues to be addressed by the Policy framework. Although no specific time frame may be fixed for the finalization of the new Policy as it involves time taking consultation/discussions with the concerned stakeholders, efforts are being made to finalize the same at the earliest.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

INTERNATIONAL COAL VENTURES LIMITED

Recommendation Serial No.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 3½ 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/Palangarya 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.

Action Taken

Issue No. 1:

MOU between the Government of Central Kalimantan (GoCK) & International Coal Ventures (P) Limited (ICVL)

Background: This MoU was signed as a result of ICVL's letter dated 6th December, 2010, addressed to H.E. Mr. Gita Wirjawan, Chairman, Indonesia Investment Coordinating Board (BKPM), in reference to his meeting with Mr. Virbhadr Singh, the then Hon'ble Minister of Steel, Government of India. This letter contained a proposal for grant of coking coal and thermal coal concessions for ICVL, and setting up of a mineral processing facility/ steel plant in Indonesia.

It was proposed that a steel plant with an initial capacity of 3 million tons per annum in phase-1, with a provision for expansion up to 5 million tons per annum in phase-2, could be considered.

An investment of US \$ 3 billion for phase-1 and an additional investment of US \$ 1.5 billion for expansion in phase-2 was envisaged.

The project was mooted with the idea that it would address concerns of Indonesian Government for job creation and also potentially usher in large scale economic activity and the development of the entire region including creation of direct and indirect employment opportunities for a large section of population.

The MOU was subsequently signed on January 25, 2011, during the visit of Indonesian President to India, and was subsequently extended for a period of one year until January 24, 2013.

Rationale for the investment & major initiatives taken: The financial and economic viability of such a large investment directly hinges upon the grant of coking and thermal coal concessions with sufficient reserves. The coal reserve should be large enough to meet the requirements of the proposed steel plant as well as for imports to India for use by the promoter companies of ICVL. Huge investments would also be required for developing requisite infrastructure to make the proposed steel plant operational. The investments required for infrastructure has not been assessed as yet.

Substantial ground work has been done by the working teams on both the sides. Several visits have been made by senior level ICVL officials to Jakarta and

Palangka Raya, the capital city of Central Kalimantan province. A blue print was prepared identifying suitable locations for the proposed steel plant as well as for coking & thermal coal concessions, the prospective iron ore and lime stone deposits in Central Kalimantan.

ICVL even opened an office in Jakarta to routinely follow up on matters both with BKPM (The Investment Board of the Government of Indonesia) and the provincial Government of Central Kalimantan. But, this was closed as no positive outcome seemed to be emanating.

During the course of interactions with Government agencies, it appeared then that the Governor and his senior functionaries were keen and appreciative of ICVL's efforts, and realize the need for grant of mining concessions, on a nomination basis. Apparently, the Governor has not been able to convince the Heads of Regencies (Bhupatis) who function under the Governor, for the grant of mining concessions. The Bhupatis of the two important Regencies of Murung Raya & Barito Utara in particular, are ostensibly unable to visualize the benefits that can be derived from a steel plant and are unwilling to consider grant of mining concessions.

With a view to successfully implement the MOU, ICVL engaged reputed consultant on success fee basis to influence the Bhupatis. However, even this effort did not yield any success. The consultant also identified suitable coking coal assets with other existing owners who could sell or partner with ICVL for their properties. The expectations/ valuations of mine owners were however, on the higher side, thereby making the steel plant project unviable.

The senior level Delegation of the Republic of Indonesia headed by the Ambassador H.E. Lt. Gen. (Retd.) Andi M. Ghalib, was apprised of these developments in the first week of June 2012. The issues were also raised during a Ministerial Level delegation of the Republic of Indonesia in August 2012. No positive response has as yet been received from the Indonesian side thereafter.

Current Efforts/ Way forward: ICVL's efforts for extension of the current MOU which was valid till January 24, 2013, have not elicited any response from GoCK despite repeated requests.

Recently, H.E. Mr. Gurjit Singh, Ambassador of India to Indonesia, in his letter dated June 21, 2013, addressed to the Chairman, SAIL & ICVL made certain suggestions. ICVL has expressed its' willingness to re-look at the proposal subject to the condition that the Government of Central Kalimantan is ready to play the role of an active facilitator for identifying the partners with coal concession of the right quality required for steel making and is agreeable to grant of iron ore and limestone concessions on nomination basis including allocation of land for the steel plant and associated facilities. Further action will be initiated on the basis of the response, which is still awaited.

Issue No. 2:

Acquisition efforts by ICVL:

ICVL is currently examining a number of proposals for suitability, in countries such as Australia, USA & Mozambique. In some cases, ICVL is in fairly advanced stage of due diligence, and expects to achieve positive results, provided valuations are consistent with market conditions which are currently at a reasonable level. The issue that invariably arises is that the Sellers expect much higher valuations than what is consistent with current and forecasted market prices of coal.

ICVL has also participated in several global bidding processes and has in some cases been the highest bidder. However, some of these processes were not taken forward by the sellers themselves. A few assets have again come to the market in recent months. The sellers' expectations are however, much higher than reasonable valuations. It is note worthy that the transactions which took place at a time when market prices of coal were at their peak i.e. in 2010-11, have fallen steeply during the last one year and are now at a level which is about half of what was paid at that time. Many companies which made transactions at that time have had to write down their asset values to be consistent with current market conditions.

[Ministry of Steel, O.M. No.H-11014(2)/2013-Parl. dated 08.11.2013]

Comments of the Committee

(Please see para 20 of Chapter I of the Report)

**NEW DELHI;
18 December, 2013**

27 Agrahayana, 1935 (Saka)

**KALYAN BANERJEE
Chairman**

Standing Committee on Coal and Steel

ANNEXURE-VI

(Vide Para IV of Introduction)

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

I.	Total No. of Recommendations made	21
II.	Recommendations that have been accepted by the Government (<i>vide</i> recommendation at Sl. Nos. 1, 2, 3, 6, 8, 9, 10, 13, 15, 16, 17 and 21)	12
	Percentage of total	57%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies(<i>vide</i> Recommendation at Sl. No. Nil)	00
	Percentage of total	0%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (<i>vide</i> recommendation at Sl. Nos. 4, 5, 7, 11, 12 and 20)	06
	Percentage of total	29%
V.	Recommendations in respect of which final replies of the Government are still awaited (<i>vide</i> recommendation at Sl. Nos. 14, 18 and 19)	03
	Percentage of total	14%

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL
HELD ON 17 DECEMBER, 2013 IN ROOM NO. '112', FIRST FLOOR, PARLIAMENT
HOUSE ANNEXE, NEW DELHI.**

The Committee sat from 1530 hrs. to 1600 hrs.

PRESENT

Shri Kalyan Banerjee - Chairman

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Ganeshrao Nagorao Dudhgaonkar
4. Shri Vishwa Mohan Kumar
5. Shri Pakauri Lal
6. Shri Babu Lal Marandi
7. Shri Govind Prasad Mishra
8. Shri Rajaram Pal
9. Shri Pashupati Nath Singh

RAJYA SABHA

10. Shri Ali Anwar Ansari
11. Dr. Pradeep Kumar Balmuchu
12. Shri Jugul Kishore
13. Shri Sanjay Raut
14. Shri Dhiraj Prasad Sahu
15. Shri Dilip Kumar Tirkey

SECRETARIAT

- | | | |
|-----------------------|---|---------------------|
| 1. Shri Shiv Singh | - | Director |
| 2. Shri Arvind Sharma | - | Additional Director |

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) Draft Action Taken Report on “Demands for Grants(2013-14)” pertaining to the Ministry of Steel;

(iii) ** ** ** **

(iv) ** ** ** **

(v) ** ** ** **

4. The Committee adopted the Reports with some minor 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.