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

MINISTRY OF STEEL

**Marketing and Transportation of Steel by
Public Sector Steel Companies**

FIFTY-SECOND REPORT



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

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Companies**

Presented to Lok Sabha on 18.02.2014

Laid in Rajya Sabha on 18.02.2014



**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 K. Shivkumar alias J.K. Ritheesh
20. Shri Om Prakash Yadav
21. Vacant

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 Abhijit Kumar - Joint Secretary
2. Shri Shiv Singh - Director
3. Shri Arvind Sharma - Additional Director
4. Smt. Vandana P. Guleria - Sr. Executive Assistant

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorized by the Committee to present the Report on their behalf, present this Fifty-second Report (Fifteenth Lok Sabha) on the subject "Marketing and Transportation of Steel by Public Sector Steel Companies" relating to the Ministry of Steel.

2. The Committee took oral evidence of the representatives of the Ministry of Steel, Steel Authority of India Ltd. and Rashtriya Ispat Nigam Limited on 26.11.2013.

3. The Committee wish to express their thanks to the officials of the Ministry of Steel, Steel Authority of India Ltd. and Rashtriya Ispat Nigam Limited for placing before them and in furnishing material/information from time to time as desired by the Committee.

4. The Committee considered and adopted the Report at their sitting held on 17.02.2014.

5. The Committee place on record their profound appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

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

NEW DELHI;
17 February, 2014
28 Magha, 1935(Saka)

KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel

REPORT

PART-A

CHAPTER-I

A. Introductory

Marketing is the process of communicating the value of product or a service to customer for the purpose of selling that product or service. Distribution is the process of making a product or service available for use of consumption by a consumer. Indians were familiar with iron and steel during the Vedic age more than 4,000 years ago. Now the Indian iron and steel industry has undergone a sea change since that time. Iron and steel industry became one of the foremost sectors to be opened under the New Economic Policy. Substantial private investments flowed in with the consequent changes heralding a new beginning for the interplay or free market enterprise in this vital sector.

2. At the consumer or demand end, the market for steel has been transformed from a seller to a buyer market. Control and regulation have been replaced by competition. Administered prices have been replaced by supply and demand determined market prices. In the post liberalization era, the structure of the steel industry is significantly and vastly different with the advent of major steel products in the private sector which have come up with the world class technologies and capacities. There has been a clear focus on the state-of-the art technology. Presently, India can boast of new technologies like Corex, Thin Slab Casting and Compact Strip Mill Technology, DC Electric Arc Furnaces, Twin Shells AC EAFs etc. in the steel industry. As the Industry has now to focus on customer satisfaction and outstanding quality of steel products in a competitive environment, the Committee have examined in details the process of marketing and transportation of steel by Public Sector Steel Companies in the country.

B. Marketing of Steel

3. According to Ministry of Steel, Central Marketing Organisation (CMO) of SAIL which is ISO 9001: 2000 certified is India's largest industrial marketing set-up. It markets steel produced by the 5 Integrated Steel Plants of SAIL located at Bokaro, Bhilai, Durgapur, Burnpur and Rourkela and 3 Special Steel Plants at Salem, Bhadravati and Durgapur in both domestic as well as foreign markets. Headquartered in Kolkata, it transacts business

through its network of 37 Branch Sales Offices spread across the four Regions, 25 Departmental Warehouses equipped with mechanised handling systems, 42 Consignment Agents and 27 Customer Contact Offices. CMO's domestic marketing effort is supplemented by its ever widening network of dealers who meet the demands of the smallest customers in the remotest corners of the country. During 2011-12 SAIL introduced a new Rural Dealership Scheme with a view to meet small requirements of rural consumers at Block, Tehsil and Taluka level. As on 1.01.2014 SAIL's dealer network consists of 2774 dealers (including 855 Rural dealers) covering almost all the districts of the country. During the year 2012-13 SAIL supplied 5.45 lakh tonnes of steel products to its dealers. During April to December 2013, sales to dealers have been 4.21 lakh tonnes.

4. As regards the Company RINL has a wide distribution network spread across the country consisting of 5 Regional offices located at Delhi (North), Mumbai (West), Chennai (South), Kolkata (East) and Visakhapatnam (Andhra) and 23 Branch Sales Offices and Stockyards. Further, Consignment Sales Agents have been appointed at 5 locations where RINL does not have its outlets. These are Bhopal, Jabalpur, Varanasi, Gauhati and Agartala. RINL has also appointed 114 Retailers as on 1-9-2013 spread across the country to help in distribution of steel to small consumers. These Retailers and Rural Dealers supply steel to various customers in urban, semi-urban and rural areas.

5. With a view to promote consumption of steel in the country, RINL is also taking several initiatives. Some of these are as under:-

- (i) Development of new products and creating niche markets.
- (ii) Appointment of RINL Exclusive Dealers and RINL Channel Partners in the States, where RINL's presence is either not there or less.
- (iii) Strengthening Rural Dealership Scheme for increasing consumption of steel in Rural Areas of the country.
- (iv) Setting up of Steel Processing Units (SPUs) by taking the rolling Mills on wet lease basis for conversion of semis produced at RINL to economy grade rebars and structural for supplying to Rural Areas.
- (v) Setting up of Service Centres for supplying made to order steel products suiting the requirement of project customers and actual users.

C. Product Range of SAIL and RINI :

6. As regards the SAIL's product portfolio the Committee were informed that it covers a variety of steel products covering Long, Flat and Tubular products. SAIL offers 50 mild, special and alloy steel products in more than 1000 qualities and more than 5000 dimensions. The main products marketed by the company are as under:-

Flat Products: Plates, Hot Rolled Coils/Sheets/Skelp, Cold Rolled Coils/Sheets, Galvanised Coils/Sheets, Electrolytic Tin Plates, CRNO Electrical Sheets, TMBP Coils.

Long Products: TMT bars, Angles, Channels, Joists (Beams), Wire Rods.

Track/Railway Materials: High Conductivity Rails and Crane Rails, Heavy Rails, Light Rails, Crossing Sleeper Bars, Wheels & Axles, Wheel sets.

Tubular Products: ERW Pipes, Spirally Welded Pipes.

Stainless Steel, Alloy & Special Steels: Hot Rolled and Cold Rolled Stainless steel, Alloy Rounds, Billets, Tool & Die steel, Higher Alloy grades etc.

7. The Ministry of Steel have informed the Committee that in a competitive environment in order to provide better customer service, continual efforts are made in the area of product development to suit customers' requirements. SAIL also provides application engineering services under which technical advice and assistance is provided covering the manufacturing process of customers and material suitable for the same. 24 new products were developed during the year 2012-13 for a wide variety of application. Some of the products developed are-

- (i) IS 2062 E350 HR Coil without micro-alloying (Thinner Gauge 1.6-4.0 mm) at Salem Steel Plant and IS 2062 E450 HR Coil at Bokaro Steel Plant for Railway wagons
- (ii) API X-70 HR Coil at Rourkela Steel Plant for Sour Gas Application
ASTM 537 Cl. II Q&T Plates at Bhilai and Rourkela Steel Plants for Petrochemical & Heavy Machinery
- (iii) Soft Iron Magnetic Plates at Bhilai Steel Plant for Neutrino Observatory

8. SAIL also provides application engineering services under which technical advice and assistance is provided covering the manufacturing process of customers and material suitable for the same.

RINL

9. Major products of RINL comprises of rebars and structurals for construction and infrastructure building, wire rods and rounds for manufacturing and automobile sectors and blooms and billets for further processing and pig iron for production of steel. Also,

the company produces several by-products viz. ammonium sulphate, naphthalene, benzol products, tar products, pitch, coal oils, BF slag, oxygen etc.

10. RINL has been in the long products segment with large number of products. Now, in order to further enlarge its product-mix, RINL is all set to diversify into flat products in the next phase of expansion to 11/12 Mtpa.

D. The Organisational Setup of CMO(SAIL)

11. The Committee were informed that Central Marketing Organisation of SAIL is headed by Director (Commercial) and consists of the following major operating divisions-

(i) Flat Products Group- This group is responsible for overall sales strategy to achieve sales targets in terms of sales turnover, market share and profitability, to oversee the supply of Flat Products across market segments and maintain close interface with plants/Corporate office/external agencies as may be required to achieve the sales targets for their respective products.

(ii) Long Products Group- This group is responsible for overall sales strategy to achieve sales targets in terms of sales turnover, market share and profitability, to oversee the supply of Long Products across market segments and maintain close interface with plants/Corporate office/external agencies as may be required to achieve the sales targets for their respective products.

(iii) Retail Marketing Group- This group has been set up with the purpose of expanding the market share of SAIL products through penetration in the rural market.

(iv) Warehousing group- This group is entrusted with the responsibilities of Handling, Storage and Delivery of SAIL products from the Warehouses located across the country. Currently the group is managing 67 warehouses across the country through which customers' requirements are being serviced.

(v) International Trade Division- International Trade Division (ITD), in New Delhi- an ISO 9001:2000 accredited unit of CMO, undertakes exports of Steel from SAIL's five integrated steel plants and three Special Steel Plants. Ever ready to meet the exacting demands of its global customers, ITD maintains a close liaison with customers and the production units to cater to the customized requirements of its customers both in terms of quality and sizes. SAIL's major products are also covered by stringent certifications such as CE marking TUV and 'U' mark required by sophisticated uses in European markets. Some of the notable destinations of SAIL products are Indonesia, Thailand, Malaysia, Singapore, Myanmar, Bangladesh, Sri Lanka and Nepal.

(vi) Special Steel Plants- Marketing of products of Special Steel Plants at Salem, Bhadrawati and Durgapur was integrated with CMO in the year 2011-12.

12. In addition to these main operating divisions, there are various service and support functions such as the Market Analyst Group looking into market research function, Application Engineering Group for advising customers on appropriate usages and monitoring of quality in consultation and co-ordination with the plants and IT group.

E. Customer satisfaction by SAIL and RINL

SAIL

13. Customers of SAIL cut across a large cross section of segments/sectors due to its wide range of steel products in terms of product categories, sizes and grades. SAIL is a major supplier of steel to the core sectors like Power, Railways, Defence, Infrastructure and Petroleum etc. SAIL has developed special quality Plates for Defence for warships and submarines. SAIL is regularly supplying steel items to Small Scale Industries Corporations (SSICs) and National Small Industries Corporations (NSICs) against allocation of steel by Ministry of Steel.

SAIL has supplied substantial quantity of steel to various Metro Rail projects in the NCR area and in other cities. Major steel requirement for the Bandra Worli Sea Link Bridge in Mumbai was also serviced by SAIL. Some of the other major project customers being serviced are Indian Oil Corporation, L&T, BHEL, IOCL, HPCL, BPCL, NTPC, NHPC, NHAI, IRCON, BSNL, Airport Authority of India etc. SAIL is also the single largest supplier of steel to the tube making industry and LPG Cylinder Manufacturers of the country.

14. On being asked whether SAIL have regular interface with steel consumers in regard to the demand and supply position, the Ministry of Steel in a written reply informed the Committee as under:

“At SAIL, regular interface with customers is done at various levels to ascertain their demand, booking of orders, serving of customers’ demand and for various pre and post supplies activities. Customer interface is inbuilt in our marketing activities, some of the examples of the same are as given below:

- (i) SAIL enters into MOU with its major customers for their annual requirements. Supplies against the same are regularly monitored and requirements of the customers are discussed while booking orders on monthly basis. Requirements of most of the major customers viz. NTPC, NHPC, BHEL, L&T, Surya Roshni Ltd, Bhushan, Jindal Pipes etc are booked under MOU. Regular meetings are held with MoU customers.
- (ii) Customers are contacted as per the customer contact plan drawn for the month by each Branch Sales Office. During these interactions, current requirements of customers are discussed and noted for booking and supply.
- (iii) Based on discussions with the customers during customer contact or telecoms, monthly demand forecast is done by the Branches for all major customers and the same is communicated to the Regional Office and Head Quarters(HQ) / Marketing. This forecast is done online for the purpose of monthly production planning.
- (iv) Order Conformance Report (OCR) is generated for key accounts to report / review conformance of orders booked vis-à-vis supplies. This process helps in refinement of capturing customers’ requirement and improve conformance between dispatch and forecast.
- (v) Detailed Annual Demand Assessment is carried out for all categories / qualities of products and for various segments. This activity is also done online and it gives fair amount of idea about the products / grades required

by various segments of customers. Information about source-wise, category wise supplies to various segments is also captured.

- (vi) Interactions are also held between major customers and cross functional teams from SAIL regarding requirements of customers. These interactions take place during customers' visits to plants, organised from time to time by the company, and during visits of SAIL officials to customer premises / works to know about product performance and customers' requirements.
- (vii) Application Engineering Group of Central Marketing Organisation of SAIL also interacts regularly with customers, especially for new product development or critical applications involving use of special grades. Thus new requirements of emerging markets are studied and production taken up depending on technical feasibility & commercial viability of the products/grades.
- (viii) Higher/Apex level interface with consumers/ consumer associations is being done periodically. EDs and senior officers from marketing Headquarter also meet the important customers from time to time to ascertain their requirements."

RINL

15. The Committee were informed that at RINL the needs and expectation of the customers are captured through the following structured mechanisms:-

- (i) The demand for steel products from the various consumers groups like industrial consumers (Forging, Bright Bar, Wire Drawing, Fasteners etc.), Project Customers and Retailers at the beginning of the financial year.
- (ii) MOUs are entered into with Actual Users, Project Customers and Retailers for ensuring steady and consistent lifting of materials.
- (iii) With a view to aligning our production schedule with the specific monthly requirements of the customers, Regions and Branches send consolidated monthly requirements to the Planning & Despatch section at Head Quarter, Visakhapatnam, which is used for preparing Rolling Plan.
- (iv) RINL/VSP has a Calendar for Customer Meets at various levels like CMD, Director (Commercial), General Manager (Mktg.) and Regional Managers. Through these Customer Meets the needs and expectations are captured and efforts are made to meet their requirements.
- (v) Cross Functional Teams (CFT) consisting of representatives from Rolling Mills, Quality Assurance and Technology Development (QA&TD), Production Planning and Monitoring and Marketing also visit customer in all the regions every year.
- (vi) Visits of Customer Groups to Plant are arranged for the appreciation of the production facilities and the process by the customers.
- (vii) Partnership Summit is organized every year at the beginning of the financial year with customers all over the country.

16. As a result of RINL's continuous efforts, there has been steady improvement in the Customer Satisfaction Index, which has improved from 78 to 80.8 as per the latest Customer Satisfaction Survey conducted by an external agency.

F. Marketing of Steel in Rural Areas

17. The Committee were informed that the per capita consumption of steel in India is low at around 57 kg as against a global average of around 217 kg. As per a report (June, 2011) by JPC based on a study carried out by IMRB which was sponsored by the Ministry of Steel, the average per capita steel consumption in rural areas is estimated to be 9.8 kg.

18. To increase consumption of steel in the rural areas; the Committee were informed of the following measures taken by SAIL:-

(i) With a view to widen the reach of its products, SAIL has established its dealer network extensively to cover almost all the districts in the country. As on 1st January, 2014 SAIL dealership network consists of 2774 dealers(including 855 rural dealers) spread over almost all districts.

(ii) Further, SAIL has appointed 855 (as on 1.01.2014) rural dealers under its new **Rural Dealership Scheme** launched in 2011-12 with a view to expand its scope of business in rural areas of the country especially at block/taluka level. Plan is to take it to 1000 numbers to increase reach of SAIL products at block/taluka level. Process for further appointment of rural dealers is under progress. The primary objective of the Rural Dealership Scheme is to meet the steel demands of the small rural consumers at *block, tehsils and taluka* levels. Total number of dealers as on 1.1.2014 is 2774 (including 855 Rural Dealers).

(iii) As per SAIL Dealership Policy and Rural Dealership Policy, dealers are required to stock TMT Bars, GP/GC Sheets and other items required by common man and sell to small/retail customers at prices fixed by SAIL. Appointment of dealers and rural dealers in various districts / blocks / talukas has helped in making steel items of mass consumption available near the consuming points at competitive prices as SAIL absorbs transportation cost from the nearest SAIL warehouse to the dealers' premises. As a result, SAIL material is made available to dealers in rural and remote locations at the same price at which it is available to dealers at the nearest SAIL warehouse location.

(iv) SAIL has taken up comprehensive development of 79 Model Steel Villages spanning eight states. The development work being undertaken in these villages is likely to result in generation of steel demand."

19. Asked about the constraints being faced by SAIL while giving priority in supplying the steel products to the rural areas, the Ministry of Steel in a written reply informed the Committee as under:-

(i) "Customers in rural areas generally require steel items in small lots/quantities. Due to lack of adequate handling facilities at rural points, unloading of big packets/bundles of steel items becomes difficult. Hence reaching steel materials in desired lots/sizes and at frequent intervals is a challenge for steel companies.

(ii) Although SAIL is delivering steel in interiors under its dealership scheme at dealers' doorstep, there are not enough transporters vying for dealer supplies in view of insufficient volumes and inconsistency in buying especially by the dealers in the hinterland. At times, inadequate infrastructure slows down supplies during monsoons.

(iii) Availability of suitable types of vehicles to carry small bundles is scarce and most of the time SAIL has to engage large trailers for carrying small lots to rural areas where a small truck would be better suited due to non availability of suitable transport, thus incurring high transportation cost.

(iv) Availability of lower sizes of Re-bars and thinner gauge of Galvanised products is also a constraint for meeting full demand of the rural areas.

(v) Rail movement constraints, as there are restrictions from Railways regarding multi-point rake, rake availability etc.

(vi) Low awareness of quality steel products in rural areas. In rural areas, customers' purchasing decisions are determined by aesthetics/looks of the material (eg. bluish grey means superior material) rather than test certificates.

(vii) Comparison with local secondary producers, who use lower technology and scrap as input for producing steel and supply cheaper material (particularly TMT Bars up to 16 mm) without proper testing and BIS certificate."

20. The Committee were further apprised of the following steps that have been taken by SAIL to make the scheme successful:-

(i) Month-wise lifting by rural dealers since April, 2013 are as given below-

Tonnes Qty in Metric

Month	Lifting of Rural Dealers
April	1790
May	2165
June	2367
July	1966
August	2553
September	3231
October	2702

November	3082
December	3093
Apr-Dec'13	22949

(ii) Since many of the Rural Dealers are new to marketing of steel, Hand holding meets have been started with rural dealers whereby a group of SAIL representatives meets rural dealers to educate them about SAIL products and guide them to market SAIL products.

(iii) After capacity expansion at SAIL plants SAIL will be in a position to double the availability of TMT bars for sale through Rural dealers. There will be scope to add new products viz. Plain Rounds / Wire Rods to the retail basket.

21. According to Ministry of Steel applications/ products where steel is being used in rural areas in India are mainly community construction, household construction, items for professional use like agricultural implements, furniture, vehicles and household items. Product wise applications in rural areas are as given below-

Steel Item	Major Applications
TMT BARS	Construction of Individual houses, small buildings for schools, community halls, public utilities, culverts etc.)
GP Sheets	Shaping into Storage Bins, Trunks & Boxes, Buckets, Milk Cans, and Trays etc
GC Sheets	Roofing and barricading
Light Structurals and Flats	Small fabrications/Structures, Grills, Doors & Windows
HR /CR Sheets	Panels, Boxes, Furniture Items etc

Other major items where Steel is used are: Agricultural Implements (like Spade, Shovels etc.), Equipment (Tiller, Tractor Plough, Thrasher, Trolleys, Wheel Barrows, Carts), Hand tools, Wire Mesh, Water Pumps etc.

Steel supplied by SAIL goes into most of the uses mentioned above. Besides making higher quantities and more variety of products available through Rural Dealers, SAIL will continue to take up Promotional Activities. In order to promote steel, SAIL at its Branch level undertakes Mason, Architect, and Dealer Meets periodically at different locations. SAIL Dealers are presently being given an incentive for various other promotional activities like putting up hoardings, wall paintings, news paper/magazine advertisement, advertisement on bus panels, distribution of promotional items like key rings, caps etc. and to set up stalls in rural fairs. Thrust will continue to be given to such activities during 2012-14."

22. As regards RINL Rural Dealership Scheme for supply of steel in Rural Areas, the Committee were informed that the Scheme envisages registration of Dealers in rural areas at Block Level and Panchayat Level locations. In order to increase the consumption of steel following actions have been taken by RINL:

- (i) Product Promotion Group under a metallurgist at DGM level has been started.
- (ii) Partnering with INSDAG for taking product promotion activities, increasing steel consumption in rural areas etc.
- (iii) Organising workshops of Architects, Builders, Designers, Engineers etc. for promotion of steel consumption.

23. The per capita steel consumption of steel in rural areas has now picked up but still it is mere 10 Kg, against the country's average of about 60 Kg. In order to promote steel consumption in rural areas further, RINL introduced Rural Dealership Scheme and the number of such Dealers have increased more than six fold to 630 in the last three years as under :

Item	Mar'10	Sept.'13
No. of Rural Dealers	100	631

24. In order to improve distribution of steel in rural areas further, it is planned to increase the number of Dealers to 1000 by end of current year i.e. 2013-14. Appointment of Dealers is being done on continuous basis to achieve Company's Objective of ensuring availability of RINL products in nook and corner of the country.

25. On being asked what essential measures are proposed/taken by RINL if any, to increase the consumption of steel in rural areas in the country, the Ministry in their written reply furnished as under:-

"RINL/VSP introduced Rural Dealership Scheme for supply of steel in Rural Areas. This Scheme envisages registration of Dealers in rural areas at Block Level and Panchayat Level locations. Till the end of January 2012, RINL registered 231 rural dealers in different parts of the country. In order to increase the consumption of steel following actions have been taken by RINL:

- (i) Increasing the no. of Research and Developments to 1000 during 2012-13.
- (ii) Partnering with INSDAG for promoting consumption of steel.
- (iii) Planning Product Campaign in a big way in rural areas to increase the awareness of steel usage.
- (iv) Focusing on increasing consumption of steel for which small documentary film in local languages have taken up.
- (v) Economy Rebars/Structurals through SPUs"

G. Marketing Strategies:

(a) Domestic

SAIL

26. The Focus of the current and future strategies is on maintaining & enhancing existing share in the major domestic market segments and expand in new higher value segments. The capacities under the expansion have been accordingly planned to retain dominant position in the domestic market.

27. The Committee were informed that marketing policy of SAIL is oriented towards consumers/actual users. Due priority is accorded for meeting steel requirements of Government Departments like Defence, Railways, etc., PSUs, Small Scale Industries Corporations (SSICs) / National Small Industries Corporation (NSIC).

28. During oral evidence on 26.11.2013 CMD SAIL informed the Committee that We have a small depot Ladakh. Sir, we held our meeting in Ladakh on 10th June 2012. In the year 2011-12, in Ladakh the total sale was 725 tonnes; in 2012-13, the sales doubled to 1350 tonnes; and in 2013-14 from April to December, we already sold 1630 tonnes. The growth level has been 30 per cent. Similarly, in Jammu and Kashmir also, in the year 2011-12, sales was 57052 tonnes; in the year 2012-13, the sales have been 81470 tonnes and in the year 2013-14 from April to December 2013, we already sold 71162 tonnes. The growth level has been 25 per cent. Likewise, we held one meeting in Cochin also on 30th January, 2013. The sales have been picked up there also. We sold 45000 tonnes in the year 2011-12; 47000 tonnes in the year 2012-13; and in 2013-14 from April to December, we have already sold 42447 tonnes. Then, we held one meeting in Darjeeling also. There also sales have picked up. We had sold 0.95 lakh tonnes in the year 2011-12; in the year 2012-13, we have sold 1.06 lakh tonnes; and in 2013-14, we have already sold 0.61 lakh tonnes.

RINL

29. The following steps are being taken by RINL/VSP for expanding marketing distribution network to take care of increased availability of steel products after expansion.

(viii) At Head Quarters, Visakhapatnam a new Central Despatch Yard is going to be constructed to facilitate systematic stacking and speedy loading of products into the wagons.

(ix) Nodal Stockyard one in each of the Regions i.e. South, North and West are planned.

(x) As on 1-9-2013, 630 Dealers consisting of District Level Dealers and Rural Dealers are in position through out the country. It is planned to increase the Network of Rural Dealers to 1000 by the end of 2013-14.

- (xi) Increasing market share in the segments of Value-added Steel, Project Sales, OEMs and Actual Users.
- (xii) Increase in exports i.e. 3-5% of total saleable steel.
- (xiii) It is planned to adopt coastal movement for iron and steel products from Visakhapatam to Southern and Western Coasts. The proposed share of dispatches by various modes of transports are : Rail : 85%, Road : 10% and Sea : 5%.

30. CMD RINL, during evidence informed the Committee that "We are producing about 3.5 million tonnes of iron and steel products and selling them across the country. Being a South-West Company, we were selling there and for the long product, we have the highest market share. The total sales is around 11.4 million tonne, out of which the long product is around 4.78 million tonnes. The total RINL sale is around 3 million tonnes including one million tonnes of pig iron. Other than rail, we have the highest market for the long product. We have been selling our more than 50 per cent products in south. But now with decrease in consumption in Andhra Pradesh and newer competitors like Jindal coming in, our market share in south has gone down. Now we are strengthening our position in North-East-West. Already last year there was a growth ranging up to 15 per cent in East, West and North. Now we are increasing the number of our branches/dealers to get the market in other areas of the country.

31. He informed the Committee "Sir, while we have completed expansion, higher volumes of steel will start coming and that throws a much bigger challenge for RINL for selling whatever new products will come. But we have made preparations and we are sure that we will be able to sell our material across the country. We have taken a target of about 10 per cent for exports."

(b) Export-

32. SAIL maintains a strategic presence in foreign markets and has been exporting around 3-5% of its saleable steel production during last few years. With higher production capacities of SAIL plants post expansion and modernization, share of exports is likely to go up in future.

33. RINL's products are well accepted in international market. Currently, export of around Rs.500 cr. worth iron and steel products are made annually. With a view to taking advantage of its port based location, RINL plans to increase its export presence. This strategy would also help in tapping new markets, which is necessary with increase in availability of steel after expansion. In this direction, the company is going to open its first International Marketing Office (IMO) in World Trade Centre at Colombo, Srilanka in Oct.'13. Efforts are being made to take Rolling Mills on lease in Srilanka and Myanmar for rolling RINL's semis into finished steel products like TMT bars and Structurals and market in these countries and also export to other countries. It is planned to open Marketing Contact Offices in countries like Singapore, Dubai, Malaysia etc. in future depending on the requirement to improve exports.

H. Retail Sales:

34. The Committee were informed that SAIL has established a wide network of dealers across the country to meet the requirements of retail customers. SAIL dealership is being further expanded with a view to widen its reach in remote areas and bring items of mass consumption like TMT bars and Galvanised Sheets nearer to consumption points. Preference is accorded to backward classes in appointment of SAIL dealers. Expansion of category wise dealers is as under-

Category	Number of dealers (including Rural Dealers w.e.f. 1.4.12)					
	1.4.07	1.4.10	1.4.11	1.4.12	1.4.13	1.1.2014
SC	154	340	333	394	331	263
ST	63	131	137	151	142	145
OBC	70	362	373	495	424	443
General	366	1675	1806	2098	1999	1923
Total	653	2503	2649	3138*	2896	2774

* including 476 LOIs as on 1.04.12

35. During the year 2012-13, SAIL supplied 5.45 lac tonnes steel products to its dealers. During Apr-Dec'13 sales to dealers have been 4.21 lac tonnes. SAIL organises door delivery of material at dealers' premises free of cost through its authorized transporters by absorbing the transportation cost with a view to make available steel consumed by common man at a competitive price. Promotional activities are also undertaken to promote sale of steel items through dealer network. For encouraging dealers to perform well, incentive schemes and awards have been instituted.

36. On being asked about the efforts being made to create adequate network of retail outlets to meet demand of steel, the Ministry in a written reply informed the Committee as under:-

"SAIL has the widest network of marketing offices in the country among all steel producers. SAIL marketing offices not only meet large requirements of industrial and institutional buyers but also cater to small requirements of retail customers. SAIL has established a wide network of Dealers across the country for meeting demand of items of mass consumption like Galvanised sheets and TMT Bars in remote areas of the country.

37. When enquired about the marketing performance of SAIL, the Committee have informed as under:-

"During 2012-13, domestic sales from 5 integrated steel plants (ISPs) declined by 2.3% while exports registered a growth of 10.2% over previous year. Break up of sales is as given below-

	Quantity in '000 tonnes		
	Sales Volume		% growth
	2012-13	CPLY	
CMO Home sales (5 ISPs)*	10333	10578	-2.3%
Special Steel Plants	208	248	-16.1%
Exports	368	334	10.2%

Total	10909	11160	-2.2%
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*including Salem Black Coils

During Apr-Dec'13, sales have recorded 8.4% growth over corresponding period last year-

	Sales Volume		
	Apr-Sept'13 (Provisional)	CPLY	% growth
CMO Home sales (5 ISPs)*	7856	7348	6.9%
Special Steel Plants	160.4	163.3	(-)1.8%
Exports	365	216.7	68.3%
Total	8381.40	7728	8.4%

*including Salem Black Coils

38. Regarding the demand and supply of finished steel during 2009-10, 2010-11 and 2011-12 the Committee were informed that as per the JPC the All-India demand (consumption) and supply (production) of total finished steel (Alloy and Non-Alloy) during the last three years is as under:-

(Qty. in Million Tonnes)

Year	Demand (Consumption)	Supply (Production)
2009-10	59.34	60.624
2010-11	66.442	68.621
2011-12	70.915	73.416
Apr-Dec'12	54.805	56.569

Source: JPC

39. As regards the product-wise / category-wise performance of sales in respect of SAIL since 2009-10 the Ministry of Steel informed the Committee as under:-

(a) Domestic Sales

'000 Tonnes

Product			
A. Pig Iron	197	162	67
B. Long Products			
Semis	1256	1168	951
Bars & Rods	1920	2014	1816
Structurals	876	906	765
Railway Materials	891	939	856
Total Long Products	4942	5026	4388
C. Flat Products			
Plates	2424	2244	2170
HR Coils / Skelp	3139	2984	3112
HR Sheets	164	145	114
CR Coils / Sheets	725	652	486
GP / GC Sheets	233	201	171
Total Flat Products	6684	6225	6052

D. P ET Products			
Elec Steel Sheets	81	75	60
Tin Plates	18	9	10
Pipes	58	81	68
Total PET Products	157	165	111
TOTAL STEEL	11783	11416	10578

(b) Exports

'000

Tonnes

Category	2009-10	2010-11	2011-12
Semis	141.4	68	34.5
Plates	76.2	182	191.3
Wire Rods	28.6	15.6	23.8
TMT Bars	4.1	4.2	3.6
Structurals	0	0.9	1.5
Rails	0	5.5	28.7
Loco Wheels	0.1	0	0.1
HR Coils/Sheets	63.8	44.9	40.3
CR Coils/Sheets	3.9	6.3	5.9
GP/GC Sheets	5.4	3.5	1.5
CRNO	0	0	0
Total	323.4	330.9	331.1

40. On being asked about the efforts being made to increase the share of SAIL in sales performance, the Ministry of Steel has informed the Committee as under:

“In order to increase its market share, SAIL is increasing its supply of finished products by converting Semis into finished steel items viz. Re-bars and Structurals. During Apr-Dec’12, SAIL has achieved 3% growth in the conversion of Semis. SAIL is in the process of expansion and modernization of its steel plants which will help SAIL in increasing its market share. Production capacity of saleable steel is planned to be increased from the current level of 11.1 million tonnes to 20.2 million tonnes after completion of the current phase of the ongoing modernisation and expansion.”

RINL/VSP

41. To a query about the year-wise sales of saleable steel by RINL/VSP during the last 5 years the Committee were apprised as under:-

Unit : million tonnes

Year	Sales of saleable steel
2007-08	2.941

2008-09	2.617
2009-10	3.131
2010-11	3.007
2011-12 (Likely) (Upto Jan.'12)	3.180 (2.47)

The product-wise, performance of RINL/VSP since 2007 is as below:

Unit : '000 tonnes

Year/Product	2007-08	2008-09	2009-10	2010-11	2011-12 (likely)
Rebars	1106	1024	1202	1277	1361(1058)
Wire Rod Coils	448	498	418	388	390(300)
Rounds	504	391	515	476	532(414)
Structurals	296	245	293	255	314(244)
Squares	411	299	486	473	400(314)
Semis	176	160	217	138	183(142)
Total	2941	2617	3131	3007	3180(2472)

() figure in bracket upto January'12

42. Asked about the estimated market share of SAIL during last 3 years the Ministry of Steel informed the Committee as under:-

Category	Market Share of SAIL (%)		
	2010-11	2011-12	Apr-Dec'2013
Flat Products	20.9	19.4	20.5
Long Products	11.9	10.4	8.5
Total Finished Steel	16.3	14.9	14.0

43. As regards declining trend of SAIL share, the Ministry of Steel informed the Committee that during 2010-11 and 2011-12, some of the major domestic producers of steel had added new capacities as a result of which SAIL's market share came down. After the ongoing modernization and expansion of SAIL, it is likely to improve its' market share.

44. When asked about the market share of RINL during the last three years, the Committee were informed as under:-

"Market share of RINL/VSP in India in the last three years in the long product segment is as under:-

Year	% share in total steel	% share in longs category
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2009-10	4.7	9.7
2010-11	4.4	8.7
2011-12 (Likely)	4.4	8.8

45. The Committee were further informed that SAIL accords priority in supplies to Govt. Departments/PSUs, Projects, Railways / Defence, SSICs/NSICs and Dealers. Estimates of percentage share of sector wise supplies by SAIL during 2011-12 are as given below-

Sector	% Share of SAIL supplies during April-December 2013
Govt. Departments/PSU customers	13.6%
Private Projects	15.1%
SSICs	3.2%
Other Consumers	40%
Trade (including Dealer Sales)	27.9%

46. The estimates of percentage share of supply of steel by SAIL to major industrial sectors 2011-12 are as given below:

Industrial Sector	% Share of SAIL supplies during 2012-13	% Share of SAIL supplies during Apr-Dec'2013
Agriculture Implements	0.48%	0.53%
Automobile	0.52%	0.42%
Cold-Reducing	4.3%	5.15%
Construction	30.63%	32.54%
Cycle Mfrs	0.02%	0.0013%
Electrical Equipments Goods	2.35%	1.7%
Heavy Machinery	0.45%	0.48%
Rail Tracks	7.67%	6.15%
Re-rollers	4.64%	4.59%
Tube -Making	11.67%	11.13%
Wire Drawing	0.81%	0.52%

Source: SAIL MIS Group

47. The Committee were also apprised about the supply of steel to major industrial sectors by RINL/VSP in the last 3 years is as under:

Unit : '000

tonnes

Sl.No	Segment	2009-10	% Share	2010-11	% Share	2011-12 (upto Jan'12)	% Share
1	Actual Users	1508	48.2	1431	47.6	1266	51.2
	- Manufacturing, Engg, Automobile, OEMs etc. ((LSI, MSI & SSI)	883	28.2	814	27.1	682	27.6
	- Infrastructure Projects	625	20.0	617	20.5	584	23.6
2	Small Scale Industry Corpns. (NSIC/SSICs)	76	2.4	74	2.5	66	2.7
3	Rural Dealers	15	0.5	10	0.3	19	0.8
4	Retailers	1474	47.1	1419	47.2	1110	44.9
5	Exports	58	1.9	73	2.4	11	0.4
	Total	3131	100	3007	100	2472	100

As per the JPC market expansion (growth in steel consumption in the country) during the last three years is as given below-

Year	% Growth in consumption over the previous year
2009-10	13.3%
2010-11	11.9%
2011-12	6.8%

Source: JPC

48. On being enquired about the Steps being taken by SAIL for market expansion, the Committee were apprised by the Ministry of Steel as under:-

"Keeping in view the acceleration in demand for steel in the country, the Company is currently implementing a modernization and expansion plan to enhance its Hot Metal capacity from the current level of 13.8 million tonne to 23.46 million tonnes by the end on the current phase of expansion. The Plan, besides targeting higher production, also addresses the need for eliminating technological obsolescence, achieving energy savings, enriching product-mix, reducing pollution, developing mines, introducing customer centric processes and developing matching infrastructure facilities. SAIL's capacity for Value added products post expansion is planned to grow from a level of around 39% in 2012-13 to around 50%."

49. When asked about the what was the market expansion during the last three years and what steps have been taken in this connection, the Ministry in their written reply furnished to the Committee deposed as under:-

“At present RINL is producing saleable steel in the order of 3 million tonnes RINL is in advanced stage of completion of its expansion to 6.3 mtpa capacity from the present level of 3.0 mtpa capacity with a finished steel capacity of 5.7 mtpa (growth 90%). Subsequently, the availability of saleable steel would go up to 6.3 mtpa with the next phase of expansion to 7.5 mtpa. With the present and next phase of expansions, the market share of RINL would increase substantially.”

50. In order to Market the additional quantity, the Committee was informed that following steps are being taken by RINL/VSP:

- Opening new Branches at 6 locations i.e. Renigunta, Ranchi, Trichy, Jammu, Sonapat and Allahabad.
- 3 number of mother(Nodal) stockyard planned
- Planning to increase the network of Rural Dealers to 1000 during 12-13.
- Increasing market share in the segments of Value-added Steel, Project Sales, OEMs and Actual Users.
- Increase in exports i,e 3-5% of total saleable steel with special price mechanism.

51. The quantities of iron and steel sales in the last 3 years and likely for 2013-14 are as under:

Unit : `000 tonnes

Year	Pig iron	Saleable steel
2010-11	315	3007
2011-12	425	3114
2012-13	491	2802
2013-14 (Likely)	500	3260

Note: 2013-14 up to Sept.. Sales: Pig Iron 161, Sal. Steel 1287

52. The product-wise sales of saleable steel products of RINL-VSP since 2010-11 is shown as under: -

Unit: `000 tonnes

Year/Product	2010-11	2011-12	2012-13	2013-14 (Likely)
Rebars	1277	1327	1403	1435
Wire Rod Coils	388	373	266	375
Rounds	476	536	402	485
Structurals	255	302	197	240
Squares	473	397	371	485
Semis	138	179	163	240
Total	3007	3114	2802	3260

Note : 2013-14 up to Sept. Sales of Sal. Steel: 1287

53. As regards the efforts made by RINL/VSP for increasing consumption of steel, the Committee were apprised that following steps were taken :-

- (i) Development of new products and creating niche markets
- (ii) Strengthening of District Level Dealership Scheme and launching Rural Dealership Scheme in 2011 for increasing consumption of steel in Rural Areas of the country. As on 31-1-2012, RINL has 69 District Level Dealers (DLDs) and 231 Rural Dealers (RDs) and increasing the Rural dealers to 1000nos during 12-13.
- (iii) In order to popularize Rural Dealership Scheme, the Scheme has been launched at Bhubaneswar on 6-2-2011, Lucknow on 21-2-2011, Bangalore on 23-4-2011, and Jaipur on 6-5-2011.
- (iv) Opening of Consignment Sales Agencies, where RINL does not have its Outlet. Currently, RINL has 6 CSAs in the country (Jamshedpur, Damtal, Guwahati, Agartala, Jabalpur and Bhopal)
- (v) Opening New Branches at 6 locations i.e. Renigunta, Ranchi, Trichy, Jammu, Sonapat and Allahabad is planned and 7 more branches in next 2-3 years.
- (vi) 12 New Consignment Sales Agents (CSAs) are going to be appointed at places where RINL does not have its outlet.
- (vii) Steel Processing Units are planned to be taken on wet lease basis for conversion of semis produced at RINL to economy grade rebars and structurals for supplying to Rural Areas.

- (viii) RINL's capacity expansion from the existing level of 3.0 Mtpa to 6.3 Mtpa is in advanced stage of completion. After expansion, the availability of steel would increase.

54. It was further explained that the Ministry of Steel, GOI ensures availability of steel products, which is a raw material for small scale industries through National Small Industry Corporation (NSIC) and State Small Scale Industry Corporations (SSICs) by allocating steel products from the main producers like SAIL, RINL and Tata Steel every year. Ministry of Steel also extends a rebate of about Rs 500 per tonne to the Small Scale Industry Corporations to meet their transportation costs for supplying steel products at the door step of the SSIs. In addition, RINL also supplies material to small scale industries directly. The sale of steel products to small scale industries in India during 2012-13 was around 398000 tonnes and in 2013-14 it is likely to be around 600000 tonnes.

55. According to Ministry of Steel, RINL exports pig iron and steel products taking advantage of its port based location,. The export of iron and steel products in the last 3 years and likely for the current year are as under:

Year	Export of iron and steel			
	Volume		Val.	
	Qty.('000t)	%	Rs Cr.	%
2010-11	193	5.8	422	3.8
2011-12	169	4.8	407	2.8
2012-13	262	8.0	598	4.4
2013-14 (Likely)	425	11.3	1000	6.6

56. Due to inadequate demand in the domestic market, RINL exports substantial quantity of pig iron and emerged as a leading exporter of pig iron in the country. Export of pig iron by RINL vis-a-vis country's exports in the last three years and the current year are as under:

Unit : '000 tonnes

Exports of	2010-11	2011-12	2012-13	2013-14 (upto Aug.'13)
India	358	491	414	308
RINL	120	153	244	60
% Share of RINL	28%	31%	59%	20%

I. Branding:

57. In order to differentiate its products so as to combat the commodity nature of steel, SAIL has reportedly branded some of its products. Currently, the major focus of

branding and brand development is for TMT bars and Galvanised products where we have brands called "SAIL TMT" for TMT bars and "SAIL JYOTI" for GP/GC sheets/coils. As of now, the focus of branding is for products which are used for construction segment and also have a retail demand. Some of the other registered Trademarks of SAIL consist of 'SAILCOR', 'SAILMA', 'SAILHARD', 'SAILBR', etc. Sales of branded products are shown in the table given below-

'000 tonnes	2010-11	2011-12	2012-13	Apr-Sept'13 (Prov.)
Sales Quantity	1868*	1852	1927	870

*TMT and GP/GC

J. Transportation of Steel: SAIL

58. The Committee were informed that SAIL effects delivery of materials to customers either on direct despatch basis from its Steel Plants or through the network of stockyards located all over the country. Steel products are transported from SAIL plants to its warehouses spread across the country mainly by Rail. Direct despatch to customers is also undertaken from steel plants which is also largely by Rail. For customers who are willing to take material in wagon or rake loads, materials are despatched by Rail either to the private siding of the customer or to the nearest public booking point. For other customers, material is moved to the stockyards and supplied to the customers from there.

59. As a measure of customer service, SAIL also undertakes door delivery to projects/Govt. customers as per their requirement. Door delivery or delivery at customers' premises helps in enhancing customer satisfaction levels. In case of supplies to dealers, SAIL undertakes transportation of 100 percent material to its dealers from the nearest stockyard, free of cost, by absorbing full transportation cost. Door delivery during last three years has exceeded a million tonnes per annum. Details are as given below:-

	Qty. in '000 tonnes			
	2010-11	2011-12	2012-13	Apr-Dec'13 (Provisional)
Door delivery to Dealers	572	556	521	396.48
Door delivery to consumers & projects	749	774	626	553.00
Total	1321	1330	1147	949.48

60. Transportation in case of door delivery to consumers or dealers is carried out through authorised transporters of SAIL. In case of urgent requirement of customers or to facilitate rake formation from Plants, sometimes material is required to be transported from one warehouse to another warehouse of SAIL. Material is transferred in such cases from one warehouse to another warehouse on stock transfer basis through authorised transporters.

61. On being enquired about how the transportation of different products manufactured by various SAIL Plants, factor in determining their cost and whether the prices of SAIL's products are different in different States, the Ministry of Steel in their written reply explained to the Committee as under:-

"After decontrol of pricing and distribution of steel in Jan, 1992, steel sector has been completely deregulated. Accordingly, steel prices at a location are determined by the market conditions prevailing in that location which include *inter-alia* demand and supply of steel in the area, cost of raw materials and other input costs such as labour and energy cost, prices of other steel producers as well as imports. Thus, freight from the producing unit to the consuming point may not be the only factor determining the selling price of a product."

62. When further asked to furnish the steps taken by SAIL to ensure same pricing of different products in all the States, the Ministry replied as under:-

"SAIL also follows the market driven policy for determining its selling price in a particular market. Since SAIL has to fix its selling prices based on the market prices, there may be variations at different locations."

63. On being asked whether the Ministry of Railways is supplying adequate number of wagons for transportation of steel and if not, how the issue is being resolved with the Ministry of Railways to ensure the availability of adequate number of wagons, the Ministry in their reply submitted as under:-

"Ministry of Railways is generally supplying adequate number of wagons to SAIL Plants for transportation of steel. However, at times there are delays in availability of wagons at plants, which is taken up with Railways by SAIL. A Joint Consultative Mechanism (JCM) is also being operated by Ministry of Steel, where Railways and steel industry issues are discussed and resolved."

64. When enquired whether the transportation of steel is being made directly from the integrated steel plant or from their stockyards, it was informed by the Ministry that the transportation of steel is being made both directly from the integrated steel plants to the customers and as well as from stockyards, depending upon the requirements of customers.

65. Asked about any constraint faced by Steel PSUs in transportation of steel, the Ministry in a written reply furnished to the Committee as under:-

"SAIL is largely dependent on Indian Railways for transportation of steel from its plants to its warehouses located across the country in all the states. At times the following constraints are being faced in transportation of steel by SAIL:

- At times, Railways are unable to provide timely rakes for bulk movement.
- Non availability of two point rakes which are required for reaching multiple locations for speedy distribution of steel.

- Non-availability of suitable smaller vehicles for movement of small quantities to customers.
- Inability to deploy quality-transporters for quality-service.
- Constraints in deployment of dedicated transporters.”

K. Transportation of Steel by RINL

66. RINL uses Rail as well as Road modes of transportation for movement of iron and steel products from HQ Visakhapatnam to various Stockyards spread across the country. Dependence on Rail is more compared to Road. About 25% of sales of saleable steel products take place from the Head Quarters, Visakhapatnam and majority of these products are transported by road and the arrangement for transportation is made by the customers. The remaining 75% of the production is transferred to the 22 Branches located throughout the country. Road transportation is used for transportation to the nearby Branches. The percentage of share of road and rail transportation in the last two years are as under:

Unit : Lakh Tonnes

Year	Rail		Road		Total	
	Quantity	%	Quantity	%	Quantity	%
2011-12	21.84	91.7	1.98	8.3	23.82	100
2012-13	20.11	91.3	1.91	8.7	22.02	100
2013-14 (up to Sept. '13)	10.49	88.0	1.43	12.0	9.93	100

67. After expansion, the availability of steel products is going to increase substantially. Keeping this in view, it is planned to adopt coastal transportation for movement of materials to Southern and Western Coasts. This would help in reducing load on Indian Railways.

68. Asked about the constraints being faced by RINL, the Ministry of Steel informed the Committee as under:-

(i) Availability of Rakes

RINL depends on Railways as more than 90% of the iron and steel products are transported through Rail to different Stockyards located across the country. The requirement of rakes for transportation is projected to Railways from time to time. RINL is taking up with Railways on continuous basis for ensuring availability of adequate number of Rakes.

RINL is currently operating at about 3.0 mtpa of saleable steel requiring about 2.5 rakes per day for transportation of iron and steel and by products. After expansion to 6.3 mtpa, the requirement would go up to over 5 rakes per day for transportation of various products. Further, after expansion to 7.3 Mt capacity, the requirement of rakes would go upto about 5.5 rakes per day. Availability of adequate number of rakes is an area of concern and help is required from Indian Railways to meet the demand.

(ii) Two point destination Rakes

In order to send quantities less than a rake load to a Branch, RINL has been requesting Railways for providing 2 point destination rakes. Currently Railways are allowing 2 point destination rake for Cochin-Coimbatore only. Two point destinations rake required by RINL are brought out below have to be allowed by Indian Railways.

- (xiv) Ghaziabad-Dehradun
- (xv) Faridabad-Ghaziabad
- (xvi) Kolkata-Patna
- (xvii) Pune-Mumbai
- (xviii) Kanpur-Agra
- (xix) Chandigarh-Ludhiana

(iii) Public Siding

In due course, RINL/VSP will be opening new Marketing outlet and stockyards at Raipur, Ranchi, Trichy, Panaji, Jammu, Allahabad and Siliguri. Public Siding would be required at all these places for receiving steel rakes dispatched from plant. It is also planned to open Nodal Stockyards in Southern, Northern and Western Regions. Public siding would be required at these locations as well.

(iv) Freight concession for transportation of Dolomite and Limestone from BSLC, Birmitrapur to Visakhapatnam

M/s The Bisra Stone Lime Company (BSLC), which produces Dolomite and Limestone is the subsidiary of RINL. Although RINL wants to source its requirement from BSLC, due to freight disadvantage, obtaining material is becoming unviable. Freight from Birmitrapur to Visakhapatnam is more than Rs 1000 per tonne compared to the cost of material of Rs 650 per tonne.

RINL is a major customer of Indian Railways and contributes considerable revenue. The revenue contribution to Indian Railways from RINL for 2012-13 was about Rs 1300 cr., which is likely to go up substantially after expansion. In view of this, reduction of freight by at least Rs 250 per tonne for transportation of Dolomite and Limestone from Birmitrapur to Visakhapatnam is required.

(v) Freight concession from Railways during peak season

Indian Railways is levying peak season surcharge of 15% for movement of goods during October to June. As RINL transports huge quantities of iron and steel products, the peak season surcharge may be reduced to 8% from the present level of 15%. This will help RINL in being competitive in the market place.

(vi) Freight concession for Granulated BF Slag

In the process of steel manufacturing Granulated BF Slag is generated as a by-product. At current level of operation about 1.3 million tonnes slag is generated. Continuous and steady

disposal of slag is essential for uninterrupted production at Blast Furnaces and avoiding multiple handling and environmental concerns. Granulated BF Slag is used for manufacturing slag cement.

In the nearby vicinity of Visakhapatnam, major consumers Granulated BF Slag are not there. In view of this, slag is supplied to the consumers at farther places by Rail. Slag being a low value bulk transportation item, freight concession of 50% on transportation cost is required on slag for supplying the same to customers located at far off places, as RINL has to match the landed price of the local slag manufacturers in that area.

(vii) Compensation for delayed delivery of products by Railways

There may be norms on number of days for delivery of various products like pig iron, steel and by-products to various destinations within the country. In case delivery is delayed beyond this number of days, Railways to pay compensation for inventory carrying cost of the material.

(viii) Exemption for weigment of iron and steel products on in-motion weighbridges

Indian Railways are insisting on setting up of in motion weighbridges of iron steel products to improve their turnaround time. It is necessary that weigment is taken on static weighbridge as is being done now in view high value products of iron and steel. Customers also insist the accuracy of weighthment, which is better in case of static weighbridge.

PART-B

Observations and Recommendations of the Committee

Introductory

The Committee observe that the Indian iron and steel industry has undergone a sea change during the last decade and the industry have become one of the foremost sectors with substantial investments flowed in for the interplay or free market enterprise in this vital sector. At the consumer or demand end, the market for steel has been transformed from a seller to a buyer market. Control and regulation have been replaced by competition. The Committee also note that administered prices have been replaced by supply and demand determined market prices. The Committee expect the steel PSUs to channelize their marketing strategies towards maximizing their market share in order to increase their profitability.

Marketing network of SAIL and RINL

2. The Committee observe that Central Marketing Organization (CMO) of SAIL is marketing steel produced by the 5 integrated Steel Plants of SAIL located at Bokaro, Bhilai, Durgapur, Burnpur and Rourkela and 3 Special Steel Plants at Salem, Bhadrawati and Durgapur in both domestic as well as foreign markets. Headquartered in Kolkata, it transacts business through its network of 37 Branch Sales Offices spread across the four Regions, 25 Departmental Warehouses equipped with mechanised

handling systems, 42 Consignment Agents and 27 Customer Contract Offices. CMO's domestic marketing efforts is supplemented by its ever widening network of dealers who meet the demands for the smallest customers in the remotest corners of the country. As on 1st January, 2014 SAIL's dealer network consists of 2774 dealers(including 855 Rural dealers) covering almost all districts of the country. The Organization headed by Director(Commercial) consists of the major operating divisions, viz. Flat Products Group, Long Products Group, Retail Marketing Group, Warehousing Group, International Trade Division and for marketing of products of Special Steel Plants. As regards the distribution Network of RINL, the Committee note that the network spread across the country consist of 5 Regional offices located at Delhi (North), Mumbai(West), Chennai(South), Kolkata(East) and Visakhapatnam(Andhra) and 23 Branch Sales Offices and Stockyards. Further, Consignment Sales Agents have been appointed at 5 locations where RINL does not have its outlets. These are Bhopal, Jabalpur, Varanasi, Guwahati and Agartala. In order to improve distribution of steel and to ensure availability of steel production in every nook and corner of the country the Committee recommend that RINL should also create similar marketing division on the lines of SAIL and create a dedicated cadre of workers who should be resourcefully engaged to increase the customer contact programmes at every level. The Committee further desire that both SAIL and RINL should increase

the number of sales offices and stockyards in the country in line with the increased steel production after modernization and expansion programme of existing steel plant(s) and new capacity addition.

3. The Committee observe that Central Marketing Organisation of SAIL in addition to its main function of overall sales strategy of the company to achieve sales target in terms of sales turnover, market share and profitability, to oversee the supply also attend to various service and support functions such as the Marketing Analyst Group looking into market research function, Application Engineering Group for advising customer on appropriate usages and monitoring of quality in consultation and coordination with the Plants and IT groups. The Committee while emphasizing that CMO should not deviate from its core function of overall strategy of improving the sales target, would also like to be apprised of the study, if any, on the marketing strategy of SAIL undertaken by CMO.

Customer Contact Offices of SAIL

4. The Committee note that per capita consumption of steel in India is abysmally low at 57 Kg against a global average of around 217 Kg. The Committee feel that this gives a huge opportunity to the PSUs as not only there is an ever increasing demand but it also presents huge scope and potential for Indian Steel Industry to grow. The Committee feel that the number of Customer Contact

Offices of SAIL which at present are 27 is very less. The Committee feel that country being so large and diverse , to penetrate deep into the market, and to enable easy access to the consumers, the number of Customers Contact Offices should be suitably increased so that awareness amongst consumers could be generated about the products. The Committee would like to be apprised of the steps taken/being taken by SAIL and RINL to tap the huge market of consumers of steel which is lying untapped both in urban and rural areas.

Quality Control Order

5. Another major aspect of customer satisfaction is to improve quality of product. To ensure quality control of steel, certain items (galvanized sheet, steel wire for prestressed concrete etc.) have been brought under quality control order issued by the Government. The Committee find that some of the major new products developed to meet the customers requirement and enhance market share are End Forged Thick Web Asymmetric Rail for Indian Railways, Atmospheric corrosion resistance steel plates for use in Delhi Metro Project, ASTM A 537 class 1 plates with impact test in transverse direction for petrochemical industry, SAIL-TMT Fe 550 EQR/IS 1786Fe 550 D- High Strength Earth Quake Resistance Quality Bars for construction of tall towers, BSEN 10025-2 S 275J2+N- Moderate strength with low temperate impact toughness for railway passenger bogie, DIN EN 10028-3:P355 NL1- Weldable, fine grain Pressure Vessel Plates for manufacturing of light wagon, 5 mm thick 2 Pie Grade

Steel Plates for defense application, etc. A large number of innovations are also carried out in Plants for process improvements and cost competitiveness. The Committee would like to emphasize on various measures to improve marketability of products through improved packaging. The Committee feel that there is a need to bring more items under this order to ensure high production of special quality and value added products in the market by Steel PSUs which would easily sustain competition from other players in the market.

Customer Satisfaction

6. The Committee note that SAIL and RINL enter into MoU with its major customers for their annual requirements. Supplies against the same are regularly monitored and requirements of the customers are discussed while booking orders on monthly basis. The major customers of SAIL are NTPC, NHPC, BHEL and L&T. The Committee have been given to understand that though there has been steady improvement in the Customer Satisfaction Index by customers contact programme where customers needs and expectations are captured and efforts are made to meet their requirement by sending various functional teams to customers, they observe that customer satisfaction in case of RINL is 80.8% as per the latest customer satisfaction survey. The Committee, thus feel that the steel companies structured mechanism for customer satisfaction is not up to the desired level as even for permanent and bulk customers with whom they entered into MoU for annual supplies. While

recommending that more customer meets should be held to improve customer satisfaction level, the Committee also desire that quality of product be monitored at various levels before dispatch to different parts of the country to further improve the customers satisfaction index. Taking note of the fact that the SAIL is supplying steel to Government Departments/PSU customers (13.6%), private projects (15.1%), SSIC (3.2%), others (40%) and Trade (including dealer sales)(27.9%), the Committee would like the Ministry/SAIL to also focus on satisfaction of other consumers' and dealers besides Government Departments in order to increase their sale proceeds.

7. The Committee feel that customer satisfaction is the first and foremost requirement for any marketing endeavour to succeed. This aspect should be given due importance as the satisfaction of the end user would determine success or failure of any product. For this it is very essential to obtain periodic feedback from the customers and building brand awareness so as to remain popular among customers and to remain afloat in the market. The Committee desire that PSUs should participate and hold frequent fairs, exhibitions etc. in different locations for regular interface with the customers.

8. The Ministry have informed the Committee that RINL has a Calendar for Customer Meets at various levels like CMD, Director(Commercial), General Manager(Mktg.) and Regional Managers. Through these Customer Meets, the needs and expectations are captured and efforts are made to meet their requirements. The Committee desire that SAIL should also prepare a Calendar for Customer Meets at different levels so as to ensure maximum customer satisfaction.

Steel Demand in Rural Areas

9. The Committee note that a Rural Dealership Scheme to meet requirements of rural consumers at Block, Tehsil and Taluka level was introduced by SAIL in 2011-12. At present the dealer network of SAIL consist of 855 rural dealers out of a total 2774 dealers, covering almost all districts of the country. Since RINL also has a strength of 231 rural dealers in different parts of the country, the Committee feel that there is a vast scope of increasing the strength of rural dealers by both the PSUs as per capita steel consumption in rural India is estimated at only 9.8 Kg. compared to an average of 57 Kg per person in the country. As per SAIL Dealership Policy and Rural Dealership Policy, dealers are required to stock TMT Bars, GP/GC Sheets and other items required by common man and sell to small/retail customers at prices fixed by SAIL. The Committee are however, dismayed to note that although SAIL is delivering steel in interiors under its dealership scheme at dealers' doorstep, there are not

enough transporters vying for dealer supplies in view of insufficient volumes and inconsistency in buying by the dealers in the hinterland. At times, inadequate infrastructure slows down supplies during monsoons. The Committee, therefore, recommend that SAIL and RINL should not only increase the Rural Dealership in the country but also take desired steps to make available suitable types of transport to carry small bundles of lower sizes of Rebars and other items like TMT bars, GI sheets, HR/CR sheets, etc. to meet the demand of rural areas.

Sales performance of SAIL and RINL

10. The Committee observe that product wise/category wise performance of sales in respect of SAIL since 2009-10 indicate that there is decline in sale of pig iron from 1,97,000 tonnes in 2009-10 to 67,000 tonnes in 2011-12. Similarly, there is decline in sales of long products from 4,94,2000 tonnes to 43,88,000 tonnes, 66,84000 tonnes to 6,05000 tonnes for flat products and 1,57,000 tonnes to 1,11,000 tonnes in case of PET products during 2009-10 and 2011-12 respectively. The product wise performance of RINL is however, reported to have improved as sale of Rebars increased from 1,20,2000 tonnes in 2009-10 to 13,61,000 tonnes in 2011-12. Similarly, sale of wire rod coils and structural have also increased during 2011-12 as compared to 2009-10. The sale performance of RINL also indicate that against a total sale of 31,14,000 tonnes of steel products during 2010-

11, the company could sell only 28,02000 tonnes during 2012-13. In view of the poor overall sales performance of steel products by SAIL and RINL, the Committee are of the view that CMO(SAIL) and marketing wing of RINL have failed to increase their market share of steel products inspite of increased production capacity of saleable steel after the completion of current phase of their ongoing modernization and expansion plan. The Committee, therefore, strongly recommend that SAIL and RINL should take necessary steps so that the companies compete with other major domestic producers of steel.

Export of Steel

11. With regard to export of saleable steel, the Committee observe that SAIL maintains a strategic presence in foreign markets and has been exporting around 3-5% of its saleable steel production during last few years. With higher production capacities of SAIL plants post expansion and modernization, share of exports is likely to go up in future. The Committee further note that RINL products are well accepted in international market. In order to tap new market, RINL is proposing to open its first international market office at World Trade Centre at Colombo, Sri Lanka. The Committee would also like SAIL to explore the possibility of opening such International marketing office in order to increase their presence in the International market.

Transportation of Steel

12. The Committee observe that delivery of Steel products to customers is either directly dispatched from steel plants or through network of stockyards located all over the country. Steel products are transported from SAIL plants to its warehouses mainly by Rail. Similarly, RINL also uses both Rail and Road modes of transportation for movement of iron and steel from its plant at Visakhapatnam to various stockyards across the country. While comparing the figures for modes of transportation, the Committee note that dependence on rail is much more as compared to that by Road. The Committee, feel that dependence on a single mode of transportation should be substantially reduced and to ease burden on Rail, other modes of transportation like road and coastal transportation should also be explored. Regarding challenges faced during transportation, the Committee note that ensuring adequate and timely availability of rakes is a major concern which needs to be overcome by taking suitable and timely action. The Committee desire that the matter of allowing/providing 2 point destination rakes need to be taken up by Ministry of Steel with Ministry of Railways at the highest level on priority basis as after modernization and expansion programme of both SAIL and RINL, the requirement of rakes would grow further. The Committee also desire that adequate attention should be given by steel PSUs for ensuring the quality of the product during loading/unloading and transportation of steel goods as degree of damages to a

finished product, are more as compared to transportation of raw material.

13. The Committee note that RINL wants to source its requirement of Dolomite and Limestone produced by its subsidiary M/s Birsa Stone Lime Company (BSLC) based in Birmitrapur. However, due to freight disadvantage, obtaining material from BSLC is becoming unviable since freight from Birmitrapur to Visakhapatnam is more than Rs. 1000 per tonne compared to the cost of material which is Rs.650/- per tonne. The Committee further note that RINL is a major customer of Indian Railways and contributes considerable revenue. The revenue contribution to Indian Railways from RINL for 2012-13 was about Rs.1300 crore, which is likely to go up substantially after expansion. In view of this, it has been suggested to the Committee that reduction of freight by at least Rs.250 per tonne for transportation of Dolomite and Limestone from Birmitrapur to Visakhapatnam is required. The Committee have been further informed by the Ministry that RINL has also pleaded that Railway should give freight concession during peak season which is levying 15% of surcharge for movement of goods during October to June. RINL has also sought freight concession for Granulated PF Slag which is by-product of steel production. The Committee strongly feel that the concern expressed by RINL merits consideration and therefore, desire that these matters be taken by the Ministry of Steel

on behalf of RINL with the Ministry of Railways on priority basis.

Delivery Period of Steel Goods

14.The Ministry of steel have submitted before the Committee that there should be norms on number of days for delivery of various products like pig iron, steel and by-products to various destinations within the country. In case delivery is delayed beyond the stipulated number of days, Railways have to pay compensation for inventory carrying cost of the material. The Committee are of the strong view that delivery of various steel products to various destinations within the country needs to be transported by Railways within a time schedule, in order to protect the interest of dealers and end-users. They, therefore would like steel companies to include this condition while entering into an MoU/ Contract with the Railways.

**NEW DELHI;
17 February, 2014
28 Magha,1935(Saka)**

**KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel**

ANNEXURE-I

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 26th NOVEMBER, 2013 IN COMMITTEE ROOM 'B', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1430 hrs. to 1600 hrs.

PRESENT

Shri Kalyan Banerjee - Chairman

LOK SABHA

2. Shri Hansraj G. Ahir
3. Smt. Jyoti Dhurve
4. Shri Sabbam Hari
5. Shri Vishwa Mohan Kumar
6. Shri Babu Lal Marandi
7. Shri Govind Prasad Mishra
8. Shri Rajaram Pal
9. Shri Gajendra Singh Rajukhedhi
10. Shri Pashupati Nath Singh
11. Shri Om Prakash Yadav

RAJYA SABHA

12. Shri Ali Anwar Ansari
13. Dr. Pradeep Kumar Balmuchu
14. Shri Dhiraj Prasad Sahu

SECRETARIAT

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

WITNESSES

MINISTRY OF STEEL AND ITS PSU's

1.	Shri G. Mohan Kumar	Secretary, Ministry of Steel
2.	Shri Lokesh Chandra	Joint Secretary, Ministry of Steel
3.	Shri Upendra Prasad Singh,	Joint Secretary, Ministry of Steel
4.	Shri H.L. Meena	Director, Ministry of Steel
5.	Shri Sunil Prakash	Director, Ministry of Steel
6.	Shri T. Srinivas	Director, Ministry of Steel
7.	Shri A.P. Choudhary	CMD, RINL
8.	Shri P. Madhusudan	Director (Finance), RINL
9.	Shri T.K. Chand	Director (Commercial), RINL
10.	Shri C. S. Verma	Chairman, SAIL
11.	Shri Anil Choudhary	Director(Finance), SAIL
12.	Shri S.S. Mohanty	Director(Technical), SAIL
13.	Shri T.S. Suresh	Director(Project &B.P.), SAIL
14.	Shri H.S. Pati	Director (Personal), SAIL
15.	Shri Kalyan Maity	Director (RM&L), SAIL

2. At the outset, the Chairman welcomed the Secretary, Ministry of Steel and other representatives of the Ministry and Steel PSUs to the sitting of Committee convened to have briefing on the subject "Marketing and Transportation of Steel by Public Sector Steel Companies".

3. Thereafter, a visual presentation on the subject was made by the representatives of SAIL and RINL. The Committee then broadly discussed the issues relating to dealership network of SAIL and RINL across rural areas; increase in production, manufacturing and marketing of products of both Companies in domestic areas, increase in sale of steel in various parts of country.

4. The Committee also directed, the representatives of Ministry of Steel, SAIL and RINL to furnish a status Report on delay in expansion of ISSCO Burnpur SAIL and New Jalpaiguri Plant of RINL etc.

A copy of verbatim proceedings has been kept on record.

The Committee then adjourned.

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE
ON COAL AND STEEL HELD ON 17 FEBRUARY, 2014 IN
COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE,
NEW DELHI.**

The Committee sat from 1500 hrs. to 1530 hrs.

PRESENT

Shri Kalyan Banerjee -Chairman

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Sanjay Bhoi
4. Smt. Jyoti Dhurve
5. Shri Ganeshrao Nagorao Dudhgaonkar
6. Shri Govind Prasad Mishra
7. Shri Rajaram Pal
8. Shri Om Prakash yadav

RAJYA SABHA

9. Dr. Pradeep Kumar Balmuchu
10. Shri Dhiraj Prasad Sahu

SECRETARIAT

1. Shri Abhijit Kumar - Joint Secretary
2. Shri Shiv Singh - Director
3. Shri Arvind Sharma - Additional Director

WITNESSES

MINISTRY OF STEEL

1. Shri G. Mohan Kumar, Secretary(Steel)
2. Shri Lokesh Chandra, Joint Secretary(Steel)
3. Shri Syedain Abbasi, Joint Secretary(Steel)
4. Shri Malay Chhatterjee, CMD, KIOCL Ltd.

2. At the outset, Chairman welcomed the Members and representatives of the Ministry of Steel and KIOCL Ltd. to the sitting of the Committee. The Committee, then sought clarification of the representatives of the Ministry of Steel and KIOCL Ltd. on the issues of imposition of export duty on pellets.

The witness then withdrew.

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

- (i) Draft Report on the subject 'Marketing and Transportation of Steel by Public Sector Steel Companies' relating to the Ministry of Steel;
- (ii) Draft Report on Action Taken by the Government on the observations / recommendations contained in the Thirty-Eighth Report of the Committee on "Review of Export of Iron Ore Policy" pertaining to the Ministry of Steel.

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

The Committee then adjourned.