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11

ELEVENTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS

(2010-2011)

(FIFTEENTH LOK SABHA)

COMPREHENSIVE EXAMINATION OF RASTRIYA ISPAT NIGAM LIMITED

MINISTRY OF STEEL



Presented to Lok Sabha on 7th December, 2010

Laid in Rajya Sabha on 7th December, 2010

**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2010 / Agrahayana, 1932(S)

Contents

Composition of the Committee (2010-11)	(iii)
Introduction	(v)
Facts about RINL at a Glance	(vii)

Part- A Report

	Page No.
Chapter I Introduction	1
A. Formation of RINL	1
B. Objectives and Functions	2
C. Organizational Set-up	4
D. Board of Directors	4
E. Role of Independent Directors	5
Chapter II Physical and Financial Performance	7
A. Production Performance	7
B. Performance rating (MOU)	19
C. Capacity Utilization	19
D. Expansion Plans	20
E. Capital Structure	38
F. Financial Performance	30
G. Export-Import	31
H. Foreign Exchange	33
I. Marketing	34
Chapter III Input Management	42
Chapter- IV Evaluation of Complimentary Areas of Performance	59
A. Research and Development	59
B. Transparency Mechanisms	62
C. Environmental Issues	62

Part- B

Observations/Recommendations of the Committee	65
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Annexures

Minutes of the sittings of the Committee	76
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**COMPOSITION OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS (2010 - 2011)**

SHRI V. KISHORE CHANDRA S. DEO - CHAIRMAN

SI. No. MEMBERS, LOK SABHA

2. Shri K.C. Singh 'Baba'
3. Shri Ramesh Bais
4. Shri Ambica Banerjee
5. Shri Hemanand Biswal
6. Shri Anant Kumar Hegde
7. Shri Shailendra Kumar
8. Shri Baijayant Panda
9. Shri L. Rajagopal
10. Shri Nama Nageswara Rao
11. Chaudhary Lal Singh
12. Shri Ganesh Singh
13. Shri N. Dharam Singh
14. Shri Rajiv Ranjan Singh alias Lalan Singh
15. Shri Bhisma Shankar alias Kushal Tiwari

MEMBERS, RAJYA SABHA

16. Shri Birendra Prasad Baishya
17. Shri Naresh Gujral
18. Shri Prakash Javadekar
19. Dr. Bharatkumar Raut
20. Ms. Mabel Rebello
21. Dr. T. Subbarami Reddy
22. Shri Tapan Kumar Sen

SECRETARIAT

- | | | | |
|---|--------------------------|---|----------------------------|
| 1 | Shri J.P. Sharma | - | Joint Secretary |
| 2 | Shri Ravinder Garrimella | - | Director |
| 3 | Shri Paolienlal Haokip | - | Under Secretary |
| 4 | Smt. Malvika Mehta | - | Senior Executive Assistant |

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2010-11) having been authorized by the Committee to submit the Report on their behalf, present this 11th Report on Rashtriya Ispat Nigam Limited (RINL).

2. The Committee took oral evidence of the representatives of RINL on 11th August, 2010 and further, took oral evidence of the representatives of Ministry of Steel on 28th September, 2010. The Committee then took evidence of Ministry of Mines and Ministry of Coal on 21st October 2010 regarding allocation of Mines and Coal Blocks.

3. The Committee considered and adopted this Report at their sitting held on 6th December, 2010.

4. The Committee wish to express their thanks to the representatives of the Rashtriya Ispat Nigam Limited and Ministries of Steel, Mines and Coal for placing before them the desired information and materials in connection with the examination of the subject. The Committee would also like to place on record their appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

5. 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:
6th December, 2010
15 Agrahayana 1932 (Saka)

V. KISHORE CHANDRA S. DEO
Chairman,
Committee on Public Undertakings

FACTS ABOUT RASHTRIYA ISPAT NIGAM LIMITED (RINL) AT A GLANCE

Early Years	In April 1970, intent to set up the company announced. Foundation stone was laid in January 1971. Feasibility report prepared in 1973. Indo-Soviet Agreement for Plant construction reached in 1979. Formed as a separate company by separation from SAIL in 1982. Commissioned in 1992.												
Vision	To be a continuously growing world class company by <ul style="list-style-type: none"> ▪ Harnessing growth potential and sustain profitable growth. ▪ Delivering high quality and cost competitive products and be the first choice of customers. ▪ Creating an inspiring work environment to unleash the creative energy of people. ▪ Achieving excellence in enterprise management. ▪ Being a respected corporate citizen, ensuring clean and green environment and developing vibrant communities around. 												
Mission	To attain 16 million ton liquid steel capacity through technological up-gradation, operational efficiency and expansion; augmentation of assured supply of raw materials; to produce steel at international standards of cost and quality; and to meet the aspirations of the stakeholders.												
Objectives	<ul style="list-style-type: none"> ▪ Expand plant capacity to 6.3Mt by 2011-12 with the mission to expand further in subsequent phases as per Corporate Plan. ▪ Revamping existing Blast Furnaces to make them energy efficient to contemporary levels and in the process increase their capacity by 1 Mt, thus total hot metal capacity to 7.5 Mt ▪ Be amongst top five lowest cost liquid steel producers in the world ▪ Achieve higher levels of customer satisfaction ▪ Vibrant work culture in the organization ▪ Be proactive in conserving environment, maintaining high levels of safety & addressing social concerns 												
Financials As on 31 st March 2009	Equity Share capital – 4889.85, Preference Share Capital – 2937.47, Total paid-up capital – 7827.32. Turnover: Targeted – 10500.46, Actual – 10410.63. Value addition: Targeted – 1989.60, Actual – 2126.96 Profit after tax: Targeted – 1285.14, Actual – 1335.57 Dividend paid to Government – 339.18												
Production	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Product</th> <th style="text-align: left;">Competitor/s</th> <th style="text-align: left;">Market size</th> <th style="text-align: left;">Market Share</th> </tr> </thead> <tbody> <tr> <td>Bars & Rods</td> <td>SAIL, TATA, JSW, etc.</td> <td>22.5 mt.</td> <td>9.8%</td> </tr> <tr> <td>Structurals</td> <td>SAIL, Secondary producers</td> <td>5.5 mt.</td> <td>4.5%</td> </tr> </tbody> </table>	Product	Competitor/s	Market size	Market Share	Bars & Rods	SAIL, TATA, JSW, etc.	22.5 mt.	9.8%	Structurals	SAIL, Secondary producers	5.5 mt.	4.5%
Product	Competitor/s	Market size	Market Share										
Bars & Rods	SAIL, TATA, JSW, etc.	22.5 mt.	9.8%										
Structurals	SAIL, Secondary producers	5.5 mt.	4.5%										
Manpower	17225												
Achievements	RINL's accumulated losses increased to Rs 4987 Cr. by 2000-01 and it was reported to BIFR as a potential sick company in the year 2000. Staged a remarkable turnaround since 2002-03 with high productivity levels based on low operating costs and improved yields showing high operational efficiency in the industry. Became first integrated steel plant in India to get certified for all the three system standards: ISO: 9001-2000, ISO: 14001 & OHSAS: 18001. Became debt-free in 2003-04, wiped out its accumulated losses in 2005-06. Was awarded Mini-ratna status in 2006. Awaiting the appointment of independent Directors on the company's board to be conferred Navratna status – October 2010. Conferred Navratna Status on 16 November 2010.												
Hurdles	Aged equipments overdue for replacement. No captive mines for primary inputs, i.e., Iron-ore and Coking Coal, challenging margins.												
Challenges	Expansion plan envisaging a two-fold increase in production capacity by Third Quarter of 2012, and revamp of aged machinery. Securing mining leases for captive use, both of Iron ore and Coking Coal.												

Part- A
Report
Chapter I

INTRODUCTION

1.1 Rashtriya Ispat Nigam Limited (RINL), a *Navratna* and the first integrated steel plant triple certified for Quality, Health and Safety and Environment, is the producer of the highest percentage of value added products among Public Sector Undertakings in the steel sector. RINL's journey till today, has involved it being referred to BIFR as a potential sick company and then staging a remarkable turnaround, showing considerably good performance for the last decade. The company faces many challenges ahead, however, mainly on account of lack of captive mines, the revamp of its aged plants, the financial liability to fund its expansion plans, and related plan for its capital restructuring. The Committee by examining the various facets of the Company, seek to help the Company take its growth story to greater heights.

A. Formation of RINL

1.2 The background of formation of RINL as furnished by the company is given below:-

“Visakhapatnam Steel Plant (VSP) was the latest in the public sector steel plants conceived by the Government of India (GOI). The intent to set up the plant was announced in April, 1970 and its foundation stone was laid in January, 1971 by the then Prime Minister Smt. Indira Gandhi. A feasibility report was prepared in 1973 and the Indo- Soviet agreement for the construction of the plant was reached in June, 1979.

RINL was separated from SAIL and was formed as separate company for Visakhapatnam Steel Plant in Feb 1982 and the construction of Visakhapatnam Steel Plant Project commenced. Due to fund constraints, the project was later pruned and a rationalized concept was evolved in August 1986 deleting certain units and upgrading the capacities of others. The project cost worked out to Rs 8,594 Crs. The plant was commissioned and fully dedicated to the nation in August, 1992 by the then Prime Minister Shri P.V. Narasimharao.

With high financial costs and the recession in steel industry cycle following the initial years of de-controlled economy, RINL's accumulated losses increased to Rs 4987 Cr. by 2000-01 and it was reported to BIFR as a potential sick company in the year 2000.

Notwithstanding all these odds, the functioning of RINL staged a remarkable turnaround since 2002-03 with high productivity levels based on low operating costs and improved yields showing high operational efficiency in the industry. VSP was the first integrated steel plant in India,

to get certified for all the three system standards: ISO: 9001-2000, ISO: 14001 & OHSAS: 18001.

It is now known for the quality of its products and as the leading producer of long products and value added steels; it became debt-free in 2003-04, wiped out its accumulated losses in 2005-06. VSP was awarded Miniratna status in 2006.”

1.3 The role of the Ministry of Steel in the functioning of RINL was explained by the Secretary, Ministry of Steel during evidence before the Committee:-

“.....the Ministry of Steel is no longer the regulatory system. There is no licensing of steel now. It is more of a developmental-oriented Ministry. It is responsible for the planning and development of iron and steel industry and essential inputs like iron ore, dolomite, manganese ore, etc. The Ministry is also required to interface with various infrastructure Ministries for removing the bottlenecks in the production of steel because steel is a very essential input in the growth of an economy and in the modernisation of an economy.....”

B. Objectives and Functions

1.4 The main objectives of the company are as under:-

“Visakhapatnam Steel Plant of Rashtriya Ispat Nigam Limited was envisaged with a view to give impetus to the industrial growth and meet the aspirations of the people from South India with an annual capacity of 3.4 million tonnes of hot metal in collaboration with the then USSR Government (for which an agreement was signed between the two Governments on 12th June 1979) to produce long products and structural products.

In terms of the Memorandum of Association of the Company, (MOA), the main objects include, among others, to set up the Steel Plant and do business in the Iron & Steel manufacturing industry.”

1.5 The functions of RINL are given below:-

“The present functions of the Company include, inter-alia, the following:

1. To operate the existing Plant to the envisaged capacity levels efficiently in terms of the MOU signed with Ministry of Steel
2. To improve the quality of the products on a continuous basis.
3. To establish the product range of “Vizag Steel” in the Market as a quality product.
4. To carry out AMR (Additions, Modifications and Replacements) and to modernize to keep deploying contemporary technology.
5. To make efforts for organic and inorganic growth with the available resources for raw material security and increasing capacities.
6. To complete the Expansion Project as approved by the Government, increasing the existing capacity of Liquid steel to 6.3 Million Tonnes and commissioning the New Units for increasing availability of Vizag Steel Products not only in the Southern Region but across the nation and exports as required.

7. To optimize production capacity and facilities keeping in view land and infrastructure available.
8. To enter into Joint Ventures for raw materials security like Coal, Iron ore, Ferro Alloys etc.
9. To enter into strategic JVs for making use of the By-products through JV route for manufacturing Cement and other products of value and benefit to the company.
10. To carry out planned development of people and to look after their welfare.
11. To carry out Corporate Social Responsibility befitting the status of the company.”

1.6 When the ministry of Steel was asked about the efforts made by it to help RINL to achieve its objectives, the Ministry replied:-

- a) “.....Ministry of Steel has approved an expansion plan of Rs. 14000 crore to RINL to increase its steel production capacity from 3.3 million tonnes to 6.3 million tonnes. which will help RINL in optimizing the manpower and offset the overhead costs.
- b) For revival of the RINL, Government approved restructuring proposals twice, first in 1993 and second in 1998 which resulted in conversion of Government loans of Rs.4121 crores into equity / preference shares.
- c) RINL has been making conscious efforts to acquire captive iron ore and coking coal mines and the Ministry of Steel has fully backed RINL's efforts, in this regard. Appreciating RINL's concern for raw material security, RINL was advised by the Ministry to make focused efforts through formation of a dedicated team in RINL to pursue acquisition of mines and other possibilities like joint ventures with other public sectors and sound private companies. RINL's efforts for development of iron ore blocks inclusive of proposals for value addition, jointly with State Mineral Development Corporation(s) of iron ore rich States of Rajasthan, Jharkhand, Chhatisgarh, Orissa & Karnataka, were also taken up with the concerned State Governments.
- d) Recently the Union Cabinet in its meeting held on 10.09.09, has approved the restructuring proposal of BIRD group of companies and transfer of 51% stake of GoI in M/s EIL, the holding company of OMDC & BSLC to RINL. OMDC have 6 mining leases (to be renewed) for Iron Ore with reserves of 200 Mt & Manganese reserves of 45 Mt and BSLC have 375 Mt of Lime stone and 287 Mt of Dolomite reserves. This would help RINL to partially overcome its handicap of not having captive iron ore mines, apart from considering value addition propositions like installation of pelletisation plant etc.
- e) Government has facilitated a Joint venture of RINL with MOIL which will solve the problem of Manganese, a critical raw material required in steel making.

- f) The Government has approved formation of International Coal Ventures Ltd (ICVL) with equity participation by RINL, SAIL, CIL, NTPC & NMDC, in order to enable these companies to acquire metallurgical and thermal coal assets overseas. This will result in availability of Coking Coal for steel making in RINL.
- g) Government has since, approved, granting of Navratna Status to RINL which would be beneficial to RINL in it's endeavour to pursue further modernization & expansion projects.
- h) For improving gross margin the company has been advised to go for change in value added product mix, technology upgradation, rationalization of manpower etc. ”

C. Organizational Set-up

- 1.7 Details of the organizational set-up of the company are as follows:-
 “Visakhapatnam Steel Plant in the public sector category is operating under the corporate entity Rashtriya Ispat Nigam Ltd (RINL) with head quarters at Visakhapatnam, Andhra Pradesh. RINL has a wide network in the country with 5 Regional offices, 23 Branch offices and 23 Stock Yards. Out of the existing 23 Stock Yards, 3 Stock Yards i.e., Hyderabad, Chennai & Mumbai are RINL-VSP's own stockyards. The other stockyards are owned by Consignment Agents. Further, in order to meet the 6.3 Mt expansion needs, the marketing network is being further expanded by setting up 3 Nodal Stock Yards one each in South, West and North.”

D. Board of Directors

- 1.8 The Composition of Board of Directors of RINL is given below:-

Board of Directors of RINL as on 15 th October, 2009	Numbers		% w.r.t Sanctioned
	Sanctioned	In position	
Independent Professional Directors	4	4	100
Ministerial Directors	2	2	100
Functional Directors (including Chairman)	6	5	83.33
	12	11	83

The sanctioned strength of Board Members is 12 comprising of 6 whole time Directors, 2 Directors nominated by MoS & 4 independent Directors, which is sufficient as per Corporate Governance norms. However, the existing strength of Board Members is 10, consisting of 6 whole time Directors, 2 Directors from the Administrative Ministry & 2 independent Directors. The vacancies that have arisen, due to retirement of two independent Directors on completion of their tenure are to be filled up in due course. The sanctioned strength is considered as sufficient.”

E. Role of Independent Directors

1.9 On being asked about the contribution of Government/non official Directors in the Board meetings held during last three years, RINL in their written replies submitted as under:-

“Varied and vast experience of Government and non-official Directors make the deliberations in the Board meeting interactive & fruitful, which help in taking the right decisions. Their suggestions also result in improved operations and quick resolution of problems. The technical and professional expertise of whole time / functional Directors coupled with varied experience of Govt. / non-official Directors develops a synergy for optimal utilization of resources and enhancing stakeholder value. The Government Directors have ensured that the interest of the Govt. in RINL is protected and the functioning of the Company is as per guidelines issued from time to time. Besides, independent Directors as members of Audit Committee and various other committees contributed to its functioning.”

1.10 When asked as to what specific steps were taken by the Company on the outcome of Ministerial review meetings to improve the working of the Company, the company submitted in their written replies as under:-

“These are given below:

Decision taken/directives received	Action taken
1. As RINL is working around 120% rated capacity, many of the plants and eqpt. require revamping. RINL was directed to anticipate & plan for unavoidable capital repairs to be undertaken.	<ul style="list-style-type: none"> • An exclusive Modernization and Capital Repair group was formed, as the name suggests spearheading much needed Capital repairs & modernisation to bring back reliability of the equipment. • This action helped in initiating and continuing many proposals, which are at various stages. • Notable amongst them are, Category-1 capital repairs of BFs, revamp of converters in the Steel Melt Shop, modernization of the continuous casting machines of the Steel melt Shop, Coke Ovens etc. (Each of them are essential, very major and would need total shutdown of the units for many months)
2. It was noted that supply of inferior quality of iron ore to RINL was affecting the production in Blast Furnace. Use pellets on experimental basis to study processing iron ore with high alumina content	<ul style="list-style-type: none"> • A technical study was conducted by R&D on pellet usage in the Blast Furnace and found that improvement in production could be attained with usage of good quality pellets. <p>Experience of using pellets can now be gainfully utilized depending on cost economics.</p>
3. Technical examination be undertaken for the decline in production in 07-08	<p>MoS constituted a committee comprising of JS(Steel) and Ex-Director(Tech.)-SAIL for study and suggesting remedial actions. Based on the recommendations of the committee, several actions have been initiated and are being implemented like strengthening of operating practices, modernization, upgradation, capital repairs and major revamps as mentioned at S.No.1 above.</p>
4. Analysis for increase in Specific energy consumption	<p>A detailed analysis on the correlation between hot metal and specific energy consumption was done by the Works Department and report has been submitted to MOS. The increase in energy consumption during the period was due to adverse quality of iron ore, coal etc. used and lower</p>

	output due to aging plant. Several management initiatives are in place to ensure VSP's leadership position in energy efficiency amongst similarly placed plants in the Steel Industry.
5. Transparent and clear criteria for distribution of Steel Bullock carts for the benefit of small and needy farmers	District authorities were contacted for identifying the beneficiaries for distribution of steel bullock carts with special preference to weaker sections and distributed 50 nos of bullock carts to the needy farmers
6. Steel villages being developed to be the role model for the entire country.	Seven villages have been identified for development as Model Steel Villages, of which, for one, construction of rural steel houses, Panchayat building, community hall, bus shelters etc have been completed.
7. The impact of CSR works undertaken to be visible and benefit the common man in aspects like health care and basic facilities.	Some major initiatives include: <ul style="list-style-type: none"> • Multi-purpose Social Camps including De-addiction programme and Health counseling conducted at Salugu (tribal village) of Paderu Mandal, Visakhapatnam District. • Installation of Water De-fluoridation Plant at Vadlapudi rehabilitation colony • Mega medical camps were organised in and around Visakhapatnam • Jal-Dhara scheme for drinking water facility in tribal villages was implemented.

Chapter II

Physical and Financial Performance

2.1 RINL were asked to furnish a note on the current and future production plans of the Company. The Company submitted the following:-

“As VSP is already operating at above rated capacity levels, major increase in production levels is expected after expansion units are brought on stream. Currently, the ongoing expansion project is for capacity expansion to 6.3 Mt liquid steel by 2010-11.

Unit: Mt

Item	Current capacity	Capacity after Expansion	Remarks
Hot metal	3.4	6.5	Expected Q2 2010-11
Liquid steel	3.0	6.3	Expected Q3 2010-11
Saleable steel	2.6	5.7	Expected Q2& Q3 2011-12

Note:

1. Production plans will be firmed up once commissioning and stabilization is under way during Mar- Sep 2010.
2. Production plan will also depend on shutdown schedule of major units (BF, BOF etc.). These will be finalized after the award of major revamp tenders.

A. Production Performance

2.2 On being asked to furnish a note showing the total production of various products by the company during each of the last three years, the main competitors and the constraints if any, and steps taken / proposed to be taken to overcome the same, RINL in their written replies stated as under:-

“RINL was envisaged to be a mild steel producer and has only long products in it's product range, comprising bars, rods, rounds, billets, blooms and light and medium structurals. Main competitors in VSP's range of products are shown in the table below:

Product	Key Segment	Competitor	Market Size (Mt)	VSP's Market Share (%) (2008-09)
Bars & Rods	Wire drawing industry, Construction and Engineering Industry	SAIL, TATA, JSW, Secondary Producers	22.5	9.8
Structurals	Construction & Fabrication Industry	SAIL, Secondary Producers	5.5	4.5

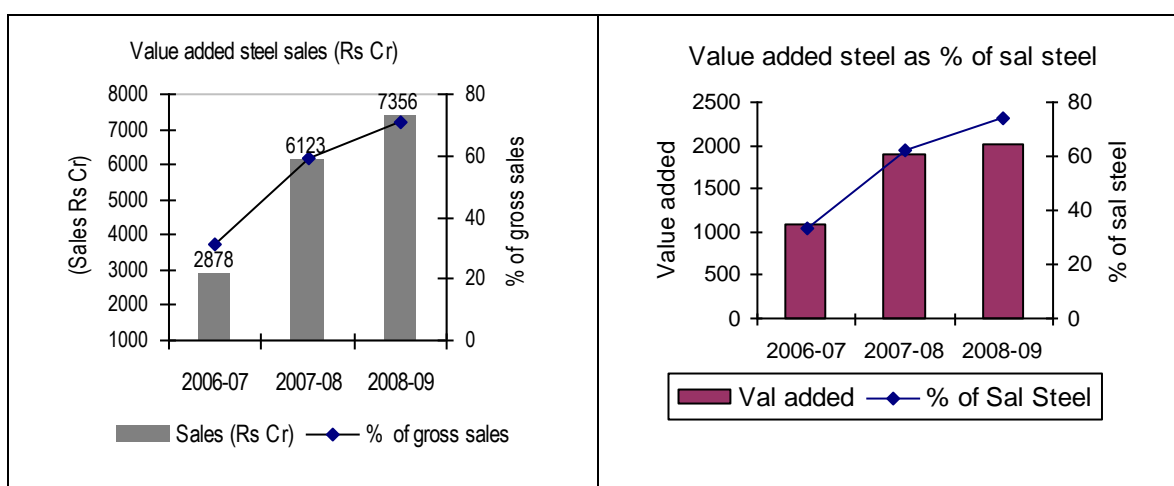
Source: JPC

The production of various finished products during last three years is given below. Unit: '000 t

Sl. No	Product	2006-07	2007-08	2008-09*
1	Bar Products	878	859	825
2	Wire Rods	1055	998	972
3	MMSM Products	1077	1015	748

* Due to unprecedented global meltdown in the second half of 2008-09, RINL resorted to production cuts.

1. Primary reason for not being able to increase production, besides the production cut resorted to, is due to aging plant, which in almost all areas require major repairs and revamp.
2. RINL facilities installed were designed for producing mild steel. However, eventually to compete with secondary sector and get better price realization more and more of special steel is being produced, as shown in the table below; production of special steel takes its toll on productivity.



3. RINL has been surpassing rated capacities of its production units since 2001-02. As a result of operating at higher capacities and consistent growth in value added steel production (as mentioned above), has also put additional load on the equipment. Many of the plant equipment due to aging require major revamp. Aging plant with major equipment requiring revamp/major capital repairs is the major constraint faced by RINL presently, in increasing volumes of production. For example, major equipment like Blast Furnaces and Converters have exceeded their normal life, Sinter Plant needs modernization. To illustrate,

- Since inception, BF-1 & BF-2 produced more than 29 Mt and 28 Mt till 31.03.2009 and have been in operation for 18 & 16 years respectively. As per the accepted industry norms Russian Blast Furnaces are to be taken for Category –I capital repairs after 14 to 16 years of operations and 18-20Mt throughput. Blast Furnaces at

VSP are therefore due for major category-1 repairs, for which action has already been initiated and tenders are being processed for the work.

- In Steel Melt Shop, repeated failures of converters have been affecting production. These failures were analysed along with the original manufacturers & suppliers of converters. They confirmed that converters have exceeded their accepted service life of 40-50 thousand heats or 17 years by producing over 1 Lakh heats. They also confirmed that the converters at VSP are of very old design, the only one of this design and vintage working in the world and are overdue for total revamp. Accordingly, steps to revamp the converters with modified design were initiated and a complete revamp is being planned. This will also help the cause for environment protection.
- The Continuous Casting Machines in the Steel Melt Shop also need to be modernized and this is being attempted one by one. Out of six machines, one is being upgraded now which would not only improve productivity but quality as well, once its operations are stabilized. The other five will be done progressively.
- Sinter Machines 1 and 2 were commissioned in Nov' 89 and Dec '91 respectively and have produced 41.66 Mt and 41.63 Mt respectively till 31.03.09. Machines are now due for major repairs to bring back efficiency and earlier reliability, more importantly from environmental point of view. The process of conceptualization of revamping and upgradation has already commenced.
- The three Coke oven batteries were commissioned progressively between Sep '89 and Jul '92. Cumulative gross coke produced till 31.03.09 is 35.5 Mt. Intermittent repairs are being carried out and major repairs are now planned from 2012. Rebuilding of each battery is likely to take 30 months apiece.

It is primarily because of Steel Melt Shop that production upstream (i.e, Blast Furnace) and downstream (Finishing Mills) have been affected adversely because of restricted availability.

A number of initiatives, some of them as brought out above, have been planned towards upgrading, revamping and rejuvenating of major plant equipment. Some of them have already commenced and others planned during the period 2009 to 2011. The equipment health is then expected to improve and again achieve higher production levels.....

4. VSP is the only public sector steel plant that does not have captive iron ore and coking coal mines in the country. Supply of these key raw materials as also the quality (alumina content in iron ore and ash content in coal) have also affected production and productivity. This handicap also erodes the competitiveness of the company as it is adversely impacted by the volatility of the coking coal and iron ore markets. VSP is trying to overcome this constraint by pursuing allocation of iron ore mines in the States of Orissa, Karnataka and Jharkhand and is also pursuing with State Mineral Development Corporations for setting JVs for projects involving value addition. Also, the company is scouting for opportunities in other countries as well.

VSP has been allocated coking coal blocks in Dec 2005 and Sep 2008 in Mahal & Tenughat Jhirghi, Bokaro Dt., Jharkhand State respectively. But both the blocks are having various and serious technical, geological and surface constraints and are un-mineable due to lack of suitable technology in the country for economical mining with better recovery of coal from these blocks. RINL have suggested to Gol to take back these allocations.

RINL is also pursuing coal assets overseas through International Coal Ventures Ltd (ICVL) which was formed with equity participation by NMDC, CIL, NTPC, SAIL & RINL to acquire metallurgical and thermal coal assets overseas.”

2.3 RINL were asked whether they had started focusing on optimizing production of value-added products. They submitted in their written replies as under:-

“RINL is consistently focusing on improving the Value Added Steel as per the market demand and registering growths year after year. The Value Added Steel production in the last three years is given below:

Item	2009-10	2008-09	2007-08
Value Added Steel Production (Mt)	2.403	2.008	1.893

Value Added production has recorded a growth of 20% in 2009-10 over 2008-09 and w.r.t the total saleable steel production the component of value added steel has reached 76%.”

2.4 On being asked if there was any possibility of RINL, establishing any new green field capacities in India in the near future, RINL replied as under:-

“RINL has plans to go for brown-field expansion upto 16 or 20 Mt in phases at the present location to take advantage of the already available infrastructure like land, rail/road connectivity, two Ports in the vicinity etc. and strategic advantages such as lower specific investment cost for expansion, availability of experienced manpower and faster implementation of project as land and other infrastructure are readily available.

Phase	Liquid Steel Capacity (Mt)
Phase-1	7.3(6.3+1.0)
Phase-2	11.0
Phase-3	13.0
Phase-4	16.0

Note: Phase-1 is presently under implementation

RINL has made a proposal to the Government of Jharkhand for allotment of mines jointly with their State Mineral Development Corporation as part of efforts to secure critical Raw Material like Iron Ore. In line with the requirement of the State Government of Jharkhand, RINL proposes to set up beneficiation, pelletisation and a Steel Plant as part of the value

addition to the mining and exploration project. The proposal of RINL is pending for decision with the Government of Jharkhand. Similar letters have also been written to the Governments of Orissa and Karnataka requesting for grant of mines.”

2.5 When queried as to whether RINL has ever cut production in the last two years, the company replied thus:-

“RINL has been operating the plant consistently over 100% capacity utilisation for the last 9 years. For operational reasons RINL has not cut production. However, due to external conditions and market fluctuations, RINL was forced to rationalise the production in 2008-09. Despite rationalisation, the capacity utilisation was maintained above 100% in 2008-09.

In view of the unprecedented global economic melt down, the production of pig iron was curtailed from Nov '08 to Mar '09 in view of high accumulated stock and un-remunerative market prices of pig iron. In order to avoid/minimize production of pig iron because of low realizations, hot metal production had to be regulated by lowering the thermal regime of the Blast Furnaces to match the requirement of the Steel Melt Shop. Consequentially, coke production was regulated to meet the coke requirement of the Blast furnace.

No production cut was resorted to, during the year 2009-10. Production was normalized in the year 2009-10 and RINL-VSP registered a growth of 10% in hot metal, 8% in liquid steel & 17% in saleable steel production in 2009-10 compared to CPLY. VSP also registered the best ever quarterly (since inception) saleable steel production in the IVth Quarter of 2009-10.”

2.6 Regarding bottlenecks in the existing production facilities of RINL, it was asked how the same are resolved:-

“The bottlenecks being faced are:

- (i) Many of the major units and equipment are aged and require revamping.
- (ii) Lack of captive mines

Steps taken to de-bottleneck are:

- (i) Revamp/modernization of the existing units like Sinter Plant, Blast Furnace and SMS converters & Casters and the Mills are planned in phases.
- (ii) Technological upgradation and infusing new technology is being addressed in current and future expansion plan and partly through Additions, Modifications & replacement (AMR)
- (iii) The proposal for restructuring of BIRD group of companies, making it a subsidiary of RINL was approved by the Union cabinet on 10.09.09 and transfer of 51% stake in M/s EIL, the holding company of OMDC & BSLC to RINL, is in the advanced stage of completion. This would give RINL access to around 200Mt of iron ore reserves, which would help VSP to partially overcome it's handicap of not having captive iron ore mines.

However, Mining leases for Iron ore mines of OMDC need to be restored / extended for obtaining full / potential benefits.

- (iv) Acquisition of iron ore mines have also been taken up with the respective State Govts. Of Orissa, Chattisgarh, AndhraPradesh, Jharkhand, Karnataka and Rajasthan. RINL has also expressed its' keenness to enter into Joint Venture with State Mineral Development Corporation of the State Govt. to develop the mines."

2.7 On being asked about the delay in the revamp of aging plants of the company which should have been initiated five years back before the expiry of the normal life span of the plant, the CMD, RINL during oral evidence before the Committee replied:-

".....Five years ago, when the market started looking up, obviously the company thought that this is the good time to produce more and sell more, and get better prices and pay up accumulated losses. I would not say five years, but yes, some thing could have been started. But that is the past. We are making those corrective things. I must say that our colleagues in the operations department had done a good job, despite this, we are producing at efficiencies which are comparable with the best, even in the SAIL and other plants. We could have done better, which we will be able to, after we repair that....."

2.8 The company further added in their post-evidence replies:-

"RINL would like to submit that by 31st Mar 2002 it had accumulated losses to the tune of Rs. 4981.96 Crs (say, Rs. 5000crs) and the company was reported to BIFR for being potentially sick. This had happened for several reasons, including a long period of sluggish market with low prices of steel. Immediately after 1992, when the plant got commissioned, RINL had to grapple with the problems of a very high capital cost, high debt at higher interest cost and innumerable teething problems during the initial phase of production & stabilization.

When the market turned positive in the early 2000, with all out efforts of the RINL collective, improvement in productivity levels could be achieved and capacity utilization improved from around 90% in the year 1999-00 to about 120% in the year 2005-06. It was therefore, the ideal time for RINL to maximize production levels, generate surplus and try and wipe out it's accumulated losses which it could ultimately achieve by the end of 2005-06. Thus, though RINL took up maintenance activities during this period to keep the equipment fit for production, the highly capital intensive repairs or revamps etc. could not be planned for two reasons:

- i) due to continuous efforts to wipe out accumulated losses and
- ii) to take advantage of good market conditions

It must be stated here that RINL, thereafter, did initiate steps immediately for major repairs and rejuvenation programme for it's Blast Furnaces and converters. But all major steel equipment producers in Europe were busy at that time catering to the booming steel market in 2007 and early 2008 etc. and were not interested in doing repair/ revamping job as compared to

supplying new equipment. So the tender enquiries floated by RINL in 2007, were inadequately responded to, for these reasons. However, after the severe downturn of market towards end of 2008, we started to get response from top companies in the year 2009 as they then started seeking this kind of business i.e modernization/repairs etc as well. We are now nearing our process for approvals for placement of orders for these jobs.

It may be noted that the downturn of 2008 second half gave an opportunity to RINL to do some intensive health check of key equipment which were helpful in improving productivity during the year 2009-10 and the improvement trend is continuing even now. However, our operations personnel are carefully operating the plant now. We are hopeful that around the year 2012-13 (as it takes two years from planning to revamp of Blast Furnaces), these key facilities would be rejuvenated and RINL would be back with highest production levels for which it is known. Expansion facilities are also expected to stabilize by then.

So we would like to submit that there was no catastrophe, but capacity utilization levels came down from earlier high of over 120% to, in the range of 115-120%. (except the year 2008-09 when we had effected some production cuts in view of the unprecedented global financial meltdown)."

2.9 Considering the importance of captive Mines of primary inputs like iron ore, manganese ore and chrome ore, for the steel industry to reduce their costs of production and to expand their capacities, it was queried whether the Ministry of Steel has any say in the allocation of Mining Leases for these minerals. The Ministry replied:-

"The allocation of mineral concessions for minerals including iron ore, manganese ore and chrome ore is governed by the provisions of Mines and Minerals (Development & Regulation) Act, 1957 and the Rules thereof. The allocation of major minerals like iron ore, manganese ore and chrome ore is done by State Governments after taking prior approval of the Central government. As per Government of India (Allocation of Business Rules), 1961, the work of legislation as well as regulation of mines and development of minerals within the territory of India has been allocated to Ministry of Mines. Accordingly, the prior approval of the Government of India in the matter of allocation of mineral concessions in respect of major minerals under the provisions of MMDR Act, 1957 is given by Ministry of Mines. Ministry of Steel has got no say in the matter.

Efforts made by the Ministry:

a).Ministry of Steel had taken up the matter with Cabinet Secretary for examining the matter for making suitable amendments in the Government of India (Allocation of Business Rules), 1961 to make provision for exercise of the powers of the Central Government under the provisions of MMDR Act, 1957 by Ministry of Steel, in respect of iron ore, manganese ore and chrome ore. However, Cabinet Secretariat informed that no amendments to the Government of India (Allocation of Business Rules), 1961 are considered necessary.

b). Letters have been sent to State authorities of Rajasthan, Jharkhand, Orissa, Chattisgarh & Karnataka for allocation of mines. The Ministry of Mines has also been requested to consider the case of RINL favourably. Periodical meetings are also held to expedite the decision.

(c). Recently the Union Cabinet in its meeting held on 10.09.09, has approved the restructuring proposal of BIRD group of companies and transfer of 51% stake of GoI in M/s Eastern Investment Ltd. (EIL), the holding company of OMDC & BSLC to RINL. OMDC have 6 mining leases (to be renewed) for Iron Ore with reserves of 200 Mt & Manganese reserves of 45 million tonnes and BSLC have 375 million tonnes of Lime stone and 287 million tonnes of Dolomite reserves. This would help RINL to partially overcome its handicap of not having captive iron ore mines, apart from considering value addition propositions like installation of pelletisation plant etc.

(d). Ministry of Steel is facilitating a proposal of RINL to be the holding company of Nilanchal Ispat Nigam Ltd. (NINL). The move was envisaged to impart synergy to both the companies as it would satisfy RINL's basic requirement of raw material from the mines owned by NINL and simultaneously allow investment by RINL in NINL's future modernization and expansion plans. RINL has submitted in June 2010, its valuation of NINL shares for consideration. The matter is under consideration of Ministry of Commerce, which is administrative Ministry of NINL.

(e). The Government has approved formation of International Coal Ventures Ltd (ICVL) with equity participation by RINL, SAIL, CIL, NTPC & NMDC, in order to enable these companies to acquire coking and thermal coal assets overseas."

2.10 The Ministry further added:-

".....As regards captive coking coal blocks, it is mentioned that as a result of efforts of Ministry of Steel, RINL was allocated two coking coal blocks by Ministry of Coal i.e. Mahal in in 2005 and Tenughat Jhirki in Jharkhand in 2008. However, RINL did not find these blocks suitable for economic mining and requested this Ministry to take up the matter with Ministry of Coal for surrendering the allotment of these two coal blocks and for considering allotment of some other good coking coal blocks with open cast mining possibilities. The matter has accordingly been taken up by Ministry of Steel with Ministry of Coal vide letter dt.3rd September 2009. The reply of Ministry of Coal is awaited."

2.11 The Secretary, Steel on the issue of the central government having a bigger say in the allocation of mining leases made the following statement:-

"....Another issue that was raised is whether the Central Government should have greater say in mining leases. We think it should have. We also feel that we should be actually the Ministry authorized to grant mining leases for iron ore because it is captive to the steel industry and no other industry uses it. We will be able to much appreciate all the ramifications regarding conservation vis-à-vis export, regarding our long-term requirements, regarding what kind of industries should be granted these leases and what kind of firms should be granted these leases...."

2.12 The allotment of iron ore mining leases is governed by MMDR Act, 1957 (Mines and Minerals Development and Regulation Act) in terms of which the primary role in allocation of mines rests with the State Government. It was understood that the State Government (Jharkhand) had rejected the applications of RINL for mining leases on the ground that they were not adding any value in the respective state by way of creation of new units/plants leading to more employment opportunities for the local people of that state. In this regard, the ministry of steel were asked Whether they had taken any steps to pursue the case of RINL by taking up the matter with PMO or Cabinet Committee of Economic Affairs and whether they were coordinating with the concerned State Governments and other central Ministries. It was further asked if any Empowered Group of Ministers was constituted to solve this problem and if it was true that the different Central Government Ministries (Ministry of Mines Ministry of Environment Ministry of Commerce etc.) were working in different directions to strengthen their own position and were thereby working at cross purposes. In reply, the Ministry stated the following:-

“The applications of RINL for mines in Jharkhand has not been rejected. Efforts have been made by the Ministry of Steel and letters sent by the Ministry of Steel to State Governments of iron ore rich states of Rajasthan, Jharkhand, Orissa, Chattisgarh & Karnataka. The Ministry of Steel has also taken up the matter with the Ministries of Mines and Coal for allotment of mining leases in the State of Orissa, Chattisgarh etc. No empowered Group of Ministers has been constituted in this regard.

The Ministries of Mines, Environment, Commerce, etc. have been set up to carry out the activities as set out in the Government of India (Allocation of Business), Rules. The Ministries together are committed to ensure proper economic and social development of the country. If there are differences in some particular area, the same is resolved through appropriate mechanism of consultation focusing on larger interest of the country. However, it is added that Ministry of Mines has proposed to replace the existing Mines and Minerals (Development & Regulation) Act, 1957 with a new Act. As there were differences of opinion among various Ministries, the Draft Mines and Minerals (Development & Regulation) Bill, 2010 proposed by Ministry of Mines has been referred to a Group of Ministers (GoM) for deliberation. The matter is presently under consideration of GOM.”

2.13 The company was asked whether coke rate of RINL is higher than the coke rate of other steel majors such as SAIL, TISCO etc., and that if so, what steps have been taken to decrease the coke rate. In reply, they submitted the following:-

“As per available information, total Coke rate of SAIL is around 517* Kg/ t HM when compared to around 495 Kg/t HM of RINL (2009-10). However, auxiliary fuels like Coal Dust Injection, tar injection are adopted in SAIL, due to which the Coke rate is lower in some of the units of SAIL. Similarly for TISCO which uses auxiliary fuels, the fuel rate as per available information was 560 kg/thm for 2009-10.

Steps are being taken by RINL to decrease Coke rate further by use of pulverised coal dust injection which is planned to be taken up in the Blast Furnace that is going to come up in the expansion stage and also in the existing Blast Furnaces after suitable modifications, which are currently under implementation. Additionally use of pellets is contemplated which would further decrease coke rate. Fuel rates will undergo change in future depending on the extent of injection of auxiliary fuels.

* Excludes Nut coke and Pulverised Coal dust Injection”

2.14 When asked if RINL has a lower productivity of Blast furnace, as compared to SAIL, TISCO etc., the company replied thus:-

“It is not true that RINL has a lower BF Productivity. BF Productivity at RINL is around 1.94 t/day/cum against 1.57 t/day/cum of SAIL, as per the available information.

RINL’s productivity is better than TISCO’s Blast Furnaces except new furnaces. RINL’s BF now under installation is expected to match with that of new furnaces of TISCO.”

2.15 RINL were asked to define "Special Steels" and to state whether RINL has developed expertise in manufacturing them. In reply, RINL submitted:-

“The various grades of steel which are being produced through normal process are called garden variety and they cannot be used for several special application. Certain segments of usage of steels need special / desired physical properties and chemistry including cleanliness, surface qualities, dimensional tolerances and mechanical/metallurgical properties etc. The production of such steels needs development of special process, adoption of special technologies, strict operational discipline and additional alloying elements etc., Steels of such quality produced through special technology along with addition of alloying elements are generally called “**Special Steels.**” The physical & chemical properties of special steels remain stable during various stages of it’s use.

RINL which was originally envisaged to produce only mild steel, has developed expertise over the years in manufacturing of special steels and its component has gone up to over 70% in the total saleable steel production. The majority of special steels produced cater to general engineering, bright bar, automobile and fastener sectors. In addition to this, to cater to construction sector for various specialized applications like, pre-stressed concrete, corrosion resistant rebar and transmission line towers, various new grades were developed. RINL is approved as a vendor for various products by Government as well as OEMS. There is a continuous effort in developing newer grades of special steel to meet the requirements of various sectors in the country.

In the existing Steel Melt Shop, adoption of bottom blowing in converters and installation of Electro- Magnetic Stirrer (EMS) in continuous casting has facilitated production of special steels. In the current phase of expansion, facilities such as desulphurisation, ladle heating furnace, RH degassing etc., are under installation. The finishing mills under installation would also be having latest technology for rolling of difficult grades like welding steel, spring steel, bearing steel, case hardening steel etc.

The conceptualization process for production of very high grade steel i.e. silicon steel, required by electrical industries have also started. This will help in making such steel available indigenously which are currently getting imported.”

2.16 It was observed that despite being an exporter of steel, some quantity of specialized grades of steel is still being imported. RINL was therefore asked why they could not manufacture such grades of steel themselves. RINL submitted the following in their written replies:-

“RINL is basically long products producer and originally envisaged to produce only normal grade(s) of steel. However, subsequently with in-house expertise and by adding a few facilities, number of grades of products as special steel grade(s) could be developed. It is to be mentioned that the specialized grade of steel which is being imported currently in the country mainly pertains to flat products for which RINL does not have facilities.

In next phase of expansion, RINL intends to produce specialized grade of steel which is currently being imported like silicon steel, grain oriented and non grain oriented which is largely used in electrical transformers, wind mills, turbine blades, fan motors etc., Production of these steels however needs special know-how & technology which is available with limited number of companies globally.”

2.17 It was also asked if RINL manufactures "seamless steel pipes" and if not, why RINL is not capable of manufacturing it. In their reply, they stated:-

“RINL is not having manufacturing facilities for production of “seamless steel pipes”. In next phase of expansion to 11 Mtpa, the installation of suitable seamless steel pipe plant is being explored. Current phase of expansion had envisaged setting up of a facility/unit for the manufacture of seamless tubes. However, the same could not materialize due to very high cost offered by bidders due to the prevailing buoyant market at that point of time. The technology that was sought at that time was being overtaken by new and improved processes. Price and technology were two reasons for not going ahead with Seamless Tube Mill at that time. In next phase, if the unit is installed, RINL will be fully capable of manufacturing seamless steel pipes with latest and the most appropriate technology.”

2.18 According to the National Steel Policy -2005, there is a surplus of fines in the country, which are not fully utilized by the domestic steel industry and are likely to be exported in huge quantities to Japan and South Korea. In this regard, it was queried as to why RINL did not set up fines based steel plant and if it was a fact that RINL did not have the technical know-how to set up fines based steel plants. In reply, RINL stated the following:-

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

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

RINL has proposal for installation of 4 to 6 MT capacity pelletisation plant using iron ore fines. However, the installation of this would depend on assured supply of iron ore fines by mining company for which discussion is in process with NMDC. As RINL does not have any iron ore mines allotted by Govt. of India, we are totally dependent on other mining companies for supply of iron ore.”

B. Performance rating (MOU)

2.19 It was asked if the company has been signing MOU with the Administrative Ministry and, if so what was MOU rating obtained by the company during these years. The written replies are as under:-

“RINL has been signing MoU with MoS /Gol since 2000-01. Ratings obtained are given below:

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Rating	Excellent					Very Good	

C. Capacity Utilization

2.20 It was asked whether the steel plant of RINL had exceeded its rated capacity during the last two years and details thereof. The company replied as under:-

“RINL-VSP has exceeded its rated capacity in the last two years. Details are given below.

Unit: ' 000

Item	Rated Capacity	2009-10		2008-09	
		Actual	% Capacity Utilisation	Actual	% Capacity Utilisation
Hot Metal Production	3400	3900	115	3546	104
Liquid Steel Production	3000	3399	113	3145	105
Saleable Steel Production	2656	3167	119	2701	102

2.21 On being asked the percentage of capacity utilization of the Company and steps proposed to be taken to increase capacity utilization, RINL furnished in their written replies as under:-

“VSP has been achieving more than 100% capacity utilization for its units, since 2001-02. In the year 2008-09, in spite of production cuts affected during the second half due to slump in steel markets, the capacity utilization of the Plant was above 100%.

..... major equipment like Blast Furnaces and Converters in the Steel Melt Shop have already exceeded their accepted service life and are due for major repairs/revamp, which are a must for enhancement of production levels.

Accordingly, action has already been initiated for major Category-1 repairs of Blast Furnaces for which the tendering process is in progress. Complete revamp of converters is being planned. Various schemes like installation of Pulverized Coal Injection facilities in Blast furnaces, production enhancement in sinter machines, modernization of the Continuous Casting Machines have also been planned to further improve the capacity utilization.

Capacity utilization is expected to improve from existing levels, once major revamp and capital repairs are completed.”

D. Expansion Plans

2.22 RINL were asked for the original schedule, revised schedule, actual expected date of commissioning of each project during each of the last five years and reasons for the time lag in commissioning of projects. They were further asked to what extent the delays were responsible for escalation in costs and whether they were unavoidable. In reply, they submitted the following:-

“Three major projects costing more than Rs.20 cr. have been commissioned during the last five years as given below:

Sl. No	Project	Date of Commissioning	Original / Revised Estimate (Rs. Crs.)	Anticipated Cost (Rs. Crs.)	Remarks and Reasons for cost overrun
1.	Coke Oven Battery – IV	Original (contractual)-	286.83 / 380	380	Battery commissioned and is under regular operation as per

	, (Phase – I)	Nov ' 08 Actual Apr ' 09			requirement. This will supply part of coke requirement of plant on expansion. No cost over run anticipated with respect to revised cost. However, there was an increase in project cost to the extent of about Rs.64 crores mainly due to escalation within project time cycle, variance in statutory levies. The part of increase in project cost was also due to higher order value due to limited suppliers / inadequate response of bidders for some of the critical equipments like oven machines, lifters , refractories etc
Sl. No	Project	Date of Commissioning	Original / Revised Estimate (Rs. Crs.)	Anticipated Cost (Rs. Crs.)	Remarks and Reasons for cost overrun
2.	Combined blowing in SMS-1	Original contractual - Jan '09 Actual -Mar '09 to May ' 09	18 / 37	37	Commissioned and is under regular operation. No cost over run anticipated w.r.t revised estimate, however there was increase with respect to original estimate mainly due to subsequent changes in the scope due to adoption of new technology for the first time in the plant. However there has been no cost over run after placement of order except for contractual escalations which will be frozen while closing of contract
3.	Caster Upgradation (CCM-2)	Original contractual – Jan '09 Actual - Sept ' 09	51.4 / 77	77	Continuous Caster Upgradation (CCM-2): Commissioned and is under stabilisation. With this, the production of special quality steel and productivity is set to increase. No cost over run is anticipated over revised approved cost except minor variation on account of statutory escalations which will be frozen while closing of contract

As VSP is already operating at above rated capacity levels, major increase in production levels is expected after expansion units are brought on stream. Currently, the ongoing expansion project is for capacity expansion to 6.3 Mt liquid steel by 2010-11.

Unit: Mt

Item	Current capacity	Capacity after Expansion	Remarks
Hot metal	3.4	6.5	Expected Q2 2010-11
Liquid steel	3.0	6.3	Expected Q3 2010-11
Saleable steel	2.6	5.7	Expected Q2& Q3 2011-12

Note:

1. Production plans will be firmed up once commissioning and stabilization is under way during Mar- Sep 2010.
2. Production plan will also depend on shutdown schedule of major units (BF, BOF etc.). These will be finalized after the award of major revamp tenders.

RINL has excellent layout and other infrastructure facilities at its Vizag unit to expand the capacity up to 16 million tonne per annum. Accordingly, RINL has drawn its long term directional plans to expand the capacity of liquid steel to 16 million tonne in phases by the year 2020 to maintain its dominant position in the Indian steel market. In the first phase RINL is focussing on expansion limiting to long products category which is required for infrastructure growth of the country and to diversify to flat products category in the subsequent phases.

To achieve the above endeavour, RINL has already frozen the first phase expansion plan and is in the process to raise liquid steel capacity to 6.3 million tonne per annum by the year 2011. With the completion of this phase of expansion RINL will be able to meet part of growing demand of construction steel like wire rod, bar, channel, angle, beam etc.

The production target of hot metal, crude steel and saleable steel after Expansion Plans of RINL in phases will be as indicated below:

Item	Current capacity (2006-07)	Capacity after current Expansion by 2011	Directional plan 2020
Hot metal	3.4	6.5	16
Liquid steel	3.0	6.3	16
Saleable steel	2.6	5.7	15

Major facilities coming up in the current phase of expansion are :

- **New Blast Furnace** of 3800 cum capacity water cooled hearth bottom to produce 2.5Mt of hot metal with a state of art technology viz. inclusion of profilometer, copper staves, PCI, TRT etc.,
- **New Steel Melting Shop** with two converters and three casters to produce liquid steel of 2.8 Mt capacity along with facilities to produce cleaner and high grade steel viz., secondary steel melting facilities, electro magnetic stirrer, auto mould level control, combined blowing along with pollution control measures etc.,
- **New Sinter Plant** with 408 m² sintering area along with circular cooler to produce 10950 TPD of sinter.
- **New CRMP** with two nos. 500 TPD vertical shaft kilns to produce 1000 TPD of calcined lime.
- New high speed **Wire Rod Mill** of 6 lakh tonne per annum capacity with wider range of products to meet the customer requirement.
- **Special Bar Mill** of 7.5 lakh tonne per annum capacity to meet the customer requirement of special steel, both in term of sizes and quality with a flexibility of supply in straight and coil form.
- **Structural Mill** of 7 lakh tonne per annum capacity with high speed roughing stand to produce 75 – 175 mm structurals as per market demand.

Completion schedule: The overall schedule for commissioning and stabilisation of iron and steel zone and finishing mills is given below :

Stages	Facility	Commissioning & stabilization
Stage-I	New Blast Furnace along with new steel melting facilities and new wire rod mill including supporting facilities like new sinter plant, raw material handling system etc.	From Mar ' 10 – Sept ' 10
Statge-II	New Special bar mill and associated facilities New structural mill and associated facilities	From Jan ' 11 - Jul ' 11 From Jul ' 11 – Dec ' 11

Overall status:

Order placement – completed for all major process packages including auxiliary packages. Balance few auxiliary packages are also being ordered as per requirement.

Design & Engineering: Basic engineering has already been completed for all the packages. Detailed engineering by the consultant for civil & structural work and also by the main technology supplier have been completed except part of utilities and miscellaneous areas which are also progressively being completed matching overall integrated commissioning schedule of expansion units.

Execution at site : The execution of various packages at site including civil, structural, equipment supply and equipment erection have already commenced and are at various stages of completion. Overall status of stage-1 is given below :

Piling	Completed
Basic engineering	Completed
Design & Engineering	completed except few areas
Concreting	81% completed (critical concreting done except few areas which is planned for completion by Dec '09)
Structural fabrication	86% completed (critical fabrication done except few areas which is planned for completion by Dec '09)
Structural erection	60% completed (balance progressing at fast pace to make all fronts available for equipment erection by Dec '09)
Equipment erection	27% completed (erection of blast furnace and several auxiliaries are in advanced stage of completion).

To ensure timely completion of the project, several initiatives have been taken by VSP which includes monitoring at various levels including up to Ministry of Steel, engagement of large number of man power (about 16000 – 17000 workers), deployment of more than 50 cranes of different capacities, stretched hours of working, visit of engineers to suppliers manufacturing shops for expediting supplies, across the table discussions on engineering wherever required. In spite of all efforts being made, there are intermediate delays in some of the packages which are also being attempted to be made up by deployment of additional resources to match the overall integrated commissioning schedule as indicated above.”

Strategic Alliances:

BIRD group of companies:

Union Cabinet has approved a proposal for restructuring of BIRD group and for RINL to become a strategic partner. In the proposed restructuring, OMDC and BSCL will be made subsidiaries of EIL, which in turn will be made subsidiary of RINL, thus bringing EIL, OMDC and BSCL under the umbrella of RINL. The other two companies of KDC & SSL would be phased out.

JV with MOIL: RINL-VSP has formed a joint venture company with Manganese Ore India Ltd-**RINMOIL** Ferro Alloys Pvt Ltd. The company was incorporated on 29.07.09. The JVC with one 27 MVA furnace and one 9 MVA furnace is envisaged to produce 37500 tonnes per annum of Silico Manganese and 20000 tonnes per annum of Ferro Manganese. The JV will serve to meet VSP's ferro alloy requirement besides opportunity to export. The JV will also help in beneficial use of low grade Manganese ore of VSP's existing mines and also Manganese from OMDC etc.

JV with State Mineral Development Corporations (SMDCs): RINL is pursuing for allocation of iron ore blocks through JVs with SMDCs for value added projects in the States of Karnataka, Jharkhand and Orissa.

NINL: RINL is pursuing strategic alliance with Neelachal Ispat Nigam Ltd (NINL) to impart synergy to both the companies as it would satisfy RINL's requirement of raw material from the mines owned by NINL simultaneously enable NINL's future modernization and expansion plans.

Slurry Pipeline: RINL-VSP is getting its entire iron ore requirements from NMDC Bailadilla mines since inception. There have been major disruptions to the railway line (KK line) transporting the iron ore, due to Naxalite activities. For mutual benefit and better synergy, construction of a slurry pipeline is being explored.

RINL has undertaken and is already implementing its major expansion plan to almost double its capacity to 6.3 million tonnes of liquid steel, as mentioned at 13c above, which is at various stages of completion.

Apart from expansion, RINL is also in the process of modernizing and upgrading its existing facilities to sustain the current production and productivity level and also to reduce energy consumption, improve technological parameters, to meet environmental norms etc. In this endeavour, several projects have already been frozen for implementation and some of them are further being identified as per requirement. Major

projects which have been completed / under implementation / being planned for implementation are as brought out below:

S.No	Project	Area
Major Projects completed		
1	Coke oven Battery-4 (Phase-1)	Coke making
2	Combined Blowing in all of the 3 LD converters	Steel making
3	Modernization of CCM-2	
4	Modification of gas cutting machine in SMS	
5	Replacement of Lift & Turn stand housing in CCM-4	
6	Upgradation of ladle furnace PLC & MMI	
7	Up-gradation of Control and Instrumentation of 1 Turbo generator	Power plant
	Up-gradation of Control and Instrumentation of 1 Boiler	
8	Conversion of binding machine to automatic strapping machine in bar mill	Rolling mills
SNo	Project	Area
Projects under implementation		
1	Iron Ore Storage Augmentation	Raw Materials
2	Battery 4-phase 2	Coke Making
	Coal Handling facility	
	By Product facility	
3	Pulverised Coal Dust Injection	Iron making
4	Combined Blowing facility in Converters (Completed & under stabilisation)	Steel making
	Modernization and Automation of Continuous casting Machine-2	
5	Conversion of tying machine to strapping machine	Rolling Mills
6	Up-gradation of Control and Instrumentation of 2 Turbo generators	Power plant
	Up-gradation of Control and Instrumentation of 4 Boilers	
7	Air Separation Unit 4	Utilities
	Air Separation Unit 5	
	Feed Air Compressor 5 & 6	
8	Reduction of Ammonical Nitrogen at MBC	Pollution control
Projects being planned for implementation		
1	Stacker-cum-Reclaimer & Dozers	Raw Materials
2	Enhancing production in Sinter Machines	Sinter Making
	20.6 MW waste heat recovery system	
	Twin boom stacker in Sinter Plant	

3	Category 1 repairs of BF 1	Iron making
	Category 1 repairs of BF 2	
	Pig Iron storage augmentation	
	Repair / replacement of BF 1 secondary equipment	
	Repair / replacement of BF 2 secondary equipment	
	Level-2 automation	
4	Modification of Continuous Casting Machine	Steel making
	Converter revamping / upgradation	
	Upgradation of slag yard cranes	
	Handling and finishing line - 4	
	Augmentation of SMS water system for upgradation of CCMs	
5	Additional storage facility (EPI)	Marketing

Presently, the company is meeting the expenditure towards modernization through internal generation. The company will borrow long term loans, as per requirement, in the future. Being a zero debt company and with equity capital of Rs.4889.95 Crs, VSP can raise further funds from the market. RINL plan to match modernization activities with internal resources and borrowings, as also BOO wherever feasible.

Benefit of modernization

As brought out earlier VSP is in the process of expanding its capacity to 6.3 Mt of liquid steel in the first phase of expansion. Though increase in capacity in the first phase, is almost 100%, the manpower increase for expansion works proposed is within sanctioned strength and is expected to be within 20% thereof. Modern technological features being adopted for expansion include:

- Sinter Machine (400 Sq.m) with circular cooler and multi slit burners
- Blast Furnace (3800 cum) with facilities like profilometer, Copper staves in high heat zones, PCI etc.
- Steel Melt Shop with facilities like Combined blowing, Electro Magnetic Stirrer, auto mould level control etc.
- High speed Wire Rod Mill (105 – 110 meters/second)
- Special Bar Mill with free size rolling and 20-45mm sizes in straight & coil forms
- Structural Mill with high speed roughing train (100-175 mm size beams)

VSP is also in the process of modernizing and upgrading its existing facilities to sustain the current production and productivity levels and also enhance to level 2 automation levels, reduce energy consumption, improve technological parameters, meet environmental norms etc. Increase in productivity levels through these measures will result in lower costs. These would be firmed up during stabilization phase.”

2.23 The opinion of the Ministry was sought with regard to the expansion plan of RINL without assured supply of iron ore. The Ministry stated as under:-

“a). In October, 2005, the Ministry of Steel approved expansion plan of RINL from 3.00 million tonnes to 6.3 million tonnes of liquid steel per annum. The National Mineral Development Corporation (NMDC), a PSU under Ministry of Steel is supplying iron ore to RINL on need basis. Hence iron ore supply to RINL is assured. Meanwhile the following efforts have also been made by the Ministry to maintain supply of iron ore to RINL:

b). Recently the Union Cabinet in it's meeting held on 10.09.09, has approved the restructuring proposal of BIRD group of companies and transfer of 51% stake of Gol in M/s Eastern Investment Ltd. (EIL), the holding company of OMDC & BSLC to RINL. OMDC have 6 mining leases (to be renewed) for Iron Ore with reserves of 200 Mt & Manganese reserves of 45 million tonnes and BSLC have 375 million tonnes of Lime stone and 287 million tonnes of Dolomite reserves. This would help RINL to partially overcome its handicap of not having captive iron ore mines, apart from considering value addition propositions like installation of pelletisation plant etc.

c). Ministry of Steel is facilitating a proposal of RINL to be the holding company of Nilanchal Ispat Nigam Ltd. (NINL). The move was envisaged to impart synergy to both the companies as it would satisfy RINL's basic requirement of raw material from the mines owned by NINL and simultaneously allow investment by RINL in NINL's future modernization and expansion plans. RINL has submitted in June 2010, it's valuation of NINL shares for consideration. The matter is under consideration of Ministry of Commerce, which is administrative Ministry of NINL.

d). The Government has approved formation of International Coal Ventures Ltd (ICVL) with equity participation by RINL, SAIL, CIL, NTPC & NMDC, in order to enable these companies to acquire coking and thermal coal assets overseas.”

2.24 The Ministry further added:-

“The Ministry of Steel thinks that it is proper for RINL go ahead with its sanctioned expansion plan due to following reasons:

a). Per capita consumption of steel in India is 48 kg, which is far below the world average of 178.9 kg and that of developing countries like China which stood at 405 kg in 2009. This wide gap in per capita consumption coupled with India's competitive advantage in steel making in terms of iron ore availability and lower labour costs, signify the existence of tremendous growth potential for steel in India. With large scale construction projects and infrastructure growth in the anvil, it is imperative that India increase its production levels from the existing 60Mt to at least 200Mt by 2020.

b). With land acquisition proving to be a major impediment and cause for delay in green field capacities projects taking off, it may be noted that RINL, has sufficient land bank available at it's disposal (already in possession of about 20000 acres of land), which coupled with well developed infrastructure and other facilities in terms of proximity to Ports, highways, railways etc is most suited to encash on the growth opportunity in the country.

- c). Expansion would ensure long term Sustainability for RINL in the Steel Industry by cost reduction, technology upgradation, change in product mix etc.
- d). Growth of the company would generate fresh employment opportunities, employment for more numbers of (earlier) Displaced Persons (DPs) and also work opportunities for construction labour etc.
- e). RINL's expansion would create Multiplier effect for local / State economy by way of development of downstream Industries, other establishments, transport services, logistics etc which are usually associated with a steel making unit.
- f). RINL being shore based and planning to produce high end Value Added Products from expansion would be catering to niche markets and could find export market lucrative to take care of fluctuations in domestic steel market, as and when needed.”

2.25 Regarding expansion plans of the company, the Secretary, Ministry of Steel during oral evidence added the following:-

“...Sir regarding the expansion plan of RINL, currently it is undergoing some expansion from the current capacity of 3 million tonnes to 6.3 million tonnes. But it is based more or less on the same product mix. So, when I took over, I asked the Chairman. I said, 'we should have gone in for a better product mix which gives you higher value addition and improves the bottom line'. But the entire package has been ordered. It is also somewhat delayed. Therefore, the cost has gone up and the current expansion is going to cost the company about Rs. 12,499 crore as per the present estimates and will be progressively completed by December, 2010 the first phase and December, 2011. This is the current expansion programme. But besides this, the Board of RINL has also recommended that further expansion by 4 million tonnes leading to a capacity of roughly about 11 million tonnes should be considered to make the company viable. They also proposed that ultimately it should go to 20 million tonnes. This is based on the premise that higher capacities will lead to higher economies of scale and reduction of overhead cost per tonne. But I think what is very important this time is that we must see whether the company wants to borrow Rs. 24,000 crore from the financial institutions to fund this expansion. So, if the product mix is correct and they choose the right product mix which gives them adequate margin, then only they will have a capacity to repay that loan. Otherwise, the company will again sink under the debt burden.....”

E. Capital Structure

2.26 The total investment in the Company (paid up Capital and loans separately) as on 2007-08 (Rs. Crs.) source wise is given below:-

i) Paid up Capital		
Central Government:		
Equity Share Capital	4889.85	
Preference Share Capital	2937.47	7827.32
Financial Institutions		0.00
Total Paid up Capital (A)		7827.32

ii) Loan Funds		
Central Government		0.00
Financial Institutions		0.00
Total Loan Funds (B)		0.00
Grand Total of Investment		
Central Government		7827.32
Financial Institutions		0.00
Grand Total Investment (A + B)		7827.32

Note:

Rs. 440.73 crores has been taken for the purpose of working capital under the head -Secured and Unsecured Loans in the Annual Financial Statements.”

2.27 Regarding the issue of capital restructuring, the CMD, RINL during oral evidence before the Committee made the following statement:-

“.....As far as capital restructuring is concerned, I must say that we have submitted a scheme to the Ministry of Steel. It is under their examination and we feel that it is very important and it needs to be done little faster. Obviously, the Ministry of Steel would like to examine it and take it. So, I would say that if it is done in the next three, four or five months, it will go to the Ministry of Finance. That should suffice, but something needs to be done on that....”

2.28 In a post-evidence note furnished before the Committee on Capital Restructuring, the company submitted:-

“At present, RINL has a disproportionately high capital base, which will not be conducive to Govt of India to dilute their equity by way of an IPO and for RINL to raise further funds by way of issue of fresh capital for further expansion & growth. As RINL does not have captive mines for major raw materials, expansion is a must to optimize manpower and overhead cost per tonne of steel through increased volumes and to partially offset adverse impact of rising input costs incurred in absence of key captive mines. Against this backdrop, actions taken by RINL to restructure its high capital base are given below:

- M/s IDBI was engaged in August 2009 to study & suggest optimum capital restructure taking into account the future growth plan and funding requirements of RINL.
- Based on the recommendation of M/s IDBI a capital restructuring proposal was submitted to Ministry of Steel on 2nd January 10, after due approval by RINL Board.
- The proposal submitted by RINL came up for further detailed discussions with the MOS on 14th July 2010, wherein one or more alternatives were asked to be worked out for further consideration by MOS
- The aspects raised by the MOS were discussed by the RINL Management & a detailed note along with revised proposal on the immediate need for restructuring RINL’s high capital base and an additional consideration for issuance of fresh capital was submitted to the MOS on 26th July 2010.
- The proposal is under consideration by the MoS.”

2.29 Asked if there was any precedent in the Government of India for reducing capital structure in Public Sector Undertakings (PSUs), RINL submitted:-

“Capital restructuring is generally resorted to, as and when necessitated by the business for its growth. In the year 2000, major capital restructuring scheme was extended to SAIL. In the recent past, restructuring of the Bird Group of Companies was done, by making Orissa Mineral Development Corporation (OMDC) & Bisra Stone Lime Company (BSLC) subsidiary companies of Eastern Investments Ltd-EIL (through change in shareholding pattern) and EIL in turn a subsidiary of RINL by transfer of 51% stake in EIL to RINL, thus bringing EIL, OMDC & BSLC under the umbrella of RINL. The schemes mentioned are for other than reducing capital and based on their business necessities.

In the past, capital restructuring of RINL was done to convert some outstanding loans/ interest into Equity & Preference Share Capital, which has resulted in the huge capital base. The proposal of RINL is now to:

- Reverse this process and reduce it's high capital base by a mere transfer of capital amount into reserve account, keeping net worth (shareholders funds) intact, to make it more serviceable by dividend
- Capital restructuring being cash neutral would help RINL to preserve cash for meeting its present and future funds requirement for on-going expansion and other schemes and make it attractive for investors enabling the company to raise further funds
- Improved EPS would enhance share value leading to higher market capitalization. This would facilitate GOI to unlock its value by offering part of its equity through IPO / FPO
- Restructuring of the capital base will also facilitate listing. Listing of the company is an important aspect for continuance of the granted Navratna Status to RINL.”

F. Financial Performance

2.30 The financial performance of the company in respect of parameters such as Turnover / Sales, Value added, Profit / Loss, Dividend paid to the Government, Internal Generation of resources etc are given below:-

SL NO	DESCRIPTI ON	2008-09		2007-08		2006-07		2005-06		2004-05	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
i	Sales	10500.46	10410.63	9136.17	10433.07	8748.84	9150.57	8793.42	8482.44	5424.84	8181.34
ii	Value Added	1989.60	2126.96	2154.54	3290.03	1824.93	2400.82	1899.13	2024.74	464.94	2939.47
iii	Profit (After Tax)	1285.14	1335.57	1091.64	1942.74	1021.53	1363.43	1598.27	1252.37	754.26	2008.09
iv	Dividend paid to	-	339.18	-	0.00	-	0.00	-	0.00	-	0.00

	Government including Preferential Dividend										
v	Internal Generation of Resources	1534.39	1537.72	1379.50	2287.62	1295.86	1689.68	2072.27	1524.29	1218.77	3154.27

Note:

1. Dividend for the year 2008-09 paid in 2009-10
2. The value added is calculated as per MoU guidelines

G. Export-Import

2.31 RINL was asked to furnish a note on the export/import performance of the Company, the value of exports/imports during each of the last three years and efforts made by the Company to augment the exports and reduce the imports. In their written replies RINL submitted: -

“RINL being a public sector undertaking has always given thrust for making adequate steel available in the domestic market to meet the needs of the common people. Export is being resorted to, mainly in the case of low demand in the market and also to keep presence in the international markets so as to meet any eventuality arising out of low demand in the domestic market.

Exports country-wise in the last 3 years i.e., 2006-07, 2007-08 & 2008-09 are brought out below:

Unit:

Tonnes

Country	06-07		07-08		08-09	
	Pig Iron	Steel	Pig Iron	Steel	Pig Iron	Steel
Africa	-	878	-	-	-	-
Bangladesh	-	35931	-	-	-	-
Indonesia	-	-	52500	-	-	-
Japan	81000	-	78610	-	-	-
Korea	-	-	-	-	22500	-
Malaysia	-	-	27500	-	-	-
Nepal	-	7460	-	20332	-	-
Sri Lanka	-	25037	-	31710	-	-
Taiwan	24000				-	-
Thailand	53750	20234	95940	10361	-	-
UAE	-	5200	-	-	-	-
USA	-	25993	-	-	-	-
Grand Total	158750	120733	254550	62403	22500	-

Note: Exports were less in 2008-09 due to high domestic demand and to help in controlling inflation.

Export of iron and steel products helped in proving a natural hedge for taking care of imports of raw materials like coking coal, SMS limestone partially. Further, in case of slump in the domestic market, Exports come to the rescue of VSP for improving overall sales of iron and steel products.

Import of raw material:

All efforts are made to get required quality of raw materials from indigenous sources and balance quantities only, is imported. However, RINL is largely dependent on imports for specific raw materials like low ash metallurgical coal required for hot metal production and low silica limestone required for liquid steel production, as these materials are not available indigenously of desired quality and for better capacity utilisation of highly capital intensive equipment, for RINL. Other materials like thermal coal for power generation, sea water magnesia for converter brick making are also imported in small quantities.

Most of the low ash metallurgical coking coal is procured from Australia and a small quantity from US and New Zealand. Low silica limestone is imported generally from UAE and sometimes being sourced from Oman and Thailand based on global tenders.

Thermal coal is not an item of regular import but in the recent past, the Plant has resorted to import of small quantities due to failure of M/s CIL to supply the required quantity for uninterrupted generation of power which is essential for running of the Steel Plant. Imported thermal coal is sourced from Indonesia to supplement shortfall in supply from M/s CIL.

The other minor raw materials for steel making like Sea Water Magnesia, Fused Magnesia etc., is sourced from different countries like China, Ireland, Mexico etc., in small quantities.

Major raw material imports for the last three years is tabulated below:

Material	Quantity of imports (in Lakh Tonnes.)		
	2006-07	2007-08	2008-09
Coking Coal	29.39	28.02	28.74
LAM Coke	1.84	2.52	1.57
Low Silica Limestone	3.18	4.26	4.49
Boiler Coal	NIL	0.52	1.32

2.32 When asked why iron ore (being a national asset) should be exported in view of the future requirement of the country and What the National Mineral Policy (NMP) says in this regard, the Ministry of Steel in their post evidence replies submitted the following:-

“The extraction and disposal of minerals is governed by the extant National Mineral Policy and the statutory rules viz. Mines & Minerals Development & Regulation (MMDR) Act 1957. Iron Ore has not been defined as a national asset, either under the Mineral Policy or the Act. However, Ministry of Steel feels that mineral resources of strategic minerals like iron ore should be considered as national assets, whose exploitation should be governed by national interest. Ministry of Steel is also of the view that iron ore, being a non-renewable natural asset, should be conserved for long term utilization of domestic steel industry. The

policy should aim at value addition of iron ore within the country instead of exporting iron ore.

National Mineral Policy 2008 provides that the policy of export (of minerals) shall keep in view the dynamics of mineral inventories as well as the short, medium and long term needs of the country. Efforts shall be made to export minerals in value added form as far as possible (Para 8 of NMP, 2008). National Mineral Policy 2008 also provides that to maximize gains from the comparative advantage which the country enjoys *intra se* mineral development will be prioritized in term of import substitution, value addition and export, in that order (Para 7.1 of NMP, 2008). Therefore, as per NMP, 2008, value addition has to be given priority over exports of minerals like iron ore.”

2.33 Secretary, Ministry of Mines during evidence before the Committee made the following statement with regard to exports:-

“..... (on) the issue of exports and the issue of utilisation in the country. in our view, the total steel-making capacity is roughly about 60 million tonnes in the country according to the information given to us and all that is being exported is essentially surplus, that is, over and above the production capacity. Therefore, the question is this. Should we produce that much of iron ore at all or should we conserve it? Why is it that we are not able to increase our steel-making capacity? Either we reduce our production in line with capacity or increase our production capacity in line with our production. These are the two clear options.”

H. Foreign Exchange

2.34 Details of items on which foreign exchange was earned (and spent by the Company during each of the last five years are given below:-

Description	2008-09	2007-08	2006-07	2005-06	2004-05
Expenditure in foreign exchange :					
A. Expenditure in Foreign Exchange					
a. Technical Consultation Fee / Know-how	0.58	0.72	0.26	0.01	0.31
b. Interest	0	6.91	31.78	21.83	7.38
c. Others	1.55	3.65	6.14	2.08	4.82
Sub Total: (A)	2.13	11.28	38.18	23.92	12.51
B. Value of Imports during the year on CIF basis					
a. Spares	101.05	65.66	47.21	37.04	41.03
b. Raw materials	3552.86	1812.78	2044.25	1734.93	1692.41
c. Capital Goods	356.64	0.00	0.00	0.00	1.50
Sub Total:(B)	4010.55	1878.44	2091.46	1771.97	1734.94
Total: (A+B)	4012.68	1889.72	2129.64	1795.89	1747.45
Earnings in foreign exchange:					
a) Export of Goods (on FOB basis)	78.32	555.47	425.23	442.65	249.22
b) Others	0.23	0.62	0.96	0.87	10.05
Total	78.55	556.09	426.19	443.52	259.27

I. Marketing

2.35 RINL were asked to give details of steps taken to improve the market share of RINL in an expanding steel market. In their reply, they submitted:-

“The details of steel consumption in the country and the market share of RINL-VSP in the last two years are given below:

Item	Unit : Mt	
	2008-09	2009-10
Estimated steel consumption in India	52.351	56.475
Estimated consumption of Longs in India	26.897	28.705
Sales of finished steel of RINL, VSP	2.462	2.922
% Share of RINL, VSP in Longs	9	10

Source : JPC

Note: RINL-VSP produces long products only.

Steps taken by RINL- VSP to improve its market share in the expanding steel market:

- Current phase of expansion of capacity to 6.3 million tonne per annum by 2011-12 will enable VSP to improve it's market share to 11%
- In the on-going expansion, to facilitate production of special grade steels including higher grade of clean steel, with better tolerance, different sizes etc., secondary refining facilities like Electro Magnetic Stirrer (EMS), LHF& RH Degasser alongwith several state of art technological based equipment etc. are being installed.
- Providing prompt service to the customers. RINL has been ranked 1st (First) for the year 2007-08 in the Customer Satisfaction Survey done by M/s AC Nielsen ORG-MARG, an independent agency appointed by the Ministry of Steel, GOI
- The Scheme for Registration of Retailers to service customers in Metros, Urban and Semi-urban areas has been introduced in 2010-11. The process of Registration is going on.
- Introduction of the Scheme of Registration of District Level Dealers (DLDs) to realize the market potential in the rural markets in 2004-05. As on 31st May 2010, there were 102 District Level Dealers in position.
- Apart from the above, addition of Consignment Agents (CAs) and Consignment Sales Agents (CSAs) outlets are envisaged for improving reach to the customers.
- Entering into MoUs with customers for assuring supplies to customers and for establishing loyal customer base.
- Branding of RINL-VSP's rebars as “**Vizag TMT**” and structural steel products as “**Vizag Ukku**” has been done to differentiate VSP's products from the products manufactured by the secondary steel producers.”

2.36 On being queried as to how far RINL has grabbed the opportunity of supplying steel for 'infrastructure industry' in countries like India and China, RINL replied thus:-

“a) RINL has primarily been selling its steel in domestic market to meet the needs of the growing market. Therefore, efforts were not made to sell to “infrastructure industry” in countries like China.

b) RINL makes only long products, which are used in the infrastructure industry.

In the product range of RINL-VSP, rebars and structural steel products are more specifically utilized in the infrastructure sector. With increase in demand for rebars for infrastructure sector, sales of rebars have been increasing over the years. Sale of rebars and the percentage share in saleable steel during the last four years are brought out below:

Unit : Mt

Item	2006-07	2007-08	2008-09*	2009-10
Sales of Saleable Steel	3.266	2.941	2.617	3.131
Sale of Rebars	1.034	1.106	1.024	1.205
% Rebar in Saleable Steel	32%	38%	39%	39%

* The dip in sales volume in 2008-09 is attributed to global meltdown.

It may be observed that the percentage of rebars in the total saleable steel has increased from 32% in 2006-07 to 39% in 2009-10.”

2.37 On the issue of efforts being made by RINL to cater to the needs of quality-conscious middle class people, who are still at the mercy of unscrupulous traders who pass off sub-standard steel as quality material and whether RINL is selling any branded steel to such small consumers, RINL submitted as under:-

“After commissioning of its integrated operations in 1992, in a short span of time, RINL- VSP earned a name for itself as a quality steel producer both in the domestic and international markets. The steel products of RINL- VSP are most sought after, in the market because of quality advantage and the image.

The rebars produced by VSP are branded as “**Vizag TMT**”. These rebars are used in the construction sector including building of houses. These products are supplied to all categories of customers including small customers, who procure steel to build their houses, which is done through our marketing network.

RINL-VSP has a network of 5 Regional Offices i.e. North (Delhi), East (Kolkata), South (Chennai), West (Mumbai) and Andhra (Visakhapatnam) and 23 Branch Sales Offices (BSOs) and Stockyards, spread across the country. In addition, Consignment Sales Agents have been appointed at 5 locations in the country. These are Visakhapatnam and Kadapa in Andhra Pradesh, Damtal in Himachal Pradesh, Jamshedpur in Jharkhand and Guwahati in Assam. Individual house builders are provided the facility of registering their requirements with the nearest Branches directly subject to completing documentation formalities. Their requirements are directly serviced by the Branch and provision exists in the stockyards to deliver part loads vehicles by multiple loading process. This ensures that even small quantities typically required for the individual house builders are serviced.

Semi-urban & rural customers who also require steel in small and specific quantities and for whom the nearest stockyard is not easily accessible, are serviced through a network of District Level dealers (DLDS), who are appointed by the company in such identified areas wherein they set up shop and storage facility. The dealers cater to the requirements of the individual consumers in their area by carrying adequate stocks.

As on 31st May 2010, 102 DLDs are in operation. In due course, it is proposed to register DLDs in all the Districts in the country.

It is RINL’s constant effort to avoid sale of iron and steel products to unscrupulous Traders. In this direction, during the current year i.e. 2010-

11, Retailer Scheme has been introduced by converting some of the major Traders into Retailers. Retailers are allowed to sell VSP's products from the exclusive outlets set up by them as an extended arm of the company at or below the Maximum Recommended Retail Price (MRRP) fixed by the company. RINL, VSP supplies steel products to various segments i.e. SSICs/NSIC, DLDs, Actual Users, Project Sales and Retailers in this order of priority.

The sale of products to Actual Users vary from product to product. The Sales Policy 2010-11 envisages sale of 100% of Wire Rod Coils and Semis to Actual Users, Project Sales and Small Scale Industries. Further, 50% of Rebars and Structurals, 55% of Rounds and 70% of Squares are sold to Actual Users, Project Sales and Small Scale Industries. The remaining quantities are sold to DLDs, Retailers and others.

To cater to the needs of the employees and other middle class people, who build houses, a Consignment Sales Agency (CSA) outlet has been opened in Visakhapatnam w.e.f. October 2009. Through this outlet, buyers can purchase even small quantities of steel products used for house construction. From this outlet, multiple loading of various sizes in smaller quantities in a truck are supplied to the buyers."

2.38 Regarding steps taken by RINL to expand their presence in global steel markets and whether there has been any reduction in Export sales of steel, RINL in their written replies stated the following:-

"Within a short duration of time after commissioning of its integrated operations in 1992, RINL- VSP had established itself as a quality steel producer in both the domestic and international markets. Exports of steel products started right from the year of the commissioning of the Plant in 1992-93, when products worth Rs 212 cr. were exported.

Since then, RINL- VSP has been maintaining its presence in the international markets. RINL-VSP has been maintaining its presence in the Export market to the extent opportunities arise or for obtaining better realisations. Exports value of iron and steel products in the last five years are brought out below:

Unit : Rs

cr.

Item	2005-06	2006-07	2007-08	2008-09	2009-10
Exports	443	424	555	78*	351

* The figures for 08-09 reflect the poor international market conditions consequent to the global meltdown. However in 09-10, as the markets slowly returned to normalcy, exports also picked up showing substantial growth on the back of a weak 2008-09 performance.

Considering the fluctuations in demand in the Domestic Market in the current year, during May 2010, letters were written to Indian Embassies in other countries requesting them to disseminate information about RINL-VSP tenders in trade circles under their jurisdiction to boost export sales. Customers were also asked to convey their difficulties, if any in doing business with RINL-VSP. Opinions of the customers were sought and served as inputs for formulating policies."

2.39 On whether the introduction of dealership network at district level has boosted the sales of steel products and on what basis, dealers have been selected, RINL replied thus:-

“In line with the objective of increasing steel consumption in the semi urban & rural areas as indicated in the National Steel Policy 2005, issued by Ministry of Steel, GOI, RINL- VSP has introduced the Scheme of Registering District Level Dealers in 2004-05. The DLDs Policy envisages Registration of DLDs at locations other than the Branch/CSA locations. The DLDs are registered in tier-2 Towns, excluding the District Head Quarters and major towns. Sales of steel through DLDs since 2004-05 are as follows, which clearly shows that the sales have been boosted:

Unit : Tonnes

Year	Qty. of Sales
2004-05	1053
2005-06	7334
2006-07	10434
2007-08	34922
2008-09	42953
2009-10	14700*

* DLDs Policy was introduced in 2004-05 and sales picked-up in the subsequent years i.e. 2005-06, 2006-07, 2007-08 and 2008-09. In 2009-10, based on the experience gained and the inputs received like vigilance suggestions, feedback from District Level Dealers, as a part of Corporate Governance, DLDs Policy has been revised and new registration for DLDs started from 2009-10 onwards. As per this policy, 4 District Level Dealers are being appointed in each District, instead of one in Andhra Pradesh and Kerala States.

Basis for selection of DLDs: The appointment of DLDs is done through paper advertisement, wherein the locations and also the category (SC/ST, OBC, and GEN) are notified. The interested candidates are required to apply against such advertisement. Out of every 4 DLDs, 1 DLD is reserved for SC/ST and 1 DLD for OBC and the remaining 2 for General Category.

The applications received are evaluated on a 20 point score and consists of various attributes like applicant's experience in the field, selling ability and market reputation, infrastructure facilities and financial capabilities. The minimum qualifying criteria for all categories is 4 (Four) points. The applications meeting the minimum qualifying criteria are short-listed and such short listed applicants are inspected by a committee to ascertain the infrastructure and other facilities declared in their application. The applicant scoring maximum marks is selected for registration as DLD.”

2.40 On the steps taken by RINL for popularizing RINL products in the rural market in the past one year, RINL submitted as under:-

“RINL- VSP has taken up advertising campaigns on buses plying in rural & semi-urban areas, wall paintings and hoardings in those areas for popularizing RINL's products in the rural market in the past one year.

Additionally, the DLDs also undertake sales promotion of RINL- VSP's products. The promotional material used by the DLDs is cleared by RINL. During the past one year, the DLDs have taken extensive advertisement campaign to promote VSP's products in their area of operation by way of wall paintings, advertisement in the vernacular news papers in their location, pamphlets, by participating in local melas etc.

RINL is a member of Institute for Steel Development & Growth (INSDAG). In order to create mass awareness regarding various innovative and common uses of steel, INSDAG has initiated several innovative and cost effective solutions in order to promote usage of steel, which includes steel intensive solutions for Rural housing, design and development of steel bullock carts and propagation of the utility of steel bullock carts vis-à-vis primitive bullock carts, design of rural and urban bridges as well as steel-concrete composite bridges etc.

RINL-VSP has been actively involved and also contributed immensely to the efforts made by INSDAG in popularizing the use of steel in rural areas. As a part of it's Corporate Social Responsibility, steel bullock carts designed by INSDAG were fabricated and distributed to the farmers to promote steel usage. The advantages of steel bullock carts over conventional/ primitive bullock carts were also propagated in rural areas. In line with INSDAG's efforts to promote and popularise steel intensive housing in rural areas, RINL –VSP has already developed and constructed one model steel village consisting of steel intensive houses, school building, meeting hall etc. in the peripheral village at Maddivanipalem, Visakhapatnam.....

With a view to gauge the Market Prices and improve transparency in Marketing, VSP sells iron and steel products through e-auctions. All the secondary steel products and by-products are sold through e-auctions. In addition to these, prime steel products are also sold through e-auctions. The number of e-auctions held in the last two years are given below:

Year	No. of e-auctions
2007-08	87
2008-09	1975

Reverse e-auction

Reverse auction is a tool used for managing supply chain management activities. Reverse auctions are fixed-duration bidding events hosted by a single buyer, in which multiple suppliers compete for business.

For finalizing Transportation Contracts for movement of iron and steel products from head quarters to branches and from branches to the other branches and District Level Dealers (DLDs) premises, VSP resorts to Reverse E-auction. The process of Reverse auction was introduced in VSP during 2007-08. In reverse auctions, VSP makes necessary preparations to conduct the reverse auction. These include finding new transporters, training new and incumbent transporters, organizing the auction, managing the auction event, and using the auction data to facilitate decision making.

At the designated day and time, several transporters, typically 15-20, log on to the auction site and input quotes over a 45 to 90 minute period. These quotes reflect the prices at which they are willing to supply the requested service. Quotes given in real-time via the Internet result in dynamic bidding. VSP awards contracts to the supplier, who bids the lowest price for movement of materials by Road.

For the efforts made for introduction of the mechanism of reverse e-auction for transportation contracts, the company was awarded for e-governance, by the GoI, in the cadre "Exemplary usage of Information and Communication Technology by PSUs"

Details of No. of Contracts awarded through Reverse auction in the last two years are given below:

Year	No. of contracts awarded
2007-08	98
2008-09	118

Rural Marketing

With a view to ensuring availability of VSP's steel product to the rural consumers and improve customer base, VSP has started District Level Dealership Scheme (DLDS) in September 2004. This Scheme is also aimed at promotion and popularization of VSP's products and improving VSP's market share.

DLDs are appointed in the districts other than the locations, where RINL has its Branch or Consignment Sales Agency (CSA) Outlet. It is planned to appoint DLDs in phases. Initially, as per the plan for appointment of one dealer in each district, all the districts in the Southern States i.e. Andhra Pradesh, Tamil Nadu, Karnataka and Kerala were covered. Subsequently the districts in the adjacent States i.e. Orissa, Chattishgarh and Maharashtra were covered.

The District Level Dealers are supplied with TMT Rebars in sizes 8.0 to 16.0 mm. Rebars in higher size and Structural are also supplied as per request from DLD. DLDs shall be offered 50 tons/month. However, the DLDs, who are willing to lift the material can be offered additional 50 tons.

The DLDs are required to sell the material to the rural consumers at the Maximum Recommended Retail Price (MRRP), declared by RINL from time to time.

VSP has appointed 127 District Level Dealers in the country. The sales of steel products to DLDs in the last three years has gone up four folds thus making more steel available in rural areas .

Cost reduction

Thrust on cost reduction has always a priority for VSP. In line with the company wide thrust on cost reduction, all the departments identify and take up initiatives to reduce cost and generate additional revenue. All major departments assisted by the Cost Control Cell, set targets to reduce the cost of production. The potential areas of cost reduction are identified at the beginning of the year for improvement over the previous year and accordingly the targets for cost reduction are fixed and monitored on monthly basis by the Cost Control Cell. Special drives are also undertaken to reinforce cost consciousness amongst the employees through various programmes.

Process improvements resulting in cost reduction through use of alternative cheaper inputs and waste recycling have gained prominence in view of increasing cost of input materials. Some of the initiatives in this direction are highlighted below:

Improvement initiatives aimed at utilizing alternative cheaper materials without compromising on quality of output:

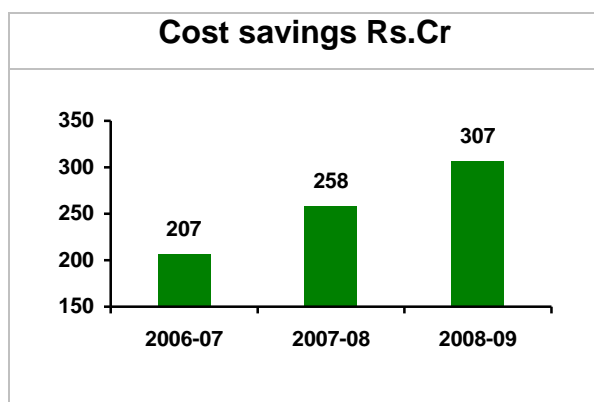
1. Nut coke in partial replacement of metallurgical coke in BF
2. LD slag at SP and BF as flux material to replace BF lime stone

The waste materials generated in the plant are identified continuously and are gainfully utilized for improving the environment, as well as cost saving. Improvement initiatives directed at recovery and recycling of waste materials are given below:

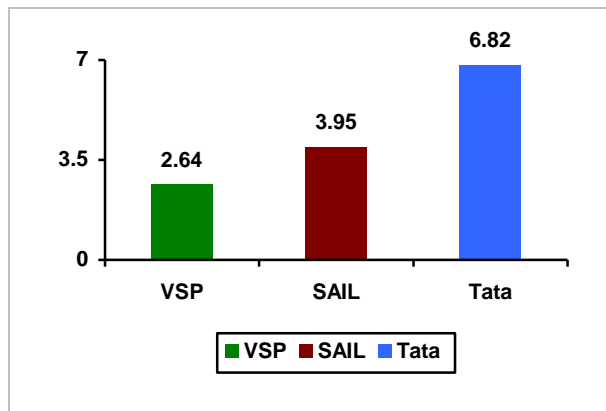
1. Recycling of tar sludge and benzol muck as replacement charge coal
2. Partial replacement of iron ore fines with metallurgical waste generated in the plant
3. Separation of steel scrap from LD slag by magnetic separators
4. Briquetting of lime fines and their usage in place of coarse lime in LD converters
5. Introduction of LPG supply from Acetylene plant discharge cylinder manifolds to CCM-1 for bloom cutting, in place of earlier used Acetylene gas
6. Conservation of power
7. Conservation of water.

Cost savings through financial interventions are also achieved in areas like insurance cost, availing of CENVAT credit, Bank charges etc.

The efforts made by the company have led to cost savings over the years and savings achieved for the last 3 years are shown below:



**Specific Water Consumption
(cum/tcs) – 2008-09**



Chapter III

Inputs Management

3.1 The Company was asked if any assessment of the long term iron ore / coking coal requirements of RINL had been made. RINL stated the following in their replies:-

“Assessment of Iron Ore / Coking Coal requirements has been made up to 2014-15, based on current levels of usage and increase in production planned for the period as shown below in Table-1 & Table-2 respectively:

Table:1 Unit: million ton

Item	2010-11	2011-12	2012-13	2013-14	2014-15
Iron Ore	6.990	9.010	10.112	11.803	11.803
Coking Coal	4.136	4.347	4.428	3.601	4.682

The requirement projected above is for a production level indicated below:

Table:2 Unit: million ton

Item	2010-11	2011-12	2012-13	2013-14	2014-15
Hot Metal	4.500	5.725	6.425	7.500	7.500

Note: These estimates may undergo some change based on technical parameter changes

As per Corporate Plan of RINL it was envisaged to reach a capacity of 16 million tonnes (Mt) of liquid steel (16 Mt of Hot metal) by 2020. Based on recent consultant's assessment, about 20 Mt capacity can be put up at present location. Based on 20 Mt production, say from 2020 onwards, requirement of Iron ore & Coking coal will be as given below:

Table: 3

Item	2020 onwards
Iron Ore (Lumps, Fines & Pellets @30%)	36 mt
Coking coal (incl. Pulverised Coal)	17 mt

As per global trend, when ever any steel plant goes for either Greenfield installations or major expansion, they look for assured supply of iron ore for at least 30 years (earlier days trend was for 50 years) for long term viability and consistent operation of the units. Hence as per directional plan, RINL would be needing assured supply of about one thousand Million ton of iron ore for consistent operation of existing units including its phase-wise expansion upto 20 MT which is being planned by 2020.

RINL does not have captive mines for major raw materials like iron ore and coal. RINL has been making efforts for captive iron ore mines, but are yet to succeed.”

3.2 On being asked if any expert Committee was set up to look into issues relating to iron ore, manganese and chrome ores and its recommendations, RINL replied thus:-

“A high level, focused, Committee –Raw Material Linkage & Strategic Investment Committee (RMLSIC), has been formed and is functioning in VSP to look into aspects pertaining to joint ventures and strategic investments in mineable assets. The committee consists of internal experts drawn from various functions such as Mining, Finance, Material Management, Operations and Strategic Management. The committee evaluates the offers /opportunities received / discovered in the areas of ores such as Iron and Manganese.

The committee meets periodically to discuss the findings and suggest and implement thereafter, the way forward in case of promising offers/opportunities for approval by the competent authority. CMD-RINL reviews the deliberations/proposals of the RMLSIC in his monthly review meeting on Raw Material Security issues.

Iron ore:

As a result of the deliberations of the Committee, RINL-VSP has approached the States of Karnataka, Jharkhand & Orissa, for allocation of suitable iron ore blocks in the States and also for setting up of JVs for projects involving value addition in the State, along with the State Mineral Development Corporations. In line with the requirement of the State Government of Jharkhand, RINL-VSP has also made a proposal to the Government of Jharkhand to set up beneficiation, pelletisation and a Steel Plant as part of the value addition in the State.

Secretary (Steel) and CMD-RINL have also taken up with Chief Secretaries of Governments of Orissa, Karnataka & Jharkhand, requesting for allocation of suitable iron ore blocks to RINL-VSP along with State Mineral Development Corporation(s) (SMDCs) as a Joint Sector project for mine development and further value addition.

Manganese:

One of the outcomes of the working of RMLSIC Committee has been the Joint Venture between RINL and MOIL for setting up a ferro alloy plant at Bobbili, Vizianagaram, Andhra Pradesh. The JV company will help VSP to achieve security with respect to ferro manganese needs, thus somewhat insulating it against irregular supplies due to market fluctuations in the prices of manganese.

Chrome:

The requirement of Ferro Chrome (all grades) is very nominal ranging from 1500 to 2000 tonnes per annum and procured from open market.”

3.3 Since lack of good coking coal in India is perceived as a handicap, RINL was asked about steps being taken by them to ensure adequate supply of coking coal. The reply furnished is as follows:-

“Lack of good coking coal in India and non-allocation of a coking coal mine of reasonable quality has been a handicap to RINL. Consumption cost of coal is consistently increasing adversely impacting the profit margins of the company, as evidenced by the following:

Description	2007-08	2008-09	2009-10	2010-11*
Hard Coking Coal- FOB Price in USD/T	91.50	292.50	122.00	218.75

Cost of Coal consumed in Rs Cr	1695	3081	3240	4586
Net Sales in Rs Cr	9088	9128	9809	9742
Coal consumption cost as Percentage of net yearly sales	18.65	33.75	33.03	47.07

* estimated for the year

To ensure availability of sufficient Imported Coking Coal seamlessly, at the initiative of Ministry of Steel (MoS) the Boards of RINL and SAIL have constituted a Committee viz., Empowered Joint Committee (A Committee of three Functional Directors each of SAIL and RINL and subsequently two Independent Directors also) to negotiate yearly prices International Suppliers under the Long Term Contracts (3/5 years) with individual companies. Through this, both RINL and SAIL are getting the desired quantity of Coal to meet the production targets.

A Joint Venture (ICVL) International Coal Ventures Ltd., consisting of major PSUs i.e., RINL, SAIL, CIL, NTPC & NMDC has been formed to acquire Coal assets outside India to provide, in phases, security of supplies.”

3.4 It was questioned whether RINL approached the Governments of Jharkhand and Chhattisgarh for granting iron ore mining leases and if so, whether any breakthrough was achieved. RINL submitted as under:-

“Applications were submitted for mining lease of Iron Ore deposit in Bastar and Dantewada of Chattisgarh in 2003 and 2005 respectively. However both the applications have been subsequently rejected by State Govt. of Chattisgarh in 2007 and details are given below:

S No	Lease Name	Type of Ore	Area (Ha)	Reserve of Ore in the Mining Lease (in Million Tonnes)	Background/ History of the Mining Lease	Present Status (where the proposal is pending for what and since when, date)
CHHATTISGARH						
1	Raoghat, Narayanpur Division, Bastar District	Iron Ore (Haematite)	3975.00	255.00	Mining Lease application was filed on 09.12.2003 vide application No.8	The application has been rejected by the Govt. of Chhattisgarh vide Order No.2-10/2007/12 (3), Dated 31.01.2007 since exploration was not conducted by Govt. Agencies / Non-Govt. Agencies.
2	Bailadilla, Dantewada District	Iron Ore (Haematite)	631.34	327.24	Mining Lease application was filed on 23.09.2005 vide application No.21	The application has been rejected by the Govt. of Chhattisgarh vide Order No.F.3-84/96/12, Dated 10.11.2006 since it was premature. A Lr. addressed to the Secretary, Mineral Resource Dept, Govt. of Chhattisgarh, Raipur vide Lr.No. Mines/H/IOM/2-06/07/2211,

						dt. 20.08.07 for revoking Rejection Order and consideration for allocation.
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Revision Application under Rule 54, of Mineral Concession Rules 1960, has been filed with Ministry of Mines, Govt. of India on 21.06.10 for reconsideration of allotment of Iron ore mines to RINL.

.....RINL has approached, during 2008 and 2009, Jharkhand Government with a proposal to invest in joint venture with SMDC. No break through has not been achieved yet.”

3.5 RINL was asked whether the stock positions of coking coal with RINL Steel Plant is satisfactory. In reply they submitted:-

“RINL makes all possible efforts to have satisfactory coking coal stock position. However, at times, due to following reasons stock position becomes critical;

- i). Force majeure at Suppliers’ mines
- ii). Congestion at ports of loading, primarily at Australia.”

3.6 Highlighting how RINL’s applications for iron-ore mines are often rejected by the state governments on various grounds, the CMD, RINL during evidence before the Committee submitted:-

“...I will give you one example of Orissa. We have applied for some iron ore mine there. The Government of Orissa informed us by letter dated 13-12-2006 that the matter was under process of disposal due to RINL does not have any proposal for value addition in the State, (2) the area is located inside a dense forest, (3) that area is earmarked for earlier applicants, that is TISCO and L&T. This is one reason they have given. Like that for everything they have given some reason.”

3.7 On the steps taken by the company to redress the issues cited by states for rejecting their proposals, the CMD added:-

“...We have submitted to them but we are willing to work with the State Mineral Development Corporations. Therefore, the iron ore mine you allocate jointly, we will form a joint venture and, therefore, State will also get some benefit out of it. We have also committed in writing that we will add value if you give us iron ore. What kind of value we have said step by step that we will do beneficiation as required, we will do pelletisation and then give it to steel plant. These letters of ours were written in the last two years I think. The Secretary of Steel also knows about it”

3.8 In view of the fact that MMDR Act was proposed to be amended comprehensively putting PSUs at a disadvantage in the allocation of mines of iron ore and coal, the Ministry of Steel were asked to give details of the efforts made by them for the same. The replies are given below:-

“As regards coal, an amendment in Mines and Minerals (Development & Regulation) Act 1957 has been approved by Parliament recently as per which the allocation of mineral concessions for coal will be made through auction by competitive bidding. However, this procedure of allocation of mineral concession for coal through auction by competitive bidding shall not be applicable for allocation to a Government Company or corporation for mining or specified end use.

Ministry of Mines has also proposed a new Mines and Minerals (Development & Regulation) Bill 2010, which also includes almost a similar provision with regard to allocation of mineral concession for coal. It is, therefore, felt that PSUs will not be at a disadvantage in the allocation of mineral concessions for coal.

As regards iron ore, in the new Mines and Minerals (Development & Regulation) Bill 2010 proposed by Ministry of Mines, there is *inter alia* a provision for allocation of mineral concessions for major minerals like iron ore through a process of competitive bidding, which will also be applicable to Government companies.

It is added that while Section 17A (1A) of the existing MMDR Act, 1957 provides for the reservation of areas for grant of mineral concession for prospecting or mining operations by government companies, there is no such provision for reservation of areas for prospecting or mining operations by Government companies in the proposed Draft MMDR Bill 2010. Ministry of Steel is of the view that in order to help Government companies in contributing towards equitable growth of various areas of the country and also in the larger public interest, it is desirable that the reservation may be provided for government companies for prospecting and mining operations. Ministry of Steel has taken up this matter with Ministry of Mines as well as at various other levels.”

3.9 Asked as to why the new MMDR Bill 2010 no longer contains provisions for reservation of mining leases for Public Sector Undertakings (PSUs), the Ministry of Mines in their reply submitted:-

“Section 17A (1A) of the MMDR Act, 1957, provides that the Central Government may in consultation with State Government, reserve any area not already held under any prospecting licence or mining lease, for undertaking prospecting or mining operations through a Government company or corporation owned or controlled by it, and where it proposes to do so, it shall, by notification in the Official Gazette, specify the boundaries of such area and the mineral or minerals in respect of which such area will be reserved. However, the reservation of the area per se does not allow a PSU to carry out mining, and a separate mining lease is required under the provisions of Section 4 of the MMDR Act, which provides as follows:

“4 (1) No person shall undertake any reconnaissance, prospecting or mining operations in any area, except under and in accordance with the terms and conditions of reconnaissance permit or of a prospecting licence or, as the case may be, a mining lease, granted under this Act and the rules made thereunder;”

In case of reservation of area for a central PSU, the concerned PSU seeking reservation of area identifies a mineral bearing area keeping in

view its demand for the mineral which can be reserved and applies to the Ministry of Mines for reserving the identified area in a specific manner. The Ministry of Mines then refers the application to:

- (i) the State Government concerned for consultation, including ascertaining whether any mineral concessions are granted on the area and whether the area is available for reservation.
- (ii) the IBM, for technical advice on the availability of ore in the area sought for reservation and whether mining is possible.

After obtaining the comments from State Government and the IBM, the Ministry of Mines takes a decision on whether the area can be reserved in favour of a PSU. Once the area is reserved through Gazette notification, the concerned PSU has to apply for a mineral concession (reconnaissance licence, prospecting licence or mining lease) to the State Government concerned and only after the State Government recommends the application for grant of concession, and in case of First Schedule minerals after obtaining prior approval of the Ministry of Mines, the State Government grants the licence or lease. Reservation in itself does not provide a statutory assurance of grant of mining lease, which is a separate process entirely.

The powers of reservation were earlier existing in the Mineral Concession Rules framed under the Mines and Minerals (Development and Regulation) Act (MMDR Act). The Rule provided the State Governments to reserve a mineral bearing area for purposes other than mining. However, with the amendment of MMDR Act in 1987, the relevant Rule in the Mineral Concession Rules was repealed and section 17A introduced in the MMDR Act. The purpose of introducing Section 17A in the MMDR Act was to ensure that the PSUs in the country get to proactively enter into the field of mineral development through exploration and mining in order to provide for the raw material needs of the industry. This was necessary since the private sector was yet to increase their presence in the mineral sector through investments.

With the increase in the global demand for metals and minerals, there has been a significant increase in the involvement of private sector in the mineral production. Further it has been noticed that the reservation powers have not been always used in the manner beneficial for mineral development and reservation powers have been misused quite often to favour backdoor entry of applicants through Joint venture agreements with PSUs who obtain areas through reservations, and who would otherwise have been not eligible under the normal selection criteria in the MMDR Act.

The Hoda Committee, constituted in the Planning Commission, in para 1.74 and 1.75 of its Report has held that the provisions in Section 17A of MMDR Act run counter to the spirit of level playing field, which is essential if private investment, is to be attracted to the mining sector. The Committee held that given the fact that expenditure on exploration in India is a small fraction of world expenditure there is need for not only increasing public spending in exploration but also attract private investment into exploration and mining. It was pointed out to the Committee that the reservation powers have been and are being used by the states to stall private sector initiative and it was argued that there should be a level playing field between the public and private sectors and

that the government should adopt an arm's-length approach. The Committee recognised the need to distinguish between the State's role as a promotional explorer and as a commercial explorer/miner. The Committee held that work done by GSI, state Directorates, and a certain part of the work done by MECL (paid for by government) is mainly promotional in nature, and no business interests are involved here as the output is available to the public at large for carrying out the next stage of operations. On the other hand, commercial operations of PSUs are similar to operations of private sector entities and no ostensible public purpose is served by giving PSUs an overriding priority. The Hoda Committee noted that another Committee headed by the Additional Secretary, Ministry of Mines that went into this issue earlier, had observed that the reservation provision not only had led to blocking off large areas from being explored and mined, but had also been used to circumvent other provisions of the Act, such as the 'first-come-first-served' principle or prioritisation entitlement of concession holders. This is through the mechanism of so-called JVs or MOU-based subcontract arrangements between PSUs and individual private parties. It has been argued that if government entities want to get into detailed exploration or mining ventures as business propositions then they should be treated as any other party without any special dispensation, and if they are interested in a JV they could make such arrangements prior to staking a claim for a particular area. With this consideration, the Hoda Committee held that in order to provide a level playing field to the private sector, without disturbing the primacy of promotional work done by national agencies, and at the same time, it is also necessary to allow the PSUs to pursue their core competence albeit in a competitive atmosphere.

The Ministry of Mines considered the recommendations of the Hoda Committee and has proposed to do away with the powers of reservation of area in favour of PSUs in its existing form, particularly as the question itself notes it has not achieved its intended purpose. However, it has been provided in the new draft MMDR Act (3rd June 2010 version available on website of the Ministry of Mines) that preference can be given for value-addition, for providing long term ore-linkage and to give preference to industries whose captive mines are likely to be exhausted. The general intention is that mining has to be seen as an independent activity and there should be a market for ore, enabling better utilisation of the run-of-the-mine, incentivization for beneficiation including blending through discovery of prices based on supply and demand, so as to make Indian metal making globally competitive."

3.10 In light of the fact that RINL having met all possible criteria for allocation of mining leases as a steel major in the country, Ministry of Mines was asked why they were still without a captive iron ore mine. In response, they submitted:-

"The Ministry of Mines has not received any proposal for grant of mineral concession from the State Government or any proposal for reservation of area in favour of RINL. As has been pointed out, reservation by itself is not enough since the State Government has to separately send a

recommendation for grant of mining lease. The reservation only blocks an area and prevents anyone from applying for a lease. It does not provide a statutory guarantee that the lease for the area will be given to the PSU. That is why the Ministry of Mines agrees with the Hoda Committee conclusion that reservation actually accomplishes no useful purpose, but only hinders investment in the sector as a whole.

Today we live in a situation where there is global competition for resources. China is aggressively securing resources in Africa, Australia and Canada. Indian Companies have started doing the same thing. The paradigm change is that now the steel maker constantly looks for new acquisitions wherever it is feasible. The new MMDR Act 2010 will actually incentivize this by enabling transfer of leases through mergers and acquisitions (M&A), something very common abroad, but not permissible in the existing MMDR Act 1957, which prevents transfers at a premium. The future for RINL and any other steel maker whether in the private or the public sector is to explore a range of options in acquiring raw material through Long Term Agreements (LTA), spot market purchases, captive resources through allocation and captive resources through M&A, either domestic or abroad. The important thing is to have globally competitive processes. In a situation where the percentage of iron ore Fines vis-à-vis iron ore lumps produced in Indian iron ore is increasing, Indian companies whether in the public or the private sector must also explore ways of converting this available surplus of Fines into an opportunity by acquiring pelletisation processes or technology to directly use Fines for steel making. These companies must also invest in exploration rather than compete for what is generally termed the “low hanging fruit” of resources already explored at public expense by GSI etc.”

3.11 Views of the Ministry of Mines on the issue of allocation of mines were also sought during their evidence before the Committee. The Secretary, Ministry of Mines stated the following:-

“...They (RINL) have told us that the total number of applications that they have submitted is 15. Out of them, 5 were for Orissa; 2 for Jharkhand; 3 for Andhra Pradesh; 2 for Chhattisgarh; and 3 for Rajasthan. According to them, 7 of these have already been rejected by the State Government. As I said, in the case of rejections, these cases do not even come to us. Eight of them are pending with the State Governments, and none of them has come to us. Certainly, there is a provision in the Act that if the State Government has rejected someone’s application, then that party can apply to us in a judicial forum through a tribunal process. I think one case has come to us as part of the tribunal, but that is as a quasi judicial function and not as part of the grant of the concession process. I thought that I must clarify this point, namely, when I say that our Ministry does not know about the applications of RINL, it is not because we do not care for RINL. It is because the format or the process of grant of concession is such that the State Government keeps all the concession applications and only sends us those that it recommends in our favour.”

3.12 The Secretary Mines further responded on the system being introduced in the new Bill:-

“In the new Bill, we have put in several provisions that require internet-based system by which every applicant will be required to first register himself. Secondly, we are not fully aware of the complexity of procedures involved in different State Governments as each State Government has its own procedure for receiving applications. In some cases they are received in the Collectorate; in some cases they are received by the Director of Mine and Geology; and in some cases these are received by the State Secretariat. The detailed procedures -- beyond the basic framework -- are all left to the individual State Governments. So, the issue of registering it Centrally and managing it Centrally has to be preceded by a system of standardising the procedure so that it can be computerised. We cannot computerise different procedures in different States. We first have to standardise it and then computerise it. We are engaged in this process, and we would like to do it.

We hope -- once the new Act comes -- that we will first register any one who wants to apply so that all these applications can be totalled up to know who has applied for how many, and then we will track it with the States. Further, when they come to us, it will then become a single seamless database that enables everyone to know the status of their application. It will certainly be very transparent; it will vastly improve the sector; and it will probably make it much more efficient. We do intend to do it.”

3.13 Advocating that pelletization is the way forward to tackle the issue of excess fines in iron-ore mines and to supplement the supply of raw material for steel, the Secretary, Ministry of Mines during evidence submitted;

“The issue of use of fines is basically that the sintering is possible only at the plant site. So, integrated plants have sintering capability and they use these fines and sinter the ore. Whatever they cannot use, they are dumping. They are many mines where the overburden is such that it may now be very difficult to actually go deeper because the overburden has piled up. Therefore, the fines have to be disposed of.

The problem is that sintered ore cannot be transported and therefore, pelletisation is necessary if we are to use the fines within the country. As the hon. Member rightly said, why are we selling fines, why not pelletise and sell? The world over, pellets are internationally traded. They are traded, in fact, a lot of consumption in steel plants is of pellets. It would be highly advisable to increase pelletisation capacity within the country. I must admit as Mines Ministry, we do not have control over the pelletisation policy. I am sure; there are many factors why that is not happening. But certainly it is the direction in which we should be moving because on the mines side, I can say, Sir, over the years, as we are going deeper and deeper; the capacity of fines is increasing. Ten years ago, fine to lump was 50:50; today, in the eastern part of India, it is already about 60:40; in the southern part of India, the percentage is higher, maybe 70 per cent fines. We fear that as we go deeper, actually, we would be getting more and more fines. Therefore, it is time that we develop a policy that enabled us to use fines. I understand that the National Steel Policy has made

certain projections about how the steel sector in the country would grow. It is essential that the feedstock for this growth should firmly factor in the conversion of fines into pellets in order to be able to sustainably use the ore that coming into the Indian sector. So, till pelletisation takes place, our Ministry's view is that, firstly, the export of fines is not adversely affecting the market. One honourable Member said that if we do not export the ore, the prices might fall. They will not. Actually, there is no domestic market for it; they would only clog up the mines but they will not bring down the prices of lumpy ore."

3.14 The Ministry of Coal were asked to submit their view point on the issue of allocation of coal blocks to RINL. The same is given below:-

"It is stated that allocation of coal blocks is made on the basis of requests made by the allocattee companies. M/s RINL had made several specific requests for allocation of Mahal and Tenughat Jhirki coal blocks as recorded in the allocation letters.

So far as the procedure existing during the time of allocation of the coal blocks to M/s RINL, it is stated that Coal is a Schedule-I mineral and the eligibility to do coal mining in the country has been laid down in the provisions in Section 3 (3) of the Coal Mines (Nationalisation) Act, 1973 as extracted below:-

"(3) On and from the commencement of Section 3 of the Coal Mines (Nationalisation) Amendment Act, 1976:-

(a) No person other than—

- (i) the central government or a government, company or a corporation owned, managed or controlled by the central government, or
- (ii) a person to whom a sub lease referred to in the proviso to clause (C), has been granted by any such government, company or corporation, or
- (iii) a company engaged in –
 1. the production of Iron and steel,
 2. generation of power
 3. washing of coal obtained from a mine, or
 4. such other end use as the central government may, by notification, specify, shall carry on coal mining operation, in India, in any form."

Coal/lignite blocks to eligible public and private sector companies registered under the Indian Companies Act, 1956 for approved end use are allocated for captive purpose under the relevant provisions of the Coal Mines (Nationalisation) Act, 1973 as described below:-

- (i) **Government Company Dispensation** – Under this arrangement, the list of blocks identified is circulated to all the State Governments/Central Ministries and applications invited from the State Government/Central Govt. for government companies. Allocation of coal blocks to State/Central PSUs is made under Section 3(3)(a)(i) of

the Coal Mines (Nationalisation) Act, 1973. Under this route only government companies are allocated coal blocks and no private company is eligible for allocation under this dispensation.

(ii) **Captive Dispensation** –Allocation of coal blocks in favour of public as well as private sector companies under Section 3(3)(a)(iii) of the Coal Mines (Nationalisation) Act, 1973 is done by the Government on the recommendations of the Screening Committee which is an inter-ministerial and inter-governmental committee headed by Secretary(Coal). This Committee has representatives from Ministry of Power, Steel, Railways, Environment & Forest, Commerce & Industry and Railways and Coal companies. The concerned State Government where the block is located is also represented in the Committee. Under this dispensation, blocks identified for allocation for approved end-use for captive mining are advertised in national/regional newspapers calling applications from both public and private sector companies. The applications received are circulated to the concerned administrative Ministry/Department, State Government and CMPDIL for scrutiny and recommendation. Based on the comments/recommendations received from the concerned administrative Ministry/Department, State Government and CMPDIL, the same are placed before the Screening Committee for its examination and recommendation. In respect of coal block allocatees are more than one company, then the allocations are decided taking into account, inter-alia, techno-economic viability of end-use project, state of project preparedness, compatibility in terms of quality and quantity of coal in a block with the requirement of end user and track record of applicant company, recommendations of the State Government and Administrative Ministry concerned etc. Based on the recommendations of the Screening Committee, the Govt. allocates the coal block to the companies.

(iii) **Allocation of coal blocks under Tariff based competitive bidding (UMPP):** In this case, identified coal blocks are placed at the disposal of Ministry of Power which determines the linkage of coal blocks with the power projects proposed to be awarded on the basis of Tariff Based Competitive Bidding by calling applications from eligible companies. The UMPP is awarded to the successful bidder. For power projects to be selected through tariff based bidding, coal blocks are allotted on the basis of bidding for tariff on the recommendations of Ministry of Power under Section 3(3)(a)(iii) of the Coal Mines(Nationalisation) Act, 1973. In allocation of coal blocks to UMPP, Ministry of Power is the nodal Ministry to decide allocation of coal blocks in consultation with Ministry of Coal.

On the direction of Central Government, Coal India Limited (CIL) as per the coal production target and demand-supply assessed by the Planning Commission for the respective Five Year Plans, earmarks the coal blocks for its envisaged production programme. Those coal blocks which Coal India Limited does not include in its production programme are identified for captive allocation. Based on the list of blocks prepared, and in consultation

with CIL, CMPDIL and the concerned Administrative Ministries, the identified coal blocks are further earmarked sector-wise.

Further, on the recommendations of the Energy Coordination Committee headed by the Prime Minister, Ministry of Coal carries out the exercise of identification and earmarking of coal blocks and opens up the captive allocations by inviting fresh applications from eligible applicants.

Accordingly, initially, in total 229 coal blocks (148 blocks in the first lot and 81 blocks in the second lot and) with geological reserves of approximately 50 billion tonnes were identified. ***Hence it is clear that the identification and earmarking of coal blocks for allocation for captive use is made after having consultation with Coal India Limited.***

Based on the above process, so far 215 coal blocks have been allocated to various public sector / private sector companies. Out of 215, blocks, 09 blocks have been de-allocated and mining lease in case of one coal block has been declared void. Out of de-allocated coal blocks, 2 blocks have been re-allocated to eligible companies. As such 208 coal blocks are effectively allocated as on date. M/s RINL has been allocated Mahal coking coal block on 9th December, 2005 under government dispensation route for its steel plant subject to certain terms and conditions. Similarly, M/s RINL has been allocated Tenughat Jhirki coking coal block on 10th September, 2008 under captive dispensation route for its steel plant subject to certain terms and conditions.....

However, instead of making any development of the coal blocks despite passage of adequate time, recently Ministry of Steel vide their D.O. letter No.6(4)/2004-VSP dated 1st September, 2009 addressed to Ministry of Coal has stated that Mahal and Tenughat-Jhirki coal blocks allocated to M/s Rashtriya Ispat Nigam Ltd. (RINL), a CPSU of Ministry of Steel are having many faults, have high gaseous deposits, very deep workable seams, obstructed by railway line, river/nala etc. blocking substantial reserves. Due to these adverse conditions, not only a very high investment and production cost is involved but it may also take minimum 9 years to start mining. Moreover, the extractable reserves of coal are just a fraction i.e. 4% of the geological reserves of 258 MT in Mahal Coking Coal Block and 215 MT in Tenughat Jhirki Coking Coal Block. Accordingly Ministry of Steel after having in depth consultation with RINL have decided to **surrender** Mahal and Tenughat Jhirki coking coal blocks and has made a request to Ministry of Coal to allot some other good coking coal blocks with open cast mining possibilities. The submissions made by Ministry of Steel have been forwarded to the Central Mine Planning & Design Institute Ltd. (CMPDIL) for examination and before the request for surrender of coal block is considered/decided in the Ministry.

In this regard it is stated that as per para 2 of the allocation letter the allocation / mining lease of the coal block may be cancelled, inter-alia, on the following grounds :-

- Unsatisfactory progress of implementation of their end use power plant.
- Unsatisfactory progress in the development of coal mining project.
- For breach of any of the conditions of allocation mentioned above.

Further para 3 of allocation letter dated 10.09.2008 of Tenughat Jhirki coal block clearly states that the de-allocation/cancellation of mining lease shall be without any liability to the Government or its agencies, whatsoever. Any expenses incurred by the allocatee or any right or liability arising on the allocatee out of the measures taken by him shall solely be to his account and in no way be transferred to or borne by the Government or its agencies.”

It is informed that at present no coal blocks are identified and earmarked for allocation by the Ministry of Coal. As regards allocation of alternative coal block, it may be stated that there is no policy arrangement for allocation of alternative coal block in lieu of surrendered coal block(s). To formulate a policy on alternative coal blocks, a Working Group (WG) on resolving the forest clearance issue of allocated blocks has been set up in Planning Commission with members from Ministry of E&F, Power, Coal, Finance etc.

As regard, the present policy/procedure for allocation of coal blocks for captive purpose, it is informed that the Mines and Minerals (Development and Regulation) Amendment Act, 2010 regarding introduction of competitive bidding system for allocation of coal blocks for captive use, has been passed by the both Houses of Parliament and the assent of the Hon'ble President of India has been obtained on 8th September, 2010 and notified in Gazette of India (Extraordinary) on 9th September, 2010. The Amendment Act seeks to provide for grant of reconnaissance permit, prospecting licence or mining lease in respect of an area containing coal and lignite through auction by competitive bidding, on such terms and conditions as may be prescribed. This, would however, not be applicable in the following cases:-

- where such area is considered for allocation to a Government company or corporation for mining or such other specified end use;
- where such area is considered for allocation to a company or corporation that has been awarded a power project on the basis of competitive bids for tariff (including Ultra Mega Power Projects).

The Government is now examining the modalities for preparation of the guidelines/legal framework for conducting the competitive bidding of coal and lignite blocks.

Accordingly, M/s RINL may apply for allocation of captive coal blocks as and when the formulation of policy and identification and earmarking of coal blocks are completed and the blocks on offer are advertised.”

3.15 The Secretary, Ministry of Coal added the following during evidence before the Committee:-

“We were doing the allocation of blocks under three routes. One is the Government dispensation; second is for captive purposes; and the third category is for Ultra Mega Power Plants. As you are aware, the last amendment to the MMDR Act was passed and received Presidential assent for introducing competitive bidding for the allocation of coal blocks for captive purposes. But in the meanwhile, the other two dispensations viz. Government dispensation as well as the Ultra Mega Power Plants continue at the present. We have got the Cabinet approval for that. The way it used to be done is that the blocks that were outside the planned production of Coal India and coal companies were sought to be blocked and a list was prepared and it was widely advertised and applications were invited for these blocks. The blocks were segregated into categories depending on the end use, like power, steel, sponge iron, cement, etc. Now, with the passage of time, the position has been that we are getting far too many applications and the number of blocks were being hotly contested. In order to make the whole system a little more objective and based on identifiable parameters, competitive bidding has been approved for future allocations. Uptil now, a net total of 208 blocks have been allocated among the different sectors. We have got the break-up and we will give the detailed break-up for the Government dispensation, captive purposes and for the UMPPs. The present position is that only 26 blocks have come into production till date. That is also a cause of concern because most of these blocks are monitored both at the Ministry as well as at the Coal Controller’s organisation to try and see that they adhere to the agreed milestones, which were fixed at the time of allocation. That process is also on. Based on the last review done in July, 2010 we have issued show cause notices for the companies to show cause why the allocation should not be cancelled or de-allocated because the performance as per the milestones has not been forthcoming. But at the same time we also realise that the expectation while doing this allocation process was that for some reason or the other we were hopeful that the private sector parties or the other participants, including the State Governments and their own corporations, in concert with other private sector groups would be able to get some of the clearances that the coal companies were taking quite long to get. But in practice that has also not worked out because most of the people in their responses to our show cause notices have squarely said that most of the permissions that were expected, like getting the mining lease or the prospecting lease from the State Government, getting the environment or the forest clearance from the Ministry of Environment and Forests and the State Government have been taking inordinate amount of time and in some cases they have also been refused.

These are certainly matters which we take into consideration and based on which it becomes difficult for us to take extreme measures. Of course, the idea is that we will follow the due process of law. We have given notice. We are in the process of getting all the responses to them. We will analyse them and quickly put it up for a decision. But the factual position is that only 9 blocks have been de-allocated since the time the allocation

process started. Even in that, one or two are matters of court cases where we are contesting. The short point is that we are looking for allocations for captive purpose, for specific end-use. One is for power plant, captive power or if there is a Governmental organisation, for merchant power also. It is for steel and gasification also. These have been added later on as specified end-use.

When we look at the case of RINL, they have two allocations of two blocks. One was the Mahal block which was given to them under the Government dispensation route and the other one was Tenughat Jhikri which was given to them for captive purpose. One was allotted in 2006 and the other one was allotted in 2008. Of course, you had a point about whether the companies have a choice in getting the blocks. These two allocations are also based on the specific request of the company. In fact, for the Tenughat Jhikri block, as many as 32 applicants expressed their interest in getting that allocated. I think in the initial stages, there was an attempt to try and make a joint allocation to two parties but it was not considered feasible because it would neither meet their requirement in full nor is it a workable or economic proposition. So, ultimately, it took time till it was finally decided to be given independently to RINL. They, in turn, wrote back to us after consultation with their Ministry. They pleaded for giving back the blocks for different reasons like faults in the seams, difficult working conditions, not being in a position to exploit it in the time-frame that we had envisaged originally. Another important point is that the extractable reserves were very small compared to the original reserves projection. Taking all these facts, the Ministry of Steel also supported their request for giving back the blocks. They made the request for alternate blocks.

Turning to alternate blocks, the position till today is that there is no policy for giving anybody alternate blocks for any reason whatsoever. People have had problems in developing the block. There have been one or two cases for returning the blocks. One allocation was declared null and void. They have also not been given alternate blocks. This is the stand taken consistently by the Ministry. It has also stood the test in one or two court cases. With the passage of time, particularly since last year since this new development with the Ministry of Environment and Forests which has another background to it, there was a suggestion from the Ministry of Coal that we should try and fast track the process of getting clearances in the so-called "go" areas where they should not have much problems in giving us the permission. We tried to superimpose the maps of forest areas as well as coal blocks. We also tried to see which are the dense forest areas which we would segregate as the "no go" areas. But the initial cut based on the agreed definitions at that point, turned out to be fairly alarming because it cut very drastically into the kind of production projections that we could make in future putting the entire power sector development plans in jeopardy. So, that is one step which is still under negotiation. We have had rounds of discussions at different forums including the Planning Commission and the Prime Minister's Office. Arising out of that, the issue is still to be resolved: whether to insist on "go or no go" area. So, we are coming round to the point that where there are wildlife implications, we ourselves will consider those as inviolate and the so-called "no go" area should be restricted to those areas; for others, let the statutory provisions

which are there for the Forest Appraisal Committee should be continued. We are trying to float a paper; taking it to the Cabinet Committee on Infrastructure. It will be discussed. We hope to get some resolution in that forum. But, arising out of that, when the initial exercises were on, we discovered that a large number of blocks, where people have made considerable amount of investment in setting up end-use plants and also some investment for progressing the coal mines, were also getting badly affected, especially there is one forest region which, they said, is completely out and it should not be considered as "no go" area at all; no project should be considered in that region. The implication of that was both for the power sector and the steel sector. There were huge projects involved where serious investments have been made and that led the Prime Minister's Office, in one of the discussions, to say that we have to come up with some policy for allocation of alternate blocks. So, there was a suggestion that a Group be set up under Shri B.K. Chaturvedi, who is the Member of Planning Commission. We have had a couple of discussions with them. They have made some tentative recommendations. But even in that our request was that till the issue of "go or no go" area is not clarified or finally settled, rejection on the ground that it will fall in the "no go" area should not be taken as sacrosanct at this point. Those recommendations have been received. That issue will also be progressively discussed and some clarity will emerge. But, as of now, the official position is that there is some move to consider the question of allocation of alternate blocks but considering that also has its own problems because we do not have a number of blocks which gives us the luxury of considering alternate blocks in case there is some problem in getting the clearances. We could come up, maybe in single digit, with a couple of blocks. For different reasons, we might have to consider it. But the moment that is done, the number of blocks available for auction or competitive bidding will be drastically reduced....."

Chapter- IV

Evaluation of Complimentary Areas of Performance

A. Research and Development

4.1 Details of research and development activities of the Company along with major achievements, annual expenditure in terms of percentage of total expenditure and also turnover for the last five years, and the impact of R&D activities in improving the working of the Company as submitted by the company are given below:-

“RINL has been giving continuous thrust on applied R & D activities and has tripled the expenditure on R& D during the last 5 years, from a level of around Rs. 6 crores in 2004-05, to over Rs.17 crores during the last financial year.

Annual Expenditure for Last Five years.

Year	R&D Exp (Rs in crs)	R&D Exp as % of Total Expenditure	R&D Exp. as % of turnover
2008-09	17.35	0.21	0.17
2007-08	17.93	0.26	0.17
2006-07	11.68	0.18	0.13
2005-06	10.46	0.18	0.12
2004-05	5.72	0.11	0.07

R&D of RINL has identified following thrust areas for development activities:

- a. Development of New Grades / Products
- b. Process Improvements
- c. Cost reduction
- d. Waste Management
- e. Energy Conservation
- f. Environment Management
- g. Technology Development

Continuous efforts are in place for developing new products to meet specific applications. On an average more than 50 products are developed every year to meet specific needs and applications.

Decisions regarding new product development are based on various factors like total demand in the market, competitors' offerings, influence on targeted segment and economic viability for VSP. Different products were developed to meet general engineering applications, forgings, steel wool etc .Some examples of product details to cater to specific customer requirement are shown in the following table:

Year	Grade/Size	Application
2006-07	Vizag TLT	as structural in transmission line towers
	SAE1524S	ship building components and anchor chain
	HC75CR	PC wire for railway sleepers
2007-08	CHQ1010 and CHQ1018	cold heading process of making fasteners.
	C20MMN	angles against orders of Power Grid Corporation of India,
	40 mm Rebars- IS 1786, Fe 415	As concrete reinforcement
2008-09	JISG 4801 SUP 10	Helical Springs
	SAE 1547	Forging /Piercing & machining into Bomb Shells

RINL has also given prime importance to innovative technology development. To illustrate, RINL has initiated a Project on Nano Technology as a development of coating made of nano particles for lining of BOF Vessel.

RINL along with IMMT, Bhubaneswar have submitted a Project proposal to MOS for financial aid for the development of futuristic Iron making technology by the usage of H₂ as a replacement of Coal/Coke for reduction of CO₂ emission. Premier research institutes like IISc-Bangalore, IIT-Madras, IIT-Kanpur, NIT-Trichy, Andhra University, IMMT-Bhubaneswar etc have been identified as Partners for Joint Research initiatives. Process of initiating Joint Research Project with IIT-Kharagpur, NMDC-R&D, RDCIS-Ranchi, etc is also on. With a view to reaffirm Industry-Institute interaction, regular lectures by eminent experts in various fields are organized.

RINL has also initiated a number of projects in the areas of process improvement, productivity improvement, cost reduction & waste management etc. Some of the major achievements / findings in various areas are tabulated below:

i) Process Optimization

Name of project	Objective	Results/impact
Pilot Coke oven	Optimization of Coal blend	<ul style="list-style-type: none"> - The Pilot coke oven was designed, Fabricated & commissioned internally by R&D . - Optimization of blend is being done with different sources and types of coal and recommendation given for industrial application.
Maximization of usage of micro fine iron ore in sinter making.	To study the effect of Iron ore Micro fines on Sinter & Sintering Process to maximize usage of micro-fines.	In Laboratory Scale Sintering Process found to be supporting production of sinter with 50% of micro-fines in Iron ore. However, strength of Sinter found to be deteriorating with increase in micro-fines content. Therefore the work on this being continued.

ii) Increase in productivity

Name of Project	Objective	Results/impact
Improving the yield and Metallurgical performance of Vizag Steel's 4-strand Tundish by water Modeling.	To improve the cast Bloom Yield.	Reduction in skull loss by 50% and Improvement in the yield of cast bloom.

Technical Analysis and Optimization of Continuous Casting at VSP 1 using existing Plant facilities.	Improvement in the yield of Bloom by reducing machine stoppage.	Reason for Breakout including the most significant cause and the cost of Breakout was ascertained.
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iii) Improvement in Quality:

Name of Project	Objective	Results/impact
Improving the yield and Metallurgical performance of Vizag Steel's 4-strand Tundish by Water Modeling.	To reduce the non-metallic inclusion content of steel for improved quality.	The water modeling of Tundish at Steel melt shop (SMS), followed by redesigning of contour of tundish has the potential of reducing skull loss by 50%.

iv) Reduction of Cost of Production and Solid Waste

Utilization :

Name of Project	Objective	Results/impact
Briquetting of SMS Gas Cleaning Plant Sludge.	Replacement of usage of Sized Iron ore in Converter by Briquettes made of SMS GCP Sludge as a cost reduction measure as well as effective solid waste utilization.	Briquettes were made and successfully used in Converter as a replacement of sized iron ore.
Briquetting of Solid Metallurgical Waste.	To recycle and effective reuse of Metallurgical Waste generated in the Plant.	Briquettes could be made at Lab Scale. Briquettes are being made now for Industrial Trial Run in Blast Furnace.

4.2 When questioned why the R&D expenditure of the company was only 0.148%, the company replied:-

“In the Indian steel industry all new processes and related technology are generally provided by the equipment supplier and this mode of technology transfer continues to be used by all major steel players in the country, including RINL. The focus of the R&D efforts of the plant is therefore more towards areas like process improvement, product development, waste management, cost reduction, environment protection. etc

Development of new products to cater to the niche Indian market segment to meet customer applications, Pilot oven tests to study the suitability of usage of various coal blends in coke making including testing of inferior grade coal in blend, Water modeling of Continuous Casting Tundish for improvement of Yield and Metallurgical performance” etc are some examples of the R & D initiatives in the company.

RINL has signed MOUs with some of the premier educational institutes/research laboratories for Joint Research Initiatives. The list of the research partners includes the IITs, IISc, Jadavpur University, Andhra University, National Mineral Development Corporation, Institute of Minerals and Materials Technology, National Geophysical Research Institute, Central Glass and Ceramic Institute, Central Electro Chemical Research Institute etc.

RINL has identified some projects for funding from Steel Development Fund (SDF) under Ministry of Steel. RINL has also taken up four joint research

projects with Research and Development Centre for Iron and Steel, SAIL, Ranchi.

However, we do humbly submit that we have a long way to go.”

B. Transparency Mechanisms

4.3 Asked to elaborate on the company’s policy on whistle blowers which the company is involved in the process of evolving, the company in their post-evidence submissions stated:-

“Whistle Blower mechanism helps to bring in transparency and good governance in an organization, as it encourages and provides an opportunity for employees to bring to the notice of the competent authority issues or concerns, if they have a reason to believe that the standards of integrity, Ethics and Code of conduct in the company are being compromised.

A draft Whistle Blower Policy ... has been formulated and is scheduled to be put up to the Audit Committee for their recommendations and then to seek approval of Board of Directors, to eventually put in place the Whistle Blower Policy for implementation. “

C. Environmental Issues

4.4 On being asked whether RINL has made any significant progress in reducing green house gas emissions and details thereof, RINL replied thus:-

“RINL has made significant progress in reducing GHG emissions.

The following Energy Efficient Technologies have been adopted since inception:

Department	Technology
Coke Ovens	<ul style="list-style-type: none">▪ Coke dry quenching system▪ Back pressure turbine station
Blast Furnaces	<ul style="list-style-type: none">▪ Top Gas recovery turbine
Steel Melting shop	<ul style="list-style-type: none">▪ LD gas recovery plant
Rolling Mills	<ul style="list-style-type: none">▪ Evaporative cooling systems▪ Waste heat recovery systems in reheating furnaces

Installation of these facilities has reduced GHG emissions by more than approx 10,00,000 tons annually.

Process Improvement Initiatives:

- Injection of reversal pause coke oven gas in to BF gas to TPP
- Augmenting usage of by product gases in thermal power plant
- Blending of Sinter returns from Blast Furnace in base mix of sinter plant
- Rationalization of heat distribution at Billet Mill reheating furnaces
- Waste recycling
- Reducing reversal pause duration between heating cycles of Coke Oven Battery 1&2
- Installation of Energy Efficient Chillers
- Installation of VF drives, Energy Savers, Energy Efficient lamps

Other Major Initiatives:

- RINL is installing 20.6 MW waste heat recovery system on sinter straight line cooler of Sinter Machine 1 & 2 with NEDO technological support under Japan Green Aid Plan at an estimated

cost of Rs 244.70 crores. The project reduces Green House gas emissions to the extent of 116,585 tons annually. MOU was signed between RINL, MOS, MOF and NEDO on 25th May, 2009.

- Pulverized Coal injection in the existing Blast Furnaces as well as in the expansion
- “Zero effluent Discharge” Scheme
- Water consumption (2.18 cum/ tls) per tonne of liquid steel at RINL, is the lowest, contributing to reduction of Green house gases because of reduction in pumping of water
- Specific Energy consumption of RINL is one of the lowest in the country thereby reducing load on internal & external environment
- Power generation of 40MW through waste heat recovery and top recovery turbine (TRT) etc. and another 50MW Waste heat recovery in expansion contributing to reduction of Green house gases
- 4.5 million Trees within the boundary to conserving the ecological balance leading to reduction in Green house gas emission.”

4.5 RINL was asked whether they had undertaken eco-friendly operating processes to reduce environmental degradation. In reply, they stated:-

“RINL has undertaken eco-friendly operating processes to reduce environmental degradation. The major clean technologies adopted in VSP are described below along with the environmental benefits.

Sl. No	Area	Unit / process	Environmental improvements / Benefits.
A.	Coke Oven Batteries	Coke Dry Cooling Plants (CDCP)	a. Elimination of fugitive dust emissions, discharges & toxic gaseous pollutants during cooling of red hot coke. b. Recovery of waste heat from the red hot coke for generation of power (2 X 7.5 MW) and saturated steam (2.5 ata, 7 ata and 13 ata) for process use.
B.	Blast Furnaces	Bell-less/belt conveyor charging and Top recovery turbine	a. No fugitive dust emission during charging of raw materials, ie., coke, sinter, iron ore etc., into BF resulting in better work zone environment b. Generation of power in gas expansion turbines (2 X 12 MW).
C.	Steel Melt Shop	Recovery of L.D .gas produced during steel making in Gas Recovery Plant (GRP)	a. No fugitive emissions, dust and gaseous pollutants. b. Utilization of LD gas as fuel.
D.	Rolling Mills (LMMM& MMSM)	Evaporative cooling systems & Waste heat recovery form furnace	c. Generation of process steam (13 ata) by recovery of heat from the skids in reheating furnaces in LMMM & MMSM.

In the Expansion phase also RINL has adopted major clean technologies as given below:

Sl. No	Area	Unit / process	Environmental improvements / Benefits.
A.	Coke Oven Batteries	Mechanical , Biological & Chemical treatment plant	To bring down Ammonical Nitrogen before the water is discharged to sea
B.	Raw Material Handling Plant	Dry fog dust suppression system	No fugitive dust emission
C.	Calcining and Refractory Material Plant	Bag filters	Better Pollution control
D.	Sinter plant -3, Blast Furnace -3 & Steel Melt Shop-2	Electro Static Precipitators	Better pollution control.
E.	Blast Furnace -3	Top Heat Recovery	Waste heat recovery
F.	Blast Furnace -3	Pulverised Coal Injection	Reduction of coke usage
G.	Steel Melt Shop - 2	LD Gas recovery	a. No fugitive emissions, dust and gaseous pollutants. b. Utilization of LD gas as fuel
H.	Steel Melt Shop - 2	Dog House	No fugitive dust emissions

Other eco-friendly environmental processes:

Sl. No	Area	Unit / process	Environmental improvements / Benefits.
A.	Coke Oven Battery # 4	Coke Dry Cooling Plants (CDCP)	Recovery of waste heat from the red hot coke for generation of power (1 X 14 MW) and saturated steam for process use.
B.	Sinter Plant	Power generation from Straight line cooler	Generation of power 20.6 MW through Waste heat recovery

PART-B

OBSERVATIONS AND RECOMMENDATIONS OF THE COMMITTEE

The Committee's thrust all through has been to ensure that PSUs function to their optimum capability and to suggest ways and means in the event of any problems being faced by a PSU alongside proposals for plugging loopholes hampering the functioning of the undertaking. It is with this objective that the Committee went about with the examination of RINL.

Rashtriya Ispat Nigam Limited which was set-up in 1979, is the first integrated steel plant in the country. It is indeed appreciable that despite teething problems and huge losses in the nascent stage of the Company, which incidentally led to reference of the Company to the Board for Industrial and Financial Reconstruction (BIFR) in the year 2000, have bounced back since 2002-03. The resurgent company not only wiped out accumulated losses amounting to Rs. 4,981.96 crore in 2005-06, but also achieved Navratna status, which was conferred upon the Company on 16 November, 2010.

In keeping with its remit, the Committee examined RINL in great detail with a view to ensure that the public sector company is being managed efficiently within the defined autonomy parameters, and, that sound business principles and prudent commercial practices have been adhered to in the management of the affairs of the Company.

Notwithstanding the impressive performance of the company during the past 7-8 years, the Committee, during the course of its examination, have noticed several challenges the public company is facing. These challenges have stood in the way of the company attaining its potential competitive edge, and unless and until suitably redressed, are likely to hinder the company's competitiveness in terms of profit margins, its medium to long term sustainability and its growth into a globally competitive company.

Some of the challenges facing RINL, the third largest player after SAIL and Tata Steel in the country's steel sector, are discussed in the

following paragraphs in the form of observations and recommendations of the Committee.

While focusing on RINL specific issues, the Committee also found it relevant to dilate upon the broader issue of conservation of natural resources of the country.

Ageing Plant and Equipments

Recommendation No. 1

The Committee observe that the plants of RINL, the lifespan of which normally is of 15 years, are overdue for revamp, thereby adversely affecting the company's production and capacity realization. The Committee note that steps that ought to have been initiated five years ago for a timely renovation or revamp of the aged machinery are being taken up only recently. The Committee, while appreciating the submission of the Company that they are still producing at efficiencies comparable with the best despite the aging plants, find it pertinent to observe that they could have done better had timely steps been taken for repair.

The Committee, therefore, recommend that the company should expedite steps required to carry out the revamp of the aged Plant/machinery within a specified time frame, ensuring all the while, a minimal disruption in their production. The Committee desire that action taken in this regard together with status report vis-à-vis the progress achieved be submitted before the Committee.

Expansion of Capacity

Recommendation No. 2

The Committee are apprised of the ongoing expansion plan of the company, whereby the current installed production capacity of 3 million tonnes is sought to be enhanced to 6.3 million tonnes per annum. The Committee note with concern the several delays in implementation of the expansion project that have led to escalation of the estimated costs by thousands of crores. The Committee are constrained to observe that unless effective monitoring and corrective steps are taken on a continuous basis the cost would further escalate. Besides the expansion project, the

Committee also take note of delays in other infrastructure projects of the company resulting in cost overruns of more than 400 crore rupees.

While conceding the fact that some of the cost escalations are due to new and additional features being added to the original scheme, the Committee are nevertheless of the opinion, that such escalation would very well have been anticipated in the original scheme of things, and that a major bulk of the escalations are due, primarily, to the delay in implementation.

The Committee, therefore, recommend that the company should, while taking steps to ensure minimum further delay, evolve a comprehensive and effective project planning and monitoring mechanism which shall minimize future delays and the associated escalation of costs involved. The Committee desire some concrete steps by the Company in this regard within six months of the presentation of this report, which may duly be communicated to the Committee.

Inputs Management

Recommendation No. 3

The Committee observe that the primary challenge facing RINL today is the securitization of raw materials, such as, iron ore and coking coal, the primary inputs in the production of steel. A crucial point which the Committee note is that RINL is the only integrated steel plant among Public Sector Undertakings not having captive iron ore and coal mines. The Committee appreciate the fact that the non-allocation of captive mines of iron ore and coking coal to the company are attributable to RINL being a company which has been created by separation of units from SAIL and the supply of its iron ore requirements being planned to be met from Bailadila mines of National Mineral Development Corporation, another offspring of SAIL. However, with increase in competition and the falling margins of the company owing to its having to buy these primary raw materials at a comparatively higher cost than its competitors having captive mines of these raw materials, the Committee feel that the growth and sustainability of the Company today hinges on the securitization of these primary raw materials at lower costs through captive mines.

The Committee are apprised of the fact that iron ore mining leases are governed by MMDR Act, 1957 under which the primary role of allocation of mines rests with State Governments. The Committee also took evidence of representatives of Ministry of Mines in this regard and were informed that no application of RINL for allocation of iron ore mines have reached the Ministry, this, despite numerous such applications having been filed by the Company in various States like Jharkhand, Orissa, Andhra Pradesh and Rajasthan. The Committee also note with serious concern that these applications are often processed at snail's pace owing to multiplicity of clearances required from as many authorities, causing much delay and escalations in costs. Besides, different States are known to be following different procedures in the matter.

The Committee, in the light of the above facts, desire that a via-media be worked out to ensure expeditious processing of applications for mining blocks. The Committee further recommend that a standardized procedure for processing mining lease applications applicable in all States must be seriously considered by the Government to make the process more transparent and expedient.

Recommendation No. 4

Regarding the non-allocation of captive iron-ore mines to RINL, the Committee find that the problem lies in State Governments often denying the Company's applications, thereby ruling out the same being forwarded to the Union Ministry of Mines. The Committee, while appreciating the fact that the State Governments may have their own set of considerations and criteria for selection of eligible applicants for mining leases, feel that the consistent denial or non-selection of a steel giant in the public sector like RINL smacks of not only irregularity but also inconsistencies in the system and warrants a serious re-think on the existing statutory and procedural provisions.

Noting that the Company's applications have been denied on grounds such as RINL not contributing any value additions in the States having Mining blocks; the blocks being in forest reserves; the blocks having been allocated to earlier applicants, etc., the Committee recommend

that the Company should make serious efforts at fulfilling the criterion laid down by concerned States. Further, the Committee observe that States should be actively encouraged to give due weightage to macro value additions to be achieved through preferential allocation of resources to Public Sector Undertakings, which is for the nation as a whole as compared to value additions to be had locally.

In conformity with the Supreme Court's observations in RIL vs RNRL case treating mineral reserves as national resources, the Committee would like to emphasise that the Government of India should take initiatives to declare all mineral resources including iron-ore and coal as national wealth.

Recommendation No. 5

The Committee note with concern the travails of the Company in its efforts to secure a captive mine for sourcing its coking coal requirements. The Committee also note that RINL had surrendered two blocks, Mahal and Tenughat Jhirkri for economic unviability and have sought alternative blocks in lieu thereof. The Committee have obtained the views of the Ministry of Coal on the matter and have been apprised that no provisions exist for allocation of alternate blocks in lieu of surrendered allocations.

Considering that the company is required to start from scratch in applying afresh for other coal blocks and taking note of the urgency of the coking coal requirements of the company in view of its expansion plans, the Committee desire that the plan to acquire adequate and secure supply of coking coal for its expanded capacity must be firmed up to ensure that additional capacity to be added do not go under-utilised for want of Coking coal.

Further, the Committee desire that in consideration of the fact that PSUs have been mandated with the important task of giving a fillip to industrial and economic growth and infrastructure base of the country, every effort must be made by the Government to give them some priority in securing essential inputs over the private sector, which primarily are modeled on profit generation.

Recommendation No. 6

The Committee appreciate that the Government has approved the formation of an International Coal Ventures Ltd. (ICVL) between RINL, CIL, NTPC & NMDC towards enabling acquisition of coking and thermal coal assets overseas, and note that this venture holds much promise for possible supplementing of the supply of coking coal for RINL's requirements, among others.

The Committee express their hope that the formation of ICVL may result in enhancing the supply of coking and thermal coal to the PSUs as a whole, and RINL in particular. The Committee, therefore, desire that the Government should facilitate and actively promote this entity to enable it to achieve its objectives expeditiously.

Pelletization Plants

Recommendation No. 7

The Committee, during the course of examination, have been apprised of the importance of pelletization of fines (iron-ore fines) in supplementing the supply of lump iron-ore as raw input for steel production. They also note that there still are huge cost and technology constraints in this field in the country. The Committee nevertheless observe that the process of pelletization has not been given adequate priority in the country, neither by the domestic steel industry in general, nor by RINL as an individual steel producer, leading to huge export of valuable natural resources in the form of fines at throw-away prices.

The Committee, therefore, recommend that RINL should draw up a plan to go into pelletization in enhanced capacities to supplement its supply of iron-ore, and that the government should explore mechanisms to incentivize pelletization plants, with the twin objectives of preventing the dumping of precious natural resources in the export market at throw away prices and enhancing the supply chain of raw materials for steel producers in the country.

Research & Development

Recommendation No. 8

The Committee regret to note that the Research and Development (R&D) spending in RINL is at a dismal 0.148 per cent of its total expenditure in 2009-10. The Committee are informed that the core process and technology related improvements are generally provided by the equipment supplier, and domestic R&D are on peripheral process improvements, product development, waste management, cost reduction and environment protection, etc.

However, the Committee further note that RINL has rightly admitted that they have a long way to go in terms of R&D. While appreciating the ongoing efforts of the company in signing MOUs with educational institutes and research laboratories, etc., the Committee recommend that the Company, as a bulwark of the steel industry in the country, should enhance its R&D and develop such a strong unit that can serve the country's needs over and above meeting the needs of the Company.

Transparency

Recommendation No. 9

The Committee note the formulation of the draft Whistle Blower Policy of RINL with its stated objective of bringing in more transparency and good governance in the organization and to encourage and provide a platform to employees for voicing their concerns regarding any unethical and improper practice, etc. in the Company.

The Committee appreciate this initiative. The Committee are also of the considered view that a Whistle Blower Policy more or less on uniform parameters be formulated for all PSUs as part of good corporate governance so as to usher in an environment of transparency among all PSUs and establishment of a self correcting mechanism to check unethical and improper practices within the organizations.

Conservation of National Resources

Recommendation No. 10

Minerals in any form, be it iron ore, coal or bauxite etc., are national wealth. These minerals are not inexhaustible. Slowly but steadily these minerals deplete. It takes hundreds of years for these minerals to form. Nature has bestowed upon our country a bounty of minerals, notable among them being iron ore, coal, bauxite etc. But how well we utilize our natural resources solely depends on our own prudence concerning them. In this context, the Committee note, with concern, the twin menaces of reckless export of minerals and illegal mining.

The Committee find it quite disturbing to note the present trend of exporting minerals particularly of iron-ore. Globally, though many countries have rich reserves of minerals, they procure them from others to preserve their own mineral resources for use at a later date. At this juncture it would be much wiser for us to preserve our minerals which may not be available to us when we actually require them for our industrial purposes and other needs (including our defence requirements) in the future. Our mineral wealth certainly cannot be frittered away for meager sums which are to be paid as royalty to fatten the purses of a few private individuals of our companies. Hence it would be rather unwise and callous on our part to fritter away such valuable resources which we may in the future require for own industrial purposes including defence requirements. In this context, it would be pertinent to note the following observations made by the Supreme Court of India in their recent judgement pronounced on 7 May, 2010 “..... Among various considerations, the prime aspect relates to national interest relating to the interest of consumers and protection of natural resources..... gas is an essential natural resource..... The Government holds this natural resources as a trust for the people of the country. Supply of gas is a matter of national interest.....”

The natural resources are vested with Government as a matter of trust in the name of the people of India. Thus it is the solemn duty of the State to protect the national interest.

The Constitutional requirements on the Government would equally apply not only to the Government but also to private players in the process. Natural resources must always be used in the interests of the country, and not to promote personal or private interests. These observations which were made by Supreme Court in their judgement in the above mentioned cases, made in the context of natural resources are applicable to all natural resources including our mineral wealth and underscore the vital importance of the preservation of natural resources. Under the provisions of Article 39(b) of the Constitution “The State shall, in particular, direct its policy towards securing-that ownership and control of the material resources of the community are so distributed as best to subserve the common good.

The Committee, therefore, observe that our country having just taken wings and still in a nascent stage of development, frittering away all our resources at this stage may by allowing unlimited exports for crass commercial interest certainly would not be a prudent policy which the government, as a trustee to the national wealth, needs to comprehensively review.

Illegal Mining

Recommendation No. 11

The Committee would now like to dwell on the other disconcerting development viz. illegal mining. Illegal mining has now become an endemic feature. The Committee feel it is time to find out how much natural resources/ minerals have been legally used and how much has been illegally mined. The national resources, especially minerals including coal, should not be allowed to become the exclusive preserve of a handful of free looters. Another point which the Committee feel needs to be noted is

that illegal mining has led to a situation where thousands of people have become homeless. This is the ugly face of illegal mining which involves rampant exploitation of people. Tribals and forest dwellers have been irreversibly affected, having been thrown out of their original habitats. Lamentably, this distressing scenario has forced them to resort to unconstitutional acts and to go into arms of extremists.

Illegal mining not only depletes the country of its natural resources but has also led to the disturbing situation of exploitation of hapless forest dwellers and tribals. The Committee find it pertinent to take note of concerted measures / measures proposed by Government to tackle the menace of 'illegal mining', as the same is reflective of the seriousness with which the Government views this subject.

The need of the hour is conservation of National resources. The Committee after indepth consideration recommend action on following lines:

a. The injudicious export of raw natural resources like iron ore, coal needs to be banned.

b. The Committee note that the Government has formulated a new National Mineral Policy, 2008 which envisages the regulation of mines and development of mineral resources. The Committee commend the various steps taken/proposed to be taken by Government to check the menace of illegal mining. The Committee desire that the measures taken need to be assiduously followed and monitored. The Committee further desire that the proposed action be taken up in right earnest and pursued expeditiously.

c. In view of the emerging scenario of depletion of precious resources like minerals owing to injudicious export and illegal mining, the Committee emphasise upon the need to revisit the National Mineral Policy for effectively addressing these issues.

d. In the context of judicious utilization of National resources, the Committee strongly desire rightful allocations of minerals such as iron ore

and coal to Public Sector Undertakings, which have been choked due to the constraint of these resources.

The Committee have recommended the above course of action in their endeavour to address the interlinked issue of mineral conservation and the interests of the Public Sector Undertakings.

New Delhi:
6th December, 2010
15 Agrahayana 1932 (Saka)

V. Kishore Chandra S. Deo
Chairman
Committee on Public Undertakings

**MINUTES OF THE 6th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2010-11) HELD ON 11th AUGUST, 2010**

The Committee sat from 1600 hrs to 1745 hrs.

PRESENT

Chairman

Shri V. Kishore Chandra S. Deo

Members, Lok Sabha

- 2 Shri K.C.Singh 'Baba'
- 3 Shri Ramesh Bais
- 4 Shri Shailendra Kumar
- 5 Shri Baijayant Panda
- 6 Shri L.Rajagopal
- 7 Shri Nama Nageshwara Rao
- 8 Chaudhary Lal Singh
- 9 Shri Rajiv Ranjan Singh alias 'Lalan Singh'
- 10 Shri Bishma Shankar Singh alias Kushal Tiwari

Members, Rajya Sabha

- 11 Shri Birendra Prasad Baishya
- 12 Shri Naresh Gujral
- 13 Shri Prakash Javadekar
- 14 Shri Bharatkumar Raut
- 15 Ms. Mabel Rebello
- 16 Shri T.Subbarami Reddy
- 17 Shri Tapan Kumar Sen

Secretariat

- | | |
|----------------------------|---------------------|
| 1. Shri J.P. Sharma | Joint Secretary |
| 2. Shri Ravindra Garimella | Additional Director |
| 3. Shri Ajay Kumar Garg | Additional Director |

Representatives of Rashtriya Ispat Nigam Ltd. (RINL)

- | | |
|------------------------|-----------------------|
| 1. Shri P.K. Bishnoi | CMD, RINL |
| 2. Shri Y. Manohar | Director (Personnel) |
| 3. Shri Umesh Chandra | Director (Operations) |
| 4. Shri A.P. Choudhary | Director (Projects) |

- | | |
|-----------------------|--------------------|
| 5. Shri P. Madhusudan | Director (Finance) |
| 6. Shri G. Brahmaiah | Executive Director |

2. At the outset, the Chairman welcomed the representatives of Rashtriya Ispat Nigam Ltd. (RINL) and drew their attention to Direction 58 issued by the Speaker relating to evidence before the Parliamentary Committees. The representatives of RINL made a power point presentation on the subject. The Chairman and Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were given by the representatives of RINL. Information on some of the points raised by the Committee was not readily available with the representatives of RINL. They were therefore asked to furnish the same to the Committee Secretariat at the earliest possible.

3. At the end, the Chairman thanked the representatives of RINL for providing all the information on the subject matter as desired by the Committee.

4. *The witnesses then withdrew.*

(Verbatim record of evidence has been kept.)

The committee then adjourned.

**MINUTES OF THE 12th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2010-11) HELD ON 28th SEPTEMBER, 2010**

The Committee sat from 1100 hrs to 1300 hrs.

PRESENT

Chairman

Shri V. Kishore Chandra S. Deo

Members, Lok Sabha

- 2 Shri Ramesh Bais
- 3 Shri Ambica Banerjee
- 4 Shri Hemanand Biswal
- 5 Shri Nama Nageswara Rao
- 6 Shri Ganesh Singh
- 7 Shri N. Dharam Singh
- 8 Shri Rajiv Ranjan Singh alias Lalan Singh
- 9 Shri Bhisma Shankar alias Kushal Tiwari

Members, Rajya Sabha

- 10 Shri Birendra Prasad Baishya
- 11 Shri Naresh Gujral
- 12 Shri Prakash Javadekar
- 13 Shri Bharatkumar Raut
- 14 Ms. Mabel Rebello
- 15 Shri Tapan Kumar Sen

Secretariat

- | | |
|----------------------------|---------------------|
| 1. Shri J.P. Sharma | Joint Secretary |
| 2. Shri Rajeev Sharma | Director |
| 2. Shri Ravindra Garimella | Director |
| 3. Shri Ajay Kumar Garg | Additional Director |

Representatives of Ministry of Steel

- | | | |
|---|-------------------------|------------------|
| 1 | Shri P.K. Misra | Secretary, Steel |
| 2 | Shri S. Machendranathan | AS & FA |
| 3 | Dr. Salip Singh | Joint Secretary |
| 4 | Shri G. Elias | Joint Secretary |
| 5 | Shri Udai Pratap Singh | Joint Secretary |

2. The Committee took oral evidence of the representatives of Ministry of Steel regarding the comprehensive examination of Rashtriya Ispat Nigam Limited. At the outset, the Chairman welcomed the representatives of Ministry of Steel and drew their attention to Direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committees. Then, the representatives of Ministry made a brief statement on the subject. Thereafter, the Chairman and Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were given by the representatives of Ministry. Information on some of the points raised by the Committee was not readily available with the representatives of Ministry. They were therefore asked to furnish the same to the Committee Secretariat at the earliest possible.

3. The Chairman then thanked the representatives of Ministry for providing all the information on the subject matter as desired by the Committee.

4. *The witnesses then withdrew.*

(Verbatim record of evidence has been kept.)

The committee then adjourned.

**MINUTES OF THE 13th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2010-11) HELD ON 21st OCTOBER, 2010**

The Committee sat from 1100 hrs to 1300 hrs.

PRESENT

Chairman

Shri V. Kishore Chandra S. Deo

Members, Lok Sabha

- 2 Shri Ramesh Bais
- 3 Shri Ambica Banerjee
- 4 Shri Baijayant Panda
- 5 Shri Nama Nageswara Rao
- 6 Ch. Lal Singh

Members, Rajya Sabha

- 7 Shri Naresh Gujral
- 8 Shri Prakash Javadekar
- 9 Shri Bharatkumar Raut
- 10 Ms. Mabel Rebello
- 11 Shri Tapan Kumar Sen

Secretariat

- | | |
|----------------------------|-----------------|
| 1. Shri J.P. Sharma | Joint Secretary |
| 2. Shri Rajeev Sharma | Director |
| 2. Shri Ravindra Garimella | Director |
| 3. Shri Paoliental Haokip | Under Secretary |

Representatives of Ministry of Mines

- | | |
|-------------------------|-----------------|
| 1 Shri S. Vijay Kumar, | Secretary |
| 2 Shri S. K. Srivastava | AS |
| 3 Shri G. Srinivas | Joint Secretary |
| 4 Shri A.K. Nayak | Director |

2. The Committee took oral evidence of the representatives of Ministry of Mines regarding the comprehensive examination of Rashtriya Ispat Nigam Limited. At the outset, the Chairman welcomed the representatives of Ministry of Mines and drew their attention to Direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committees. Then, the

representatives of Ministry made a brief statement on the subject. Thereafter, the Chairman and Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were given by the representatives of Ministry.

3. The Chairman then thanked the representatives of Ministry for providing all the information on the subject matter as desired by the Committee.

4. *The witnesses then withdrew.*

(Verbatim record of evidence has been kept.)

The committee then adjourned.

**MINUTES OF THE 14th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2010-11) HELD ON 21st OCTOBER, 2010**

The Committee sat from 1300 hrs to 1330 hrs.

PRESENT

Chairman

Shri V. Kishore Chandra S. Deo

Members, Lok Sabha

- 2 Shri Ramesh Bais
- 3 Shri Ambica Banerjee
- 4 Shri Baijayant Panda
- 5 Shri Nama Nageswara Rao
- 6 Ch. Lal Singh

Members, Rajya Sabha

- 7 Shri Naresh Gujral
- 8 Shri Prakash Javadekar
- 9 Shri Bharatkumar Raut
- 10 Ms. Mabel Rebello
- 11 Shri Tapan Kumar Sen

Secretariat

- | | |
|----------------------------|-----------------|
| 1. Shri J.P. Sharma | Joint Secretary |
| 2. Shri Rajeev Sharma | Director |
| 2. Shri Ravindra Garimella | Director |
| 3. Shri Paolienlal Haokip | Under Secretary |

Representatives of Ministry of Coal

- | | |
|-------------------------|-----------------|
| 1 Shri C. Balakrishnan, | Secretary, Coal |
| 2 Shri A.K. Bhalla | Joint Secretary |
| 3 Shri P.S.S. Reddy | Director |

2. The Committee took oral evidence of the representatives of Ministry of Coal regarding the comprehensive examination of Rashtriya Ispat Nigam Limited. At the outset, the Chairman welcomed the representatives of Ministry of Coal and drew their attention to Direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committees. Then, the representatives of

Ministry made a brief statement on the subject. Thereafter, the Chairman and Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were given by the representatives of Ministry.

3. The Chairman then thanked the representatives of Ministry for providing all the information on the subject matter as desired by the Committee.

4. *The witnesses then withdrew.*

(Verbatim record of evidence has been kept.)

The Committee then adjourned.

**MINUTES OF THE 15th SITTING OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (2010-11) HELD ON 6th DECEMBER 2010**

The Committee sat from 1500 hrs to 1530 hrs.

PRESENT

Chairman

Shri V. Kishore Chandra S. Deo

Members, Lok Sabha

- 2 Shri Ramesh Bais
- 3 Shri Ambica Banerjee
- 4 Shri Baijayant Panda
- 5 Shri Nama Nageswara Rao
- 6 Ch. Lal Singh

Members, Rajya Sabha

- 7 Shri Naresh Gujral
- 8 Shri Prakash Javadekar
- 9 Shri Bhartkumar Raut
- 10 Ms. Mabel Rebello
- 11 Shri Tapan Kumar Sen

Secretariat

- | | | |
|----|------------------------|-----------------|
| 1. | Shri J.P. Sharma | Joint Secretary |
| 2. | Shri Rajeev Sharma | Director |
| 3. | Shri Paolienlal Haokip | Under Secretary |

2. The Committee considered the draft Reports on the following subjects and adopted them without modification: -

(i). **XXX XXX XXX XXX**

(ii). Power Grid Corporation of India Limited.

3. The Committee then authorized the Chairman to finalize the Reports for presentation.

4. The Committee then adjourned.
