

STEEL AUTHORITY OF INDIA LIMITED

MINISTRY OF STEEL

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-2013)**

SIXTEENTH REPORT

(FIFTEENTH LOK SABHA)



LOK SABHA SECRETARIAT

NEW DELHI

CPU. No. 949

16

SIXTEENTH REPORT

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(2012-2013)

(FIFTEENTH LOK SABHA)

STEEL AUTHORITY OF INDIA LIMITED

MINISTRY OF STEEL

(Action taken by the Government on the Observations / Recommendations contained in the Twenty Sixth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on Steel Authority of India Limited)



Presented to Lok Sabha on 21.03.2013

Laid on the Table of Rajya Sabha on 21.03.2013

LOK SABHA SECRETARIAT

NEW DELHI

March 2013 / Phalguna 1934 (S)

COMMITTEE ON PUBLIC UNDERTAKINGS
(2012 – 2013)

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Shri Jagdambika Pal

Members, Lok Sabha

2. Shri Hansaraj Gangaram Ahir
3. Shri Ambica Banerjee
4. Shri Bansa Gopal Chowdhury
5. Dr. Mahesh Joshi
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Secretariat

- | | | |
|----|-----------------------|---------------------|
| 1. | Shri A. Louis Martin | Joint Secretary |
| 2. | Shri M.K. Madhusudhan | Additional Director |
| 3. | Shri Sunny Goel | Executive Assistant |

* Ceased to be a Member of the Committee consequent upon his appointment as Union Minister w.e.f. 28.10.2012.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Sixteenth Report on Action Taken by the Government on the Observations/Recommendations contained in the Twenty-sixth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on “Steel Authority of India Limited”.

2. The Twenty-sixth Report was presented to Lok Sabha / laid on the Table of Rajya Sabha on 29 April, 2008. Replies of the Government to the Observations/Recommendations contained in the Report were received on 12 May 2011. The draft Report was considered and adopted by the Committee at their Sitting held on 30 January 2013.

3. An analysis of the action taken by Government on the Observations/Recommendations contained in the Twenty-sixth Report is given in Annexure.

New Delhi
4 March 2013
13 Phalguna 1934(S)

JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Twenty Sixth Report (Fourteenth Lok Sabha) of the Committee on Public Undertakings (2007-2008) on “Steel Authority of India Limited” which was presented to Lok Sabha on 29th April 2008. The report contained 25 observations/recommendations.

2. Action Taken notes have been received from Government in respect of all the recommendations contained in the Report. These have been categorized as follows:

- | | | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| (i) | Recommendations / observations which have been accepted by the Government (Chapter II)
Sl. Nos. 1,2,3,4,7,8, 9,10,11,12,13,16,17,18,19,20,21,22,23,
24 and 25 | (Total 21) |
| (ii) | Recommendations / observations which the Committee do not desire to pursue in view of the Government’s replies (Chapter III)
Sl. Nos. 5 and 15 | (Total 2) |
| (iii) | Recommendations / observations in respect of which replies of the Government have not been accepted by the Committee (Chapter IV)
Sl. Nos. 6 and 14 | (Total 2) |
| (iv) | Recommendations in respect of which final replies of the Government are still awaited (Chapter V) | (Nil) |

3. The Committee will now deal with the Action Taken by the Government on some of the recommendations in succeeding paragraphs.

Recommendation at Sl. No. 2

A. Blast Furnace Productivity

4. The Committee in their Report had observed as follows:

“The Committee note that SAIL has a lower productivity of blast furnace when compared to other major private/public steel producers of the country like Tata Iron & Steel Company (TISCO) and Rashtriya Ispat Nigam Ltd. (RINL), the reason attributed therefore ostensibly is inferior quality of iron ore content and higher impurities. The Committee have been further informed that the blast furnace productivity will improve with the induction of state of the art technology as part of the modernization and expansion plans. The Committee, feel that SAIL being a navratna company should not lag behind other private companies in terms of increasing its blast furnace productivity on the pretext of

improvement after modernisation and desire that the blast furnace productivity of SAIL steel plants should be brought at par with the major private/public steel producers of the country.”

5. In their action taken reply, the Government stated as under: -

“SAIL is installing new Blast Furnace with state-of-art technology having useful volume of 4060m³ at IISCO Steel Plant, Bhilai Steel Plant and Rourkela Steel Plant. Also reconstruction and upgradation of the existing Blast Furnaces (BF) is being taken up to improve the productivity. BF Productivity is expected to go up to a level of 2.25 t/m³/day in new Blast Furnaces. As BF productivity is also dependent on quality of iron ore, early clearances is required from State Govt. to start development activities at the earliest at mines of Chiria, Rowghat, Taldih & Thakurani for providing better input quality to BFs.“

6. Taking note of lower productivity of Blast Furnace (BF) in SAIL, the Committee had in their earlier report recommended that the BF productivity of SAIL Steel Plants should not lag behind other major private/public steel producers of the country. In their action taken reply, the Ministry of Steel have stated that SAIL is installing new blast furnace in two steel plants with state-of-art technology besides taking up reconstruction and upgradation of the existing blast furnaces to improve the productivity. The Committee are, however, constrained to observe that rather than providing specific information as to when SAIL will be able to bring its BF productivity at par with major steel producers in the country, the Ministry has tried to remain non-committal on this aspect by adducing the argument that BF productivity is also dependent on quality of iron ore and early clearances are required from State Government to start developmental activities at certain mines for providing better input qualities to blast furnaces. While expressing their displeasure over the manner in which this issue is being tackled by the Ministry, the Committee wish to emphasise that concerted efforts need to be made to increase BF productivity of SAIL steel plants at the earliest so as to bring it at par with the major/private/public steel producers in the country. The Committee would like to be apprised of the concrete steps taken in this regard.

Recommendation at Sl. No. 6

B. Grant / Renewal of Captive iron ore mining leases

7. The Committee in their Report had recommended as follows:

“The Committee note that captive iron ore mining is the main source of iron ore for SAIL. SAIL has some captive iron ore mines, chief of which is the Chiria Iron Ore Mine in Jharkhand. The Committee further note that the existing iron ore resources with SAIL are limited and would exhaust within the next few years. Chiria mines has been identified by SAIL as the only potential source which can cater to the increased production requirements of 26 million tonnes by 2010. Apart from Chiria, SAIL would also require new iron ore resources to meet its growth plan. The Committee are, however, concerned to note that the issue of grant/renewal of Chiria iron ore mining lease to SAIL has been long pending because of some reservations of the State Government of Jharkhand and the matter is presently sub-judice and pending in Court. Meanwhile, the efforts made by SAIL/Ministry of Steel for amicable solution of the issue has also not yet yielded any positive result in the matter.

The Committee observe that due to increasing boom in the steel sector, the issue of grant/renewal of iron ore mining leases is becoming very complex issue due to conflicting interests between various stake holders like mining companies and exporters, steel producers and the concerned State Governments. In view of this, the Committee feel that there is a need for a clear national policy to address the concerns of the stake holders particularly the producers contributing immensely to national economy. Keeping in mind the basic national interests and national goal of economic growth as enunciated broadly in XI Plan document an appropriate National Mineral Policy must determine the contours which can facilitate Navaratnas like SAIL to use its full potential. Careful consideration needs to be given to the views of the key operators like SAIL in this regard. The Committee feel that there is of course a need to augment the revenues of States by increasing the royalty rates. At the same time, the Committee like to add that in the present case SAIL has got a legitimate case for retaining Chiria iron ore mine as it has already developed various infrastructure there besides absorbing an accumulated loss of Rs. 910 crores during amalgamation of Indian Iron & Steel Company (IISCO) with SAIL in 2005. It is well known that IISCO alongwith its properties Chiria and Gua iron ore mines were available for disinvestment from 1996-2001 but not a single global/domestic player had shown any interest in it during that period. The Committee, therefore, strongly recommend with all the conviction that the Government of India should deal with this issue of national interest at the highest priority for grant of mineral concession of Chiria iron ore mine to SAIL.

The Committee also note that the Government of India is presently amending the Mines and Minerals (Development and Regulation) Act (MMDR)

Act 1957 for streamlining the procedure for grant/ renewal of mining leases in the country. The Committee feel that any delay in grant/renewal of mining leases would immensely harm SAIL and overall national interests.”

8. The Government in its reply stated as follows:

“With depletion of iron ore reserves in existing mines, Chiria is the only deposit with SAIL which can be developed as a large mine with state-of-art technology for a capacity of about 35-40 Million tonnes per annum to meet the enhanced requirement of SAIL steel plants located in the Eastern sector at Bokaro, Burnpur, Durgapur & Rourkela. In view of the above, renewal of mining leases of Chiria mine is critical for SAIL and in the broader national interest. Continuous effort is therefore, being made by SAIL for early renewal of mining leases at Chiria so that further action for development of mine can be undertaken.

In the meantime, the Jharkhand State Government has accorded in-principle approval for renewal of Budhaburu (Mc-Lellan) lease of Chiria on 23.10.09.

Action taken by SAIL & Ministry of Steel pertaining to renewal of Chiria & Gua lease after grant of in-principle approval by Jharkhand State Government for renewal of Budhaburu lease of Chiria on 23.10.09:

- On 28.10.09, Chairman SAIL, during his meeting with Hon’ble Governor, Advisor to the Governor and Chief Secy, Jharkhand requested for renewal of other leases of Chiria & Gua.
- On 18.11.09, SAIL informed Jharkhand Govt. to renew leases corresponding to 1000 million tonnes keeping all four leases of Gua & Ajitaburu of Chiria in the present form and redefining Budhaburu lease.
- Secretary (Steel) held meeting with Chief Secretary, Govt. of Jharkhand on 17.2.10 on the issue of renewal of mining leases including Chiria & Gua mines of SAIL.
- Secretary Steel vide letter dated 14.7.10 requested Advisor to His Excellency, Governor of Jharkhand for his intervention for renewal of under deemed extension leases of Chiria & Gua in view of Rule 24 B of MCR 1960.
- Chairman SAIL met His Excellency Governor of Jharkhand and Chief Secretary Jharkhand on 20.7.10 and requested for early renewal of Chiria & Gua leases.
- SAIL vide letter dated 22.7.10 requested Secretary Mines & Geology, Jharkhand for renewal of under deemed extension leases of Chiria & Gua.
- Chairman, SAIL vide letter dated 28.7.10, requested His Excellency, Governor of Jharkhand for early renewal of five under deemed extension leases of Chiria & Gua.
- For early renewal of Chiria leases, MD, BSL met Advisor to the Hon’ble Governor of Jharkhand on 10.8.10. As discussed in the meeting, MD, BSL vide letter dated 28.8.10, communicated the available iron ore reserves vis-à-

vis iron ore requirement for next 50 years in view of ongoing and future expansion plans of SAIL.

- Hon'ble Minister of Steel, vide letter dated 5.10.10 solicited Chief Minister, Jharkhand's intervention for early action by State Govt. for formally renewing the mining leases at Dhobil and Ankua of Chiria and Duargaiburu, Topailore and Jhillingburu-II of Gua and also for computing one billion tonne of deposits to be immediately allocated to SAIL from Chiria-Gua belt.
- Chairman, SAIL during his meeting with Chief Minister, Jharkhand on 20.12.10 requested for expediting renewal of mining leases of Chiria & Gua mines.
- Chairman, SAIL vide letter dated 23.12.10 requested Hon'ble Chief Minister Jharkhand for his intervention for immediate renewal of the five mining leases, namely Dhobil & Ankua at Chiria and Duargaiburu, Topailore & Jhillingburu-II at Gua and also requested for initiation of subsequent discussion on renewal of balance four leases namely Ajitaburu, Sukri-Latur & Tatiburu at Chiria & Jhillingburu-I at Gua.
- Vide letter dated 26.1.11, Hon'ble Chief Minister, Jharkhand assured SAIL that State Govt. will take necessary actions to ensure that SAIL does not suffer from deficiency of any raw materials required in the State.
- Chairman, SAIL during his meeting with Chief Minister, Jharkhand on 10.3.11 requested for expediting renewal of mining leases of Chiria & Gua mines.

Pending renewal of mining leases, following activities have been initiated for development of a large mechanized mine:

✚ Environment Clearance

Expert Appraisal Committee (EAC) of MoEF has already considered the environment clearance proposals pertaining to Budhaburu, Ajitaburu, Dhobil & Sukri-Latur leases of Chiria. MOEF has since accorded environment clearance for Budhaburu lease on 23.3.2011.

✚ Forest Clearance

MoEF, Gol vide letter dated 7.3.11 granted Stage-I forest clearance for diversion of:

- 153.04 ha of forest land in Ajitaburu lease.
- 379.228 ha of forest land in Budhaburu lease.
- 33.40 ha of forest land in Sukri-Latur lease

Dhobil lease already have a valid forest clearance for 29.11 ha.

✚ Preparation of DPR

To develop a state-of-the art mine at Chiria with a capacity of 7 MTPA, M/s Hatch Associates, Australia have been appointed as consultant. Preparation of DPR is under progress and likely to be completed by September'2011.

✚ Land for Processing Plant

For setting up a processing plant at Patherbasa, Manoharpur, land has been identified and an application for acquisition of 405 Ha in the said area has already been submitted to DC, Chaibasa on 24.9.09.

✚ Mining Plan

Mining Plans of Ajitaburu, Budhaburu, Dhobil & Sukri-Latur leases of Chiria have already been approved by IBM, Nagpur.

9. Taking note of the fact that the issue of grant/renewal of Chiria iron ore mining lease to SAIL has been long pending due to certain reservations of the State Government of Jharkhand and the matter being sub-judice, the Committee had in their Report observed that there is a need for a clear national policy to address the concerns of the stake holders particularly the producers contributing immensely to national economy. The Committee had, therefore, recommended that the Government of India should deal with the issue of grant of mineral concession of Chiria iron ore mines to SAIL by according highest priority as any delay in grant/renewal of mining leases would immensely harm SAIL and overall national interests.

In their action taken reply, the Ministry of Steel has stated that the Jharkhand State Government has accorded in - principle approval for renewal of Budhaburu (Mc-Lellan) lease of Chiria, for which environment clearance has been obtained. Moreover, the matter is being vigorously pursued at various levels, which include communications at the level of Hon'ble Governor and Chief Minister of Jharkhand, for the renewal of mining leases of other Chiria and Gua mines. While appreciating these efforts, the Committee wish to point out that a lot of time has been spent in dealing with the issue of grant/renewal of mining lease for other Chiria and Gua mines, and they urge the Government to resolve this issue at the earliest.

Recommendation at SI. No. 7

Development of iron ore mines

10. The Committee in their Report had recommended as follows:

“The Committee note that in order to ensure availability of iron ore for steel production, the development of iron ore mines is of paramount importance, which depend on the timely grant/renewal of captive iron ore mining leases and obtaining forest & environment clearances. The Committee are unhappy to note that though the Ministry of Steel is in continuous dialogue with Ministry of

Environment and Forests, respective state Governments and other nodal agencies to expedite forest and environment clearances for the mines, there has been inordinate delays in granting these clearances by the concerned agencies. Even the expansion and modernization of existing mines is also being delayed due to the lengthy, cumbersome and time-consuming procedures associated with getting these forest and environmental clearances. The Committee recommend that the number of stages and the levels in the processing of applications should be considerably reduced and forest and environmental clearances should be granted within a pre-specified time frame. The Committee further recommend that the Government should examine the feasibility of adopting international norms in this regard, which stipulate fixed timeframe for grant of various clearances.”

11. The Government in its reply stated as follows:

“Mining operations at Ajiataburu, Budhaburu & Sukri-Latur leases of Chiria are stopped since June’94, Dec’05 & Mar’09 for want of forest clearance. Recently on 7.3.11, MoEF has granted Stage-I forest clearance for Ajiataburu, Budhaburu & Sukri-Latur leases of Chiria. Production in these leases will start only after compliance of conditions that are stipulated in Stage-I forest clearance order.

Presently mining operations at Barsua- Kalta and Boalni mines are continuing on the strength of Temporary Working Permission (TWP) and will continue till 5.4.11 and 10.4.11 respectively. Stage-I forest clearance for Barsua -Kalta and Bolani mines were granted by MoEF on 8.3.11 and 12.11.10 without the approval for continuation of mining operation in already broken area. MoEF has already been requested for grant of approval for continuation of mining operation at these mines before April’11. Ministry of Steel has also taken up the matter with MoEF in this regard.

Fixed time frame for grant of statutory clearances is essential for development of iron and steel industry. In case, the clearance is not given in time, then it could be treated as deemed granted. This is one of the solutions for timely grant of statutory clearances.

The Ministry of Steel takes up the matter of delayed forest and environment clearances and extension of temporary working permission (TWP) for different mines, with the Union Ministry of Environment and Forests (MoEF) on several occasions and through appropriate interactions the early forest clearance (Stage-I) and Environment clearance have been received as a case of Budhaburu lease of Chiria etc.”

12. The Committee in their original report recommended that the number of stages and the levels in the processing of application for Captive Iron Ore mining leases should be considerably reduced and forest and environmental clearances

should be granted within a pre-specified time frame. The Committee further recommended that the Government should examine the feasibility of adopting international norms in this regard which stipulate fixed time frame for grant of various clearances. In response, the Government have, inter-alia, stated that the Ministry of Steel takes up the matter of delayed forest and environmental clearances and extension of temporary working permission for different mines with the Union Ministry of Environment and Forest on several occasions and through appropriate interaction. Early forest clearance (Stage-I) and Environment clearance have reportedly been received as a case of Budhaburu lease of Chiria etc.

It appears from the reply of the Government that the Ministry of Steel have not taken up with the Ministry of Environment and Forest the question of fixing a time frame for processing applications for captive iron ore mining leases and also to examine the feasibility adopting international norms in this regard. The Committee would urge the Ministry of Steel to pursue this matter with the Ministry of Environment and Forest and apprise the Committee of the outcome.

Recommendation at Sl. No. 8

C. Export of Iron Ore

13. The Committee in their Report had recommended as follows:

“As regards the export of iron ore, the Committee note that there has been a high level of export of iron ore from India. As per the information made available to the Committee during 2006-07, India produced 180.66 millions tonnes of iron ore out of which 93.79 million tonnes was exported. The Committee are apprehensive that the continued export of iron ore will affect the long term availability of iron ore for domestic steel production and may even lead to a situation, wherein, the country may have to import iron ore for producing steel. The Committee are of the firm opinion that all out efforts be made to conserve the scarce iron ore to safeguard the future steel requirements of the country. The Committee, therefore, strongly recommend that the Government may take all necessary steps to discourage the export of iron ore, may be by means of putting in place some stringent fiscal measures like hike in export duty etc. and/or other suitable policy measures.”

14. The Government in its action taken reply stated as follows:

“The Government of India recently increased export duty on iron ore of all sorts (except pellets) to 20% ad-valorem. The effect of this increase on the quantity of iron ore export has to be observed for some time, before it can be concluded as to whether this export duty is sufficient to restrict the export of iron ore from the country or further measures are required for restricting export of iron ore.”

15. In the light of high level of export of iron ore from India, the Committee had in their earlier report expressed the view that all out efforts should be made to conserve the scarce iron ore to safeguard the future steel requirements of the country and accordingly, recommended that the Government might take all necessary steps to discourage the export of iron ore by means of putting in place some stringent fiscal measures like hike in export duty etc. and/or other suitable policy measures. In their action taken reply, the Ministry has stated that the Government of India recently increased export duty on iron ore of all sorts (except pellets) to 20% ad-valorem. Although the effect of this increase on the quantity of iron ore export has to be observed for some time before it can be concluded as to whether this export duty is sufficient to restrict the export of iron ore from the country, the Committee express their satisfaction over the steps taken and hope that this increase in the rate of export duty will go a long way in discouraging the export of scarce iron ore to safeguard the future steel requirements of the country.

Recommendation at Sl. No. 14

D. Merger / Acquisition of Steel PSUs

16. The Committee in their Report had recommended as follows:

“The Committee note that consolidation/merger of steel PSUs will help PSUs to acquire global size of operation in order to attain global scale and synergize operation and bring down cost of production. The Committee are of the view that the merger of steel PSUs with SAIL would bring far reaching benefits like consolidating their strength in terms of competitiveness and distribution of raw material among the steel PSUs etc.,. The Committee feel that strong backward and forward linkages are required to effectively cope with the powerful dynamics of a globalised steel industry. The Committee note that the proposal for merger of Neelanchal Ispat Nigam Ltd. (NINL), Maharashtra Electrosk melt Ltd. (MEL), etc. with SAIL are under the active consideration of the Ministry of Steel. The

Committee recommend that these proposals should be expedited and should be pursued to their logical conclusion. The Committee further recommend that the complexities involving these mergers should also be sorted out soon. The Committee also feel that while merging smaller companies with SAIL, due considerations should be given to the economies and financial impact thereof on SAIL without ignoring the interests of workers and social obligations entrusted to public sector undertakings in the country.

As regards the merger of Rashtriya Ispat Nigam Ltd. (RINL) with SAIL, the Committee have been informed that the proposal for merger of RINL with SAIL is not presently under active consideration. The Committee desire that the merger of RINL with SAIL should be revisited to see if any new consensus could be reached in the present steel scenario.”

17. In response to the aforesaid recommendation of the Committee, the Government stated as follows:

“The Government while considering the induction of strategic partner in Neelachal Ispat Nigam Ltd. and implementation of Phase II of the Neelachal Steel Plant had earlier decided the merger and acquisition of NINL by SAIL as recommended by the Committee of Secretaries. Ministry of Steel, however, has revisited the proposal and it has been found that the acquisition of NINL by RINL will have better synergy as compared to merger with SAIL. Accordingly, it had then been decided with the approval of the competent authority, that NINL be acquired by RINL by purchase of 51% of the shareholding of NINL from MMTC and other PSUs. RINL will remain committed to taking over all assets, liabilities, raw material tie-ups and concessions extended to NINL with a binding commitment for taking up and completing implementation of Phase-II of the Steel Plant within 24 to 30 months with a stipulated time table and with clear mile stones, as were to be taken over by SAIL.”

Status of merger of MEL with SAIL

“Subsequent to the approval of the expert group that MEL should be merged with SAIL, Board of Directors of SAIL and MEL in their 314th meeting held on 25.5.06 and in the 193rd meeting of MEL Board held on 26.5.06 have accorded in-principle approval for the merger of MEL with SAIL. It has been decided that to make the process of merger tax-effective, SAIL shares shall be issued to all the private shareholders of MEL.

The merger process required various issues to be resolved with the State Government of Maharashtra (GoM) like obtaining No Objection for transfer of MEL land in favour of SAIL etc. Accordingly, SAIL/MEL applied for the NOC from GoM in February, 2007. After continuous follow-up and review meetings with Government of Maharashtra, (GoM), as well as persuasion by MoS at the highest level, SAIL received a conditional clearance from District Collector,

Chandrapur, GoM on 5th June, 2009. After signing the required affidavits by SAIL/MEL, accepting the terms and conditions stipulated by GoM, the final order for transfer of MEL land to SAIL was issued by District Collector, Chandrapur in July, 2009.

Subsequently, the Scheme of Amalgamation of MEL with SAIL was approved by SAIL Board in their 353rd meeting held on 18th August, 2009 and by the MEL Board in their 217th meeting held on 27th August, 2009. After obtaining clearances from the Ministry of Steel, the Stock Exchanges, the application for merger was filed by SAIL and MEL with MCA on 13.01.2010. The first hearing on the merger was done by MCA on 05.05.2010 and the order was received from MCA on 2nd June, 2010 for obtaining the approval of the shareholders of SAIL and MEL, and conditional waiving of secured and unsecured creditors meeting. Both SAIL and MEL obtained the respective shareholders approval in the AGM held on 30th September, 2010 and 25th August, 2010 respectively. The confirmation petition was filed with MCA in October, 2010 and the second hearing was done by MCA in November, 2010. The order for final hearing on 8.3.2011 was received from MCA on January, 2011. In pursuance of the hearing on 8th March, 2011, the 'Written Submissions' on behalf of SAIL and MEL was filed with MCA on 15th March, 2011.

It is expected that the final order from MCA is likely to be received shortly and the merger process shall be completed in all respects by May, 2011."

18. While observing that merger of steel PSUs will help them to acquire global size of operation, the Committee had in their earlier report made specific recommendation that the issue of merger of Rastriya Ispat Nigam Limited (RINL) with SAIL should be revisited to ascertain whether new consensus could be reached in the present steel scenario. The Committee regret to note that the Action Taken Reply of the Government is completely silent on this aspect. While reiterating their earlier recommendation on revisiting the proposal for merger of RINL with SAIL, the Committee desire the Government to clearly specify its stand on the issue and apprise the Committee of the same.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation No. 1

Capacity Utilization

The Committee are happy to note that the capacity utilization of the majority of steel plants of SAIL is above 100%. Keeping in view the fact that domestic demand for steel in construction sector has been steadily growing in recent times and is estimated to grow further, the Committee recommend that SAIL should strive to further improve its techno-economic parameters and achieve higher capacity utilization and expedite measures for upgradation and expansion to meet the growing demand of steel in the country.

Reply of the Government

In order to maintain predominance in the steel sector and to face global competitiveness, SAIL has taken up Modernisation & Expansion Plan for its five integrated steel plants and special steels plants. The Modernization & Expansion Plan envisages production of crude steel to be enhanced from base level of 12.84 Mtpa to 21.4 Mtpa. Besides this, the plan adequately addresses the need of SAIL Plants towards eliminating technological obsolescence, energy savings, enriching product mix, pollution control, developing mines & collieries to meet higher requirement of key inputs, introduce customer centric processes and have matching infrastructure facilities in the Plant to support higher production volumes.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No. 2

Blast Furnace Productivity

The Committee note that SAIL has a lower productivity of blast furnace when compared to other major private/public steel producers of the country like Tata Iron & Steel Company (TISCO) and Rashtriya Ispat Nigam Ltd. (RINL), the reason attributed therefore ostensibly is inferior quality of iron ore content and higher impurities. The Committee have been further informed that the blast furnace productivity will improve with the induction of state of the art technology as part of the modernization and expansion plans. The Committee, feel that SAIL being a navratna company should not lag behind other private companies in terms of increasing its blast furnace productivity on the pretext of improvement after modernisation and desire that the blast furnace productivity of SAIL steel plants should be brought at par with the major private/public steel producers of the country.

Reply of the Government

SAIL is installing new Blast Furnace with state-of-art technology having useful volume of 4060m³ at IISCO Steel Plant, Bhilai Steel Plant and Rourkela Steel Plant. Also reconstruction and upgradation of the existing Blast Furnaces (BF) is being taken up to improve the productivity. BF Productivity is expected to go up to a level of 2.25 t/m³/day in new Blast Furnaces. As BF productivity is dependent on quality of iron ore, early clearances is required from State Govt's to start development activities at the earliest at mines of Chiria, Rowghat, Taldih & Thakurani for providing better input quality to BFs.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Comments of the Committee

The comments of the Committee may kindly be seen at para no. 6 of the Chapter I of the Report.

Recommendation No. 3

Coke Rate

The Committee have been informed that the coke rate according to SAIL means the amount of coke consumed per tonne of hot metal produced in the blast furnace. The Committee note that the coke rate of SAIL is higher than the coke rate of major steel producers such as RINL, TISCO. The Committee have been further apprised that to reduce the coke rate, SAIL has taken various steps such as maximizing the usage of sinter, using pulverized coal injection and installing bigger volume blast furnace etc. The Committee believe that the reduction in coke rate is a key factor for increasing the profitability of the Company and therefore expect that the reduction in coke rate shall be achieved by 2010 as claimed by SAIL authorities.

Reply of the Government

With installation of state-of-art technology BFs and upgradation of existing BFs with alternate fuel injection in all furnaces and better quality of iron after commissioning of beneficiation facilities at mines, Coke rate has reduced from the level of 533 kg/thm (2007-08) to 518 kg/thm (2009-10) and is expected to reduce further to less than 450 kg/thm in new Blast furnaces.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No. 4

Project Implementation

The Committee are unhappy to note that some of the major projects currently under execution are unlikely to be commissioned as per schedule due to delays on the part of suppliers in supply and erection of equipment and delay in timely handing over of site due to operational requirement etc. The Committee strongly feel that speedy implementation of the above projects is essential to reap the benefits of the ongoing favourable market situation and full use of the expansion programme of SAIL. The Committee, therefore, recommend that the issue of timely delivery of equipments and handing over of sites should be taken up with the concerned suppliers at different levels. The Committee further recommend that suitable deterrent measures be incorporated in the agreements with the suppliers to take care of avoidable delays on the above issues.

As regards the other aspects of project implementation, the Committee are happy to note that the status of various projects is strictly monitored on day-to-day basis. The major projects are found to be further reviewed at the level of Secretary, Ministry of Steel and also Minister of Steel on quarterly basis. Although effective monitoring mechanism is already in place yet the Committee feel that further strong measures are required to be taken to eliminate delays at various stages of the projects.

Reply of the Government

SAIL has taken up many measures to expedite the tendering process & implementation and to ensure completion of the Modernisation & Expansion Plan within stipulated time as indicated below:

- Pre-bid conferences and consultation with technology suppliers & their partners were organised for ensuring wider participation and increased response in the tenders. Based on their suggestions and due diligence within the organization, revision/streamlining of project manuals, Standard Bidding Document and procurement procedure etc. was carried out.
- Repackaging by breaking into supply, civil, structural & auxiliary packages for wider participation being done as per requirement.
- Issue of steel by SAIL for civil & structural work.
- Issue of Letter of Award within a week of final approval. Signing of contract within a month by preparing the Draft Contract by SAIL itself instead of the practice of getting the draft contract from the contractor which was taking a couple of months earlier.
- SAIL has simplified its purchase and contract procedures. The new procedure aims at meeting the expectations of internal and external customers, transparency requirements, improving the speed of decision making, instilling confidence amongst the decision taking authorities, etc. for timely implementation of ensuing projects.

- Implementation of Integrated Project Management System and online project monitoring system through project monitoring software 'Primavera'.
- Enhancing delegation of powers at various levels for faster decision making
- Standing Committee of Directors constituted to address the issue of co-ordination across plants in implementation of Expansion Plans of SAIL and they are meeting regularly.

In order to expedite the projects implementation, the projects are monitored on day-to-day basis by the respective Project Managers of the Plants and the Project Heads. The Project In-charges and various monitoring committees, both at plant and corporate level, analyse the progress of respective packages w.r.t. delays and suggest corrective actions to be taken from time to time. Further, the project is monitored by the Plant Level Standing Committee comprising of Head of Projects, Head of Works and Head of Finance on a monthly basis. This Plant Level Standing Committee submits its action plan to the Managing Director/ Chief Executive of the Plant for remedial actions, if any, to be taken to ensure that the projects are completed in time. Managing Director/Chief Executive of the Plant reviews the projects every month for timely action to complete the projects on schedule. The physical and financial progress on projects is also reviewed by SAIL Board in the Board meeting on regular basis.

A Board Sub-Committee, comprising of two independent Directors, Director (Technical) and Managing Director of the Plant, has been constituted to review the major projects (Rs.50 Crore & above).

Apart from SAIL, all major projects including expansion projects are also being monitored by Ministry of Steel. During the review, the physical and financial progress of the projects are monitored and alongwith the reasons for time over run and cost over run if any. For timely completion of the projects in time, necessary advisories are issued to PSUs and Ministry attempts to resolve impediments in implementation of projects by taking up with concerned Ministry/Department/Agency.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No. 7

Development of iron ore mines

The Committee note that in order to ensure availability of iron ore for steel production, the development of iron ore mines is of paramount importance, which depend on the timely grant/renewal of captive iron ore mining leases and obtaining forest & environment clearances. The Committee are unhappy to note that though the Ministry of Steel is in continuous dialogue with Ministry of Environment and Forests, respective state Governments and other nodal agencies to expedite forest and environment clearances for the mines, there has been inordinate delays in granting these clearances by the concerned agencies. Even the expansion and modernization of existing mines is also being delayed due to the lengthy , cumbersome and time-

consuming procedures associated with getting these forest and environmental clearances. The Committee recommend that the number of stages and the levels in the processing of applications should be considerably reduced and forest and environmental clearances should be granted within a pre-specified time frame. The Committee further recommend that the Government should examine the feasibility of adopting international norms in this regard, which stipulate fixed timeframe for grant of various clearances.

Reply of the Government

Mining operations at Ajiataburu, Budhaburu & Sukri-Latur leases of Chiria are stopped since June'94, Dec'05 & Mar'09 for want of forest clearance. Recently on 7.3.11, MoEF has granted Stage-I forest clearance for Ajiataburu, Budhaburu & Sukri-Latur leases of Chiria. Production in these leases will start only after compliance of conditions that are stipulated in Stage-I forest clearance order. Presently mining operations at Barsua- Kalta and Boalni mines are continuing on the strength of Temporary Working Permission (TWP) and will continue till 5.4.11 and 10.4.11 respectively. Stage-I forest clearance for Barsua -Kalta and Bolani mines were granted by MoEF on 8.3.11 and 12.11.10 without the approval for continuation of mining operation in already broken area. MoEF has already been requested for grant of approval for continuation of mining operation at these mines before April'11. Ministry of Steel has also taken up the matter with MoEF in this regard.

Fixed time frame for grant of statutory clearances is essential for development of iron and steel industry. In case, the clearance is not given in time, then it could be treated as deemed granted. This is one of the solutions for timely grant of statutory clearances.

The Ministry of Steel takes up the matter of delayed forest and environment clearances and extension of temporary working permission (TWP) for different mines, with the Union Ministry of Environment and Forests (MoEF) on several occasions and through appropriate interactions the early forest clearance (Stage-I) and Environment clearance have been received as a case of Budhaburu lease of Chiria etc.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Comments of the Committee

The comments of the Committee may kindly be seen at para no. 12 of the Chapter I of the Report.

Recommendation No.8

Export of iron ore

As regards the export of iron ore, the Committee note that there has been a high level of export of iron ore from India. As per the information made available to the Committee during 2006-07, India produced 180.66 millions tonnes of iron ore out of

which 93.79 million tonnes was exported. The Committee are apprehensive that the continued export of iron ore will affect the long term availability of iron ore for domestic steel production and may even lead to a situation, wherein, the country may have to import iron ore for producing steel. The Committee are of the firm opinion that all out efforts be made to conserve the scarce iron ore to safeguard the future steel requirements of the country. The Committee, therefore, strongly recommend that the Government may take all necessary steps to discourage the export of iron ore, may be by means of putting in place some stringent fiscal measures like hike in export duty etc. and/or other suitable policy measures.”

Reply of the Government

The Government of India recently increased export duty on iron ore of all sorts (except pellets) to 20% ad-valorem. The effect of this increase on the quantity of iron ore export has to be observed for some time, before it can be concluded as to whether this export duty is sufficient to restrict the export of iron ore from the country or further measures are required for restricting export of iron ore.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 11th May 2011]

Comments of the Committee

The comments of the Committee may kindly be seen at para no. 15 of the Chapter I of the Report.

Recommendation No. 9

Gainfull utilization of fine iron ore

As regards the utilization of fine iron ore, the Committee are unhappy to note that the fines are not gainfully utilized by SAIL. The Committee note that as part of the current expansion plan, SAIL has planned to set up new Sinter plants and new pellet plants for higher usage of fines. The Committee further note that though the new technology in steel making such as Corex which have the potential to use fines for steel making has been commercialized even in India, the same has not yet been applied by SAIL in its plants but only under examination for its corporate strategy beyond the year 2010. The Committee therefore while expressing their concern at such sluggish approach of SAIL towards adoption of high end technologies, recommend that SAIL should timely induct such new technologies of steel making for increasing the gainful utilization of fine iron ore.

Reply of the Government

Iron ore fines with more than 60% Fe are regularly used in SAIL plants for sinter making. Utilisation of ore fines through sinter is the most effective and economical technology used all over the world.

In order to gainfully utilize low grade iron ore fines and slimes, SAIL is taking action to install pellet plants at mines.

Apart from this, SAIL is examining setting up Steel Plants under Joint Venture using ITMK3+finex technology. For ITMK3, SAIL is in discussion with Kobe Steel for preparing feasibility report. For finex technology, it is in advance stage of discussion with POSCO to set up 1.5 MT Plant at Bokaro.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No.10

Coking Coal

Acquisition of coking coal equity abroad

The Committee note that due to poor availability of indigenous coking coal from Coal India Ltd. (CIL), around 75% of the coking coal requirement of steel PSUs is being met by imports. The quality of India coking coal is also not suitable for steel production. Thus the acquisition of coking coal equity abroad is essential for the raw material security of SAIL.

The Committee note that SAIL explored the possibilities of participating in acquiring stakes in coking coal projects in Australia, Mozambique, Russia, Poland etc., but could not acquire any stake as none of the companies abroad wished to dilute their equity stakes in favour of other partners. In fact most of those coking coal companies are found to be in the acquisition mode rather than in the disinvestment mode. The response to SAIL's issue of expression of interest, inviting overseas coal mining companies to offer equity has also been lukewarm. The Committee have been informed that a Special Purpose Vehicle (SPV) in which SAIL has invested Rs.1000 crores is being set up for securing coking coal from foreign countries. The Committee feel that the proposed SPV should have been set up a couple of years earlier. In the present scenario where global mergers & acquisitions have already taken place for securing raw materials, the Committee doubt the possible success that the SPV could achieve in securing coking coal. The Committee nevertheless recommend that the SPV should begin its operation immediately and should follow suitable modalities for achieving its objectives. The Committee further recommend that the SPV should act on war footing for acquiring coking coal mines abroad.

The Committee note that the National Steel Policy has suggested that in terms of future policy, exports of iron ore, especially high grade lumps would be leveraged for imports of coking coal. Keeping in view large scarcity of coking coal, the Committee feel that this is a good proposition and therefore recommend that the Government should make efforts to secure such agreements from those countries.

Reply of the Government

The ICVL has been the special initiative of the Government to leverage strategic raw material security overseas through different route :

- (a) Prospecting route
- (b) other initiative methods; and
- (c) market operations.

ICVL is engaged in G2G dialogue with few countries to seek coal mines under Government agreements. A MoU was signed between ICVL and the provincial Governor of Kalimantan, Indonesia on 25th January, 2011 which envisages direct allocation of mineral resources in the Province for ICVL.

Based on the approval given by the Government, International Coal Ventures Pvt. Ltd. (ICVL) has been incorporated as a Joint Venture Company on 20th May, 2010. The two major promoters of ICVL are SAIL and CIL, with RINL, NMDC and NTPC as its other three promoters.

ICVL has started functioning as an independent organization.

It has participated in bidding processes for acquisition of coal assets in Australia and is now in the process of finalizing acquisition of an equity stake in a large thermal coal mine in Indonesia.

As part of the G2G efforts, ICVL has entered into an MoU with the Provincial Government of Central Kalimantan (GoCK), Indonesia under which GoCK would directly allocate concessions for coal, both coking and thermal, iron ore and limestone on nomination basis. ICVL or its promoter companies (either one or more), would in turn explore setting up a steel processing facility/ steel plant.

ICVL is also looking at acquisitions of prospective coal blocks and coal companies including equity stakes and development of coal assets as joint development projects in Mozambique and USA. The other target countries are USA and Colombia.

The focus of acquisition continues to be Australia, though the available opportunities, particularly for coking coal are very limited.

Efforts are on to make a few acquisitions during the Financial Year 2011-12.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No. 11

Tapping new resources of coking coal within India

The Committee note that SAIL would require 23 million tonnes(MT) of coking coal by 2010, as part of its corporate plan as against the present requirement of 15 million tones per annum(MTPA). The Committee also note that around 75% of the present requirement is being met by imports. The Committee therefore feel that there is an urgent need to tap new resources of coking coal within India. The Committee have been informed that SAIL is acquiring new coking coal blocks such as Tasra block, Sitanala block etc. The Committee further note that SAIL is also entering into a joint venture (JV) with Tata Steel for developing medium coking coal blocks. The Committee recommend that such proactive steps should be pursued to their logical conclusion.

Reply of the Government

In order to reduce dependence on imported coal, SAIL has planned to increase domestic availability of coking coal to the level of 8-10 MTPA during next 5-6 years. In this regard, SAIL is looking at opportunities for acquiring new coking coal blocks for development as well as entering into partnership with BCCL and other strategic partners for acquisition/ development of new coal blocks. Updated status of steps taken by SAIL in this regard is as follows:

a) Development of new captive coking coal blocks:

i) Tasra coking coal block:

All statutory clearances for mine development have been obtained. Planned mine capacity is 4 MTPA (ROM) to produce about 2 MTPA of clean coal. Approval of Terms of Reference (TOR) in connection with Environmental Clearance for new washery is under consideration at MoEF. Selection of Mine Developer cum Operator (MDO) is in progress. In the meantime, small scale production has been started from November'2009. Around 77,000 tons of coal has been mined from the Tasra block till now.

ii) Sitanala Coking Coal Block:

All statutory clearances for mine development have been obtained. Mine planned for production of 0.3 MTPA (ROM). Issue of revised NIT in process for selection of Mine Developer cum Operator (MDO).

b) Allocation of new coking coal blocks

SAIL has identified following three numbers coking coal blocks in Jharkhand and requested Ministry of Steel and Ministry of Coal for allocation under Govt. dispensation :

- i) Jhirki/ Jhirki (West) block
- ii) Routpara block
- iii) Routpara along with Rhone Routpara (West) block

Hon'ble Minister of Steel has requested Hon'ble Minister of State for Coal in February'2010 to allocate these coking coal blocks to SAIL through Govt. dispensation route. Ministry of Steel has again requested Ministry of Coal in December'2010 for allocating these blocks to SAIL.

c) Partnership with BCCL:

Kapuria Block: The Block has a mineable reserve of about 37 MT, which can be developed into a modern mine of about 2 MTPA capacity. After long persuasion, the Board of BCCL has cleared the proposal in June'2008 for formation of a joint venture company of SAIL & BCCL for development of Kapuria block. BCCL has sought clearance of Coal India Ltd. (CIL) before signing of MOU. However, CIL is not in favour of formation of Joint Venture Company of SAIL & BCCL for development of Kapuria block.

d) Partnership with Tata Steel:

SAIL & Tata Steel have formed a 50:50 JV company in September'08 in the name of "S&T Mining Co. Pvt. Ltd". As a first step, JVC has initiated the process for acquisition and development of coal assets in India. JVC has been short listed for submission of bid for revival of old/ abandoned mines of CIL. JVC has been engaged to develop Bhutgoria mine of BCCL. The mine is estimated to produce 0.36 Mtpa (ROM) coking coal at full capacity which will be shared between SAIL & Tata Steel. The company has submitted tender to BCCL for construction of washery at Dugda for Non Linked Washery (NLW) coal. The company is also exploring possibility to install a stand alone washery for Non Linked Washery (NLW) coal for metallurgical use.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No. 12

Thermal Coal

The Committee note that thermal coal is another important raw material required for operating captive power plants of SAIL. With implementation of Corporate Plan, SAIL's power requirement will increase substantially to around 18 million tones per annum (MTPA) against 4-5 MTPA. The Committee also note that SAIL had submitted 18 applications to Ministry of Coal for allocation of thermal coal blocks. However, none of the blocks have been allocated to SAIL, which are allotted by the process of competitive bidding. The Committee have been informed that the process of competitive bidding will hurt the interest of SAIL as the production costs of the mineral

will increase, thereby affecting SAIL's competitiveness, both in domestic and international market. Moreover the process of competitive bidding will prove disadvantageous to the PSUs as compared to private sector due to their prevailing procedural complexities. Considering the social obligations entrusted to public sector undertakings in the country, the Committee recommend that SAIL may be allocated at least 2-3 thermal Coal Blocks on nomination basis with reserves of about 1200-1500 million tones to meet their captive coal requirement.

Reply of the Government

With growth in hot metal production capacity, SAIL's power requirement will increase substantially. In order to meet power demand additional 500 MW generation capacity has been added at Bhilai. Additional captive generation capacity is also under consideration to meet increased power demand. Thermal coal requirement is estimated to increase to 12 MTPA by 2012-13 against present level of 7 MTPA.

In order to ensure security of thermal coal availability SAIL along with its two Joint Venture Power Companies had submitted 18 applications to Ministry of Coal in 2007 for allocation of thermal coal blocks. However, none of the blocks was allocated to SAIL.

SAIL has further identified following six numbers thermal coal blocks and requested Ministry of Steel and Ministry of Coal for allocation of 2-3 coal blocks under Govt. dispensation :

- i) Tentuloi- Orissa
- ii) Ghogharpalli & Extension – Orissa
- iii) Bankhui – Orissa
- iv) Gand Bahera Ujheni – UP
- v) Puta Parogia – Chhattisgarh
- vi) Pindrakhi – Chhattisgarh

Hon'ble Minister of Steel has also requested Hon'ble Minister of State for Coal in February'2010 to allocate these thermal coal blocks to SAIL through Govt. dispensation route.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No. 13

Expansion and modernization programme

Corporate plan 2010

The Committee note that SAIL has embarked on expansion and modernization programme involving total investment exceeding Rs. 50,000 crores. According to

SAIL's corporate plan 2010, the target of annual production has been fixed at 26 million tones (MT) of hot metal as against the present 13MT. The Committee also note that the Corporate plan envisages annual growth rate return of more than 8% compounded annual growth rate during the plan period. Beside capacity enhancement, the growth plan adequately addresses the need of SAIL plants towards eliminating technological obsolescence, energy savings, enriching product mix, pollution control, developing mines and collieries to meet higher requirement of key inputs, to introduce customer centric processes and matching infrastructure facilities in the plants to support higher production volumes. In this regard, the committee noted that SAIL has taken up various measures like strengthening of project organization, coordination across plants, interactions with global suppliers, across the table discussions for faster tendering process, etc. to complete the expansion plan in time.

The Committee, however, are concerned to note that the implementation of Corporate Plan-2010 faces a number of impediments like non-renewal of mining leases of Chiria and Gua by Jharkhand, delay in grant of prospecting licence to Thakurani iron ore mine, delay in obtaining clearances for Rowghat iron ore mining project in Chhattisgarh, non-allocation of thermal coal blocks to SAIL for captive power plants, inadequacy of rail network, ports etc. which are the key concerns in the implementation of Corporate plan.

The Committee are extremely concerned to note that if leases of Chiria mine are not renewed immediately, SAIL will have serious problem in proceeding with modernization and expansion plan. The Committee are of the view that the renewal of Chiria mining leases is extremely essential for the profitable sustenance of SAIL. The Committee also note that delay in forest and environmental clearances could affect the expansion plan. The Committee are apprehensive that the Chiria issue and the issue of delay in clearances would determine the fate of SAIL. The Committee, therefore, desire that the Government of India should address all these issues with utmost seriousness and help out the SAIL at this critical juncture by making all out efforts in this direction.

Reply of the Government

Development of new iron ore mines at Chiria, Rowghat & Thakurani are essential to ensure long term security of iron ore for SAIL. Keeping in view delay in renewal of leases for Chiria mines, grant of Prospecting License for Thakurani and development of Rowghat mines, a contingency plan has been drawn for expansion of production capacity of existing mines up to their maximum potential. Expansion and modernization of the existing iron ore mines is under progress. To meet the enhanced capacity of 23.46 MT of hot metal, the iron ore requirement would increase from the level of 24 MTPA in 2009-10 to 39 MTPA by the year 2012-13 and estimated to increase to 100 MTPA by 2020. Hence, to achieve the increased target of hot metal, ensuring security of iron ore availability by early development of mines at Chiria, Rowghat and Thakurani is a must. Further delay in renewal of leases for Chiria mines, grant of Prospecting License for Thakurani and development of Rowghat mines will

have adverse impact on expansion plan of SAIL. Allocation of iron ore mining leases to VISP and SSP is also required.

In order to enable SAIL to augment indigenous coking coal availability, allocation of new coking coal blocks is needed. In this regard, SAIL has already identified three potential coking coal blocks in Jharkhand State and requested Ministry of Steel and Ministry of Steel for allocating these blocks to SAIL under Govt. dispensation. Moreover, for security of thermal coal availability, SAIL is also required to be allocated 2-3 thermal coal blocks for captive mining. SAIL has already identified six thermal coal blocks and requested Ministry of Mines for allocating 2-3 blocks to SAIL under Govt. dispensation. Ministry of Steel has also made requests to Ministry of Mines to such allocation.

Ministry of Steel regularly take up the issue of renewal of Chiria Mines with Government of Jharkhand at appropriate levels.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No.16

Marketing

The Committee note that the market share of SAIL in finished long products is only 14.4% during 2006-07 in the domestic market. As regards the flat products, SAIL has a share of approximately 28% in the domestic market. The Committee also note that SAIL is not a major player in the finished long products (i.e. bars and rods) in the domestic product. While appreciating the fact that SAIL constitutes over 90% share of the Railway materials, the Committee are unhappy to note that the market share of SAIL in Bars & Rods and Structurals is around 8% and 19% only and the market share of SAIL has not increased during the last two years due to non-availability of additional steel. However, the additional steel available after 2010 would be marketed by evolving future marketing strategies like E-sales, value added steel for high-end customers, Retail outlets, etc. and as such, there will be improvement in the market share of SAIL after the implementation of Expansion Plan in 2010.

As regards the steps taken for popularizing SAIL products in the rural market, the Committee note that SAIL has taken a massive plan of increasing the distribution network in every district of India by way of appointing district dealers for marketing mainly Thermo Mechanically Treated Bars (TMT) and Galvanized Plain/Galvanized Corrugated Sheets (GP/GC), which are used by rural customers for their requirement. In this direction, the SAIL has already covered 602 out of 603 districts with appointment of dealers and subsequently process is also on to reach the material to sub-block levels for easy availability to ultimate consumers in the rural market.

In the above backdrop, the Committee recommend that SAIL, an integrated steel major, should pull up its socks and come out with some aggressive marketing

strategies at the earliest, to maintain its pre-eminent position in the competitive steel market especially in finished long products. While appreciating the initiatives made by SAIL to penetrate rural market, the Committee also desire that in order to promote steel consumption in rural areas, SAIL should organize Grameen Ispat Melas in villages. The Committee further desire that SAIL should try to increase its exports by opening marketing offices abroad also. The Committee hope that the marketing share of SAIL would improve, once additional steel is available, after the expansion plan is completed in 2010.

Reply of the Government

There has been substantial creation of new / additional capacities in the last few years in the country, particularly in Long products where setting up of re rolling mills for bars & rods and structurals is less capital intensive. However SAIL has achieved growth in sales in the domestic market as given below:

Quantity in '000 tonnes	2007-08	2008-09	2009-10	Growth
Domestic Sales (including Plant sales)	11883	11028	11818	7%

Increase in market share of SAIL for finished steel is envisaged with additional availability of steel coming after completion of modernization plans.

Simultaneously, SAIL has taken various measures to increase supplies of Finished Long Products, some of which are given here under:

- Increasing conversion of Semis and supplying more finished steel like bars and structurals.
- Decoiling and straightening more TMT Coils and increasing supplies of TMT in straight length to dealers and project customers.

The performance figures for Conversion and De-coiling & straightening of TMT Coil are given below.

Year	2007-08	2008-09	2009-10
Conversion	261834	561942	669452
De-coiling	116030	286860	267732

- SAIL is also adjusting its product mix to increase production/supply of items needed for growing segments like infrastructure.
- Increasing availability of TMT bars and Structurals for dealers to improve reach of these Long Products in remote areas.

Further, SAIL is taking the following strategic initiative on a continuous basis with a view to maintain/strengthen its market position –

Expansion of Marketing Network: SAIL already has the widest network of marketing outlets in the country among steel producers. In order to reach steel materials to a wider cross-section of consumers, our distribution outlets have been expanded. SAIL has completed opening of Warehouses in all State Capitals. Details of SAIL marketing outlets in the country are as given below:

Marketing outlet	1-4-2007	1-4-2008	1-4-2009	1-4-2010
Branch Sales office (BSO)	34	37	37	37
+Warehouses	51	58	65	67
Customer contact offices (CCOs)	26	24	24	26
Total	111	119	126	130

Expansion Of Dealer Network: The SAIL Dealer Network as on 1-3-11 has 2606 dealers, spread over 637 districts covering all the states and Union Territories of India. The Dealers' Network has been expanded with a view to make available items of mass consumption like SAIL TMT bars, SAIL Jyoti GP/GC sheets and Light Structural required by common man.

Details of expansion of SAIL Dealer network is given below:

As on →	1.4.2006	1.4.2007	1.4.2008	1.4.2009	1.4.2010	1.4.2011
No. of Dealers	200	653	1897	2406	2508	2649

SAIL and its Dealers have undertaken various promotional activities to propagate brand "SAIL" in the every part of the country. The Company has tried to build awareness and propagate usages of SAIL TMT, SAIL Jyoti GP/GC and Lt Structural amongst the general consumers specially in the rural areas by:

- Promotional incentive is given to dealers for putting up hoardings, wall paintings etc and publicizing the brand "SAIL" along with its products like SAIL TMT and SAIL Jyoti GP/GC
- Wall Paintings and Advertisements of SAIL TMT and SAIL Jyoti GP/GC have been displayed in hoardings and other outdoor media through out the length and breadth of the country in various highways and hinterlands
- Distribute product literatures like folders, leaflets, brochures explaining the product attributes in non technical and local vernacular language with the idea of reaching out to the general public.
- A campaign for TMT and GP/GC has been designed for Hoardings, bus backs, banners etc in English as well as Hindi, which is sports oriented, keeping in

mind the Commonwealth Games and the World Cup Cricket. This has been done to popularise SAIL TMT, as sports is a theme that appeals to all age brackets across all sections of society.

- Dealer Appointment Advertisements along with application forms have been regularly uploaded in the SAIL website for convenience of every applicant. Retail executives of SAIL constantly visit potential locations for appointing dealers particularly in the hinterlands.
- Priority is given to dealers of rural areas and backward districts during appointment. Security deposit of rural dealers has been reduced from Rs 500/tonne to Rs 100/tonne. Material is reached to rural areas at our own cost including unloading.
- A Dealer Film has been produced which showcases the various aspects of dealership along with the products in its fold. This film is shown in various meets, exhibitions etc and it promotes "SAIL" effectively.
- A jingle has been recorded in Hindi in order to appeal to the masses, which is played in various occasions and is also used in ringer tones in order to popularize 'SAIL' innovatively.
- A Dealer Directory with details of the SAIL Dealer Network was published during the 23rd National Steel Consumer Council Meet
- SAIL has regularly organized Dealer, Architects and Masons meets along with its dealers to impart technical knowledge about its products and their end usages.
- Advertisements have been displayed on Trains like 'Rajdhani' and Railway Stations

From time to time SAIL Dealers have participated in various exhibitions, Melas, Industrial Fairs etc to popularize SAIL products.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No.17

Research and Development

The Committee feel that R&D plays a vital role in the steel sector in designing and development of new technologies, development of new value added products, improvement in productivity and quality and reduction in consumption of raw material. The Committee are happy to note that SAIL has an elaborate research facility comprising 15 major laboratories and have achieved distinction in various fields such as coal carbonization, iron making. Sinter making, continuous casting, steel making, energy conservation, information technology, etc. The Committee however note that R&D expenditure of SAIL as a percent of turnover is barely 0.2%. The Committee therefore recommend that SAIL should spend more on R&D, so that it can achieve global competitiveness, not only in terms of cost and quality but also in terms of global benchmarks of efficiency and productivity.

The Committee further note that SAIL could not invent any breakthrough technology for the using of low grade coal for manufacturing of steel in a large way. The Committee therefore desire that the R&D unit of SAIL should take more pro-active steps for using low grade bituminous coal, which is available in plenty in India, for the manufacturing of steel.

Reply of the Government

During the period April-Feb'11, SAIL spent an amount of Rs.129.26 crore on Research & Development compared with expenditure of Rs.107 crore during the financial year 2009-10. R&D expenditure as a percentage of net turnover of SAIL was 0.30% in April-Feb'11 which was higher as compared with 0.26 % of net turnover for the year 2009-10.

Under CMPDIL, CIL and RDCIS, SAIL joint project on effective utilization of low rank and low volatile high rank Indian coking coals for BF coke making, following have been carried out :

- (a) Detailed laboratory investigation with five low grade coking coals for washability and laboratory characterization including determination of coking properties.
- (b) Identification of two coal sources from above study for generation of clean coal samples in bulk quantities and pilot carbonization studies.

The targeted expenditure on R&D as % of gross margin for the MoU (2011-12) of SAIL has been kept at 1%.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No 18

Export Performance

The Committee note that SAIL continues to be primarily a domestic player. The value of exports of SAIL in 2006-07 has declined to Rs.941 crore from Rs. 977 crore in 2005-06 though the Government is providing export incentive by way of Duty Entitlement Passbook Scheme to SAIL. The Committee further note that SAIL's exports are mostly directed towards neighbouring markets like Bangladesh, Myanmar, Nepal and Sri Lanka. The Committee are not convinced with the export performance of SAIL. The Committee are unhappy to note that a Navratna company of the stature of SAIL is exporting a very limited range of products covering mainly Semis and Plates. The Committee feel that the export performance of SAIL needs further improvement. The Committee recommend that SAIL should take more proactive steps by increasing its presence in global markets as well as including new value added steel products in its export basket.

Reply of the Government

Exports which had declined considerably during 2008-09 (2,51,400 Tons) due to the global financial crises, had picked up slightly in 2009-10 (3,23,500 Tons). In 2010-11, exports are expected to show a growth of 2.3% over the previous year.

SAIL is predominantly a domestic player and its exports has been limited to less than 5% of production of saleable steel. However, SAIL's capacity is set to increase by 10 Million Tons in the next 3-4 years. The expansion also includes products like CR Coils, Rebars, High Carbon Wire Rod Coils and Universal Beams which shall be export worthy. Given this scenario, SAIL proposes to steadily increase both the quantity and the reach of its products globally.

As part of expanding its reach, SAIL is also proposing to evaluate the need /requirement to have offices in other SAARC countries like Bangladesh, Bhutan, Sri Lanka etc. where SAIL would have a logistics advantage and better price realization and an office in Dubai for a better access to the Middle-East & Africa which are growing markets.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No. 19

Energy Conservation

The Committee note that energy conservation is one among the important techno-economic efficiency parameters of a steel plant. In this regard, the Committee note that SAIL is exploring the possibility of using Natural Gas (NG) as an auxiliary fuel in blast furnaces to reduce expensive coking coal consumption and has already signed a MoU with GAIL for supply of gas to steel plants and is also exploring a possibility of tie-up with ONGC for supply of Coal Bed Methane (CBM) to SAIL Plants. The Committee are happy to note that the issue of alternate sources of energy such as NG and CBM will reduce the operating cost and increase the profitability of the Company. To facilitate the above tie up, the Committee recommend that the Ministry of Steel should take up this issue of supply of gas with the Ministry of Petroleum and Natural Gas, for making available CBM from ONGC to SAIL's plants. In addition to that SAIL may also explore the feasibility of sourcing CBM and Natural Gas from private companies. The Committee are also happy to note that SAIL has installed pulverized coal injection and Coal tar injection as a step to reduce the consumption of coking coal. The Committee recommend that SAIL should install this pulverized coal injection/Coal tar injection facility in all its blast furnaces within the stipulated time frame as planned under the expansion and modernization programme i.e. by 2010.

Reply of the Government

SAIL requested Ministry of Steel in June 2009 to take up with Ministry of Petroleum & Natural gas for supply of natural gas from KG basin to SAIL steel plants. MoS in March, 2010 requested MoPNG to allocate 1.541 MMSCMD natural gas for SAIL before expansion and 4.0 MMSCMD after implementation of the SAIL's expansion plans. In March, 2011, MoS has requested additional 2.10 MMSCMD gas for sponge iron making facility & downstream facilities at Jagdishpur Steel Plant. Hon'ble Minister of Steel has recommended to MoPNG for allocation of this quantity to SAIL

Hon'ble Minister of Steel has also requested Minister of Power in March, 2011 for requesting MoPNG for allocation of 5 MMSCMD natural gas for the 1050 MW gas based combined cycle power plant at Jagdishpur, application of which has been already submitted to Central Electricity Authority.

The pulverised coal injection facilities have been installed recently in BF-3&4 of Durgapur Steel Plant and BF-2&3 of Bokaro Steel Plant and are under implementation in BF-4 of Rourkela Steel Plant. Further, in the expansion plan of SAIL, Pulverised coal injection has been envisaged to be installed in the new Blast Furnaces.

Besides Coal Dust injection facilities, SAIL has envisaged many state of the art and energy efficient technologies under its modernization & expansion plan. Some of these are given below:

- Coke dry quenching facilities in Coke ovens;
- Top pressure recovery turbine in Blast Furnaces;
- Hot Metal Desulphurization;
- Secondary refining facilities for cleaner steel
- Continuous casting technology
- Replacing low yield and energy intensive units with high yield and energy saving facilities

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No. 20

Environment Protection

The Committee note that the process of steel making has significant environmental ramifications like Air Pollution, Water Pollution, Noise Pollution & Solid Waste generation. The Committee are happy to note that SAIL has taken various measures to check/abate environmental pollution. To check air pollution, SAIL has taken various steps such as regular maintenance of Coke Oven Batteries, cleaning of coke oven doors, installation of various pollution control equipment like Multi Cyclones, Bag Filters, setting up Gas Cleaning Plants in steel plants etc. .As regards water pollution control, SAIL has taken various steps such as recycling the effluents, meticulous maintenance of the effluent treatment plants etc. To curb noise pollution, SAIL has provided the employees with ear plugs/ear muffs etc. and on solid waste management, selling steel plants wastes to outside agencies, recycling of hazardous wastes etc., have been done. Further, SAIL has made significant progress in reducing Green House Gas emissions by taking various steps such as phasing out of the old energy intensive process with cleaner technologies, replacement of conventional motors with energy efficient motors, Commissioning and operation of Coal Dust Injection (CDI) in Blast Furnaces (BF), use of solar energy in their premises, planning new installations with high energy and material efficient technology under modernization plan etc.

The Committee are, however, concerned to note that despite all the laudable steps taken for protecting environment, SAIL has received three adverse reports from West Bengal Pollution Control Board with respect to water and air quality. The Committee recommend that SAIL should strictly monitor all the air and water quality parameters in all its installations. As India has certain commitments towards 'Climate Change' in the post Kyoto protocol period, the Committee desire that SAIL should strive for meaningful reductions in Green House Gas (GHG) emissions.

Reply of the Government

Air Quality and Water Quality

As per the laid down statutory regulations, SAIL is carrying out periodical monitoring of air quality from the stacks as well as of ambient air. The effluent water quality from the outfalls of the plants to the receiving body is also measured regularly.

In order to know the emission levels to the atmosphere during the process in a continuous manner, on-line stack monitors have also been installed in the major stacks of Bhilai Steel Plant, Durgapur Steel Plant, Rourkela Steel Plant, Bokaro Steel Plant and IISCO Steel Plant.

In addition to the above, ambient air quality (AAQ) stations at Bhilai Steel Plant, Rourkela Steel Plant & IISCO Steel Plant have been installed and functioning to know

the air quality in and around the plant premises. The provision for AAQ stations at Durgapur Steel Plant and Bokaro Steel Plant are under progress.

Reduction in Green House gas Emissions:

SAIL's Corporate Environmental Policy envisages "Conducting our operation in an environmentally responsible manner to comply with applicable regulations and striving to go beyond". Further SAIL recognises its commitment towards the Climate change in the pre and post Kyoto protocol period.

SAIL as a responsible corporate entity, has been taking initiative continuously in implementing different schemes /projects at their plants, leading to consistent reduction in Green House Gas (GHG) emissions. A number of projects have been implemented in the recent past, which has resulted in substantial reduction in GHG emissions. Some of the implemented schemes are use of By product gases for Power generation, Multi slit Burners at Sinter Plants, Heat Recovery from Sinter Plants, Injection of coal dust and coal tar injection in Blast Furnaces, Thysristorization of Motor Generator sets etc. These projects have resulted in annual reduction of GHG emission to the tune of 0.80-0.85 million tons per year.

Following projects are being implemented in SAIL Steel Plants, which have potential to reduce GHG emissions:

- Coke Dry Quenching
- Installation of Blast Furnace Top Pressure recovery Turbine for power generation
- Energy Recovery from Sinter Cooler
- Use of CO gases for Power Generation
- Installation of Heat recovery from New Sinter machines
- Waste Heat Recovery from Blast Furnace stoves
- Energy Efficient shaft kiln for Refractory material Plants
- Installation of walking beam furnace
- 100% production of steel through BOF route
- Installation of Continuous Caster

Implementation of such schemes in the coming 1- 3 years at different locations of SAIL would lead to an annual emission reduction of around 3-3.5 million tonne of Green House Gases.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No.21

Manpower

The Committee note that the manpower strength of SAIL is 119009 (excluding IISCO merged in 2005) during 2006-07 and another 700 engineers as well as

employees in Class II, Class III and Class IV are being added through recruitment to take care of capacity expansion.

As regards the labour productivity, the Committee note that the labour productivity has almost gone up by six times since the mid eighties. The Committee however note that the labour productivity of SAIL is comparatively lower than some other steel plants in the country as well as by international standards. The Committee recommend that the Company should put in place incentive schemes for employees to improve their efficiency. The Committee also desire SAIL to ensure that the skills of employees are continuously upgraded by regular training in the areas like process control, quality management, latest adopted technologies in order to further improve the productivity.

Reply of the Government

The manpower strength of SAIL as on 1.3.2011 was 111226. In order to meet the requirement of skilled manpower for taking care of Expansion Projects, recruitment of technical personnel; Diploma holders and ITI Certificate holders, shall continue to be carried out.

The Labour Productivity of SAIL in 2010-11 (upto Feb.11) was 239 T/M/Y. It is envisaged that after Expansion / Modernization, higher Labour Productivity will be achieved with the expected increase in production level to 23.46 MT of Hot Metal with lesser manpower.

Various Incentive Schemes for employees, based on monthly performance, annual performance and other contemporary business priorities of relevance, are already in place.

Skill Enhancement Training in SAIL

The focus of all our HRD activities in SAIL is to develop knowledge and skills of employees and to improve the productivity. In this endeavor, efforts have been made for implementing the concept of “multi-skilling” across Company. Also, use of IT particularly, “e-learning” has been taken up for enhancing the knowledge of employee and exposing them with modern and contemporary thoughts.

Skill Enhancement Training in SAIL is done under two broad categories:

- A. Technical Skill Enhancement**
- B. Managerial Skill Enhancement**
- A. Technical Skill Enhancement**

SAIL has a well established infrastructure for training at all the plant/unit location. The following Training Modules are organized by Plants / Units for enhancement of Technical Skill of employees:

- i) **In-house Training Modules** such as Unit Training (UT), Enhancing Engineering Skills (EES) Training, Attachment Training etc.
- (a) **Unit Training**
Unit Training (UT) is a system for On The Job Training, which aims at achieving **standard performance**.
- (b) **Enhancing Engineering Skills (EES)**
EES Modules refers to in house training modules for capacity building and enhancing skills in maintenance areas.
- ii) **Multi-skill Training**
In order to enable our technical workforce to widen their skill base, a scheme of multi-skill training has been implemented in SAIL. In this scheme, an employee already conversant in one skill is trained and certified in additional one or two skills.
- iii) **External Training** to our employees is done by:
- Identified Specialized Training Agencies
 - Technology Suppliers (Foreign and Indian)
 - Original Equipment Manufacturers (OEM)/Suppliers (Foreign and Indian)
 - SAIL has entered in MOUs with expert organisations like SKF (Bearing), Siemens (for PLC, Automation etc.), Bosch Rexroth (Hydraulics) for providing specialised training in critical skills area.

B. Managerial Skill Enhancement

The various Training Modules organized by Plants / Units for enhancement of Managerial Skill of employees are under the

- **Supervisory Development Programme (SDP) for non-executives**
- **Management Development Programmes (MDP) for executives**
- **Other managerial Skill Enhancement Programmes like** Management of Systems & Monitoring, Negotiation Skills, Communication & Presentation Skills, Counseling Skills, Problem-solving & Decision-making, Marketing Decision-making, HRD Skills for Shop-floor Managers and Time Management, Managing self & Team and Leadership through Principles, Quality Management Training
- **Collaboration was made with reputed academic Institutions such as IIM, Indore and Ahmedabad, MDI, Gurgaon, ISM, Dhanbad for conducting advanced management programme, Joint Research and Development (R&D) of case studies, Plant interface workshops etc.**

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No.22

Safety Measures

The Committee note that SAIL has taken various safety measures such as putting in place a safety policy, setting up of standardization committee on safety,

internal & external safety audits, preparation of on-site disaster management plans, mandatory safety training to employees and contractor workers also. Despite all the laudable steps that have been taken by SAIL, Committee note that fatal accidents have continued to occur year after year. The average number of fatal accidents that have occurred in SAIL's plants is found to be 23 in a year. The Committee have been informed that SAIL has been making consistent efforts to reduce the accident rate to 'Zero accident rate'.

The Committee are dismayed to note that given the accident cases reported in SAIL, the measures taken/being taken by SAIL have not been found to be adequate. Although SAIL has made tall claims about their safety measures, yet it has not been able to achieve zero accident rate. The Committee would like to emphasize that accidents are not only disastrous to the workers and the people nearby but also cause damage to the assets of the company. The Committee therefore recommend that SAIL should further strengthen its safety measures and ensure that their strict compliance so that the intended objective of achieving 'zero accident rate' in all its units is achieved.

Reply of the Government

Improvement in Safety standards in a company is a continuous process and management of SAIL is committed to achieve the target of zero fatal accident. A number of steps have been taken by the company to promote awareness amongst the employees as well as contractor workers.

SSP, VISL, MEL and ASP have achieved zero fatality for many years. Integrated Steel Plants like RSP, DSP & BSP have also achieved the target in the year 2001, 2007 & 2010 respectively.

With continuous efforts to ensure proper upkeep of plant & equipment, strict adherence to Standard Operating & Maintenance Practices and eliminating human errors by correcting unsafe behaviour of people, fatal accident rate is likely to reduce.

To further improve safety, Steel Plants/units of SAIL have initiated some new measures as mentioned below:

- ✓ As a tool for systematic approach of safety management and continuous improvement, some of plants & units (BSP, BSL, DSP, RSP & SSP) have acquired OHSAS-18001 certification while remaining Plants/units have initiated actions in this regard.
- ✓ While analyzing the root cause of accidents which occurred over the years, it has been observed that majority of them have occurred due to unsafe behaviour & lack of proper communication. We have accordingly initiated steps to tackle this issue as a part of our future efforts. Training programmes on 'Behaviour-based safety' are being organized.

- ✓ Compliance audits for evaluating the status of implementation of past fatal accident's as well as safety audit's recommendations have been started. These are further reviewed at different levels in plants and during Heads of safety meetings organized on quarterly basis to ensure their timely compliance.
- ✓ Past experience reveals that all of the earlier modernization/expansion activities were accomplished by an increasing rate of fatalities involving contractor workers. Keeping this in view, all Head of Works (HoW), Head of Safety (HoS) & Head of Projects (HoP) have been advised to remain vigilant & take proactive actions to avoid any untoward happening during ongoing & upcoming modernization/expansion projects. Some of the new initiatives in this area include:
 - a) Auditing of project sites of plants/units by SAIL Safety organization (conducted at BSL, RSP, ISP, BSP, DSP & SSP)
 - b) Strengthening of Safety set up in Project areas by Plants to ensure proper job supervision and monitoring.
 - c) Regular review of safety measures by Projects & Safety Engg. Deptt. of Plants/units.
 - d) Introduction of stiff penalty for contractors in Project area.
 - e) Consolidation of 'Project Safety guideline' covering hazards and control measures by SSO and its dissemination to all Plants/Units.
 - f) Organizing training/workshop on identified areas contributing to higher rate of accidents like 'Working at Height', 'Gas Safety aspects during Iron Making', 'Projects safety' etc. by plants & SSO.
- ✓ All fatal accidents are analyzed periodically w.r.t. their causative factors by SSO and regular communication are being maintained with HoW of Plants/units highlighting specific areas of concern pertaining to that plant/unit and the necessity of taking timely actions to prevent accidents.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No.23

The Role of Ministry – National Steel Policy

The Committee note that the Ministry of Steel has an important role to play in Policy formulation regarding production, distribution, pricing of iron & steel and ferro alloys. The Committee further note that the Government have announced a National Steel Policy-2005 (NSP) to create a modern and efficient steel industry of world

standards. The Committee note that National Steel Policy has a strategic goal of achieving indigenous production of steel at the level of around 110 MT per annum by 2019-20, which implies a compounded annual growth of 7.3 percent per annum. Raising rural consumption of steel from 2 kg per capita per annum to 4 kg per annum by 2019-20, encouraging exports, making available critical inputs such as iron ore, coking coal, natural gas, making available good infrastructural facilities such as roads, railways, ports, power, enhancing R & D expenditure, human resources etc., are the major objectives of the NSP.

The Committee are dismayed to note that NSP does not purpose any concrete mechanism to address important issues such as problems faced in obtaining grant/renewal of mining leases and inordinate delay in obtaining forest/environment clearances etc., which hamper the growth and development of steel industry. The Committee note that all 'Corporate Plans' and 'Expansion Plans' of steel PSUs such as SAIL, RINL, and private steel companies, that are being implemented in pursuance of the goals of NSP will be adversely affected if the above-mentioned difficulties are not addressed in the right earnest.

The Committee are disappointed to find that the NSP is too inadequate in addressing the burning issues. As regards the delays in obtaining clearances, the Committee note that the NSP proposes a single window clearance for large projects, to be followed by statutory clearances by the concerned ministries. The Committee however note that NSP does not clearly spell out a time frame within clearances should be granted.

As regards the issue of grant/renewal of mining leases, the NSP states that the Government would lay down priorities and guidelines for the State Governments to recommend fresh mining leases, having regard to the entrepreneur's mining investment plans and technical and financial capabilities. It has been further stated that State Governments would recommend renewal of existing leases only against credible mining investment plans in a specified period. The Committee are of the view that this issue has not been properly addressed by the NSP, as no clear cut modalities have been spelt out. The Committee are not sure whether the mineral rich States would follow the guidelines of the Central Government in a federal democratic set up. The Committee feel that the NSP is not a well structured policy. The Committee understand that the NSP is under revision and hope that Government of India will definitely address to the above important issues and propose a single window mechanism for all the clearances and timely and adequate availability of the steel to steel majors in the country and discouraging export of quality iron ore needed by our domestic steel producers.

Reply of the Government

The National Steel Policy (NSP) sets out a broad roadmap for the Indian Steel Industry in its journey towards reform, restructuring and globalization. The long-term goal of the NSP is that India should have a modern and efficient steel industry of world

standards, catering to diversified steel demand. The focus of the policy is to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity.

In order to monitor the NSP in close coordination with other Central Ministries and State Governments, an Inter-Ministerial Group (IMG) has been constituted with the approval of the Hon'ble Prime Minister, IMG will monitor and coordinate issues concerning major steel investments in the country and is headed by Steel Secretary. The other members of the IMG are Secretaries of Ministries/Departments of Mines, DIPP, Environment & Forest, Road Transport & Highways, Shipping and Member (Traffic) Railway Board as well as Chief Secretaries of the concerned State Governments.

The broad Terms of Reference (TOR) of the IMG are to review and coordinate measure for early completion of major steel capacities and to address various-problems concerning infrastructure; availability of raw materials; speedy environmental clearance; availability of other resources such as land and water; and issues concerning rehabilitation.

The observations of COPU have been noted and will be considered, if there is any revision to the national Policy, in future.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 12th May 2011]

Recommendation No 24

Infrastructure Requirement

The Committee note that lack of adequate port infrastructure is one of the constraints being faced by SAIL. The Committee also note that SAIL operates mainly at Haldia and Paradip ports. These ports are used for import of coking coal and export of steel. The Committee have been informed that the infrastructure available at these ports are inadequate to meet both the present and future requirements of SAIL. The major constraints at these ports are limited shore unloading facilities, inadequate railway rake availability etc., In this regard, the Committee note that SAIL has taken up the issues of development of necessary infrastructure with Haldia Port and Paradip Port authorities. The Committee feel that adequate port infrastructure is essential for SAIL in view of the expansion plan currently underway. The Committee, therefore, recommend that as a facilitator, the Ministry of Steel should vigorously pursue this issue with the Department of Shipping.

Reply of the Government

SAIL is an equity partner in the Special Purpose Vehicle formed for development of Paradip-Haridaspur railway line. The railway line development will ease movement of imported coal from Paradip to SAIL steel Plants. SAIL signed the

Shareholders agreement and Traffic Guarantee Agreement & contributed its equity share amounting to Rs.5 crores. The railway line is expected to be completed by 2012.

The updated position of infrastructure is as under:

1. **Vizag:**

Vizag Port Trust (VPT) has awarded a contract for development of the General Cargo Berth (GCB) at outer harbour against a concession agreement with BOT operator for a period of 30 years. The berth shall be mainly for Coal handling and will have increased draft of 18 meters, capacity of 15 million tonnes and capable of handling capesize vessels. The developmental work at VPT is going to be implemented in two years (by end 2012) wherein Cape handling facility is likely to be available in the outer harbour (GCB area).

In addition to this VPT is also planning to increase the draft in the inner harbour to 12.5 meters along with upgradation of other facilities, likely to be completed in 2011-12.

2. **Paradip:**

Paradip port Trust is developing a deep draft mechanized berth for bulk import handling through PPP mode against a concession agreement for 30 years. Though the concession agreement has been signed, it is understood that the Environmental clearance has not been received yet. The project may take about 2 years for completion after all the statutory clearances are obtained. As per the plans, this berth shall be capable of handling smaller Capesize vessels with drafts upto 16mtrs. As of now, Paradip Port can handle vessels with 12.5 mtrs draft only

Presently, pre berthing delay at the port is high. The port has been operating priority berthing scheme for large customers like SAIL. However, it is understood that the scheme is being reviewed and may come out with certain amendments. SAIL represented *that the same may be continued in its present form.

3. **Haldia:**

a. Haldia Dock Complex (HDC) has installed harbour Mobile cranes in two berths (No. 2 & 8) and the berths are operating with shore facilities from Sep'10. Haldia Dock Complex linked to minimum cargo commitment, has been offering priority berthing scheme for imports made by Steel Industries. SAIL is also availing this facility.

b. HDC has taken initiatives to improve the draft by normal maintenance dredging and also opening up a new entry channel called Eden Channel. As per reports available, the Eden Channel may become functional this year and may offer draft upto 9.0 meter as against present 7.5 meter. Situation is being watched by port users.

c. Transloading:

HDC has an EOI to undertake transloading/ transshipment operation from larger vessel to smaller vessels/ barges for moving additional quantity to Haldia. HDC has linked the transloading project by tying up with construction of jetties out side lock gate. The Govt. of India has recently extended the port limit of KoPT upto Konika Sands for facilitating the Transloading Project. It is learnt that Govt. of Orissa has raised objection to such a move claiming that Konika Sands falls under Orissa's jurisdiction and taken up the issue with the Central Govt. The development in this regard is being watched.

Ministry is taking up the matter with Department of Shipping.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No. 25

General

Steel Authority of India Limited was established on 24th January, 1973 with the objective of planning, promoting and organizing an integrated and efficient development of the iron and steel industry, coordinating the activities of its subsidiaries, formulating and recommending to the Government a national policy for the development of iron and steel industry etc., The Committee are happy to note that SAIL has made a turn-around and made significant improvements in its performance over the last 35 years. SAIL has obtained 'Excellent' MOU ratings from the Government of India during the last 3 years. The Company also has the distinction of being India's largest producer of iron ore. It is also owning India's second largest mines network with a competitive edge in terms of captive availability of iron ore, limestone, dolomite, etc. SAIL has established a reputation for itself as a consistent and reliable supplier of world-class quality products in the international market as well. SAIL has also formed several joint ventures in different areas ranging from power plants to e-commerce.

While appreciating the above achievements of SAIL, the Committee find that in many aspects, such as reducing the coke rate, project implementation, raw material security, gainful utilization of fines, acquisition of coking coal equity abroad, development of iron ore mines, marketing, safety measures etc., its performance needs further improvement. The Committee observe that the steel industry at global level is witnessing phenomenal growth in demand and supply. Indian steel industry is also poised for a quantum jump in the next 15 years. The Committee feel that as the coming years would be crucial for the growth of steel industry, SAIL has to prepare itself for technological and productivity improvements.

Reply of the Government

The various observations and actions suggested by the Committee for improvements in the Steel Authority of India Limited (SAIL) have been incorporated into its growth plan. SAIL has undertaken a modernization and expansion of its steel

plants and mines which will increase the installed capacity its hot metal production from 13.82 MT to 23.46 Mt in the current phase. The modernization and expansion plan of SAIL plants besides capacity enhancement, adequately addresses the need towards eliminating technological obsolescence, bringing down energy consumption, enriching product mix, developing mines and collieries to meet higher requirement of key inputs for achieving technological and productivity improvements.

Apart from above SAIL is also continuously putting efforts for technological and productivity improvements in existing plants/facilities. For improvement in coke rate in Blast Furnace (BF), Coal Dust Injection (CDI) in is being increased by improving hot blast temperature, oxygen enrichment of blast, BF cooling system, chemistry, coke quality etc. which will also help in improving BF productivity. Further, quality of iron ore would be available with introduction of beneficiation facilities at mines after implementation of modernization and expansion plan. SAIL has also plans to beneficiate the low grade Iron-ore fines as well as the process rejects/slime lying at SAIL mines.

For achieving production as planned after modernization and expansion of SAIL plants, it is essential that statutory clearances and renewal of leases for iron ore mines from the Govt. is accorded at the earliest for timely development of the iron ore mines.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

CHAPTER III

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

Recommendation No. 5

Financial Performance

The Committee are happy to note that SAIL has turned out into a profitable company from 2003-04 and has gone on to make a profit of Rs.6202 crore in 2006-07. In this regard, the Committee note that 45% of the profit has come on account of market improvement i.e. increase in international steel prices, while 55% has come from internal efficiency parameters like increase in capacity utilization, reduction in energy consumption, increase in production of value added products and right sizing the number of employees etc. While appreciating the company's performance, the Committee are of the view that one of the factors that has contributed to the Company's profit is availability of cheap iron ore from captive mines. In this regard, the Committee believe that in case SAIL do not get cheap iron ore from captive mines in future and if they have to buy it at international rates, it would certainly affect its profitability. The Committee therefore recommend that SAIL instead of caught napping should get itself prepared for a situation wherein they would have to source iron ore at high international prices and yet make profits.

Reply of the Government

Availability of iron ore from captive mines is only one amongst the factors which contribute to the Company's profit. To meet the enhanced capacity of 23.46 MT of hot metal, the iron ore requirement would increase from the level of 24 MTPA in 2009-10 to 39 MTPA by the year 2012-13 and estimated to increase to 100 MTPA by 2020.

Presently almost entire requirement of iron ore is being met from captive mines. In order to meet iron ore requirement for the expanded capacity of its steel plants, SAIL is in the process of expanding the production capacity of its existing mines and upgrading beneficiation plants. Moreover, development of new mines at Chiria, Rowghat, Taldih & Thakurani, installation of beneficiation plant at Gua and installation of pelletisation plants at mines/ plant locations are also planned. However, development of Chiria is getting affected due to delay in renewal of leases for Chiria Iron Ore mine. While all statutory clearances for development of Rowghat mine have been obtained, development of the mine is getting affected due to naxal activities in the area. Despite regular follow-up, Prospecting License for Thakurani is yet to be granted by Orissa State Government and the matter is since sub-judice in Supreme Court. Hence, meeting entire iron ore requirement from captive sources in future also is going to be a real challenge.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Recommendation No- 15

Setting up new steel plants

The Committee are happy to note that SAIL intend to set up two new steel plants, one in the State of Jharkhand and the other in State of Chhattisgarh as a joint venture. As regards the setting up of steel plant in Jharkhand, the Committee note that an MOU is yet to be signed with the Jharkhand State Government. The Committee desire that the process of signing an MOU with the Jharkhand Government should be vigorously pursued, as it would secure one billion ton of iron ore located in Chiria. The Committee however recommend that SAIL should assess the issue cautiously while making all out efforts to see that the Chiria lease is firmed up in favour of SAIL.

As regards the status of steel plant in Chhattisgarh, the Committee recommend that necessary strategic initiative be expedited and hope that new steel plant will definitely yield the desired results.

Reply of the Government

SAIL had earlier planned to set up a 12 MTpa Greenfield steel plant in the State of Jharkhand subject to land allocation, allocation of iron ore leases and other clearances. The viability report on the project was submitted to the Jharkhand State Govt. on 8th October'2007 for allocation of land and signing of MoU. The Government response is still awaited. In its pursuit of setting up greenfield steel plant in the State of Jharkhand, SAIL approached Ministry of Fertilisers (MoF) in January' 2010, for setting up a steel plant at the site of M/s Fertiliser Corporation of India Ltd.'s (FCIL) closed unit at Sindri. This unit is closed since March' 2002 and has 6653 acres of land available on freehold basis. Sindri is very close to Bokaro. It has the requisite industrial infrastructure and the proposed Haldia-Jagdishpur Gas pipeline will also be passing through this area.

SAIL intimated to MoF that it is willing to setup a greenfield steel plant of 5.6 MTpa capacity at Sindri if the land is allotted to SAIL on nomination basis. SAIL has also agreed to set up a 1.15 MTpa Urea plant at Sindri which is a precondition by MoF for allocation of land. MoF has prepared a draft CCEA note dated January 19'2011 on the revival of closed units of Hindustan Fertiliser Corporation Limited and Fertiliser Corporation of India Ltd. including Sindri unit. The note has taken cognizance of SAIL's proposal. The note is still under discussion stage and will be submitted to Cabinet after finalization. The other steel plant in state of Chhattisgarh was envisaged under joint venture with NMDC & RINL. Since the Govt. of Chhattisgarh informed the proposed JV company its inability to offer either iron ore mines or the land for steel plant, a decision was taken by MoS that SAIL will not pursue this project. Therefore, SAIL has planned to set up only one Green field integrated steel plant in the state of Jharkhand.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

CHAPTER IV

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

Recommendation No. 6

Grant / Renewal of Captive iron ore mining leases

The Committee note that captive iron ore mining is the main source of iron ore for SAIL. SAIL has some captive iron ore mines, chief of which is the Chiria Iron Ore Mine in Jharkhand. The Committee further note that the existing iron ore resources with SAIL are limited and would exhaust within the next few years. Chiria mines has been identified by SAIL as the only potential source which can cater to the increased production requirements of 26 million tonnes by 2010. Apart from Chiria, SAIL would also require new iron ore resources to meet its growth plan. The Committee are, however, concerned to note that the issue of grant/renewal of Chiria iron ore mining lease to SAIL has been long pending because of some reservations of the State Government of Jharkhand and the matter is presently sub-judice and pending in Court. Meanwhile, the efforts made by SAIL/Ministry of Steel for amicable solution of the issue has also not yet yielded any positive result in the matter.

The Committee observe that due to increasing boom in the steel sector, the issue of grant/renewal of iron ore mining leases is becoming very complex issue due to conflicting interests between various stake holders like mining companies and exporters, steel producers and the concerned State Governments. In view of this, the Committee feel that there is a need for a clear national policy to address the concerns of the stake holders particularly the producers contributing immensely to national economy. Keeping in mind the basic national interests and national goal of economic growth as enunciated broadly in XI Plan document an appropriate National Mineral Policy must determine the contours which can facilitate Navaratnas like SAIL to use its full potential. Careful consideration needs to be given to the views of the key operators like SAIL in this regard. The Committee feel that there is of course a need to augment the revenues of States by increasing the royalty rates. At the same time, the Committee like to add that in the present case SAIL has got a legitimate case for retaining Chiria iron ore mine as it has already developed various infrastructure there besides absorbing an accumulated loss of Rs. 910 crores during amalgamation of Indian Iron & Steel Company (IISCO) with SAIL in 2005. It is well known that IISCO alongwith its properties Chiria and Gua iron ore mines were available for disinvestment from 1996-2001 but not a single global/domestic player had shown any interest in it during that period. The Committee, therefore, strongly recommend with all the conviction that the Government of India should deal with this issue of national interest at the highest priority for grant of mineral concession of Chiria iron ore mine to SAIL.

The Committee also note that the Government of India is presently amending the Mines and Minerals (Development and Regulation) Act (MMDR) Act 1957 for streamlining the procedure for grant/ renewal of mining leases in the country. The Committee feel that any delay in grant/renewal of mining leases would immensely harm SAIL and overall national interests.”

Reply of the Government

With depletion of iron ore reserves in existing mines, Chiria is the only deposit with SAIL which can be developed as a large mine with state-of-art technology for a capacity of about 35-40 Million tonnes per annum to meet the enhanced requirement of SAIL steel plants located in the Eastern sector at Bokaro, Burnpur, Durgapur & Rourkela. In view of the above, renewal of mining leases of Chiria mine is critical for SAIL and in the broader national interest. Continuous effort is therefore, being made by SAIL for early renewal of mining leases at Chiria so that further action for development of mine can be undertaken.

In the meantime, the Jharkhand State Government has accorded in-principle approval for renewal of Budhaburu (Mc-Lellan) lease of Chiria on 23.10.09.

Action taken by SAIL & Ministry of Steel pertaining to renewal of Chiria & Gua lease after grant of in-principle approval by Jharkhand State Government for renewal of Budhaburu lease of Chiria on 23.10.09:

- On 28.10.09, Chairman SAIL, during his meeting with Hon’ble Governor, Advisor to the Governor and Chief Secy, Jharkhand requested for renewal of other leases of Chiria & Gua.
- On 18.11.09, SAIL informed Jharkhand Govt. to renew leases corresponding to 1000 million tonnes keeping all four leases of Gua & Ajitaburu of Chiria in the present form and redefining Budhaburu lease.
- Secretary (Steel) held meeting with Chief Secretary, Govt. of Jharkhand on 17.2.10 on the issue of renewal of mining leases including Chiria & Gua mines of SAIL.
- Secretary Steel vide letter dated 14.7.10 requested Advisor to His Excellency, Governor of Jharkhand for his intervention for renewal of under deemed extension leases of Chiria & Gua in view of Rule 24 B of MCR 1960.
- Chairman SAIL met His Excellency Governor of Jharkhand and Chief Secretary Jharkhand on 20.7.10 and requested for early renewal of Chiria & Gua leases.
- SAIL vide letter dated 22.7.10 requested Secretary Mines & Geology, Jharkhand for renewal of under deemed extension leases of Chiria & Gua.
- Chairman, SAIL vide letter dated 28.7.10, requested His Excellency, Governor of Jharkhand for early renewal of five under deemed extension leases of Chiria & Gua.
- For early renewal of Chiria leases, MD, BSL met Advisor to the Hon’ble Governor of Jharkhand on 10.8.10. As discussed in the meeting, MD, BSL vide letter dated 28.8.10, communicated the available iron ore reserves vis-à-vis iron ore

requirement for next 50 years in view of ongoing and future expansion plans of SAIL.

- Hon'ble Minister of Steel, vide letter dated 5.10.10 solicited Chief Minister, Jharkhand's intervention for early action by State Govt. for formally renewing the mining leases at Dhobil and Ankua of Chiria and Duargaiburu, Topailore and Jhillingburu-II of Gua and also for computing one billion tonne of deposits to be immediately allocated to SAIL from Chiria-Gua belt.
- Chairman, SAIL during his meeting with Chief Minister, Jharkhand on 20.12.10 requested for expediting renewal of mining leases of Chiria & Gua mines.
- Chairman, SAIL vide letter dated 23.12.10 requested Hon'ble Chief Minister Jharkhand for his intervention for immediate renewal of the five mining leases, namely Dhobil & Ankua at Chiria and Duargaiburu, Topailore & Jhillingburu-II at Gua and also requested for initiation of subsequent discussion on renewal of balance four leases namely Ajitaburu, Sukri-Latur & Tatiburu at Chiria & Jhillingburu-I at Gua.
- Vide letter dated 26.1.11, Hon'ble Chief Minister, Jharkhand assured SAIL that State Govt. will take necessary actions to ensure that SAIL does not suffer from deficiency of any raw materials required in the State.
- Chairman, SAIL during his meeting with Chief Minister, Jharkhand on 10.3.11 requested for expediting renewal of mining leases of Chiria & Gua mines.

Pending renewal of mining leases, following activities have been initiated for development of a large mechanized mine:

✚ **Environment Clearance**

Expert Appraisal Committee (EAC) of MoEF has already considered the environment clearance proposals pertaining to Budhaburu, Ajitaburu, Dhobil & Sukri-Latur leases of Chiria. **MOEF has since accorded environment clearance for Budhaburu lease on 23.3.2011.**

✚ **Forest Clearance**

MoEF, Gol vide letter dated 7.3.11 granted Stage-I forest clearance for diversion of:

- 153.04 ha of forest land in Ajitaburu lease.
- 379.228 ha of forest land in Budhaburu lease.
- 33.40 ha of forest land in Sukri-Latur lease

Dhobil lease already have a valid forest clearance for 29.11 ha.

✚ **Preparation of DPR**

To develop a state-of-the art mine at Chiria with a capacity of 7 MTPA, M/s Hatch Associates, Australia have been appointed as consultant. Preparation of DPR is under progress and likely to be completed by September'2011.

✚ **Land for Processing Plant**

For setting up a processing plant at Patherbasa, Manoharpur, land has been identified and an application for acquisition of 405 Ha in the said area has already been submitted to DC, Chaibasa on 24.9.09.

✚ Mining Plan

Mining Plans of Ajitaburu, Budhaburu, Dhobil & Sukri-Latur leases of Chiria have already been approved by IBM, Nagpur.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Comments of the Committee

The comments of the Committee may please be seen at para no. 9 of chapter I of the Report

Recommendation No. 14

Merger / Acquisition of steel PSUs

The Committee note that consolidation/merger of steel PSUs will help PSUs to acquire global size of operation in order to attain global scale and synergize operation and bring down cost of production. The Committee are of the view that the merger of steel PSUs with SAIL would bring far reaching benefits like consolidating their strength in terms of competitiveness and distribution of raw material among the steel PSUs etc,. The Committee feel that strong backward and forward linkages are required to effectively cope with the powerful dynamics of a globalised steel industry. The Committee note that the proposal for merger of Neelanchal Ispat Nigam Ltd. (NINL), Maharashtra Electrosmelt Ltd. (MEL), etc. with SAIL are under the active consideration of the Ministry of Steel. The Committee recommend that these proposals should be expedited and should be pursued to their logical conclusion. The Committee further recommend that the complexities involving these mergers should also be sorted out soon. The Committee also feel that while merging smaller companies with SAIL, due considerations should be given to the economies and financial impact thereof on SAIL without ignoring the interests of workers and social obligations entrusted to public sector undertakings in the country.

As regards the merger of Rashtriya Ispat Nigam Ltd. (RINL) with SAIL, the Committee have been informed that the proposal for merger of RINL with SAIL is not presently under active consideration. The Committee desire that the merger of RINL with SAIL should be revisited to see if any new consensus could be reached in the present steel scenario.”

Reply of the Government

The Government while considering the induction of strategic partner in Neelachal Ispat Nigam Ltd. and implementation of Phase II of the Neelachal Steel Plant had earlier decided the merger and acquisition of NINL by SAIL as recommended by the Committee of Secretaries. Ministry of Steel, however, has revisited the proposal and it has been found that the acquisition of NINL by RINL will have better synergy as compared to merger with SAIL. Accordingly, it had then been decided with the approval of the competent authority, that NINL be acquired by RINL by purchase of 51% of the shareholding of NINL from MMTC and other PSUs. RINL will remain

committed to taking over all assets, liabilities, raw material tie-ups and concessions extended to NINL with a binding commitment for taking up and completing implementation of Phase-II of the Steel Plant within 24 to 30 months with a stipulated time table and with clear mile stones, as were to be taken over by SAIL.

B. Status of merger of MEL with SAIL

Subsequent to the approval of the expert group that MEL should be merged with SAIL, Board of Directors of SAIL and MEL in their 314th meeting held on 25.5.06 and in the 193rd meeting of MEL Board held on 26.5.06 have accorded in-principle approval for the merger of MEL with SAIL. It has been decided that to make the process of merger tax-effective, SAIL shares shall be issued to all the private shareholders of MEL. The merger process required various issues to be resolved with the State Government of Maharashtra (GoM) like obtaining No Objection for transfer of MEL land in favour of SAIL etc. Accordingly, SAIL/MEL applied for the NOC from GoM in February, 2007. After continuous follow-up and review meetings with Government of Maharashtra, (GoM), as well as persuasion by MoS at the highest level, SAIL received a conditional clearance from District Collector, Chandrapur, GoM on 5th June, 2009. After signing the required affidavits by SAIL/MEL, accepting the terms and conditions stipulated by GoM, the final order for transfer of MEL land to SAIL was issued by District Collector, Chandrapur in July, 2009.

Subsequently, the Scheme of Amalgamation of MEL with SAIL was approved by SAIL Board in their 353rd meeting held on 18th August, 2009 and by the MEL Board in their 217th meeting held on 27th August, 2009. After obtaining clearances from the Ministry of Steel, the Stock Exchanges, the application for merger was filed by SAIL and MEL with MCA on 13.01.2010. The first hearing on the merger was done by MCA on 05.05.2010 and the order was received from MCA on 2nd June, 2010 for obtaining the approval of the shareholders of SAIL and MEL, and conditional waiving of secured and unsecured creditors meeting. Both SAIL and MEL obtained the respective shareholders approval in the AGM held on 30th September, 2010 and 25th August, 2010 respectively. The confirmation petition was filed with MCA in October, 2010 and the second hearing was done by MCA in November, 2010. The order for final hearing on 8.3.2011 was received from MCA on January, 2011. In pursuance of the hearing on 8th March, 2011, the 'Written Submissions' on behalf of SAIL and MEL was filed with MCA on 15th March, 2011.

It is expected that the final order from MCA is likely to be received shortly and the merger process shall be completed in all respects by May, 2011.

[Ministry of Steel, O.M. No. 9(10)/2007-S-CIP (Pt. file-II) dated 6th May 2011]

Comments of the Committee

The comment of the Committee may please be seen on para 18 of chapter I of the Report.

CHAPTER V

**RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT ARE
STILL AWAITED**

-NIL-

**New Delhi
4 March 2013
13 Phalguna 1934(S)**

**JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.**

**EXTRACTS OF THE MINUTES OF THE 19th SITTING OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS (2012-13)**

The Committee sat on Wednesday, the 30th January, 2013 from 1130 hrs to 1315 hrs in Committee Room '53', Parliament House, New Delhi.

PRESENT

Chairman

Shri Jagdambika Pal

Members, Lok Sabha

- 2 Shri Hansraj Gangaram Ahir
- 3 Dr. Mahesh Joshi
- 4 Dr. (Smt.) Botcha Jhansi Lakshmi
- 5 Shri Ponnamb Prabhakar
- 6 Shri Rajendrasinh Rana
- 7 Shri Uday Singh (In the Chair)

Members, Rajya Sabha

- 8 Shri Anil Desai
- 9 Shri Janardan Dwivedi
- 10 Shri Mukhtar Abbas Naqvi

Secretariat

- | | | |
|----|-----------------------|---------------------|
| 1. | Shri A. Louis Martin | Joint Secretary |
| 2. | Shri Rajeev Sharma | Director |
| 3. | Shri M.K. Madhusudhan | Additional Director |

The Committee first took up the draft Action Taken Report on the observations/ recommendations contained in the Twenty Sixth Report (Fourteenth Lok Sabha) of the Committee on Public Undertakings (2007-2008) on "Steel Authority of India Limited" and adopted the same without any modification. The Committee also authorized the Chairman to present the same to Parliament after factual verification.

- | | | | | | |
|----|-------|------|------|------|--------|
| | (XXXX | XXXX | XXXX | XXXX | XXXX.) |
| 2. | (XXXX | XXXX | XXXX | XXXX | XXXX.) |
| 3. | (XXXX | XXXX | XXXX | XXXX | XXXX.) |

(XXXX XXXX XXXX XXXX XXXX.)

4. (XXXX XXXX XXXX XXXX XXXX.)

(XXXX XXXX XXXX XXXX XXXX.)

5. (XXXX XXXX XXXX XXXX XXXX.)

The Committee then adjourned.

XXXX *Matter not related to this Report*

ANNEXURE*(Vide para 3 of the Introduction)*

Analysis of the Action Taken by Government on the Observations / Recommendations contained in the Twenty Sixth Report of the Committee on Public Undertakings (Fourteenth Lok Sabha) on “Steel Authority of India Limited”.

I	Total number of recommendations	25
II	Recommendations that have been accepted by the Government [vide recommendations at Sl. Nos. 1,2,3,4,7,8,9,10,11,12,13,16,17,18,19,20,21,22,23, 24 and 25 Percentage of total	21 84%
III	Recommendation which the Committee do not desire to pursue in view of Government’s replies [vide recommendation at Sl. Nos. 5 and 15] Percentage of total	02 08 %
IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee...(vide recommendations at Sl. Nos. 6 and14] Percentage of total.	02 08%
V	Recommendations in respect of which final replies of Government are still awaited. Percentage of total	NIL