THIRTEENTH REPORT

STANDING COMMITTEE ON COAL AND STEEL (2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF STEEL

[Action Taken by the Government on the Observations/Recommendations contained in the Third Report of the Standing Committee on Coal and Steel (Sixteenth Lok Sabha) on "Demands for Grants 2014-15"]

Presented to Lok Sabha on 06.05.2015

Laid in Rajya Sabha on 06.05.2015

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

May, 2015/*Vaisakha*, 1937 (*Saka*)

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*Shri Rakesh Singh appointed *w.e.f.* 27.11.2014 *vice* Shri Hansraj G. Ahir appointed Minister.

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28. Dr. Satyanarayan Jatiya#
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#Dr. Satyanarayan Jatiya nominated *w.e.f.* 25.09.2014 *vice* Shri Basawaraj Patil.

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Thirteenth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Third Report of the Standing Committee on Coal and Steel (Sixteenth Lok Sabha) on "Demands for Grants (2014-15)" pertaining to the Ministry of Steel.

2. The Third Report (Sixteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 22nd December, 2014. Replies of the Government to all the observations/ recommendations contained in the Report were received on 15th April, 2015.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 05.05.2015.

4. An analysis on the Action Taken by the Government on the observations/recommendations contained in the Third Report (Sixteenth Lok Sabha) of the Committee is given at **Annexure-I.**

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

New Delhi;
05 *May,* 2015
15 *Vaisakha,* 1937 *(Saka)*

RAKESH SINGH,
Chairperson,
Standing Committee on
Coal and Steel.

CHAPTER I

REPORT

This Report of the Standing Committee deals with Action Taken by the Government on the observations/recommendations contained in the Third Report (Sixteenth Lok Sabha) of the Standing Committee on Coal and Steel on Demands for Grants (2014-15) relating to the Ministry of Steel which was presented to Lok Sabha and laid in Rajya Sabha on 22.12.2014.

2. The Action Taken Replies have been received from the Ministry of Steel in respect of all the 19 observations/recommendations contained in the Report on 15.04.2015. These have been categorised as follows:—

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

Sl. Nos. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 18, 19

Total : 16

Chapter-II

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

Sl. No. 16

Total : 01

Chapter-III

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

Sl. No. 17

Total : 01

Chapter-IV

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

Sl. No. 7

Total : 01

Chapter-V

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

4. The Committee will now deal with the Action Taken by the Government on some of their observations/recommendations made in the Third Report.

R&D IN IRON AND STEEL SECTOR

Recommendation (Serial No. 1)

5. The Committee had observed that a provision of Rs. 14 crore was made in BE 2014-15 for two new components of 'Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products' (Rs. 12 crore) and 'Development of innovative iron/steel making process/technology (Rs. 2 crore—new project under the existing scheme)'. These two components have been added under the scheme 'Promotion of R&D in Iron & Steel Sector'. Earlier two schemes on 'Promotion of beneficiation & agglomeration of low grade iron ores & ore fines' and 'Improving energy efficiency of secondary steel sector' on Promotion of R&D in steel sector were proposed to be implemented in the 12th Five Year Plan. A sum of Rs. 2417 crore was proposed for 'Promotion of beneficiation & agglomeration of low grade iron ore & ore fines' in the 12th Plan Period and Rs. 1693 crore in the 13th Plan Period. Similarly, for 'Improving energy efficiency of secondary steel sector' a sum of Rs. 272 crore was proposed in 12th Plan Period and Rs.191 crore in the 13th Plan Period. About the reason for discontinuing the earlier schemes, the Committee were informed that Planning Commission has not provided substantial funds to pursue those schemes. Further, the Government in their Action Taken Replies (46th Report, 15th Lok Sabha) had informed the Committee that off late a large number of Beneficiation & Pelletisation plants have been/are being set up. Also, the Ministry of Steel is supporting two high value R&D projects in this regard. Further, an Energy Efficiency Improvement Programme in steel Re-rolling mills in India is already being pursued by the Ministry of Steel and a new project with financial assistance from UNDP (United Nations Development Programme) for addressing the issue of energy

efficiency in steel re-rolling mills & related sub-sector has been already approved by the Ministry of Steel. The Committee are unhappy to note that though they have time and again emphasized the need for proper allocation of budgetary funds by the Government which are integral to the growth and development of any sector yet during the time of allocation of funds due care has not been taken to ensure that there is no overlap of schemes/projects. The Committee cannot but deplore the way the schemes were launched/introduced without proper follow up and left midway for want of approvals or other overlapping schemes. The Committee therefore, recommended that proper study and analysis of the purpose/objective of the schemes should be done before allocation. The Committee expected that the provision of Rs. 14 crore allocated during 2014-15 for 'Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products' (Rs. 12 crore) and 'Development of innovative iron/ steel making process/technology (Rs. 2 crore—new project under the existing scheme)' be fully utilized.

6. The Ministry of Steel in their Action Taken Replies have informed the Committee as under:—

> "The recommendations of the Standing Committee on proper study & analysis of the purpose/objective of the schemes before allocation, has been noted and will be complied with. It is however, submitted that the two schemes namely 'promotion of beneficiation & agglomeration of low grade iron ore & ore fines' and 'improving energy efficiency of secondary steel sector', were for providing interest subsidy for setting up new capacities for beneficiation & agglomeration and installation of equipment for enhancing energy efficiency respectively. The scope of the two high value R&D projects on the other hand, were specifically for finding relevant technologies for beneficiation & agglomeration of low grade/lean iron ores to make them usable for the steel industry.
>
> With regard to the utilisation of the earmarked fund for the CRGO project (Rs. 12 crore), only an amount of Rs. 0.25 crore could be utilized as the release of allocated fund was linked to approval of the project which could not be obtained as some of the stakeholders insisted for prior preparation of Detailed Project Report (DPR) of the project. The order for preparation of the DPR could only be placed close to the end of the financial year 2014-15, as per the laid down procedures followed by National Metallurgical Laboratory, Jamshedpur (CSIR Laboratory). It may also be noted that out of the earmarked fund of Rs. 2 crore for new projects an amount of Rs. 1.78 crore have been utilized."

7. The Committee had observed that under Research and Development a provision of Rs. 14 crore was made in BE 2014-15 for two new components out of which the major share of Rs. 12 crore was for 'Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products' and 'Development of innovative iron/steel making process/technology (Rs. 2 crore—new project under the existing scheme)'. These two components have been added under the scheme 'Promotion of R&D in Iron & Steel Sector'. The Committee had also expected that the provisions made for the above two schemes would be fully utilized. From the Action Taken Reply of the Ministry, the Committee have been given to understand that out of the earmarked fund of Rs. 12 crore for the CRGO project, an amount of only Rs. 0.25 crore could be utilized as the release of allocated fund was linked to approval of the project which could not be obtained as some of the stakeholders insisted for prior preparation of Detailed Project Report (DPR) of the project. While observing that the order for preparation of the DPR could only be placed close to the end of the financial year 2014-15, as per the laid down procedures followed by National Metallurgical Laboratory, Jamshedpur (CSIR Laboratory), the Committee recommend that the Ministry should take immediate steps to ensure judicious and optimal utilization of allocated funds for promotion of R&D in Steel Sector during 2015-16.

MODERNIZATION & EXPANSION PROGRAMME OF SAIL

Recommendation (Serial No. 6)

8. In order to maintain predominance in the steel sector and to remain globally competitive, SAIL had drawn up a Modernisation & Expansion Plan for its five integrated steel plants and special steel plants including raw material resources and other related facilities. The Committee noted that the modernization and expansion programme of plants of Steel Authority of India Ltd. (SAIL) *viz*. IISCO Steel Plant (ISP), Salem Steel Plant (SSP), Bokaro Steel Plant (BSL), Bhilai Steel Plant (BSP) and Rourkela Steel Plant (RSP) was approved in principle by SAIL Board between June, 2006 to July, 2007. Apart from increasing the production capacity, the plan envisaged to address the vital issues of elimination of technological obsolescence, installing energy efficient & environment friendly technologies, value addition/product-mix improvement/sustenance of existing assets of the plants and introduction of customer-centric processes such as Enterprise Resource Planning (ERP) and Manufacturing Execution System (MES). The Committee have been informed that upgradation of existing facilities

at steel plants was necessary to meet the stringent quality requirements of the customers and to remain cost competitive. SAIL had planned a expenditure of about Rs.70,000 crore for modernization/expansion and sustenance schemes of existing Plants/Units, including Rs. 10,000 crore for development of raw material facilities. The source of funding of modernization & expansion plan of SAIL was to be done through a combination of debt & equity (including internal resources) while maintaining debt-equity ratio of 1:1. The Committee note that till date an amount of Rs. 53270 crore has been spent on 'Modernization and Expansion Programme' of SAIL. The original target for completion of modernization and expansion of plants of SAIL was between June, 2010 to March, 2013. Owing to buoyancy in the steel industry, the timeline for implementation of different packages was initially compressed to 2010. However, as per the revised targets, the plants of SAIL were to be commissioned between August, 2010 to December, 2012. The Committee noted that these targets have been revised many times and fresh targets were set. Though the Committee felt that there may be unforeseen factors which are beyond the control of SAIL management which have led to this delay, but the management cannot altogether absolve itself for the delay. On review of the progress of individual units, the Committee came across various constraints such as dismal performance of civil contractors leading to fresh order placement, slow progress of work, high prices offered by the only bidder, delay in supply of equipment, delay in design engineering, civil and structural works, re-tendering of balance work, inadequate resource mobilization etc. As each SAIL unit is reportedly facing some or the other major problems, the Committee recommended that Ministry/SAIL should take immediate corrective measures and overcome all the major constraints and would also like to be apprised of the present target fixed for completion of modernization and expansion of plants by the company.

9. The Ministry of Steel in their Action Taken Replies have informed the Committee as under:—

> "The Modernisation & Expansion Plan envisages increase in capacity of crude steel from 12.8 MTPA to 21.40 MTPA. The plant-wise progress is as under:—
>
> **IISCO Steel Plant**
>
> All facilities under the integrated process route are in operation, stabilization and ramp-up.
>
> **Rourkela Steel Plant**
>
> All new facilities under the integrated process route are in operation, stabilization and ramp-up.

Durgapur Steel Plant

The operation has started from completed facilities *viz*. Re-building of Coke Oven Battery-2, Ladle Furnace, Bloom-cum-Round Caster. The balance facility of Medium Structural Mill (1.0 Mtpa) is planned to be completed in 2015.

Bokaro Steel Plant

The operation has started from completed facilities *viz*. Upgraded Blast Furnace No. 2, Rebuilt Coke Oven Batteries No. 1, Rebuilt Coke Oven Batteries No. 2 and New 1.2 MTPA Cold Rolling Mill. For the balance facility of Up gradation of Hot Strip Mill, 95% offline erection completed. The shutdown of the Mill is planned in next fiscal in the month of May 2015 and after that upgradation work will be taken.

Bhilai Steel Plant

The operation has started from completed facilities *viz*. New Coke Oven Battery, Sinter Machine in SP-3, Ore Handling Plant and Oxygen Plant on BOO basis. The balance facilities *viz*. Blast Furnace (4060 m3), Bar & Rod Mill (0.9 Mtpa), Universal Rail Rolling Mill (1.2 Mtpa) and Steel Melting Shop–III (4.0 Mtpa) are in progress. The balance facilities are planned to be completed in 2015.

In order to arrest delays in implementation of Modernisation & Expansion Plan and also exercise greater control over defaulting parties, number of corrective actions have been/are being taken by SAIL which include Issue of Risk Purchase Notices (RPNs), encashment of Performance Bank Guarantee, Enforcing stricter penalty clauses, like Liquidated Damages (LD) for delay in completion of facilities/non-fulfilment of Performance Guarantee Parameters, etc. Also, in case of poor performance of Public Sector Units like HEC, BHEL, EPIL, Bridge & Roof etc., the issue of their sub-optimal performance has been taken up by the Ministry of Steel with their respective Ministries at the highest level."

10. The Committee had observed that till date an amount of Rs. 53270 crore had been spent on 'Modernization and Expansion Programme' of SAIL. The original target for completion of modernization and expansion of plants of SAIL was between June, 2010 to March, 2013. The Committee had further observed that these targets were revised many times and fresh targets were set. As regards the Committee's recommendation that Ministry/SAIL should take immediate corrective measures and overcome all the major constraints for completion of Modernization and Expansion of

Plants of SAIL, the Ministry has informed that all facilities under the integrated process route at IISCO Steel Plant and Rourkela Steel Plant are in operation, stabilization and ramp-up. Further, expansion work is likely to be completed in Durgapur Steel Plant, Bokaro Steel Plant and Bhilai Steel Plant during the current year. The Committee also note that the roadblocks/constraints caused by unavoidable factors like poor/sub-optimal performance by Public Sector Units, like HEC, BHEL, EPIL etc. have been taken up by the Ministry of Steel with their respective Ministries at the highest level. While appreciating the various corrective steps taken by the Ministry/SAIL to arrest delays in implementation of Modernisation & Expansion Plan and also exercise greater control over defaulting parties, which include Issue of Risk Purchase Notices (RPNs), encashment of Performance Bank Guarantee, Enforcing stricter penalty clauses like Liquidated Damages (LD) for delay in completion of facilities/non-fulfillment of Performance Guarantee Parameters, etc., the Committee expect that the current phase of Modernization and Expansion of SAIL plants will be completed at the earliest.

SAFETY MEASURES TAKEN BY RINL

Recommendation (Serial No. 9)

11. The Committee noted that RINL has almost completed the first phase of 6.3 mtpa expansion, with many units already operational for over a year. The Committee had been informed that Blast Furnace commissioned under this phase has already produced more than 3.6 Mt of hot metal and other major units commissioned and put into operation include the Oxygen Plant, Turbo Blower-4, Raw Material Handling Plant, Sinter Plant, Steel Melt Shop-2, Wire Rod Mill-2 & several auxiliary systems, *viz*. water, power & utility systems. The last major unit under Stage-1 *i.e.*, Calcining & Refractory Material Plant (CRMP) was planned to be commissioned by October, 2014. Stage-2 of 6.3 mtpa Expansion includes installation of Special Bar Mill (SBM) and Structural Mill (STM). In both the mills, major equipment erection has been completed. Rolling in both SBM & STM was likely to commence from December, 2014/January, 2015. The Committee also noted that RINL had received a setback during the hot trial runs of Convertor at SMS-2 on 13.06.12 as there was an unfortunate incident of explosion at new Pressure Reducing Station resulting in 19 fatal cases. Furthermore, two engineers of a private agency died while carrying out inspection job in a container laboratory at the RINL Plant pushing back the commissioning schedules of Expansion plan of the Company. The Committee were concerned to note such accidents at RINL Plant in 2012 and 2014 and recommended

that the Government/RINL should take necessary steps for ensuring adequate safety of the workforce and apprise them of the action taken thereon on the recommendations of enquiry reports on these accidents.

12. The Ministry of Steel in their Action Taken Replies have informed the Committee as under:—

"Major units of stage-1 have been commissioned and are under regular operation. The balance units under Stage-2 *i.e.*, Special Bar Mill and Structural Mill were planned for commissioning in December, 2014. However, due to devastating cyclone "HUDHUD" in October, 2014, these were impacted and commissioning rescheduled.

Safety is accorded highest and top priority in RINL and adequate measures are being taken for the safety of the workforce. Recommendations given by various Investigation Committees have been implemented and ensured for compliance, as per the details given below:

Inquiry Committees have been constituted on occurrence of accidents/mishaps by the Management of Rashtriya Ispat Nigam Ltd. In serious accident cases high level inquiry is ordered by the Ministry in addition to the plant level inquiry and inquiry ordered by the State Government/Local authorities. The findings of the Committees include causes of such accidents and recommendations for preventing recurrences etc. The recommendations of the inquiry Committees are implemented, monitored and reviewed at appropriate levels in plants/units. Various measures taken to strengthen the safety mechanism include, *inter-alia*, the following:

(i) Review of Hazard Identification and Risk Assessment Training programme has been conducted by Director Safety, Regional Labor Institute, Chennai, and DGFASLI in October, 2012.

(ii) Comprehensive safety audit has been conducted by Regional Labour Institute, Chennai, DGFASLI (Directorate General, Factory Advice Service and Labour Institutes) in July, 2012.

(iii) Mock-drills as per the emergency plan conducted periodically.

(iv) Automatic gas leak detection alarm in critical and gas prone areas provided.

(v) Spreading safety awareness through training programs and workshops.

(vi) Enforcing usage of job specific personal protective equipment.

(vii) Conducting special training programmes on Behavioral Based Safety and Legal awareness.

(viii) Training programme conducted on 'Prevention of Fire in Oxygen enriched systems etc."

13. The Committee had observed that RINL had suffered a setback during the hot trial runs of Convertor at SMS-2 on 13.06.12 as there was an unfortunate incident of explosion at new Pressure Reducing Station resulting in 19 fatal cases. Furthermore, two engineers of a private agency died while carrying out inspection job in a container laboratory at the RINL Plant pushing back the commissioning schedules of Expansion plan of the Company. The Committee had, therefore, recommended that the Government/RINL should take necessary steps for ensuring adequate safety of the workforce and apprise them of the action taken thereon on the recommendations of enquiry reports on these accidents. In their Action Taken Reply, the Ministry have informed the Committee that safety is accorded highest and top priority in RINL and adequate measures are being taken for the safety of the workforce. The recommendations of the inquiry committees are implemented, monitored and reviewed at appropriate levels in plants/units. Although, the Ministry have mentioned various measures taken to strengthen the safety mechanism which *inter-alia* include review of Hazard Identification and Risk Assessment Training Programme, comprehensive safety audit by Regional Labour Institute, Mock-drills as per the emergency plan, Automatic gas leak detection alarm in critical and gas prone areas, Safety awareness through training programmes and workshops, Enforcing usage of job specific personal protective equipment etc., the Committee desire that the Government should not only give adequate publicity to precautionary measures to be observed by the work force as pointed out by various expert/inquiry committees but at the same time responsibility must be fixed for mishaps/ accidents resulting in fatal/grievous injuries.

AVAILABILITY OF RAW MATERIAL FOR RINL

Recommendation (Serial No. 12)

14. The Committee also acknowledged that the plan of RINL for expansion of its capacity upto 20 Million Tonnes is being hampered due to lack of raw material security. Being the only Public Sector Steel Plant without captive iron ore mines till now, RINL has been incurring about 60% of expenditure on raw material while other major producers

are incurring 31-44% cost on raw material. The Committee were, however, happy to note that RINL will soon start work on developing its low grade iron ore mines in Bhilwara District of Rajasthan. In this regard, a Letter of Intent (LoI) has already been received from the Rajasthan Government. This will be the first captive mine for RINL as so far the company has sourced iron ore from NMDC. The Committee had been further informed that Phase-I exploration of Banera Iron ore Block by M/s. MECL is in progress and is scheduled to be completed by June, 2015. Government of Rajasthan is being followed up to obtain various clearances in respect of Banera iron ore block and for providing infrastructure facilities for the project. In the meantime, the Committee recommended that RINL should continue to pursue allotment of more iron ore blocks to ensure that it gets raw material for its expanded capacity of 20 Million Tonnes.

15. The Ministry of Steel in their Action Taken Replies have informed the Committee as under:—

"Mining Plan has been submitted to Indian Bureau of Mines on 06.01.2015 for approval in respect of Banera Block Iron Ore Mines in Bhilwara District of Rajasthan. Matter regarding obtaining various clearances is being pursued regularly.

Iron Ore mine applications: As per the MMDR Amendment Ordinance, 2015, all the applications received prior to the Ordinance are ineligible.

Further, Government of Rajasthan has recommended allotment of iron ore blocks to RINL (VSP) in Jahajpur of Bhilwara District and sent the recommendation to Ministry of Mines, Government of India. The matter is being followed up with the State Government of Rajasthan and Government of India.

RINL has requested the Ministry of Mines to consider RINL for empanelment to carry out exploration works of good Iron Ore Mines, in line with the relevant provisions of the MMDR Act 2015."

16. As regards the Committee's recommendation that RINL should continue to pursue allotment of more iron ore blocks to ensure that it gets raw material for its expanded capacity of 20 Million Tonnes, the Committee note that Mining Plan has been submitted to Indian Bureau of Mines on 06.01.2015 for approval in respect of Banera Block Iron Ore Mines in Bhilwara District of Rajasthan. Matter regarding obtaining various clearances is being pursued regularly. Further, Government of Rajasthan has recommended allotment of

iron ore blocks to RINL (VSP) in Jahajpur of Bhilwara District and sent the recommendation to Ministry of Mines, Government of India. The matter is being followed up with the State Government of Rajasthan and Government of India. In their Action Taken Reply, the Ministry have further informed that as per the MMDR Amendment Act, 2015, all the applications received prior to the Ordinance are ineligible. While acknowledging that RINL being the only Public Sector Steel Plant without captive iron ore mine till now the Committee strongly reiterate their recommendation regarding allotment of iron ore blocks to RINL for ensuring that it gets the raw material for its planned capacity expansion of 20 MT.

DECLINE IN PROFITABILITY OF MECON

Recommendation (Serial No.17)

17. The Committee observed a decline in profit of both MECON and MSTC Ltd. during the last 3 years. As regards MECON, the company recorded a profit of Rs. 136.36 crore during 2011-12 which got reduced to Rs. 101.02 crore in 2012-13. The Committee were dismayed to note that during 2013-14, only Rs. 18.77 crore was registered as profit by MECON which got reduced by 7 times the profit in 2011-12 and is only about 1/5 of the profit during 2012-13. Similarly, in case of MSTC Ltd., Profit After Tax (PAT) for 2011-12 was Rs. 118.39 crore. During 2012-13, PAT was Rs. 130.73 crore and it got reduced to a mere Rs. 99.04 crore during 2013-14. For the year 2014-15, Rs. 75.57 crore is the targeted PAT. The major reasons furnished by MECON for slump in profit are economic slowdown, ban on iron ore mining which resulted in delay in implementation of projects, non materializing of expected projects and uncertainty in availability of coal, etc. Similarly, MSTC Ltd. has also given reasons of unrealized dues for gold jewellery export during 2008-09 and a significant reduction in volume of trading business. The Committee were not satisfied with the reasons put forward by the two companies and believe that they have to strive hard to remain competitive in the market to ensure their survival. The Committee, therefore, strongly urged both the companies to step up efforts to increase their profitability and they be apprised of the same.

18. The Ministry of Steel in their Action Taken Replies *inter-alia* have informed the Committee as under:—

> "There is a decline in profit of MECON Ltd. during the Last 3 years. MECON recorded a profit of Rs. 136.36 crores during 2011-12 which got reduced to Rs. 101.02 crores in 2012-13. In the FY 2013-14, the company registered a profit of Rs. 49.48 crores only *i.e.* 2.75 times

less than the profit in 2011-12 and is only about $^1/_2$ of the profit during 2012-13. The major reasons for slump in profit are economic slowdown, ban on iron ore mining which resulted in delay in implementation of projects, non-materializing of expected projects an uncertainty in availability of coal, etc."

19. Taking note of decline in profit of MECON, the Committee had desired that the company should strive hard to remain competitive in the Market to ensure its survival. The Committee are concerned to note that although the Ministry in their Action Taken Reply have mentioned the major reasons for slump in profit of MECON which are economic slowdown, ban on iron ore mining resulting in delay in implementation of projects, non-materialization of expected projects, uncertainty in availability of coal, etc., the reply is silent about the steps taken by the MECON to improve its performance. The Committee, while taking note of the conducive atmosphere that has been created in the country for mineral exploration with the passing of the Mines and Mineral (Development & Regulation) Amendment Act, 2015 and the Coal Mines (Special Provisions) Act, 2015, reiterate their earlier recommendation and desire that MECON should take advantage of the same to increase its profitability.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

BUDGET ALLOCATION

Recommendation (Serial No. 1)

The Committee observe that a provision of Rs. 14 crore has been made in BE 2014-15 for two new components of 'Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products' (Rs. 12 crore) and 'Development of innovative iron/steel making process/technology (Rs. 2 crore—new project under the existing scheme)'. These two components have been added under the scheme 'Promotion of R&D in Iron & Steel Sector'. Earlier two schemes on 'Promotion of beneficiation & agglomeration of low grade iron ores & ore fines' and 'Improving energy efficiency of secondary steel sector' on Promotion of R&D in steel sector were proposed to be implemented in the 12th Five Year Plan. A sum of Rs. 2417 crore was proposed for 'Promotion of beneficiation & agglomeration of low grade iron ore & ore fines' in the 12th Plan Period and Rs. 1693 crore in the 13th Plan Period. Similarly, for 'Improving energy efficiency of secondary steel sector' a sum of Rs. 272 crore was proposed in 12th Plan Period and Rs. 191 crore in the 13th Plan Period. About the reason for discontinuing the earlier schemes, the Committee were informed that Planning Commission has not provided substantial funds to pursue those schemes. Further, the Government in their Action Taken Replies (46th Report, 15th Lok Sabha) had informed the Committee that off late a large number of Beneficiation & Pelletisation plants have been/are being set up. Also, the Ministry of Steel is supporting two high value R&D projects in this regard. Further an Energy Efficiency Improvement Programme in steel Re-rolling mills in India is already being pursued by the Ministry of Steel and a new project with financial assistance from UNDP (United Nations Development Programme) for addressing the issue of energy efficiency in steel re-rolling mills & related sub-sector has been already approved by the Ministry of Steel. The Committee are unhappy to note that though they have time and again emphasized the need for proper allocation of budgetary funds by the Government which are integral to the growth and development of any sector yet during the time of allocation of funds due care has not been taken to ensure that there is no overlap of schemes/projects. The Committee cannot but deplore the way the schemes were launched/introduced without proper follow up and left midway for want of approvals or other overlapping schemes. The Committee, therefore, recommend that proper study and analysis of the purpose/objective of the schemes should be done before allocation. The Committee expect that the provision of Rs. 14 crore allocated during 2014-15 for 'Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products' (Rs. 12 crore) and 'Development of innovative iron/ steel making process/technology (Rs. 2 crore—new project under the existing scheme)' be fully utilized.

Action Taken

The recommendations of the Standing Committee on proper study & analysis of the purpose/objective of the schemes before allocation, has been noted and will be complied with. It is however, submitted that the two schemes namely 'promotion of beneficiation & agglomeration of low grade iron ore & ore fines' and 'improving energy efficiency of secondary steel sector', were for providing interest subsidy for setting up new capacities for beneficiation & agglomeration and installation of equipment for enhancing energy efficiency respectively. The scope of the two high value R&D projects on the other hand, were specifically for finding relevant technologies for beneficiation & agglomeration of low grade/lean iron ores to make them usable for the steel industry.

With regard to the utilisation of the earmarked fund for the CRGO project (Rs. 12 crore), only an amount of Rs. 0.25 crore could be utilized as the release of allocated fund was linked to approval of the project which could not be obtained as some of the stakeholders insisted for prior preparation of Detailed Project Report (DPR) of the project. The order for preparation of the DPR could only be placed close to the end of the financial year 2014-15, as per the laid down procedures followed by National Metallurgical Laboratory, Jamshedpur (CSIR Laboratory). It may also be noted that out of the earmarked fund of Rs. 2 crore for new projects an amount of Rs. 1.78 crore have been utilized.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

Comments of the Committee

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

UNDER-UTILIZATION OF OUTLAYS EARMARKED FOR 12TH FIVE YEAR PLAN

Recommendation (Serial No. 2)

The Committee are dismayed to observe that though massive outlays had been approved by the Planning Commission for the 12th Five Year Plan (2012-17), yet even after the passage of 2 years of the Plan Period, insignificant amount has been utilized so far for schemes by the PSUs. This is evident from the dismal figures of expenditure by all PSUs especially NMDC, KIOCL, MOIL and MSTC. Total Internal & Extra Budgetary Resources (IEBR) for MSTC for the 12th Plan is Rs. 105 crore out of which only Rs. 0.35 crore have been spent so far. Out of an approved IEBR of Rs. 27872.17 crore of NMDC for 12th Plan, only Rs. 4125.38 crore has been spent so far. Similarly, KIOCL has spent only Rs. 17.27 crore out of total IEBR of Rs. 3080 crore and against the outlay of Rs. 1459.47 crore for MOIL, only Rs. 142.58 crore have been spent so far. The Committee desire that PSUs should come out of their laxity mode and make serious efforts to utilize the unspent amount during the remaining 3 years of the plan. The Committee feel that adequate and extensive financial planning is required in the matter and PSUs should make advance action plans to fix the priority areas and allocate the funds judiciously. The Committee would like to be apprised of the efforts made in this regard.

Action Taken

The capital expenditure of SAIL during the 1st two years of 12th Plan, *i.e.* in 2012-13 and 2013-14 has been 81% and 86% of revised approved outlay respectively. However, the expenditure during 2014-15 (Apr.-Jan. 2015) has been about 95% of the revised approved outlay. The capital expenditure during any financial year mainly depends on the actual progress of physical work during that year which may not be uniform in every quarter. SAIL is taking all measures so as to make the outlays more realistic and for maintaining more or less uniform quarterly fund utilisation.

Though all efforts are being made at various levels including continuous & extensive monitoring of the physical & financial progress of capital schemes, the actual capital expenditure is lesser than the outlay mainly because of poor performance of contractors including PSU contractors like HEC, HSCL, EPI, BHEL etc.

For monitoring of capital expenditure, quarterly reviews are taken at various levels in SAIL and by MOS wherein quarterly actual expenditure is compared with quarterly targets and reasons for shortfall are identified and remedial measures taken, as required.

For 12th Plan period, a target of Rs. 11,183 crore has been envisaged for RINL. However, RINL has not been able to proceed with the next phase of Expansion to 11 Mtpa as envisaged, as its efforts for raw material security in the form of Captive Iron Ore mines have not yet been successful and it is continuing to experience higher expenditure on raw materials and lower margins.

The Annual Plan estimates are submitted year to year after thorough review of status of projects and the Utilisation has been more than 100% for the year 2012-13 and 2013-14. More than 100% of the target has been achieved during the year 2014-15 till December, 2014 with the utilization of funds to the tune of Rs. 989.06 crore as against the target of Rs. 936 crore.

The Actual Plan Outlay of MOIL Limited during 12th Five Year Plan is Rs. 1459.47 crore. The actual expenditure for April, 2012 to December, 2014 was Rs. 215.84 crore. MOIL Ltd. being a mining organisation, while executing mining projects such as sinking/deepening of vertical shafts, developmental works especially in underground mines, a number of unforeseen difficulties have been experienced such as sudden in-rush of water, encountering loose soil requiring additional concerting than estimated, etc.; causing unavoidable delays to ensure safety and are beyond human control. However, adequate precautions are being taken to minimize these delays through proper planning and getting expert opinions, wherever necessary.

The utilization of outlays earmarked for 12th Five Year Plan, that a total amount of Rs. 105.00 crore was earmarked under IEBR for MSTC for 12th Five Year Plan. The said amount comprised of Rs. 100.00 crore for Auto Shredding Plant and Rs. 5.00 crore for Mining Development. While the proposal for Mining Development expenditure has been shelved, for Auto Shredding Plant, it has been decided to execute the project under Joint Venture with a private party. Hence only an amount of Rs. 0.35 crore could be spent on account of preparation of DPR for the project so far. Under proposed JV, MSTC has to contribute only Rs. 15.00 crore towards equity for its share of the total equity capital of the proposed JV of Rs. 30.00 crore. An amount of Rs. 5.00 crore is proposed to be spent during financial year 2014-15 and balance amount of Rs. 10.00 crore is proposed to be spent during Financial Year 2015-16.

The plan outlay figure of Rs. 3080 crore was reviewed and due to various constraints including *inter-alia* lack of raw material security and adverse market conditions, the outlay was revised to Rs. 288.03 crore by KIOCL Ltd. Since, major projects as envisaged while formulating the Plan Outlay have not materialized, the actual expenditure achieved till December, 2014 was Rs. 28.97 crore.

However, efforts are being made by KIOCL Ltd., for allotment of mines in the State of Karnataka and effective utilization of resources for instance KIOCL has entered into O&M contract with NMDC for operating their upcoming pellet plant at Donimalai, Bellary Distt., Karnataka. An MoU was signed among KIOCL, APMDC and RINL in June, 2013 for exploration and exploitation of Memkal iron ore deposit in Ananthapur Distt. of Andhra Pradesh.

Orissa Minerals Development Company Ltd. (OMDC) is engaged in mining and marketing of Iron and Manganese Ore from its mines located in district Keonjhar, Odisha. OMDC was allocated Brahmani Coal Block by the Ministry of Coal, Government of India on 07.11.2013. OMDC and Ministry of Steel are pursuing with Ministry of Coal for early execution of agreement. The total plan outlay of OMDC Ltd. during 12th Five Year Plan is Rs. 2055.28 crore. The underutilization of plan outlays is due to suspension of mining operation and non-renewal of mining leases.

Bisra Stone Lime Company Limited (BSLC) is engaged in the mining and marketing of Limestone and Dolomite ore from its mines located in district Sundargarh, Odisha. The mining operation was suspended from 03.06.2014. The Government of Odisha has granted the permission on 02.03.2015 for resumption of mining operation of BSLC. The total plan outlay of BSLC during 12th Five Year Plan is Rs.40.00 crore. The underutilization of plan outlays is due to suspension of Mining operation and non-renewal of mines of BSLC.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

PRODUCTION OF STEEL

Recommendation (Serial No. 3)

The Committee observe that during 2013 India was the 4th largest producer of crude steel and recorded a growth of 5.1 per cent over 2012. Though India is reported to be amongst top 5 countries in production of steel but the fact is that the current per capita consumption of steel in the country is awfully 60 kg compared to the world average of estimated 222 kg. The Committee further observe that per capita consumption of steel has not grown much in the rural areas and is currently 9.78 kg. only. The Committee were informed that the Joint Plant Committee (JPC) constituted to assess the demand for steel in rural India has assessed an increase of only about 3 kg. by 2020 *i.e.* the steel consumption in rural India is pegged at only 12 kg. by then. A mere 3 kg. per capita increase in about six years is a disappointing scenario. The Committee observe that Institute for Steel Development and Growth (INSDAG), promoted by the Ministry of Steel and Major Steel Producers of India has been operating for more than a decade towards promotion of steel intensive structures in Indian construction and infrastructural sectors. The Committee also note that the Institute disseminates steel related information/knowledge through seminars, workshops, publications, etc., to professionals and academics, organize award competitions, explores and innovates new and better avenues of steel usage and provides specialized consultancy. The Committee, however, observe that despite various efforts made by INSDAG to popularize steel consumption, no significant increase is discernible in steel consumption in rural areas and recommend that the Institute needs to step up its work and relocate the target areas by focusing more on the rural areas where there is huge growth potential. The Committee would like to be apprised of the necessary steps taken by the Ministry of Steel/INSDAG to enhance steel consumption in rural areas as enhancing the production and being the 4th world in steel production would be futile as the per capita steel consumption is only 1/3rd of the world consumption of 222 kg.

Action Taken

1. India was the 4th largest producer of crude steel in 2014 as well as in 2013 as per provisional data released by JPC and rankings released by the World Steel Association (WSA).

2. Per capita consumption of total finished steel in India during 2013-14 was 59.2 Kg. The same is provisionally estimated to be around 59 kg. in April-December 2014-15 in view of the slowdown in domestic steel demand during the current year. Compared to standards achieved globally, the Indian per capita consumption of finished steel is considered low. During 2013, the World Steel Association (WSA) shows that per capita consumption of total finished steel was 219 kg. for world, 545 kg. for China, 517 kg. for Japan, 463 kg. for Germany and 301 kg. for USA.

3. As desired by the Parliamentary Standing Committee on Coal and Steel on Demand for Grants (2007-08) of the Ministry of Steel, the Ministry of Steel carried out a Study through the Joint Plant Committee (JPC) to assess the demand for steel in rural India.

4. The Study had assessed average per capita consumption of finished steel in rural India at 9.78 kg. during the period 2007 to 2009 which was expected to increase to around 12-14 kg. in 2019-20 based on increased rural penetration of steel products.

5. The Study had also made recommendations for enhancing the consumption of steel in rural India such as shift in type of housing structure, re-looking steel designs for various applications, investment in community structures, small and medium steel products manufacturing, highlighting advantages of steel, increasing aesthetics of steel, improving logistics and supply chain for steel and addressing steel quality issues.

6. To implement the recommendations of the Study, the Ministry of Steel has constituted a 'Monitoring Committee' under the chairmanship of Joint Secretary to Government of India and comprising of representatives from SAIL, RINL, Ministry of Steel, JPC and INSDAG.

7. Institute for Steel Development and Growth (INSDAG) has organized steel campaign in rural areas by training the masons/local engineers on the benefits of steel usage and to promote best practices using reinforcement bars.

INSDAG has successfully conducted Masons Training in 29 rural locations covering 6 States till date:—

	2013-14	2014-15	2015-16 (Target)
No. of Programmes	14	24	30
In Association with	Tata Steel, RINL	Tata Steel, SAIL	Tata Steel, SAIL, RINL
Total No. of Mason/ Contractors trained	625	927	1000

8. INSDAG organizes Entrepreneurs-cum-Skill Development Programme (ESDP) for rural/semi-urban areas under MSME scheme to make rural entrepreneurs as steel fabricators of various household items like tables, chairs, furniture, racks, sheds, storage bins, fencing, etc. INSDAG selects about 30 potential entrepreneurs through paper advertisement/other means in consultation with the sponsoring agency to conduct 3-weeks training programme (theoretical and hands-on training) to enable the entrepreneurs to acquire skill in steel fabrication. INSDAG also prepares the Detailed Project Report (DPR) to enable them to register with DIC as well as in PMEGP and submit the same

to the banks through KVIC. INSDAG also identifies the machinery and equipments required for setting up the facility and also selects the products having demand in the market. Once the entrepreneurs sets up the fabrication facility it will not only lead to increase steel consumption in an around the village but also lead to employment and income generation of the people. The ready availability of steel fabrication facility would make the rural people aware of steel use.

9. INSDAG has developed and constructed a prototype rural house of 200 sq.ft. at a remote village at Burdwan, West Bengal. The building uses Steel frames and Ferro-cement Panels for roofing and cladding.

10. Encouraged by the effectiveness of this technology, Government of Tripura has assigned INSDAG to construct similar buildings near Khumlung Village (tribal) near Agartala under ICDS schemes which has since been completed.

11. INSDAG carried out the Feasibility Study of Cluster Development on fabrication and also prepares Diagnostic Study Report (DSR) as well as provides expert service for Cluster Development by the Group of Entrepreneurs.

12. Ministry of Steel has written to the Ministry of Rural Development to give wide publicity for the design developed by INSDAG among the various States which are implementing construction of rural houses under the Government of India schemes. Ministry of Steel has also written to all the PSUs under our administrative control and the Private Sector Steel Plants to consider development of model steel villages in rural areas under their CSR activities.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl.,
dated 15.04.2015]

Recommendation (Serial No. 4)

As regards the Rural Dealership Programme of SAIL and RINL, the Committee feel that instead of operating individual Rural Dealership programmes both the companies should take up rural dealership programmes as a Joint Venture and make combined efforts to make deep inroads into the rural area in the entire country. The Committee also recommend that a Joint Committee consisting of Directors from both PSUs should be appointed to look into this aspect. The Committee feel that a joint effort would go a long way in revising the projected per capita rural consumption of 12 kg. to atleast 25 kg. by 2020. The Committee would like to be apprised of the joint effort made by SAIL & RINL to target coverage of rural areas in the entire country.

Action Taken

A meeting of Director (Commercial), SAIL & Director (Commercial), RINL was held at New Delhi on 4th Feb 15 to discuss the issue.

Inter-alia, it was decided that since both the PSUs are independent Corporate identities and manage their marketing network independently, operating Rural Dealership programmes jointly may not be feasible.

However, joint efforts will be made by both the organizations to undertake activities which promote and propagate increased usage of steel with particular emphasis on rural areas. A joint task of officers at GM level in both the organization has been set up to implement the decisions taken in this regard. The progress, however, will be monitored periodically by both the Directors.

Further, RINL gives utmost importance for promotion of steel consumption in rural areas. With a view to making the Rural Dealership Scheme (RDS) more effective, RINL revisited the scheme in 2014-15 and implemented a revised scheme. Special efforts like issuing advertisements for appointment of rural dealers in different regions are carried out. RINL also issued advertisement in its website www.vizagsteel.com for appointment of Rural Dealers. Interested entrepreneurs can approach the Branch Sales Office of RINL in the respective areas for appointment as Rural Dealers. The procedure for appointment of Rural dealers is also very simple. Up to December, 2014 RINL has a total number of 453 Rural Dealers.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

DECLINE IN PROFIT OF SAIL

Recommendation (Serial No. 5)

The Committee are concerned to note the continuous declining trend in the profitability of SAIL year after year since 2009. From 2009-10 to 2013-14, the Profit After Tax (PAT) of SAIL was Rs. 6754 crore (2009-10), Rs. 4905 crore (2010-11), Rs. 3543 crore (2011-12), Rs. 2170 crore (2012-13) and Rs. 2616 crore (2013-14). The Committee are unhappy to note the decline in profit by more than Rs. 4000 crore in 2013-14 as compared to that in 2009-10. Though, in 2013-14 there has been a marginal increase in PAT as compared to that in 2012-13, the Committee feel that a serious brain storming is required on the part of SAIL management. Even the massive capacity addition through

Modernization and Expansion Programme of SAIL has not been translated into increase in the profits of the company. The Committee feel that SAIL management needs to rebuild a strategy to improve production, efficiency by giving attention to proper maintenance/repair and upkeep of equipments, introduction of new technology and cost cutting measures. The Committee feel that SAIL being a premier Steel PSU of the Government, immediate steps should be taken to reverse this declining trend of profitability. The Committee would like to be apprised of the steps taken by the Government/SAIL to increase the profitability of the company.

Action Taken

Plan for 2015-16 envisages following which will help in increasing production and profits of SAIL:—

- Proposed production of 14.54 MT of saleable steel with a growth of 11% over 2014-15 (likely).
- Proposed production of 5.67 MT of value added steel with a growth of 7% over 2014-15 (likely).
- Proposed production of 11.0 MT of crude steel through energy efficient concast route with a growth of 7% over 2014-15 (likely).

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

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

- Reduction in specific water consumption.
- Identification and sale of idle assets.
- Maximizing sales of coal chemicals, by-products and secondary steel.
- Identification and closure of uneconomic activities.
- Waste utilisation/Management.
- Maximizing utilisation of engineering shops and replacing purchased items.
- Strict control on demurrage expenses.
- Reduction in procurement cost through strict monitoring.
- Thrust on cost control, through dedicated cost control groups at plants.

Further, Steel Authority of India Ltd. has undertaken Modernisation & Expansion of its integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur & ISP and special steel plant at Salem. SAIL envisages increase in its crude steel production capacity from 12.8 Mtpa to 21.4 Mtpa in the current phase. The indicative investment for the current phase is Rs.61,870 crore. Besides, a provision of Rs.10,264 crore has been made towards investment in existing mines under Raw Materials Division (RMD) & development of Rowghat mine.The Expansion Plan of SAIL, besides capacity enhancement, 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. H-11014(10)/2014-Parl., dated 15.04.2015]

MODERNIZATION & EXPANSION PROGRAMME OF SAIL

Recommendation (Serial No. 6)

In order to maintain predominance in the steel sector and to remain globally competitive, SAIL had drawn up a Modernisation & Expansion Plan for its five integrated steel plants and special steels plants including raw material resources and other related facilities. The Committee note that the modernization and expansion programme of plants of Steel Authority of India Ltd. (SAIL) *viz.* IISCO Steel Plant (ISP), Salem Steel Plant (SSP), Bokaro Steel Plant (BSL), Bhilai Steel Plant (BSP) and Rourkela Steel Plant (RSP) was approved in principle by SAIL Board between June, 2006 to July, 2007. Apart from increasing the production capacity, the plan envisaged to address the vital issues of elimination of technological obsolescence, installing energy efficient & environment friendly technologies, value addition/product-mix improvement/sustenance of existing assets of the plants and introduction of customer-centric processes such as Enterprise Resource Planning (ERP) and Manufacturing Execution System (MES). The Committee have been informed that upgradation of existing facilities at steel plants was necessary to meet the stringent quality requirements of the customers and to remain cost competitive. SAIL had planned a expenditure of about Rs. 70,000 crore for modernization/expansion and sustenance schemes of existing Plants/Units, including Rs. 10,000 crore for development of raw material facilities. The source of funding of modernization & expansion plan of SAIL was to be done through a combination of debt & equity (including internal resources) while maintaining debt-equity ratio of 1:1. The Committee note that till date an amount of Rs. 53270 crore has been spent on 'Modernization and Expansion Programme' of SAIL. The original target for completion of modernization and expansion of plants of SAIL was between June, 2010 to March, 2013. Owing to buoyancy in the steel industry, the timeline for implementation of different packages was initially compressed to 2010. However, as per the revised targets, the plants of SAIL were to be commissioned between August, 2010 to December, 2012. The Committee note that these targets have been revised many times and fresh targets were set. Though the Committee feel that there may be unforeseen factors which are beyond the control of SAIL management which have led to this delay, but the management cannot altogether absolve itself for the delay. On review of the progress of individual units, the Committee come across various constraints such as dismal performance of civil contractors leading to fresh order placement, slow progress of work, high prices offered by the only bidder, delay in supply of equipment, delay in design engineering, civil and structural works, retendering of balance work, inadequate resource mobilization etc. As each SAIL unit is reportedly facing some or the other major problems, the Committee recommend that Ministry/SAIL should take immediate corrective measures and overcome all the major constraints and would also like to be apprised of the present target fixed for completion of modernization and expansion of plants by the company.

Action Taken

The Modernisation & Expansion Plan envisages increase in capacity of crude steel from 12.8 Mtpa to 21.40 Mtpa. The plant-wise progress is as under:—

IISCO Steel Plant

All facilities under the integrated process route are in operation, stabilization and ramp-up.

Rourkela Steel Plant

All new facilities under the integrated process route are in operation, stabilization and ramp-up.

Durgapur Steel Plant

The operation has started from completed facilities *viz*. Re-building of Coke Oven Battery-2, Ladle Furnace, Bloom-cum-Round Caster. The balance facility of Medium Structural Mill (1.0 Mtpa) is planned to be completed in 2015.

Bokaro Steel Plant

The operation has started from completed facilities *viz*. Upgraded Blast Furnace No. 2, Rebuilt Coke Oven Batteries No. 1, Rebuilt Coke Oven Batteries No. 2 and New 1.2 MTPA Cold Rolling Mill. For the balance facility of Upgradation of Hot Strip Mill, 95% offline erection completed. The shutdown of the Mill is planned in next fiscal in the month of May, 2015 and after that upgradation work will be taken.

Bhilai Steel Plant

The operation has started from completed facilities *viz*. New Coke Oven Battery, Sinter Machine in SP-3, Ore Handling Plant and Oxygen Plant on BOO basis. The balance facilities *viz*. Blast Furnace (4060 m^3), Bar & Rod Mill (0.9 Mtpa), Universal Rail Rolling Mill (1.2 Mtpa) and Steel Melting Shop–III (4.0 Mtpa) are in progress. The balance facilities are planned to be completed in 2015.

In order to arrest delays in implementation of Modernisation & Expansion Plan and also exercise greater control over defaulting parties, number of corrective actions have been/are being taken by SAIL which include Issue of Risk Purchase Notices (RPNs), encashment of Performance Bank Guarantee, Enforcing stricter penalty clauses, like

Liquidated Damages (LD) for delay in completion of facilities/non-fulfilment of Performance Guarantee Parameters, etc. Also, in case of poor performance of Public Sector Units like HEC, BHEL, EPIL, Bridge & Roof etc., the issue of their sub-optimal performance has been taken up by the Ministry of Steel with their respective Ministries at the highest level.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

Comments of the Committee

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

PERFORMANCE OF RINL

Recommendation (Serial No. 8)

The Committee observe a continuous decline in the income and profit of RINL during the last 3 years. During 2011-12, the income of RINL was Rs. 14898.58 crore which got reduced to Rs. 14020.70 crore in 2012-13. Again, during 2013-14, the income further declined to Rs. 13739.34 crore. Similarly, the Profit After Tax of RINL which was Rs. 751.46 crore in 2011-12 got reduced to Rs. 352.83 crore in 2012-13 which is even less than half of the earlier profit. Though, during 2013-14 there was a slight increase in company profit which was Rs. 359.18 crore, the Committee are concerned to note the lower profit target set at Rs. 292.26 crore by RINL for the year 2014-15. With the completion of capacity expansion plan of RINL, the Committee expect that the company should have fixed higher target of profitability during 2014-15. The Committee would also like to be apprised of the steps taken by the Government/RINL to overcome the problems faced like fall in net sale realization due to market conditions, increase in iron ore prices, fall in prices of imported coal which was offset by rupee depreciation, increase in railway freight without commensurate increase in prices, etc.

Action Taken

The target of Rs. 292.26 crore for Profit After Tax for the year 2014-15 was set keeping in view the impact of estimated increase in depreciation and interest expenses. A provision of Rs. 550 crore was made for depreciation for 2014-15 as against the actual depreciation of Rs. 271 crore in the year 2013-14. Similarly, a provision of Rs. 580 crore was made for interest for 2014-15 as against the actual interest of Rs. 338 crore in the year 2013-14.

Some of the initiatives taken to improve the Sales realizations are:—

- Enriching Product mix in line with Customers requirement.
- Developing new products as per customer requests.
- Market mix changes by increasing sales in Higher Net Sales Realization (NSR) regions like Andhra Pradesh, Telangana & Southern regions.
- Thrust on Exports for reducing pressure in Domestic market.

To mitigate the impact of variation in the prices of iron ore (especially increase), RINL has applied for mining leases in various States. RINL has been allotted Banera Iron Ore block in Bhilwara district of Rajasthan. Mining Plan has been submitted to Indian Bureau of Mines. Matter regarding obtaining various clearances is being pursued regularly. Further, RINL has also requested the Ministry of Mines to consider RINL for empanelment to carry out exploration works of good Iron Ore mines, in line with the relevant provisions of the MMDR Act, 2015.

To secure captive coal mines, RINL has submitted applications to Ministry of Coal for allocation of 4 thermal coal blocks in Angul, Talcher coalfields, Odisha. *i.e.* Bramanbil, Karadabahal, Phuljhari East and Phulajhari West. Matter is being pursued with Ministry of Coal. Ministry of Steel has also taken up with Ministry of Coal for allotment of Coking and Thermal Coal Blocks to RINL, preferably in Odisha and Jharkhand.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

MODERNIZATION & EXPANSION PLAN OF RINL

Recommendation (Serial No. 9)

The Committee note that RINL has almost completed the first phase of 6.3 mtpa expansion, with many units already operational for over a year. The Committee have been informed that Blast Furnace commissioned under this phase has already produced more than 3.6 Mt of hot metal and other major units commissioned and put into operation include the Oxygen Plant, Turbo Blower-4, Raw Material Handling Plant, Sinter Plant, Steel Melt Shop-2, Wire Rod Mill-2 & several auxiliary systems, *viz*. water, power & utility systems. The last major unit under Stage-1 *i.e.,* Calcining & Refractory Material Plant (CRMP) was planned to be commissioned by October, 2014. Stage-2 of 6.3 mtpa Expansion includes installation of Special Bar Mill (SBM) and Structural Mill (STM). In both the mills, major equipment erection has been completed. Rolling in both SBM & STM was likely to commence from December, 2014/January, 2015. The Committee also note that RINL had received a setback during the hot trial runs of Convertor at SMS-2 on 13.06.12 as there was an unfortunate incident of explosion at new Pressure Reducing Station resulting in 19 fatal cases. Furthermore, two engineers of a private agency died while carrying out inspection job in a container laboratory at the RINL Plant pushing back the commissioning schedules of Expansion plan of the Company. The Committee are concerned to note such accidents at RINL Plant in 2012 and 2014 and recommend that the Government/RINL should take necessary steps for ensuring adequate safety of the workforce and apprise them of the action taken thereon on the recommendations of enquiry reports on these accidents.

Action Taken

Major units of stage-1 have been commissioned and are under regular operation. The balance units under Stage-2 *i.e.,* Special Bar Mill and Structural Mill were planned for commissioning in December, 2014. However, due to devastating cyclone "HUDHUD" in October, 2014, these were impacted and commissioning rescheduled.

Safety is accorded highest and top priority in RINL and adequate measures are being taken for the safety of the workforce. Recommendations given by various Investigation Committees have been implemented and ensured for compliance, as per the details given below:

Inquiry Committees have been constituted on occurrence of accidents/mishaps by the Management of Rashtriya Ispat Nigam Ltd. In serious accident cases high level inquiry is ordered by the Ministry in addition to the plant level inquiry and inquiry ordered by the State Government/Local authorities. The findings of the Committees include causes of such accidents and recommendations for preventing recurrences etc. The recommendations of the inquiry committees are implemented, monitored and reviewed at appropriate levels in plants/ units. Various measures taken to strengthen the safety mechanism include, *inter alia,* the following:

i. Review of Hazard Identification and Risk Assessment Training programme has been conducted by Director Safety, Regional Labour Institute, Chennai, and DGFASLI in October 2012.

ii. Comprehensive safety audit has been conducted by Regional Labour Institute, Chennai, DGFASLI (Directorate General, Factory Advice Service & Labour Institutes) in July 2012.

iii. Mock-drills as per the emergency plan conducted periodically.

iv. Automatic gas leak detection alarm in critical and gas prone areas provided.

v. Spreading safety awareness through training programmes and workshops.

vi. Enforcing usage of job specific personal protective equipment.

vii. Conducting special training programmes on Behavioural Based Safety and Legal awareness.

viii. Training programme conducted on 'Prevention of Fire in Oxygen' enriched systems etc.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

Comments of the Committee

(Please *see* para 13 of Chapter I of the Report)

Recommendation (Serial No. 10)

The Committee while acknowledging another unfortunate incident faced by RINL during recent cyclone resulting in stoppage of electricity supply to RINL Plant by AP TRANSCO (Transmission Corporation of Andhra Pradesh). This had led to decrease in temperature of Coke Oven Battery & Blast Furnace. During evidence on 16.10.2014, the Committee were informed that electricity to the plant would be restored after 2-3 days and the Plant would be functional to its original capacity after about 3-4 weeks of restoration of power. The Committee desire that all out efforts should be made to bring the plant back to its original capacity as soon as possible and thereafter, RINL should resume with its plan of enhancement of capacity.

Action Taken

With the intervention of Government of Andhra Pradesh and Government of India, emergency power supply to the Plant was restored on 16th October, 2014. All the major units were restarted progressively by 2nd November, 2014. However, as the Blast Furnaces and Converters in Steel Melt Shop had undergone severe thermal shocks, they had to be carefully nurtured to return to normal levels of operation.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

CONSTRAINTS FACED BY RINL

Recommendation (Serial No. 11)

The Committee observe that the issue of allotment of coal blocks to RINL has been pending since long and they have time and again recommended for allotment of coal blocks to RINL. The Committee are, however, unhappy to note that not much progress has been made in the matter so far. The Committee have now been informed that 4 Coking Coal blocks have been identified by Ministry of Coal, for allocation to Public Sector Steel Industries. Secretary, Ministry of Steel had written to Secretary (Coal) for allotment of Aluara and Parbatpur North mines preferably to RINL, but Ministry of Coal is yet to finalise modalities for the same. The Committee have also been given to understand that besides coking coal mines, RINL had also applied for coal mines for thermal power generation. Applications have been filed for 3 thermal coal blocks in Andhra Pradesh on 28.10.2005, 3 non-coking coal blocks, one each in Odisha, Jharkhand and Chhattisgarh on 30.01.2013 and 4 more thermal coal blocks on 09.01.2014 in Angul, Talcher Coalfields, Odisha *i.e.* Brahmanbil, Karadabahal, Phulajhari East and Phulajhari West Coal Mines. The Committee are apprehensive of allocation of these coal blocks to RINL after the recent orders of Hon'ble Supreme Court for de-allocation of coal blocks. The Committee would like to be apprised of the new initiatives taken and present status of allocation of the above referred coal blocks to RINL.

Action Taken

Coal blocks earmarked earlier

RINL had submitted applications to Ministry of Coal on 09-01-2014 for four (4) thermal coal blocks in Angul, Talcher coalfields, Odisha. *i.e.* Bramanbil, Karadabahal, Phuljhari East and Phulajhari West. Matter is being pursued with Ministry of Coal.

Coal blocks cancelled

Ministry of Coal has brought out Coal Mines (Special Provision) Ordinance, 2014 for Auction and Allotment of 204 Coal Mines/Blocks cancelled by the order of Hon'ble Supreme Court. Ministry of Coal has been requested for allotment of at least one or two Coking Coal and Thermal Coal blocks in favour of RINL out of the blocks earmarked for PSUs by Ministry of Coal.

Ministry of Steel has also taken up with Ministry of Coal for allotment of Coking and Thermal Coal Blocks to RINL, preferably in Odisha and Jharkhand.

RINL is taking actions for securing some coal blocks through auction process also.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl.,
dated 15.04.2015]

Recommendation (Serial No. 12)

The Committee also acknowledge that the plan of RINL for expansion of its capacity upto 20 Million Tonnes is being hampered due to lack of raw material security. Being the only Public Sector Steel Plant without captive iron ore mines till now, RINL has been incurring about 60% of expenditure on raw material while other major producers are incurring 31-44% cost on raw material. The Committee are, however, happy to note that RINL will soon start work on developing its low grade iron ore mines in Bhilwara District of Rajasthan. In this regard, a Letter of Intent (LoI) has already been received from the Rajasthan Government. This will be the first captive mine for RINL as so far the company has sourced iron ore from NMDC. The Committee have been further informed that Phase-I exploration of Banera Iron ore Block by M/s. MECL is in progress and is scheduled to be completed by June, 2015. Government of Rajasthan is being followed up to obtain various clearances in respect of Banera iron ore block and for providing infrastructure facilities for the project. In the meantime, the Committee recommend that RINL should continue to pursue allotment of more iron ore blocks to ensure that it gets raw material for its expanded capacity of 20 Million Tonnes.

Action Taken

Mining Plan has been submitted to Indian Bureau of Mines on 06.01.2015 for approval in respect of Banera Block Iron Ore mines in Bhilwara District of Rajasthan. Matter regarding obtaining various clearances is being pursued regularly.

Iron Ore mine applications: As per the MMDR Amendment Ordinance, 2015, all the applications received prior to the Ordinance are ineligible.

Further, Government of Rajasthan has recommended allotment of iron ore blocks to RINL (VSP) in Jahajpur of Bhilwara District and sent the recommendation to Ministry of Mines, Government of India. The matter is being followed up with the State Government of Rajasthan and Government of India.

RINL has requested the Ministry of Mines to consider RINL for empanelment to carry out exploration works of good Iron Ore mines, in line with the relevant provisions of the MMDR Act 2015.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl.,
dated 15.04.2015]

Comments of the Committee

(Please *see* para 16 of Chapter I of the Report)

PERFORMANCE OF NMDC

Recommendation (Serial No. 13)

The Committee note that after merger of Sponge Iron India Limited with NMDC in the year 2010-11, NMDC has entered in the field of manufacturing "Sponge iron". While reviewing the physical performance of NMDC, the Committee observe that there has been a continuous decline in the production and sale of sponge iron. Against 37237.40 MTs of sponge iron produced in 2011-12 production got reduced to 36289 MTs in 2012-13. During 2013-14, the production further declined to 29734 MTs. Similarly, against the sale of 33731.79 MTs and 37600 MTs of sponge iron in 2011-12 and 2012-13 respectively, only 30572 MTs of sponge iron was sold during 2013-14. Regarding this, the Committee were informed that there were major problems with the DR (Direct Reduction) Plant, and it was not operational for many days during 2011-12, 2012-13 and was shut down for about 3 months during 2014 due to major maintenance works. Moreover, the declining trend of sponge iron production was also reported to be due to subdued market demand, lack of sufficient raw materials, etc. In view of the foregoing, the Committee would like to be apprised of the current demand of sponge iron in the country *vis-à-vis* the total production and the steps taken to make available sufficient raw material for sponge iron production.

Action Taken

The sponge iron industry in the country is currently operating at less than 50% capacity owing to higher input cost and poor demand, falling Sponge iron prices to almost their lowest levels, import of scrap, higher freight cost, increase in power tariff etc. During the last 3 years, the production of sponge iron of the country has been decreasing inspite of having good installation capacity as seen from following table:—

Year	Installed Capacity (in million T)	Production of Sponge Iron (in million T)
2011-12	36.30	24.98
2012-13	45.23	23.01
2013-14	45.34	22.87

Source: JPC

Even though imported scraps is expensive compared to Sponge Iron, Secondary Steel Plants prefer to use it, since the percentage of yield works out to be higher which eventually nullifies the high cost imported scarp.

Sponge Iron Unit (SIU), NMDC is also facing the similar problems as faced by sponge iron industry of the whole country. During the current year of FY 2014-15 (April 2014-December 2014), the production and sale of sponge iron by SIU, NMDC is as follows:—

Year	Production (in metric tonnes)	Sale (in metric tonnes)
2014-15 (April, 14-Dec. 2014)	21820.53	21206.38

It could be seen from the above that the sponge production is in sync with sale keeping in view of poor demand, falling sponge iron prices. However, there is no dearth of availability of raw material (iron & coal) for sponge iron production for SIU, NMDC. But due to subdued market demand and lower sponge iron prices, the sponge unit is currently operating at reduced capacity.

In fact, the sponge iron production in Andhra Pradesh (Undivided) has decreased to 0.25 million tonnes in FY 2013-14 from 0.47 million tonnes during FY 2012-14 indicating poor demand of sponge iron in Andhra Pradesh (Undivided).

At NMDC Limited Sponge Iron Unit suitable steps were taken and now there is stock of Raw Materials *i.e.* Iron Ore Coal and Dolomite to meet consumption for three Months. Sufficient stocks of product (Sponge Iron) are available due to depleted off-take.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

Recommendation (Serial No. 14)

The Committee also note that the original date of commissioning of the 3.0 Mtpa Integrated Steel Plant at Nagarnar, Chhattisgarh which was approved in March, 2011 was February, 2015. This was later rescheduled for May, 2015. Now, the Committee have been informed that the likely date of commissioning of the plant is December, 2016 as the environmental clearance for the construction of steel plant from the Ministry of Environment & Forest has been received, stage II Forest Clearance for certain matters is still pending. Out of the approved project cost of Rs. 15525 crore, Rs. 4230.52 crore has already been expended. The Committee desire that though the date of completion of the project has been rescheduled twice, Ministry of Steel/NMDC should ensure that no further delay occurs in the matter and environmental clearance for the same be obtained expeditiously.

Action Taken

NMDC has been constructing 3.0 MTPA Integrated Steel Plant at Nagarnar, Chhattisgarh with likely date of commissioning as December, 2016. In order to ensure that there is no further delay in commissioning of steel plant, Ministry of Steel holds regular review meetings on progress made in Nagarnar Steel Plant with NMDC Ltd.

[Ministry of Steel, O.M. No.H-11014(10)/2014-Parl.,
dated 15.04.2015]

Recommendation (Serial No. 15)

The Committee also note that NMDC is also in the process of expanding its business through integration in both Greenfield and Brownfield projects by setting up a 2 MTPA pellet plant in Chhattisgarh, a 1.2 MTPA Pellet plant at Donimalai in Karnataka and a 0.36 MTPA Bended Haematite Jeshpar (BHJ) ore beneficiation plant at Donimalai. NMDC has also signed a Memorandum of Understanding (MoU) with RINL for setting up a joint venture project under which a pellet plant of 6 MTPA capacity would be set up at Visakhapatnam and an underground pipeline of 336 kms. would be laid from Nagarnar to Visakhapatnam. The Committee has also been informed that NMDC is contemplating a major expansion to meet the demand of iron ore. The Committee would like NMDC to prepare an action plan for the early commissioning of the Greenfield and Brownfield projects and they may be apprised in this regard.

Action Taken

Action Plan for the early commissioning of the Greenfield and Expansion Projects

Sl. No.	Name of the Modernisation & Expansion Projects	Approved/ Estimated/ awarded cost of the project	Scheduled/ Expected Completion	Status of the Project
1	2	3	4	5
New Mine Opening				
1.	Bailadila Iron Ore Deposit 11B , Chhattisgarh (capacity-7 MTPA)	Rs. 607.17 (approved on 16.05.2008)	March-2015	90% of the total work is completed.
2.	Kumaraswamy Iron Ore Project, Karnataka (Capacity-7 MTPA)	Rs. 898.55 (Approved on 26.11.2010)	Aug.- 2015	75% of the total work is completed.
3.	Bailadila Deposit-4 (7 MTPA Capacity) (This project will be developed by JV Company *i.e.* NMDC-CMDC Limited)	1899.74 cr. (As per TEFR prepared in 2010)	Production Plan • FY 17-18-2 MTPA • FY 18-19-3 MTPA • FY 19-20-6 MTPA • FY 20-21-7 MTPA	• Government of CG issued LOI mentioning precise area on 12.01.2012. IBM, Nagpur approved Mining Plan on 26.07.2013. • Environment Clearance (EC): EC application applied on 06.03.2014 to MoEF. On 12.08.2014 issued ToR, preparation of EIA/EMP is under process. • Forest Clearance (FC):- FC application submitted to PCCF, Raipur on 30.03.2013 for an area of 741.726 Ha. State Forest Department asked to submit FC application excluding tree fern area; the same is under preparation for submission to forest department.

1	2	3	4	5
4.	Bailadila deposit-13 (10 MTPA Capacity) (This deposit will be developed by NMDC-CMDC Ltd. (NCL)	2194.42 cr. (as per TEFR prepared in 2009)	Production Plan • FY 16-17-2 MTPA • FY 17-18-3 MTPA • FY 18-19-5 MTPA • FY 19-20-9 MTPA • FY 20-21-10 MTPA	• Government of CG issued LOI mentioning precise area on 08.10.2007. IBM, Nagpur approved Mining Plan on 12.09.2008. • Environment Clearance (EC): EC process completed but clearance letter is kept in abeyance for want of forest clearance. After getting first stage forest clearance on 12.11.2014, NMDC *vide* letter dated 15.11.2014 requested for grant of EC order. The issue is pending with MoEF. • Forest Clearance (FC): Stage-I forest clearance obtained on 12.11.2014, compliance report for Stage-II forest clearance is under preparation.
Expansions				
1.	Installation of 4th line in existing screening plant of Bailadila deposit 10/11A, Bacheli, Chhattisgarh (For augmentation of production from 5 to 7 MTPA from deposit 10/11A at Bacheli)	Rs. 16.40 cr. (Awarded on 04.10.2012)	June-2015	Engineering & Major Supplies are completed. Site construction work in progress.
2.	Construction of Screening & Beneficiation Plant-II at Donimalai,	Rs. 399.75 cr. (Approved by Board on 28.11.2014.)	Aug.-2018	• Appointment of EPCM Consultant is under process. • The project is planned to be completed by Aug. 2018

1	2	3	4	5
	Karnataka Objective: To process iron ore from both KIOM & DIOM (10 MTPA)			• Submitted Forest clearance application through online portal on 13.12.2014. The same is pending with Nodal Officer, Forest Dept., Aranya Bhavan, and Bangalore.
3.	Refurbishment of Screening plant-1 at Kirandul deposit-14 along with other related works. Objective: For Augmentation of production from 5 to 7 MTPA	To be finalised	To be finalised after the finalisation of facilities	Finalisation of facilities for capacity expansion of Kirandul Complex is under study.
4.	Screening Plant-III at Kirandul Complex, Chhattisgarh. Objective: For Augmentation of production from 12 MTPA to 19 MTPA	Rs. 951 cr. (Approved by Board on 29.05.2009)	Scheduled completion period is 36 months from zero date (zero date yet to be finalised)	• The EPCM consultancy work is awarded. • The project is divided into 07 packages. 04 packages were tendered and subsequently the tenders were cancelled due to non-availability of clearances. • Stage-1 Forest Clearance is obtained on 17.01.2012 from MoEF. • Final stage Forest Clearance is pending with MoEF, New Delhi from 10.12.2014. • Tree felling permission is pending with DFO Dantewada, Chhattisgarh.
5.	a. Construction of 5th line in the existing screening plant of Deposit-5 at Bacheli	Rs. 16.48 cr. (Estimated cost as on Oct.-14)	Sept., 2017	• Scheme for both the works is finalised. • Tree felling permission is to be obtained from Government of CG.

1	2	3	4	5
	b. Upgradation of downhill conveyor system of Deposit-5 at Bacheli Objective: For Augmentation of production from 8 to 10 MTPA from Deposit-5 at Bacheli	Rs. 48.23 cr. (Estimated cost as on Oct.-14)		
6.	New crushing plant & Downhill conveyor system of Bld-14 in Kirandul (7 MTPA)	----	Feb., 2019	• Board has accorded in principle approval to initiate action for seeking statutory clearances on 06.01.2014. • Process of obtaining necessary clearances from various statutory authorities for 5 MTPA capacity plant have been initiated. • Proposal requires change in land use plan of Bailadila Deposit-14 mining lease. These changes have been incorporated in the FC application submitted for obtaining clearance for renewal of ML for Deposit-14, due in Sept., 15. All the formalities as per the check list including Gram Sabha resolution and Collector certificate under FRA 2006 submitted to DFO, Dantewada on 28.11.2014. DFO recommended and forwarded the proposal to CCF, Jagdalpur on 30.12.2014.

1	2	3	4	5
				• However, as suitable parallel action is to be initiated for getting required clearances/ permission for operating the mine & plant at 10 MTPA capacity as per growth plan. For this following DPRs it to be prepared. √ DPR for modified mine plan, Heavy earth moving machinery, mine infrastructure, crushing plant and downhill conveying system. √ DPR for additional TCP, Lump stacking, reclaiming and loading facility √ DPR for refurbishment of SP-1 √ DPR for new rail siding/yard. • A proposal for engaging EPCM consultants for implementation of growth plan is in progress. • The proposal for appointment of EIA consultant have been approved by C/A.
7.	5th Screening line in SP-II in Kirandul complex Objective: To process 1.5 to 2.0 MTPA ore from deposit 11B initially & after wards it will process 10 MTPA ore from Deposit-11C.	Rs. 24.61 cr. (Estimated cost under finance vetting)	July, 2017	The Engineering scheme is finalised including the estimated project cost. The same is under process of approval of C/A.

1	2	3	4	5
Modernisation				
1.	1.2 MTPA Pellet Plant at Donimalai, Karnataka (Objective of the project is value addition of Slimes & fines and to prolong the life of Tailing Dam at Donimalai Iron Ore Mines)	Rs. 572 cr. (Approved on 29.05.2009)	June, 2015	94% of the total work is completed. The operational power supply line to plant is held up due to forest clearance. The file is presently with RFO, Sandur, Karnataka.
Diversification				
1.	3.0 MTPA Integrated Steel Plant at Nagarnar, Chhattisgarh	Rs. 15525 cr. (approved on 07.01.2010)	Dec., 2016	• Major Technological Packages (09) Nos. All the 09 Major Technological packages are awarded. Civil work, structural erection and equipment erection work is progressing at site except for Lime & Dolomite Plant. • Auxiliary packages (26 Nos.) Out of the Total 26 packages, 07 Nos. are awarded, tenders issued for 10 nos. of packages (05 Nos. are under different stages of tender evaluation & 05 nos. of tenders yet to be opened) and remaining 09 packages are under different stages of tender document finalisation. • Infrastructure Packages (15 Nos.) Out of the Total 15 packages, tenders

1	2	3	4	5
				issued for 05 Nos. of packages (05 Nos. are under tender evaluation) and remaining 11 packages are under different stages of tender document finalisation. • Enabling Packages (11 Nos.) Out of the Total 11 packages, 08 Nos. of packages are awarded (05 Nos. completed & 03 Nos. Nearing completion), tenders issued for 02 No. of packages (01 pkg. under Tender evaluation & 01 yet to be opened) and remaining 02 packages are under different stages of tender document finalisation. • Railway Siding Packages (05 Nos.) ➢ DPR of Railway siding is approved by E. Co. Railway. ➢ Diversion plan approved by E. Co. Railway. ➢ Out of the Total 05 packages, tenders issued for 02 no. of packages (01 under tender evaluation & one yet to be opened) and remaining 02 packages are under different stages of tender document finalisation. One No. package to be executed by NHAI on deposit basis.
2.	Slurry Pipeline Project 1. Slurry Pipeline	Total Capex is Rs. 10000 cr. (proposed)	March, 2018 on obtaining all statutory clearances and land	• Detailed Route survey of Pipeline corridor for first phase of implementation

1	2	3	4	5
	Project which will be owned and executed by NMDC is as below: (i) Ore Beneficiation Plant at Kirandul to produce 6 MTPA Ore concentrate (ii) Ore Beneficiation Plant at Bacheli to produce 4 MTPA Ore concentrate (iii) 11 MTPA Slurry Pipeline between Kirandul and Bacheli (iv) 15 MTPA Slurry Pipeline between Bacheli and Nagarnar (v) Associated Electrical and Water Pipeline system (vi) 2 MTPA Pellet Plant at Nagarnar with associated filtration facilities (vii) Return water pipeline from Nagarnar to Bacheli 2. Slurry Pipeline Project from	The first phase of Implementation will involve a Capex of Rs. 2907 crores for setting up of Ore processing plant at Bacheli, 15 MTPA Slurry Pipeline system from Bacheli to Nagarnar, 2 MTPA Pellet Plant at Nagarnar and associated feed water and Electrical power supply systems.	for Right of use/Right of Way for laying Slurry pipeline and water pipeline by Oct., 2015.	for laying Slurry Pipeline between Bacheli & Nagarnar and Water Pipeline from River Sabri, near Sukma to Bailadila is completed. • Mecon is appointed as EPCM Consultant on 23.1.15 for rending Engineering, Contract Procurement, Construction and Project Management Services for implementation of the Project. NMDC initiated various activities for obtaining Statutory clearances for the first phase of implementation as below: (i) Application submitted in March, 2013 to enter into Memorandum of Understanding with Chhattisgarh State Government for sanction of Utilities like land, Water etc. for implementation of the Project. Status—Pending for approval by State Government. (ii) Environment clearance for setting up of Ore processing plant at Bacheli, Slurry Pipeline system from Bacheli to Nagarnar and Pellet Plant at Nagarnar. Status — For Ore processing Plant at Bacheli and Slurry Pipeline from Bacheli to Nagarnar—Public hearing to be conducted by Statutory Authority. For Pellet Plant at Nagarnar-

1	2	3	4	5
	Nagarnar to Vizag (to be executed under JV) in which NMDC and RINL will be prime members. shall be as below: (i) 13 MTPA Slurry Pipeline between Nagarnar and Vizag (ii) 6 MTPA Pellet Plant at Vizag with associated filtration facilities Return water pipeline from Vizag to Nagarnar			Environment monitoring studies taken up by NMDC. (iii) Forest clearances for laying slurry Pipeline, Feed Water Pipeline and Auxiliary tailing pipelines and conveyor galleries for Ore processing plant. Status—Separate applications submitted to Forest Department. (iv) Permission to cross Railway lines, National Highways, Water bodies and other roads. Status—Separate applications are submitted to East Coast Railways, NHAI (Jagdalpur), PWD and Irrigation departments.
3.	Panthal Magnesite Project	Rs 202.46 cr.	Commissioning period is 18 months and subsequently 6 months for PG test from signing of Contract of Main Package (Pkg-1) (Material Handling, Material Processing and Kilns).	• Pkg.-4 (Balance Civil and Structural works are in progress. • Price bid for main package (Pkg.-1) has been opened on 29.12.2014. Bid evaluation is in progress.
4.	BHJ Benefication Plant (0.36 MTPA) Objective: For processing BHJ Iron Ore to produce BF grade Pellet feed concentrate	Rs. 68.68 cr. plus USD 662650 (Awarded price).	18 months as per LAC placed on 15.02.2012.	• Work awarded on Hindustan Dorr Oliver Limited, Bateman Engineering India Private Limited and Bateman - South Africa consortium partners. • Site activities couldn't start for want of 'Forest Clearance' to be obtained

1	2	3	4	5
				from Karnataka State Government/MoEF for change of 'land use pattern' towards part of land already under mining lease, which is in process. The file is with DCF Bellary. • Finally, work awarded on HDOL is cancelled in August, 2013 due to non-availability of forest clearance.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

MERGER OF SMALL COMPANIES

Recommendation (Serial No. 18)

The Committee observe that there are 8 PSUs *viz*. SAIL, RINL, NMDC Ltd., MOIL Ltd., KIOCL Ltd., HSCL, MECON Ltd. and MSTC Ltd. under the administrative control of Ministry of Steel. Out of these 8 PSUs, SAIL, RINL and NMDC are the major PSUs and are engaged in development of iron ore mines and production of steel. Taking note of the fact that most PSUs profit has been declining, the Committee are concerned to observe that at times the issue regarding chances of survival of smaller companies crops up. The Committee also feel that due to smaller units, a lot of expenditure is incurred under the Non-Plan Head as all provisions like infrastructure, salary, bonus, incentives, etc. have to be provided to the staff employed. The Committee are of the opinion that the functions of these companies are inter-related in major ways. The Secretary, Ministry of Steel, was candid enough to admit during evidence that a study has already been conducted to look into the matter of repositioning of MSTC & FSNL. MSTC is the holding company of Ferro Scrap Nigam Ltd. (FSNL) whose 100% paid up equity shares are held by MSTC. FSNL is into selling of scrap whereas MSTC is in the business of e-commerce. In a post evidence reply, the Ministry have informed the Committee that feasibility of merger of smaller PSUs would be examined taking into account the desirability, shareholding pattern, functions and other aspects of the larger entities companies. The Committee recommend that an extensive study for this should be undertaken regarding other PSUs under administrative control of Ministry of Steel within the next three months and the Committee be apprised of the outcome of this study.

Action Taken

The Public Sector Undertakings under the Ministry of Steel were set up for a specialized nature of work and they continue to perform such work. The suggestions/observations of the Committee have been taken note of and would be examined taking into account the desirability, shareholding pattern, functions and other aspects of the larger entities companies.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

IMPLEMENTATION STATUS OF THE RECOMMENDATIONS CONTAINED IN 35TH REPORT (15TH LOK SABHA) OF THE COMMITTEE

Recommendation (Serial No. 19)

The Committee have analyzed the implementation of the observations/recommendations contained in their Thirty-Fifth Report (15th Lok Sabha) on Demands for Grants for the year 2013-14 of the Ministry of Steel. The analysis of the Committee shows that out of the 21 recommendations pertaining to the Ministry of Steel contained in their Report, 2 recommendations (Recommendation Sl. Nos. 11, 16) have been implemented by the Government. 14 recommendations (Recommendation Sl. Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, 12, 13, 15, 17 & 21) are under the process of being implemented by the Ministry, the reply in respect of 2 recommendations (Recommendation Sl. Nos. 5 & 20) has not been accepted by the Committee and 3 recommendations (Recommendation Sl. Nos. 14, 18 & 19) are yet to be implemented by the Government. The Committee would review the implementation of recommendations by the Ministry in due course. The Committee, therefore, wish that the process of implementation of the recommendations under process be also expedited at the earliest and they be apprised of the same.

Action Taken

The observation of the Committee has been noted for compliance.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

CHAPTER III

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

KIOCL

Recommendation (Serial No. 16)

While reviewing the performance of KIOCL, the Committee note that during 2011-12 about 1.710 million tonne of pellets were produced by KIOCL. During 2012-13, there was a decline in the pellet production and only 1.265 million tonne of pellets were produced. Also the Profit After Tax (PAT) of KIOCL has been steadily declining during the last 3 years even though the decline in production of pellets is not so drastic. From Rs. 94.30 crore in 2011-12, the PAT reduced to Rs. 31.04 crore in 2012-13 which is about one third of the profit in 2011-12. The PAT for 2013-14 is Rs. 39.93 crore and Rs. 43.57 crore is targeted for 2014-15. The Committee acknowledge that the mining activity at KIOCL Ltd. was stopped *w.e.f.* 1.1.2006 as per the Hon'ble Supreme Court Order. At present, KIOCL is mainly operating the pellet plant at Mangalore by sourcing Iron Ore from the market. The Committee have been informed that demand for pellets in the country is only 50% of what is produced, leading to lower margin. In the absence of captive iron ore mines, KIOCL is forced to source iron ore from NMDC incurring huge logistics cost. Moreover, M/s JSW Ispat which accounted for 70% of sales of KIOCL in 2013-14 has commenced its own captive pellet plant. Even PSUs have stopped lifting pellets from KIOCL due to huge landed cost. The Committee have been apprised that due to all these factors there is a major impact on the profitability of the company. The Committee feel that Ministry of Steel/KIOCL should make concerted efforts to acquire mines for its sustainability and M/s KSIDC (Kerala State Industrial Development Corporation) be pursued to identify iron ore bearing area in Kasaragod district of Kerala. For this purpose, Ministry of Steel/KIOCL should also consider formation of Joint Venture between KIOCL, KSIDC & Kerala State Mineral Development (KEMDEL) Corporation Ltd. The Committee would like to be apprised of the progress made in this regard.

Action Taken

A MoU was signed between KIOCL Limited and Kerala State Industrial Development Corporation Limited (KSIDC) for iron ore mining, setting up of beneficiation & pelletisation Plant in the Kasaragod/Kozhikode

Distt. In the State of Kerala on September, 2011 at New Delhi. The MoU was valid for a period of one year from the date of signing *i.e.* 21.09.2012. KSIDC informed KIOCL in February, 2012 that in Kozhikode Dist. no iron ore bearing area is available for exploitation and KSIDC in consultation with State Directorate of Mines and Geology, is exploring possibilities to identify the iron ore bearing area in Kasaragod Distt.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl.,
dated 15.04.2015]

CHAPTER IV

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

DECLINE IN PROFITABILITY OF MECON AND MSTC LTD.

Recommendation (Serial No. 17)

The Committee observe a decline in profit of both MECON and MSTC Ltd. during the last 3 years. As regards MECON, the company recorded a profit of Rs. 136.36 crore during 2011-12 which got reduced to Rs. 101.02 crore in 2012-13. The Committee are dismayed to note that during 2013-14, only Rs. 18.77 crore was registered as profit by MECON which got reduced by 7 times the profit in 2011-12 and is only about 1/5 of the profit during 2012-13. Similarly, in case of MSTC Ltd., Profit After Tax (PAT) for 2011-12 was Rs. 118.39 crore. During 2012-13, PAT was Rs. 130.73 crore and it got reduced to a mere Rs. 99.04 crore during 2013-14. For the year 2014-15, Rs. 75.57 crore is the targeted PAT. The major reasons furnished by MECON for slump in profit are economic slowdown, ban on iron ore mining which resulted in delay in implementation of projects, non-materializing of expected projects and uncertainty in availability of coal, etc. Similarly, MSTC Ltd. has also given reasons of unrealized dues for gold jewellery export during 2008-09 and a significant reduction in volume of trading business. The Committee are not satisfied with the reasons put forward by the two companies and believe that they have to strive hard to remain competitive in the market to ensure their survival. The Committee, therefore, strongly urge both the companies to step up efforts to increase their profitability and they be apprised of the same.

Action Taken

There is a decline in profit of MECON Ltd. during the Last 3 years. MECON recorded a profit of Rs. 136.36 crores during 2011-12 which got reduced to Rs. 101.02 crores in 2012-13. In the FY 2013-14, the company registered a profit of Rs. 49.48 crores only *i.e.* 2.75 times less than the profit in 2011-12 and is only about $^1/_2$ of the profit during 2012-13. The major reasons for slump in profit are economic slowdown, ban on iron-ore mining which resulted in delay in implementation of projects, non materializing of expected projects an uncertainty in availability of coal, etc.

The physical and financial performance of MSTC LTD. for the last 3 years are given below:—

(Rs. in crore)

	2011-12	2012-13	2013-14
A. Physical			
(i) E-Commerce	16005.03	15482.46	19395.25
(ii) Trading	5746.15	10024.20	7488.15
(iii) Total Vol. of Business	21751.18	25506.66	26883.40
B. Financial			
(i) Income	2695.92	6455.25	5230.30
(ii) Operating Cost	2517.69	6259.40	5108.94
(iii) Gross Margin	178.23	195.85	121.36
(iv) Extraordinary Item	-	-	226.78
(v) Profit/(Loss) before Tax	176.15	193.40	(107.37)
(vi) Profit/(Loss) after Tax	118.39	130.73	(70.03)
(vii) Dividend (%)	1077%	300%	-

An amount of Rs. 226.78 crore has been provided for towards non-realisation of outstanding from foreign buyers on export of gold jewellery made during 2008-09.

The decline in profit during 2013-14 was due to dip in volume of trading business in which profit margin is more as compared to other segment *i.e.* e-Commerce. The prolonged slowdown in the economy particularly in the steel sector has forced many plants to shut down or scale down the production. This has resulted in the poor recovery of MSTC's outstanding. In view of inherent high risk in trading business, a decision has been taken to gradually reduce exposure in this segment.

This situation is salvaged to a greater extent by way of increased value of import of thermal coal for power utilities which is less remunerative than the other raw materials for steel sector hence not giving commensurate increase in make-up.

In order to make up the decrease in income in trading segment, MSTC put more thrust on increasing e-Commerce business but the commensurate increase in income could not be realized due to Principals' insistence to reduce service charge rates during renewal of the agreements and increased tendency for resorting to tenders wherein MSTC has bleak prospect of winning the same due to abysmally low quote by the small private service providers.

The way forward of opening of the opportunities in e-Auctions of agriculture and forest produce, minerals, coal and non-coal mining blocks and e-Procurement will stem the decline in profits further in the forthcoming years.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

Comments of the Committee

(Please *see* para 19 of Chapter I of the Report)

CHAPTER V

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

DEDICATED FINANCIAL INSTITUTIONS FOR THE STEEL SECTOR

Recommendation (Serial No. 7)

As regards setting up a dedicated institution to finance capacity expansion in the steel sector on the lines of Power Finance Corporation (PFC) which is committed to the integrated development of power and its associated sectors, the Committee were informed that the idea floated by SAIL was examined at length by the Ministry and they felt that the enormous problems of land, water and linkage to mineral resources are affecting the expansion programme of steel sector rather than the issue of lack of finance. While emphasizing the need that the Government should take all out steps to remove the bottlenecks like non-availability of land, water and mineral linkage, the Committee recommend that the proposal mooted by SAIL should be given a fresh look by the Government for arranging preferential/cheaper credit to the steel sector so as to enhance national steel production.

Action Taken

The Ministry of Steel has constituted a Committee on 31.03.2015 under the Chairmanship of Chairman, SAIL, to examine the issue of setting up of a dedicated institution to finance capacity expansion in the steel sector on the line of Power Finance Corporation (PFC). The Committee will submit its report by 30.09.2015.

[Ministry of Steel, O.M. No. H-11014(10)/2014-Parl., dated 15.04.2015]

NEW DELHI;
05 *May*, 2015
15 *Vaisakha*, 1937 *(Saka)*

RAKESH SINGH,
Chairperson,
Standing Committee on Coal and Steel.

ANNEXURE I

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 05 MAY, 2015 IN HON'BLE CHAIRPERSON'S CHAMBER, ROOM NO. '112', FIRST FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1700 hrs. to 1730 hrs.

PRESENT

Shri Rakesh Singh — *Chairperson*

MEMBERS

Lok Sabha

2. Shri A. Arunmozhithevan
3. Shri Kalyan Banerjee
4. Dr. Banshilal Mahato
5. Shri Godam Nagesh
6. Shri Devji M. Patel
7. Shrimati Riti Pathak
8. Shrimati Ranjit Ranjan
9. Shri Neiphiu Rio
10. Shri Tathagata Satpathy
11. Shri Janardan Singh "Sigriwal"
12. Shri Pashupati Nath Singh
13. Shri Sunil Kumar Singh
14. Shri Rama Kishore Singh
15. Shri Krupal Balaji Tumane

Rajya Sabha

16. Shri Md. Nadimul Haque
17. Shri Jugul Kishore
18. Shri Avinash Pande

SECRETARIAT

1.	Shri Shiv Singh	—	*Joint Secretary*
2.	Shri Ajay Kumar Garg	—	*Director*
3.	Shri Arvind Sharma	—	*Additional Director*
4.	Ms. Miranda Ingudam	—	*Under Secretary*

2. At the outset, Chairperson welcomed the Members to the sitting of the Committee.

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

(i) ** ** ** **

(ii) ** ** ** **

(iii) Thirteenth Report on Action Taken by the Government on the observations/recommendations contained in the Third Report (16th Lok Sabha) of the Committee on "Demands for Grants (2014-15)" relating to the Ministry of Steel.

4. The Committee adopted the Reports without any changes/ modifications. The Committee then authorized the Chairman to finalise the Reports and present the same to both the Houses of Parliament.

The Committee then adjourned.

**Do not pertain to this Report.

ANNEXURE II

(*Vide* Para IV of Introduction)

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

I.	Total No. of Recommendations made	19
II.	Recommendations which have been accepted by the Government	16
	(*vide* Recommendation at Sl. Nos. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 18 and 19)	
	Percentage of total	84.21%
III.	Recommendation which the Committee do not desire to pursue in view of the Government's replies	01
	(*vide* Recommendation at Sl. No. 16)	
	Percentage of total	5.26%
IV.	Recommendation in respect of which replies of the Government have not been accepted by the Committee	01
	(*vide* Recommendation at Sl. No. 17)	
	Percentage of total	5.26%
V.	Recommendation in respect of which final replies of the Government are still awaited	01
	(*vide* Recommendation at Sl. No. 7)	
	Percentage of total	5.26%