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STANDING COMMITTEE ON COAL AND STEEL (2016-2017)
SIXTEENTH LOK SABHA

MINISTRY OF STEEL

Action Taken by the Government on the Observations/ Recommendations contained in the Twentieth Report of the Standing Committee on Coal and Steel (Sixteenth Lok Sabha) on "Demands For Grants (2016-17)"

सत्यमेव जयते

TWENTY-SIXTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI
December, 2016/Agrahayana, 1938(Saka)

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Presented to Lok Sabha on 14.12.2016

Laid in Rajya Sabha on 14.12.2016

LOK SABHA SECRETARIAT
NEW DELHI
December, 2016/Agrahayana 1938 (Saka)

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<u>COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL (2016-17)</u>

Shri Rakesh Singh- Chairperson

Name of the Member

Lok Sabha

2. Shri A Arunmozhithevan
3. Shri Kalyan Banerjee
4. Shrimati Jyoti Dhurve
5. Shri Nagesh Godam
6. Shri Shailesh Kumar
7. Dr. Banshilal Mahato
8. Shri Kamalbhan Singh Marabi
9. Shri Ajay Nishad
10. Shrimati Riti Pathak
11. Shrimati Ranjit Ranjan
12. Dr. Ravindra Kumar Ray
13. Shri Chandu Lal Sahu
14. Shri Tamradhwaj Sahu
15. Shri Tathagata Satpathy
16. Shri Janardan Singh "Sigriwal"
17. Shri Pashupati Nath Singh
18. Shri Rama Kishore Singh
19. Shri Sunil Kumar Singh
20. Shri Sushil Kumar Singh
21. Shri Krupal Balaji Tumane

Rajya Sabha

22. Shri Ali Anwar Ansari
23. Dr. Pradeep Kumar Balmuchu
24. Shri Ranjib Biswal
25. Shri Md. Nadimul Haque
26. Shri B.K Hariprasad
27. Shri Ranvijay Singh Judev
28. Shri Ram Vichar Netam
29. Shri Dilip Kumar Tirkey
30. Shri Beni Prasad Verma
31. Vacant

SECRETARIAT

1.	Shri U.B.S. Negi	-	Joint Secretary
2.	Shri Ajay Kumar Garg	-	Director
3.	Shri Arvind Sharma	-	Additional Director
4.	Smt. Vandana P. Guleria	-	Executive Officer

INTRODUCTION

I, the Chairperson, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Twenty-Sixth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Twentieth Report of the Standing Committee on Coal and Steel (Sixteenth Lok Sabha) on "Demands for Grants (2016-17)" pertaining to the Ministry of Steel.

2. The Twentieth Report (Sixteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 03.05.2016. Replies of the Government to all the observations/recommendations contained in the Report were received on 16.09.2016.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 29.11.2016.

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

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;
29 November, 2016
8 Agrahayana, 1938(Saka)

RAKESH SINGH
Chairperson
Standing Committee on Coal and Steel

REPORT

CHAPTER I

This Report of the Standing Committee deals with Action Taken by the Government on the observations/recommendations contained in the Twentieth Report (Sixteenth Lok Sabha) of the Standing Committee on Coal and Steel on Demands for Grants (2016-17) relating to the Ministry of Steel which was presented to Lok Sabha and laid in Rajya Sabha on 03.05.2016.

2. The Action Taken Replies have been received from the Ministry of Steel in respect of all the 16 observations/recommendations contained in the Report on 16.09.2016. These have been categorised as follows:-

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

Serial Nos. 1, 2, 3, 4, 5, 6, 10, 11, 12, 13, 14, 15 and 16

Total : 13
Chapter-II

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

Serial No. 7, 8 and 9

Total : 03
Chapter-III

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

Serial No. Nil

Total : 00
Chapter-IV

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

Serial No. Nil

Total : 00
Chapter-V

3. The Committee trust that utmost importance would be given to implementation of the Observations/Recommendations accepted by

the Government. In case, where it is not possible for the Ministry to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee desire that further Action Taken Notes on the Observations/Recommendations contained in Chapter-I 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 Twentieth Report.

Recommendation No. 3

IMPORTANT POLICY INITIATIVES

5. The Committee noted that several measures had been taken by the Government to control the surge in imports to protect the domestic steel industry. These measures include hiking of import duty, imposition of provisional safeguard duty on certain items, imposition of antidumping duty, invoking the Steel and Steel products (Quality Control Order) etc. The Committee had also been apprised that the Government had constituted a Review Committee with members from Ministries of Finance, Revenue, Commerce and Steel to keep a constant vigil and monitor the movement of trade and prices of steel. According to the Ministry of Steel, there was a proposal for corporate debt restructuring whereby the loans given to steel companies could be converted into longer term loans with low rates of interest. The Committee had also been given to understand that as per the demand of Steel Ministry certain other measures like review of Comprehensive Economic Partnership Agreement (CEPA) with Japan & Korea was required as this agreement has resulted in huge jump in imports from these countries. The Ministry of Steel had also apprised the Committee that there had been ongoing demand from the steel industry for inclusion of iron ore in freight class (145) as is for coal, limestone, dolomite and manganese ore as against the freight class (165) for steel as on date. If this demand of steel industry was accepted by Railways, the benefit that would accrue was

13.8 % less freight charge in transportation of iron ore by Railways. The Committee noted that the matter had been taken up with Ministry of Railways at Railway Board level on 24th August, 2015, 16th January, 2016 and 24th February, 2016. While appreciating the measures taken by the Government to bail out the beleaguered steel industry reeling under an unprecedented crisis, the Committee recommended that the matter regarding review of CEPA with Japan and Korea should be taken at the highest level to check rising imports from these countries. The Committee also recommended that the Ministry of Railways should be impressed upon to include iron ore in same freight class as coal and if felt necessary the matter may be taken up with the Ministry at the highest level to advocate their case for the same. The Committee would also like to be apprised of the present status on the proposal for corporate debt restructuring whereby the loans given to steel companies can move towards longer term loans with low rates of interest.

6. In its action taken reply, the Ministry of Steel has stated as under:-

"Ministry of Steel has taken up with the Railways for rationalisation of iron ore freight charges by reclassification of freight class for steel and iron ore and reduction of period of busy season surcharge.

Ministry of Steel has taken up the matter regarding review of CEPA with Japan and Korea at various levels including at the level of the then Minister of Steel with Ministry of Commerce and Industry with a view to check rising imports from these countries. Apart from this following Policy initiative have been taken so far-

i. The Government has notified safeguard duty of 20% in March 2016 on hot-rolled flat products of non-alloy and other alloy steel, in coils of width of 600 mm or more.
ii. In February 2016, the Government has notified Minimum Import Price (MIP) on 173 steel products in order to provide a level playing field to domestic producers against the injury caused as evident from the decline in margins of the producers.
iii. The Government has increased the peak rate of basic customs duty on steel to 15%. The effective rate has also been increased by 5%, once by 2.5% in June 15 and again by another 2.5% in August 15, current rates being in the range of 10% - 12.5%.

iv. Anti-dumping duty on certain grades of stainless steel has been imposed in June as well as in December 2015.
v. Government has also amended the Steel & Steel Products (Quality Control) Order, 2012, in December 2015 to ensure that only quality steel is produced/ imported in India.
vi. For ensuring raw material availability, the Government had issued MMDR Amendment Act, 2015 & rules there under which provides for allocation of iron ore to 'specified end use'. As per the provisions of the Act, State governments have also to initiate and expedite the process of auction to maintain the sufficient availability of iron ore at cheaper prices for the steel sector.
vii. For reducing the stress in the steel sector, RBI has extended 5:25 scheme in July 2015, whereby longer amortization period for loans to projects in infrastructure and core industries sectors, say 25 years, based on the economic life or concession period of the project, with periodic re-financing, say every 5 years, is allowed.

In respect of corporate debt, it is stated that RBI have issued detailed guidelines on restructuring for facilitating timely and transparent mechanism for restructuring of debts of viable entities affected by internal or external factors. The restructuring framework is aimed at preserving the value for viable entities that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring programme. These guidelines are neutral to sectors and forums through which restructuring has been approved.

RBI has placed no restriction on the duration of repayment period or moratorium periods of loans. Banks are free to decide the repayment schedule of their loan accounts, with or without a moratorium, as per their Board approved policies, commercial viability and the broad guidelines of RBI. Companies can avail Corporate Debt Restructuring (CDR). In addition, RBI has issued guidelines for Strategic Debt Restructuring and Scheme for Sustainable Structuring of Stressed Assets(s4A), which can be availed by Steel Industry. Banks are free to align the repayment schedule as per the economic life of the project once during its life time, without treating the account as restructured."

7. While taking note of the various measures being taken by the Government to control surge in imports to protect the domestic steel industry, the Committee in their original Report, had recommended that the matter regarding review of Comprehensive Economic Partnership Agreement (CEPA) with Japan and Korea be taken at the highest level to check rising imports from these countries. In addition, to curb the cost of production, the Committee had recommended for inclusion of iron ore in the same freight class as coal to reduce the production cost besides implementation of the

proposal for corporate debt restructuring. In this regard, the Committee note with satisfaction that the matter of review of CEPA with Japan and Korea up has been taken with Ministry of Commerce and Industry. Also, for reduction of transportation cost, the Ministry has stated that the matter has been taken up with the Railways for rationalization of iron ore freight charges by reclassification of freight class for steel and iron ore. In respect of corporate debt restructuring, the Committee note that RBI has issued detailed guidelines on restructuring of debts of viable entities affected by internal or external factors for minimizing the losses to the creditors and other stakeholders in addition to the guidelines for Strategic Debt Restructuring and Scheme for Sustainable Structuring of stressed assets which can be availed by the steel industry. The Committee would, therefore, like to be apprised of the positive impact of such measures undertaken by the Ministry in protecting the domestic steel industry from distress.

Recommendation No.4

<u>REDUCTION IN PRODUCTION OF STEEL</u>

8. The Committee further desired that all out efforts be made in bringing down the cost of production. Such steps may include development of coastal shipping and riverine shipping and tailor made packages with Railways etc. to cut down the transportation costs, giving boost to National Skill Development Campaign for improving labour productivity, etc. The Committee would like to be apprised of the specific measures taken in this regard.

9. In its action taken reply, the Ministry of Steel has stated as under:-

> "Ministry of Steel has taken up with the Railways for rationalisation of iron ore freight charges by reclassification of freight class for steel and iron ore and reduction of period of busy season surcharge.
>
> Consultations are on with the Ministry of Shipping for transportation of raw material from the east-coast to the steel plants in west-coast and the finished steel products from the steel plants to the markets all across the country using modal mix transportation of rail-coastal transportation.

Ramp-up of production from SAIL's new units under modernization and expansion plan is not just increasing production and leading to better quality, but has also resulted in reducing cost of production. Higher production from the new efficient units and rationalizing production from cost intensive routes have manifested in the form of a reduction in total expenditure per ton of saleable steel by over 10% (approximately Rs. 4000 per ton) in Q4 2015-16 compared to Q1 of 2015-16 and the same trend continues.

SAIL has initiated various skill development initiatives for the employees working in the projects in the Modernization and Expansion area and also in the existing areas for manning critical equipments. This includes imparting training to improve the skills of the employees in the high tech engineering areas such as hydraulic, pneumatic, PLC, automation, drivers, etc. employees are also given training on the Project package at the centralized Training Institute at MTI, Ranchi on regular basis.

SAIL has also undertaken initiatives to support the Industrial Training Institutes (ITI) at various locations including Bolani, Barsua, Manoharpur, and Gua by Raw Materials Division and also by Bokaro Steel Plant. This should empower the local youth for competing in the present market scenario.

In its efforts to contribute nationally to the Skill Development initiative, SAIL has signed a MoU with National Skill Development Corporation (NSDC) to support skill development initiatives in the vicinity of steel plant locations. SAIL is supporting National Skill Development Corp. campaigning for improving skill & productivity level of young employable manpower (youth manpower) by setting up Skill Development Centers in the vicinity of SAIL plant locations and providing its existing infrastructure to NSDC. To start with, SAIL has identified four locations viz. Bhilai, Bokaro, Durgapur and Rourkela for these Skill Development Centers (SDCs). Under this MoU SAIL will support NSDC for skilling and certification to off- roll manpower, on-roll manpower and local youth for future employability and income generation. These Skill Development Centers would be run by NSDC through its affiliated training providers (TP) on self-sustenance basis. This shall result in higher skill level and higher productivity of the target group and labour in general.

Measures taken by RINL for reduction in costs and to improve profitability include the following:

- Usage of different Coals in the Coal Blend is optimized continuously to achieve overall reduction in the cost. Three new coal brands, from Mozambique, Canada and Indonesia were introduced in the Coal Blend, enhancing the supplier base. Procurement of Coal from Indonesia has given the benefit of lower freight also.

- In order to reduce the outgo on account of ocean freight, cape size vessels with a carrying capacity of about 1.5 lakh tonne are being nominated for coal shipments. During the year 2015-16, around 62% of coal was imported through Cape Size vessels.
- 120 MW BF gas based Power Plant, was commissioned in 2015-16 enabling reduction in power generation cost as also quantum of power import. With this, the power generation capacity based on utilization of waste energy has increased.
- Product Mix and Distribution has been changed from time to time, in line with the market demand and to maximize the realizations. Branch Sales Office has been opened in Vijayawada for capitalizing on the demand for Capital Region Development planned by Govt. of AP.
- The percentage of Value Added Steel under Expansion units ramped up from a level of 30% in 2014-15 to 64% in 2015-16.
- Thrust on cost reduction measures to restrict expenditure has been further intensified in all areas which have larger potential of cost reduction.

As a part of skill India initiatives RINL signed a MoU with National Skill Development Corporation. RINL established a Skill Development Centre for organizing Skill Trainings through Iron and Steel Sector Skill Council. Training programmes organized for employees / trainees are steel sector specific and designed to enhance the skill and knowledge of work force to achieve higher productivity and production."

10. During the examination of Demands for Grants (2016-17), the Committee had inter-alia stressed on the need for bringing down the cost of production of steel by implementation of various steps which may include development of coastal shipping and riverine shipping and tailor made packages with Railways etc. to cut down the transportation costs besides giving boost to National Skill Development Campaign for improving the labour productivity. From the Action Taken Reply of the Ministry, the Committee note with satisfaction that for reducing transportation costs, the Ministry of Steel has initiated consultations with the Ministry of Shipping for transportation of raw material from east-west to the Steel plants in the west coast and using modal mix transportation comprising rail-coastal transportation. Besides this, the ramp up of production from SAIL's new units have also led to cost reduction of steel production. As regards improving the labour productivity under National Skill Development Programme, the Committee are happy to note that both

SAIL and RINL have signed MoUs with National Skill Development Corporation (NSDC) to support skill development initiatives. The Committee would like to be apprised of the impact of such initiatives in achieving a lower cost of steel production, in a quantified manner.

Recommendation No.12

MECON Ltd.

The Committee noted that MECON Ltd.'s mission was to provide technical consultancy-design and engineering, design and supply of plant, equipment and systems, implementation of new industrial ventures from concept to commissioning. The Committee observed that during 2013-14, MECON's income was Rs. 486.92 crore and PAT was Rs. 49.48 crore. For the year 2014-15, the income of the company increased to Rs. 539.15 crore but the Committee were surprised to note that PAT for the year decreased and was Rs. 20.27 crore. The Committee were concerned to note that during the year 2015-16, against the target for PAT of Rs. 8.28 crore, the company incurred a loss of Rs. 144.13 crore upto December, 2015. The Committee in their 9th Report (16th Lok Sabha) on Demands for Grants(2015-16) had desired that MECON should take steps to bag more orders in the field of design, engineering, and consultancy and contracting projects in view of passing of Mines and Mineral (Development & Regulation) Amendment Act, 2015. In their action taken reply, MECON had also assured the Committee on taking steps in that direction. Taking note of the fact that the company was incurring losses, the Committee felt that MECON had not taken the desired advantage of bagging orders for more projects. The Committee would like to be apprised of the new projects, if any, bagged by MECON during 2015-16 and would recommend that continuous and concerted efforts be made by MECON in this direction.

12. In its action taken reply, the Ministry of Steel has stated as under:-

"Subsequent to passing of the Mines and Mineral (Development & Regulation) Amendment Act, 2015, MECON put in concerted efforts in garnering projects in Mines area and has been successful in securing order from Ministry of Mines for assisting the State Governments in activities pertaining to Auction of Mine Blocks including providing

Transaction Advisory Services. At present MECON is participating and assisting the State Governments of Rajasthan, Jharkhand, Madhya Pradesh and Andhra Pradesh in various activities for Auction of Mine Blocks and is also providing Transaction Advisory Services in the States of Rajasthan, Madhya Pradesh and Jharkhand for the same.

During the Study Tour of the Standing Committee on Coal and Steel to Bokaro on 18.01.2016, the capabilities of MECON were presented along with a request for support from the Committee on various issues. As suggested by the Chairman of Committee, the request for support was given in writing (**Annexure I**). A list of major jobs secured by MECON during 2015-16 is enclosed at **Annexure II**."

13. The Committee in their original Report, after taking into consideration the incurring losses by MECON Ltd., had recommended that the company need to make continuous and concerted efforts towards bagging new projects, particularly in view of passing of the MMDR Amendment Act, 2015. In this regard, the Committee note from the Action Taken Reply of the Government that after passing of the MMDR Amendment Act, 2015, MECON Ltd., due to its concerted efforts, has been successful in bagging orders from Ministry of Mines for assisting the State Governments in activities pertaining to Auction of Mine Blocks providing Transaction Advisory Services. Attention of the Committee has also been drawn to the presentation made by MECON Ltd. before the Committee on 18.01.2016 during their study visit to Bokaro wherein the Company have sought support of the Committee in bagging a number of orders under various entities like Government of Jharkhand, SAIL projects, etc. as Project Management Consultant on behalf of ICAR, projects under Ministry of Defence etc. In this regard, the Committee, while observing that bagging a project now is mainly dependent on Competitive Bidding Process, urge the Ministry of Steel to extend its all possible support to MECON in its bid to secure orders/jobs for the projects earmarked by them. The Committee would like to be apprised of the action taken in this regard.

Recommendation No.15

JOINT VENTURE BY MSTC LTD. FOR AUTOSHREDDING PLANT

14. The Committee also recalled that during 12th Plan, MSTC Ltd. had planned to set up on auto shredding plant at Dhaej in Gujarat in Joint Venture with ESSAR Steel Plant. The Committee had been informed that Essar Steel had backed out from this project. According to the Ministry, sourcing of raw material for the project had been an area of major concern and MSTC was now pursuing this issue with the Ministry of Road Transport and Highways, Ministry of Heavy Industries, SIAM etc. for enactment of a Law incentivizing compulsory scrapping of End of Life Vehicles which were the raw material for the project. The Committee had been further informed that the Kerala Government had approached MSTC Ltd. for setting up the First Auto Shredding Plant in Kerala. The Committee would like to be apprised of the progress made in the matter. The Committee also desired MSTC Ltd. to expedite the setting up of the auto shredding plant as there was no other ongoing project in hand for MSTC Ltd. currently except e-commerce activities.

15. In its action taken reply, the Ministry of Steel has stated as under:-

> "MSTC had sought Expression of Interest (EOI) for setting up of a Joint Venture for Auto Shredding Plant and Mahindra Intertrade had responded. Mahindra Intertrade is a part of Mahindra Partners, the $900 million Private Equity division of the Mahindra Group whose mission is to accelerate value creation through a diversified portfolio of emergent businesses. The MoU for the Joint Venture was signed in April, 2016 by both the parties. The Joint Venture Agreement has been signed also."

16. The Committee in their original report have desired to know the status of setting up of Auto Shredding Plant in Kerala by MSTC Ltd. However, from the Action Taken Reply of the Ministry, the Committee note that the Ministry is silent about the status of setting up of Auto Shredding Plant in Kerala. The Committee have been informed that MSTC Ltd. has sought Expression of Interest (EOI) for setting up of a Joint Venture for Auto Shredding Plant and Mahindra Inter trade had

responded and the Joint Venture was signed in April, 2016 by both the parties. The Committee would like to be apprised of the progress of the project and whether any timeline has been decided for its completion. The Committee would also like to be apprised of the status of enactment of the desired law incentivizing compulsory scrapping of End of Life Vehicles which in the opinion of the Committee would provide a big boost to the Auto Shredding projects in the country.

CHAPTER –II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No.1

PLAN EXPENDITURE - R&D IN STEEL SECTOR

The Committee note that based on the recommendation of the Working Group on Steel Industry for 11th Plan (2007-12), a new scheme on R&D was included in the 11th Five Year Plan with an outlay of Rs. 118.00 crore. The objective of the scheme was to promote and accelerate R&D activities in development of innovative/path breaking technologies utilizing Indian iron ore fines and non-coking coal, improvement of quality of steel produced beneficiation and agglomeration (e.g. pelletization) of raw materials. In 12th Five Year Plan, a provision of Rs. 200.00 crore has been made for the R&D Scheme. The Committee note that despite there being only a single planned scheme under the purview of Ministry of Steel, its actual utilization has been quite low. Also, there has been a trend to drastically reduce the funds allocated at RE stage especially during the first 3 years of the 12th Plan Period i.e. in 2012-13, 2013-14 and 2014-15. The Committee find that during the year 2012-13 and 2013-14 Rs. 46 crore were allocated at BE stage. These were reduced to Rs. 26.49 crore and Rs. 8.00 crore during the years 2012-13 and 2013-14 respectively at RE stage. The actuals during 2012-13 and 2013-14 were Rs. 24.90 crore and Rs. 8.00 crore respectively. Similarly RS. 20 crore allocated for BE (2014-15) were reduced to Rs.7 crore at RE stage. As regards cumulative expenditure during the first 4 years of the Plan i.e. from 2012-13 to 2015-16, out of total provision of Rs. 200 crore for the scheme, Rs. 127 crore have been allocated at BE stage which were later reduced to Rs. 56.49 crore at RE stage and only Rs. 43.48 crore have been actually utilized. The Committee also note that upto the financial year 2015-16, the plan provision of the Ministry of Steel was kept under three components of the R&D Schemes viz. (i) Scheme for Promotion of Research and Development in Iron and Steel Sector – ongoing R&D Projects; (ii) Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products; and (iii) Development of innovative Iron/Steel making process/Technology. The Committee have been informed that on the advice of Ministry of Finance, from Financial Year 2016-17, the scheme has been rationalized and with their approval it has been decided to keep entire provision under one sub-head i.e. Scheme for Promotion of Research and Development in Iron and Steel Sector. According to the Ministry of Steel, this rationalization of R&D Scheme would be helpful in ensuring flexibility in spending of funds unlike the earlier system whereby allocation for funds to 3 different sub heads had caused under-utilization of funds. The Committee have also been apprised that earlier there was stagnation in R&D activities for the steel sector as there were only 2 fully equipped laboratories with Council of Scientific and Industrial Research (CSIR). Now, the Ministry have opened centres of excellence in IIT Kharagpur, IIT Mumbai and there is a talk to open the same in Banaras Hindu University (BHU) as well. The Committee feel that R&D is a very important component for any sector to succeed and produce quality goods and given the current situation of the Indian Steel Industry, due emphasis should be given on this aspect. As already admitted by Secretary, Ministry of Steel that Steel PSUs are focusing on increasing investment in R&D from 0.3% to 1% of their total turnover, the Committee desire that the Ministry should also look into the causes of low utilization in this scheme during the previous years and take stringent measures so that the funds allocated for the scheme are fully utilized.

ACTION TAKEN

Ministry of Steel is pursuing a joint collaborative research proposal for Development of Technology for Cold Rolled Grain Oriented (CRGO) steel sheets. NML Jamshedpur, Rastriya Ispat Nigam Limited (RINL), Tata Steel Limited Jamshedpur and Ministry of Steel are the stakeholders in this initiative and will share the cost of the project. According to the estimated cost of the project, the share of the Ministry of Steel was envisaged Rs.150 Crore. Therefore, this money has been earmarked for the CRGO project from Plan Fund out of the allocated fund of Rs.200 crore in the 12th Five Year Plan.

Cold Rolled Grain Oriented (CRGO) Steel Sheets used in the manufacture of electrical transformers, metallurgically are one of the most critical & costliest steel products. It requires high technical competence and discipline in all steps of steel making, rolling, processing etc. The technology for production of CRGO Steel Sheet is closely held by only a handful of manufacturers and not readily available. The current demand of CRGO steel in the country is around 2.5 lakh tonnes per year which is projected to increase to around 4 lakh tonnes by the year 2020. Most of the demand is met from imports with only a marginal quantity is manufactured in India by M/s Thyssen Krupp Electrical Steel (india) Ltd. Nasik, which is also based on imported semi-finished Cold Rolled coils.

Various initiatives since the 1980's and thereafter, by the Indian steel industry for producing CRGO steel in the country, through own efforts or by import of knowhow/technology from abroad, did not materialize.

The aforesaid allocated budget for the CRGO project could not be utilized as this is a first of a kind project and lot of complexities were involved. Considerable time was spent on firming up of the Tender Document containing the Technical Specifications of the Pilot Plant, scope of work for preparation of the DPR and scope of work for consultancy services for Project Management & Construction Supervision (PMC), and placement of order for the DPR of the CRGO Project to MECON. Subsequently, the DPR of the Project was submitted by MECON, which has been examined by the stakeholders and based on their suggestions, supplementary DPR has been prepared by MECON in May, 2016, which has been approved by the stakeholders.

Considerable time has also been spent in working out of the scope, methodology, financial arrangements, ownership, location, intellectual property, post project arrangements for utilization & maintenance etc. of the project/pilot plant between the stakeholders. In this regard, a Memorandum of Agreement between the stakeholders of the project, called the Mother Contract, is being firmed up between the stakeholders. Project will commence on acceptance of the DPR and signing of the mother contract by the stakeholders of the project. To expedite the matter, a meeting of the stakeholders has been convened to discuss the supplementary DPR, concurrence of the stakeholders of the mother contract and any other relevant issue before starting of the project.

Steel Sector needs now more & more R&D to compete & make available 'steel for enhanced domestic use & exports'. The new projects are being launched for the same.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.2

UTILIZATION OF OUTLAYS DURING 12TH FIVE YEAR PLAN

The Committee note that for the 12th Five Year Plan (2012-17), the Planning Commission had approved a total IEBR of Rs. 90974.64 crore for all PSUs. Out of this approved outlays, only 51% of the outlay i.e. Rs. 46879.30 crore had been expended upto December, 2015. The Committee note that except for MECON, expenditure by most of the PSUs is much below the approved outlays. Against the plan approved outlays for the 12th Plan Period for PSUs like SAIL, RINL, NMDC and FSNL which were Rs.45000 crore, Rs.13373 crore, Rs.27872 crore and Rs.60 crore, the actuals were Rs. 30969 crore, Rs.5488.59 crore, Rs.9997.85 crore and Rs.40.50 crore respectively. The expenditure by SAIL, RINL, NMDC and FSNL amounts to 68.8%, 41%, 35.8% and 67.5% respectively of the approved outlays. The Committee are further concerned to note that MOIL has spent only Rs. 324.98 crore against the approved outlay of Rs. 1459.47 crore which amounts to 22.26% of its IEBR. Similarly, KIOCL has spent a mere 1.10% of its IEBR i.e. Rs. 33.96 crore spent against the approved outlay of Rs. 3080 crore. The reasons for low utilization of plan outlays given by the Ministry are poor performance of contracting agencies (SAIL), lack of raw material security(RINL), delay in land allotment, pending forest clearances, slow progress of work by Railways (NMDC), delay in grant of leases, shortage of power in Andhra Pradesh (MOIL), pending of mining lease and non renewal of lease period (KIOCL), project for shredding plant did not take off (MSTC), etc. The Committee are concerned to note the underutilization of approved outlays by Steel PSUs and emphasize the need for taking corrective measures by identifying the constraints affecting the implementation of projects and schemes by the Steel PSUs. The Committee expect that this being the penultimate year of the 12th Plan, the approved annual outlays of Rs. 12323.55 crore for steel PSUs should be fully utilized. The Committee, therefore, desire that advance action plan should be prepared by each PSU for the year 2016-17 keeping its objectives, vision and targets for the year in mind to ensure full utilization of approved outlays for 2016-17.

ACTION TAKEN

Against the target of Rs. 4000 crore, major allocation is kept towards the on-going Expansion and Modernisation Project of Bhilai Steel Plant, other major on-going capital projects across SAIL and contractual milestone related payments for completed schemes. Rs. 1881 crore has already been spent during the period April-Aug'16. SAIL shall be taking all efforts to achieve the full utilization of revised target of Rs 4000 Cr.

During the 12^{th} Plan period (2012-17), RINL has fulfilled its Capex targets for the period from 2012-2016. Major thrust during the 12^{th} five year plan was given on completion of capacity expansion of Vizag Steel Plant from 3.0 Mtpa to 6.3 Mtpa of liquid steel at a cost of around Rs. 12,291 crore. The project has been completed in April, 2015. RINL has targeted for a Capex of Rs.1350 Cr during the financial year 2016-17.

NMDC's Board had approved Capital Budget BE 2016-17 in its meeting dated 12.02.106 for Rs.3664 cr. However, the Ministry of Steel revised the target to Rs.3964 cr. An expenditure of Rs.1093 cr. has been incurred by NMDC Ltd. till 31.08.2016 which is 83% of the internal set target of Rs.1320 cr. (upto 31.082016)..

With this the total expenditure against the approved outlay of Rs.27872 cr. Is Rs.12033.06 cr. till August, 2016. (i.e 43.2% of the approved outlay).

During the 12^{th} Five Year Plan (2012-17), MOIL Limited had Capex outlay of Rs. 1459.47 Crore, wherein projects had been envisaged taking into consideration availability of new Mining Leases (ML) & Prospecting Licenses (PL). The Capital Expenditure planned during the 12^{th} Plan period could not be taken up due to delay in grant of ML & PL which were beyond the control of the Company. The leases have recently been granted to MOIL Limited. The Company is taking all efforts to achieve the Capex targets in FY 2016-17.

Out of the allocation of Rs. 5 crore for setting up of Auto Shredding Plant, no amount could be spent during F.Y 2015-16 by MSTC Ltd. It was decided, with the approval of Board, that MSTC would go for joint venture in PPP model with a private steel company. Accordingly, Essar Steel Ltd was shortlisted for joint venture partner, but the partnership could not materialize due to Essar Steel's own issues. Hence, the amount could not be utilized during 2015-16. Now, MSTC and Mahindra Intertrade Ltd. have agreed in principle to set up a Auto Shredding Plant at Dahej. MOU for the Joint Venture has already been signed between MSTC and Mahindra Inter trade in April, 2016. After signing of the JV Agreement, JV company will be formed subject to approval of all concerned authorities. MSTC has fixed target of spending Rs 10 crore allocated for this project for F.Y 2016-17.

Ferro Scrap Nigam Limted(FSNL) will be able to achieve the full utilization of planned and approved outlays of Rs.12.00 crore for the year 2016-17.

Hindustan Steelworks Construction Limited has achieved full utilization in respect of Non Plan Provision., No plan provision was made during 12th Five year plan.

The approved expenditure from I&EBR for 2016-17 for MECON Limited is Rs. 5.00 crore under its XII five year plan for expansion, modification & augmentation of office space, Guest House, Township etc. at various locations. MECON has action plan to procure immovable property for Guest House during FY 2016-17. Thus, it would be fully utilising I&EBR provision.

During the 12th Five Year Plan (2012-17), KIOCL has allocated plan outlay for Rs.3080 crores for various Greenfield & Brownfield projects such as development of new iron ore deposit, forward & backward integrations at the existing Pellet Plant & Pig Iron Plant at Mangalore, diversification into integrated steel plant etc. However, all the projects as envisaged was linked to allocation of captive iron ore mine. Since, there was an inordinate delay in allocation of mine in favour of KIOCL and with the enactment of MMDR Amendment Act, 2015, KIOCL during the midterm review revised the outlay to Rs.780 crores. As against the same, the actual expenditure upto 31st March 2016 was Rs.31.26 crores.

An Action Plan for Plan Outlay 2016-17 for Rs. 500 crore has been prepared which includes Development of Devadari Mines, Karnataka, Development of Chikkanayakanahalli and Other Mines, Setting up of forward and backward integration with BFU, Mangalore, Karnataka, Development of Ananthapuramu Mine & setting up of Pelletization and Beneficiation Plant at Ananthapuramu and Setting up of 1.5 MTPA Pellet Plant on BOO basis at Bokaro Steel Plant of SAIL.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.3

IMPORTANT POLICY INITIATIVES

The Committee note that several measures have been taken by the Government to control the surge in imports to protect the domestic steel industry. These measures include hiking of import duty, imposition of provisional safeguard duty on certain items, imposition of antidumping duty, invoking the Steel and Steel products (Quality Control Order) etc. The Committee have also been apprised that the Government has constituted a Review Committee with members from Ministries of Finance, Revenue, Commerce and Steel to keep a constant vigil and monitor the movement of

trade and prices of steel. According to the Ministry of Steel, there is a proposal for corporate debt restructuring whereby the loans given to steel companies can be converted into longer term loans with low rates of interest. The Committee have also been given to understand that as per the demand of Steel Ministry certain other measures like review of Comprehensive Economic Partnership Agreement (CEPA) with Japan & Korea is required as this agreement has resulted in huge jump in imports from these countries. The Ministry of Steel have also apprised the Committee that there has been ongoing demand from the steel industry for inclusion of iron ore in freight class (145) as is for coal, limestone, dolomite and manganese ore as against the freight class (165) for steel as on date. If this demand of steel industry is accepted by Railways, the benefit that would accrue is 13.8 % less freight charge in transportation of iron ore by Railways. The Committee note that the matter has been taken up with Ministry of Railways at Railway Board level on 24th August, 2015, 16th January, 2016 and 24th February, 2016. While appreciating the measures taken by the Government to bail out the beleaguered steel industry reeling under an unprecedented crisis, the Committee recommend that the matter regarding review of CEPA with Japan and Korea should be taken at the highest level to check rising imports from these countries. The Committee also recommend that the Ministry of Railways should be impressed upon to include iron ore in same freight class as coal and if felt necessary the matter may be taken up with the Ministry at the highest level to advocate their case for the same. The Committee would also like to be apprised of the present status on the proposal for corporate debt restructuring whereby the loans given to steel companies can move towards longer term loans with low rates of interest.

ACTION TAKEN

Ministry of Steel has taken up with the Railways for rationalisation of iron ore freight charges by reclassification of freight class for steel and iron ore and reduction of period of busy season surcharge.

Ministry of Steel has taken up the matter regarding review of CEPA with Japan and Korea at various levels including at the level of the then Minister of Steel with Ministry of Commerce and Industry with a view to check rising imports from these countries. Apart from this following Policy initiative have been taken so far-

viii. The Government has notified safeguard duty of 20% in March 2016 on hot-rolled flat products of non-alloy and other alloy steel, in coils of width of 600 mm or more.

ix. In February 2016, the Government has notified Minimum Import Price (MIP) on 173 steel products in order to provide a level playing field to domestic producers against the injury caused as evident from the decline in margins of the producers.

x. The Government has increased the peak rate of basic customs duty on steel to 15%. The effective rate has also been increased by 5%, once by

2.5% in June 15 and again by another 2.5% in August 15, current rates being in the range of 10% - 12.5%.

xi. Anti-dumping duty on certain grades of stainless steel has been imposed in June as well as in December 2015.

xii. Government has also amended the Steel & Steel Products (Quality Control) Order, 2012, in December 2015 to ensure that only quality steel is produced/ imported in India.

xiii. For ensuring raw material availability, the Government had issued MMDR Amendment Act, 2015 & rules there under which provides for allocation of iron ore to 'specified end use'. As per the provisions of the Act, State governments have also to initiate and expedite the process of auction to maintain the sufficient availability of iron ore at cheaper prices for the steel sector.

xiv. For reducing the stress in the steel sector, RBI has extended 5:25 scheme in July 2015, whereby longer amortization period for loans to projects in infrastructure and core industries sectors, say 25 years, based on the economic life or concession period of the project, with periodic re-financing, say every 5 years, is allowed.

In respect of corporate debt, it is stated that RBI have issued detailed guidelines on restructuring for facilitating timely and transparent mechanism for restructuring of debts of viable entities affected by internal or external factors. The restructuring framework is aimed at preserving the value for viable entities that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring programme. These guidelines are neutral to sectors and forums through which restructuring has been approved.

RBI has placed no restriction on the duration of repayment period or moratorium periods of loans. Banks are free to decide the repayment schedule of their loan accounts, with or without a moratorium, as per their Board approved policies, commercial viability and the broad guidelines of RBI. Companies can avail Corporate Debt Restructuring (CDR). In addition, RBI has issued guidelines for Strategic Debt Restructuring and Scheme for Sustainable Structuring of Stressed Assets(s4A), which can be availed by Steel Industry. Banks are free to align the repayment schedule as per the economic life of the project once during its life time, without treating the account as restructured.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Comments of the Committee

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

Recommendation No.4

The Committee further desire that all out efforts be made in bringing down the cost of production. Such steps may include development of coastal shipping and riverine shipping and tailor made packages with Railways etc. to cut down the transportation costs, giving boost to National Skill Development Campaign for improving labour productivity, etc. The Committee would like to be apprised of the specific measures taken in this regard.

ACTION TAKEN

Ministry of Steel has taken up with the Railways for rationalisation of iron ore freight charges by reclassification of freight class for steel and iron ore and reduction of period of busy season surcharge.

Consultations are on with the Ministry of Shipping for transportation of raw material from the east-coast to the steel plants in west-coast and the finished steel products from the steel plants to the markets all across the country using modal mix transportation of rail-coastal transportation.

Ramp-up of production from SAIL's new units under modernization and expansion plan is not just increasing production and leading to better quality, but has also resulted in reducing cost of production. Higher production from the new efficient units and rationalizing production from cost intensive routes have manifested in the form of a reduction in total expenditure per ton of saleable steel by over 10% (approximately Rs. 4000 per ton) in Q4 2015-16 compared to Q1 of 2015-16 and the same trend continues.

SAIL has initiated various skill development initiatives for the employees working in the projects in the Modernization and Expansion area and also in the existing areas for manning critical equipments. This includes imparting training to improve the skills of the employees in the high tech engineering areas such as hydraulic, pneumatic, PLC, automation, drivers, etc. employees are also given training on the Project package at the centralized Training Institute at MTI, Ranchi on regular basis.

SAIL has also undertaken initiatives to support the Industrial Training Institutes (ITI) at various locations including Bolani, Barsua, Manoharpur, and Gua by Raw Materials Division and also by Bokaro Steel Plant. This should empower the local youth for competing in the present market scenario.

In its efforts to contribute nationally to the Skill Development initiative, SAIL has signed a MoU with National Skill Development Corporation (NSDC) to support skill development initiatives in the vicinity of steel plant locations. SAIL is supporting National Skill Development Corp. campaigning for improving skill & productivity level of young employable manpower (youth manpower) by setting up Skill Development Centers in the vicinity of SAIL plant locations and providing its existing infrastructure to NSDC. To start with, SAIL has identified four locations viz. Bhilai, Bokaro, Durgapur and

Rourkela for these Skill Development Centers (SDCs). Under this MoU SAIL will support NSDC for skilling and certification to off- roll manpower, on- roll manpower and local youth for future employability and income generation. These Skill Development Centers would be run by NSDC through its affiliated training providers (TP) on self-sustenance basis. This shall result in higher skill level and higher productivity of the target group and labour in general.

Measures taken by RINL for reduction in costs and to improve profitability include the following:

- Usage of different Coals in the Coal Blend is optimized continuously to achieve overall reduction in the cost. Three new coal brands, from Mozambique, Canada and Indonesia were introduced in the Coal Blend, enhancing the supplier base. Procurement of Coal from Indonesia has given the benefit of lower freight also.
- In order to reduce the outgo on account of ocean freight, cape size vessels with a carrying capacity of about 1.5 lakh tonne are being nominated for coal shipments. During the year 2015-16, around 62% of coal was imported through Cape Size vessels.
- 120 MW BF gas based Power Plant, was commissioned in 2015-16 enabling reduction in power generation cost as also quantum of power import. With this, the power generation capacity based on utilization of waste energy has increased.
- Product Mix and Distribution has been changed from time to time, in line with the market demand and to maximize the realizations. Branch Sales Office has been opened in Vijayawada for capitalizing on the demand for Capital Region Development planned by Govt. of AP.
- The percentage of Value Added Steel under Expansion units ramped up from a level of 30% in 2014-15 to 64% in 2015-16.
- Thrust on cost reduction measures to restrict expenditure has been further intensified in all areas which have larger potential of cost reduction.

As a part of skill India initiatives RINL signed a MoU with National Skill Development Corporation. RINL established a Skill Development Centre for organizing Skill Trainings through Iron and Steel Sector Skill Council. Training programmes organized for employees / trainees are steel sector specific and designed to enhance the skill and knowledge of work force to achieve higher productivity and production.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Comments of the Committee

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

Recommendation No.5

SAIL

The Committee are concerned about the losses incurred by SAIL due to a major crisis in the steel industry due to cheap imports from the countries having excess capacity. The Committee note that though the profit of SAIL had been dwindling during last 2-3 years, but this is the first time when SAIL is incurring losses. Profit After Tax(PAT) of SAIL was Rs. 2616 crore in 2013-14 which got reduced to Rs. 2093 crore in 2014-15. In 2015-16 (upto Dec'2015), the company incurred losses of Rs.2906.00 crore. The Committee find that total income has increased from Rs. 52513.00 crore in 2013-14 to Rs. 53470.00 crore in 2014-15. But in 2015-16, the income generated upto December, 2015 is Rs. 32985 crore only. In this regard, the Committee express their satisfaction at the assurance given by the Secretary, Ministry of Steel during the oral evidence that the Ministry and SAIL are focusing on cost reduction measures and SAIL had already reduced its production cost by Rs. 1500 per tonne. While appreciating these concerted efforts of Ministry of Steel and SAIL, the Committee also note that the Government has taken certain measures to protect the interest of domestic steel manufactures. The Ministry of Steel had also informed the Committee that they are in the process of identifying a consultant who will help SAIL craft its turnaround strategy. The Committee desire that till a turnaround strategy is crafted out, SAIL should take immediate short term measures to curb losses to the minimum by opting for cost saving measures. The Committee hope to see a positive impact of such measures on the domestic steel market in the near future. The Committee would like to be apprised of the steps initiated by SAIL in this regard.

ACTION TAKEN

Measures taken by SAIL in bringing down the costs of production and improving the profitability are as under:-

a) Reduction in consumption level of raw materials like Coal, Iron Ore, Fluxes, etc & bringing down cost of raising iron ore & clean coal in mines.
b) Production optimization and product-mix improvement.
c) Improvement in techno-economic parameters.
d) Index based pricing mechanism for coking coal.
e) Rationalization of manpower.
f) Identification and closure of uneconomic activities.
g) Rationalizing production from relatively inefficient routes of production.
h) Waste management.
i) Full utilisation of engineering shops and replacing purchased items.
j) Strict control on demurrage expenses.
k) Reduction in number of service contracts.
l) Reduction in procurement cost through strict monitoring.

m) 10% reduction in the various items of administrative expenses.
n) Re-negotiation of prices of long term contracts for cutting down procurement price where deliveries are still pending.
o) De-proprietorisation of items of stores & spares, plant & machinery, maintenance services, etc.
p) Reduction in inventory of finished/semi-finished products, stores & spares and raw materials, etc.
q) Monitor and reduce handling and transit losses of imported coal.
r) Reduction in logistic cost for transportation of coal being imported

The Company has been working on reduction of cost on a regular basis. Government of India has decided to engage a Consultant for providing a road map for turnaround of SAIL.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.6

The Committee note that for the year 2015-16, a production target of 14.38 million tonne of saleable steel was set for SAIL which was later reduced to 12.78 million tonne at RE stage. Out of the given target, 8.79 million tonne steel was produced upto December, 2016. For the year 2016-17, the target of production of saleable steel has been increased to 14.60 million tonne. Similarly, for RINL the Committee note that for the year 2015-16, the target for saleable steel which was 4 million tonne, was reduced to 3.6 million tonne at RE stage. The Committee note that about 2.5 million tonne saleable steel production was achieved by RINL upto December, 2015. An increased target of production of 4.5 million tonne of saleable steel has been set for the year 2016-17 by RINL. The Committee note that although steel industry is going through a major crisis and there is a glut in the market due to import of cheap steel, they desire that given the prevailing market conditions, SAIL and RINL should focus to improve production and efficiency at various levels and lay emphasis on improving profit by developing and marketing new products.

ACTION TAKEN

Measures taken by SAIL in bringing down the costs of production and improving the profitability are as under:-

a) Reduction in consumption level of raw materials like Coal, Iron Ore, Fluxes, etc & bringing down cost of raising iron ore & clean coal in mines .
b) Production optimization and product-mix improvement.
c) Improvement in techno-economic parameters.
d) Index based pricing mechanism for coking coal.
e) Rationalization of manpower.
f) Identification and closure of uneconomic activities.
g) Rationalizing production from relatively inefficient routes of production.

h) Waste management.
i) Full utilisation of engineering shops and replacing purchased items.
j) Strict control on demurrage expenses.
k) Reduction in number of service contracts.
l) Reduction in procurement cost through strict monitoring.
m) 10% reduction in the various items of administrative expenses.
n) Re-negotiation of prices of long term contracts for cutting down procurement price where deliveries are still pending.
o) De-proprietorisation of items of stores & spares, plant & machinery, maintenance services, etc.
p) Reduction in inventory of finished/semi-finished products, stores & spares and raw materials, etc.
q) Monitor and reduce handling and transit losses of imported coal.
r) Reduction in logistic cost for transportation of coal being imported

The Company has been working on reduction of cost on a regular basis. The Ministry of Steel, Government of India is also in the process of engaging a consultant for providing a road map for turnaround of SAIL.

SAIL tied up with mjunction in September, 2015 for online bidding for ocean freight for movement of imported coal. As a result, during 2015-16 a saving of Rs. 518 Crore was achieved against the targeted level of ocean freight for 2015-16, through competitive bidding.

Production Plan

Production plan of 2016-17 envisages growth of 4% in Hot Metal (i.e 16.3 MT), 7% in Crude Steel (i.e 15.3 MT) and 20% in Saleable Steel (i.e 14.9 MT) over actual production of 2015-16.

Integrated operation of new facilities has already been started at DSP, RSP, BSL and ISP. New facilities at BSP are likely to start in the FY 2016-17. Emphasis is on timely commissioning, quick stabilization and ramping up to capacity of the new facilities and reduction in slab stock at BSL and RSP.

Developing new Products

Every year SAIL endeavors to develop new products as per market requirement. In 2015-16 twenty four (24) new products were developed for use in construction, wind mill components, power sector and general engineering. SAIL is adding a number of new products in the current phase of modernization. Market development activity for marketing some of these products such as Parallel Flange Beams and other Universal sections was started by the Central Marketing Organisation of SAIL in 2014-15 and continued in 2015-16 by way of organizing workshops with the help of IIT professors for the target customers.

Rastriya Ispat Nigam Limited (RINL) has been passing through the transitional phase of Expansion and Modernization. While the Expansion to 6.3 Mtpa has been completed, Modernization and Augmentation of capacity to 7.3 Mtpa is in progress which is scheduled to be completed in 2017-18. In the meantime, all attempts are being made to stabilize and ramp up production from new units.

The completion and stabilization of ongoing expansion and modernization projects are expected to improve key techno-economic parameters thus increasing the cost competitiveness of the company further.

RINL is investing around Rs.4000 Cr for modernizing & upgrading the health of its existing units which are in operation for more than 2 decades, which will enhance the capacity by 1 MTPA to 7.3 MTPA in the next phase of expansion. The revamped units are expected to meet the latest environmental norms, adopt the latest technology, conserve energy, increase the production and productivity.

Additional measures taken by RINL for reduction in costs and to improve profitability include the following :

- Usage of different Coals in the Coal Blend is optimized continuously to achieve overall reduction in the cost. Three new coal brands, from Mozambique, Canada and Indonesia were introduced in the Coal Blend, enhancing the supplier base. Procurement of Coal from Indonesia has given the benefit of lower freight also.
- In order to reduce the outgo on account of ocean freight, cape size vessels with a carrying capacity of about 1.5 lakh tonne are being nominated for coal shipments. During the year 2015-16, around 62% of coal was imported through Cape Size vessels.
- 120 MW BF gas based Power Plant, was commissioned in 2015-16 enabling reduction in power generation cost as also quantum of power import. With this, the power generation capacity based on utilization of waste energy has increased.
- Product Mix and Distribution has been changed from time to time, in line with the market demand and to maximize the realizations. Branch Sales Office has been opened in Vijayawada for capitalizing on the demand for Capital Region Development planned by Govt. of AP.
- The percentage of Value Added Steel under Expansion units ramped up from a level of 30% in 2014-15 to 64% in 2015-16.
- Thrust on cost reduction measures to restrict expenditure has been further intensified in all areas which have larger potential of cost reduction.

The company has been pursuing several strategic initiatives. The Forged Wheel Plant being set up with assured offtake from Railways is under cost plus model. The JV for manufacture of Transmission Line Towers and

Tower parts is another such diversification initiative in partnership with the end user.

While the above diversification projects offer new value addition opportunities, the value addition within the plant is also set to increase with capabilities for high end value added steel production through secondary metallurgy facilities installed under expansion. The percentage of Value Added Steel under Expansion units ramped up from a level of 30% in 2014-15 to 64% in 2015-16. Further, the Company has developed several new products during last three years (2013-16), to cater to specific customer requirements.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.10

HSCL

The Committee note that HSCL, whose mandate is to mobilize indigenous capability for putting up integrated steel plants in the country has diversified and is participating in the 'Bharat Nirman Programme' of the Government in the North East State of Tripura under Prime Minister Gramin Sadak Yojana(PMGSY). The Committee have also stressed in their 9th Report (16th Lok Sabha) on the need to provide sufficient opportunities to HSCL by awarding them work contracts by Steel PSUs to overcome its liabilities and utilize its potential to the maximum. The Committee note that HSCL had achieved an order booking of Rs. 2649 crore in 2013-14 and Rs. 1844 crore in 2014-15. During the year 2015-16 orders amounting to Rs. 1654 crore(unaudited) were booked by HSCL upto December, 2015. The Committee are, however, unhappy to note that for 2016-17, HSCL has kept a lower order booking target of Rs. 1200 crore only. The Committee would like to be apprised of the reasons for decreasing the target for the year 2016-17. The Committee also note that HSCL had incurred a loss of Rs. 18.67 crore during 2013-14. Though during 2014-15 this loss was curbed to Rs. 8.10 crore, yet for 2015-16 HSCL has again incurred a loss of Rs. 12.51 crore upto December, 2015. In view of the continuous losses being incurred by HSCL, the Committee would like the Ministry/HSCL to take intensive measures to reduce its expenses and concentrate on acquiring more business prospects to keep itself relevant in the business.

ACTION TAKEN

In view of the possibility of merger with NBCC, the marketing target for 2015-16 has been kept at Rs.1200 Cr. Besides this, the business model of the company will also be guided by the policy decision of the Holding Company after the proposed takeover. HSCL has been putting all efforts to improve its operational results on continual basis. During 2015-16, the Company earned Gross Operational Margin of Rs.98.15 Cr. and the Net Loss reduced from Rs.8.10 Cr. in 2014-15 to Rs.5.06 Cr. (unaudited).

The main contributing factor to Net Loss is Rs.107.27 Cr. towards Interest on Govt. Loan and the Differential Interest paid to the Banks for the Term Loan secured for funding VRS. Increase of business volume in steel sector will help in improvement of operational results further. The Company is running with minimum administrative and salary expenses with the pay structures CDA 1996 & IDA 1992 still in place.

HSCL's business in Steel Plant has been in the range of 18-20% for the last several years. HSCL secures jobs in Steel Plant through open tender and reverse auction as per the terms in the NIT. For increasing business volume in Steel plants, HSCL has recently entered into perennial jobs like Loco Operation & Shunting jobs at SAIL/Bokaro, Durgapur & Burnpur. Besides this, HSCL has taken up 3 major Civil & Structural Packages at NMDC Steel Plant at Nagarnar for Rs.147 Cr. HSCL has secured orders worth Rs.1819 Cr. during 2015-16 compared to Rs.1844 Cr. secured during 2014-15.

HSCL has signed MOU with 4 expert agencies in Solar Energy generation sector for cooperation in taking up implementation of Rooftop and Solar Power generation Plants. The Company has already taken up Transaction Advisory Service for Khodri (4.398MW) and for Dhakrani (1.466MW), Solar Power Plants, under UJVN Ltd., Govt. of Uttarakhand. HSCL has written to the PSUs under Ministry of Steel to entrust implementation of Rooftop power generation units on these buildings.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.11

The Committee have been time and again emphasizing on the matter of finalizing the restructuring proposal for HSCL at the earliest. In this regard, the Committee have been informed that a note for the Cabinet on the financial restructuring of HSCL and its takeover by National Buildings Construction Corporation Limited (NBCC) is being prepared for placing before the Union Cabinet. The Committee would like to be apprised of a final decision taken by the Government in this regard.

ACTION TAKEN

The Union Cabinet has considered and approved the Note for the Cabinet of Ministry of Steel on financial restructuring of HSCL and its takeover by NBCC in its meeting of the cabinet held on 25.05.2016. Follow-up actions to implement the decision have been initiated.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.12

MECON Ltd.

The Committee note that MECON Ltd.'s mission is to provide technical consultancy-design and engineering, design and supply of plant, equipment and systems, implementation of new industrial ventures from concept to commissioning. The Committee observe that during 2013-14, MECON's income was Rs. 486.92 crore and PAT was Rs. 49.48 crore. For the year 2014-15, the income of the company increased to Rs. 539.15 crore but the Committee are surprised to note that PAT for the year decreased and was Rs. 20.27 crore. The Committee are concerned to note that during the year 2015-16, against the target for PAT of Rs. 8.28 crore, the company incurred a loss of Rs. 144.13 crore upto December, 2015. The Committee in their 9th Report (16th Lok Sabha) on Demands for Grants(2015-16) had desired that MECON should take steps to bag more orders in the field of design, engineering, and consultancy and contracting projects in view of passing of Mines and Mineral (Development & Regulation) Amendment Act, 2015. In their action taken reply, MECON had also assured the Committee on taking steps in that direction. Taking note of the fact that the company is incurring losses, the Committee feel that MECON has not taken the desired advantage of bagging orders for more projects. The Committee would like to be apprised of the new projects, if any, bagged by MECON during 2015-16 and would recommend that continuous and concerted efforts be made by MECON in this direction.

ACTION TAKEN

Subsequent to passing of the Mines and Mineral (Development & Regulation) Amendment Act, 2015, MECON put in concerted efforts in garnering projects in Mines area and has been successful in securing order from Ministry of Mines for assisting the State Governments in activities pertaining to Auction of Mine Blocks including providing Transaction Advisory Services. At present MECON is participating and assisting the State Governments of Rajasthan, Jharkhand, Madhya Pradesh and Andhra Pradesh in various activities for Auction of Mine Blocks and is also providing Transaction Advisory Services in the States of Rajasthan, Madhya Pradesh and Jharkhand for the same.

During the Study Tour of the Standing Committee on Coal and Steel to Bokaro on 18.01.2016, the capabilities of MECON were presented along with a request for support from the Committee on various issues. As suggested by the Chairman of Committee, the request for support was given in writing (**Annexure I**). A list of major jobs secured by MECON during 2015-16 is enclosed at **Annexure II**.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Comments of the Committee

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

Recommendation No.13

The Committee also note that an outlay of Rs. 5 crore is regularly being made by MECON for the same component of Expansion, Modification & Augmentation of Office Space at Ranchi / Guest House etc. at various locations during 2013-14, 2014-15 and 2015-16. The Committee observe that the actual utilization in these years has always exceeded the allocation i.e. Rs. 6.10 crore in 2013-14, Rs. 6.12 crore in 2014-15 and Rs. 7.19 crore in 2015-16(upto December, 2015). As such, against an allocation of Rs. 15 crore, a sum of Rs. 19.41 crore has been spent on Expansion, Modification & Augmentation of Office Space at Ranchi/Guest House etc. at various locations during the last 3 years. The Committee would like to know the reasons for such a substantial sum being allocated for the same purpose year after year and the details of the works undertaken under this Head.

ACTION TAKEN

The Govt. has approved a plan outlay of Rs. 5.00 crores per year under its 12th five year plan to be expended by MECON from its I&EBR towards expansion, modification & augmentation of office space at Ranchi / Guest House etc. at various locations. The company has got an office Building Complex at HO, Ranchi which was constructed in mid 60s and the same has become very old and requires continuous maintenance and up gradation. Further, the Guest House facilities at HO, Ranchi is also very old and requires up gradation and uplift. There are a few new project sites like Jagdalpur (for NMDC) which need a permanent Guest House. For these purposes company has taken up many small projects of short duration and small in values as given below:

Rs.in crores

Sl. No.	Particulars	2013-14	2014-15	2015-16 (Prov.)
1.	Augmentation / Renovation of Office Facilities	3.35	4.00	3.33
2.	Acquisition / Renovation / Purchase of Flats, Land, etc for Guest House at different locations	-	-	4.17
3.	Augmentation of power distribution system	1.56	0.61	1.17
4.	Others	1.19	1.51	1.36
	TOTAL	**6.10**	**6.12**	**10.03**

The company has purchased Flats / Land, etc in the financial year 2015-16 for setting up Guest House facilities. For this purpose the expenditure for the financial year 2015-16 is high as compared to its previous years. Further, the company is in the process of acquiring flats in the FY 2016-17 for which initial installment has been paid in the FY 2015-16.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.14

MSTC Ltd.

The Committee observe that MSTC Ltd. has taken a decision to concentrate on e-commerce business instead of trading as the latter is more profitable but very risky. The Committee also note that as against a Profit After Tax (PAT) of Rs. 90.99 crore in 2014-15 for MSTC the PAT for 2015-16 upto December, 2015 is only Rs. 24.19 crore. The Committee feel that given the fact that the rate of service charge on e-commerce is very low compared to trading business, the Company needs to strive hard to attain profitability. The Committee have been informed that MSTC has also diversified its e-Commerce activities in various domains like Coal Block Auctions, Red Sander wood auctions, Sandal Wood Auctions and Human Hair, various minerals etc. In addition MSTC is further looking forward to expand its e-Commerce presence into various other arenas like e- Retail business (B2B) along with India Post. Also a plan to float a portal for e-shopping mall is underway. The Committee would like to be apprised of the latest status of these two new ventures of MSTC i.e. e-retail with India Post and floating of e-shopping mall. Regarding trimming of its trading portfolio as it is very risky, the Committee would like to be apprised whether MSTC has fixed any target for generating business/income from trading.

ACTION TAKEN

For the financial year 2015-16 the total volume of business of MSTC was approximately 2% higher than the last year's volume. The Profit Before Tax (PBT) was Rs.89.60 crore and Profit after Tax (PAT) was Rs.58.59 crore. MSTC could achieve this profit level due to adoption of innovative service mix as per need of the customers. MSTC has envisaged the selling of Gorgon Nut/Makhana as service provider and Cooperative Federation (COMFED) Aggregator and India Post shall deliver material to the consumer or to the actual users. MSTC has discussed the modalities with India Post and COMFED and a proposal and draft MoU has been submitted to COMFED. The response from COMFED is awaited. The development of e-mall portal 'MSTC Metal Mandi' is in process. At present registration of sellers and buyers are in the offing. The income target of MSTC for thermal coal and other traditional items in Trading business for FY 2016-17 has been fixed for Rs.21.42 crore. MSTC is focusing on enhancement of e-commerce business to increase profitability.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.15

The Committee also recall that during 12th Plan, MSTC Ltd. had planned to set up on auto shredding plant at Dhaej in Gujarat in Joint Venture with ESSAR Steel Plant. The Committee have been informed that Essar Steel has backed out from this project. According to the Ministry, sourcing of raw material for the project had been an area of major concern and MSTC is now pursuing this issue with the Ministry of Road Transport and Highways, Ministry of Heavy Industries, SIAM etc. for enactment of a Law incentivizing compulsory scrapping of End of Life Vehicles which are the raw material for the project. The Committee have been further informed that the Kerala Government has approached MSTC Ltd. for setting up the First Auto Shredding Plant in Kerala. The Committee would like to be apprised of the progress made in the matter. The Committee also desire MSTC Ltd. to expedite the setting up of the auto shredding plant as there is no other ongoing project in hand for MSTC Ltd. currently except e-commerce activities.

ACTION TAKEN

MSTC had sought Expression of Interest (EOI) for setting up of a Joint Venture for Auto Shredding Plant and Mahindra Intertrade had responded. Mahindra Intertrade is a part of Mahindra Partners, the $900 million Private Equity division of the Mahindra Group whose mission is to accelerate value creation through a diversified portfolio of emergent businesses. The MoU for the Joint Venture was signed in April, 2016 by both the parties. The Joint Venture Agreement has been signed also.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Comments of the Committee
(Please see para 16 of Chapter I of the Report)

Recommendation No.16

KIOCL

The Committee note that the mining activity at KIOCL Ltd. was stopped as per the Hon'ble Supreme Court verdict w.e.f. 01.01.2006. At present KIOCL is mainly operating the pellet plant at Mangalore by sourcing iron ore from the market. The Profit After Tax (PAT) of KIOCL in 2013-14 was Rs. 39.94 crore and it was Rs. 31.26 crore in 2014-15. During 2015-16, KIOCL had suffered a loss of Rs. 139.48 crore upto December, 2015. The Committee further note that KIOCL produced 1.710 million tonne of pellets in 2013-14 and 0.785 million tonne pellets in 2014-15. Pellet Production target for BE(2015-16) was 1.800 million tonne which was reduced to 0.700 million tonne at RE stage and actual achievement upto December, 2015 was only 0.100 million tonne. The Committee, therefore, note that the target was reduced by more than half at RE stage. Yet again, Pellet Production target for BE(2016-17) is set at 1.300 million tonne. The Committee feel that KIOCL should focus on projecting realistic targets keeping in view the achievement of the previous years and viability and marketability of produced material. The Committee also note that in a recent development KIOCL Ltd. has sent a shipment of iron ore pellets to Iran under the Government's Make in India' concept. The Committee have been informed that KIOCL Ltd. is bringing high grade iron ore (with 'Fe' content of 67%) from Brazil and converting it into pellets at KIOCL's pellet Plant at New Mangalore. For undertaking the above order, KIOCL signed a back to back contract for import of high grade iron ore concentrate of 67% Fe from Brazil and export of pellets after conversion to M/s Mobarakeh Steel Company (MSCO) under Government of Iran. It has been further informed that customers in Turkey and Vietnam also have shown interest in procuring High Grade Pellets from KIOCL. The Committee desire that KIOCL should actively pursue the interest shown by the overseas customers and explore similar opportunities elsewhere in the world to obtain business which in turn would help KIOCL to curb the mounting losses. The Committee also note that an outlay of Rs. 500.00 crore has been provided for KIOCL Ltd., for (i) development of Devadari Iron ore deposit in the state of Karnataka & forwarding integration project at Blast Furnace unit etc; (ii) Equity participation with NMDC & RINL for setting up slurry pipeline & Pellet Plant project Development of iron ore deposit joint with APMDC, a State owned PSU under Government of Andhra Pradesh; and (iii) Setting up of 1.5 MTPA Pellet plant at Bokaro Steel Plant, SAIL on Built, Own & Operate (BOO) basis. The Committee recommend that Ministry of Steel should monitor the investment plan of KIOCL during 2016-17 and ensure that outlays of Rs. 500 crore are fully utilized as targeted as these new mining and pellet plants will definitely help the company in improving its financial performance.

ACTION TAKEN

Ministry has been monitoring the progress of development of projects and utilization of funds allotted for each project at various levels periodically.

KIOCL has been encountering severe challenges from raw material sourcing as well as selling of pellets under Long Term Contracts ever since closure of captive mines. Added to this, global slowdown and prolonged recession in steel industries has further affected the performance. As it is evident from year to year performance that in 2013-14, KIOCL was able to meet the annual production & dispatch targets. For FY 2014-15, domestic steel industries due to subdued activity in steel using sectors, diminished demand for steel & high pellet production capacities coupled with most of the integrated steel plants equipping themselves with captive pellet plants, have shrunk the total market space available for merchant pellet manufacturers. As a result the pellet production & dispatch were dropped to 0.785 million tonne & 0.679 million tonne.

For FY 2015-16, KIOCL was anticipating improvement in market condition and accordingly kept a target of 1.800 million tonne, but based on negative trend in entire in steel using sectors, KIOCL was constrained to bring down the target to 0.700 million tonne as RE stage. As against the same the actual production was 0.100 million tonne, thereby achievement is 6% of target only. Further, due to sharp fall in prices, KIOCL has reported loss of Rs.77.66 crores during the year.

For FY 2016-17, KIOCL has set the target of 1.300 million tonne with allocation of 0.750 million tonne through tolling arrangement and 0.550 million tonne through normal pellet production. It is pertinent to mention that under tolling arrangement i.e. utilization of pellet plant infrastructure for various domestic & international manufacturers raw materials and finished goods are the responsibilities of the users, & KIOCL responsibility limited to convert the iron ore at a predetermined rates. Taking advantage, during slack the existing pellet plant capacity can be better utilized as well as revenue can be earned for the organization.

In the international market, iron ore and pellet prices are continuously under pressure due to iron ore oversupply, declining demand for steel in Chinese market. Further, premium for pellets over iron ore fines i.e. difference between the price of pellets and iron ore fines has also narrowed down. In order to overcome this issue and to meet target for FY 2016-17, KIOCL is planning to produce and sell high grade pellets & tolling arrangements with overseas and domestic Parties.

In this direction, KIOCL has already processed for importing around 70,000 MT of high grade iron ore concentrate, produce pellets and export the same to Iran. In this regard KIOCL customers have evinced interest to procure DR grade pellets for supplying to Iran. Customers in Iran are planning to procure total quantity of about 4,00,000 tonne based on above trial order.

Further SKSCO, Iran is having discussions with KIOCL for taking the matter forward. KIOCL also is in discussions with other global players (China, Turkey, Switzerland etc) to undertake tolling arrangements.

Present status of projects as envisaged under CAPEX plan 2016-17 is as under :

i) Development of Devadari Mines, Karnataka- Fund allocated Rs. 10.00 Crores.

   a) KIOCL submitted the reservation proposal to Govt. of Karnataka on 25.07.2015 for reserving the mining area for iron and manganese ore in Devadari Range, Bellary Dist.
   b) Govt. of Karnataka on 22.03.2016 recommended the proposal to Ministry of Mines, GoI for reservation of an area of 470.40 ha in Devadari Range, Sandur Taluk, Bellary District for iron ore and manganese in favour of KIOCL Ltd.
   c) On 30.03.2016, Ministry of Mines, GoI sought certain clarifications on this reservation proposal from Govt. of Karnataka and same is being worked out by GoK.

ii) Setting up of forward and backward integration with BFU, Mangalore, Karnataka: Fund Allocated: Rs. 51.00 Crores.

   a) Company is working out resumption of production of pig iron on Blast Furnace Unit during this financial year.

b) As forward integration projects KIOCL is planning to set up TMT bar unit. The proposed outlay will be utilized for preparation of TEFR and initial expenditure for setting up of TMT bar unit.

iii) Setting up of 8 MTPA filter plant, 6 MTPA Pellet Plant at Vizag and 13 MTPA Slurry Pipe line from Nagarnar to Vizag along with NMDC & RINL through JV:

Fund Allocated: Rs. 50.00 Cr. KIOCL's Board has accorded approval for acquiring 16 % stake in the proposed JV. Joint Venture Agreement submitted by NMDC is under scrutiny for formation of JV Company to take the project forward.

iv) Development of Ananthapuramu Mine & setting up of Pelletization and Beneficiation Plant at Ananthapuramu: Fund Allocated: Rs. 10.00 Cr.

a) Govt. of AP has granted PL to APMDC on 30.11.2015 over an extent of 1327 ha in Nemkal Village, Anantapuram district, Andhra Pradesh.
b) APMDC has submitted proposal to PCCF, Govt of Andhra Pradesh for seeking permission to carry out exploratory drilling.
c) PCCF, Govt of Andhra Pradesh requested APMDC to conduct DGPS survey of the proposed Road and Bore hole points & resubmit the proposal.
d) DGPS Survey is being carried out for resubmission of proposal for forest clearance to undertake exploratory drilling.

v) Setting up of 1.5 MTPA Pellet Plant on BOO basis at Bokaro Steel Plant of M/s SAIL: Fund allocated : Rs. 300.00 Cr.

a) M/s SAIL had floated a Limited tender enquiry on 23.12.2014 for "Setting up of 1.5 MTPA capacity pellet plant at bokaro steel plant on build-own-operate (BOO) basis".
b) KIOCL submitted their Bid on 02.05.2015.
c) KIOCL is under price negotiation with SAIL.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

CHAPTER – III

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

Recommendation No.7

DECLINING PROFIT OF RINL

The Committee note that over the years, income of RINL has seen a sharp decline. From Rs.13842.72 crore in 2013-14 , income of the company reduced to Rs. 10770.23 crore in 2014-15 and during 2015-16, Rs.7172.13 crore income could be generated upto December, 2015. Similarly, Profit After Tax (PAT) of RINL which was Rs. 353.94 crore in 2013-14 plummeted to Rs. 52.81 crore in 2014-15. During 2015-16, the loss of RINL stood at Rs. 1014.67 crore. Regarding the reasons for shortfall in Profit After Tax (PAT) with respect to previous years, RINL has informed the Committee that reduction in Net Sales Realization due to sluggish market conditions owing to lack of demand and cheaper imports from China; imposition of DMF (District Mineral Fund) @30% on Royalty w.e.f. 12.01.2016 as per MMDR Act, has partly offset the benefit of reduction in Iron Ore Prices; increase in finance costs due to availment of higher supplier's credit and short-term & long term loans to meet the working capital; reduction in interest income due to the redemption of preference share capital and outflows towards on-going expansion plan; increase in deprecation due to capitalization of new expansion units; and increase in power tariff by State Power Distribution Companies are major reasons for shortfall. While acknowledging these factors, the Committee feel that the same are also being faced by other steel plants including private sector steel plants. The Committee, therefore, recommend that declining performance of entire steel industry be taken seriously and the utmost efforts be made by the Ministry by incentivizing this sector through various interventions.

ACTION TAKEN

Indian steel industry is going through a downturn and almost all steel producers, from big integrated steel plants to small secondary producers, are suffering from deterioration in their margins as a result of decreasing prices. Due to huge overcapacity in major steel making countries such as China, Japan and Korea, producers have made distress sale (prices below the cost of production) in emerging markets such as India. This has led to a significant increase in the quantum of imports and a considerable decrease in the prices. The consequence of this has been that the steelmakers who have invested more than INR 5000 billion in the last 10-12 years and expected to reap benefits now have been left with depleted income statements, eroded EBITDA margins and ever growing debt burden.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.8

NMDC Ltd.

The Committee are happy to note that 7.0 MTPA Bailadila Iron Ore Deposit 11-B Project of NMDC Ltd. at Chhattisgarh has been commissioned in August, 2015. Besides this, the work on two other projects viz. 7.0 MTPA Kumaraswamy Project and 1.2 MTPA Pellet Plant at Donimalai, is reported to be under stabilization. As regards the physical performance of NMDC Ltd. the Committee note that NMDC has been exceeding its mining capacity target during the last 3 years and its achievement was 103%, 115% and 105% during 2012-13, 2013-14 and 2014-15 respectively. The Committee are, however, concerned to note though iron ore production by NMDC Ltd.was 300.25 lakh tonne and 304.41 lakh tonne during 2013-14 & 2014-15 respectively, the production upto December 2015 was only 197.91 lakh tonnes of iron ore as against a reduced target of 275 lakh tonnes. Moreover, the target for iron ore production for NMDC Ltd. has been further reduced to 257 lakh tonne for BE 2016-17. The Committee would like to be apprised of the reasons for keeping low target for iron ore production during the year 2016-17 despite the fact that mining capacity utilization has exceeded 100 % for last three years and two new mines of 7.0 MTPA each at Bailadila, Chhattisgarh and Kumaraswamy, Karnataka have been commissioned/ under stabilization. The Committee would also like to know the prospective plan of NMDC Ltd. to produce 75 MTPA of iron ore by 2018-19 and 100 MTPA by 2021-22.

ACTION TAKEN

In May 2015, NMDC formulated a long term strategic management plan (SMP), Vision 2025, as per which its Iron Ore Mining capacity was envisaged to be increased to 75 million tonnes per annum (MTPA) by 2018-19 and 100 MTPA by FY 2021-22. This was in line with the roadmap charted out by the Ministry of Steel, Government of India to augment India’s steel production to 300 MTPA in the next decade.

Since the formulation of SMP, the business environment for commodities/iron ore witnessed severe downturn, necessitating a re-look at the ambitious growth agenda. The prices of steel products and iron ore have come down substantially since then. The subdued market conditions are likely to continue in the foreseeable future for both the steel and the iron ore industry globally, with supplies exceeding demand.

Taking into account the market scenario, the SMP was reviewed by NMDC and the broad guidelines of the same have been re-worked as (subject to the approval of the Board):

- Increase Iron Mining scale to 50 MTPA by FY 19 and 67 MTPA by FY22and further to 100 MTPA in the long term.
- Strengthen exploration and forward-integrate to value added business (Pellet).

- Strategically diversify into other steelmaking raw materials (Coking Coal, Mn Ore), energy (Thermal Coal) and fertilizer raw materials (Rock Phosphate, Potash) based on growth/business potential and relevance to NMDC.
- Diversify into strategic and critical raw materials like Tungsten to ensure long term supply security for the nation.

It would be pertinent to mention that the above expansion plan of NMDC takes into account the high prospects of the growth of the Indian Steel Industry in the coming years with several factors indicating the same, such as, thrust of the government on infrastructure development, growing urbanization, extensive plans of rail network expansion, improving power generation etc. Low per capita steel consumption in the country at 59 kg/t vis-à-vis the world average of 217 kg/t also indicate the huge growth potential the Indian Steel industry has.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

Recommendation No.9

The Committee note that total income of NMDC Ltd. increased from Rs. 14153.00 crore in 2013-14 to Rs. 14622.00 crore in 2014-15. During 2015-16, an income of Rs. 6262 crore was generated upto December, 2015. As regards the Profit After Tax (PAT), it increased from Rs. 6420.00 crore in 2013-14 to Rs. 6422.00 crore in 2014-15. During 2015-16, PAT of Rs. 2475 crore had been generated upto December 2015. Despite all this, for 2016-17, a target for PAT has been kept very low at Rs. 645 crore only. The Committee fail to understand the logic of reducing the profit target so drastically for 2016-17 by NMDC Ltd. The Committee would, therefore, like to be apprised of the reasons for such drastic reduction in PAT targets and steps taken by the company to improve its financial performance.

ACTION TAKEN

While preparation of the BE 2016-17 in the month of December, 2015 the import of steel was impacting the domestic steel industries as Minimum Import Price (MIP) was not introduced and the impact of safeguard duty levy was not evident. In view of the above the projection of Production volume in 2016-17 was reduced and considered at 275 LT at the excellent level, thus reducing PAT to Rs. 645 cr. The reduction in profit is also on account of the fact that domestically and internationally, price of iron ore will continue to remain low, which will also have significant impact on NMDC's bottom line.

[O.M. No.11014 (4)/2016-Parl. dated 16th September, 2016 of Ministry of Steel]

CHAPTER – IV

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

NIL

CHAPTER – V

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

NIL

NEW DELHI;	**RAKESH SINGH**
29 November, 2016	**Chairperson**
8 Agrahayana, 1938 (Saka)	**Standing Committee on Coal and Steel**

ANNEXURE-I

DESCRIPTION OF REQUEST FOR SUPPORT FROM THE COMMITTEE ON VARIOUS ISSUES.

Ref : **Meeting of the Standing Committee on Coal & Steel with MECON at Bokaro on 18.01.2016**

Sub : **Request for support on the following issues**

A. Retaining MECON as Principal Consultant to Government of Jharkhand (GoJ) for Infrastructure and Development Projects of GoJ towards building Jharkhand State.

The present Government under the able leadership of Hon'ble Chief Minister, Shri Raghubar Das, is committed for good and transparent governance. To support such an endeavour and aspiration of the present Government, it is our earnest submissions that MECON may be considered and recognized as **Principal Consultant**. Such an approach will help us in providing to the Government, technical consultancy in a wholesome manner, integrating all facets of development, like industry, infrastructure, mining, tourism, health etc. With a large pool of competent technical workforce and our main engineering strength available at Ranchi, we are in a position to provide such a service to the Government of Jharkhand. It may be worth mentioning that we are a major contributor to the State and the Central Exchequer from the State of Jharkhand.

The Mining Department of State of Jharkhand needs further strengthening to take care of present auction process and further activities. MECON can provide all possible assistance in carrying out these activities.

B. Support requested for the following :

1. **Early release of orders to MECON for the following SAIL Projects:**
    - 3.3 Mt Beneficiation Plant and 2.0 Mt Pellet Plant at RSP, SAIL
    - 1.0 Mt Pellet Plant and Beneficiation Plant at BSP, SAIL
    - Rebuilding of Coke Oven Battery #8 at BSL, SAIL

2. **MECON to continue as PMC for the PMC project for IIAB, Ranchi (on behalf of ICAR) –** job was awarded based on competitive bidding and now it is proposed to hand it over to CPWD. MECON should be allowed to remain PMC whereas CPWD can be entrusted with construction responsibility.

C. Support requested from Ministry of Defence for :

1. Retaining MECON Principal Consultant to GoI for Defence Productions and Special Projects under Make in India campaign. During the recent visit of Hon'ble Defence Minister, Shri Manohar Parikar to Jharkhand, he announced establishment of following defence setups:
    - Ordnance Factory
    - Army (Sainik) School
    - Military Station
    - Defence University

2. Award of order to MECON for the "Supply of Wide Plate Mill" project of Mishra Dhatu Nigam Limited (MIDHANI), Hyderabad.
   MECON had put lot of efforts in carrying out the basic and detailed engineering, when Midhani Management was considering MECON for the co-development of the Wide Plate Mill which led to the signing of draft contract and submission of firm price by MECON. Subsequently Midhani went for open tender – where MECON has also participated and awaits price opening.

To support Ministry of Steel, Government of India 's ambitious plan to achieve 300 MTPA crude steel output by 2025-26, MECON took special initiatives for planning & execution in the following manner:

1. SPV for Steel

- MECON developed the concept in association with SBICAPS for development of 23 MTPA Steel production capacity thru' SPV route.
- SPV proposed for four states, e.g. Jharkhand (NMDC), Chhattisgarh (SAIL), Odisha (RINL) & Karnataka (NMDC).
- MECON is participating in all the meetings with MoS / State Govts. / Stake Holders for steering the project.

MECON is providing site selection services for all of the above.

2. Steel Freight Corridor (SFC)

- MECON has developed the concept of SFC to provide adequate logistics infrastructure support connecting the raw material sources with the steel plants and their delivery system.
- MECON along with RITES are taking up Pre-Feasibility studies of some major routes on behalf of NMDC.

3. Special Mining Zones (SMZ)

- MECON has developed the concept of SMZ that includes development of infrastructure facilities in and around the core mining zones of the country.

- The concept of SMZ were presented to Secretary, MoS on 21st Dec. 2015.

- It was decided in that meeting MoS shall takeup this matter with MoM & MoEF for further development.

Defence, Strategic & Special Projects

Highlights

- MECON being a PSU ensures highest level of Confidentiality required for such Projects of National Importance.

- All Procedures and Directives of GOI followed diligently.

- MECON in association with MoD have been executing variety of projects successfully since decades.

- Rich experience in executing projects eg. CODs, RODs, FODs.

- MECON is having a Defence Projects Division for handling defence projects.

- Highly cost effective services.

- Complete Engineering services from Concept to Commissioning under one roof.

List of Projects executed

- SEABIRD (Ph-I), DRDO, HAPP, IMRAT, DMRL, MIDHANI, AGNI, AKASH & KONKUR MISSILE LAUNCHING, BARC, SHAR, BEL…

MECON desires to be retained as Principal Consultant by GoI for defence production under Make in India campaign.

MECON'S Association for Building Jharkhand State

Ongoing Projects

- World's Highest Flag Mast of India at Pahari Mandir – PMC

- New Jharkhand High court building complex at Ranchi - PMC

- Five Major Roads of Ranchi - Decongestion & Beautification -DPR + Bid Mngt. + PMC.

- Inner Ring Road at Ranchi -DPR + Bid Mngt.+ PMC.

- Bridges under Mukhyamantri Gram Setu Yojana - DPR

- Transaction advisor to GoJ for NTPC-GoJ JV for PTPS, Patratu
- Technical due diligence study of 2x270MW Units at Latehar, for GoJ

Projects awaiting work order from Govt. of Jharkhand

- PMC - DDUGJY & IPDS work for Jharkhand state.
- Vivekananda Statue at Bada Talab for Dept. of Tourism: Consultant for DPR + Bid Mngt. + TPIA
- Projects of Tourism, Sports, Arts & Culture: Principal Consultant for DPR + Bid Mngt. + TPIA + PMC
- SONE GANGA Project: DPR + Bid Mngt. + PMC for 14 districts for rural area ensuring Swatch Bharat Mission and water for all

Projects Identified for Providing Support

- Solar Power Projects: Principal Consultant for DPR + Bid Mngt. + TPIA.
- Decongestion & Beautification of Roads in all major towns of Jharkhand: Consultancy for DPR + Bid Mngt. + PMC.
- Consultant for All prefabricated and Conventional design of buildings under Building Construction Department - DPR + Bid Mngt. + TPIA.
- RAPDRP for 30 Towns: Bid Mngt. + PMC on Deposit Work basis.
- BOP of NTPC & Govt. of Jharkhand JV Power Plant, Patratu: On Deposit Work basis.

MECON desires to be retained as Principal Consultant by GoJ for building Jharkhand State

Likely Orders to be Received

1. SAIL Projects - MECON emerged as L1 Bidder and awaiting order

- Pending Order Value: Rs. 1045 Crores
- Projects:
- 3.3 MTPA Iron Ore Beneficiation Plant & 2.0 MTPA Pellet Plant of RSP.
- 1.0 MTPA Pellet Plant along with Beneficiation Plant of BSP.
- 0.6 MTPA Slime Beneficiation plant for SAIL-RMD.
- Rebuilding of COB #8, BSL.
- Request for

- PMC for Hot Strip Mill , RSP
- PMC for Critical Packages of BSP

2. Mishra Dhatu Nigam Ltd., Hyderabad

- Project: Supply of Wide Plate Hot Rolling Mill.
- Status:
- MIDHANI floated Global tender in 2012, but could not place order as offers received were far in excess of MIDHANI's budget.
- MECON had proposed to build the mill with in-house resources on co-development basis within MIDHANI's budget.
- MECON had techno-commercial discussion and draft contract was signed between MECON & MIDHANI in 2014.
- Even after signing of the draft contract, MIDHANI decided to go for limited tender for this project in August 2015.
- MECON submitted offer in December 2015 and tender is presently under evaluation by MIDHANI

MECON Needing Governmental Support

1. IIAB, Ranchi

- Project - Project Management Consultant for IIAB, Ranchi (On behalf of ICAR)
- MECON emerged successful Bidder through competitive bidding process.
- IIAB issued LOI on 23.12.2013 contract signed with MECON on 18.03.2014.
- Subsequently MECON has carried out substantial work on the project.
- ICAR has now decided to entrust the job to CPWD.

2. 10 MT Rock Phosphate Mines in Syria

- Preparation of Techno-Economic Study Report
- Job awarded to MECON by Ministry of Chemical & Fertilisers, GoI.
- Contract signed in 2009.
- Status - Final Report submitted by MECON.

- Fee of MECON - US$ 1.5 Million
- Outstanding Payment - 52.5% of MECON’s fee
- Support needed-Realisation of outstanding payment thru’ intervention of MEA & MoCF.

Annexure-II

STATEMENT REGARDING LIST OF MAJOR JOBS SECURED BY MECON DURING 2015-16

Confidential

Sub:List of major jobs secured during 01/04/2015 to 31/03/2016				
Sl. No.	***CLIENT***	***PROJECT***	***SCOPE OF SERVICES***	***Date of order***
A. INDIAN BUSINESS (CONSULTANCY)				
1	Bharat Electronics Ltd., Ghaziabad	Underground and Overground Specialised Integrated EMP Protected Hardened Structures at Arjangarh, Salua, Memaura, Vadsar and Bangalore	PMC Services	05.10.15
2	Ministry of Urban Development, Govt. of Jharkhand, Ranchi	Development of Five Urban Roads and Inner Ring Road of Ranchi City	DPR & PMC	14.08.15
3	GAIL (India) Ltd., Noida	PMC Services including Services for Pipeline Route Survey Job of Phulpur-Haldia Pipeline Project	PMC Services	18.08.15
4	Jharkhand Bijli Vitran Nigam Ltd., Ranchi	Project Management Consultancy for implementation of Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) in Jharkhand	PMC Services	01.03.16
5	SAIL/IISCO Steel Plant, Burnpur	Expansion Project for 2.5 MT Stream - Additional Fees	PMC Services	25.03.16
6	RINL Powergrid TLT Pvt. Ltd., Visakhapatnam	Setting-up a Transmission Line Tower Manufacturing Plant at Visakhapatnam	DEC & PMC Services	18.01.16
7	Bhagyanagar Gas Ltd.	Development of CGD Network in Hyderabad for a period of Three Year	EPMC	30.07.15
8	Neyveli Lignite Corporation Ltd., Neyveli	1 x 250 MW Bithnok Thermal Power Project & 1 x 250 MW Barsingsar Thermal Power Station Extension	Consultancy	18.08.15
9	Building Construction Department, Special Works Division, Govt. of Jharkhand	Construction of New Jharkhand High Court Building Complex at Dhurwa, Ranchi	PMC Services	12.11.15
10	Odisha Power Transmission Corporation Ltd., Bhubaneswar	45 nos. of 33/11 KV Substations, Pkg-1 (36 nos. of Substations) & Pkg-5 (9 nos. of Substations) within DISCOM-CESU & SOUTHCO under Phase-II (R), ODSSP & (Amendment-1 for Additional Manpower)	PMC Services	08.06.15 & 11.09.15

11	Govt. of Jharkhand, Ministry of Power, (JUVNL), Ranchi	Transaction Advisory Services for proposed Participation of NTPC Ltd. in Joint Venture Formation for Patratu Thermal Power Station	Transaction Advisory Services	01.04.15
12	SAIL/IISCO Steel Plant, Burnpur	Zero Liquid Discharge Plant for Expansion / Modernisation of New 2.5 Mtpa Project & existing Coke Oven of Old Plant	Consultancy	10.10.15
13	Tata Metaliks, Kharagpur	Design, Engineering & Consultancy Services for Mini Blast Furnace # 1	DEC	15.07.15
14	RINL/Visakhapatnam Steel Plant, Visakhapatnam	Revamping & Upgradation of Walking Beam Furnaces # 1 & 2 of Light & Medium Merchant Mill	DEC	24.04.15
15	Ministry of Mines, Govt. of India	Transaction Advisory Services for various Mines	Transaction Advisory Services	31.03.16
16	Srikalahasti Pipes Ltd., Chennai	Upgradation of Mini Blast Furnace	DEC	14.05.15
17	JSW Steel Ltd., Salem	Installation of a 3-Strand New Bloom Caster (CCM # 3) by extending SMS # 1 Building	DEC	07.09.15
18	Ministry of Mines, Govt. of India	DGPS Survey for various Mines	DGPS Survey	31.03.16
19	SAIL/Rourkela Steel Plant, Rourkela	Revamping of Blast Furnace # 4 of RSP	Consultancy	14.03.16
20	Odisha Mining Corpn. Ltd., Bhubaneswar	Modified Mine Plans for Kalarangi Chromite Mines, Kaliapani Chromite Mines, Saruabil Sukrangi Chromite Mines, Base of Mahagiri Chromite Mines and Scheme of Mining for Karlapat Bauxite, Sasubahomali Bauxite and Sukinda Chromite Block 1, 2 & 3	Modified Mine Plan & Scheme of Mining	02.01.16
21	Jharkhand Govt. Rural Development Special Division	Construction of Concrete Road Bridges alongwith approach Road over Rivers / Nallahs on Rural Road in Jharkhand	DPR	08.07.15
22	Hindustan Petroleum Corpn. Ltd.	Engineering Consultancy Work at Panagarh LPG Bottling Plant	Consultancy	15.09.15
23	Hindustan Petroleum Corpn. Ltd.	Reassessing Wind and Seismic Resistance of Product Storage Tank for various locations	Consultancy	04.09.15
24	JSW Steel Ltd., Salem	EOF#1 Capacity Enhancement from 45t to 65t	DEC	23.09.15
B. INDIAN BUSINESS (SUPPLY)				
1	Corporation Bank, Mangalore	Construction of Buildings as "Deposit Works" on "Total Turnkey Basis"	Execution on LSTK Basis	18.02.16

2	SAIL/Bokaro Steel Plant, Bokaro	Power Supply System for Sinter Plant-II (Package No. 4)	EPC	11.04.15
3	ISRO Propulsion Complex (IPRC), Mahendragiri, Tamil Nadu	Establishment of Structural & Mechanical Systems of Integrated Engine Test Facility	EPC	11.03.16
4	SAIL/Bokaro Steel Plant, Bokaro	Installation of Quenching System for Rebuilding of Coke Oven Battery # 8	EPC	04.09.15
5	SAIL/Durgapur Steel Plant, Durgapur	Extended Category-II Repair of Blast Furnace-II	Capital Repair	13.04.15
6	Srikalahasti Pipes Ltd., Chennai	Supply of Stave Coolers	Supply	14.05.15
C. OVERSEAS BUSINESS				
1	Premium Steel and Mines Ltd., Nigeria	Steel Plant Facilities of Delta Steel Co. Ltd., Warri, Nigeria	Due Diligence, Asset Valuation & Bankable TEV Report	19.10.15
	Total Business Procured (Rs. Lakhs)			**68340.26**

ANNEXURE-III

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 29 NOVEMBER, 2016 IN HON'BLE CHAIRPERSON'S CHAMBER, ROOM NO. '112', FIRST FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1600 hrs. to 1630 hrs.

PRESENT

Shri Rakesh Singh - Chairperson

Lok Sabha

2. Shrimati Jyoti Dhurve
3. Shri Nagesh Godam
4. Shri Shailesh Kumar
5. Dr. Banshilal Mahato
6. Shri Kamalbhan Singh Marabi
7. Shrimati Riti Pathak
8. Shrimati Ranjit Ranjan
9. Dr. Ravindra Kumar Ray
10. Shri Chandu Lal Sahu
11. Shri Tamradhwaj Sahu
12. Shri Janardan Singh "Sigriwal"
13. Shri Pashupati Nath Singh
14. Shri Sunil Kumar Singh
15. Shri Sushil Kumar Singh

Rajya Sabha

16. Shri Ali Anwar Ansari
17. Shri Md. Nadimul Haque
18. Shri Ranvijay Singh Judev
19. Shri Ram Vichar Netam

SECRETARIAT

1.	Shri U.B.S. Negi	-	Joint Secretary
2.	Shri Ajay Kumar Garg	-	Director
3.	Shri Arvind Sharma	-	Additional Director
4.	Ms. Miranda Ingudam	-	Deputy 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) Report on Action Taken by the Government on the observations / recommendations contained in the Ninth20th Report (16th Lok Sabha) of the Committee on "Demands for Grants (2016-17)" relating to the Ministry of Steel.

4. The Committee adopted the Reports with some changes/modifications. The Committee then authorized the Chairperson to finalise the Reports and present the same to both the Houses of Parliament.

5. ** ** ** **

The Committee then adjourned.

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** Do not pertain to this Report.

ANNEXURE- IV
(Vide Para IV of Introduction)

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

I. Total No. of Recommendations made 16

II. Recommendations that have been accepted by the Government (*vide* recommendation at Sl. Nos. 1, 2, 3, 4, 5, 6, 9, 10, 12, 13, 14, 15 and 16) 13

Percentage of total 81.25%

III. Recommendations which the Committee do not desire to pursue in view of the Government's replies (vide Recommendation at Sl. Nos. 7, 8 and 9) 03

Percentage of total 18.75%

IV. Recommendations in respect of which replies of the Government have not been accepted by the Committee (*vide* recommendation Sl. No. Nil) 00

Percentage of total 0%

V. Recommendations in respect of which final replies of the Government are still awaited (*vide* recommendation Sl. No. Nil) 00

Percentage of total 0%