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STANDING COMMITTEE ON COAL AND STEEL

(2016-2017)

SIXTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS

(2017-18)

TWENTY-NINTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

MARCH, 2017 /PHALGUNA, 1938 (SAKA)

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Presented to Lok Sabha on 20.03.2017

Laid in Rajya Sabha on 20.03.2017

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NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2016-17)

Shri Rakesh Singh- Chairperson

Name of the Member

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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. Vacant
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 authorized by the Committee to present the Report on their behalf, present this Twenty-Ninth Report (Sixteenth Lok Sabha) on Demands for Grants (2017-18) relating to the Ministry of Steel.

2. The Demands for Grants of the Ministry of Steel were laid on the Table of the House on 06.02.2017. Under rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Coal and Steel are required to consider the Demands for Grants of Ministries under their jurisdiction and make Report on the same to both the Houses of Parliament.

3. The Committee took evidence of the representatives of the Ministry of Steel on 22nd February, 2017.

4. The Report was considered and adopted by the Committee at their sitting held on 16.03.2017.

5. The Committee wish to express their thanks to the officials of the Ministry of Steel for the cooperation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

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

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

NEW DELHI;
16 March, 2017
25 Phalguna, 1938 (Saka)

RAKESH SINGH
Chairperson,
Standing Committee on Coal and Steel

REPORT

PART-I

CHAPTER I

INTRODUCTORY

The pre-deregulation phase has seen the Ministry of Steel in the key role of a regulator which was essential, given the operating economic conditions, the limited presence of industry and the scarcity of key raw material for steel-making at home. Through skillful and judicious decisions on allocation and pricing and formulating related policy measures, the Ministry of Steel had played an important role in taking the steel industry forward in this phase. In the post-deregulation period, the role of the Ministry of Steel has primarily been that of facilitator for the Indian steel industry, being responsible for the planning and development of the iron and steel industry, development of essential inputs such as iron ore, limestone, dolomite, manganese ore, chromites, ferro alloys, sponge iron and other related functions.

1.2 The main functions of the Ministry of Steel are:

(a) Development of Steel Plants in Public and Private Sectors, the re-rolling industry and ferro-alloys.

(b) Policy formulation regarding production, distribution, pricing of iron & steel and Ferro alloys.

(c) Development of iron ore mines in the public sector and other ore mines like manganese ore, chrome ore, limestone and other minerals used in the iron and steel industry (but excluding mining lease or matters related thereto).

(d) Providing a platform for interaction of all producers and consumers of steel in the country.

(e) Identification of infrastructural and related facilities required by steel industry.

(f) Overseeing the performance of 8 PSUs, their subsidiaries and one Special Purpose Vehicle (Joint Venture Company) called International Coal Ventures Pvt. Ltd. (ICVL).

1.3 The following Public Sector Undertakings are under the administrative control of Ministry of Steel:

(a) Steel Authority of India Limited, (SAIL), New Delhi

(b) Rashtriya Ispat Nigam Limited, (RINL), Visakhapatnam

(c) NMDC Limited, Hyderabad

(d) MOIL Ltd.(Formerly Manganese Ore (India) Limited), Nagpur

(e) KIOCL Ltd. (formerly known as Kudremukh Iron Ore Company Limited), Bangalore

(f) Hindustan Steelworks Construction Limited (HSCL), Kolkata

(g) MECON (formerly known as Metallurgical & Engineering Consultants (India) Ltd.) Ranchi

(h) MSTC (formerly known as Metal Scrap Trade Corporation Limited), Kolkata

1.4 The detailed Demands for Grants (2017-18) of the Ministry of Steel were presented to the Lok Sabha on 06.02.2017. Various points arising out of the scrutiny of Demands for Grants(2017-18) and performance of the Ministry and PSUs are discussed in the subsequent chapters.

CHAPTER II

ANALYSIS OF DEMANDS FOR GRANTS

For the year 2017-2018, Demand No. 93 was presented to the Parliament by Ministry of Finance on behalf of the Ministry of Steel during the Budget Session. The Demand includes provisions for Revenue/Capital expenditure for the Ministry and expenditure of the Public Sector Undertakings (PSUs) under its administrative control.

TOTAL REQUIREMENT OF FUNDS FOR 2017-18

2.2 The total financial requirements covered in Demand No. 93 for BE 2017-18, are summarized in the following Table:-

(Rs. in crore)

Demand No. 93 for 2017-2018	BE 2017-18		
	Scheme	**Non-Scheme**	**Total**
REVENUE SECTION	15.00	29.14	***44.14***
CAPITAL SECTION	0.00	0.00	***0.00***
Total (Gross)	**15.00**	**29.14**	***44.14***

ACTUAL EXPENDITURE (2014-15 TO 2016-17)

BE, RE and Actual Expenditure during 2014-15 to 2016-17 (upto December 2016), are summarized as under:-

(Rs, in crore)

Year	BE			RE			Actual Expenditure		
	Non-Plan	**Plan**	**Total**	**Non-Plan**	**Plan**	**Total**	**Non-Plan**	**Plan**	**Total**
2016-17 (upto Dec., 2016)	70.62	15.00	85.62	423.11	15.00	438.11	20.31	10.05	30.36*
2015-16	73.13	15.00	88.13	23.48	15.00	38.48	21.64	10.26	31.90
2014-15	72.92	20.00	92.92	71.10	7.00	78.10	64.10**	2.03	66.13

* Upto December, 2016

**Netted figures, in which subsidy to HSCL for waiver of guarantee fee to the tune of Rs. 5.18 cr. is not included.

EXPENDITURE ON SCHEMES

2.3 Ministry of Finance has provided ceiling for 2017-18 in terms of Scheme and Non-Scheme expenditure as Plan and Non-Plan distinction has been done away with. The Gross Budgetary Support for scheme in BE 2017-18 is Rs. 15.00 crore for the Scheme for Promotion of R&D in Iron & Steel Sector. Upto Financial Year 2015-16 the plan provision was kept under three sub-heads but from FY 2016-17 onwards the scheme has been rationalized and the whole amount has been kept under one sub-head. The total budgetary support for scheme is of Rs. 15.00 crore in BE 2016-17 which has been kept unchanged in RE 2016-17. The break-up of scheme provision is as under:

(Rs. in crore)

No	Name of Scheme	2015-16 (Actual)	2016-17 (BE)	2016-17 (RE)	%age increase/ decrease over RE 2016-17 in BE 2016-17	2017-18 BE
1.						
1(i)	Scheme for Promotion of Research & Development in Iron & Steel sector On-going R&D projects	0.00	0.00	0.00	0.00%	--
1(ii)	Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products (new component)	10.26	0.00	0.00	0.00%	--
1(iii)	Development of innovative iron/steel making process/ technology (new project under the existing scheme)	0.00	0.00	0.00	0.00%	--
	Total	**10.26**	**0.00**	**0.00**	**0.00%**	**--**
After Rationalization in 2016-17						
1	Scheme for Promotion of Research & Development in Iron & Steel sector	--	15.00	15.00	0.00%	15.00

Promotion of R&D in Iron and Steel Sector

2.4 Based on the recommendation of the Working Group on Steel Industry for 11th Plan (2007-12), a new scheme i.e. 'Scheme for Promotion of R&D in Iron and Steel Sector was included in the 11th Five Year Plan with an outlay of Rs. 118.00 crore. The objective of the scheme is 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 through induction furnace route and beneficiation of raw materials like iron ore, coal etc. and agglomeration (e.g. pelletization). The Scheme was approved on 23.01.2009 for implementation from Financial Year 2009-10 (w.e.f. 01.04.2009). The Scheme has been continued in the 12th Five Year Plan. In 12th Five Year Plan a provision of Rs. 200.00 crore has been made for the R&D Scheme. In BE 2017-18 a provision of Rs. 15.00 crore has been kept for the scheme of the Ministry. The year wise fund allocation and the amount released under the scheme during 12th five year Plan is given below:

(Rs. in crore)

Period	BE	RE	Actual	Remarks
2012-13	46.00	26.49	24.90	Utilization is 94% of RE
2013-14	46.00	8.00	8.00	Utilization is 100% of RE
2014-15	20.00	7.00	2.03	Utilization is 29.00% of RE
2015-16	15.00	15.00	10.26	Utilization is 68.40% of RE
2016-17	15.00	15.00	10.05	Utilization is 67.00% of RE (upto Dec'16)
Total	**142.00**	**71.49**	**55.24**	Utilization is 76.97% of RE upto Dec, 2016.

2.5 On the issue of R&D in Iron and Steel Sector, a representative of Ministry of Steel during the oral evidence briefed the Committee as under:-

> "The recent progress in R&D has not been upto the mark. The allocation for R&D for XIIth Five year Plan could not be utilized fully. During 2014-15, only 29% of RE and 10% of BE could be expended. One of the main cause for less expenditure in R&D is that there are only 2 laboratories in India which do R&D in Steel Sector – NML Jamshedpur and IITM, Bhubaneswar, individual companies have their own research laboratories and do their own R&D like RDCIS, SAIL. In today's time the world steel companies are doing 1-1.5% of R&D of their total turnover whereas in India it is only 0.3%. Due to RDCIS, SAIL has the highest percentage of R&D in the country which is 0.56% of total turnover. We are now focusing on secondary steel sector which has remained deprived of R&D as it itself does not have the capacity for R&D. Ministry of Steel has been seeking R&D projects vide advertisements. We have chalked out a roadmap for expenditure of Rs. 200 crore for R&D in the next 3 years. We could earlier spend only a minimal amount for R&D. In-fact at times not

even 15 crore. For 2017-18, we had demanded Rs. 45 crore for R&D but have received only Rs. 15 crore. We are planning to demand additional Rs. 30 crore at supplementary (RE) stage. Till the time the Companies in this country do not realize the importance of R&D, the expenditure on it will not increase. Also steel companies in India feel that by entering into technical collaboration with foreign companies, they will get technology in very less time and lower price, thereby reducing their focus on R&D. This year we have registered SRTMI, which is a private sector led initiative. Its governing board has all private and public integrated plants as members. We want the induction furnace and other crude steel manufacturers to be included in it. We have estimated that even if the companies contribute Rs. 5 per tonne/per year of their production than we can add about Rs. 45 crore for R&D keeping in mind the present production at 90 million tonne. A meeting in this regard, has been kept on 27.02.2017. We are expecting many steel companies to come forward for R&D through SRTMI. Besides this, there are several programmes like under the 'Make in India Mission' we have given go-ahead to DPR of CRGO, which is a 495 crore project wherein the Government of India is contributing 117 crore for the project in the next 3 years and rest is being contributed by the private sector companies like RINL, NML Jamshedpur and TATA are part of the project. If this CRGO is established, we would soon be able to start production which will be a major break-through. Recently, we have also approved a 36 crore project for production of type of electric steel which is slightly different from CRGO as its quality is a bit inferior but can be used as electric steel. This will be a major support for us thereby increasing value addition. There is another scheme of Ministry of HRD wherein we are a participant besides ISRO, IIT Kharagpur, Medhani whereby value added steel will be used in space technology. It is a 3 crore project in which Ministry of Steel and Ministry of HRD are contributing 50% each of the cost."

2.6 As regards R&D in Steel Sector, the Committee were informed that Rs. 15 crore have been allocated for the single scheme of Ministry of Steel "Promotion of Research & Development in Iron & Steel Sector" for completion of following R&D Projects:-

(i) Development of Cost effective Refectory hiring materials for induction Melting Furnace by CSIR-CGRI to produce quality steel; and

(ii) Development of Infrared Camera Based Torpedo Ladle Car Condition Monitoring System by MECON(I) Ltd."

2.7 On being asked as to whether outlay of Rs. 15 crore would be adequate for ensuring smooth completion of this scheme, the Ministry of Steel informed the Committee that the present outlay is not adequate. Therefore, the additional requirement of Rs. 30 crore will be raised through supplementary demand for grants. When further enquired about the details of the R&D projects to be pursued during 2017-18, with the approved outlay of Rs. 15.00 crore the Ministry furnished the following information:-

Sl. No.	Project	Outlay (in Rs. crore)
1	Development of Technology for Cold Rolled Grain Oriented Steel Sheets	5.00
2	Ongoing Projects: • Development of Automation System for Optimum Coal Blending at Coal Handling Plant of Coke Oven Batteries by RDCIS • Economic production of iron through direct reduction of Mill Scale by low grade coal of Rajasthan by MNIT Jaipur • Develop Procedure for Joining Next Generation High Temperature Material to be used for Supercritical/ Ultra Supercritical Power Plant by Friction Stir Welding by Jadavpur University in Collaboration With MECON • Development of Cost Effective Refractory Lining Materials for Induction Melting Furnace suitable for production of Quality Steel by CGCRI & NISST • Development of Dry Slag Granulation Technology and Energy Recovery System for Blast Furnace Slag for Producing Clinker Compatible Product by IIT Madras & JSW Steel • Development of infrared camera based torpedo ladle car condition monitoring system by MECON • Indigenous Development of Model based Breakout Prediction System for Continuous Casters by RDCIS • Production of low Carbon & low Phosphorus Ferromanganese by metallothermic treatment of high Manganese Slag using Silicomanganese by NML Jamshedpur • Development of nickel free nitrogen austenitic stainless steel for biomedical applications by IIT BHU • Development of Fluidised Bed Reduction Roasting Process for slimes & low grade iron ores by utilizing thermal grade coal for their magnetic susceptibility properties and maximizing the iron recovery by IIT Madras & JSW Limited • Modeling & Optimization of High Concentration Iron Ore fines /concentrate slurry Pipelines for Indian Iron Ore Processing Industries by IMMT Bhubaneswar & NMDC Limited • Reduction Roasting and Microwave Heating of some difficult to treat Ores for the production of Pellet Feed Concentrate by IMMT Bhubaneswar	7.00
3	Ministry of Steel's contribution for the projects under IMPRINT & UAY Schemes of MHRD	3.00
	Total	**15.00**

In addition to the above, the following projects are also envisaged to be pursued during 2017-18: (Rs. in crore)

Sl.No.	R&D Project	2017-18
1	Development of Amorphous Electrical Steel (AES) for Energy Application	19.00
2	Development of a cost effective green technology for Pre Reduction of Chromite Ore in Tunnel Kiln and Production of High Carbon Ferro Chrome in SAF	1.00
3	Conversion of LD Slag into valuable products	10.00
	Total	**30.00**

The Ministry have further informed that the time frame for the CRGO project is 5 years. For other projects, the time frame is between 1-3 years."

OUTPUT-OUTCOME OF FRAMEWORK FOR SCHEMES 2017-18

(Rs. in crore)

Name of Scheme/Sub/ Scheme	Financial Outlay 2017-18	Output/ Deliverables agaisnt the Outlay 2017-18	Projected Medium Term Outcomes
Central Sector Scheme			
Promotion of Research & Development in Iron & Steel Sector	15.0	(1) completion of following R&D projects: (i) Development of Cost effective Refectory hiring Materials for induction Melting Furnace by CSIR-CGCRI to produce quality steel (ii) Development of Infrared Camera. Based Torpedo Ladle Car Condition Monitoring System by MECON (I) Ltd. (2) Approval of new R&D projects & pursuing R&D thereof.	Development of Processes/Technologies to utilize low grade iron ore, improve quality of coal blend for manufacturing of coke, to improve productivity and product quality, to develop new products, to recycle/ re-use waste following the completion of 10 on-going R&D projects in the area of: • Indigenous development/manufacture of CRGO Steel • Production of good quality metallurgical coke • Direct reduction of Mill Scale by low grade coal • Friction Stir Welding of high temperature material • Refractory Lining Materials for production of Quality Steel in induction furnace • Dry Slag Granulation Technology & recover waste heat energy • Condition Monitory System for Torpedo Ladle Car • Nickel free nitrogen austenitic stainless steel • Model based Breakout Prediction System (BOPS) Fluidised Bed Reduction Roasting of slimes & low grade iron ores • Production of high quality Ferromanganese • Production of DRI from mill scale & lean grade coal • Reduction Roasting of difficult to treat Ores.

NON-SCHEME EXPENDITURE

2.8 From the Budget 2017-18, Government of India has done away with the practice of Plan and Non-Plan provisions. The provisions will be under Revenue and Capital Sections only. The provision of Ministry of Steel, including Secretariat Proper, Development Commissioner for Iron & Steel (DCI&S), Kolkata and the PSUs under this Ministry, in 2015-16 (BE & RE); 2016-17 (BE & RE); and requirement of fund in 2017-18 (BE) are given in the following table :-

No.	Major Head & Item of Expenditure	BE 2015-16	RE 2015-16	% age increase/ decrease in RE over BE 2015-16	BE 2016-17	% age increase/ Decrease in BE-2016-17 over BE 2015-16	RE 2016-17	%age increase/ decrease in RE 2016-17 over BE 2016-17	BE 2017-18	% age increase/ decrease over BE 2016-17
I.	MH – 3451									
1.	Secretariat - Economic Services	23.35	22.99	*-1.54%*	26.06	*11.61%*	24.54	*-5.83%*	28.49	*9.32%*
II.	MH – 2852									
2.	Development Commissioner for Iron & Steel, Kolkata	0.23	0.23	*0.00%*	0.25	*8.70%*	0.21	*16.00%*	0.29	*16.00%*
3.	Awards to Distinguished Metallurgists.	0.26	0.26	*0.00%*	0.26	*0.00%*	0.26	*0.00%*	0.26	*0.00%*
4.	Information, Education and Communication (IEC)**	--	--	--	--	--	--	--	0.10	--
5.	Interest Subsidy :									
(i)	Subsidy to Hindustan Steelworks Construction Ltd. (HSCL) for payment of interest on loans raised from Banks for implementation of VRS	44.11	0.00	*-100%*	44.05	*-0.14%*	88.10	*100%*	0.00	*0.00%*
6.	Waiver of guarantee fee (Non-cash transaction) :									
(i)	HSCL – Waiver of guarantee fee in respect of Govt. guarantee for cash credit (CC) limit, bank guarantee (BG) and VRS loans	5.18	0.00	*-100%*	0.00	*-100%*	0.00	*0.00*	0.00	*0.00%*
7.	Financial Restructuring	0.00	0.00	*0.00*	0.00	*0.00*	310.00*	--	0.00	*0.00%*
	Less – Receipts netted [5(i)]#	*-5.18*	*0.00*	*-100%*	*0.00*	*-100%*	*0.00*	*0.00*	*0.00*	--
	Total : Non- Plan Expenditure(Gross)	**73.13**	**23.48**	**-67.89%**	**70.62**	**-3.43%**	**423.11**	**499.14%**	**29.14**	**-58.74%**
	Total : Non- Plan Expenditure(Net of receipts)	**67.95**	**23.48**	**-65.45%**	**70.62**	**3.93%**	**423.11**	**499.14%**	**29.14**	**-58.74%**

As per the advice of Ministry of Finance, in cases where there are no cash transactions, the provisions are to be netted.
*Rs. 200 crore are for outright support to HSCL as Grant and Rs. 110 crore for VRS liabilities of HSCL as Loan.
** A token provision of Rs. 10 lakh has been made for Information, Education and Communication (IEC) to fund programme/media coverage for spreading awareness of usage and advantages of Steel in various sectors of economy for the financial year 2017-18.

2.9 The Non-Plan provision of the Ministry in the RE 2016-17 has been increased over BE 2016-17 mainly because of provision made for financial restructuring of HSCL. The Cabinet in its meeting held on 25.05.2016 has approved financial restructuring of HSCL with a budgetary support of Rs. 200 crore for outright support for repayment of Bank loans and Rs. 110 crore for its VRS liabilities. Ministry of Finance has also provided Rs. 44.05 crore for interest subsidy to HSCL for the Financial Year 2015-16 in RE 2016-17. Accordingly, in 2nd Batch of Supplementary Demands for Grants 2016-17 a provision of Rs. 398.10 crore has been made for HSCL. As against Non-Plan provision of Rs. 70.62 crore in BE 2016-17, a provision of Rs. 29.14 crore has been made in BE 2017-18 for non-scheme expenditure.

CHAPTER-III

PROMOTION OF STEEL USAGE

PROMOTION OF DOMESTIC STEEL CONSUMPTION

Growth of steel consumption in India has taken place mostly at the urban segment where lots of developmental activities are taking place. On the other hand despite rapid increase in agricultural production in India, coupled with developments in the quality of rural life, the level of rural steel consumption has not been significant. Institute for Steel Development and Growth (INSDAG) has taken up a good number of activities/initiatives to enhance steel consumption and to create the awareness for more usage of steel in rural areas.

STUDY FOR ASSESSMENT OF STEEL DEMAND IN RURAL INDIA

3.2 In pursuance of the recommendations of the Parliamentary Standing Committee (PSC) on demands for grants of the Ministry, the Ministry of Steel carried out a survey/ study through the Joint Plant Committee (JPC) to assess the demand for steel in rural India. The JPC submitted the final Report of this survey in July, 2011. The survey has come out with findings regarding average per capita consumption of finished steel in rural areas, trends of consumption of steel and future projections of steel in rural India. The survey collected the data for the purpose of analysis for the three years i.e. 2006-07, 2007-08 and 2008-09 and assessment of rural steel demand for the periods 2011-12, 2016- 17 and 2019-20. The average per capita consumption of finished steel in rural India was assessed at 9.78 kg during the period 2007 to 2009, which is estimated to increase to around 12 kg in 2020 based on increased penetration of steel products. This growth would be powered mainly by construction activities, largely at the household level but also by purchase of items such as items for professional use, furniture and vehicles. It is also expected that the demand for household items would decrease over the years. The major reason for the same is increasing replacement of steel by plastic for some of the major contributing items of that category. The survey has also made recommendations for enhancing the consumption of steel in rural India such as shift in type of housing structure, re-looking steel design for various applications, investment in community structures, small and medium steel products manufacturing, highlighting advantages of steel, increasing aesthetics of steel, improving logistics & supply chain for steel and addressing steel quality issues. During the current year, a fresh pan-India study on the domestic rural steel demand has been taken up by JPC under the aegis of the Ministry of Steel. The objective of the study is to understand the drivers for steel demand and arrive at an assessment of the demand for steel in the modern-day rural India.

3.3 On the issue of R&D in Iron and Steel Sector, a representative of Ministry of Steel during the oral evidence briefed the Committee as under:-

> " We are also trying to increase our per capita steel consumption by ensuring increased steel demand. We are having continuous meetings with the stakeholders. In this regard, we already had one conference in Delhi and are planning for a few more. Our focus is to increase steel intensive structures specially in the construction projects. For this, the interested parties will have a choice of construction material wherein the beams and sheets will be of pre-fabricated steel."

STEPS TAKEN BY SAIL TO PROMOTE USAGE OF STEEL

3.4 SAIL has the widest distribution network of branches and warehouses across the country comprising of 37 Branch Sales Offices, 10 active Customer Contact Offices, 25 Departmental Warehouses and 21 Consignment Agencies as on 01.01.2017. The huge network spread across the country helps in meeting requirements of a wide range of customers at their door step. With the objective of increasing the reach of its products to common man, apart from a network of 1500 dealers at district level as on 01.01.2017, SAIL has also penetrated the hinterland at block, Tehsil, and Taluka level by appointing 642 rural dealers. Incentive schemes are being operated by the Company to encourage dealers to improve their performance as well as to promote SAIL steel. Award functions are held by Regions to felicitate high performing dealers. SAIL and its dealers actively engage in publicity of its products through dealers/masons and architects' meets, wall paintings, hoardings, audio, video and print advertisements, distribution of promotional items, participation in local fairs etc.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

3.5 RINL makes efforts on continuous basis for promotion of steel usage through development and supplying of new products and improving Distribution Network for wider coverage. RINL has established itself as a major player among the country's value added steel producers. Special Steels including High Carbon Steel grade, Medium Carbon Steel grades, Medium, High Manganese Steel, Spring Steel, Low Alloy steel grades etc. are produced in Non-flat or long steel products like Rounds and Squares. Efforts are being made for developing new products to meet specific applications, which in turn help in promoting steel usage. The requirements of customers of new products / grades / sizes of steel products are captured through various interactions with the customers. RINL has a distribution network consisting of 5 Regional Offices, 24 Branch Offices, 23 Stockyards and 6 Consignment Sales Agents. To expand the outreach to customers through strong network of marketing channels, RINL is planning for additional 5 numbers of CAs and additional 19 CSAs. In 2016-17 special thrust was given on enhancing customer base. With an objective to estimate market potential and decide upon the production plan in facilitating supplies of products, RINL entered into MOUs on the basis of product category up to 83% of the annual production plan. There is increase in the customer base for RINL products in Manufacturers: (1655 from 1472 Nos.), Projects (4129 from 3693 Nos.) and Retailers (445 from 365 Nos.) at the beginning of the financial year. To bring focus on penetration in the rural market, a new Rural Dealer Scheme (RDS) is introduced during 2016-17 wherein rural dealers are encouraged by way of (a) discount for cash and carry (b) delivery at their doorstep (c) annual quantity based incentives (d) promotion of RINL products. Preference is given for the minorities and women entrepreneurs in the rural areas for the rural dealerships. RINL has increased the Rural Dealers/ DLDS across the country to 431 (till Dec'16) from 399 Nos. at the beginning of the year.

HINDUSTAN STEELWORKS CONSTRUCTION LIMITED (HSCL)

3.6 HSCL has been given the mandate by Ministry of Steel for exploring the areas of infrastructure development for increasing steel usage in the country. HSCL has taken up the initiative in right earnest and has started to explore the opportunities for using steel intensive technologies for urban housing, low cost mass housing, road bridges, industrial infrastructure, Food godowns, infrastructure development in hilly terrains and seismic zones and stadiums and sports infrastructures. In doing so, different options have been explored in introducing pre cast and pre-fabricated structures in place of conventional RCC Structures. HSCL organized a daylong workshop in Kolkata for finding out different technological options and solutions for Low Cost Mass Housing under "Housing for All by 2022" Mission of Hon'ble Prime Minister, keeping in view the purpose of increasing Steel usage in the country. During the workshop, the possibility of using Steel intensive Industrial Structures and Steel bridges in place of conventional RCC structures was also discussed. HSCL has submitted an Executive Summary on the proceedings of the workshop with the different technological options, presented by the manufacturers and executors during the workshop, to the user Ministries like UD, HUPA, RD, MHA, DONER and HRD for selecting suitable options of prefabricated/precast structures for Housing and other Industrial Infrastructures under their jurisdiction. A comprehensive catalogue has also been made by HSCL on various technological options and live projects for taking forward the initiative of increasing Steel usage in the country. Use of precast/ prefabricated structures for housing calls for marginally higher capital investment but is ultimately economical considering lesser time for construction, faster occupation, higher space availability, lower maintenance cost, and lower Life Cycle Cost. HSCL has already submitted a case study for G+ 5 Residential Building using pre-fabricated steel structures compared with conventional RCC structures. Taking all the impact factors as per IS 13174 and CPWD norms DPAR 2012 updated with cost index, Life Cycle Cost with pre-fabricated structure worked out to be much less, calculated as per Present Worth Method as well as Annual Cost Method. Similar study for G+3 building under PMAY, one School Building and Steel Bridges compared to RCC structures have been undertaken.

MSTC LTD.

3.7 MSTC has organized transparent process of e-Auction of scrap promotes recycling of steel and other materials. This saves energy and reduces carbon emissions and promotes sustainable development in the country. For sale and purchase of iron, steel and Non Ferrous products especially for small and medium sector manufacturers, MSTC launched an e- shopping mall. MSTC METAL MANDI is a virtual market place for B2B & B2C segment.

CHAPTER-IV

IMPORTANT POLICY INITIATIVES

DEVELOPMENTS IN THE STEEL SECTOR

India is currently the world's 3rd largest producer of crude steel against its 8th position in 2003 and is expected to become the 2nd largest producer of crude steel in the world soon. India is also the largest producer of direct reduced iron (DRI) or sponge iron in the world and the 3rd largest consumer of finished steel in the world preceded by China and the USA. India's capacity for domestic crude steel production expanded from 90.87 million tonnes per annum (mtpa) in 2011-12 to 121.97 mtpa in 2015-16, a CAGR growth of 9% during this five year period. Crude steel production grew at 5% annually (CAGR) from 74.29 mtpa in 2011-12 to 89.79 mtpa in 2015-16. The steel sector contributes to over 2% of the country's GDP and employs around 20 lakhs employed in steel/allied sectors. During April-December 2016-17 (provisional; source: JPC), the following is the industry scenario as compared to same period of last year:

i. Production of crude steel was at 72.349 million tonnes (mt), a growth of 8.8% compared to same period of last year. SAIL, RINL, TSL, ESSAR, JSWL & JSPL produced 40.376 mt during this period, which was a growth of 15.7% compared to last year. The rest i.e. 31.973 mt was the contribution of the Other Producers, which was a growth of 1.1% compared to last year.

ii. Pig iron production for sale was 7.072 mt (a decline of 0.5% compared to last year), after accounting for own consumption/IPT. The Private Sector accounted for 94% of the same, the rest (6%) being the share of the Public Sector.

iii. In case of total finished steel (non-alloy + alloy/stainless) the production for sale stood at 73.96 million tonnes, a growth of 10.8% compared to last year whereas the exports were 4.976 million tonnes, a growth of 58% compared to last year. Similarly, the imports stood at 5.495 million tonnes, a decline of 37.4% compared to last year. India was a net importer of total finished steel and Consumption stood at 61.54 million tonnes, a growth of 3.4% compared to last year.

MAJOR INITIATIVES TAKEN BY THE STEEL MINISTRY DURING 2016-17

- Several major initiatives were taken by the Ministry of Steel during 2016-17. The Minister of Steel inaugurated the Pelletisation lab at RDCIS, which is the first of its kind in India. The lab has equipment which can be used by Pelletisation Plants to optimise their parameters for making pellets from various types of iron ore fines to be used in blast furnace as well as DRI plants.

- A trend setting project to generate power with green technology in collaboration with NEDO, Japan was successfully commissioned at RINL. This is the first of its kind in the country.

- On 31st August 2016, MOIL has commissioned 48 KW capacity grid connected rooftop PV Solar System project with net-metering at its Corporate Head Quarter, MOIL Bhavan, Nagpur. It is the first grid connected rooftop solar system in Vidarbha with net-metering facility installed at Corporate Office Building.

- MECON also successfully completed the project to supply in-house R&D developed Cooling Helmets to Bhilai Steel Plants. This is the first commercialization of R&D Product of MECON.

- Metal Scrap Trade Corporation (MSTC) Limited and the Ministry of Steel have jointly launched an e-platform called 'MSTC Metal Mandi' under the 'Digital India' initiative on 22nd October 2016 at New Delhi, which will facilitate sale of finished and semi-finished steel products. 42 principals (Sellers) and 460 buyers have been registered on this portal so far and successful business transactions have also taken place through this portal.

4.2 On being enquired about steps taken by the Government to help the Steel Companies by ensuring a level playing field for the domestic steel industry and how far the move of the government has been successful in protecting the interest of domestic manufacturers specifically during 2016-17, the Ministry of Steel in its written reply stated as under:-

"The last 2 years were challenging for the domestic steel industry, but with the intrinsic strength and wide range of policy initiatives taken by the Government over the recent period, the industry was able to show some signs of recovery.

Initiatives Taken

- Increase in peak rate of basic customs duty on both flat and non-flat steel to 15% from 10% in the Union Budget 2015-16.
- Increase in basic customs duty on flat steel to 12.5%, on long steel products to 10% and on semi-finished steel products to 10%.
- Notification of Stainless Steel (Quality Control) Order in June 2016 and Amendment of the Steel & Steel Products (Quality Control) Order, 2012, in December 2015 to ensure that only quality steel is produced/imported in India.
- Notification of Minimum Import Price on 173 steel products in February 2016, in order to provide a level playing field to domestic producers against the injury caused as evident from the then decline in margins of the producers. MIP was later on extended thrice in August (on 66 tariff lines), October (on 66

tariff lines) and December 2016 (on 19 tariff lines) for a period of 2 months and was finally phased out in February 2017.

- Notification of Anti-Dumping Duty in order to protect the industry from material injury caused on account of cheap imports on –
    - Certain grades of hot-rolled/ cold rolled flat products of stainless steel in June and December 2015 respectively
    - HR Coils & Plates, Wire Rods and colour-coated sheets in August 2016, November 2016 and January 2017 respectively
- Notification of Safeguard Duty on Hot Rolled Coils and Plates in March and November 2016.

  All the support extended to the steel industry by way of various trade remedial measures in the recent times have led to a significant reduction in imports, increase in exports and improved price realizations. Imports of total steel during the period April-January in 2016-17 have declined to 6.6 Million Tonnes as compared to 10.6 Million Tonnes in the corresponding 2015-16."

BASIC FEATURES/PROVISIONS OF BUDGET 2017-18

4.3 The following are some features/provisions of Budget 2017-18 in respect of the steel industry:-

- The Government has waived Basic Custom Duty (BCD) on nickel – a key steel making raw material. The Basic Custom Duty on nickel has come down to nil from 2.5 percent earlier.
- The Basic Customs Duty on "MgO coated cold rolled steel coils for use in manufacture of CRGO steel" has been reduced from 10 percent to 5 percent.
- The Government has reduced the BCD on "Hot rolled Coils, when imported for use in manufacture of welded tubes and pipes" from 12.5 percent to 10 percent.

4.4 When asked about the likely benefits of these measures on the domestic steel industry, the Ministry of Steel in its written reply stated as under:-

- "The Government has waived Basic Custom Duty (BCD) on nickel. The BCD has been reduced to Zero from 2.5% to benefit the Stainless Steel Industry.
- The BCD on “Mgo coated cold rolled steel coils for use in manufacture of CRGO steel” has been reduced from 10% to 5% to benefit units producing CRGO electrical steel.
- The Government has reduced the BCD on: Hot rolled coils, when imported for used in manufacture of welded tubes and pipes” from 12.5% to 10% to benefit the Pipe manufacturers, who were facing problem of inverted duty structure."

CHAPTER-V

PLAN INVESTMENT OF PSUs

PHYSICAL TARGETS AND FINANCIAL REQUIREMENTS DURING 2016-2017 (RE) AND 2017-2018 (BE)

Physical Targets

The physical targets for 2016-17 (RE) and 2017-18 (BE) in respect of the PSUs under the Ministry of Steel are given in Table below:

No.	Name of PSU	Physical Parameters	(RE) 2016-17 Target	(BE) 2017-18 Target
1.	SAIL	Production - Saleable Steel *(in million tonnes)*	14.60	14.97
2.	RINL	(i) Hot Metal *(in '000 tonnes)*	4465	5600
		(ii) Crude Steel (*in '000 tonnes*)	4055	5059
		(iii) Saleable Steel (*in '000 tonnes*)	4010	4800
		(iv) Pig Iron (*in '000 tonnes*)	137	196
3.	NMDC	(i) Iron Ore production *(in Lakh Tonnes)*	327.50	350.00
		(ii) Diamonds (Carats)	35000.00	37000.00
		(iii) Sponge Iron *(in Metric Tonnes)*	7000.00	7000.00
4.	KIOCL	Production *(in million tonnes)*		
		(i) Pellet	1.300	1.550
		(ii) Pig Iron	--	0.095
5.	MOIL	Production (*in Metric Tonnes)*		
		i) Manganese Ore	1080000.00	1210000.00
		ii) Electrolytic Manganese Dioxide	610.00	900.00
		iii) Ferro Manganese	10000.00	10000.00
6.	MSTC	(i) e-Commerce *(Rs. in crore)*	25270.00	30500.00
		(ii) Trading *(Rs. in crore)*	3640.00	4000.00
7.	FSNL*	Recovery of Scrap *(in Lakh Metric Tonnes)*	25.93	26.19
8.	MECON	Business procurement *(value in Rs. crore)*	675.00	
9.	HSCL	Order Booking *(value in Rs.crore)*	1200.00	1300.00
10.	Bird Group	Production		
	(i) OMDC	(i) Iron Ore *(in lakh Tonnes)*	0.00	0.00
		(ii) Sponge Iron	0.00	0.00
		(iii) Manganese Ore *(in lakh Tonnes)*	0.00	0.00
	(ii) BSLC	(iv) Limestone *(in MT)*	0.00	0.00
		(v) Dolomite *(in MT)*	720000.00	720000.00

* FSNL is a subsidiary of MSTC Ltd.

5.2 Asked about the PSU-wise physical targets and achievements during 2014-15, 2015-16 and 2016-17, the Committee were apprised in a written reply as under:-

PSU wise physical targets

Name of PSU		2014-15			2015-16			2016-17		
		BE	RE	Achievement	BE	RE	Achievement	BE	RE	Achievement (up to Jan'17)
SAIL	(in MT) Hot Metal	15.95	15.95	15.41	16.61	16.61	15.72	15.98	15.98	11.70*
	Crude Steel	15.02	15.02	13.91	15.49	15.49	14.28	14.98	14.98	10.71*
	Saleable Steel	13.81	13.81	12.84	14.38	14.38	12.38	14.60	14.60	10.24*
	Pig Iron	0.56	0.56	0.63	0.44	0.44	0.64	0.33	0.33	0.35*
	Saleable Production	14.37	14.37	13.48	14.82	014.82	13.02	14.93	14.93	10.59*
RINL	Saleable Steel(MT)	4.15	3.20	3.01	4.00	3.51	3.51	4.32	4.01	3.07
NMDC	Production - Iron Ore (Lakh Tonnes)	290.00	300.00	304.41	330.00	275.00	285.74	327.50	327.50	271.00
	Sales - Iron (Lakh Tonnes)	300.00	305.00	305.16	359.00	280.00	288.39	327.50	327.50	294.68
MOIL	Manganese Ore (MT)	11.46	11.25	11.39	11.50	11.40	10.32	11.75	10.80	8.10
KIOCL	Pellets production (In MT)	1.80	1.00	0.78	1.80	0.90	0.10	1.80	1.30	1.083
	Dispatch (in MT)	1.80	1.00	0.68	1.80	0.90	0.41	1.80	1.30	096
MECON (Rs. in crore)	Business procurement	450.00	450.00	593.41	450.00	450.00	683.40	675.00	675.00	589.45*

*upto Dec, 16.

Name of PSU		2014-15			2015-16			2016-17		
		BE	RE	Achievement	BE	RE	Achievement	BE	RE	Achievement (up to Jan'17)
FSNL (in Lakhs MT)	Scrap	25.00	25.75	23.07	27.38	30.25	28.29	25.96	21.61	21.38
	Slag	57.00	60.90	59.64	65.82	71.45	80.05	61.30	68.85	67.72
MSTC (Rs. in crore)	Trading	6480.00	6480.00	6945.00	4100.00	5950.00	4382.00	3850.00	3640.00	3112.00
	E-commerce	15415.00	15415.00	22977.00	16360.00	20500.00	26437.00	26000.00	25270.00	26848.00
HSCL (in crore)		1800.00	1800.00	1844.00	1800.00	1500.00	1819.00	1200.00	1200.00	1546

<u>Reasons for lower production</u>

SAIL

- The new facilities at RSP and ISP were commissioned in a phased manner wherein each facility is interdependent on the preceding and succeeding facility requiring more stabilisation time.
- The upgradation of Roughing group of HSM was a complex job taken for the first time which resulted in extension of the job beyond the schedule and extended stabilisation time.

RINL

In 2014-15, the production was lower due to the impact of unprecedented Cyclone Hudhud in Q3.
In 2015-16, the production was lower due to stabilization of newly commissioned expansion units. Further, as part of modernization programme, Blast Furnace-2 and One of the Three Converters in SMS-1 was put down. In view of this and for improved techno economics, BF-2 which was due for category-1 capital repairs was put down from Aug'15.

In 2016-17, the modernization programme continued and the balance two converters in SMS-1 were put down for modernization activities. During the modernization process, the other converters also had to be shut down intermittently for concurrent activities to continue. Also, BF-2 was taken for modernization from May'16 and is continuing.

The modernization is scheduled to be completed in 2017-18, enhancing the capacity to 7.3 Mtpa. In the meantime, all attempts are being made to expedite stabilization and ramp up of production from units commissioned and modernized.

Financial Targets

Details of PSU-wise plan outlays for Annual Plan, 2016-17 (BE, RE & Actual) Annual Plan 2017-18 (BE) is given in the table below:

(Rs. in crore)

No.	Name of the PSU/ Organisation	BE 2016-17			RE 2016-17			Actual Expenditure 2016-17 (upto Jan'17)			BE 2017-18		
		IEBR	B.S.	Outlay	IEBR	B.S.	Outlay	IEBR	B.S.	Total	IEBR	B.S.	Outlay
	A. Schemes of PSUs												
1	SAIL	6000.00	0.00	6000.00	4000.00	0.00	4000.00	3804.00	0.00	3804.00	3500.00	0.00	3500.00
2	RINL*	1678.00	0.00	1678.00	1373.20	0.00	1373.20*	1163.66	0.00	1163.66	1891.65	0.00	1891.65**
3	HSCL	0.00	0.00	0.00	50.32	0.00	0.00	0.00	0.00	0.00	40.00	0.00	0.00
4	MECON Ltd.	5.00	0.00	5.00	15.00	0.00	15.00	12.76	0.00	12.76	5.00	0.00	5.00
5	MSTC Ltd.	10.00	0.00	10.00	44.51	0.00	28.45	3.10	0.00	3.10	32.79	0.00	49.00
6	FSNL**	12.00	0.00	12.00	31.21	0.00	12.00	10.14		10.14	34.62	0.00	12.00
7	NMDC Ltd.	3964.00	0.00	3964.00	3909.00	0.00	3909.00	2253.00	0.00	2253.00	5174.00	0.00	2934.00
8	KIOCL Ltd.	500.00	0.00	500.00	1983.02	0.00	200.00	7.87	0.00	7.87	1800.00	0.00	496.00
9	MOIL Ltd.	139.53	0.00	139.53	198.68	0.00	157.50	80.99	0.00	80.99	159.65	0.00	192.00
	TOTAL - A	**12308.53**	**0.00**	**12308.53**	**11604.94**	**0.00**	**9695.15**	***7733.52***	***0.00***	***7733.52***	**12637.71**	**0.00**	**9079.65**
10	**B. Scheme for Promotion of R&D in Iron & Steel sector**												
	Scheme for promotion of R&D in Iron & Steel sector	0.00	15.00	15.00	0.00	15.00	15.00	0.00	10.05	10.05	0.00	15.00	15.00
	TOTAL - B	**0.00**	***15.00***	***15.00***	**0.00**	***15.00***	***15.00***	**0.00**	***10.05***	***10.05***	***0.00***	***15.00***	***15.00***
	B.Centrally Sponsored Schemes (CSS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	TOTAL - C	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	***0.00***	***0.00***	***0.00***	***0.00***	***0.00***	**0.00**
	GRAND TOTAL – A + B + C	**2308.53**	***15.00***	***12323.53***	**11604.94**	***15.00***	***9710.15***	***6469.97***	***10.05***	***6480.02***	**12637.71**	***15.00***	***9094.65***

*OMDC Ltd. and BSLC Ltd. were constituents of erstwhile Bird Group of Companies, which have become subsidiary PSUs of RINL and their figures have been clubbed with RINL.

** FSNL is a subsidiary of MSTC Ltd.

5.3 The total Plan outlay of the Ministry of Steel for BE 2017-18 is Rs. 9094.65 crore, which will be financed through approved gross budgetary support of Rs. 15.00 crore and plan outlay of Rs. 9079.65 crore from IEBR of PSUs. The budgetary support of Rs. 15.00 crore is for Ministry's R&D scheme.

Brief description of the PSU-wise outlays provided in BE 2017-2018 for various schemes of the PSUs are given below:-

(i) Out of the total outlay of **Rs.9079.65 crore** in Annual Plan 2017-18 (BE), an amount of ***Rs. 3500.00 crore*** has been provided for **Steel Authority of India Limited (SAIL)**for Modernization and Expansion, various ongoing and new schemes/ projects, AMR schemes and contribution to joint venture companies.

(ii) Outlay of ***Rs. 1891.65 crore*** has been provided for **Rashtriya Ispat Nigam Ltd**. Major portion is earmarked for expansion of RINL's production capacity. Balance outlay is for AMR schemes. RINL's outlay includes the outlay of subsidiary PSUs viz., OMDC Ltd., which is a constituent of erstwhile Bird Group of Companies.

(iii) Outlay of ***Rs. 2934.00 crore***, has been provided for **NMDC Ltd.** for 3 MTPA Steel Plant at Nagarnar in Chhattisgarh, capacity expansion and mine development activities at Kirandul Bacheli, Donimalai and in leases, AMR/township and R&D activities.

(iv) Outlay of ***Rs. 496.00 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; (iii) Development of iron ore deposit joint with APMDC, a State owned PSU under Government of Andhra Pradesh; (iv) Acquisition of stake in IDCOL; and (v) Setting of up forward and backward integration with BF-4, Mangalore, Karnataka.

(v) Outlay of ***Rs. 192.00 crore*** has been provided for **MOIL Ltd**. for sinking/deepening of vertical shaft at BalaghatChikla, Kandri, Ukwa, Munsar and Gumgaon Mine, solar power plants, development of new areas and acquisition of land, forest and environment clearance including prospecting and exploration and AMR schemes, township, R&D/feasibility studies etc. Entire outlay will be met from IEBR of the Company.

(vi) Outlay of ***Rs. 5.00 crore*** has been provided for **MECON Ltd.** for expansion, modification & augmentation of office space/guest house at various locations.

(vii) Outlay of ***Rs. 49.00 crore,*** to be met out of I&EBR of the company has been provided for **MSTC Ltd.** for setting up of Shredding Plant and others.

(viii) Outlay of ***Rs. 12.00 crore*** has been provided for **Ferro Scrap Nigam Ltd.,** for AMR schemes.

(ix) Provision of ***Rs. 15.00crore*** has been made for **Scheme for Promotion of Research & Development in Iron & Steel Sector**.

12TH FIVE YEAR PLAN 2012-17 (APPROVED) & AMOUNT ACTUALLY SPENT, TARGET FIXED VIS-À-VIS ACTUAL EXPENDITURE.

5.4 For the 12th five year plan (2012-17), Planning Commission had approved total outlay of Rs. 91174.64 crore (i.e. I&EBR of Rs. 90974.64 crore and Gross Budgetary Support (GBS) of Rs. 200.00 crore). The outlay for 12th plan (approved) and the cumulative actual expenditure (upto December, 2016) are given in the table below:-

(Rs. in crore)

No	Name of the PSUs	12th Plan (2012-17) Approved Outlay			Actual expenditure (upto December, 2016)		
		IEBR	BS	Total	IEBR	BS	Total
A.	**Schemes of PSUs**						
1	Steel Authority of India Ltd.	45000.00	0.00	45000.00	35981.00	0.00	35981.00
2	RashtriyaIspat Nigam Ltd.^	13373.00	0.00	13373.00	6971.58	0.00	6971.58
3	Hindustan Steelworks Con. Ltd.	0.00	0.00	0.00	0.00	0.00	0.00
4	MECON Ltd.	25.00	0.00	25.00	39.91	0.00	39.91
5	MSTC Ltd.#	105.00	0.00	105.00	0.10	0.00	0.10
6	Ferro Scrap Nigam Ltd.*	60.00	0.00	60.00	58.65	0.00	58.65
7	NMDC Ltd.	27872.17	0.00	27872.17	15806.00	0.00	15806.00
8	KIOCL Ltd.	3080.00	0.00	3080.00	38.86	0.00	38.86
9	MOIL Ltd.	1459.47	0.00	1459.47	441.47	0.00	441.47
	Total (A)	**90974.64**	**0.00**	**90974.64**	**59337.47**	**0.00**	**59337.47**
B.	**Scheme for Promotion of R&D in Iron & Steel sector**						
10	Scheme for Promotion of Research and Development in Iron and Steel Sector**	0.00	200.00	200.00	0.00	55.24	55.24
	Total (B)	**0.00**	**200.00**	**200.00**	**0.00**	**55.24**	**55.24**
C.	**Centrally Sponsored Schemes**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total (C)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Grand Total (A+B+C)	**90974.64**	**200.00**	**91174.64**	**59337.47**	**55.24**	**59392.71**

^OMDC Ltd. and BSLC Ltd. were constituents of erstwhile Bird Group of Companies, which have become subsidiary PSUs of RINL and their figures have been clubbed with RINL.
*FSNL is a subsidiary of MSTC Ltd.
**The scheme has been rationalized in the run-up of budget 2015-16 and its three components have been merged into one. From BE 2016-17 the whole provision of the scheme is being kept under one sub head.

#For setting up of Shredding Plant.

5.5 On being asked to furnish PSU wise reasons for lower expenditure during the last 3 years of the 12th Plan period, the Ministry in its written reply furnished as under:-

"PSU wise reasons for lower expenditure during the last 3 years of the 12th plan period are as follows:

SAIL:

During last three years (2013-14 to 2015-16) of the 12th Plan five year plan, the actual expenditure of SAIL was Rs 22764 crore. The expenditure was mainly towards modernisation & expansion plan of SAIL including final contractual payments for completed facilities. The utilisation was affected by poor performance of contracting agencies including PSU contractors even after support by SAIL in the form of interim advances on revolving credit basis, direct payments to sub-contractors, steel on credit basis etc. Further, the expenditure envisaged towards some major on-going projects such as Expansion of Gua Iron Ore Mines and New HSM at RSP were affected due to non-availability of statutory clearances. In the current financial year, against Revised Outlay (RE) of Rs 4000 crore, actual expenditure is Rs 3804 crore till Jan'17. Major portion of the expenditure has been towards expansion projects especially on-going BSP expansion and other projects like BF-1 upgradation & New Hot Strip Mill at RSP and SMS-I Modernisation at BSL.

For the Financial year 2017-18, the budget outlay of Rs 3500 crore was approved by SAIL Board on 8th December, 2016.

Keeping the present financial position of the Company in view, the emphasis has been given on consolidation of existing facilities rather than going for new Capital Schemes.

RINL:

RINL has fulfilled the CAPEX (Capex Expenditure & Operating Expenses) targets for the FY 2014-15 and 2015-16. It has spent Rs. 1164 crore upto January, 2017 against an outlay of Rs. 1350 crore. It will achieve the target.

NMDC:

(Rs. in cr.)

Year	Plan	Actual Exp.	Shortfall	Major reasons for shortfall
2014-15	6,725*	3,136	3,589	**1.** Delay in allotment of land towards 3MTPA Steel plant at Karnataka – shortfall Rs. 650 cr. **2.** Delay in obtaining necessary statutory clearance from railways, NHAI and forest department towards slurry pipe line and pellet plant at Nagarnar – Rs. 546 cr. **3.** For Steel plant Nagarnar, Rs. 2,425 cr. was spent against the target approved by Board Rs. 2,280 cr. (RE) against the plan outlay of Rs. 3,593 cr. **4.** Non receipt of Stage II forest clearance towards 3rd screening plant at Kirandul resulted in a shortfall of Rs. 176 cr. **5.** Pending forest clearances, towards development of Dep-13 through JV with CMDC – Rs. 266 cr. **6.** Slow progress of work by railways towards doubling of KK Lines – Rs. 125 cr. **7.** Railway line from Rowghat to Jagdalpur –

				Rs. 300 cr.

* Board approved Capex: BE 2014-15 Rs. 3,495 cr. and RE 2014-15 Rs. 3,555 cr.

Year	Plan	Actual Exp.	Shortfall	Major reasons for shortfall
2015-16	5,736*	3,679	2,057	**1.** Delay in allotment of land towards 3MTPA Steel plant at Karnataka – shortfall Rs. 471 cr. **2.** Pending forest clearances, towards development of Dep-13 through JV with CMDC – Rs. 300 cr. **3.** Slow progress of work by railways towards doubling of KK Lines – Rs. 100 cr. **4.** Railway line from Rowghat to Jagdalpur – Rs. 800 cr.

* Board approved Capex: BE 2015-16 Rs. 3,588 cr. and RE 2015-16 Rs. 3,641 cr.

Year	Plan	Actual Exp.	Shortfall	Major reasons for shortfall
2016-17	3029*	2,253	776	**1.** Delay in allotment of land towards 3MTPA Steel plant at Karnataka – shortfall Rs. 990 cr. **2.** Pending forest clearances, towards development of Dep-13 through JV with CMDC – Rs. 397 cr. **3.** Slow progress of work by railways towards doubling of KK Lines – Rs. 125 cr. **4.** Railway line from Rowghat to Jagdalpur – Rs. 750 cr. **5.** For Steel plant Nagarnar, Rs. 1824 cr. was spent up to Jan'17 against the plan outlay of Rs. NIL.

*Board approved Capex: BE 2016-17 Rs. 3,664 cr. and RE 2016-17 Rs.4,176 cr.

MOIL:

The lower utilisation against various projects is mainly on account of

(i) Delays in grant of leases leading to delayed taking up or deferring shaft sinking/deepening projects (these projects have now been taken up);

(ii) Increase in rates of power all over India and shortage of power in Andhra Pradesh (which has necessitated exploring various possibilities of sourcing power – the main ingredient for production of ferro alloys – through captive power generation or long term power purchase agreement with an IPP at cheaper rates) leading to not taking up the project for exploring other viable options; and

(iii) Delay in grant of final orders in respect of new area development leading to shortfall in expenditure on new leases.

KIOCL:

During the 12th Five Year Plan KIOCL envisaged various projects in the development of Iron ore deposit and setting up various forward & integration projects at the existing plants. However, due to delay in getting the allotment of mine and further statutory clearances, the actual utilisation is low.

As MOU FY 2016-17 signed with Govt. of India, KIOCL projected CAPEX of Rs.200 crore against which the actual expenditure upto January 2017 was Rs.7.86 crore. Now, with Govt. of Karnataka issued the Gazette Notification for reservation of 470.40 ha. Devadari Iron Ore deposit in favour of KIOCL, the Capex in the succeeding months will improve.

MSTC:

MSTC has embarked upon the ambitious project of setting up the first Auto-Shredding Plant in the country. Sourcing of raw material was the major concern to have a continuous supply of raw material, which is end of life vehicles (ELV) in the instant case. Mainly due to this reason the starting of the project got delayed. The company took the matter with the Ministry of Road Transport and Highways(MORTH) to introduce and implement the scrapping of end of life vehicles(ELV). Accordingly a study was done and recommendation was made for introduction of policy for scrapping of the commercial vehicle over 15 years. The policy is awaiting cabinet nod.

To implement this project, MSTC signed a Joint Venture (JV) Agreement on 08.8.2016 with M/s Mahindra Inter trade Ltd. (MIL), a leading steel services Company having a countrywide dealer network. The new JV Company 'Mahindra MSTC Recycling Private Limited' has already been incorporated to implement this project,

The company will set up authorized collection centre for dismantling and compacting ELV and white goods before they are sent to the shredding plant. The much awaited National Policy on ELV and scraps will help and support the implementation of this project. The JV Company is scouting for equipment and technology for the proposed plant and has initiated action for setting up of collection centres for this. Against the approved outlay of Rs 10.00 crore, a sum of Rs 3.10 has already been spent on this account till 31.01.2017.Balance amount will spill over to next year."

5.6 On being enquired about the prospective plan prepared by different PSUs for capital/scheme-wise investment during the next 5 years, the Ministry of Steel in its written reply stated as under:-

"SAIL& RINL:

Keeping the present financial position of the company in view, emphasis has been given on consolidation of existing facilities rather than going for new capital schemes. No prospective plan has been prepared for the next five years.

NMDC:

The likely capex in 2017-18 and 2018-19 is Rs. 4,190 crore and Rs. 4,143 crore respectively. Action is on hand to compile the capital/scheme wise investment in next 5 years.

MOIL:

Likely capex in 2017-18 & 2018-19 is Rs. 205.80 Cr. & 461.11 Cr. No 5 year plan is at yet finalised.

KIOCL:

In view of the adverse market conditions and raw material issues, the Prospective plan yet to be finalized and approved.

MECON:

The company proposed to expend an amount of Rs. 5.00 crore per year for the next five years towards expansion, modification and augmentation of Office Space / Guest House etc. at various locations.

MSTC:

The prospective plan is yet to finalized."

CHAPTER-VI

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS (PSUs)

A. STEEL AUTHORITY OF INDIA LTD. (SAIL)

The Steel Authority of India Limited (SAIL) is a company registered under the Indian Companies Act, and is a Central Public Sector Enterprise (CPSE). It has five integrated steel plants at Bhilai (Chhattisgarh), Rourkela (Odisha), Durgapur (West Bengal), Bokaro (Jharkhand) and Burnpur (West Bengal). SAIL has three special and alloy steels plants viz. Alloy Steels Plant at Durgapur (West Bengal), Salem Steel Plant at Salem (Tamil Nadu) and Visvesvaraya Iron and Steel Plant at Bhadravati (Karnataka). SAIL has also several units viz. Research and Development Centre for Iron and Steel (RDCIS), Centre for Engineering and Technology (CET), Management Training Institute (MTI) and SAIL Safety Organisation (SSO) all located at Ranchi, Central Coal Supply Organisation (CCSO) located at Dhanbad, Raw Materials Division (RMD), Environment Management Division (EMD) and Growth Division (GD) all located at Kolkata, and SAIL Refractory Unit at Bokaro. Chandrapur Ferro Alloy Plant, (CFP) is located at Maharashtra. The Central Marketing Organisation (CMO), with its headquarters at Kolkata, coordinates the countrywide marketing and distribution network of the Company. The SAIL Consultancy Division (SAILCON) functions from New Delhi.

6.2 The Authorized Capital of SAIL is Rs. 5000.00 crore. The total equity of the company is Rs. 4130.53 crore as on 31.03.2016 of which 75% i.e. Rs 3097.77crore is held by the Government of India and the balance 25% by the financial institutions, GDR holders, banks, employees, etc.

PHYSICAL PERFORMANCE

(in million tonnes)

No	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (upto Dec. 2016)	BE
(i)	Hot Metal	15.41	15.72	15.98	15.98	11.67	17.17
(ii)	Crude Steel	13.91	14.28	14.98	14.98	10.71	16.03
(iii)	Saleable Steel	12.84	12.38	14.6	14.6	10.24	14.97
(iv)	Pig Iron	0.63	0.64	0.33	0.33	0.35	0.33

FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (upto Sep. 2016)	BE
(i)	Income	53470	43934	44044	45315	22292	64155
(ii)	Operating Cost	47884	46986	47460	46771	21789	62205
(iii)	Gross Margin	5586	-3052	-3416	-1457	503	1950
(iv)	Profit (Loss) before Tax	2359	-7198	-8315	-3655	-2178	-4211
(v)	Profit (Loss) after Tax	2093	-4137	-8315	-6355	-1267	-4211
(vi)	Dividend proposed*	826	0	0	0	0	0
	of which:						
	Dividend paid/proposed to the Govt. of India	542.11	77.45	0	0	0	0

* Excluding dividend tax.

6.3 However, during evidence, CMD, SAIL, submitted the performance highlight of the Company which are as under:-

> "Regarding the Financial Performance during first nine months of 2016-17, Net Sales were Rs. 31330 crore (up by 14.9%) and EBITDA was Rs. 529 crore (improvement by Rs. 2115 crore). The PBT of SAIL was Rs. (-)3432 crore (improvement by 28%) and the PAT was Rs. (-)2062 crore (improvement by 27%). The expenses per ton of Steel sold were Rs. 36656 crore (reduction by 7%).
>
> Regarding the Production & Sales Performance during first nine months of 2016-17, Saleable Steel production was 10.2 MT (up by 16%) and Semis component in sales was 12.1% (down by 12.3%). The Value added production was 4.3 MT (up by 14.7%), Production through concast route was 8.6 MT (up by 8%) and Saleable steel sales was 9.7 MT (up by 16%)"

B. RASHTRIYA ISPAT NIGAM LIMITED (RINL)

6.4 Rashtriya Ispat Nigam Limited (RINL), a Navratna PSE, is the corporate entity of Visakhapatnam Steel Plant - the country's first shore-based integrated steel plant at Visakhapatnam, Andhra Pradesh. RINL completed Expansion to 6.3 Mtpa capacity.

Stabilization of the units is in progress for ramping up the production progressively. The expansion has been funded mostly through internal accruals. Main activities of RINL include production of steel products in the longs category from its operating unit at Visakhapatnam and marketing them through a wide marketing network of 5 Regional offices, 24 Branch Sales Offices, 23 Stockyards and 6 Consignment Sales Agents (CSAs) which cater to the delivery requirements across the country. The principal products of RINL include Rebars, Wire Rods, Rounds and Structurals. The company also markets Billets, Blooms, Pig Iron and by-products like Coal Chemicals (Ammonium Sulphate, Benzol products etc.) and slag.

6.5 The Company's capital structure as on 31st March, 2016 comprises of Rs. 4889.85 crore of Equity Capital and entire shares are held by the Govt. of India.

PHYSICAL PERFORMANCE *(in '000 tonnes)*

No	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE@	Actual (upto Dec 2016)	BE
(i)	Hot Metal	3780	3975	5400	4465	3230	5600
(ii)	Crude Steel	3201	3641	4687	4055	2921	5059
(iii)	Saleable Steel	3017	3513	4474	4010	2763	4800
(iv)	Pig Iron	239	116	370	137	107	196

FINANCIAL PERFORMANCE *(Rs. in crore)*

No	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2016)	BE
(i)	Income	10770.23	10480.58	13519.94	13317.18	8680.90	16580.80
(ii)	Operating Cost	9962.96	11271.07	14454.81	13690.11	8938.59	16555.81
(iii)	Gross Margin	809.02	-790.49	-934.87	-372.93	-257.69	24.99
(iv)	Profit (Loss) before Tax	84.21	-1417.23	-2436.17	-1764.50	-1265.38	-1610.35
(v)	Profit (Loss) after Tax	52.81	-1420.64	-2441.97	-1164.50	-975.68	-1610.35
(vi)	Dividend paid	60.00	0.00	0	0.00*	0.00	0.00

Profitability in 2015-16 and 2016-17 has been affected due to sluggish market conditions, lack of demand, lower NSRs, etc.

THE ORISSA MINERALS DEVELOPMENT COMPANY LIMITED (OMDC)

6.6 OMDC is a subsidiary company of Eastern Investments Limited (EIL). Further EIL is a subsidiary company of Rashtriya Ispat Nigam Limited (RINL). OMDC was incorporated in the year 1918 and become a PSU in March, 2010. The company is engaged in mining and marketing of iron ore and manganese ore. The company operates six mining lease of iron ore/manganese ore in the state of Odisha. The mines of the company are located around Barbil, Thakurani in the district of Keonjhar, Odisha. At present operations in all the six mines are closed due to non-renewal of mining leases and litigations.

BISRA STONE LIME COMPANY LIMITED (BSLC)

6.7 The BSLC was incorporated in the year 1910. BSLC became a PSU on 19.3.2010 and became a subsidiary company of the Eastern Investments Limited (EIL) which subsequently became subsidiary of RINL on 05.01.2011. The authorized and paid up capital of the company is Rs. 87.50 crore and Rs. 87.29 crore respectively. The mines are located in Birmitrapur in the district of Sundargarh, Odisha. Production of dolomite in 2016-17 up to December, 2016 is 3.81 lakh tonnes as against the target of 7.20 lakh tonnes.

6.8 Sales turnover of the Company has increased from Rs. 710.66 lakh in 2014-15 to Rs. 3,849.33 lakh in 2015-16 i.e. an increase of 441.65%. Consequently, the loss has decreased from Rs. 2,727.09 lakh in 2014-15 to Rs. 1,617.30 lakh in 2015-16 i.e. a decrease of 40.70%. The accumulated loss on 31 March, 2016 is Rs. 17,542.82 lakh.

The main reasons for consequent losses and low turnover of BSLC Ltd. are given as below:

a) There is no demand for Limestone.
b) Due to recession in economy in general and steel industry in particular, there has been less requirement of Dolomite by Steel Plants.

The financial performance of OMDC & BSLC is included in RINL.

6.9 It has been reported that cheaper imports and weak demand resulting in a sharp fall in steel prices in the domestic market has led Steel Authority of India Ltd. and RINL to report losses during 2015-16 and 2016-17. In this context, when asked to furnish the major factors contributing the losses posted by these PSUs, the Ministry of Steel in its written reply stated as under:-

"Major reasons for decline in profit were as under :

- adverse market conditions.
- Lower Net Sales Realisation of steel products.
- Adverse impact of levy of contribution to District Mineral Foundation (DMF) and National Mineral Exploration Trust (NMET).
- Higher usage of imported coal in the blend due to lower availability of indigenous coal,
- Increase in salaries & wages.
- Higher interest charges and reduction in interest earning on deposits
- Higher depreciation due to capitalisation of new facilities."

C. <u>MECON LTD.</u>

6.10 MECON Limited, a Miniratna CPSE under Ministry of Steel, is one of the leading multi-disciplinary Design, Engineering, Consultancy and Contracting organization in the field of Metals and Mining, Power, Oil & Gas, Infrastructure, Refineries & Petrochemicals, Pipelines, Roads & Highways, Railways, Water Management, Ports & Harbors, General Engineering, Environmental Engineering and other related/ diversified areas with extensive overseas experience. MECON provides full range of services required for setting up of Greenfield and Brownfield projects from Concept to Commissioning including Turnkey execution. MECON is an ISO:9001-2008 accredited company and is registered with International Financial Institutions like the World Bank, Asian Development Bank, African Development Bank, European Bank of Reconstruction & Development and United Nations Industrial Development Organization. MECON has collaboration agreements with leading International organizations for gaining requisite resources for enhancement of its cutting edge technology.

6.11 MECON has successfully delivered / delivering landmark projects of National importance like Second Launching Pad at Shriharikota, India's first indigenous launching pad at Satish Dhawan Space Centre, SHAR; Integrated Engine Testing Facility in Mahendragiri for performing static tests on semi cryogenic propulsion system for ISRO; Specialized blast proof and protected underground structure and specialized EMP protected over ground structure for BEL; Setting up of Pilot Plant for the development of production technologies for CRGO steel; Integrated infrastructure for New Helicopter Facility for HAL; Modernization of Indian Naval Aircraft Yards at Goa & Kochi for Indian Navy; Forged Rail Wheel Plant for RINL; State of Art Campus for Nalanda University, IIT Indore, Geo-Technical Centrifuge Facility at IIT Bombay (the 6th of its kind in the world), funded by DST, DRDO & Ministry of HRD; Asia's biggest coal handling facility from harbor to power plant with belt conveyor system of 11 kms for TNEB; Project Seabird of Indian Navy (India's 1st Ship repair facility) are to name a few. MECON has also strengthened its footprint in International market by providing World Class Design, Engineering & Consultancy Services for about 130 Projects in different countries.

6.12 The authorised share capital of the company as on 31.03.2016 is Rs. 104.00 crore, consisting of preference share capital of Rs. 63.00 crore and Equity Share Capital of Rs. 41.00 crore. The paid up capital as on 31.03.2016 is Rs. 40.14 crore.

PHYSICAL PERFORMANCE

As MECON is a consultancy organization, it is not possible to give the physical performance of the company.

(Rs. in crore)

No.	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2016)	BE
1.	Business procurement	593.41	683.40	675.00	675.00	589.45	725.00

FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2016) (Prov.)	BE
(i)	Income	539.15	400.11	420.00	390.00	215.81	528.00
(ii)	Operating Cost	493.36	563.85	549.51	514.33	307.73	724.75
(iii)	Gross Margin	45.79	-163.74	-129.51	-124.33	-91.92	-194.75
(iv)	Profit (Loss) before Tax	33.01	-174.71	-134.78	-139.83	-99.92	-208.75
(v)	Profit (Loss) after Tax	20.27	-162.41	-134.78	-139.83	-99.70	-208.75
(vi)	Dividend paid/ proposed	9.09	0.00	0.00	0.00	0.00	0.00

	Of which :						
	Dividend paid/ proposed to the Govt. of India	9.72	9.09	0.00	0.00	0.00	0.00

6.13 On being asked to enumerate the major challenges faced by MECON during 2016-17 and steps being taken by MECON to meet these challenges and curb the losses, the Ministry submitted as under:-

> "Due to the downturn in the steel sector, which is the core business area of the company, and the economy as a whole, MECON is facing a steep decline in its profitability parameters. To cope up with this, the company has started focusing more into Infrastructure and Energy sectors. Apart from EPC jobs in Metal sector, the company is also bagging EPC jobs in Infrastructure sector."

D. <u>MSTC LTD.</u>

6.14 MSTC Limited formerly known as Metal Scrap Trade Corporation Limited was set up in September 1964 for regulating export of ferrous scrap from India. The status of the Company underwent a change in February 1974 when it was made a subsidiary of Steel Authority of India (SAIL). In the year 1982-83, the Corporation was converted into an independent PSU under the Ministry of Steel. It was the canalizing agency for import of carbon steel melting scrap, sponge iron, hot briquetted iron and re-rollable scrap till February 1992. It was also the canalizing agency for import of old ships for breaking, Import of such items were decanalized and put under OGL with effect from August 1991.

6.15 As on 31.03.2016,MSTC has an Authorized Capital of Rs. 50.00 crore and paid up capital of Rs. 8.80 crore, of which approximately 89.85% is held by the President of India and the balance 10.15% by the members of Steel Furnaces Association of India and Iron & Steel Scrap Association of India and others.

<u>PHYSICAL PERFORMANCE</u>

Since MSTC is not a manufacturing concern, its physical performance in terms of value of business under Marketing and Selling Agency is given below:

(Rs. in crore)

No	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (upto Dec	BE

						2016)	
(i)	Trading	6945.00	4382.00	3850.00	3640.0	2633.00	4000.00
(ii)	e-Commerce	22977.00	26437.00	26000.00	25270.00	21816.00	30500.00

FINANCIAL PERFORMANCE *(Rs. in crore)*

No	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (upto Dec'16)	BE
(i)	Income	5506.48	2967.58	4050.00	3180.06	1162.57	2555.00
(ii)	Operating Cost	5376.29	2872.63	3644.65	3077.00	1123.14	2480.00
(iii)	Gross Margin	130.19	94.95	98.49	103.06	39.43	75.00
(iv)	Profit (Loss) before Tax	131.47	91.34	97.49	100.56	38.22	72.50
(v)	Profit (Loss) after Tax	90.99	59.88	63.75	65.76	25.00	47.41
(vi)	Dividend paid/ proposed	18.22	18.04				
	Of which :						
	Dividend paid/ proposed to the Govt. of India	0.00	16.36	13.46	16.20		17.73

6.16 On being asked about the challenges faced by MSTC Ltd. regarding its trading & e-commerce business during 2016-17, the Ministry of Steel in its written reply stated as under:-

"MSTC has two business segments viz e-Commerce and Trading:-

Trading

MSTC facilitates procurement of raw materials primarily for the buyers from the secondary steel producers and petroleum sector both in **Facilitator** and **Purchase & Sale** mode through opening Letter of Credit (LC) on their behalf. In addition, it supplies imported thermal coal to the Power utilities in India through Business Associates selected on yearly basis through Open Tender process.

During the last couple of years the Indian economy has undergone severe recession due the domestic and International factors.

In India one of the major sectors which is severely hit by the prolonged slow down in economy is the Steel Sector which was the major source of business in trading for MSTC. Majority of the MSTC's customers in this segment are passing through a difficult time due to lack of demand and availability of raw material and therefore, have been forced either to run their plants at low capacity or close down the plants. In addition, there is also high volatility in the raw material prices which has prevented the customers to use high value raw material purchased earlier through MSTC. This has resulted in accumulation of large inventory of pledged material of MSTC with sluggish and irregular payment against the outstanding.

In view of the aforesaid situations prevailing, MSTC has taken a conscious decision to taper down this business due to increased risk in this business. MSTC is presently doing this business with a few selected parties.

Thermal coal is mainly supplied to power utilities but the volume of this business has declined considerably from 2015-16 to the current year of 2016-17 and is expected to decrease even further in 2017-18. This has resulted primarily on account of increased availability of domestic coal and also because of the thrust of the Government to reduce the quantum of imported coal usage in the country.

E-Commerce

Forward e-Auction : This segment of business deals in the sale of scraps, condemned items, old plant & machineries, land parcels,etc. and prime products like all major minerals, agri& forest produce, petro products, coal and non-coal mining blocks, human hair etc., all through e-auctions. Majority of e-auctions are conducted with a service charge on percentage basis. There has been a steep fall in the prices of the aforesaid items/commodities, particularly for scrap and iron ore, resulting in substantial reduction in income in comparison to the volume. The volume of this business achieved in the current year is significantly high compared to last year but there has not been corresponding increase in income due to continuous pressure from the clients to reduce service charge rate.

E-procurement : This business is typically high volume and low remuneration oriented and offers major potential for e-commerce business due to Government policy for switching over all the purchases of goods & work contracts though e-procurement mode. MSTC has also picked up this business in the past years but since majority of Central Government/State PSUs have entrusted e-procurement services on Nomination Basis to NIC by way of Government Orders, MSTC could get less business from them. Beside this, the big PSUs have inbuilt e-Procurement system in their ERP and therefore do not engage any service provider for e-Procurement. However, for steel CPSEs, MSTC is offering e-procurement services."

6.17 When asked to enumerate the steps taken by MSTC to overcome these challenges, the Ministry of Steel in its reply stated as under:-

"In Trading MSTC has taken a conscious decision to taper down the business due to increased risk in present scenario. MSTC is presently doing trading business with a few selected parties. Further, MSTC is trying to increase the volume of business in Trading by introducing new models of business like

procurement against 110% Bank Guarantee from the customers which is risk free.
In e-Commerce, MSTC has introduced various innovative service mixes to suit the customers. Whenever Government of India have entrusted any job, the same has been customized as per the requirement and the purpose of the Government of India. MSTC has been adding new items in the e-commerce to increase volume of business."

6.18 When asked about the schemes targeted to be implemented by MSTC during 2017-18, the Ministry informed the Committee in writing as under:-

"The BE for capital expenditure during F.Y. 2017-18 is Rs.49 crore. Details of which is below :-

	Name of the Scheme	**Amount (in Rs. crore)**
1.	Setting up of Shredding Plant (in form of equity in JV)	10.00
2.	Purchase of land and construction of Office Building there upon	35.00
3.	Miscellaneous item of Administrative in nature	4.00

The company plans to carry out the above expenditure by utilizing the IEBR of Rs.32.39 crore from F.Y. 2017-18 and balance from previous years."

Asked to furnish the status of starting the Auto Shredding Plant by MSTC Ltd., the Ministry of Steel in its written reply submitted as under:-

"To implement this project, MSTC signed a Joint Venture (JV) Agreement on 08.08.2016 with Mahindra Intertrade Limited (MIL), a leading manufacturer of vehicles having a countrywide dealer network. The new JV company 'Mahindra MSTC Recycling Private Limited' has been incorporated on 16th December, 2016. The JV Company will set up authorized collection centers for dismantling and compacting End of Life Vehicles (ELVs) and white goods before they are sent to the shredding plant. The Ministry of Road Transport and Highways (MoRTH) has made a study to scrap commercial vehicle ageing over 15 years. The company is looking for foreign companies for equipment and technology and plans to set up the Shredding Plant by 31st March, 2018. For this action has been already been initiated to set up collection at different places."

E. <u>NMDC Ltd.</u>

6.19 NMDC Limited is a "Navratna" public sector company under the Ministry of Steel, Government of India, primarily engaged in the business of exploring minerals and developing mines to produce raw materials for the industry. It is also expanding its activities towards steel making and other value added products. Incorporated on November 15, 1958, NMDC has been actively contributing to development of the nation for five decades and grown from strength to strength on its journey to nation building. From a single-product-single-customer company, NMDC has grown to be a major iron ore supplier to the domestic steel industries. NMDC is also doing exploration and prospecting works for high value minerals like diamond in Andhra Pradesh and gold in Tanzania.

6.20 NMDC operates the large mechanized iron ore mines in the Country at Bailadila (Chhattisgarh) and Donimalai (Karnataka). The Diamond Mine of NMDC is situated at Panna (Madhya Pradesh). Sponge Iron Unit of NMDC is situated at Paloncha, Andhra Pradesh. NMDC Ltd. is setting up a 3.0 MTPA Greenfield integrated steel plant at Nagarnar, District-Bastar in Chhattisgarh. All major technological packages and auxiliary packages have been awarded and construction work is in progress. NMDC is in the process of expanding its business through forward integration in both Greenfield and Brownfield projects by setting up (a) 1.2 MTPA Pellet Plant at Donimalai in Karnataka (b) 2 MTPA Pellet Plant at Nagarnar along with 2 MTPA Beneficiation Plant at Bacheli interconnected by a Slurry Pipeline between Bacheli and Nagarnar in Chhattisgarh.

6.21 The construction of 1.2 MTPA Pellet Plant at Donimalai is complete and trial production has commenced. Regarding 2 MTPA Pellet Plant at Nagarnar, all the statutory clearances have been received and site development work commenced. Statutory clearances for slurry pipeline system and Ore processing plant at Bacheli are being obtained. NMDC has already diversified its activities in the field of renewable energy by setting up Wind Mill in Karnataka and is exploring the possibilities of solar energy.

6.22 The authorized share capital of the Company is Rs. 400.00 crore. The paid up Equity Share Capital is Rs. 316.39 crore as on 31.12.2016, out of which 74.9% is held by the Government of India and the balance 25.1% is held by the financial institution/banks/individuals/employees etc.

PHYSICAL PERFORMANCE

No.	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (Dec. 2016)	BE
(i)	**PRODUCTION:**						
	IRON ORE (LAC Tonnes)	304.41	285.74	327.50	327.50	236.27	350.00
	DIAMONDS (CARATS)	35085	35558	35000	35000	22057.85	37000.00
	SPONGE IRON (Tonnes)	28994	6614	7000	7000	5719.00	7000.00
(II)	**SALES**						
	IRON ORE (LAC Tonnes)	305.16	288.39	327.50	327.50	258.59	350.00
	DIAMONDS (CARATS)	38789	36683	35000	35000	12056.73	37000.00
	SPONGE IRON (Metric Tonnes)	25191	8365	7000	7000	3654.30	7000.00

FINANCIAL PERFORMANCE

(Rs. in crore)

No.	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual Upto Sep. 2016 (*)	BE
(i)	Income	14622.00	8230.00	8483.00	8483.00	4078.00	8946.00
(ii)	Operating Cost	4694	3435.00	4264.00	4264.00	1817.00	4538.00
(iii)	Gross Margin (1-2)	9928.00	4795.00	4219.00	4219.00	2261.00	4408.00
(iv)	Profit (Loss) before Tax	9768.00	4506.00	3962.00	3962.00	2141.00	4122.00
(v)	Profit (Loss) after Tax	6422.00	3028.00	2753.00	2753.00	1482.00	2777.00
(vi)	Dividend paid/ Proposed*	3390.00	4361.00	847.00	847.00	--	727.00
	Of which :						
	Dividend paid/ proposed to the GOI	2299.66	3901.49	634.39	634.39	--	545.35

**As the Financial Result is declared upto Sep. 2016, the information has been submitted accordingly.*

6.23 On being asked to furnish status report on execution of 3 million tonnes per annum capacity steel plant in Chhattisgarh by NMDC, the Ministry in its reply stated as under:-

"MECON, Ranchi has been appointed as Engineering and PMC Consultant for the 3 MTPA Steel Plant.

(i) All major technological packages as well as important auxiliary/infrastructure packages are already awarded.
(ii) Balance auxiliary/infrastructure packages are at various stages of tendering and awarding.
(iii) About 86% of major civil works, 82% of structural supply, 80% equipment supply, 66% of structural erection have been completed at site."

6.24 Regarding the amount of time and cost overrun incurred due to delay, it has been informed that approved Capital outlay Rs.15,525cr and Revised Capital expenditure is under the process of finalisation. The anticipated date of completion of the construction is Dec’17 against May’15.

6.25 In reply to a query regarding details of any new projects/mining activity proposed to be undertaken by NMDC during the year 2017-18, the Ministry in its written reply furnished as under:-

"During the year 2017-18, NMDC Ltd. is planning to develop Bailadila Iron Ore Project, Deposit-13 at Kirandul, Chhattisgarh. NMDC Ltd. has executed and registered the lease deed for Bailadila Iron Ore Project, Deposit-13 on 10th January,2017. This project will be developed by NCL (NMDC – CMDC Limited) for 10 MTPA Capacity. NCL is a Joint Venture between NMDC Limited (51%) and CMDC Limited (49%)."

F. <u>KIOCL Ltd.</u>

6.26 KIOCL Limited, a flagship Company under Ministry of Steel, Government of India was established on 02.04.1976 with an objective to mine & beneficiate low grade magnetite iron ore at Kudremukh Iron Ore mine in Chickmagaluru District of Karnataka State. KIOCL Limited is presently engaged in Iron Ore beneficiation and Pelletization conferred with the "Mini-Ratna-category-I" status in 1999 under schedule-A & accredited with ISO-9001:2008, ISO-14001:2004 and compliant with OHSAS: 18001:2007. Government of India holds 98.99% of its equity. The Company has a capacity to produce 3.50 million tonnes of Iron Oxide Pellets and 2.16 Lakhs tonnes of Pig Iron annually. The Company has its captive berth and ship-loading facilities at Mangalore. The Mining Operations at Kudremukh was stopped with effect from 01.01.2006 pursuant to the order of Hon'ble Supreme Court. Due to this, Company depends mainly on NMDC & other private source for raw materials viz. iron ore to feed to its Pellet Plant.

6.27 The Authorised Capital of KIOCL Ltd. is Rs. 675.00 crore. The Issued and Paid – up capital is Rs. 634.51 crore as on 31.03.2016. Approximately 99% of share capital of the company is held by Government of India.

PHYSICAL PERFORMANCE *(In million tonnes)*

No.	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2016)	BE
(i)	Production (Pellets)	0.785	0.100	1.300	1.300	0.725	1.550
(ii)	Dispatches (Pellets)	0.680	0.409	1.300	1.300	0.702	1.550

FINANCIAL PERFORMANCE

(Rs. in crore)

No.	Item	2014-15	2015-16	2016-17			2017-18
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2016)	BE
(i)	Income	899.82	211.82	561.02	615.69	564.61	1415.52
(ii)	Operating Cost	836.47	278.23	516.13	564.94	546.30	1382.33
(iii)	Gross Margin	63.35	-66.40	44.89	50.76	18.31	33.19
(iv)	Profit (Loss) before Tax	31.26	-89.40	10.27	16.14	0.80	9.33
(v)	Profit (Loss) after Tax	30.82	-77.66	6.72	10.55	1.10	6.24
(vi)	Dividend paid/ proposed	--	--	2.69	6.97	--	1.875
	Of which :						
	Dividend paid/proposed to the Govt. of India	8.16	6.28	0.00	4.22	--	9.32

6.28 On being asked about the details of the schemes targeted to be implemented with IEBR of Rs. 1800 crore in BE 2017-18 the Ministry in its written reply staed as under:-

"The IEBR of the Company for 2017-18 is kept at Rs. 1800 crore which has been carried forward of surplus for next year (i.e. cash and cash equivalents of the company at the end of FY 2067-17). An amount of Rs. 451 crore is taken as Plan outlay (BE) for the FY 2017-18 as per plan below, which will be implemented out of Internal Resources.

CAPITAL BUDGET – BE 2017-18 Rs. In Cr.

Sl. No.	Name of the Scheme / Project	Estimated Project Cost	Budget Estimate 2017-18
I	**Mining Project**		
1.	Development of Devadhari Mines, Karnataka	1500.00	80.00
2.	Development of Ananthapuramu Mine & setting up of Pelletisation and Beneficiation Plant at Ananthapuramu	1000.00	10.00
3.	Development of Permanent Railway siding at Mangalore	300.00	40.00
4.	Entering into agreement for development of mineral deposit including coal under suitable mechanism in India and abroad	*	5.00
II	**Merger and Acquisition**		
1.	Acquisition of 51% stake in IDCOL with Management Control	2276.00	140.00
III	**Joint Venture Project**		
1.	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.	960.00**	5.00
2.	Equity of KIOCL for setting up an Integrated Steel Plant alongwith joint venture partner in the state of Karnataka	*	1.00
IV	**New Business Project**		
1.	Setting up of forward and backward integration with BFU, Mangalore, Karnataka	300.00	125.00
2.	Setting up of R&D and Training Centre at Obhadenahalli Industrial Area,	26.00	15.00

	Doddaballapura, Bangalore Rural Dist.		
3.	MDO jobs including procurement of HEMM etc.	20.00	1.00
4.	Contract on operation & maintenance of Coal washery	*	5.00
5.	Prospecting and exploratory drilling of mineral deposits for various minerals including procurement of equipments to carryout works	20.00	5.00
6.	Setting up of 1 MW Solar Power Plant	8.00	8.00
7.	Setting up of 3 MW Solar Power Plant	20.00	1.00
V	**Miscellaneous**		10.00
	TOTAL		**451.00**

* As these are schemes of different nature, estimated project cost cannot be arrived at present. However, the budget estimate for FY 2017-18 has been made for the same to attend the initial expenditure.
** Total Project Cost as per NMDC's RFQ is Rs.6000Cr. KIOCL Stake in the project is 16%"

PART II
OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

ALLOCATION OF FUNDS

1. The Committee note that during 2014-15 Rs. 92.92 crore was allocated to the Ministry at BE stage which was reduced 78.10 crore but the actual expenditure was only Rs. 66.13 crore. Again in 2015-16 against the allocation of Rs. 88.13 crore at BE stage, RE was Rs. 38.48 crore, out of which only 31.90 crore was expended. During 2016-17 the total allocation was Rs. 85.62 crore which was enhanced to Rs. 438.11 crore at RE stage but actual expenditure was merely Rs. 30.36 crore upto December 2016. For 2017-18, Rs. 44.14 crore has been allocated. These mismatch between the allocation and actual expenditure is a cause of concern to the Committee. The non-utilization of funds adversely affect the various activities undertaken by the Ministry which ultimately hinder the growth and development of the steel sector which is very vital for the economy. The Committee, therefore, recommend that the Ministry should prepare a road-map in coordination with all concerned ensuring optimum utilization of funds allocated to them. The Committee also recommend that the Department should also urge the Ministry of Finance to allocate funds as per their requirements so that various activities undertaken by them are not hampered for want of funds. The Committee would like to be apprised of the initiatives undertaken by the Ministry in this regard.

PLAN EXPENDITURE - R&D IN STEEL SECTOR

2. The Committee note that the Gross Budgetary Support to Ministry of Steel is only for a single scheme named 'Scheme for Promotion of R&D in Iron and Steel Sector'. Approved on 23.01.2009 and implemented from Financial Year 2009-10 (w.e.f. 01.04.2009), this scheme was included in the 11th Five Year Plan (2007-12) with an outlay of 118 crore. The said scheme was continued in 12th Five Year Plan (2012-17) with a total provision of Rs. 200 crore. Till 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. After rationalization in 2016-17, the entire provision has been kept 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 note that the actual utilization of funds allotted for the scheme during 2016-17 (upto December, 2016) has been 67% i.e. out of a total allocation of Rs. 15 crore for the scheme in BE (2016-17), Rs. 10.05 crore have been spent till December, 2016. The Committee hope that the rest of the outlays would also be expended by the last quarter of 2016-17. The Committee, however, are concerned to note the fact that even though Rs. 200 crore was earmarked for R&D scheme for 12th Five Year Plan, only Rs. 142 crore was allocated at BE stage which was further reduced to Rs. 71.49 crore at RE stage, against which the amount actually utilized by the Ministry is mere Rs. 55.25 crore which is only 76.97 % of RE upto December, 2016. The Committee feel that given the lack of quality steel production in the country for electric and auto sectors, there is an imperative need to bolster the R&D Sector by ensuring optimum utilization of funds allocated for the same. It was informed to the Committee that outlay of Rs. 15 crore is not adequate for the scheme and they may raise additional requirement of Rs. 30 crore through supplementary demands for grants. While appreciating the Government's efforts that more and more R&D projects are being taken up in the steel sector and increased budgetary support being sought by the Ministry of Steel, the Committee are of the considered opinion that as in the case of major steel producing countries , in India also, it is imperative that major steel producing companies in the country invest atleast 1% of their total turnover on R&D and bring appropriate policy/statutory framework for its implementation.

3. While acknowledging the significance of R&D in the Indian Steel Sector, the Committee dealt in detail all aspects related to it in their 21st Report on "Research and Development in Iron and Steel Sector" wherein the Committee emphasized that there is ample scope for sustained growth and development of steel sector in the country. In the opinion of the Committee, to sustain and improve the competitiveness of the Indian Steel Industry, adoption of modern and state-of-the-art technologies both in the existing and new plants is of utmost importance by pursuing appropriate R&D Programmes. The Committee also note that the Projected Medium Term outcomes of the Ministry of Steel for 2017-18 are development of processes/technologies to utilize low grade iron ore, improve quality of coal blend for manufacturing of coke, to improve productivity and product quality, to develop new products, to recycle / re-use waste following the completion of on-going R&D projects. According to Ministry of Steel, they are considering to associate secondary steel producers with SRTMI (Steel Research & Technology Mission India) so that they can also get benefit of technology transfer at reduced rates. The Committee desire that the work on all these aspects may be initiated earnestly and would emphasize that the focus of R&D mainly should be on upgradation of raw material available and development of high quality electric steel and CRGO Steel, etc. in the country thereby reducing the dependence on imported steel by focusing on indigenous production techniques of world class standards.

PROMOTION OF STEEL USAGE

4. The Committee note that there is enough potential for consumption of steel in our country as the per capita consumption is way below the world standards which is 10 kg in rural areas and 60 kg in urban areas as against world average of 225 kg. The major reason for lower steel consumption is increasing replacement of steel by plastic. As per the finding of this survey, study conducted by the Joint Plant Committee the average per capita consumption of finish steel in rural areas is estimated to increase to around 12 Kg in 2020. The growth would be powered mainly by construction activities, largely at the household level but also by purchase of items such as items for professional use, furniture and vehicles. However, it is also

expected that the demand for household items would decrease over the years. For enhancing the consumption of steel in rural India, the JPC has recommended that steel companies should shift their focus on type of housing structure, re-looking steel design for various applications, investment in community structures, small and medium steel products manufacturing, highlighting advantages of steel, increasing aesthetics of steel, improving logistics & supply chain for steel, focusing on advertising & marketing of steel through fairs, workshops etc. and addressing steel quality issues. During the current year, a fresh pan-India study on the domestic rural steel demand has been undertaken by the JPC. The Committee also note that SAIL and its dealer actively engaged in publicity of its products through dealers/mason and architects' meets wall painting, hoardings audio, video and print advertisements, distribution of promotional items, participation in local fairs etc. Incentive schemes are being operated by SAIL to encourage dealers to improve their performance as well as to promote SAIL steel. RINL makes efforts on continuous basis for promotion of steel usage through development and supplying of new products and improving Distribution Network for wider coverage. HSCL has the mandate for exploring the areas of infrastructure development for increasing steel usage in the country and has started to explore the opportunities for using steel intensive technologies for urban housing, low cost mass housing, road bridges, industrial infrastructure, Food godowns, infrastructure development in hilly terrains and seismic zones and stadiums and sports infrastructures. During the course of evidence, the Committee were informed that certain Model Housing Projects are being planned in the country which would utilize steel beams and pre-fabricated steel sheets. The basic idea is to provide choice of building material to those willing to experiment. This can be used for construction of houses in hilly and cold areas of the country and commercial structures as well. While appreciating the affords of the Ministry/PSUs to augment usages of steel in the country. The Committee feel that the need of the hour is to focus on steel intensive structures in housing & infrastructure sector to give a boost to economy by augmenting steel consumption. The Committee also feel that corrective and coordinated efforts to be made to increase the per capita consumption of

steel in Rural and Urban areas of the country. The Committee also desire that adequate and relevant R&D should be done on the feasibility of these structures before bringing it in the public domain. The Committee would like to be apprised of the initiatives undertaken by the Ministry in this regard.

POLICY INITIATIVES

5. The Committee note that India is currently the world's 3rd largest producer of crude steel preceded by only China and Japan as against its 8th position in 2003. Further, the domestic crude steel production capacity expanded from 90.87 MT per annum in 2011-12 to 121.97 MTPA in 2015-16. During the first nine months of the year 2016-17 (April-December 2016-17), the overall performance of domestic steel industry has shown a positive growth as the production of finished steel during this period was 73.96 MT indicating a 10.8 % growth as compared to first three quarters of 2015-16. Moreover, import of steel too had declined by 37.4% during the same period of 2016-17 as compared to 2015-16 and it was only 5.74 MT against 11.71 MT during the previous year. The Committee also note that a pelletisation lab at RDCIS has been set up which can be used by Pelletisation Plants to optimize their parameters for making pellets from various types of iron ore fines to be used in blast furnace as well as DRI plants. Further, a trend setting project has been successfully commissioned at RINL to generate power with green technology in collaboration with NEDO, Japan, Metal Scrap Trade Corporation (MSTC) Limited and the Ministry of Steel have jointly launched an e-platform called 'MSTC Metal Mandi' under the 'Digital India' initiative on 22nd October, 2016 at New Delhi, which will facilitate sale of finished and semi-finished steel products. The Committee also observe that last 2 years were challenging for the domestic steel industry, but with the intrinsic strength and wide range of policy initiatives taken such as notification of Minimum Import Price, notification of Anti-Dumping Duty in order to protect the industry, notification of Stainless Steel (Quality Control) Order, etc. by the Government over the recent period, the industry was able to show some signs of recovery. The Committee while appreciating the slew of measures taken by the Government for revival of domestic steel industry, expect that the Government will continue with these policy

decisions to ensure a level playing field for domestic steel industry and safeguard their interest.

UTILIZATION OF 12TH PLAN OUTLAYS BY STEEL PSUs

6. The Committee note that an approved outlay of Rs. 90974.64 crore was earmarked for schemes of PSUs of Ministry of Steel for the 12th Five Year Plan, out of which only Rs. 59337 crore could be expended till December, 2016, a utilization of mere 65%. Coming to utilization performance of individual steel PSUs, the Committee note that against the approval outlays outlays of Rs. 13373 crore, Rs. 105 crore, Rs. 3080 crore and Rs. 1459 crore for RINL, MSTC, KIOCL & MOIL respectively, the actual expenditure were Rs. 6971 crore, Rs. 0.10 crore, Rs. 38.86 crore and Rs. 441.47 crore which is 52%, 0.09%, 1.2% and 30.2% of the approved outlays. The Committee, while taking into consideration the justifications extended by the Ministry as well as PSUs, express their concern at the gross underutilization of approved outlays by these companies in spite of repeated recommendations by the Committee to improve utilization of plan outlays earmarked for them. In the opinion of the Committee, such underutilization of planned funds definitely have an adverse effect on the production and modernization and expansion plans of Steel PSUs. The Committee, therefore, recommend that the Ministry should look into this aspect and take appropriate remedial measures for ensuring optimum utilization of plan funds by addressing the various constraints which hinders effective and smooth implementation of various activities/projects/Plans undertaken by steel PSUs. The Committee may be apprised of the corrective measures taken by the Ministry/PSUs in this regard.

PHYSICAL AND FINANCIAL PERFORMANCE OF SAIL

7. The Committee note with distress that income of SAIL has declined steadily during the last 3 years on account of sluggish market conditions. The income of the Company which was Rs. 53470 crore in 2014-15 declined to Rs. 43934 crore in 2015-16 and to Rs. 22292 crore during 2016-17 (upto September, 2016). However, the Committee note that for the year 2017-18, income of SAIL is targeted at Rs. 64155 crore but still, SAIL is likely to

post a net loss of Rs. 4211 crore during 2017-18. The Committee observe that net sales of the company at Rs. 31330 crore are up by 14.9%. Similarly, EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) at Rs. 529 crore is improvement by Rs. 2115 crore and profit after tax at Rs. (-)2062 crore is improvement by 27%. As regards physical performance parameters, the Committee express their satisfaction at 16% growth in saleable steel production (10.2 MT), 14.7% in value added production (4.3 MT) and 16% growth in saleable steel sales (9.7 MT).The Committee while appreciating these positive trends in physical and financial performance of SAIL, desire that earnest efforts be continued to bring back the dwindling fortunes of the company to its past glory.

RINL

8. The Committee note that RINL has completed its expansion plan capacity to 6.3 MTPA and stabilization of the units is in progress for ramping up the production progressively. While appreciating the higher targets of 5.6 MT of hot metal, 5.06 MT of crude steel and 4.8 MT of saleable steel production by the company during 2017-18, as compared to BE/RE for the year 2016-17 the Committee also note that the income of the company is targeted at Rs. 16580.80 crore as compared to Rs. 13317.18 crore (RE) during 2016-17. However, the Committee feel concerned at the declining profits of RINL. From profit after tax of Rs. 52.81 crore in 2014-15, RINL ported a loss of Rs. 1420 crore in 2015-16. For Financial year 2016-17, the loss to the company is of Rs. 975.68 crore till December, 2016. The Committee also note that during 2015-16, the income of RINL was Rs. 10480.58 crore whereas the operating cost was Rs. 11271 crore which was Rs. 790.49 crore higher than the income. Similarly, for 2016-17, income upto December, 2016 for RINL was Rs. 8680.90 crore whereas the operating cost was Rs. 257.69 crore more than the income at Rs. 8938.59 crore. However, for BE 2017-18, RINL has projected income of Rs. 16580.80 crore against an operating cost of Rs. 16555.81 crore and thus, the income of the company will be more than the operating cost by Rs. 24.99 crore. The Committee, therefore, are of the considered opinion that remedial steps need

to be taken to increase the efficiency of the company by reducing its operating cost.

According to the Ministry of Steel, the major reasons for decline in profit were adverse market conditions, lower Net Sales Realisation of steel products, adverse impact of levy of contribution to District Mineral Foundation (DMF) and National Mineral Exploration Trust (NMET), higher usage of imported coal in the blend due to lower availability of indigenous coal, increase in salaries & wages, higher interest charges and reduction in interest earning on deposits and Higher depreciation due to capitalisation of new facilities. The Committee also note that keeping in view the present financial position of the company, emphasis has been given on consolidation of existing facilities at RINL rather than going for new capital schemes and no prospective plan has been prepared by RINL for the next five years. While agreeing with the decision of the company to consolidate existing facilities, the Committee desire that till market conditions become conducive, RINL should concentrate on initiating cost saving measures by focusing on bringing more and more special quality and value added products in the market to curb the ongoing trend of losses. The Committee would like to the apprised of the initiatives undertaken by the Ministry/RINL in this regard.

<u>OMDC and BSLC Ltd.</u>

9. The Committee note that OMDC Ltd. and BSLC Ltd., constituents of erstwhile Bird Group of Companies, have become subsidiary companies of RINL and their financial performance figures have been clubbed with RINL. The Committee note that BSLC had been producing and dispatching limestone and dolomite – a raw material for steel making, but the production of limestone has been stopped from 2015-16, due to lack of its demand coupled with less requirement of dolomite by steel plants as a result of recession in economy in general and steel industry in particular. As regards OMDC, the Committee note that OMDC operates six mining lease of iron ore in the state of Odisha located around Barbil, Thakurani in the district of Keonjhar. However, at present operations in all the six mines are closed due to non-renewal of mining leases and litigations. Similarly, the

mines of BSLC are also not under operation in the absence of renewal of mining leases. In view of such dismal scenario of these two companies, the Committee would like to be apprised of the accumulated losses of RINL on account of these two subsidiary companies. The Committee would also like to be apprised of the steps taken so far for renewal of mining leases and their present status. The Committee feel that it is unviable for smaller units/companies to manage themselves and therefore, the Ministry should explore the possibility of merger of BSLC and OMDC with RINL. In this context, the Committee in their 9th Report on Demands for Grants (2015-16), had also recommended for merger of OMDC & BSLC with RINL. Since no decision has been taken in the matter so far, the Committee would like to reiterate their earlier recommendation and hope that steps will be taken to merge these two companies with RINL without further delay. The Committee would like to be apprised of the progress made in this regard.

MECON Ltd.

10. The Committee note that MECON Ltd. is one of the leading multi-disciplinary Design, Engineering, Consultancy and Contracting organization catering to a vast field of related/diversified areas with extensive overseas experience. The Committee, however, feel concerned at the poor financial performance of MECON Ltd. during the last 3 years. From a profit after tax of Rs. 20.27 crore earned by the company during 2014-15, the company has posted a loss of Rs. 162.41 crore and Rs. 103.58 crore (upto January, 2017) during the Financial Year 2015-16 and 2016-17 respectively. According to the Ministry of Steel, MECON is facing a steep decline in its profitability parameters due to the downturn in the steel sector, which is the core business area of the company. However, the Committee express their concern at the higher operating cost of Rs. 563.85 crore as compared to income of the company at Rs. 400.11 crore during 2015-16 and operating cost of Rs. 514.33 crore against income of Rs. 390 crore (RE stage) during 2016-17. The Committee also note that Business Procurement of MECON was Rs. 593.41 crore in 2014-15, Rs. 683.40 crore in 2015-16 and upto December 2016 business of Rs. 589.45 crore had been procured. For BE

2017-18 also, the target of Business Procurement has been earmarked at Rs. 725 crore. The Committee are happy to note that MECON has successfully delivered landmark projects of National importance like Second Launching Pad at Shriharikota, India's first indigenous launching pad at Satish Dhawan Space Centre, SHAR; Integrated Engine Testing Facility in Mahendragiri for performing static tests on semi cryogenic propulsion system for ISRO; Specialized blast proof and protected underground structure and specialized EMP protected over ground structure for BEL; Setting up of Pilot Plant for the development of production technologies for CRGO steel; Modernization of Indian Naval Aircraft Yards at Goa & Kochi for Indian Navy; Forged Rail Wheel Plant for RINL; State of Art Campus for Nalanda University, IIT Indore, Geo-Technical Centrifuge Facility at IIT Bombay (the 6th of its kind in the world), funded by DST, DRDO & Ministry of HRD; Asia's biggest coal handling facility from harbor to power plant with belt conveyor system of 11 kms for TNEB, etc. Taking into account the landmark projects delivered by MECON, the Committee believe that ample business opportunities are available to the company. The Committee, therefore, desire that the company should make vigorous efforts to procure projects not only in the steel sector but also start focusing more on Infrastructure and Energy sectors in the light of its vast expertise. The Committee hope that as a result of its earnest efforts with its focused approach and right strategies, MECON would soon be able to improve its financial performance and regain its profitability. The Committee would like to apprised of the earnest efforts made by the Company in this regard.

<u>MSTC Ltd.</u>

11. The Committee note that MSTC is engaged in two business segments namely, e-Commerce and Trading. The e-commerce business of MSTC Ltd. increased from Rs. 22977 crore during 2014-15 to Rs. 26437 crore during 2015-16 and against RE target of Rs. 25270 crore during 2016-17, the actuals (upto December, 2016) are Rs. 21816 crore. The Company has set a target of Rs. 30500 crore e-commerce business during 2017-18. As regards the trading business, the Committee note that the same is on a declining trend as it has decreased from Rs. 6945 crore during 2014-15 to Rs. 4382

crore during 2015-16. Against RE of Rs. 3640 crore during 2016-17, the company's trading business (upto December, 2016) was only Rs. 2633 crore. The Committee, also note that the overall income of the company has declined from Rs. 5506.48 crore during 2014-15 to Rs. 2967.50 crore during 2015-16. Further, against BE and RE of Rs. 4050 crore and Rs. 3180.06 crore respectively during 2016-17, the actuals (upto December, 2016) were only Rs. 1162.57 crore. The Income target of the company for 2017-18 is only Rs. 2555 crore. The Ministry has attributed slow down in Steel Sector which was the major source of business in trading for MSTC Ltd., decline in imported thermal coal to the Power utilities affecting trading business of MSTC Ltd. and steep fall in the prices of forward e-auction items/commodities particularly scrap and iron ore as the main reasons for declining profits of the company. While noting that these circumstances are beyond the control of MSTC, the Committee would like to emphasise that to tide over the crisis, the company should strive hard to increase its business and profitability by adapting to the present day environment of digital payments and e-business of almost all products including major minerals, agro and forest products, petro products, purchase of goods and work contract, etc. The Committee would like to be apprised of the action plan of MSTC Ltd. in this regard.

SETTING UP OF SHREDDING PLANT BY MSTC

12. As regards setting up of Auto Shredding Plant by MSTC, the Committee observe that the company has signed a Joint Venture Agreement with Mahindra Intertrade Ltd. on 8th August, 2016 and a new Joint Venture Company Mahindra MSTC Recycling Private Ltd. has been incorporated on 16th December, 2016. A provision of Rs. 49 crore has been made for capital expenditure for the purpose during 2017-18 with Rs. 10 crore in the form of equity, Rs. 35 crore for purchase of land and construction of office and Rs. 4 crore for miscellaneous items of administrative nature. Although, the Ministry of Steel has informed the Committee that it is planning to set up the shredding plant by 31st March, 2018, the Committee note that the procurement of equipment and technology from some foreign companies for setting up the plant is yet to be finalized. The Committee, therefore,

recommend that immediate action be taken for procurement of equipment and technology for setting up the plant by MSTC ensuring optimum utilization of capital expenditure of Rs. 49 crore and completion of the plant by March, 2018 as targeted.

PERFORMANCE OF NMDC

13. The Committee note that the production of iron ore by NMDC was 304.41 lakh tonne during 2014-15. During 2015-16, the production of iron ore reduced to 285.74 lakh tonne. The production of iron ore by NMDC for the year 2016-17 was targeted at 327.50 lakh tonne against which the production of iron ore was 236.27 lakh tonne during 2016-17 upto December, 2016. The production of iron ore during 2017-18 by the company is targeted at 350 lakh tonne. As regards sponge iron, the production was 28994 tonne during 2014-15 which sharply declined to 6614 tonne during 2015-16. The production target for 2016-17 was kept at 7000 tonne against which the actual production is 5719 tonne upto December, 2016. For 2017-18, the production target of sponge iron has been kept at 7000 tonne. The Committee feel that the increase in production target of iron ore by the company during 2017-18 is not commensurate with the 300 MT steel production target in the country by the year 2025. The Committee, therefore, recommend that a holistic plan may be prepared by Ministry of Steel/NMDC ensuring proportionate increase in production of iron-ore on yearly basis so that the target of production of 300 MT of steel by the year 2025 may be achieved.

14. As regards setting up of 3 MTPA capacity steel plant in Chhattisgarh by NMDC, the Committee note that MECON, Ranchi has been appointed as Engineering and PMC consultant for the project and about 86% of major civil works, 82% of structural supply, 86% equipment supply and 66% of structural erection have already been completed. The Committee are, however, concerned to note that though the project was anticipated to be completed by May, 2015, the revised anticipated date of completion of the construction has been shifted to December, 2017. What has further perturbed the Committee is that the approved capital outlays of Rs. 15525

crore and revised capital expenditure is still under the process of finalization. The Committee therefore, desire that the Ministry of Steel/NMDC should take remedial steps to ensure that there is no further delay in completion of the project. The Committee would also like to be apprised of the revised capital outlays of the project.

KIOCL

15. The Committee are happy to note that production of pellets by KIOCL during 2016-17 grew significantly to 7.25 lakh tonnes (upto December, 2016) as compared to only 1 lakh tonnes of pellets produced during 2015-16 resulting in income of Rs. 564.61 crore as compared to total income of Rs. 211.82 crore during 2015-16. Although, the company's profit after tax (upto December, 2016) is Rs. 1.10 crore only, the Committee find it as a positive growth as during 2015-16, the company incurred losses of Rs. 77.66 crore. The Committee also observe that against IEBR component of Rs. 1983.02 crore (RE stage) during 2016-17, the Company could only utilize Rs. 7.59 crore (upto December, 2016). The Committee also take note of the capital budget allocation of Rs. 451 crore by KIOCL during 2017-18 and budget allocation made by the company, for (i) development of Devadari Iron ore deposit in the state of Karnataka & forward integration project at Blast Furnace unit etc; (ii) Equity participation with NMDC & RINL for setting up slurry pipeline & Pellet Plant project; (iii) Development of iron ore deposit joint with APMDC, a State owned PSU under Government of Andhra Pradesh; (iv) Acquisition of stake in IDCOL; and (v) Setting of up forward and backward integration with BF-4, Mangalore, Karnataka. While taking into account the failure of the company to invest plan outlays during 2016-17, the Committee desire that concerted and coordinated efforts be made by KIOCL to ensure full utilization of outlays during the year 2017-18. The Committee would like to be apprised of the plans of the company for utilization of capital investments of Rs. 451 crore during 2017-18.

New Delhi;	**RAKESH SINGH**
16 March, 2017	**Chairperson,**
25 Phalguna, 1938 (Saka)	**Standing Committee on Coal and**

Annexure-I

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 22 FEBRUARY, 2017 IN COMMITTEE ROOM 'C', GROUND FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1130 hrs. to 1400 hrs.

PRESENT

Shri Rakesh Singh- Chairperson

Lok Sabha

2. Shri A Arunmozhithevan
3. Shri Kalyan Banerjee
4. Shrimati Jyoti Dhurve
5. Shri Shailesh Kumar
6. Shri Ajay Nishad
7. Dr. Ravindra Kumar Ray
8. Shri Tamradhwaj Sahu
9. Shri Janardan Singh "Sigriwal"
10. Shri Pashupati Nath Singh
11. Shri Krupal Balaji Tumane

Rajya Sabha

12. Shri Ali Anwar Ansari
13. Dr. Pradeep Kumar Balmuchu
14. Shri Ranjib Biswal
15. Shri Md. Nadimul Haque
16. Shri B.K Hariprasad
17. 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

WITNESSES

MINISTRY OF STEEL

1. Shri Saraswati Prasad, AS&FA
2. Shri Syedain Abbasi, Joint Secretary
3. Shri Sunil Bharthwal, Joint Secretary
4. Shri T. Srinivas, Joint Secretary
5. Shri Bhupal Nanda, Chief Controller of Accounts
6. Shri Suraj Bhan, Economic Adviser
7. Shri Mahabir Prasad, Director
8. Shri K.S. Samarendra Nath, Director
9. Shri Manvendra Goyal, Director
10. Shri Anupam Prakash, Director

STEEL PSUs

11. Shri P.K. Singh, CMD , SAIL

12. Shri P. C. Mohapatra, Director(Projects), RINL
13. Shri D.S. Ahluwalia, Director(Fin.), NMDC Ltd.
14. Shri Atul Bhatt, CMD, MECON
15. Shri Malay Chatterjee, CMD, KIOCL
16. Shri M.P. Chaudhari, CMD, MOIL
17. Shri Moyukh Bhaduri, CMD, -HSCL
18. Shri B.B. Singh, CMD, MSTC
19. Shri B.B. Prasad, Executive Director, FSNL
20. Shri R. Sridharan, Special Secretary, Ministry of Mines, Additional Charge, CMD, NMDC

2. At the outset, the Chairperson welcomed the Additional Secretary and other representatives of the Ministry of Steel and Public Sector Undertakings to the sitting of the Committee convened in connection with the examination of Demands for Grants (2017-18) of the Ministry of Steel. The Chairperson then drew their attention to Direction 55 of the Directions by the Speaker, Lok Sabha regarding confidentiality of the proceeding. .

3. Thereafter, the Additional Secretary, Ministry of Steel briefed the Committee about the Plan Outlays *vis-a-vis* actual utilization by the Ministry and PSUs under its administrative control. In a visual presentation, the Committee were apprised about the financial and physical targets set and achieved by the Ministry and Steel PSUs during 2016-17 and the major thrust areas envisaged for the development of Steel Sector after completion of the XIIth Plan.

4. The Committee then discussed the issues relating to the targets and achievements of Steel Industry during 12th Plan period, utilization of plan outlays and expenditure by Steel PSUs, research and development initiatives being taken up by the Steel Ministry and Steel PSUs, the current crisis being faced by the Indian Steel Industry due to increased import, reasons for decline in profits of some Steel PSUs, steps being taken by various PSUs to tide over this crisis by reducing cost of production, modernization and expansion programme of steel plants and constraints faced by PSUs in its implementation, etc.

5. The Members raised their concerns on the above issues and sought clarifications from the representatives of the Ministry of Steel. The Chairperson directed the representatives of the Ministry of Steel to furnish written replies to the queries raised by the Members which could not be responded to during the sitting of the Committee within five days. The Additional Secretary, Ministry of Steel assured the Committee that the same would be furnished within the stipulated time.

A copy of verbatim proceedings of the sitting of the Committee has been kept on record.

The Committee then adjourned.

Annexure-II

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 16 MARCH, 2017 IN HON'BLE CHAIRPERSON'S CHAMBER, ROOM NO. '210', B-BLOCK, PHA EXTENSION BUILDING, NEW DELHI.

The Committee sat from 1500 hrs. to 1530 hrs.

PRESENT

Shri Rakesh Singh - Chairperson

Lok Sabha

32. Dr. Banshilal Mahato
33. Shri Kamalbhan Singh Marabi
34. Shri Ajay Nishad
35. Shrimati Riti Pathak
36. Dr. Ravindra Kumar Ray
37. Shri Chandu Lal Sahu
38. Shri Tamradhwaj Sahu
39. Shri Janardan Singh "Sigriwal"
40. Shri Rama Kishore Singh
41. Shri Sunil Kumar Singh
42. Shri Sushil Kumar Singh

Rajya Sabha

43. Shri Ali Anwar Ansari
44. Shri Md. Nadimul Haque
45. Shri B.K Hariprasad
46. Shri Ranvijay Singh Judev
47. 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) Report on "Demands for Grants (2017-18)" relating to the Ministry of Steel.

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

The Committee then adjourned.

** Do not pertain to this Report.