

**COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(1978-79)**

**(SIXTH LOK SABHA)**

**THIRTY-EIGHTH REPORT**

**[Action Taken by Government on the recommendations  
contained in the Seventy Seventh Report of the Com-  
mittee on Public Undertakings (Fifth Lok Sabha)]**

**ON**  
**STEEL AUTHORITY OF INDIA LTD.**  
**MINISTRY OF STEEL AND MINES**  
**(DEPARTMENT OF STEEL)**

*Presented in Lok Sabha on 3 April, 1979*  
*Laid in Rajya Sabha on 24 April, 1979*



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1979/Chaitra, 1901 (S)*

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Committee on Public Undertakings (1978-79)  
(6th Lok Sabha)

C O R R I G E N D A  
T O

Thirty-eighth Report on Steel Authority of  
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## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE . . . . .	(iii)
COMPOSITION OF THE SUB-COMMITTEE ON ACTION TAKEN . . . . .	(v)
INTRODUCTION . . . . .	(vii)
I. Report . . . . .	1
II. Recommendations that have been accepted by the Government.	13
III. Recommendations which the Committee do not desire to pursue in view of Government's replies . . . . .	141
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee . . . . .	150
V. Recommendations in respect of which replies of Government are awaited . . . . .	151
APPENDICES	
I. Production of ingot steel and saleable steel from the integrated steel plants in 1977-78 and during the period April-November, 1978 . . . . .	152
II. Statement made by the Minister of Steel and Mines in the Lok Sabha on 25th May, 1976 regarding restructuring of Hindustan Steel Ltd. . . . .	153
III. Action taken to improve the viability of the mini steel plants . . . . .	156
IV. Committee constituted to examine the problems of Production and Supply of Coal . . . . .	157
V. Constitution of Experts Committee to go into the question of reduction of imports and diversification of product mix—Copy of Resolution . . . . .	160
VI. Recommendations of Experts Committee and comments of Department of Steel . . . . .	162

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(1978-79)

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer*
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\*Elected w.e.f. 26-12-1979 *vice* Shri Deorao Patil died.

SUB-COMMITTEE ON ACTION TAKEN OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS

(1978-79)

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8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

## INTRODUCTION

1, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Thirty Eighth Report on Action Taken by Government on the recommendations contained in the Seventy Seventh Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Steel Authority of India Ltd.

2. The Seventy Seventh Report of the Committee on Public Undertakings (1975-76) was presented to Lok Sabha on the 29th January, 1976. The replies of Government to recommendations contained in the Report were received in batches and the last batch was received in October, 1976. Further information called for on several points after scrutiny of the replies had also been received in batches and the last batch was received in December, 1977. Last batch of updated information was received on 22nd February, 1979.

3. The replies were considered by the Sub-Committee on Action Taken of the Committee on Public Undertakings and this Report adopted by them at their sitting held on 28th March, 1979. The Report was finally adopted by the Committee on public Undertakings on 31st March, 1979.

4. An analysis of the Action Taken by Government on the recommendations contained in the Report of the Committee is given in Chapter I.

NEW DELHI;  
March 31, 1979

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Chaitra 10, 1901 (S)

JYOTIRMOY BOSU,  
Chairman,  
Committee on Public Undertakings.

## CHAPTER I

### REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Seventy-Seventh Report (Fifth Lok Sabha) on Steel Authority of India Ltd. which was presented to Lok Sabha on the 29th January, 1976.

2. Action taken notes have been received from Government in respect of all the 79 recommendations contained in the Report. These have been categorised as follows:—

- (i) *Recommendations/observations that have been accepted by Government*

Serial Nos. 1-35, 37-41, 44-48, 50, 52-79 (74 recommendations).

- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of Government's replies.*

36, 42-43, 49 and 51 (5 recommendations).

- (iii) *Recommendations/observations in respect of which Government's replies have not been accepted by the Committee.*

Nil.

- (iv) *Recommendations/observations in respect of which final replies of Government are still awaited.*

Nil.

3. The Committee will now deal with the action taken by Government on some of their recommendations.

#### *Objectives*

#### **Recommendation (Serial No. 1)**

4. The Committee noted that though in their 40th Report (1973-74) on 'Role and Achievements of Public Undertakings' they had recommended that the macro-objectives both financial and economic for each public undertaking, should be laid down and placed before the Parliament, so far no action had been taken to lay down these objectives and bring them to the notice of Parliament. The Committee were informed during



evidence that public undertakings were waiting for the Bureau of Public Enterprises to lay down the macro-objectives of the public sector as a whole on the lines indicated by the Committee on Public Undertakings. The Chairman, SAIL and Secretary, Department of Steel had stated during evidence that "I would submit this work will be done shortly as soon as the Bureau of Public Enterprises worked this out." The Committee observed that the Bureau of Public Enterprises had taken an unduly long time in finalising the macro-objectives of public undertakings and desired that the Bureau should finalise these objectives expeditiously. The Committee desired Government to finalise their guidelines in this regard and lay down general financial, economic and social objectives of the holding company as well as the subsidiaries and bring this to the notice of Parliament without further delay.

5. In their reply the Ministry have stated that this could only be done after the Bureau of Public Enterprises have laid down the macro-objectives of the public sector as a whole on the lines indicated by the Committee on Public Undertakings in their 40th Report on Role and Achievements of Public Undertakings. The Bureau of Public Enterprises from whom the position was enquired informed that they were working on macro-document laying down the objectives and obligations of the Public Enterprises as a whole. Since the document had to be very comprehensive and was the first of its kind in India, its finalisation had taken some time. By the very nature of the subject, it would be necessary to have the draft of the document discussed with the Ministries/Departments concerned with Public Enterprises, so that it would serve the purpose for which it was intended. The discussion were expected to be completed shortly, when the macro-document would be ready.

6. The Bureau of Public Enterprises had further added, that so far as the macro-objectives of individual Public Enterprises were concerned, it was true that some could be finalised in a formal manner only after the content of the macro-document was available to the concerned agencies, particularly the public Enterprises and the administrative Ministry in question. In the circumstances, it was stated that finalisation of formal and comprehensive macro-objectives of individual Public Enterprises might have to wait.

7. In further reply dated 3rd January, 1979 to the relevant recommendation of the Committee contained in their 40th Report (1973-74) on "Role and Achievement of Public Undertakings" the B.P.E. informed as follows:—

"The Government had accepted the recommendation made by the Committee on Public Undertakings that a statement setting out the financial and economic obligations of public enterprises on the lines indicated in the recommendation be presented in the Parliament.

Since then, Government has made a statement on Industrial Policy, which covers the public sector. It has been *inter alia* stated in this Industrial Policy statement, which was made by the Minister of Industry, in the Parliament on the 23rd December, 1977, that "the public sector in India has today come of age. Apart from socialising the means of production in strategic areas, public sector provides a countervailing power to the growth of large houses and large enterprises in the private sector. There will be an expanding role for the public sector in several fields. Not only will it be the producer of important and strategic goods of basic nature, but it will also be used effectively as establishing force for maintaining essential supplies for the consumer.

The public sector will be charged with the responsibility of encouraging the development of a wide range of ancillary industries, and contribute to the growth of decentralised production by making available its expertise in technology and management to small scale and cottage industry sectors. It will also be the endeavour of Government to operate public sector enterprises on profitable and efficient lines in order to ensure that investment in these industries pays an adequate return to society. The Government attaches high priority to the building up of a professional cadre of managers in the public sector, who would be given the necessary autonomy and entrusted with the task of providing dynamic and efficient management to such enterprises."

In view of the foregoing, it is felt that there is no need for a further statement in regard to public sector."

**8. The Committee note that macro-objectives of the Public Sector have been spelt out by the Minister of Industry in his Industrial Policy statement which was made in Parliament on 23rd December, 1977. They would, therefore, expect that consistent with this policy, macro-objectives of each public enterprise would be laid down without any further loss of time so that realistic and meaningful evaluation of the enterprises would become possible in future. Specific action taken in this regard may please be intimated to the Committee within 90 days.**

#### *Demand for alloy and special steels*

#### **Recommendation (Serial No. 6)**

9. The Committee noted that the total demand in 1973-74 of tool, alloy and special steels was 4 lakh tonnes. The Committee also noted that in respect of alloy and special steels, no precise estimates for demand for

future had been made and the demand was generally expected to go up by 5 to 10 per cent per annum. The Committee could not appreciate why no concrete action had been taken so far to make an estimate of the demand for tool, alloy and special steels for the future. They desired the SAIL to lose no more time to initiate action in this direction so that their investment and production programme could be suitably tailored to match the production to the demand.

10. In reply the Ministry have stated that SAIL has already done some work in this direction and would increase its activities to establish levels of demand for alloy and tool steels. It has already established levels of demand for alloy steel in industries such as Bright Bars, Wire Drawing and Forging Industry. Demand estimates were available till the end of the 5th Plan.

11. It has been stated that SAIL is continuing efforts in this direction and hopes to establish demand estimates to help production planning and investment.

12. In their latest note the Ministry have informed that a Working Group consisting of producers, users and experts was constituted in May, 1978, to assess the demand and production prospects for each of the five years of the Sixth Plan, category wise. The terms of reference for the Working Group were as follows :—

- (i) To assess the demand for each of the five years of the Sixth Plan for :—
  - (a) Construction and forging steels;
  - (b) High speed steels;
  - (c) Spring Steels;
  - (d) Stainless Steels; and
  - (e) All other alloy steels.
- (ii) To fix the production targets for each of the major categories of alloy steel for each of the five years of the Sixth Plan;
- (iii) To examine the technical, input, output and other problems of both the alloy steel industry and end-users engineering industries and to suggest practical measures for their solution for achieving maximum feasible self-reliance;
- (iv) To identify the specifications and quantities of tool, alloy and special steels which cannot be economically produced in the country during the period of Plan and which would need to

be imported. For this purpose, the trend of imports and exports in the last 2 to 3 years may also be taken into consideration.

The Working Group was expected to submit the Report shortly.

13. The Committee in their Report presented as early as in January, 1976 recommended for early assessment of demand for tool, alloy and special steels for the future so that their investment and production programmes could be suitably tailored to match the production with the demand. Only in May, 1978, after a lapse of more than 2 years, the Working Group consisting of producers, users and experts was constituted to assess the demand and production prospects for each of the five years for the Sixth Plan, category-wise. The Working Group is yet to submit its report. The Committee feel that the matter has inordinately been delayed and ignored. They hope that the Working Group will submit its report expeditiously. They would also urge upon the Government to examine the recommendations of the Working Group carefully and take decision without any further delay so that benefit of their assessment can be suitably utilized for proper production planning and investment.

#### *Steel Production*

#### **Recommendation (Serial No. 9)**

14. The Committee observed the performance of SAIL which had the object of coordinating the activities of its subsidiaries and input industries would be judged on the basis of the results actually achieved. In their opinion constraints of a general nature, whatsoever, should not be made excuses for not achieving the rated capacity.

15. The Committee emphasised the need for more concerted measures to remove the constraints and for securing optimum utilisation of rated capacity and increased production from the steel plants on which huge investment had been made, not only to meet the internal demand but also to improve the exports to earn the most needed foreign exchange.

16. In reply the Ministry stated that Government agree that it was necessary to ensure optimum production and capacity utilisation in the steel plants. Steel Authority of India Ltd. had been concentrating on the production performance of its subsidiaries as its first priority. A number of steps had been taken and were being taken to improve production from the steel plants as indicated in the White Paper on Steel Industry.

17. The production of steel in 1974-75 was higher than that in 1973-74. In 1975-76 the production of ingot steel and saleable steel was 7.251 million tonnes and 5.778 million tonnes respectively. The production of

steel further improved during 1976-77. The production of ingot steel and saleable steel during 1976-77 was 8.427 million tonnes and 6.922 million tonnes respectively.

18. In reply to latest information called for, the Ministry have furnished a statement indicating the production of ingot steel and saleable steel at the integrated steel plants in 1977-78 and during the period, April-November, 1978, in relation to targets, capacity and production in the corresponding period in 1977-78 (Appendix I). It will be noticed therefrom that :—

- (a) The total production of 8.424 million tonnes of ingot steel and 6.894 million tonnes of saleable steel in 1977-78 was practically at the same level as the production in 1976-77. However, the production of ingot steel fell short of the target by 9.4 per cent and of saleable steel by 6.5 per cent.
- (b) The total production of 5.276 million tonnes of ingot steel during the period April-Nov., 1978 was short of the production in the corresponding period in 1977-78 by 5.7 per cent. Similarly, the total production of 4.266 million tonnes of saleable steel during this period was short of the production in the corresponding period in the previous year by 5.7 per cent. However, as compared to the proportionate target, the production was short by 19.3 per cent in the case of ingot steel and 15.0 per cent in the case of saleable steel.

19. The production in 1977-78 and in the period, April-Nov., 1978 was adversely affected for the reasons indicated below:

1977-78

- (i) Frequent restrictions/interruptions in the supply of power, particularly at Bokaro and Durgapur Steel Plant and IISCO.
- (ii) Certain problems relating to supplies of coking coal to the steel plants, both in terms of quantity and quality; and
- (iii) Strike at Dugda and Bhojudih Coal Washeries in October, 1977, and partial strike in Bokaro Steel Plant by a section of workers in February/March, 1978.

*April-November, 1978*

- (i) Continued problems in supplies of coal to the steel plants, both in terms of quantity and quality.
- (ii) Shortage and frequent restrictions/fluctuations in power supply.
- (iii) Indifferent industrial relations in some of the plants.

- (iv) Unprecedented rains and flood in West Bengal in September, 1978, resulting in flooding of coal fields as well as Durgapur Steel Plant and effecting the rail movement.
- (v) Converter No. 5 of Bokaro Steel Plant which was expected to be commissioned in May, 1978, is now likely to be commissioned only towards the end of December, 1978.

20. The following steps are stated to have been taken in increase production and improve capacity utilisation :—

- (i) Close and constant liaison is being maintained with the Ministry of Energy, DVC authorities, Electricity Boards, coal supplying agencies and the Railways so as to secure maximum supplies of power and good coking coal.
- (ii) Orders have been placed for the import of one million tonnes of low ash coking coal in order to supplement indigenous supplies. Supplies of imported coal are expected to start arriving from January, 1979 onwards.
- (iii) Schemes for augmentation of captive power generation capacity at Durgapur and Bokaro Steel Plants to the extent of 300 MW have been sanctioned. This will help to meet the present difficulties on account of power shortage and frequent interruptions/fluctuations.

21. The Committee note with regret that although there has been improvement in 1976-77 and 1977-78, production has again gone down in 1978-79. This is not a healthy state of affairs. They recommend that concerted measures should continue to be taken to secure maximum utilisation of rated capacity of ingot and saleable steel production in all the steel plants. The result should be reflected in the Annual Report under advice to this Committee.

#### *Durgapur Steel Plant*

#### **Recommendation (S. No. 11, Paragraphs 3.60—3.62)**

22. The Committee welcomed the steps taken to improve the performance of Durgapur Steel Plant during 1974-75. They felt that Government/SAIL should have taken a decision on the recommendations of Action Committee and taken concerted and coordinated measures to improve the performance so as to reach not only the attainable capacity of 1.4 million tonnes but to attain the full rated capacity of 1.6 million tonnes.

23. Committee recommended that SAIL should in particular take immediate suitable measures to improve the utilisation of the blooming mill and thus the performance of the plant.

24. In their reply the Ministry stated that there had been striking improvement in the performance of Durgapur Steel Plant during 1975-76. Production of saleable steel at 751 thousand tonnes was a new record surpassing the previous best of 721 thousand tonnes achieved 12 years earlier during 1963-64. This represented an increase of 44.4 per cent over the actuals of the previous years (520 thousand tonnes). Similarly, production (1,001 MT) of ingots during 1975-76 crossed the one million tonnes mark again after a lapse of nine years and was 22.2 per cent higher than the 1974-75 output (819 thousand tonnes).

25. It had been stated that the year 1975-76 was a year of steady build-up of performance particularly after proclamation of emergency. Production of ingot steel at 103,280 tonnes during December, 1975 was an all-time record equivalent to an annual rate of 1.239 MT. Similarly, saleable steel output of 84,319 tonnes during March, 1976 was a new record equivalent to 1.012 MT. per year.

26. The Ministry had added that among the units that gave the best performance during 1975-76, special mention needs to be made of the Blooming Mill. With a record figure of 949,223 tonnes ingots rolled and output of 830,046 tonnes, the corresponding previous best figures being 909,243 tonnes of charge weight during 1964-65 and 821,872 tonnes of output during 1965-66. The mill established monthly record in respect of both charge weight and output during March, 1976, the figures being 96,907 tonnes of charge weight and 86,246 tonnes of output, representing 79.1 per cent and 78.4 per cent respectively of installed capacity at 1.6 MI level.

27. In reply to further information called for, the Ministry informed in December, 1978 that Ingot and saleable steel outputs at Durgapur Steel Plant at 1.091 MT and 0.901 MT during 1976-77 were new records, surpassing the corresponding previous best of 1.001 MT. and 0.751 MT during 1975-76. Production from the Durgapur Steel Plant during 1976-77 had been planned substantially higher than the 1975-76 actuals (and thus at higher capacity utilisation levels). Even these high targets were exceeded in case of saleable steel by 9.2 per cent were as output of ingot steel was marginally short of the target by only 8,600 tonnes (0.8 per cent).

28. During 1977-78, the actual production was 1.091 MT of ingot steel and 0.864 million tonnes of saleable steel and was almost at the same level as during the previous year. The higher targets and thus capacity utilisation fixed for the year than for 1976-77, were based on the good

**performance during the latter half of 1976-77, but could not be achieved mainly due to the following reasons:—**

- (a) Frequent restrictions, frequency fluctuations and interruptions in DVC power supply;
- (b) Indifferent quality of coking coal leading to very wide fluctuations in coke quality, upsetting the blast furnace operation;
- (c) Prolonged hot repairs to open hearth furnaces and operational and mechanical delays in the rolling mills; and
- (d) Industrial relations problems, particularly, during the latter half of the year.

**29. During the first seven months of the current year (1978-79), production was affected by the undermentioned causes:—**

- (a) Regulated oven pushing due to low stocks and supply of coking coal;
- (b) Industrial relations problems in the Traffic Department, SM Shop including restricted practice adopted by the IC operators;
- (c) Unprecedented heavy rains resulted in flooding, w.e.f. September 26, 1978 bringing the plant operations to a grinding halt; and gradual revival thereafter during October 1978;
- (d) Power shortage from DVC and non-adherence to supply the minimum assured level of 35MVA against the contractual demand of 45 MVA; and low system frequency of DVC power resulted in isolation of the two systems affecting in-plant generation;
- (e) Shortage of iron ore for blast furnace, as well as poor quality of iron ore from Bolani;
- (f) Critical ingot mould position and various operational troubles in the rolling mills, particularly during July and August, 1978.

**30. The Committee note the improvements made in the capacity utilisation and overall production of ingot steel and saleable steel in the Durgapur Steel Plant could not be maintained. They would urge that concerted measures should be continued to achieve the full rated capacity and result reflected in the Annual Administrative Report of the Ministry.**

#### **Captive Power Plant**

**(Recommendation 33, (Paragraph Nos. 4.84—4.86)**

**31. The Committee noted with regret that during 1973-74, the country lost a total of about 4.14 lakhs tonnes of saleable steel attributable directly**



to power shortage in the collieries and mines. They were informed that according to the recommendations of the Committee of Power Engineers of Steel Authority of India Ltd. in July, 1973, the in-plant generating capacity of steel plants should be augmented in order to ensure uninterrupted operation and to avoid situations of unutilised steel capacity. The Committee desired to be informed of the developments about the installation of captive power plants. They recommended that coordinated and concerted efforts should be made by Government/SAIL to arrange for a regular and uninterrupted supply of power of required frequency for steel plants as well as to the coal mines and iron ore mines so that there was no loss of production on account of short supply of power or non-supply of power and the steel plants were run to optimum capacity. As it had been stated that setting up of a power plant takes nearly about 35 to 40 months, the Committee desired Government/SAIL to draw up a meaningful plan sufficiently in advance for power generation in a coordinated manner so that the requirement of power for the expanding steel industry not only in the 5th Plan but also in the 6th plan period were realistically assessed and action taken to ensure that the power plants were installed in time and the requisite power was made available to the steel plants.

32. In reply, the Ministry have stated that the Government have recently enunciated the policy in regard to the setting up of captive plants. According to this policy, augmentation of the existing captive generating capacities in the steel plans would not normally be allowed. The Public Utilities would meet the demands of the steel plants for their requirements of power. The Steel Plants have furnished their requirements of power to the Central Electricity Authority for the Fifth and Sixth Plan period so that adequate planning could be made in advance and sufficient generating capacity be installed to meet the demand of power from the steel plants.

33. The Ministry have further informed in December, 1978 that the steel plants continue even now to suffer from shortage of power supply from public utilities, both in quantity and quality. This is especially so in the Eastern Region with power supply by DVC, have not only affect the performance and scheduling of production at these steel plants resulting in production loss, but also endanger the life of the equipment. It was, therefore, considered essential to augment the captive power generation capacity at Durgapur and Bokaro Steel Plants by installation of additional units. These schemes have been approved by Steel Authority of India Ltd. and the Government. The tenders received for these schemes were expected to be opened in December, 1978.

34. The Committee had urged upon the Government/SAIL to draw up a meaningful plan sufficiently in advance for power generation in a coordinated manner so that the requirements of power for the expanding steel

Industry were realistically assessed and action taken to ensure timely installation of power plants. They are most distressed to note that no such action was taken by Government which resulted in production loss of steel plants in Eastern Region due to shortage of power supply from DVC. They therefore, reiterate their recommendation and require that early action be taken to draw up a meaningful plan for power generation.

*New Schemes*

**(Recommendation Serial No. 58)**

35. The Committee were informed that Donimalai Pelletisation Plant Project, the estimated cost of which was Rs. 33.08 crores, was expected to work in a loss of Rs. 1.7 lakhs per year after paying Rs. 1.5 crores export duty if the project were to work at 90 per cent capacity. They recommended that before a final decision was taken in the matter, the economics of the project should be carefully gone into so that investment on the project did not result in any loss. -

36. The Ministry, in their reply, had stated that the proposal for the setting up of a pelletisation plant at Donimalai was presently under the consideration of Government. The recommendation of the Committee had been noted and would be borne in mind while taking an investment decision on this project.

37. The Ministry had further stated that the economics of the project was being worked out in the light of the latest cost and price indications.

38. In reply to further information called for the Ministry of Steel & Mines (Department of Steel) informed in February, 1978 that the National Mineral Development Corporation Limited had conducted detailed negotiations with the prospective suppliers of plant and equipment for the Donimalai Pellet Plant, of annual capacity of 2.0 million tonnes and, apart from certain further reductions to be sought from the suppliers, the plant was estimated to cost Rs. 67 crores, including a foreign exchange component of Rs. 24 crores. The proposal was considered by the Project Appraisal Group including representatives of Planning Commission, Bureau of Public Enterprises and Finance. The view was taken that more information on marketability of the pellets was required before the Project could be approved. Accordingly, negotiations had been under way with various potential buyers, including, in particular, a trading firm of Holland. Several rounds negotiations had already been completed and the representatives of the Dutch firm are presently in India for the final negotiations. Concurrently, approaches had also been made by Government in some of the West Asian countries who have plans to set up direct reduction plants for which Donimalai Pellets could be used. The matter was being considered further in the light of the various negotiations.

39. The Ministry have further informed in January, 1979 that the matter relating to setting up of a Pellesation Plant at Donimalai is still under consideration. It has been felt that in view of the large capital investment and the prevailing recession in international steel market, the plant should be set up only after firm arrangement has been made for the sale of the product. Efforts are continuing in this direction.

40. The Committee would certainly encourage pelletisation but before plunging in to this adventure, the whole infrastructure should be pooled in such a manner that it does not result in any loss in the long run. The Committee would like to reiterate that before a final decision is taken in the matter of setting up of a pettetisation Plant at Donimalai it should be ensured that investment on the project does not result in any loss.

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## II

### RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### **Recommendation (Serial No. 1, Paras 1.23—1.24)**

The Committee note that the Steel Authority of India Limited has been set up as a holding company with a view to planning, promoting and organising an integrated and efficient development of the iron and steel and associated input industries in accordance with national economic policy and objectives laid down by the Government from time to time and co-ordinate the activities of its subsidiaries, besides formulating and recommending to the Government a national policy for the development of iron and steel and related input industries. The Committee note that the SAIL is engaged in achieving the objectives. Detailed recommendations in regard to each one of the objectives are dealt with in the subsequent Chapter of this Report.

The Committee regret to note that though in their 40th Report (1973-74) on 'Role and Achievements of Public Undertakings' they had recommended that the micro objectives both financial and economic for each public undertaking should be laid down and placed before the Parliament, so far no action has been taken to lay down these objectives and bring it to the notice of Parliament. The Committee were informed during evidence that public undertakings were waiting for the Bureau of Public Enterprises lay down the micro objectives of the public sector as a whole on the lines indicated by the Committee on Public Undertakings. The Chairman, SAIL and Secretary, Department of Steel has stated during evidence that "I would submit this work will be done shortly as soon as the Bureau worked this out." The Committee regret to observe that the Bureau of Public Enterprises have taken an unduly long time in finalising the micro-objectives of public undertakings and desire that the Bureau should finalise these objectives expeditiously. The Committee would like Government to finalise their guidelines in this regard and lay down general financial, economic and social objectives of the holding company as well as the subsidiaries and bring this to the notice of Parliament without further delay.

#### **Reply of Government**

The matter refers to the laying down of general financial, economic and social objectives of the holding company, Steel Authority of India Limited

(SAIL) as well as its subsidiaries. This can only be done after the Bureau of Public Enterprises have laid down the micro objectives of the public sector as a whole on the lines indicated by the COPU in its 40th Report on Role and Achievements of Public Undertakings. The Bureau of Public Enterprises from whom the position was enquired have informed that they are working on macro document laying down the objectives and obligations of the Public Enterprises as a whole. Since the document has to be very comprehensive and is the first of its kind in India, its finalisation has taken some time. By the very nature of the subject, it would be necessary to have the draft of the document discussed with the Ministries/Departments concerned with Public Enterprises, so that it will serve the purpose for which it is intended. The discussions are expected to be completed shortly, when the macro-document will be ready.

The Bureau of Public Enterprises have further added, that so far as the micro-objectives of individual Public Enterprises are concerned, it is true that same can be finalised in a formal manner only after the content of the macro-document is available to the concerned agencies, particularly the Public Enterprises and the administrative Ministry in question. In the circumstances, it is stated, finalisation of formal and comprehensive micro-objectives of individual Public Enterprises may have to wait.

So far Steel Authority of India Limited and its subsidiaries are concerned, it may be stated that the Cabinet while approving the proposal for setting up of this undertaking, *inter-alia* decided that to enable Government generally to judge the working of SAIL and its subsidiaries and to review their performance, SAIL would submit to Government a biennial report on its performance with reference to targets, which would be put up to the Cabinet. In terms of this decision, SAIL has been submitting a six-monthly performance review report, covering its subsidiaries as well and it is being submitted to the Cabinet. Further, Steel Minister is holding Quarterly Performance Review meetings with Chief Executives of SAIL and its subsidiaries wherein all aspects including financial, economic and social objectives of the company, are discussed and action taken on various decisions reached at the meeting is reviewed at the next meetings. In addition performance appraisal of SAIL is also done through various returns received under Management Information System.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018/  
(1)/76-Parl. (Vol. II) dated 19-10-76]

### **Comments of the Committee**

(Please see Paras. 4—8 of Chapter I of the Report)

### **Recommendation (Serial No. 2, Para No. 125)**

The Committee also recommend that Government/Steel Authority of India Ltd., should take immediate action to formulate the national policy for the development of steel with all supporting data and in the light of experience in the country and the knowledge of innovations and experience abroad for the consideration of Government and bring it to the notice of Parliament at an early date.

### **Government's Reply**

The recommendation of the Committee is noted.

2. The Government has set up a Committee of Experts under the chairmanship of Director (Technical), SAIL, to study and present a perspective plan for the development of steel upto the end of the Century which would also broadly cover the areas of latest developments in technology in the field of iron and steel making as well as product diversification, building up of infra-structural and supporting industries like coal, power, etc. These studies shall form the background for considerations regarding setting up of new capacities to the extent considered feasible, taking into account the country's economic condition and financial resources.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018/1/76-Parl. (Vol. II) dated 10th September, 1976].

### **Further information called for by the Committee**

"When was the Committee of Experts' under the Chairmanship of Director (Technical), SAIL set up and when it is likely to give the report?"

[LSS O.M. No. 26-PU/75 dated 13-10-1976]

### **Further Report of Government**

"A Committee of Experts was set up in July, 1976 to examine in detail various aspects connected with the long-term planning for the steel industry. This Committee has been constituted under the Chairmanship of Director (Technical), Steel Authority of India Limited. The Committee has been asked to try and submit its report by March, 1977."

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018/(1)/76-Parl. (Vol. II) dated 20-10-76].

### **Further information called for by the Committee**

Has the Committee of Experts submitted its report? If so, what are its findings?

[L.S.S. O.M. No. 26-PU/75 dated 10th May, 1977.]

### **Further Report of Government**

The entire question of long-term planning for steel industry has been re-examined and it has been decided that such a long-term plan cannot be prepared in isolation for the steel sector only and has to be properly dovetailed into the overall plan for the economic and industrial development of the country. The plan also has to be within the same time frame as for the overall plan for the country. No action is, therefore, being taken now for preparing a long-term plan for the steel industry alone.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018/(1)/76-Parl. (Vol. III) dated the 10th August, 1977.]

### **Further Reply of the Government**

Recommendation of the Committee have been noted.

(Further details may please be seen in the supplementary information furnished in the recommendation at Sl. No. 7).

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018/(1)/76-Parl. IV dated 20-2-1979.]

### **Recommendation (Serial Nos. 3 and 75, Paras 1.26 and 10.65).**

The Committee also note that even after the formation of Steel Authority of India Limited, Hindustan Steel Limited which was coordinating organisation for Bhilai, Rourkela and Durgapur Steel Plants, continues to function under the SAIL. The Committee feel that the continued existence of Hindustan Steel Ltd. within the Steel Authority of India, a holding company, seems to be incongruous. The Chairman, SAIL and Secretary, Department of Steel has admitted during evidence that "when we formed SAIL at that time we clearly visualised that the Hindustan Steel would be re-organised. I do submit that there has been some delay. I think decision in the SAIL has been taken and this we are now carrying and I hope it will be implemented early." The Committee feel that a decision in this regard has already been over-delayed and recommend that Government should finalise their decision most expeditiously. The Committee have given their further recommendations in this regard in "Organisation" chapter of this report.

The Committee note that at the time of formation of the SAIL it was clearly visualised that Hindustan Steel Ltd. would be reorganised and the reorganisation of HSL leading to each plant being constituted as a separate company is intended to secure greater responsibility and effective application of authority to plant managements. It has also been stated that the proposals are under consideration to establish separate companies for various steel plants which are under the charge of HSL. The Committee are informed that the object of giving more powers to operational management is to ensure optimum production, sound industrial relations, better distribution and consequently improve over-all availability of pig iron, steel and optimum profits. The committee regret to note that though it is now more than 2 years since SAIL has been in existence, the reorganisation of HSL has not been finalised and the relationship continues to be amorphous. The representative of SAIL has admitted during evidence that "I do submit that there has been some delay. I think the decision in the SAIL has been taken and we are now carrying it out and I hope it will be implemented early." In the opinion of the Committee, apart from the fact that there is overlapping and avoidable duplication of overheads and absence of a clear line of command, such a situation cannot make for smooth functioning. The Committee would like Government to expedite decision regarding reorganisation of HSL.

### **Reply of Government**

Government decision on the restructuring of Hindustan Steel Limited was announced by the Minister of Steel and Mines in both Houses of Parliament on the 25th May, 1976. A copy of his statement is attached (vide Appendix II). The decision is to be given effect to from 1st April, 1976.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018/ (1)/76-Parl. (Vol. II) dated 29-7-76.]

### **Further Reply of Government**

As stated earlier, Government decision on the restructuring of Hindustan Steel Limited was announced by the Minister of Steel and Mines on 25th May, 1976, but it could not be given effect to on account of certain legal and other difficulties, although three new companies—Bhilai Ispat Limited, Rourkela Ispat Limited and Durgapur Mishra Ispat Limited—were registered in October, 1976, for this purpose. After the formation of the new Government in March, 1977, the entire question of restructuring of HSL was examined de novo. It was felt that the proposed restructuring of HSL would not lead to any great advantages either from organisational or financial point of view. Simultaneously, a careful review was also made of the organisational structure and functioning of Steel Authority of India Limited as the holding company for steel and associated input industries. As a result of this review and with a view to ensuring that public sector steel



plants achieve maximum production and are managed with the greatest efficiency, it was decided as under:—

- (a) Public sector steel plants should be brought under the overall control of an integral company which should function, to the maximum extent possible, as an integrated steel complex charged with the responsibility of providing direction, supervision, guidance and auxiliary services which the individual units may require.
- (b) All activities which are not directly related to Steel production be kept outside the purview of the integral company and units/companies concerned therewith should be directly under Government in the interest of better functioning.
- (c) Maximum autonomy consistent with accountability should be given to the Chief Executives of the various units so as to ensure their working with optimum efficiency.
- (d) Indian Iron and Steel Company Limited should also form part of the integral company.

The above decisions have been implemented through the provisions of the Public Sector Iron and Steel Companies (Restructuring) and Miscellaneous Provisions Act, 1978, effective from 1-5-1978. A copy of the Act is attached.

[Ministry of Steel and Mines O.M. No. H-11018/1/76-Parl. Vol. IV dt. 1-1-1979].

#### **Recommendation Serial No. 4, Paras 1.27-1.28)**

In paragraph 3.15 of their 40th Report (1973-74) on "Role & Achievement of Public Undertakings" the Committee had observed that "the point whether the holding company (SAIL) should have been established under an Act of Parliament as is done in some other countries, can be decided only after some experience with the present set up."

The Committee, therefore, recommend that the experience of the Role and achievement of SAIL should be most carefully evaluated and Parliament should be kept informed of the results of evaluation.

#### **Reply of the Government**

Government is in constant touch with the work and functioning of SAIL. SAIL also submits to Government a bi-annual report on its performance and the performance of its various subsidiaries.

As required under section 619(A) of the Companies Act, the Annual Report of the Company containing its balance sheet and profit and loss account as well as the annual reports, balance sheets and profit and loss accounts of its subsidiaries is presented to Parliament together with a Government Review thereon.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018/ (1)/76-Parl. (Vol. II) dated 29-7-76]

#### **Further information called for by the Committee**

(a) "Have the Government evaluated the experience of the Role and Achievement of SAIL?"

(b) "If not, what are the reasons for delay in evaluation?"

[LSS O.M. No. 26-PU/75 Dated 27-8-76]

#### **Further Reply of Government**

(a) and (b): No specific evaluation as such of the experience of the role and achievement of Steel Authority of India Limited has been made by Government. However, as stated in reply to Recommendation No. 4, Government are in constant touch with the work and functioning of SAIL and also received from the Company six-monthly report on its performance and that of its subsidiaries. In addition, Minister of Steel & Mines takes periodical meetings where performance of the steel plants and also the steel Authority is discussed and steps taken to remove bottlenecks, if any. Government are, therefore, fully aware of the working and performance of SAIL. Suitable steps for further improvement will be taken by Government as and when considered necessary.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018/ 1/76-Parl. Vol. II dated 11th October, 76].

#### **Further Reply of Government**

Please see further reply of Government in respect of Recommendation No. 3.

[Ministry of Steel and Mines O.M. No. 11018/1/76-Parl. (Vol. IV) dated. 1-1-79].

#### **Recommendation (Serial No. 5, Para No. 2.17)**

The Committee note that the domestic demand for saleable mild steel has been estimated at about 10 million tonnes by 1978-79, the last year of Fifth Plan. Against this, the production expected from the integrated steel plants is placed at 8.8 million tonnes. The electric arc furnace units are expected to contribute a million tonnes of bars and rods. The indigenous

availability of mild steel by 1978-79 would thus be 9.8 million tonnes. It has been stated that this would more or less meet the estimated domestic demand. The Committee, however, find that the demand for steel at the end of 6th Plan would be of the order of 17 million tonnes and at the end of the 6th Plan, there will be a gap of 1.5 million tonnes. The Committee were informed that the demand for 5th Plan was assessed on the basis of the data already available and also on some studies made in relation to the kind of demand which each of the industries would project over a period of time and taking into account the consumption in the Fourth Plan and growth needs thereafter. Though this method has, it is stated, been accepted by the Planning Commission, the SAIL is of the opinion that this is a continuing activity and has to be updated and clarified so that the nature of the demand can be known with greater degree of certainty. The Committee agree with SAIL that the assessment of the demand of the various kinds of steel is a continuing activity and requires to be updated with reference to demand of end-users. The Committee desire that the SAIL should keep the demands for mild steel under constant review and adjust its production and expansion programmes to meet the likely demand for the various types of mild steel.

### **Reply of the Government**

Recommendation of the Committee is noted.

2. The demand of mild steel is being periodically reviewed by the Steel Authority of India Ltd. and the production programme is suitably adjusted to meet the demand. A Committee of Experts has been set up to work out long-term requirement of steel and to recommend measures to be taken for creating additional capacity in the country to match with this demand within the limitations of resources available at our disposal.

[Ministry of Steel and Mines (Department of Steel) O. M. No. H-11018(1)/76-Parl. (Vol. II) dated 17-9-76].

### **Further information called for by the Committee**

“When was the Committee of Experts set up to work out long term requirement of Steel? What are the terms of reference of the Committee and when it is likely to submit the report?”

[LSS O.M. No. 26-PU/75 dated 13-10-1976].

### **Further Reply of Government**

A Committee of Experts was set up in July, 1976 to examine in detail various aspects concerned with the long-term planning for the steel industry. This Committee has been constituted under the Chairmanship of Director (Technical), Steel Authority of India Limited. The Committee has been

asked to try and submit its report by March, 1977 and the terms of reference of the Committee are as follows:—

1. Assess the future demand for steel, pig iron and alloy and special steels upto 2000 AD for definite milestone years like 1980, 1980 and 2000 A.D.
2. Assess capacity and likely production from the existing facilities currently under implementation.
3. Identify the locations where new capacities could be created/ existing capacities could be expanded in the most economic way, in a phased manner for the various milestone years upto 2000 A.D. to meet the demands.
4. Assess investment requirement for creation of new capacities/ expansion of existing plants including replacement/revamping of existing plants in terms of total investment and foreign exchange requirement in given periods upto 2000 A.D.
5. Assess requirement of various raw-materials required for steel industry more specifically iron ore, coal, limestone, manganese and dolomite to fulfil demand projection for the various milestone years upto 2000 A.D.
6. Identify the additional prospecting mining and production capacities to be created in the mining sector to meet the steel capacity and assess the order of investment required.
7. Assess the requirement of other infrastructural facilities like power, water, fuel, transport, etc., to match the capacities of steel, mining, etc., upto 2000 A.D. and broadly identify the source/means to meet the requirement and investment required in each sector.
8. Assess the technical manpower requirements under different categories for the added capacities to be created for the various milestone years upto 2000 A.D.
9. Review broadly the equipment manufacturing capacities in the country to support the steel development programme upto 2000 A.D. as well as capacity for manufacture of refractories and identify what additional capacities may be needed upto 2000 A.D.
10. Review broadly the construction capabilities in the country to support the steel development programme upto 2000 A.D. and identify the areas requiring augmentation.

11. Review broadly the design and engineering capabilities available in the country and suggest steps for augmentation if any to match the steel development programme upto 2000 A.D.
12. Study broadly the new areas of development of technology in the field of iron and steel making including product diversification and incorporate these into the new capacities being suggested to the extent suitable for Indian conditions."

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 20-10-76].

#### **Further information called for by the Committee**

Has the Committee of Experts submitted its report? If so, what are its findings?

[L.S.S. O.M. No. 26-PU/75 dated 10th May, 1977].

#### **Further Reply of Government**

The entire question of long-term planning for steel industry has been re-examined and it has been decided that such a long-term plan cannot be prepared in isolation for the steel sector only and has to be properly dovetailed into the overall plan for the economic and industrial development of the country. The plan also has to be within the same time frame as for the overall plan for the country. No action is therefore, being taken now for preparing a long-term plan for the steel industry alone.

[Ministry of Steel & Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. III) dated the 10th August, 1977].

#### **Further Reply of the Government**

Recommendation of the Committee has been noted and SAIL would take action accordingly.

(Further details may please be seen in the supplementary information furnished in the recommendation at Sl. No. 7).

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. IV dated 20-2-1979].

#### **Recommendations (Serial No. 6, Para No. 2.18)**

The Committee note that the total demand in 1973-74 of tool, alloy and special steels was 4 lakh tonnes. The Committee also note that in respect of alloy and special steels, no precise estimates for demand for future has been made and the demand is generally expected to go up by 5 to 10 per cent per annum. If the SAIL recognises, as it says, it does,

the need to study the demand trends in future on a continuous basis for taking investment decisions both in private and public sectors, the Committee cannot appreciate why no concrete action has been taken so far to make an estimate of the demand for tool, alloy and special steels for the future. They would like the SAIL to lose no more time to initiate action in this direction so that their investment and production programmes can be suitably tailored to match the production to the demand.

### **Reply of SAIL and the Government**

The point raised by COPU has been noted. SAIL has already done some work in this direction and will increase its activities to establish levels of demand for alloy and tool steels. It has already established levels of demand for alloy steels in industries such as Bright Bars, Wire Drawing and Forging Industry. Demand estimates are available till the end of the 5th Plan.

SAIL is continuing efforts in this direction and hopes to establish demand estimates to help production planning and investment.

In case of higher alloy steels, SAIL is working out in consultation with Research and Development and the consumers, the material requirements of user industries so that these alloys which are generally tailor-made can be supplied to consumers to their satisfaction.

[Ministry of Steel and Mines (Department of Steel) O. M. No. H-11018(1)/76-Parl. (Vol. II) dated 17-9-76].

### **Further Reply of the Government**

A Working Group consisting of producers, users and exports was constituted in May, 1978, to assess the demand and production prospects for each of the five years of the Sixth Plan, categorywise. The terms of reference for the Working Group are as follows:—

- (i) To assess the demand for each of the five years of the Sixth Plan for:—
  - (a) Construction and forging steels;
  - (b) High speed steels;
  - (c) Spring Steels;
  - (d) Stainless Steels; and
  - (e) All other alloy steels.
- (ii) To fix the production targets for each of the major categories of alloy steel for each of the five years of the Sixth Plan;

- (iii) To examine the technical, input, output and other problems of both the alloy steel industry and end-users engineering industries and to suggest practical measures for their solution for achieving maximum feasible self-reliance;
- (iv) To identify the specifications and quantities of tool, alloy and special steels which cannot be economically produced in the country during the period of Plan and which would need to be imported. For this purpose, the trend of imports and exports in the last 2 to 3 years may also be taken into consideration.

The Working Group is expected to submit the Report shortly.

[Ministry of Steel and Mines (Department of Steel) O. M. No. H-11018/(1)/76-Parl. IV dated 20-2-1979].

#### **Comments of the Committee**

(Please see paras 9—12 of chapter I of Report)

#### **Recommendations (Serial No. 7) Paras (2.19—2.21)**

The Committee note that demand surveys have been conducted from time to time through consultancy organisations like Industrial Development Services, Atkins Das Private Ltd., National Council of Applied Economic Research and several methods are used for forecasting the demand.

The Committee find that Government/SAIL have also got the following reliable sources of information for working out the demand projections of the various types of steel:—

- (1) Steel Controller/Steel Distribution Authority;
- (2) SAIL International through which steel is imported;
- (3) Demand of Government Departments, particularly Defence, Railways, Works & Housing, Irrigation and Power etc.:—
- (4) Demand of Public Sector Undertakings (entral and States).

They further note that there are wide variations in the demand forecasts made by the various organisations in regard to the finished mild steel. According to an estimate made in 1968 by the National Council of Applied Economic Research, the demand projection for finished steel in 1980 was estimated to be of the order of over 15 million tonnes. According to another demand projection made in 1971 by the same organisation, the demand for finished steel in 1980 had been put down at nearly 13 million tonnes. According to the report (May, 1973) submitted by the Task Force on Iron and Steel constituted by the Steering Group on Metallurgical Industries (Fifth Plan) the estimated demand for finished mild steel at the end of 1978-79 would be of the order of a little less than 11 million tonnes. As against these projections the SAIL which also conducted a demand survey in January, 1975 estimated the demand to be of the order of nearly 7.6 million tonnes at the end of 1978-79. This underlines the need for critical review of the





for drawing up a long term perspective plan for the steel industry. The Committee comprises the following members:

- (i) Shri A. C. Banerjee, Director (Tech.) SAIL—*Chairman*.
- (ii) Dr. M. N. Dastur of M/s. M. N. Dastur & Co.
- (iii) Shri P. L. Tandon, Chairman, National Council for Applied Economic Research.
- (iv) Shri M. P. Wadhwan, Director (Fin.) SAIL.
- (v) Shri K. C. Mohan, Managing Director, MECON.
- (vi) Shri S. N. Acharya, Joint Secretary, Department of Steel.
- (vii) Shri B. Appu Rao of M. N. Dastur & Co.

This Committee would examine in detail various aspects including the demand of steel on long term basis and the measures to meet this demand by creating additional capacity in the country.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 17-9-76].

#### **Further information called for by the Committee**

“(a) When the Experts Committee was set up and what are its terms of reference?”

(b) When the Committee is asked to submit its report?”

[LSS O.M. No. 26-PU/75 dt. 13-10- 1976]-

#### **Further Report of Government**

“(a) A Committee of Experts was set up in July, 1976 to examine in detail various aspects concerned with the long-term planning for the steel industry. This Committee has been constituted under the Chairmanship of Director (Technical), Steel Authority of India Limited. The terms of reference of the Committee are as follows :—

1. Assess the future demand for steel, pig iron and alloy and special steels upto 2000 A.D. for definite milestone years like 1980, 1990 and 2000 A.D.
2. Assess capacity and likely production from the existing facilities currently under implementation.
3. Identify the locations where new capacities could be created/ existing capacities could be expanded in the most economic way, in a phased manner for the various milestone years upto 2000 A.D. to meet the demands.

4. Assess investment requirement for creation of new capacities/ expansion of existing plants including replacement/revamping of existing plants in terms of total investment and foreign exchange requirement in given periods upto 2000 A.D.
5. Assess requirement of various raw-materials required for steel industry more specifically iron ore, coal, limestone, manganese and dolomite to fulfil demand projection for the various milestone years upto 2000 A.D.
6. Identify the additional prospecting mining and production capacities to be created in the mining sector to meet the steel capacity and assess the order of investment required.
7. Assess the requirement of other infrastructural facilities like power, water, fuel, transport, etc., to match the capacities of steel, mining etc., upto 2000 A.D. and broadly identify the source/ means to meet the requirement and investment required in each sector.
8. Assess the technical manpower requirements under different categories for the added capacities to be created for the various milestone years upto 2000 A.D.
9. Review broadly the equipment manufacturing capacities in the country to support the steel development programme upto 2000 A.D. as well as capacity for manufacture of refractories and identify what additional capacities may be needed upto 2000 A.D.
10. Review broadly the construction capabilities in the country to support the steel development programme upto 2000 A.D. and identify the areas requiring augmentation.
11. Review broadly the design and engineering capabilities available in the country and suggest steps for augmentation if any to match the steel development programme upto 2000 A.D.
12. Study broadly the new areas of development of technology in the field of iron and steel making including product diversification and incorporate these into the new capacities being suggested to the extent suitable for Indian conditions.

(b) The Committee has been asked to try and submit its Report by March, 1977."

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 20-10-76]

### Further Reply of the Government

In July, 1976, SAIL had constituted a Committee to evolve a long-term plan for Steel Industry upto the year 2000 A.D. As advised by the Ministry of Steel and Mines (Department of Steel) in September, 1977, since such a long-term plan cannot be prepared in isolation for the steel sector only and has to be dovetailed into the overall plan for the economic and industrial development of the country, it was decided to wait till the Planning Commission formulates its overall economic policies. The above mentioned Committee, therefore, suspended further work.

The Planning Commission has, however, since formulated the draft Five-Year Plan for 1978—82, of which development to Steel Sector forms a part. Demand for the year 1987-88 and 1988-89 has also been indicated therein. Estimates of Demands for Iron & Steel made by the Working Group of Iron & Steel appointed by the Planning Commission, is given below.

#### Estimates of Pig Iron and Steel Demand 1982—84 and 1987-88.

Category	1982-83	1983-84	1987-88	1988-89
<b>A. Pig Iron</b>	1150	1210	1470	1540
<b>B. Finished Steel :</b>				
<i>Shapes :</i>				
1. Bars & Rods Wire Rods semis for forging	4900	5248	6900	7390
2. I & M Structural	1262	1350	200	2355
3. Heavy Structural	338	362		
SUB-TOTAL SHAPES	6500	6950	9100	9745
<i>Flat Products :</i>				
4. Plates	1230	1328	1800	1945
5. HR Coils/Sheets	1590	1710	2300	2472
6. CR Coils/Sheets	610	653	850	910
7. Tin Plates	200	209	250	262
8. GP/GC Sheets	270	285	350	370
9. Electrical Sheets	160	182	300	341
Sub-TOTAL Flat Products	4060	4367	5850	6300
10. Railway Track Materials	400	400	450	450
TOTAL Steel (B)	10950	11727	15400	16495

Working Group on Iron & Steel  
1982-84 & 1987-89

### **Recommendation (Serial No. 8, Para, 3.2)**

The Committee reiterate the recommendations of the Estimates Committee in paragraphs 2.117 and 2.118 of the Seventy Eighth Report (1974-75) and urge that the white Paper on the state of production in the steel plants may be completed and laid on the Table of the House at an early date.

### **Reply of Government**

A White Paper on Steel Industry was presented to Parliament on 27th May, 1976. A copy of the White Paper is enclosed.\*

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 29-7-76].

### **Recommendation (Serial No. 9, Paras 3.27-3.28)**

The Committee note that although the over-all production of ingot steel during 1974-75 has increased over that in 1973-74 it is less than that in 1972-73 in the steel plants of Bhilai and Rourkela. The utilisation of capacity in 1974-75 in respect of ingot steel has been of the order of 80 per cent in Bhilai, 51 per cent in Durgapur and 59 per cent in Rourkela. Similarly in regard to saleable steel though the overall production in terms of quantity has been the maximum in 1974-75, in terms of utilization of capacity, the percentage has been less than 1972-73 in Bhilai and less than 1972-73 and 1973-74 in Rourkela. The percentage of utilisation of capacity in 1974-75 has been 86 per cent in Bhilai 42 per cent in Durgapur 66 per cent in Rourkela. The main reasons for shortfall in production in 1973-74 are severe power cuts, inadequate availability of coal, intermitent slowdown and industrial unrest in Railways and disturbed industrial relations in Durgapur and Rourkela. It has been stated that production of saleable steel could have been higher but for the production in the early part of 1974 having been affected by Railway strike, restriction in power supply from Damodar Valley Corporation and Orissa State Electricity Board and inadequate supply of cocking coal. The Committee were informed that SAIL had taken a number of long term and short term measures to improve production, such as provision of balancing facilities required to correct the existing imbalances. Capital additions and improvements in procurement of spares, refractories and essential raw materials, addition of coke oven battery at Bhilai and one half coke oven battery each at Durgapur and Rourkela and also improvement in area of operational efficiency in the plants special attention to provision of inputs, improvement in industrial relations etc. The Committee are also informed that SAIL had decided to measure the performance of the Plants not by Ingot Steel but by saleable steel, and consequently diverted the inputs of production of saleable steel

\*Not reproduced as it is already presented to Parliament by Governments.

with limited SAIL had also transferred from plants having surplus of ingots to plants having surplus of rolling capacity. It has been able to increase the overall availability of steel to the community. The Committee find that the yield of saleable steel from ingots has improved during 1974-75 as compared to the previous years.

It has also been stated that in 1973-74 and 1974-75 attempts were made to fix the targets in a realistic manner taking into account the constraints by involving those who produce and those who supply the inputs instead of an arbitrary basis as in earlier years. The Committee, however, find that there is still, a large gap between rated capacity of the plants and actual production. The extent of production loss due to external factors as well as internal causes and the loss in net contribution on saleable, pig iron and saleable steel has also been stated to be of the order of about Rs. 27 crores in 1974-75 as compared to the loss of Rs. 35 crores in 1973-74.

The Committee would like to judge the performance of SAIL which has the object of coordinating the activities of a subsidiaries and input industries, on the basis of the results actually achieved. In the opinion of the Committee constraints of a general nature, whatsoever, should not be made excuses for not achieving the rated capacity.

The Committee cannot over emphasise the need for more concerted measures to remove the constraints and for securing optimum utilisation of rated capacity and increased production from the steel plants on which huge investments had been made, not only to meet the internal demand but also to improve the exports to earn the most needed foreign exchange.

### **Reply of Government**

Government agree that it is necessary to ensure optimum production and capacity utilization in the steel plants. In fact, Steel Authority of India Ltd. has been concentrating on the production performance of its subsidiaries as its first priority. A number of steps have been taken and are being taken to improve production from the steel plants as indicated in the white Paper on Steel Industry.

The production of steel in 1974-75 was substantially higher than that in 1973-74. In 1975-76, the production of steel reached a new high—7.251 million tonnes of ingot steel and 5.778 million tonnes of saleable steel. The following table gives figure of production of ingot and saleable steel from the main steel plants in relation to capacity and targets.

(In thousand tonnes)

**A. Ingot Steel :**

Plant	Capacity	Target Production	Production as percentage of capacity	Production as percentage of target	
Bhilai . . . . .	2500	2250	2209	88.4	98.2
Durgapur . . . . .	1600	1000	1001	62.4	100.1
Rourkela . . . . .	1800	1300	1262	71.2	98.6
Total of HSL Plants . . . . .	5900	4550	4492	76.1	98.7
Bokaro . . . . .	..	567	342	..	60.3
TISCO . . . . .	2000	1950	1787	89.4	91.6
IISCO . . . . .	1000	630	6630	63.0	100.7
Grand Total . . . . .	8900*	7697	7253	77.6*	94.2

**B. Saleable Steel :**

(In thousand tonnes)

Plant	Capacity	Target Production	Production as Percentage of capacity	Production as percentage of Target	
Bhilai . . . . .	1965	1770	1850	94.1	104.5
Durgapur . . . . .	1239	780	751	60.6	96.3
Rourkela . . . . .	1225	900	1041	85.0	115.7
Total of HSL Plants . . . . .	4429	3450	3642	82.2	105.6
Bokaro . . . . .	..	250	150	..	60.0
TISCO . . . . .	1500	1500	1486	99.1	99.1
IISCO . . . . .	800	500	500	62.5	100.2
Grand Total . . . . .	5729*	5700	5773	83.6*	100.4

\*Excluding Bokaro where only some of the units have been commissioned and the others are under construction/gestation.

The total production of 7.251 million tonnes of ingot steel was a new record, the previous best being 6.43 million tonnes in 1966-67. It represented additional production of 0.989 million tonnes (15.8 per cent) over the production in 1974-75, 94.2 per cent of the target and 77.6 per cent capacity utilization.

The total production of saleable steel at 5.778 million tonnes was also a new record, surpassing the passing previous best of 4.900 million tonnes in 1974-75. The production exceeded the production in 1974-75 by 6,78,000 tonnes (18.0 per cent) and the target by 78,000 tonnes (1.4 per cent). It represented 85.6 per cent capacity utilization.

A number of other records were established. The production of 1.041 million tonnes of saleable steel by Rourkela Steel Plants was a new record, the previous best being 8,12,000 tonnes in 1974-75 (28.2 per cent higher). Capacity utilization went up from 66.3 per cent in 1974-75 to 85.0 per cent in 1975-76.

The production of 1.850 million tonnes of saleable steel and 2.209 million tonnes of ingot steel at Bhilai were the highest so far, the previous best being 1.746 million tonnes and 2.108 million tonnes respectively produced in 1972-73. There was an improvement in capacity utilization over 1974-75 by 8.4 per cent in terms of ingot steel and 8.0 per cent in terms of saleable steel.

At Durgapur, the output of 7,51,000 tonnes of saleable steel was a new record, surpassing the previous best production of 7,21,000 tonnes in 1963-64. The production was 44.4 per cent higher than the production in 1974-75 and capacity utilization improved by 18.6 per cent.

The plan of production for 1976-77 is indicated in the table below:—

(In thousand tonnes)

Plant	STEEL INGOTS			SALEABLE STEEL		
	Rated capacity	Targets for 1976-77	Percentage of capacity	Rated capacity	Targets for 1976-77	Percentage of capacity
Bhilai	2500	2250	90.0	1965	1850	93.1
Durgapur	1600	1100	68.8	1239	825	66.6
Rourkela	1800	1350	75.0	1225	1050	85.7
Total of HSL Plants	5900	4700	79.7	4429	3705	83.7
Bokaro	—	900	—	—	720	—
TISCO	2000	1920	96.0	1500	1500	100.0
IISCO	1000	685	68.5	800	540	67.5
Grand Total	8900*	8205	82.1*	6729*	6465	85.4*

Excluding Bokaro where only some of the units have been commissioned and the other are under construction/gestation.

It terms of above plan, the total production of ingots and of saleable steel will be 13.2 per cent and 11.9 per cent respectively higher than the production in 1975-76. Excluding Bokaro where all the units of 1.7 million tonnes stage have yet to be commissioned, the overall capacity utilization in terms of ingot steel will go up from 77.6 per cent in 1975-76 to 82.1 per cent in 1976-77. Similarly, capacity utilization in terms of saleable steel will go up from 83.6 per cent to 85.4 per cent. TISCO, Bhilai and Rourkela will be operating at 100 per cent, 93.1 per cent and 85.7 per cent of their capacity. Further, there will be a substantial improvement in production from Bokaro which will produce 7,20,000 tonnes of saleable steel as against 1,50,000 tonnes in 1975-76.

The production in the first two months of the year, April-May, 1976 has been very encouraging. The total production of ingot steel from the integrated steel plants at 12.47 lakhs tonnes exceeded the proportionate target by 3.7 per cent and the production of 10.44 lakhs tonnes of saleable steel was in excess of the target by 8.3 per cent.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 29-7-76].

#### **Further information called for by the Committee**

Please furnish the latest position in regard to production of steel (saleable steel and ingot steel) in terms of capacity and target (unit-wise).

[L.S.S. O.M. No. 26-PU/75 dated 31-12-77].

#### **Reply of Government**

A statement indicating the production of ingot steel and saleable steel at the integrated steel plants in 1976-77, targets for 1977-78 and production during the period, April-December, 1977, in relation to the proportionate target and the production in the corresponding period last year is attached. It will be noticed therefrom that:—

- (a) The total production of 6.316 million tonnes of ingot steel during the 9 months period, April-December 1977, was higher than the production in the corresponding period last year by 2.4 per cent.
- (b) The total production of 5.144 million tonnes of saleable steel during the period, April-December, 1977, was higher than the production in the same period in 1976 by 1.6 per cent.
- (c) As compared to the proportionate target, the total production during the period, April-December, 1977 fell short by 8.3 per cent in terms of ingot steel and 5.7 per cent in terms of saleable steel.



2. The production was adversely affected during the period April—~~December~~, 1977, by a number of factors such as:—

- (a) Frequent restrictions/interruptions in the supply of power, particularly at Bokaro, Durgapur and IISCO.
- (b) Indifferent industrial relations situation in IISCO.
- (c) Strike at Dugda and Bhojudih Coal Washeries of HSL between 18th and 31st October, 1977, leading to reduction in over/pushing and increase in the proportion of prime washed coal in the coal blend with consequential adverse effect on the availability and quality of coke and gas.
- (d) Extended capital repairs to cold rolling mill in July and of slabbing mill in November, 1977 in Rourkela Steel Plant.

[Ministry of Steel and Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. IV) dated the 14th February, 1978]

*Production of Ingot Steel and Saleable Steel from the Integrated Steel Plants during the Period April—December, 1977.*  
(In '000 tonnes)

Plant	Production Target		April—December, 1977		April- Dec., 1976	Variation over Target	April- Dec. 1977	
	in 1976-77	1977-78	Target	Production				
	2	3	4	5	6	7	8	9
<b>INGOT STEEL</b>								
Bhilai	2302	2300	1705	1758	93.8	1601	(+ )3.1	(+ )4.0
Durgapur	1091	1250	930	819	68.3	785	(- )11.9	(+ )4.3
Rourkela	1503	1550	1151	1052	77.9	1112	(- )8.6	(- )5.4
Bokaro	956	1400	1005	748	..	669	(- )25.6	(+ )1.8
IISCO	667	850	637	488	65.1	491	(- )23.4	(- )0.6
TISCO	1907	1900	1458	1451	96.7	1421	(- )0.5	(- )2.1
TOTAL	8427	9250	6886	6316	83.4*	6169	(- )8.3	(+ )2.4
<b>SALEABLE STEEL</b>								
Bhilai	2019	1925	1435	1445	98.0	1502	(+ )0.7	(- )3.8
Durgapur	901	1000	750	643	69.2	650	(- )14.3	(- )1.1
Rourkela	1174	1170	867	859	93.5	860	(- )0.9	(- )0.1
Bokaro	736	1048	752	651	..	523	(- )13.4	(- )24.5
IISCO	542	680	495	372	62.0	392	(- )24.8	(- )5.1
TISCO	1550	1550	1155	1174	104.4	1138	(+ )1.6	(+ )3.2
TOTAL	6922	7373	5454	5144	89.0*	5065	(- )5.7	(+ )1.0

\* Excluding Bokaro where all the units of the 1.7 metric tonnes ingot stage have not yet been commissioned.

### Further Reply of Government

A statement indicating the production of ingot steel and saleable steel at the integrated steel plants in 1977-78 and during the period, April—November, 1978, in relation to targets capacity and production in the corresponding period in 1977-78 is attached *vide* Appendix I. It will be noticed therefrom that:—

- (a) The total production of 8.424 million tonnes of ingot steel and 6.894 million tonnes of saleable steel in 1977-78 was practically at the same level as the production in 1976-77. However, the production of ingot steel fell short of the target by 9.4 per cent and of saleable steel by 6.5 per cent.
- (b) The total production of 5,276 million tonnes of ingot steel during the period April—November, 1978 was short of the production in the corresponding period in 1977-78 by 5.7 per cent. Similarly, the total production of 4.266 million tonnes of saleable steel during this period was short of the production in the corresponding period in the previous year by 15.7 per cent. However, as compared to the proportionate target, the production was short by 19.3 per cent in the case of Ingot steel and 15.0 per cent in the case of saleable steel.

2. The production in 1977-78 and in the period, April—November, 1978, was adversely affected for the reasons indicated below:

- (i) Frequent restrictions/interruptions in the supply of power, particularly at Bokaro and Durgapur Steel Plant and IISCO.
- (ii) Certain problems relating to supplies of cooking coal to the steel plants, both in terms of quantity and quality; and
- (iii) Strike at Dugda and Bhojudih Coal Washeries in October, 1977, and partial strike in Bokaro Steel Plant by a section of workers in February/March, 1978.

*April—November, 1978*

- (i) Continued problems in supplies of coal to the steel plants, both in terms of quantity and quality.
- (ii) Shortage and frequent restrictions/fluctuations in power supply.
- (iii) Indifferent industrial relations in some of the plants.

(iv) Unprecedented rains and flood in West Bengal in September, 1978, resulting in flooding of coal fields as well as Durgapur Steel Plant and affecting the rail movement.

(v) Converter No. 5 of Bokaro Steel Plant which was expected to be commissioned in May, 1978, is now likely to be commissioned only towards the end of December, 1978.

3. The following steps have been taken to increase production and improve capacity utilisation:—

(i) Close and constant liaison is being maintained with the Ministry of Energy, DVC authorities, Electricity Boards, coal supplying agencies and the Railways so as to secure maximum supplies of power and good cooking coal.

(ii) Orders have been placed for the import of one million tonnes of low ash coking coal in order to supplement indigenous supplies. Supplies of imported coal are expected to start arriving from January, 1979, onwards.

(iii) Schemes for augmentation of captive power generation capacity at Durgapur and Bokaro Steel Plants to the extent of 300 MW have been sanctioned. This will help to meet the present difficulties on account of power shortage and frequent interruptions/fluctuations.

[Ministry of Steel and Mines O.M. No. 11018/1/76 Parl. Vol. IV dated 1-1-79]

### **Comments of the Committee**

(Please see Par. s 13—20 of Chapter I of the Report)

### **Recommendation (Serial No. 10, Para 3.29)**

The Committee note that though the percentage utilisation of capacity of pig iron in Bhilai, Durgapur and Bokaro Steel Plants during 1974-75 has been of the order of 59 per cent, 42 per cent and 69 per cent as compared to 56 per cent, 33 per cent and 75 per cent respectively during 1973-74, there is still a large gap between actual utilisation and rated capacity. The Committee are informed that the shortfall in production in Bhilai is because of non-operation of one of the six blast furnaces on account of troubles in coke ovens, shortage of coking coal and inadequate availability of coal. It has been stated that in Bokaro, Blast Furnace No. 1 was commissioned only in October, 1972. The Committee were informed that installed capacity of production of pig iron is expressed as balance of blast furnace capacity after meeting the requirements of pig iron for steel making on account of drastic reduction in oven pushing because of shortage of coking coal, restriction on power problem with Railways, there had been a conscious cut back in the production of blast furnaces. The Committee recommend that SAIL should keep in view the need for optimising pro-

duction of saleable pig iron as well as steel, take appropriate steps to remove the constraints and improve the utilization of pig iron capacity.

### Reply of the Government

Noted. The total production of pig iron for sale from the Bhilai, Durgapur, Rourkela and Bokaro Steel Plants in 1974-75 was 1.363 million tonnes. In 1975-76, this went up to 1.397 million tonnes. The production plan for 1976-77 envisages a production of 1.720 million tonnes. The second blast furnaces at Bokaro was commissioned in April, 1976. Subject to continued supply of coking coal at the required level, it is planned to operate all the six blast furnaces at Bhilai from July, 1976.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018 (1)/76-Parl. (Vol II) dated 29-9-1976]

### Further information called for by the Committee

(a) "Have all the blast furnaces come into operation from July, 1976?"

(b) "If not, what are the constraints?"

[LSS O.M. No. 26-PU/75 dated 27-8-76]

### Further Reply of Government

(a) and (b): "Blast furnace No. 2 at Bhilai was commissioned on 31st July, 1976, thus bringing into operation all the six blast furnaces."

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018 (1)/76-Parl. (Vol. II) dated 29.9.1976]

### Further Reply of Government

The total production of pig iron for sale from Bhilai, Durgapur, Rourkela and Bokaro Steel Plants in 1975-76, 1976-77 and 1977-78 and during the period April-November, 1978, is indicated below:—

1975-76	1.397 million tonnes
1976-77	1.829 " "
1977-78	1.329 " "
April-November 1978	0.985 " "

The production of saleable pig iron was also adversely affected for the reasons indicated under Recommendation No. 9. The production during the period April—November, 1978 from these plants, however, exceeded the production in the corresponding period in 1977-78 marginally by 7,000 tonnes.

[Ministry of Steel and Mines O.M. No. 11018/1/76 Parl. (Vol. IV) dated 1-1-79]

**Recommendation (Sl. No. 11, Paras 3.60 & 3.62)**

The Committee note that Durgapur Steel Plant has achieved production of 8.19 lakh tonnes of ingot steel and 5.2 lakh tonnes of saleable steel in 1974-75, the highest since 1969-70 and 1968-69 respectively. Still the capacity utilisation has been only of the order of 50 per cent in ingot steel and 42 per cent in saleable steel. Even this is stated to have been possible because of rebuilding of coke even-battery No. 1 and repairs of other batteries and Steel Authority of India Limited's assistance in effective coordinated supply of raw materials and power and emphasis in production of saleable steel as compared to ingot steel. Supply of coal and lime stone was discussed from time to time during 1974-75 by Steel Authority of India Limited officers and arrangements were made for supply of additional washed coal from Patherdih and Lodna washeries and additional quantity of lime stone from Bhavathpur lime stone queries of Bokaro Steel in addition to supply from Dirmitrapur. It has been stated that supply of coal, iron ore, lime stone, power and rail transport for Durgapur Steel Plant is being continuously watched by Steel Authority of India Limited in association with Railway Board, BCCL, CMAL, Ministry of Energy and D.V.C. Steel Authority of India Limited monitoring cell at Calcutta also watches the position of supply of major raw materials to Durgapur Steel Plant and coordinates with S.E. and Eastern Railways and if necessary these materials are supplied to Durgapur Steel Plant by diverting from other destinations. The Committee feel that these are steps which should have been taken by Durgapur Steel Plant management from time to time much earlier. The main reasons for the ills of Durgapur Steel Plant were—

- (i) indifferent industrial relations;
- (ii) diversification of condition of coke oven batteries;
- (iii) lack of proper maintenance arising mainly out of poor industrial relations and partly on account of inadequate stress on maintenance;
- (iv) poor and deteriorating quality of coal; and
- (v) inadequate supply of power.

The Committee were however informed that while other Steel Plants, when they faced operational difficulties, took various steps to follow up decisions taken to find optimum solution to the problems by constant follow up, such so initiative was lacking in Durgapur.

The Committee also find that the Action Committee which went into the problems of Durgapur Steel Plant submitted a draft report as early as in 1973 and made a number of important recommendations regarding coke even and by-product plant improvement and maintenance, in balance in steel melting shop, low percentage of furnace availability, poor utilization

of blooming mill, improvement of services, industrial relations, power supply, management development and training. With the implementation of these it should be possible to reach close to the rated capacity of 1.6 million tonnes. Considering the situation in Durgapur, to the Action Committee recommended that government might accept 1.4 M.T. of ingots as the practical capacity for the plant. The Committee find that Steel Authority of India Limited has considered the recommendation regarding derating of the plant as the most important recommendation for the present and according to it the primary task was to increase production to a level which would create confidence for further improved performance. Though the Committee welcome the steps taken to improve the performance of Durgapur Steel Plant during 1974-75 the Committee feel that Government/SAIL should have taken a decision on the recommendations of Action Committee and taken concerted and coordinated efforts to improve the performance so as to reach not only the attainable capacity of 1.4 million tonnes but to attain the full rated capacity of 1.5 million tonnes.

The Committee also recommend that SAIL should in particular take immediate suitable measures to improve the utilisation of the blooming mill and thus the performance of the plant.

### Reply of the Government

The observations of the Committee have been noted.

2. There has been striking improvement in the performance of Durgapur Steel Plant during 1975-76. Production of saleable steel at 751 thousand tonnes was a new record surpassing the previous best of 721 thousand tonnes achieved 12 years earlier during 1963-64. This represented an increase of 44.4 per cent over the actuals of the previous year (520 thousand tonnes). Similarly, production (1.001 MT) of ingots during 1975-76 crossed the one million tonnes mark again after a lapse of nine years and was 22.2 per cent higher than the 1974-75 output (819 thousand tonnes). Production of ingot and saleable steel during last few years is given below:—

(‘000) Tonnes

Year	Production at DSP	
	Ingot Steel	Saleable Steel
1	2	3
1963-64	972.4	721.0
1964-65	1006.2	720.9
1965-66	1000.7	684.1
1966-67	754.2	549.5

1	2	3
1967-68	738.0	526.7
1968-69	823.1	499.5
1969-70	818.3	493.7
1970-71	633.9	412.6
1971-72	700.0	432.4
1972-73	722.8	476.9
1973-74	775.8	376.8
1974-75	819.3	520.4
1975-76	1000.7	751.1

The year 1975-76 was a year of steady build-up of performance particularly after the proclamation of emergency. Production of ingot steel at 103,280 tonnes during December 1975 was an all-time record equivalent to an annual rate of 1.239 MT. Similarly, saleable steel output of 84,319 tonnes during March 1976 was a new record equivalent to 1.012 MT per year. Month-wise production of ingot and saleable steel during 1975-76

(To)

Period	Ingot Steel		Saleable Steel	
	Quantity (Tonnes)	As % of 1974-75 average	Quantity (Tonnes)	As % of 1974-75 average
1	2	3	4	5
1974-75 (Average/p.m.)	68,275	100.0	43,367	100.0
April 1975	70,165	102.8	47,233	108.9
May	64,945	95.1	53,932	124.4
June	61,755	90.4	47,331	109.1
July	80,002	117.2	61,368	141.5
August	85,418	125.1	65,691	151.5
September	83,278	122.0	49,860	115.0
October	82,155	120.3	56,353	129.9
November	87,084	127.5	60,280	139.0
December	103,280	151.3	71,051	163.8



1	2	3	4	5
January 1976				
February	94,161	137.9	70,933	163.6
March	90,128	132.0	82,735	190.8
	98,361	144.0	84,319	194.4
Total	1,000,732	..	751,086	..
Average p. m.	83,394	122.1	62,591	144.3

Among the units that gave the best performance during 1975-76, special mention needs to be made of the Blooming Mill. With a record figure of 949,223 tonnes ingots rolled and output of 830,046 tonnes, the corresponding previous best figures being 909,243 tonnes of charge weight during 1964-65 and 821,872 tonnes of output during 1965-66. The Mill established monthly record in respect of both charge weight and output during March 1976, the figures being 96,907 tonnes of charge weight and 86,246 tonnes of output, representing 79.1 per cent and 18.4 per cent respectively of installed capacity at 1.6 MT level.

The production from this plant during the year 1976-77 has been planned substantially higher than the 1975-76 actuals (and thus at higher capacity utilisation levels).

As can be seen from the following table, ingot production at 1.1 MT is 9.9 per cent higher, Blooming Mill charge weight at 1.06 MT is 11.7 per cent higher and saleable steel at 0.825 MT is 9.8 per cent higher than the actuals of 1975-76.

*Production Plan : 1976-77*

Particulars	1976-77 Plan ('000T)	1975-76 Actuals ('000T)	Increase (%)
1	2	3	4
Ingot Steel	1100	1001	(+)9.9
Blooming Mill Charge Weight.	1060	949	(+)11.7
Saleable Steel	825	751	(+)9.8

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1) 76-Parl. (Vol II) dated the 29th July, 1976.]

## Further information called for by the Committee

Please indicate the latest position of Steel production at Durgapur Steel Plant.

(L.S.S. O.M. NO. 26-PU/75 dated 31st Dec., 1977)

## Reply of the Government

The production in Durgapur Steel Plant during the 9 months of the current year April-December 77 as compared to the plan, proportionate rated capacity and the actuals during corresponding period of previous year is indicated below:—

Particulars	Unit	Ingot Steel	Saleable steel
1. Proportionate rated capacity . . . . .	'000	1200	929
2. <i>April-Dec., 1977</i>			
Plan . . . . .	"	930	750
Actual . . . . .	"	819	643
3. <i>April-Dec. 1976</i>			
Actuals . . . . .	"	785	650
4. Capacity Utilisation (%)	%	68.2	69.2
5. Plan fulfilment . . . . .	%	88.1	85.7
6. Growth (%age) . . . . .	%	(+)4.3	(-)1.1

It is observed from the above that the production of ingot steel has recorded a growth of 4.3 per cent over the corresponding period of previous year, whereas the saleable steel has been marginally lower (7000 tonnes).

The main reasons for the April-December 77 performance being lower than the plan are as follows:—

- (1) Frequent restrictions, frequency fluctuations and interruptions in DVC power supply;
- (2) Indifferent quality of coking coal leading to very wide fluctuations in B.F. coke quality resulting in adverse operating conditions at blast furnaces causing severe imbalance in hot metal and B.F. gas supply;
- (3) Prolonged hot repairs to open hearth furnaces and operational and mechanical delays in the rolling mills.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 11018(1)/76-Part IV dated 31st January 1978.]

## **Further Reply of Government**

In addition to the reply communicated through the Ministry of Steel & Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. II), dated the 29th July, 1976, the following further information is given.

Ingot and saleable steel output at Durgapur Steel Plant at 1.091 Mt and 0.901 Mt during 1976-77 were new records surpassing the corresponding previous best of 1.001 Mt and 0.751 Mt during 1975-76. Production from the Durgapur Steel Plant During 1976-77 had been planned substantially higher than the 1975-76 actuals (and thus at higher capacity utilisation levels). Even these high targets were exceeded in case of saleable steel by 9.2 per cent; whereas output of ingot steel was marginally short of the target by only 8,600 tonnes (0.8 per cent).

During 1977-78, the actual production was 1.091 Mt of ingot steel and 0.864 million tonnes of saleable steel and was almost at the same level as during the previous year. The higher targets and thus capacity utilisation fixed for the year than for 1976-77, were based on the good performance during the latter half of 1976-77, but could not be achieved mainly due to the following reasons:—

- (a) Frequent restrictions, frequent fluctuations and interruption in DVC power supply;
- (b) Indifferent quality of coking coal leading to vary wide fluctuations in coke quality, upsetting the blast furnace operation;
- (c) Prolonged hot repairs to open hearth furnaces and operational and mechanical delays in the rolling mills; and
- (d) Industrial relations problems, particularly, during the later half of the year.

During the first seven months of the current year, production was affected by the undermentioned causes:—

- (a) Regulated oven pushing due to low stocks and supply of coking coal;
- (b) Industrial relations problems in the Traffic Department, SM Shop including restricted practices adopted by the VIC operations;
- (c) Unprecedented heavy rains resulted in flooding, w.e.f. September 26, 1978 bringing the plant operations to a grinding halt; and gradual revival thereafter during October 78;

- (d) Power shortage from DVC and non-adherence to supply the minimum assured level of 35 MVA against the contractual demand of 45 MVA; and low system of frequency of DVC power resulted in isolation of the two systems affecting inplant generation;
- (e) Shortage of iron ore for blast furnace, as well as poor quality of iron ore from Bolani;
- (f) Critical ingot mould position and various operational troubles in the rolling mills, particularly during July and August '78.

[Ministry of Steel & Mines (Department of Steel) Office Memorandum No. 11018(1)/76-Parl. Vol. IV, dated 3-11-1978]

### **Comments of the Committee**

(Please see Paras 21—29 of Chapter I of the Report)

#### **Recommendation (Serial No. 12 Paragraph 3.63 & 3.64)**

The Committee were given to understand that the outgoing General Manager, Durgapur Steel Plant gave some suggestions important amongst which were:—

- (a) installation of additional tipplers for box wagons;
- (b) installation of captive power stations;
- (c) acquisition of lime stone projects at Ranchi.

The Committee are informed that while a decision has already been taken in regard to captive power plants the additional tipplers for box wagons are expected to be commissioned by July, 1976. The question of acquisition of lime stone property near Ranchi is to be settled by the Mineral Development Corporation of Bihar. The Committee desire that Steel Authority of India Limited should take steps to ensure that there is no slippage in the schedule of commissioning of the tipplers. The Committee would also like Steel Authority of India Limited/Government to pursue the matter with the Government of Bihar so that acquisition of limestone property in Ranchi is not delayed. The Committee would like to be kept informed of the results.

### **Reply of the Government**

Durgapur Steel Plant authorities have discussed the proposal for joint working of the limestone property in Paratu Ranchi District, with the Bihar Mineral Development Corporation (BIMDEVCO). It has now been decided that BIMDEVCO will work the property by themselves and offer limestone of suitable quality to Durgapur Steel Plant. BIMDEVCO have indicated that they would start the operations shortly. BIMDEVCO have already acquired the property by terminating the lease of the previous lessee.

BOX wagon tippler for tipping coal is nearing completion and is expected to be commissioned shortly.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11078 (1)/76-Parl. (Vol. II) dated the 29th July, 1976].

#### **Further information called for by the Committee**

Please indicate whether Box wagon tippler for tipping coal is completed and commissioned?

(L.S.S. O.M. No. 26-PU/75 dated 10th May, 1977).

#### **Further Reply of Government**

It has been reported that the final acceptance tests of individual units started on the 20th July, 1977, and were completed on 22nd July, 1977. The final acceptance lists of the total unit, started on 30th July, 1977 and are in progress.

[Ministry of Steel and Mines (Deptt. of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. III) dated the 29th August, 1977].

#### **Further Reply of Government**

In addition to the reply communicated through the Ministry of Steel & Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. II), dated the 29th July, 1976, the following further information is given:

The new Coal Box Tippler has been commissioned on 1st August, 1977.

Government have approved the installation of a Captive Power Plant of 2 x 60 MW to cater to the requirements of the Durgapur Steel Plant and Alloy Steels Plant, Durgapur. Tenders for the power plant have been invited and are expected to be opened in December, 1978.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/78-Parl. (Vol. IV) dated 30-11-78].

#### **Recommendation (Serial No. 13, Para 3.65)**

The Committee find that there has been an accumulation of ingots with Durgapur Steel Plant to the extent of 1.17 lakh tonnes. According to SAIL, a stock of 40 to 50000 tonnes of ingots is considered as the limit of normal stock and Durgapur Steel Plant has been advised to reduce its inventory of ingots. The Committee are informed that over production of

ingots is closely related to supply of power from Damodar Valley Corporation and the main problem of Durgapur Steel Plant was the weakness of Blooming Mill to roll out the entire quantity of steel produced thus increasing the stock of ingots continuously. It has been stated that SAIL has already given assistance to Durgapur Steel Plant to sell/dispose of 48400 tonnes of ingots to steel plants to Bhilai, Jamshedpur and Burnpur and in spite of this the stocks had gone up during 1974-75. The Committee are informed that major portion of ingots in off and high carbon grades was not acceptable to integrated steel plants nor was there scope for selling them to small rolling mills, because of their sizes. Exports of these varieties could not also be arranged due to sag in the international market. As accumulation of such stock of ingots without use to the community results only in the necessary locking up of capital besides wastage of inputs like coking coal iron ore, power etc., the Committee would like SAIL to go into this problem critically and regulate the production of ingots of requisite quality and also take steps to keep the inventory of ingots to the required level.

#### **Government's Reply**

SAIL have examined the problem of accumulation of ingots in the Durgapur Steel Plant and initiated necessary action. During the year 1975-76, the stock of ingots at Durgapur Steel Plant went up only by 7,000 tonnes over the stock held at the beginning of the financial year. With the tempo of production being built up over the last two or three years and particularly so during 1975-76, and all-out efforts made to improve the capacity utilisation of the plant, the year 1975-76 witnessed record outputs in the production of saleable steel and charge weight in the blooming mill and quite a few other units. Curtailment in the production of ingots would have affected the production of hot metal from the blast furnaces and, in turn, resulted in imbalance in the gas supply to the soaking pits and, more so, affected the high morale amongst the employees to produce more. The capacity of the blooming mill is likely to be augmented considerably with the commissioning of four additional soaking pits during the current year. Efforts have been made to supply ingots to other steel plants for further rolling. The emphasis, while fixing targets, is to produce saleable steel so that there will be no accumulation of ingots. However, due to certain technical factors it sometimes happens that certain imbalances develop. Such imbalances are corrected by transferring such production to other plants to the extent possible.

With all these efforts, it is expected that the ingot inventory would be brought down to a normal level of 40 to 50 thousand tonnes in the near future.

[Ministry of Steel & Mines (Deptt. of Steel) Office Memo No. H-11018(1)/76-Parl. (Vol. II) dated 31st August, 1976].

### Further Reply of Government

In addition to the reply communicated through the Ministry of Steel & Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. II), dated the 31st August, 1976, the following further information is given.

Ingot steel stocks at the Durgapur Steel Plant, which were 117 thousand tonnes on 1st April, 1975, came down to 70 thousand tonnes on 1st April, 1977 and was 75 thousand tonnes on 1st April, 1978. Ingot stock is around 80 thousand tonnes on 1st November, 1978. Ingot rolling at the Blooming Mill has also steadily gone up from a record figure of 0.949 Mt in 1975-76 to a higher level of 1.072 Mt in 1976-77. Ingot rolling during 1977-78 was 1.05 Mt and during April-October 1978 was 0.528 Mt being lower than 1976-77 for reasons mentioned earlier.

[Ministry of Steel & Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. Vol. IV, dated 30-11-78].

### Recommendation (S. No. 14, Para Nos. 3.81 to 3.82)

The Committee note that during the period up to 1973-74, the Alloy Steel Plant has been working upto 50 to 60 per cent of the installed capacity. The production during 1974-75 has been of the order of 78,400 tonnes of ingots against the rated capacity of 1 lakh tonnes and 36,700 tonnes of saleable steel against the rated capacity of 60,000 tonnes. Although production during 1974-75 has improved, the actual utilisation is still less than the rated capacity. The Committee are informed that the reasons for shortfall were power shortage and equipment breakdowns particularly in forge shops. It has been stated that the economic of the plant greatly depended on the product-mix and efforts are constantly made to optimise production of critical quality of steel which produce more returns, within the framework of the underbooking.

The Committee find that the Action Committee of Planning Commission which went into the working of Alloy Steels Plant had recommended seven items of capital expenditure besides improvement of industrial relations management development and training, constitution of Coordination Committees etc. The Committee understand that suggestions of Action Committee are still under consideration of SAIL/Government. It has been stated that vigorous action is being taken to improve production of saleable steel and certain additions and modifications are being made for improving production at forge shop. The Committee would like to be informed of the results achieved as a result of various measures taken and modifications made.

The Committee expect that SAIL/Government would critically examine the suggestions of the Action Committee with a view to improving the production performance of Alloy Steels Plant with particular reference to

such critical items of steel as would reduce imports and produce more returns and also to obtain the full rated capacity of the plant.

**(Sl. No. 15, Para No. 383)**

The Committee note that there has been an imbalance in the blooming billet and bar mills of the Alloy Steels Plant. While the steel plant in the first phase has been built to produce 1 lakh tonnes of ingots to be converted into 60000 tonnes of saleable steel, the blooming and billet mills which has the capacity of 3 lakh tonnes per annum on the basis of 3 shift running has to be utilised for only one shift a day keeping the two shifts idle. The Committee are informed that the inbuilt capacity of blooming mill could be utilised if all the principal facilities in the plant starting from steel making, heating to rolling and finishing were expanded to suit the higher production. Though the Committee are unable to share this view, the Committee find that no decision has been taken regarding expansion of the plant. It has been stated that SAIL is proposing to take care of the imbalance in production facilities by having a jobbing mill in view of the time taken for consideration of expansion. The Committee have given their recommendations in regard to expansion of Alloy Steels Plant in a subsequent Chapter of this Report.

**(Sl. No. 61, Paras 8.43 to 8.46)**

The Committee note that in the context of expansion of Alloy Steel Plant the question of the present product-mix and that during expansion was examined by a steering group formed by Hindustan Steel Ltd. and later by a sub-committee of the steering group appointed by the Ministry. As a result of the examination and a series of discussions from time to time it was decided by the Ministry in 1972 that a second look should be taken on the whole question and the work was remitted to a departmental group of officers.

The Committee note that though an expert group which was formed by Government to study the expansion of the Alloy Steels Plant at Durgapur from its present capacity of 1 lakh ingot tonnes to 3 lakh ingot tonnes had submitted its report to Steel Authority of India Ltd., as early as June, 1973, Government had not taken any decision regarding the product-mix for the proposed expansion of the Alloy Steels Plant. The Committee were informed that the expert group had *inter-alia* made the following recommendations:—

- (i) Present capacity should first be achieved;
- (ii) a jobbing mill should be set up for rolling high alloy steels of about 6-10,000 tonnes per annum capacity.



- (iii) A cold rolling mill complex for the production of 30-35,000 tonnes of stainless steel should be set up. To start with, hot rolled strips should be imported and rolled in this complex, and later on these could be produced in one of the major steel plants, namely, Durgapur, TISCO or Rourkela. At that stage, the blooming mill could be utilised for rolling stainless steel ingots into slabs with the commissioning of cold rolling mill complex. It would be difficult to utilise the existing sheet mill complex for production of stainless steel sheets since the product would be inferior in quality and considerably more expensive. A detailed study would have to be made about the future of the sheet mill.

The Committee were also informed that the Steel Authority of India Ltd. had commissioned the Metallurgical and Engineering Consultants (India) Limited for the preparation of pre-investment feasibility studies for the expansion of the Alloy Steels Plant on the basis of the recommendations of the group. The installation of a jobbing mill was also examined by Steel Authority of India Ltd. In addition, a provision of Rs. 21 crores was made in the draft Fifth Five Year Plan for the expansion of the Alloy Steels Plant and a separate provision of Rs. 47 crores for installation of a seamless tube plant. The expert group had also considered the economics and financial viability of the plant with the present product-mix and after expansion with a different product mix and arrived at different figures of profit and loss in respect of the Alloy Steels Plant and also the seamless tube plant.

The Committee however find that the Alloy Steels Plant utilised only 61 per cent of its capacity in 1972-73 and 55 per cent in 1973-74. Though the capacity utilisation has improved to 78 per cent in ingots during 1974-75, there was still an unutilised capacity of 22 per cent. The Ministry are stated to be of the view that expansion should be thought of when Production reached 85 per cent of the capacity and efforts should be made to improve the position regarding power and industrial relations. The Committee expect that Steel Authority of India Ltd. would in the context of the emergency take the necessary measures in these respects to attain the rated capacity of the plant. The Committee also suggest that Steel Authority of India Ltd. should take action to expedite erection and commissioning of the jobbing mill with a view to setting right the imbalances in production facilities. In view of the existing unutilised capacity, the Committee recommend that any decision about the expansion programme of the Alloy Steels Plant, Durgapur or setting up additional

capacity for alloy steels elsewhere may be taken after ensuring full utilisation in a sustained manner of the existing capacity of Alloy Steels Plant, Durgapur and also after a thorough and critical examination of the report of the study group and the feasibility report of MECON consistent with the different kinds of product-mix and profitability of the plant and also demand for alloy steel in the country. The Committee also recommend that Government should review the estimates for demand and supply of alloy and special steels realistically and take suitable measures to increase the production of these steels so as to reduce dependence on imports. The Committee would like to be informed of the action taken in this regard.

### Reply of Government

The trend of improvement in production at the Alloy Steels Plant, Durgapur was maintained during 1975-76. Production of saleable steel at 46,827 tonnes was the highest ever achieved in any year and exceeded the year's target by 3 per cent and previous years' output of 36,693 tonnes by 28 per cent. Likewise, ingot production was a record at 90,316 tonnes representing capacity utilisation of 90.3 per cent. The performance of the plant improved in respect of production of high valued items like stainless steel as well as of forged steel items. The table below would indicate the position:—

### PRODUCTION IN ALLOY STEELS PLANT

Product	1975-76 (tonnes)	1974-75 (tonnes)	Increase over 1974-75 (%)
1.1 Ingots . . . . .	90,316	78,358	15.2
1.2 Of which spade	4,866	313	..
<i>2. Saleable Steel</i>			
2.1 Billets . . . . .	18,932	13,244	42.9
2.2 Bars . . . . .	18,732	16,166	15.9
2.3 Plates/Sheets . . . . .	5,963	5,257	13.4
2.4 Forged-Products . . . . .	3,200	2,026	57.9
2.5 TOTAL	46,827	36,693	27.6
Of which			
2.6 Stainless Steels . . . . .	6,942	5,868	18.3
2.7 Case Hardening Steels . . . . .	12,834	10,915	17.6
2.8 Ball Bearing Steels . . . . .	1,727	898	92.3

The plant in addition supplied 4,788 tonnes of spade ingots to Rourkela Steel Plant during 1975-76 thus enabling them to over fulfil the commitment for supply of armoured plates to Defence.

The capacity utilisation of the Alloy Steels Plant, Durgapur has steadily gone up during the last three years from 55.3 per cent in 1973-74 to 78.4 per cent in 1974-75 and then to 90.3 per cent in 1975-76. Production during the three months November '75, December '75 and January '76 exceeded the rated capacity by 0.8 per cent, 15.3 per cent and 2.2 per cent respectively, production during December '75 being the highest rate so far. Output during the last five months (November '75—March '76) of the year 1975-76 averaged 8,420 tonnes p.m. equivalent to 10.01 per cent of rated capacity. Thus, it is seen that the capacity for ingot production has been fully utilised during the last 5 months of the financial year 1975-76.

Expansion of the Alloy Steels Plant, Durgapur from the existing capacity of 100,000 tonnes per annum of ingots has been under consideration for quite some time. With the encouraging trends in the plant's performance, it was felt that expansion of the plant, subject to availability of resources, could be considered and MECON was appointed in June, 1975 for preparation of pre-investment feasibility report. The pre-investment feasibility report has been received in March, 1976 and is being examined by Steel Authority of India Ltd./Alloy Steels Plant. A decision on expansion of Alloy Steels Plant will be taken keeping in view the resource position, the product-mix of Salem Steel Plant and other alloy steels producers and the requirements of alloy steel in future.

Most of the major schemes like jobbing Mill, Coil Handling facilities etc., covered in the Action Committee's draft report have been incorporated in the pre-investment feasibility report for the expansion of Alloy Steels Plant now being examined. Recently a team consisting of representatives of ASP and MECON visited certain European countries to ascertain the suitability of a special type of Rollar Hearth Annealing Furnace to be installed in the Sheet Mill for increasing the production of stainless steel sheets and plates. As regards additional stripper crane, the plant collected quotations which were found to be very high. Steps are being taken to locate a suitable crane from indigenous sources at a reasonable price. However, the possibility of Plant's expansion has necessitated a fresh thinking in this matter as with the likelihood of switching over to bottom pouring practice in expansion, a decision based on an understanding of the situation in its totality has to be taken.

Demand for alloy steels are periodically reviewed and production is tailored to the requirement of market in Alloy Steels Plant. Durgapur.

It is also true that all alloy steel producers in the Country try to tailor production to the requirement of market. At present, in general, alloy steel market is a buyers' market and Alloy Steels Plant, Durgapur is finding it difficult to sell its products.

It is also believed that several mini plants can produce alloy steels, although not necessary the highly sophisticated ones. Dastur and Company and MECON are at present looking into this, at the instance of Government, and their report is expected in October, 1976. After their report is received and considered by Government, it will be possible to consider suitable measures to create additional capacity in case capacity is found to be lower than the anticipated demand.

In this connection, it may be added that alloy steels are of several grades and so it may not be technologically or economically feasible for the Country to produce all varieties of alloy steels. The object is generally to achieve over-all self-sufficiency in alloy steels subject to availability of resources.

[Ministry of Steel and Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. II) dated the 31st August, 1976]

#### Further information called for by the Committee

Please indicate the latest position in regard to production of alloy steels at Alloy Steel Plant.

[L.S.S. O.M. No. 26-PU/76 dated 31st December, 1977].

#### Reply of Government

The production of ingot steel and saleable steel during the 9 month period April—December '77 as compared to rated capacity, target and April—December '76 actuals was as follows:—

Particulars	Ingot Steel	Saleable Steel
1. Proportionate rated capacity	75,000	45,000
2. April-December, '77		
Plan	67,490	34,520
Actuals	71,320	34,428
3. April-December '76 Actuals	70,668	38,657
4. Capacity utilisation (%)	95.1	76.5
5. Plan fulfilment (%)	113.1	99.7
6. Growth (%)	(+ )0.9	(- )70.9

It is seen from the above that ingots production has been kept at a significantly high level capacity utilisation (95 per cent) and exceeding the target by 13 per cent and also surpassing April—December '76 actuals by 0.9 per cent.

This has been achieved in spite of severe power restrictions almost throughout this period. The saleable steel output could also be maintained all the planned level, although it could not match the ingot production rates. The main reasons for the shortfall were as follows:—

- (a) Severe power restrictions from DVC;
- (b) Non-availability of fuel fire soaking pits;
- (c) Acute shortage of orders.

[Ministry of Steel and Mines (Department of Steel) Office Memorandum No. H. 11018(1)/76-Parl. (Vol. IV) dated 31st January, 1978.]

#### Further Reply of Government

In addition to the reply communicated through the Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated the 31st August, 1976, the following further information is given.

The upward trend of production at the Alloy Steels Plant was maintained with successive records established every year from 1975-76 to 1977-78. Ingot output at 97,234 tonnes during 1977-78 was an all-time high at 97.23 per cent of rated capacity fulfilment. Similarly, saleable steel output of 51,869 tonnes during 1976-77 was a new record, at a capacity of 86.45 per cent. Target fulfilment has been well above 100 per cent during these two years, as seen from the following tables:

Particulars	Target fulfilment (%)	
	1976-77	1977-78
	Target	Target
Ingot	114.2	108.0%
Saleable Steel	122.3	105.9%

During the first seven months of the current financial year, target fulfilment has been 94.7 per cent in case of ingots and 77.6 per cent in case of saleable steel production. Shortfall was mainly due to—

- (a) Industrial relations problems in the Steel Melting Shop, Heat Treatment and Bar Finishing Section where the workers were on strike for about two months in the second quarter.
- (b) Restrictions in DVC power supply.
- (c) Short supply of coke oven gas from Durgapur Steel Plant resulting from regulated oven pushing rates.
- (d) Shortage as well as non-availability in time of scrap of different categories. These affected production and scheduling of critical grades of steel like stainless, die block, ball bearing etc.

Expansion of Alloy Steels Plant, Durgapur in Stage-I to augment the ingot steel capacity from 100,000 tpy to 160,000 tpy by installation of one 50-t electric arc furnace has been approved. The scheme is now under implementation and is expected to be completed by 1979-80.

Stage-II Expansion, with the installation of a Vacuum Degassing Unit, a Vacuum Oxygen Decarburising Unit and a single-strand continuous slab caster, envisages increasing production capacity by 110,000 tpy of liquid steel of which 90,000 tpy will be stainless steel. At this stage, stainless steel slabs will be supplied from Alloy Steels Plant to Bokaro for conversion to hot rolled coils and, subsequently, to be cold rolled at Salem. The Stage-II expansion of Alloy Steels Plant is planned to be completed in 1981-82 to synchronise with the commissioning of the first Sendizimir Mill at Salem. This scheme, at an estimated cost of Rs. 46.75 crores, has been approved by the SAIL Board and is presently under consideration of the Government.

[Ministry of Steel and Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. IV) dated 30th November, 1978.]

#### **Recommendation (Serial No. 16 Para 3.87)**

The Committee note that the first stage of 1.7 million of Bokaro steel plant which was originally projected for completion by March, 1971 had been delayed. Major contributory causes were stated to be initial delay in getting possession of land, delay in manufacture and supply of equipment by the indigenous manufacturers, industrial unrest and occasional delays in the supply of essential inputs such as refractories, matching sections of steel, cement, industrial gases, etc. The Committee note that a detailed review of progress of work was conducted and as a result of this exercise the construction schedule has been updated according to which first stage is expected to be completed by December, 1975. The four million stage is projected for completion by December, 1977, and the cold rolling mill complex by 1979. The Committee are informed that the SAIL/Steel Ministry have been giving all assistance to the plant manage-

ment in the procurement of essential inputs, follow-up of equipment supplies by indigenous manufactureres, securing import clearances, etc. SAIL/Department of Steel are stated to be closely monitoring the progress of the work and reviewing the progress. The progress is also stated to be reviewed frequently by the Board of Directors of Bokaro Steel. The Committee would urge that SAIL|Government should ensure that there is no further slippage in the programme of completion and the revised schedule are adhered to.

### **Reply of Government**

#### **1.7 MT stage**

For the 1.7 Mt stage the most critical milestone was the commissioning of the hot strip mill by December, 1975. One blast furnace and one coke oven battery which were ready in the middle of 1975 have been commissioned on the 13th April, 1976 after the improvement in coal supply. Similarly, for the Cold Rolling Mill Complex efforts are on to start the trial run of this unit by December, 1976. Compared with this terminal date for 1.7 MT stage, all other units except Blast Furnace No. 3 will be ready by the time the Cold Rolling Mill Complex is commissioned. Blast Furnace No. 3 is expected to be completed by April, 1977 (the delay in this behalf is primarily due to some defective equipment supply). It may be added that as far as steel-making is concerned, the delay in completion of the Blast Furnace No. 3 should not matter (this Blast Furnace is provided only for saleable pig) as the hot metal from the other two blast furnaces which are working to a high degree of efficiency will be adequate for ingot steel production of 1.7 stage.

#### **4.0 MT stage**

As regards units coming under 4.0 MT stage an overall delay of about 18 months is envisaged in the completion of the construction (excluding cold rolling mill complex where the delay envisaged is of about 22 months) due to delay in supplies of structures such as cranes and electrics by different agencies for SMS-II complex which is the most critical unit of 4.0 MT stage construction. The likely commissioning date for SMS-II as per present indications is June, 1979, and other input facilities like Blast Furnace and Coke Ovens are expected to be ready well in time of the likely commissioning date of SMS-II complex.

#### **CRM Complex-4.0 MT stage**

The most likely commissioning date for the CRM Complex of 4.0 MT stage will be July, 1981 subject to supplies of equipments from USSR being made on time.

The revised coordinated construction schedule upto four-million-tonne stage of the Plant, prepared by Bokaro Steel Ltd., is under consideration of the Government.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 17th September, 1976].

**Further information called for by the Committee**

Whether the Coordinated Plan has been finalised; if so, whether the scheduled dates of completion would be adhered to.

[L.S.S. O.M. No. 26-PU/75 dated 13th October, 1976].

**Further Reply of Government**

The revised coordinated construction schedule up to 4 MT stage of the Bokaro Steel Plant has since been approved by Government. According to the procedure, the schedule worked out is sent to Tiajpromexport, USSR as both sides are required to jointly finalise it. This is being processed.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated the 22nd November, 1976].

**Further information called for by the Committee**

Has Blast Furnace No. 3 been completed? If no, reasons for delay?

[L.S.S. O.M. No. 26-PU/76 dated 10th May, 1977].

**Further Reply of Government**

The construction of Blast Furnace No. 3 of Bokaro Steel Plant has not so far been completed and the only constraint is the non-receipt of equipment required.

According to the revised schedule, Blast Furnace No. 3 of Bokaro Steel Plant was to be commissioned in April, 1977. In view of the delays taking place in the supply of equipment, a detailed analysis of the various constraints in the commissioning of this Blast Furnace was carried out by the management in December, 1976, which was also discussed during finalisation of the Annual Plan for 1977-78. On the basis of commitments of supply of various equipment then made by the equipment suppliers, the commissioning of Blast Furnace No. 3 was postponed to August, 1977. Because of continued delays in supplies and rectification of defective/damaged equipment by the major indigenous and Soviet suppliers this target date had also to be revised and it is now expected to be commission-



ed in the first quarter of 1978. Attempts are being made to ensure the commissioning date and efforts at all levels are also being made to ensure timely supply of equipments.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. III) dated 29th August, 1977].

### **Further Reply of Government**

With the commissioning of Blast Furnace No. 3 on 26th February, 1978 the 1.7 m.t. stage of the Bokaro Steel Plant was virtually completed. Completion of this Blast Furnace (which was earlier planned for August, 1977) was delayed due to delay in supply of equipment by some of the indigenous manufacturers as well as rectification of the equipments supplied by them. This delay in commissioning of Blast Furnace No. 3, however, did not affect the ingot steel production of 1.7 m.t. stage as this Blast Furnace is provided for production of saleable pig iron; and the two Blast Furnaces commissioned earlier could supply enough hot metal for ingot steel of 1.7 m.t. stage.

2. As regards the units coming under the 4.0 m.t. stage, the project apprehends that there might be a further delay of 10 to 12 months as compared to the approved revised time schedule of December, 1976. This is in addition to 18 months delay as indicated in the earlier reply of Government to this recommendation. The major reasons for these delays are follows:

- (i) Delay in supply and also non-sequential despatches of equipments by various major equipment suppliers including USSR.
- (ii) Heavy rectification to be carried out at site in equipments supplied particularly for coke ovens and Blast Furnaces and structures of Steel Melting Shop No. 2.
- (iii) Delay in finalisation of orders of equipments to be imported from USSR due to non-supply of draft contract by V/o Tiazpromexport.
- (iv) Shortage of manpower and resources with various construction agencies for working at peak rates to maintain the construction schedule.

3. All possible steps are being taken to ensure that the project gets commissioned with the least possible delay. Exact position about the delay will be known after some time when a detailed analysis and review that is being carried out by Bokaro Steel Plant is completed.

4. No delay is presently envisaged in the commissioning of the CRM Complex which is scheduled by December, 1982.

[Ministry of Steel and Mines O.M. No. H-11018/1/76-Parl. dated 14th December, 1978].

### **Recommendation (Serial No. 17, Paragraphs 3.95-3.96)**

The Committee note that out of 192 electric arc furnace units accorded registration/granted letters of intent/industrial licences, only 59 units were reported to have gone into production. It has been stated that production of steel of the electric furnace units in relation to the total steel production would work out to about 16 per cent to 20 per cent. The Committee were however informed that so far no detailed studies had been undertaken on the investment pattern *vis-a-vis* cost of production and it is proposed to undertake a study shortly. Also the Government policy is to consolidate the capacity already authorised and to regulate further growth of industry in keeping with availability of inputs. It has been stated that electric arc furnace units have some advantages over integrated steel plants.

The Committee felt that such studies about the economics of plants *vis-a-vis* cost of production should have been undertaken well in advance before licences for putting up such plants were granted at all. The Committee agreed that it is desirable to consolidate the capacity already authorised in keeping with availability of inputs. The Committee urge that Government should lose no time in making a critical evaluation of the working of the plants already put up and also study the economics of such plants and improved production of steel. The Committee would like to be informed of the results of such studies.

### **Reply of Government**

Two firms of consulting engineers—(i) M/s. Metallurgical & Engineering Consultants (India) Limited and (ii) M/s. Dastur & Co. Ltd., Calcutta, have been commissioned by the Government in February, 1976 to study the problems of the mini steel plants and suggest remedial measures. In this connection, the consultants will make an indepth study of the representative mini steel plants in order to assess their present status, cost of production, and feasibility of diversification into other products. Based on this study the perspective demand for different grades of steel and the commercial viability of production in mini steel plants, the consultants will suggest possible modification and diversification, if any by the mini steel plants. A Committee has also been set up to coordinate the Reports of the two consultants. Their Report is expected to be submitted by the end of the year 1976.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 30th July, 1976].

### **Further information called for by the Committee**

(a) Has the Committee, which was set up to coordinate the Reports of the two consultants, submitted its Report; and

(b) If so, what are the findings of the Committee and reaction of the Government thereon?

[L.S.S. O.M. No. 26-PU/75 dated 10th May, 1977].

### **Further Report of Government**

The Report of the Coordination Committee has been received. A copy of the same is enclosed. The report may be treated as confidential.

The Committee has observed that:

Mini Steel Industry has a definite role to play in the national economy;

It has an inbuilt strength to stand on its own, specially by efforts made from within and encouragement and assistance from Government and other agencies.

The recommendations of the Committee for improving viability of the mini steel plants are under consideration of the Government.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. III) dated the 27th May, 1977].

*(Vide Appendix III for Further action taken)*

### **Further Reply of Government**

In accordance with the recommendations contained in the Report of the Coordination Committee Government have taken several steps to improve the working of the mini steel plants. Steps have also been taken to improve the availability of scrap by ship breaking. Steps taken are mentioned below :

- (i) Excise duty on production of ingots/rolled products has been abolished;
- (ii) Import of Ferrous melting scrap for use in the electric arc furnace has been exempted from customs duty;
- (iii) Apart from allowing direct import of 2,00,000 tonnes of ferrous melting scrap by the electric arc furnace units on *ad-hoc* basis during 1977-78 against which the units have finalised import of about 60,000 tonnes, in the current year, import of ferrous melting scrap has been placed on the canalised list without any quantitative restriction. In addition, import of

foreign flag vessels for breaking has also been recently provided for under the import policy. Ship breaking generates 10 per cent to 15 per cent melting scrap which will be available for melting by the melting units, apart from 75 per cent re-rollable which will be supplied to the Re-rolling mills which in turn will be making more melting scrap available to electric arc furnaces;

- (iv) Excise duty on certain categories of heavy melting scraps procured from the integrated steel plants has been abolished;
- (v) Mini steel plants have been allowed to diversify into production of certain grades of alloy steels;
- (vi) It has been agreed that financial institutions may consider favourable applications for loans from mini steel plants for purposes of diversification, depending upon the viability of the scheme;
- (vii) Import of Graphite Electrodes has been allowed to meet the shortage of supply from indigenous sources; and
- (viii) Steel Re-rolling mills and mini steel plants may now seek financial assistance under the Soft Loan Scheme, which provides for financial assistance of easier terms.

2. As a result of the concessions and price increases of certain categories of steel announced by the Government, the production of steel by mini steel plants has shown an upward trend as indicated by the following figures:—

		(Tonnes of steel ingots)	
		1977-78	1978, 79
April	. . . . .	80,567	1,22,665
May	. . . . .	70,992	1,23,414
June	. . . . .	84,672	1,22,454
July	. . . . .	90,651	1,39,032
August	. . . . .	88,565	1,36,385
September	. . . . .	87,379	1,37,424
October	. . . . .	92,914	1,35,564
November	. . . . .	98,051	
December	. . . . .	1,07,099	
January	. . . . .	94,579	
February	. . . . .	1,04,369	
March	. . . . .	1,34,990	
		11,34,828	9,18,449

3. According to an assessment made the availability of indigenously produced scrap is just sufficient to produce 1.7 million tonnes of liquid metal by the mini steel plants. Since the production of liquid metal by mini steel plants is likely to cross the 2 million tonnes mark, import of some categories of steel melting scrap is unavoidable. To facilitate the import of scrap, a further concession has been granted to these plants on 1st January 1979 by exempting the imports of scrap (other than heavy melting scrap) from the levy of countervailing duty of Rs. 165 per tonne.

[Ministry of Steel and Mines O.M. No. 11018/1/76-Parl. (Vol. IV) dated 11th January, 1979].

### **Recommendation (Serial No. 18 Paragraph 3.97)**

The Committee also note that a large number of Units have not been able to start production for want of power as the States concerned are in a position to help them in this matter and further licensing of such units has been discouraged on this account. The Committee desired that the matter regarding shortage of power supply to these units should be taken up at the highest level and adequately programmes for augmentation of power supply for the steel industry may be drawn up on priority basis.

### **Reply of Government**

Till about a year ago, low availability of power was a major problem of the main steel plants. The matter was taken up with the Ministry of Energy (Department of Power) and the need for ensuring adequate and uninterrupted power supply to the electric furnace units stressed. The Department of power had informed Department of Steel that the power position in the country was by and large satisfactory except in a few States. The Steel Furnace Association has also since reported (April 1976) that at present no unit is suffering on account of power restraint.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 30th July, 1976].

### **Recommendations (Serial No. 19 Para No. 3.108)**

The Committee note that Steel Authority of India Ltd. has taken various steps to effect reduction in the cost of production. The steps include improvement in consumption norms (e.g. in Bhilai the coke rate has been reduced), better yield of finished goods (e.g. defective have been reduced due to better performance of rolling mills), better capacity utilisation leading to reduction in cost per tonne of fixed costs and better cash management and distribution system. The representative of SAIL has

admitted during evidence that "we are aware of the problem in these defined areas; but there are other areas...we can lessen the fixed charge of labour or total salaries and wages etc. one can only lessen this as expansion takes place and try to absorb some of the workers from places where we think we have large staff. Results can be achieved by improving operational efficiency, by improving productivity by getting less defectives and by having economy in distributive costs." The Committee recommended that Government/SAIL should critically examine and identify the area in each steel plants where there is scope for reduction in cost, formulate a separate programme for each plant for bringing about economies in those areas, and ensure that the cost reduction programme is implemented in a systematic manner and monitor the result of such programmes.

### **Government's Reply**

Steel Authority of India Ltd. has adopted a two-pronged approach towards achieving cost reduction in steel plants:

- (a) In specific cost reduction areas requiring extensive technological improvements, projects are formulated and assigned to the Research and Development Organisation of Hindustan Steel Ltd. which carries out necessary studies in collaboration with the steel plants and other agencies concerned. Some of the major cost reduction programme in hand are as under:
  - (i) Improvement in the lining Life of LD convertors at Rourkela Steel Plant.
  - (ii) Reduction in coke consumption in blast furnaces by injection of non-coking coal dust at Bhilai.
  - (iii) Improvement in productivity of blast furnaces by optimising Mgo content in slag.
- (b) system of exchange of cost and productivity data among the steel plants has been introduced. This would enable each plant to study the achievements in other plants and the method adopted therefor and to take advantage thereof in improving its own norms.

Each plant is required to work out norms for each department at the beginning of a year taking into account all operational and other relevant factors including the quality of raw materials. These norms are then translated into standard costs and budgets.

A system of standard costing and monitoring variations from the norms exists in each steel plant.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 1-9-76]

**Recommendation (Serial No. 20, Para No. 3.109)**

The Committee also suggest that there should be a continuous review of cost and cost reduction processes so that suitable measures may be taken in time to rectify deficiencies.

**Government's Reply**

Noted. As stated in reply to Recommendation No. 19, a system of standard costing exists in each steel plant. Variances between actual and standard costs are analysed every month. The variances are reported to the concerned shops and discussed for corrective action. Consolidated reports are also submitted to the plant/Management/Board and where necessary remedial actions are taken.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 1-9-1976]

**Recommendation (Serial No. 21, Para 3.110)**

The Committee also recommend that detailed investigations for development of norms of consumption standards of unit prices for materials and services and labour productivity should be done and efficiency of production should be judged with reference to such norms.

**Government's Reply**

As stated in replies to Recommendations Nos. 19 and 20, norms are fixed in the beginning of the year after detailed study of the parameters likely to obtain during the year and the system of standard costing provides for working out price variances in comparison with standard prices. As regards labour productivity, steel plants have set before themselves the target of 100, 90 and 95 ingot tonnes per man year in respect of Bhilai, Durgapur and Rourkela Steel Plants respectively and their performances are judged in the context of these targets. On the existing basis, productivity has shown some improvement in 1975-76 over that of 1974-75. However, the present formula for determining productivity is being studied further with a view to improving it so that productivity can be reflected with greater exactitude.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018/1/76-Parl. (Vol. II) dated the 18th September, 1976]

### Further information called for by the Committee

What was the productivity during 1976-77 as compared to 1974-75 and 1975-76?

[L.S.S. O.M. No. 26-PU/75 dated 31-12-77].

### Further Reply of Government

Productivity figures (Works Administration) for the HSL Steel Plants during the years 1974-75, 1975-76 and 1976-77 are as under:—

(Tonnes per man year)\*

Unit	1974-75	1975-76	1976-77
Bhilai Steel Plant	65	70	74
Durgapur Steel Plant	32	39	43
Rourkela Steel Plant	41	49	56

Production of ingot steel 25% of saleable pig iron

\*Productivity in Tonnes per man year. Total number of Personnel in position.

[Ministry of Steel and Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. IV) dated the 14th February, 1978].

### Recommendations (Serial No. 22, Para 3.113—3.118)

The Committee note that for encouraging growth of small scale industries, 45 industrial units have been set up, around the Bhilai Steel Plant and these are able to supply maintenance a number of sophisticated items besides maintenance spares such as door frames, armour frames, grab buckets etc. The value of orders for repetitive items have increased from Rs. 39.59 lakhs during 1969—71 to Rs. 102.62 lakhs during 1973—75. A number of orders for non-repetitive items had also been placed on these units and during April '74 to September '75 alone these industries received orders for 482 items of value of Rs. 1.5 crores.

In Rourkela, out of 170 units in the State, 104 are located around Rourkela and these supplied spare parts for various non-ferrous castings, lancing tubes, chain clings etc. for the steel plant and the total value of orders ranged from Rs. 5 lakhs in 1965 to Rs. 5.3 crores in 1973-74. It has however, been stated by SAIL that there is further scope for small industries to come up.

In regard to Durgapur Steel Plant it has been stated that an Ancillary and Small Scale Industries Development Committee was set up by West



Bengal Government and a large number of industries servicing the needs of steel plant or connected with the steel plant or steel population have come up within an area of about 20 miles. A substantial portion of the products of the industries is consumed by Durgapur Steel Plant.

In Bokaro, the Bokaro Industrial Development Authority was constituted by Government of Bihar for developing small, medium and large scale industries and Bokaro Steel Plant, and 189 units have so far been allotted land out of which 55 are in production and 87 under construction. A number of items made in these units are purchased regularly by BSP, and during 1973-74 orders worth Rs. 42 lakhs were placed on the ancillary units.

The Committee feel that, although efforts have been made for the development of ancillary industries around each of the steel plants, there is still much scope for the development of the ancillary and small scale industries. The Committee would like SAIL continue its effort in this direction so that not only the products of these units could be utilised to a greater extent by the Steel Plants and the plants assured of regular and continuous supply of spare parts and other materials but at the same time greater employment potential is created.

The Committee would, in this connection, invite the attention of Government/SAIL, to their recommendations contained in paragraph 9.21 of their 40th Report (1973-74) on Role and Achievement of Public Undertaking.

#### **Reply of Government**

Noted. As desired, SAIL is continuing its efforts at encouraging growth of ancillary and Small Scale Industries around the steel plants.

[Ministry of Steel and Mines (Department of Steel) O.M.  
No. 11018(1)/76-Parl. (Vol. II), dated 1-9-76].

#### **Recommendation Serial No. 23, Para 4.6—4.8**

The Committee note that the contribution of National Mineral Development Corporation, a subsidiary of Steel Authority of India Ltd., to the total production of Iron ore in the country has come down from 14.7-73 per cent in 1971 to 14.67 per cent in 1974 though in terms of actual quantity produced there is a marginal increase from 50 lakh tonnes in 1971 to 51 lakhs tonnes in 1974. They also note that the production in the National Mineral Development Corporation mines has been lower than the targets all these years. The reasons for lower production have been stated to be less recovery of lump ore (64 per cent) from Bailadila than that anticipated in the Draft Project Report (75 per cent), arising of 10 per

cent waste material and blue dust not originally catered for in DPR, delay in completion of plant by over one year and in the receipt of critical spares (both imported and indigenous), occasional break-downs of plants, inclement climate conditions and strike in the Railways and its after-effects, and also delays in the completion of modification and expansion of Kiriburu due to delays in supplies from Heavy Engineering Corporation. The Committee were informed that SAIL/NMDC had taken a number of steps to remove the constraints and increase the production from the mines. The steps include better preventive maintenance of equipment improvement in availability of spares, increase in total excavation of ROM to the level of 6.6 million tonnes per year against the DPR estimate of 5.5 million tonnes, arranging indigenous supply of apron links and plates and training of managerial and operating personnel. The Committee were also informed that a high level technical Committee was appointed to study the deficiencies in equipment and plant facilities at Bailadila-14 and most of the additional equipment suggested by the high level Committee had already been commissioned. The Committee were further informed that in order to meet the increasing requirements of high quality iron ore for the steel industry and for export, the NMDC had taken up modification and expansion of Kiriburu mines, the development of Meghatabury Donimalai Complex, Kudremukh Group of Mines and Bailadila Deposit No. 5 and exploration of Bailadila Deposit No. 4 and Malangtoli deposits.

The Committee wish to refer to paragraphs 5.56 and 5.57 of their 37th Report (4th Lok Sabha) 1972-73 on NMDC in which they had recommended that the management of NMDC should take all possible steps to increase recovery of lump ore and enhance efficiency in production. Though these recommendations were made as early as November, 1973 they regret to note that instead of showing improvement consistently, the production has gone down from 50 lakhs tonnes in 1973-74 to about 36 lakhs tonnes in 1974-75. The Committee views with deep concern, the fall in production of iron ores to the extent of 14 lakhs tonnes in 1974-75 in spite of SAIL's existence to coordinate the inputs.

They would like Steel Authority of India Ltd. to go into the reasons for the shortfall and take suitable measures to improve the production of iron ores. The Committee recommended that concerted efforts should be made of SAIL/NMDC to increase recovery of lump ore to bring it nearer to 75 per cent as provided in the D.P.R. and to improve efficiency in production of iron ore in the NMDC mines so that they can meet the increasing requirements of high quality iron ore for the Steel Industry and for export.

The Committee need hardly stress the importance of increasing the production in mines so as to enable the steel plants to correspondingly achieve better performance and output.

**Government's Reply**

The total production of iron ore by NMDC in 1973-74, 1974-75 and 1975-76 was as follows:—

	(Lakh tonnes)
1973-74	50.33
1974-75	50.51
1975-76	66.65

It may be noted that there was no decline in production in 1974-75 as compared to production in 1973-74 and, in fact, the performance in 1974-75 was intrinsically better than in the previous year in-as-much as there was an estimated loss of production of 4.22 lakh tonnes in 1974-75 due to workers' strike in April-May, 1974. The production of 36 lakhs mentioned by COPU for the year 1974-75 in their recommendation No. 23 relates only to the first 9 months, *i.e.*, April-December 1974. The actual production for the full year was 50.51 lakhs tonnes and is relevant for comparison purposes. The increasing trend in production that had set in, in 1974-75, was maintained in 1975-76 when a total production of 66.65, lakhs tonnes was achieved. With the commissioning of Bailadila Deposit No. 5 and Donimalai towards the end of the year 1976 NMDC will indeed contribute an increasing portion of national out-put of iron ore from 1977 onwards.

In paragraphs 5.56 and 5.57 of their 37th Report COPU had recommended that the management of NMDC should take all necessary steps to increase recovery of lump ore and increase efficiency of production. In pursuance of these recommendations, NMDC has taken and is taking necessary measures, the progressive results of which are, to an extent, reflected in the performance figures reported above. So far as lump recovery is concerned, the stipulation in the DPR to the effect that lump recovery would amount to 75 per cent was based on the exploration report of Indian Bureau of Mines. Since then, further detailed exploration work has been carried out by NMDC. They have established that lump recovery in the deposit as a whole (excluding blue dust occurring within the quarry boundary) will be about 64.3 per cent. The NMDC's projections for the next four years (1976-77 to 1979-80) are that the lump, recovery would amount to 63 to 64 per cent, after mining and dumping blue dust in the deposit separately. It is, therefore, submitted that decrease in the recovery of lumps in relation to the DPR stipulation is not due to any deficiency in the method of mining ore but due to variation in the posturates about the geological nature of the deposit.

[Min. of Steel and Mines (Deptt. of Steel) Office Memo No. H-11018 (1)/76-Parl. (Vol. II) dated 8th September, 1976].

**Recommendations (Serial No. 24, Paragraph Nos. 4.9 & 4.10)**

The Committee also note that for meeting the increasing requirements of high quality iron ore for the steel industry and export, NMDC/SAIL had taken up new programmes like modification and expansion of Kiriburu, development of mechanised mines at Maghahatubury, Donimalai complex, Kudremukh mines, Bailadila No. 4 and 5 malangtoli.

The Committee recommend that the work on these projects should be monitored regularly with a view to ensuring that they are completed not only according to schedule but also to meet the requirements of steel plants to which they have been/or would be linked, or become available for the purpose of exports as the case may be.

**Government's Reply**

The recommendation is accepted. The progress of iron ore Mining projects of NMDC/SAIL is regularly reviewed against the schedules and against the requirements for the Steel Plants/Exports, at various levels. However, the suggestion of the Committee for regular monitoring of the projects is noted and greater efforts will be made in this regard.

[Min. of Steel and Mines (Deptt. of Steel) Office Memo. No. H-11018 (1)/76-Parl. (Vol. II), dated the 8th September, 1976].

**Recommendation (Serial No. 25, Paragraph No. 4.21)**

The Committee note that as against the programme of supply of iron ore to the Bhilai, Durgapur, Rourkela and Bokaro Steel Plants during the year 1972-73, 1973-74 and 1974-75 to the extent of 8.95 million tonnes, 10.78 million tonnes, 10.80 million tonnes respectively the actual receipts of iron ore by these plants during the aforesaid periods were 8.26 million tonnes, 8.41 million tonnes, 9.05 million tonnes respectively. The receipts of iron ore in these plants during 1972-73 and 1973-74 generally matched with the consumption excepting in Rourkela during 1973-74 where the receipt of iron ore was short of consumption by 0.16 million tonnes and the shortfall was stated to have been met from the stock already available. The Committee were informed that though the production in Rourkela Steel Plant has not suffered, SAIL agreed to provide for additional line capacity at Rajkharwan to facilitate transport of iron ore from the Barajamda mines and the possibility of transporting part of high grade ore by road is also stated to be under examination. The Committee feel that this difficulty of transport should have been anticipated by SAIL earlier and the matter regarding provision with additional railway line should have been taken up earlier with the railways and settled in the interest of avoiding held ups at Rajkharwan. The committee understand that a sum of Rs. 50 lakhs has

since been deposited with the Railways for construction of by-pass at Rajkharswan. The Committee would like SAIL/Government to pursue the matter with the railways to see that the railway line is provided at the earliest.

### **Government's Reply**

The economic and necessity of the proposed bye-pass line at Rajkharswan is under further examination, in consultation with Steel Authority of India Limited. Railways have also indicated that till 1978-79, they will be able to move with two additional lines built at Rajkharswan, two rakes of iron ore per day, in the first instance.

[Min. of Steel and Mines (Deptt. of Steel) Office Memo. No. H-11018 (1)/76-Parl. (Vol. II), Dated the 8th September, 1976].

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The Committee note that as against the programme of supply of iron ore to the Bhilai, Durgapur, Rourkela and Bokaro Steel Plants during the years 1972-73, 1973-74 and 1974-75 to the extent of 8.95 million tonnes, 10.78 million tonnes, 10.80 million tonnes respectively the actual receipts of iron ore by these plants during the aforesaid periods were 8.26 million tonnes, 8.41 Million tonnes, 9.05 million tonnes respectively. The receipts of iron ore in these plants during 1972-73 and 1973-74 generally matched with the consumption excepting in Rourkela during 1973-74 where the receipt of iron ore was short of consumption by 0.16 million tonnes and the shortfall was stated to have been met from the stock already available. The Committee were informed that though the production in Rourkela Steel Plant has not suffered, SAIL agreed to provide for additional line capacity at Rajkharswan to facilitate transport of iron ore from the Barajamda mines and the possibility of transporting part of high grade ore by road is also stated to be under examination. The Committee feel that this difficulty of transport should have been anticipated by SAIL earlier and the matter regarding provision of additional railway line should have been taken up earlier with the railways and settled in the interest of avoiding held ups at Rajkharswan. The Committee understand that a sum of Rs. 50 lakhs has since been deposited with the railways for construction of by-pass at Rajkharswan. The Committee would like SAIL/Government to pursue the matter with the railways to see that the railway line is provided at the earliest.

### **Reply of Government**

In addition to the earlier information communicated through the Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/

76-Parl. (Vol. II) dated the 8th Sept. '78 the following further information is given:

"The necessity or otherwise of the Rajkharswan by-pass line on S. E. Railway has since been examined in detail, mainly in the context of the requirements of iron ore for Bokaro. It was seen that the revised requirement of iron ore from Barajamda Sector to Bokaro as estimated by 1982-83 and beyond, would be less than 1.2 million tonnes per year, against the existing Railway capacity of 1.3 million tonnes per year (2 rakes per day).

In view of the above, it was felt that construction of the by-pass line at Rajkharswan was not necessary. Railway have already been informed accordingly, with a request to refund the amount of Rs. 50 lakhs deposited by Bokaro Steel Plant with the Railways along with the interest accrued thereon.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018/(1)/76-Parl. (Vol. IV), dated 28-12-1978].

#### **Recommendation (Serial No. 26, Para 4.22)**

The Committee note that, in Durgapur, during 1974-75, the ore supply programme was based on an anticipated hot metal production of 1.2 million tonnes. The actual production was however 0.92 million tonnes and the receipt of ore exceeded the consumption. It has been stated that the mechanised section of the Bolani Mine has been expanded so that it may constitute a more stable base for lump ore and grade fines. The Committee would like to watch the developments in this regard.

#### **Government's Reply**

Bolani Ores Limited has since commissioned the expanded mine. There have been some initial teething troubles in the crushing plant and these are being attended to. The question of washing the entire product of Bolani Ores Ltd., or washing of fines only during monsoon season is being examined in the context of the quality of ores that the expanded mine is supplying.

[Min. of Steel & Mines (Deptt. of Steel) Office Memo. No. H-11018(1)/76-Parl. (Vol. II), dated 31st August, 1976].

#### **Further Reply of Government**

In addition to the reply communicated through the Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated the 31st August, 1978, the following further information is given.

The production at Bolani mines, after initial teething troubles in the expanded units, has been steadily increasing and is at the rate of about 1.1—1.2 million tonnes per year.

[Ministry of Steel & Mines, Deptt. of Steel O.M. No. H-11018(1)/76-Parl. (Vol. IV), dated 30-11-1978].

### **Recommendation (Serial No. 27, Para 4.23)**

The Committee note that the production in Bokaro did not suffer due to shortage of iron ore and its ore requirements were fully met. Though its ore requirements for 1974-75 were based on the planned hot metal production of 0.81 million tonnes, the actual production was only 0.75 million tonnes, and the receipts of ore exceed the consumption. The Committee feel that less consumption of iron ore and consequent loss of production in Bokaro during 1974-75 only indicate that there was scope for improvement in production by full consumption of the receipts. The Committee recommend that all efforts should be made to ensure that production does not lag behind the planned target.

### **Reply of Government**

The actual production of hot metal in the Bokaro Steel Plant during 1974-75 was .78 million tonnes against the planned production of .86 million tonnes—indicating a shortfall of 80,000 tonnes. This shortfall in production resulted from Blast Furnace No. 1 working below the targeted production during the period from April to September, 1974. The main reasons for the poor performance of the Blast Furnace which hampered production were as under.

- (i) The receipts of iron ore were erratic and inadequate during March and April, 1974 (stock of iron ore fines was almost nil on the 3rd April).
- (ii) The coal supplies during the period April to August, 1974 were not adequate to keep the coking time at 18 hours to get coke of desired reactivity (it was only from September, 1974 onwards that the desired coking time could be achieved with the increase in coal supplies).
- (iii) There was power interruption during April-May, 1974 which affected continuous working of the Sintering Plant and in turn reduced the sinter charge in the Blast Furnace.

The production in the Blast Furnace picked up from October/November, 1974 with the improvement of supplies of coal and iron ore from that time onwards. However, the production during these two months, when the bedrock of the raw materials was being developed to the desired levels, remained somewhat below the targeted production. During the months

from December, 1974 onwards, production from the Blast Furnace exceeded the monthly targets.

In the following year 1975-76, the production of hot metal in the Plant was .97 million tonnes which was 24.4 per cent higher than the previous year's output of .78 million tonnes. The plan for the year envisaged commissioning of the second Blast Furnace in August, 1975 and of the third Coke Oven Battery in November, 1975, but this schedule could not be adhered to due to supply/stock of coking coal being inadequate at all the steel plants. This resulted in the Plant having only one furnace operation throughout the year. The second Blast Furnace could start production only in April, 1976 consequent on the improved coal supplies from December, 1975.

[Ministry of Steel and Mines (Department of Steel) Office Memorandum No. H-11018(1)/76-Parl. (Vol. II), dated the 21st September, 1976].

#### Further Reply of Government

As mentioned in the previous reply of Government, Blast Furnace No. 2 was commissioned only in April, 1976. Subsequently Blast Furnace No. 3 was commissioned in February, 1978. The production of hot metal and target fulfilment during 1976-77, 1977-78 and April-October, 1978 was as follows:

Period	Plan (‘000 t)	Output (‘000 t)	Target fulfilment (%)
1976-77	1750	1738	99.3
1977-78	2140	1547	72.3
1978-79 (April-November)	1784	1255	70.4

The shortfall in output as compared to the target for 1976-77 and 1977-78 was mainly due to delay in commissioning of Blast Furnace No. 2 by about four months and Blast Furnace No. 3 by about six months as compared to the expected dates on the basis of which annual production plan had been finalised. The other major reasons for shortfall during 1977-78 and April-October, 1978 were—.

(a) strike by the crane operators and mobile equipment operators for a month from February 27, 1978, and its after effects;

(b) poor quality of coal received and resultant coke;



- (c) industrial relations problems in the coke ovens and steel melting shop, particularly during June, 1978;
- (d) low off-take at times at Steel Melting Shop wherein there was low availability of converters as also of teeming/slag ladles and lances, particularly from July, 1978;
- (e) powerdrawal restrictions from DVC as well as instances of system failures.

[Ministry of Steel and Mines O.M. No. H-11018/1/76-Parl-Vol. IV dated 14-12-1978]

**Recommendation (Serial No. 28 paragraph No. 4.24)**

The Committee note that the completion of the Kiriburu Modification Section is held up because of non-receipt of equipments for all the ore fine handling section. The Committee recommend that the SAIL/Ministry should take up the matter with the Ministry of Heavy Industry and the Heavy Engineering Corporation to ensure that there is no further delay in the supplies and the work is completed at least by the revised schedule.

**Government's Reply**

The recommendation is accepted.

The Kiriburu Modification and Expansion Scheme has since been almost completed and the project is meeting the full requirements of lump and fine ore by Bokaro. However, certain initial difficulties being experienced with regard to the mobile equipment supplied by Heavy Engineering Corporation are being sorted out in consultation with the Department of Heavy Industry.

[Min. of Steel and Mines (Deptt. of Steel) Office Memo. No. H-11018(1)/76 Parl (Vol. II) Dated the 8th Sept. 1976]

**Further Reply of Government**

In addition to the earlier information communicated through the Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Par. (Vol. II) dated the 8th Sept. 1976, the following further information is given:

"Performance and guarantee tests were carried out in March, 1977. Rectifications, wherever necessary, have been carried out subsequently."

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. Vol. IV dt. 28-12-1978]

### Recommendation (Serial No. 29 Paragraph No. 4.26)

The Committee find that though by and large the iron ore requirements of the steel plants have been met, in regard to quality of ore, Fe content of ore supplied to Bhilai was 62.74 per cent in lump ore, 61.21 per cent in fines and 66.32 per cent in open hearth grade. In Durgapur Fe content in lump ore ranged between 60.8 per cent and 63.4 per cent and in fines it was 62.4 per cent. In Rourkela during 1974-75, the average Fe content in low grade lumps was 61.8 per cent and in fines Fe content was 60.9 per cent. In view of the wide variation of Fe content in lumps and fines supplied to the various steel plants during these years, the Committee are not sure whether low production in steel plants was attributable to the low quality of ores supplied, and variation in Fe content. They desire that the reasons for variation in Fe content should be critically analysed and steps taken to improve the quality of ore and supply the same according to required specifications so as to enable steel plants to, achieve better production results and bring down the cost of production. The Committee also recommend that suitable norms should be evolved to ensure best possible utilisation of the available iron ore consistent with the percentage of iron in lump and fines.

#### Government's Reply

1. The Detailed Project Reports of the different steel Plants stipulated Fe-content of respective B F grade are as follows:—

Bhilai		60% Fe
Durgapur	—	60% Fe
Rourkela		60% Fe
Bokaro	—	63% Fe

These were the norms on which productivity estimates were based.

2. As compared to the above, the actual position, as communicated earlier, has been as follows:—

Plant	Fe-content DPR Norms %	Actual Fe%		
		1972-73 Fe %	1973-74 Fe%	1974-75 Fe%
Bhilai	60	62.12	61.86	62.56
Rourkela	60	59.98	59.81	60.90
Durgapur	60	61.30	61.90	62.10
Bokaro	63	—	63.72	63.05

It will be seen that ores supplied to the steel plants were richer than what was stipulated in respective project Reports. In case of Rourkela, while Barsua Ore, which constituted bulk of the supplies conformed very nearly to norm, as seen above, Rourkela had also used over the years high grade ores from Barajamda in some quantities to sweeten Barsua ore. The blended Barsua and Barajamda ore analysed as follows (weighted averaged):—

1972—73	.	62.37%
1973—74	.	61.99%
1974—75	.	62.00%

Hence it cannot be said that production suffered due to poor quality of ore.

[Min. of Steel and Mines (Deptt. of Steel) Office Memo No. H-11018(1)/76-Parl. (Vol. II) Dated the 23rd September, 1976]

#### **Further Reply of Government**

In addition to the earlier information communicated through the Ministry of Steel and Mines (Deptt. of Steel) OM No. H-11081(1)/76-Parl. (Vol. II) dated 23rd September '76. The following further information is given :

“The ‘Norms Committee’ set up by SAIL recently has also been looking into certain norms for consumption of raw materials due to change in their quality. The Committee’s report is under examination.”

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. Vol. IV dated 28th December 1978].

#### **Recommendations (Serial No. 30, Paragraph 4.38)**

The Committee note that Steel Authority of India Limited has worked out the estimated requirements of iron ore during 5th and the 6th Plan periods for integrated steel plants and has linked each one of the steel plants with specific iron ore mines. They also note that the arrangements of transport of iron ore during the plan periods would normally follow the already agreed pattern for the year 1974-75 subject to such deviations as may be agreed to with the railways at the time of formulation of the annual plans. The Committee would like the SAIL to make sure that the iron ore mines linked with the respective steel plants are developed in time to produce the expected quantity of iron ore and meet the requirements of the steel plants in full. They would also like SAIL to maintain a close and continuous coordination with the railway authorities at the Centre and in the field to ensure

that there is no bottleneck in the movement of iron ore from the various mines to the respective steel plants etc., and to review along with the railway from time to time the execution of the new schemes and works for the transport of additional quantities of iron ore make sure that their completion synchronises with the additional production of iron ores in the existing mines and development of new mines.

### **Reply of Government**

The recommendation is accepted.

Steel Authority of India Limited has maintained a close and continuous coordination with Railway authorities, both at the Railway Board level "New Delhi and at the field level" Zonal and Divisional headquarters, to ensure that there is no bottleneck in the movement of iron ore from various mines to respective steel plants, etc. Before the production plan for the year is finalised, detailed discussions are held with the Railways in participation with representatives of steel plants and iron ore producing organisations to establish the linkage of movement of raw materials for the year. The monitoring of the linkage is done by the SAIL monitoring Cell at Calcutta on a day-to-day basis and also with the Railway Board at New Delhi. Deviations from the linkage, if required, are also discussed with the Railways and reviewed once in a month in a monthly iron and steel co-ordination meeting held by the Traffic Superintendent (Iron and Steel) of the Railways at South Eastern Railway Headquarters at Calcutta.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated the 8th September, 1976]

### **Further Reply of Government**

In addition to the earlier information communicated through the Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018/1/76-Parl. (Vol. II) dated 8th September 1976.

"Continuous coordination is being done with the Railway authorities, both at the Railway Board level, Delhi and at the field level, zonal and divisional Headquarters. Discussions are held with the Railways in participation with representatives of steel plants to establish the linkage of raw materials movement for the year, before finalising the year's production plan. The monitoring of the linkage is being done by SAIL Monitoring Cell at Calcutta on a day-to-day basis and also discussed, when necessary, with the Railway Board at Delhi and reviewed monthly in the iron and Steel coordination meeting held by the Traffic Superintendent (Iron and Steel) of the Railways at SER

Headquarters at Calcutta). SAIL has recently appointed a senior officer of the rank of General Manager for looking after the movement problems; he is stationed at Calcutta.”

[Ministry of Steel and Mines (Deptt. of Steel O.M. No. H-11018(1)/76-Parl. Vol. dated 28th December, 1978].

### **Recommendation (Serial No. 31 Paragraph No. 4.51)**

The Committee note that the Iron Ore Board has been set up as a Society under the Societies Registration Act, 1960 on 20th January, 1973 to act as an advisory body in respect of planning and development of all aspects of iron ore deposits in the country, to plan for adequate supply of best quality of iron ore for the steel industry and to promote export, to ensure coordination of infrastructure facilities for iron ore production and to promote equitable distribution of iron ore cargo or shipment from different ports etc., etc. The Committee also note that the Board has set up a number of committees to report on specific issues and initiated studies on various aspects of development and utilisation of iron ore deposits. The Board is also reported to have made a proposal for the levy of cess on the development of iron ore industry. The Committee however find that one of the functions of SAIL/MINISTRY is ‘Development of input industries relating to iron ore etc., required mainly by the Steel Industry’. The Committee therefore recommend that Ministry/SAIL should clearly define the role of Iron Ore Board vis-a-vis that of SAIL so that there could be an effective coordination between the functioning of the Iron Ore Board and that of SAIL without any overlapping in functions and the various problems of the iron ore mines can be resolved in time as the Board can help in the development of mines, maximise production and streamline movement of iron ore for the better performance of the steel plants. The Committee would also like that Government should review the functioning of Iron Ore Board after some time to see how far the setting up of the Board has been useful not only to the functioning of NMDC but also in improving the performance of steel plants.

### **Reply of Government**

The recommendations of the Committee are accepted and will be implemented.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated the 8th September 1976].

### **Recommendation (Serial No. 32 Para 4.83)**

The Committee note that for power, Rourkela Steel Plant is dependent on Orissa, State Electricity Board, the Bhilai Steel Plant on Madhya Pradesh

Electricity Board and the other steel plants, namely Bokaro, Durgapur, Alloy Steel Plant TISCO and IISCO are connected with Damodar Valley Corporation and all the steel plants except Bokaro have firm agreements with the concerned public utilities. The Committee also note that the firm agreements for supply of power between Bokaro steel plant and the DVC would be finalised shortly. The Committee recommend that for an assured supply of power from the DVC the Bokaro steel plant should without further delay finalise its requirements of power and enter into firm agreements with DVC.

### **Reply of Government**

An agreement for the supply of electrical power and energy to the Bokaro Steel Plant was signed on the 20th November, 1975 between the DVC and the Bokaro Steel Limited.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76, Parl. (Vol. II) dated 16th September, 1976].

### **Further Reply of Government**

As mentioned in the reply of Government given previously, an agreement for the supply of electrical power and energy to the Bokaro Steel Plant was signed on the 20th November, 1975 between the DVC and the Bokaro Steel Ltd.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. (Vol.IV) dated 14th December, 1978].

### **Recommendation (Serial No. 33 Paras 4.84 and 4.86)**

The Committee regret to note that during 1973-74, the country lost a total of about 4.14 lakhs tonnes of saleable steel attributable directly to power shortage and/or coal shortage resulting from power shortages in the collieries and mines. The Committee were informed that according to the recommendations of the Committee of Power Engineers of SAIL in July, 1973, the in-plant generating capacity of steel plants should be augmented in order to ensure uninterrupted operation and to avoid situations of unutilised steel capacity. The extent of augmentation was worked out as 665 MW except in regard to Bhilai and the Vishakhapatnam and Vijayanagar Steel plants which are yet to be assessed. With the augmentation of the in-plant capacity, the public utility systems catering to the requirements of the various steel plants would also have to be strengthened adequately so that they were able to meet total load requirement. It has been stated that the SAIL completed feasibility studies in respect of Bokaro, Rourkela, Durgapur, Bhilai and special steps have also been taken in improving the generation of captive power plants. The Committee were also informed

that two units of 200 MW have been sanctioned for installation at Satpura and Korba power houses of the Madhya Pradesh Electricity Board to augment the power supply to Bhilai and it was expected that the first unit of Satpura would be commissioned in 1977-78. In addition two units of 120 MW are also under erection at Amar Katak which are likely to be commissioned, one by the end of 1976 and the other by the middle of 1977. According to Department of Power sufficient capacity has thus been provided for in Madhya Pradesh to take care of the growing demands of power for increased production of steel in Bhilai and aluminium in Korba.

In so far as Rourkela is concerned, the Committee were informed that the steel plant did suffer due to shortage of power from Hirakund and Machkund. However, with the help of the Ministry of Irrigation and Power, Power was diverted from DVC through the grid system to enable Rourkela to take up more power. It has been stated that in respect of the eastern region primarily for Bengal and Bihar areas, in 1973-74 the situation was very bad but priorities were given to steel and coal which enabled steady supply of power from the DVC after the generation in DVC improved in March, 1974. According to Department of Power with the Commissioning of the 5th unit in Chandrapura by DVC, the full requirements of Bokaro Steel would also be met. The Committee were also informed that although SAIL had proposed installation of new captive power plants. The Department of Energy felt that the supply of captive power plants to steel plants would not be a wise additional investment in view of improvements in DVC. The Committee however find that power requirements by 1978-79 would be of the order of 1,216 MW out of which captive generation alone would be 303 MW. The Committee however understand that recently, the Steel Ministry has revived its proposal for setting up additional power generating capacities at the steel plants and the additional generating capacities would be of the order of 550 MW of value of Rs. 210 crores.

The Committee would like to be informed of the developments about the installation of captive power plants. The Committee recommend that coordinated and concerted efforts should be made by Government/SAIL to arrange for a regular and uninterrupted supply of power of required frequency for steel plants as well as to the coal mines and iron ore mines so that there is no loss of production on account of short supply of power or non-supply of power and the steel plants are run to optimum capacity. As it has been stated that setting up of a power plant takes nearly about 35 to 40 months, the Committee would like Government/SAIL to draw up a meaningful plan sufficiently in advance for power generation in a coordinated manner so that the requirements of power for the expanding steel industry not only in the 5th Plan but also in the 6th Plan period are realistically met. At Durgapur, Bhilai and special steps have also been taken in improving the time and the requisite power is made available to the steel plants.

## Reply of Government

The Government has recently enunciated the policy in regard to the setting up of captive plants. According to this policy augmentation of the existing captive generating capacities in the steel plants would not normally be allowed. The Public Utilities will meet the demands of the steel plants for the requirements of power. The Steel Plants have furnished their requirements of power to the Central Electricity Authority for the Fifth and Sixth Plan period so that adequate planning can be made in advance and sufficient generating capacity be installed to meet the demand of power from the steel plants.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 23rd September, 1976].

### Further Reply of Government

In addition to the earlier information communicated through the Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018/7/76-Parl. (Vol. II) dated 23rd September, 1976, the following further information is given:—

The steel plants continue even now to suffer from shortage of power supply from public utilities, both in quantity and quality. This is especially so in the Eastern Region with power supply by DVC, which not only affect the performance and scheduling of production of these steel plants resulting in production loss, but also endanger the life of the equipment. It was, therefore, considered essential to augment the captive power generation capacity at Durgapur and Bokaro Steel Plants by installation of additional units. These schemes have been approved by Steel Authority of India Ltd., and the Government. The tenders received for these schemes are expected to be opened in December, 1978.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. H-11018(1)/76-Parl. Vol. IV dated 28th December 1978].

### Comments of the Committee

(Please see Paras 30—33 of Chapter I of the Report)

### Recommendations (Serial No. 34, Para 4.121)

The Committee note that the requirements of refractories for the plants of HSL and Bokaro Steel Ltd., were of the order of 2.68 lakhs tonnes in 1972-73, 2.8 lakhs tonnes in 1973-74 and 2.69 lakhs tonnes in 1974-75.



The Committee were informed that although there are a number of suppliers for fire clay bricks and three suppliers for basic bricks and five for silica bricks there has been a shortage of quality refractories in these types and some other types of refractories. Also special refractories are not made in the country and therefore have to be imported. The Committee find that the imports were of the order of Rs. 397 lakhs, Rs. 301 lakhs and Rs. 597 lakhs during 1972-73, 1973-74 and 1974-75 respectively. The Committee were informed that the SAIL had in addition to taking a number of measures to make good the shortage and to remove the constraints regarding shortage of fuel oil, movement of raw materials and finished products, etc., had taken over two private undertakings, Asian Refractories (now known as Bharat Refractories) and Assam Sillimanite Limited and had also decided to put up a refractory plant of a capacity of 1.37 lakhs tonnes at Bhilai to manufacture high quality refractories. In addition, letters of intent/industrial licences have been issued by the Ministry of Industrial Development to the State Industrial Development Corporation of Tamil Nadu, Karnataka and Andhra Pradesh for creating additional capacities to the extent of over 6 lakhs tonnes of various types of refractories and the schemes are at various stages of implementation. According to SAIL, these refractories, when set up, will be able to meet the demands of the steel plants for production of 15.8 million tonnes in 1978-79 and 20 million tonnes in 1983-84. The Committee are also informed that SAIL had set up a refractory division with a view to coordinate the development of refractories in the country. The Committee would however stress that Government and SAIL should keep a close and continuous watch on the progress made by the refractory units in the implementation of the capacities licensed/sanctioned so that there is no slippage in the programme of commissioning and in achieving the production as per capacity. The Committee would also like the Government/SAIL to ensure that the new refractory plants are coordinated with the requirements of refractories of the new steel plants. The Committee also recommend that the quality control measures in these plants should be tightened up and improved to keep pace with the fast changing technology and faster rates of production in the steel industry.

(Para 4.121)

### Reply of Government

SAIL is keeping a close watch on the progress made by the refractory units in the implementation of the capacities licensed/sanctioned with respect to units under SAIL as well as new units being set up. In this connection, SAIL is also trying to ensure that the new refractory plants are linked with the requirements of refractories of the new Steel Plants. The new refractory plants would also have adequate quality control measures for which necessary testing facilities would be provided. Such facilities are being provided in the new refractory plant under construction at Bhilai, being implemented by Bhilai Steel Plant to meet the requirements of BSP.

In order to further augment the availability of quality refractories, the refractory plant of India Firebricks and Insulation Co. Ltd., (IIFCO) at Ramgarh, which was closed since January 1974 was restarted in March 1976, after SAIL had acquired majority shares of the Company and the management was restructured.

Besides, Ministry of Industry have constituted a Refractory Panel on which Steel Plants are also represented. It is examining in detail:—

- (i) the possibilities of improving the production from existing refractory-producing units by sorting out various operational problems;
- (ii) measures to be adopted by the refractory units for improving the quality of refractories to match the standards of steel plants refractories; and
- (iii) developing special refractories that are needed in the steel industry.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 18th September, 1976].

#### **Recommendation (Serial No. 35, Paras 4.122 to 4.123)**

The Committee feel that, based on the experience so far gained, it should be possible to rationalise the sizes of refractories so that it might be possible to push up indigenous production of the refractories and reduce their imports.

The Committee, however, note that the Asian Refractory Plant at Bhandaridah, Bokaro and which was under liquidation was acquired by Government and handed over to the Bokaro Steel Ltd., in 1972. Although the licensed capacity of the plant was 24,000 tonnes of fire bricks and 6,000 tonnes of silica bricks facilities for manufacture of silica bricks or the facilities in the plant were out of balance and additional balancing, equipments had to be installed to achieve the licensed capacity. The Committee find that the SAIL had prepared a detailed project report to put into commission and expand the refractory plant in two stages; the first stage to achieve a total production of 24,000 tonnes fire bricks and second stage expansion to its optimum capacity of 50,000 tonnes, the capital investment being of the order of Rs. 34.3 million in first stage and Rs. 80.5 million in the second stage. It has been stated that at 90 per cent utilisation the plant would be incurring a loss of Rs. 1.87 million in stage I and profit of about Rs. 3 million in stage II. The SAIL had decided to further explore the possibilities of reduction in capital investment and to improve profitability of the plant. Although it has been stated that the production of saleable refractories had

improved over previous year, the Committee would like SAIL to critically go into the economics of the plant before finalising the decision about the DPR. The Committee also note that besides the constraints of raw materials and power, there are difficulties in regard to railway siding and road facility. The Committee were informed that the question of providing the railway siding had already been taken up with the Railways and the question of roads with the State Governments. The Committee would like to be informed of the developments.

### **Reply of Government**

As mentioned in the recommendation, according to the detailed project report, the refractory plant at Bhandaridah of Bharat Refractories Ltd., was expected to incur loss in the first stage of expansion to 24,000 tonnes and make profit in the second stage of the expansion to 50,000 tonnes.

The DPR was further considered by the Board of Directors of Bharat Refractories Ltd., and it was decided that the plant should be expanded in the first stage itself to a level of production at which it becomes economically viable. Accordingly, Bharat Refractories Ltd., took up the matter with MECON who submitted a revised report for the production of 26,000 tonnes of refractories with an investment of Rs. 4.139 crores, the plant making a marginal profit at this stage. The Board of Directors of Bharat Refractories Ltd., considered the revised report and approved the expansion of the plant to 26,000 tonnes. This revised proposal has been subsequently approved by the Board of Directors of Bokaro Steel Ltd. (Bharat Refractories Ltd., is a subsidiary of BSL) and is at present under consideration by the Steel Authority of India Ltd.

It was contemplated that a railway siding would be provided at Bhandaridah only in the second stage of expansion of the plant and therefore this question is not being pursued at present. As regards the development of roads, it has been tentatively decided to develop the road between Phusro and Chandrapura, the development cost being shared between various beneficiaries such as DVC, CCL, BCCL and BSL. Further progress is being pursued with the State Government of Bihar.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. dated 17th September 1975].

### **Further information called for by the Committee**

(a) When was the DPR further considered by the Board of Directors of Bharat Refractories?

(b) When was the revised report for the production of 26,000 tonnes of refractories with an investment of Rs. 4.139 crores submitted by MECON and when was it considered by the Board of Bharat Refractories, and when was it approved by Bokaro Steel Limited?

(c) Has it been considered by SAIL? If so, what is the final outcome?

(d) What is the final outcome in regard to development of road between Phusro and Chandrapura?

(L.S.S. O.M. No. 26-PU/75 dated 13-10-1976)

### **Further Report of Government**

(a) The DPR was further considered by the Board of Directors of Bharat Refractories Ltd., on 19-4-1975.

(b) The revised report from MECON was received by Bharat Refractories Ltd. in May, 1975. It was considered and approved by the Board of Directors of Bharat Refractories Ltd. on the 5th June, 1975. The Board of Directors of Bokaro Steel Ltd. first considered the related proposal on the 30th September, 1975 and finally approved it on the 15th March, 1976.

(c) The proposal has been examined in SAIL and further information on facilities for calcining clay has been called for from Bharat Refractories Ltd.

(d) The various beneficiaries who are to share the development cost of the road between Phusro and Chandrapura have yet to convey their concurrence. The Board of Directors of Bharat Refractories Ltd. has approved its share of the cost on the 12th September, 1976. The approval of Bokaro Steel Ltd. (Bharat Refractories Ltd. is a subsidiary of BSL) to the same is, however, awaited. After all the beneficiaries have communicated their concurrence, the construction of the road will be taken up by the PWD of the State Government of Bihar.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-  
[Parl. (Vol. II) Dated the 22nd November, 1976]

### **Recommendation (Serial No. 37, Paragraph No. 4.164)**

The Committee note that irregular supply of coal is one of the factors standing in the way of consistent steel production programme. The Committee find that the supplies of coal had fallen short of the requirements during the three years 1972-73, 1973-74 and 1974-75 by 2.76, 3.44 and 1.91 million tonnes respectively. The Committee also find that during 1973-74 the coal output from collieries and washeries was affected by inadequate and interrupted power supply with the result that the steel plants were obliged to keep their over-pushings at restricted level with a view to avoiding thermal shocks to the batteries. The Committee were informed that the Government had embarked upon long term and short term programme for supply of coal to the steel plants. As a result of

the series of meetings held between the Ministries concerned under the short term approach, the position improved a little and in January, 1975, the plants had six days stock of coal. Though according to the international standards the steel plants should carry anything between three and six weeks stock depending on where the plants are situated, according to the Department of Steel, in view of the practical constraints if the steel plants in India can maintain 12 to 15 days' stock they would be reasonably safe. While noting the slight improvement effected in the position of coal stocks in Steel Plants under the short term approach, the Committee feel that much remains to be done if stocks up to the level of 12 to 15 days have to be built up in the steel plants to ensure a safe margin for continuous working. The Committee recommend that SAIL should intensify its efforts in collaboration with the Department of Energy and the Railways to raise the coal stocks with the steel plants to the safe level.

### Reply of Government

As a result of the continuous coordinated efforts of the Steel Authority of India Limited, the coal supplying agencies and the Railways, the position of coal supplies and stocks greatly improved towards the end of the year 1975-76. This, along with regulated consumption at plants enabled building up of coal stocks at the steel plants, from a level of 5 days' consumption on 1-1-1975 to a level of 20 days' consumption on 1-4-1976. The table below will indicate the position:—

As on	Cooking Coal Stocks	
	Quantity in terms of days of Consumption	
	(000 t)	
1	2	3
1-1-1975	171.4	(5)
1-4-1975	213.2	(6)
1-7-1975	245.5	(7)
1-10-1975	353.3	(10)
1-11-1975	277.8	(8)
1-12-1975	284.0	(7)
1-1-1976	344.9	(10)
1-2-1976	464.1	(13)

1	2	3
1-3-1976	609.6	(18)
1-4-1976	686.3	(20)

[Ministry of Steel and Mines (Deptt. of Steel) Office Memorandum No. H-11018/1/76  
Parl. (Vol. II), dated 8th September, 1976.]

### Further Reply of Government

In addition to the earlier information communicated through the Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018/1/76-Parl. (Vol. II) dated 8th September, 1976. The following further information is given:—

Total coking coal stocks at the six main steel plants from 1-4-1976 to date were as follows :—

As on	Cooking Coal Stocks	
	Quantity ('000 t)	In terms of No. of day of consumption (as on the last day)
1-4-76	686	20
1-4-77	662	15
1-4-78	449	11
1-5-78	390	10
1-6-78	342	9
1-7-78	299	8
1-8-78	325	8
1-9-78	278	7
1-10-78	212	6
1-11-78	211	6

It is observed that coking coal stocks at the steel plants have gone down from 6.86 lakh tonnes as on 1-4-76 equivalent to 20 days consumption, to 2.11 lakh tonnes on 1-11-78 equivalent to 6 days consumption, the latter at a much too deliberately reduced level of consumption to match the supplies and plant stocks.

Main reasons for fall in stocks was short supply of coal by the producers. The requirement of coal by the steel plants as per the agreed coal supply programme and actual supplies against the same are given below:—

Period	Requirement	Supply	Variance	%
1976—77	14.66	14.11	—0.55	3.8%
1977—78	15.96	14.92	—1.04	6.5%
1978—79 (Apr.-Oct.)	9.47	8.05	—1.42	15.0%

During 1976-77, the steel plants did not, however, experience much difficulty on this account, mainly because of the postponing of commissioning of the 4th C.O. Battery at Bokaro. The stock depletion was marginal. Quality of coal received did not show any improvement. During 1977-78 stocks depleted heavily by 2.13 lakh tonnes in spite of reduced coal consumption at Bokaro during March, 1978 due to industrial relations problems and conscious reduction in oven pushing earlier at all the steel plants because of problems of power cut and continued inferior quality of coal.

During the first seven months: April-October, 1978 of the current financial year, the stocks depleted heavily further by 2.38 lakh tonnes more than the depletion during the whole of previous year—in spite of the severe curtailment of oven pushing rates especially in September and October, 1978 to conserve the available coal stocks.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. Vol. IV dated 28-12-1978].

#### **Recommendation (Serial No. 38, Para 4.165)**

The Committee find that coke oven plant in Bokaro though installed could not be put into commission as the requisite coking coal was not available, resulting in serious loss of production. They note that Bokaro Steel Limited was not also geared to take any coal by road. It is only now that SAIL has taken some steps to transport coal to the extent of 30,000 tonnes per month by road. The Committee also find that a rope-

way connecting the Dugda washery with Bokaro Steel is now under installation at an estimated cost of Rs. 5 crores. The Committee hope that with these arrangements it should be possible to improve the supply of the requisite type and quantity of coal to Bokaro and step up production.

### **Reply of Government**

The non-availability of requisite supplies of coal which caused delay in the commissioning of the coke oven battery No. 3 and subsequently restricted pushing from both this battery and the coke oven battery No. 4 at the coke oven plant in Bokaro was mainly due to the inability of the Railways to move the entire requirements of coal by rail. The coal tipping, conveying and storage system at the plant is a completely mechanised and closed system designed for handling box (railway) wagons only (the receipt of coal by road has not been visualised in the project report of the plant). However, when the Railways express their inability to transport the entire quantities of coal required, the plant authorities are forced to arrange supplies of raw coal by road upto a maximum of 30,000 tonnes per month; and keeping such contingencies in view arrangements for receipt of raw coal by road to this extent and its storage have been made.

With a view to finding a long-term solution to the problem of transportation of coking coal to Bokaro, action is in hand to instal an aerial ropeway connecting the Dugda Coal Washery to the Bokaro Steel Plant, with a capacity of 1.2 million tonnes of coking coal per annum. The ropeway which is estimated to cost Rs. 6 crores is likely to be commissioned by June, 1977.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018/  
1/76—Parl. dated 18-9-1976]

#### *Further information called for by the Committee*

Has the aerial ropeway connecting the Dugda Coal Washery with the Bokaro Steel Plant been commissioned?

(L.S.S. O.M. No. 26-PU/75, dated 3-2-1978)

### **Further Reply of Government**

The work of construction of 250 ton per-hour Bi-cable Aerial Ropeway for transporting washed coking coal from Dugda Coal Washery to Bokaro Steel Plant was awarded to M/s. Jessop & Co., in May 1975. As indicated previously, the Ropeway was expected to be commissioned by June, 1977. There has, however been slippage due to delay in receipt of designs and drawings from M/s. Mitchell, with whom M/s. Jessop & Co. had entered into a collaboration agreement. M/s. Jessops had sought for an extension upto March, 1978 which was agreed to. According to present indications, 4793 LS—7



there will be further delay and the work is likely to be completed by October, 1978. The status of construction of major items at the end of December, 1977 is as follows:—

Item	Unit	As estimated at the time of formulating the proposal	Progress upto end of Dec. 1977
1. Excavation . . . . .	m <sup>3</sup>	50000	34870
2. Concreting . . . . .	m <sup>3</sup>	11116	11633
3. Structural execution . . . . .	t	2020	1313
4. Equipment erection—			
(a) Mechanical . . . . .	t	1150	157
(b) Electrical . . . . .	t	48	—

[Ministry of Steel and Mines Department of Steel O. No. H-11018(1)/76-Parl. (Vol. IV) dated 21st February, 1978.]

### Further Reply of Government

As mentioned in the reply of Government given previously, to meet contingencies, arrangements have been at Bokaro for receipt of coking coal by road upto a maximum of 30,000 tonnes per month. The aerial ropeway between Dugda Coal Washery and Bokaro Steel Plant is now expected to be commissioned by January, 1979. Delay in completion of the ropeway is mainly due to delayed supplies and erection of equipment by the contractors as also obstruction by the villagers (in the area of the ropeway) in the erection of equipment.

[Ministry of Steel and Mines O.M. No. H-11018/1/76-Parl. (Vol. IV) dated 14-2-1978]

### Recommendation (Serial No. 39, Para 4.166)

The Committee also note that the requirements of coal of all the three qualities, namely, prime, medium and blendable for all the steel plants are expected to increase from 13.58 million tonnes in 1975-76 to 19.85 million tonnes in 1978-79. They are informed that besides number of specific measures to improve the supplies of coking coal to the steel plants like establishing detailed linkages between washeries and steel plants, stocking of washed coal on the ground in the absence of railway siding, transport

of coal by road, stabilising power supply to Dugda Washeries, recommissioning of ropeway from Chasnalla to Burnpur, installation of new ropeway from Dugda to Bokaro and provision of additional siding facilities and developing new blends of coal from Hathnol and Katkona collieries etc., a committee was also set up with the Secretary, Department of Coal as Chairman to review the requirements of coal supply to steel plants during the Fifth and Sixth Five Year Plans. This Government Committee after analysing the various aspects of coal supply made a number of recommendations in its report of September, 1975, important amongst which are—(a) identification in advance of the area of potential increase in production of coking coal and keeping in readiness a shelf of mining and washery projects to be put through in case of likely demand, (b) initiating advance action for determination of quality of coal and extensive testing of blends at laboratories and plants so that blends recommended are most appropriate (c) conducting a periodical review of the performance of washeries with a view to effect improvement in them, (d) operation of extra hours (e) adoption of new beneficiating techniques, (f) construction of new Sudamdih and Monidih washeries expeditiously and (g) establishment in time of four prime coking coal and two medium coking coal washeries to meet the demands of Visakhapatnam and Vijayanagaram plants. In addition, a number of measures have also been suggested for conservation of coking coal. The Committee find that the requirement of coking and blendable coal by the steel plants during 1975-76 is of the order of 13.7 million tonnes and detailed linkages indicate that washeries have to improve their output over the 1974-75 levels. The Committee also note that the requirements of coking coal will increase from 16.25 million tonnes to 27.00 million tonnes during 1976-77 to 1984-85. While the availability of blendable coal is estimated to match the demand in case the steel plants accept available blendable coal from all sources the Committee find to enable increased availability of coking coal the Technical Committee had recommended certain measures such as operation of extra hours at washeries, adoption of new beneficiation of techniques etc. The Technical Committee has also observed that the major portion of the gap till 1981-82 which is likely to be widened in the event of delay in the commissioning of the new washeries, to be met by increased production of raw coal to compensate for higher ash content in raw coal. The Committee recommend that concerted measures should be taken by Department of Power to improve the performance of washeries by adopting suitable beneficiation techniques with a view to meet the increasing demand of coking coal and also augment production of raw coal to compensate for higher ash content in raw coal.

### **Reply of Government**

In view of the recommendation of the Committee to review the requirement of coal supply to Steel Plants during the Fifth and Sixth Five Year

Plans, necessary steps are under implementation by the Coal Companies on various recommendations to identify the potential resources for increasing the production of coking coal, determination of the quality of coal, periodical review of the performance of the washeries etc. The performance of the Washeries has progressively improved and the production figures during the years 1974-75 and 1975-76 are given below:—

(Figures in million tonnes)

Washery	Capacity Raw Coal input	1974—75			1975—76		
		Raw Coal input	Washed Coal Prodn.	% Utilisa- tion	Raw Coal feed	Washed Coal Prodn.	% Utilisa- tion
Kargil	2.72	2.09	1.45	76.83	2.32	1.54	85.10
Kathara .	3.00	1.26	0.80	42.00	1.46	0.90	48.90
Sawang .	0.75	0.41	0.29	54.66	0.57	0.42	76.10
Total CCL	6.47	3.76	2.54	58.11	4.35	2.86	67.3
Dugda I .	2.40	2.62	1.55	54.58	3.02	1.69	62.92
Dugda II .							
Bhjudih .	2.00	1.92	1.63	96.00	2.06	1.73	103.00
Patherdih .	2.00	1.13	0.83	56.50	1.23	0.91	61.50
Lonna	0.40	0.30	0.22	75.00	0.28	0.21	70.00
Total BCCL	9.20	5.97	4.23	64.89	6.59	4.54	71.63
Total CIL	15.67	9.73	6.77	62.09	10.94	7.40	69.84
DSP Washery	1.50	0.89	0.64	59.33	1.13	0.82	75.33
Giddi* Washery.	2.84	0.21	0.12	7.39	0.51	0.31	17.96

*Abbreviations—*

CCL—Central Coal fields Ltd.

BCCL—Bharat Coking Coal Ltd.

CIL—Coal India Ltd.

\*Giddi washery which was originally installed for washing non-coking coal from Giddi Seam has been activated (though on a limited scale) to wash coking coal transported by road from medium coking coal mines in the region.

[Ministry of Steel and Mines (Department of Steel) O. M. No. H. 11018(1)/76-Parl. (Vol. II) dated 29-9-1976.]

### **Recommendation (Serial No. 40, Paragraph 4.167)**

The Committee further note that there were difficulties in the past in utilising the full capacities of the existing 14 washeries. The Committee were informed that the recommendations made by a technical Committee appointed in 1970 to examine the working of the washeries are under implementation as a result of which it would be possible to reach the rated capacity very soon. The Committee however find that the percentage utilisation of capacity even in 1974-75 was as low as 44 per cent in Dugda and 63 per cent in Patherdih. It has also been stated that already steps are being taken to stabilise the power supply to Dugdah, instal wagon tippers, and also a new 40 tonne per hour capacity filter etc., The Committee hope that with these improvements and additional facilities it would be possible to improve the utilisation of the capacity in the Dugdah washeries and to supply the requisites type of coal to Bokaro to which it is linked. The Committee are also informed that as a result of the efforts made by Steel Authority of India Limited, the out put of clean coal during the 1974-75 at the washeries belonging to HSL, TISCO and IISCO has increased by 18.5 per cent and that at NCDC washeries by 15.6 per cent over 1973-74. It has also been stated that Gidi washery which was lying idle for the last few years due to l-a-c-k off take has been activitised. In addition, there are also plans to set up two more washeries for prime coking coal and two for medium coking coal.

The Committe would like SAIL, to examine the question of setting up these washeries on the most modern lines in coordination with the Ministry of Energy and stress that there should not be any let up in the efforts to improve both the quality and the quantity of coal from the washeries.

### **Reply of Government**

In compliance with the recommendations of the Technical Committee on the working of Coal Washeries, a Box Wagon tippler has been erected and commissioned at Dugda I Washery. Equipment for 40 tonne per hour capacity filter for Dugda I Washery has arrived at site and is expected to be commissioned shortly after installation. In case of Patherdih Washery, a 30 tonne per hour filter has been installed and commissioned in May 1976. Provision of balancing facilities/ replacement at Kargali and Kathara Washeries is under examination and will be provided as necessary.

Two new Washeries for washing prime coking coal are under installation, one at Sudamdih and the other at Monidih. Setting up of additional washeries for medium coking coal, as may be necessary, is now under consideration of the Government. The flow-sheet of new washeries has been worked out, taking into consideration the washability characteristics

of the coal to be treated.

Informed on production of washed coal and capacity utilisation of the washeries has been furnished in the reply on Recommendation No. 39.

[Ministry of Steel and Mines (Department of Steel) O. M. No. H-11018(1)/76-Parl. (Vol. II) Dated 29-9-1976]

#### **Further Reply of Government**

In addition to the earlier communicated information in respect of S. Nos. 39 and 40 through the Ministry of Steel and Mines (Deptt. of Steel) O. M. No. H-11018/1/76-Parl. (Vo. II) dated 29-9-76, the further information is given in the Annexure.

#### **Serial Nos. 39 and 40**

The performance of the washeries continued to improve steadily during the two years 1976-77 and 1977-78. There was a slight drop, however, during the first half of the current year 1978-79, mainly due to problem relating to power supply and heavy absenteeism (1st quarter). The capacity utilisation for all the washeries taken together was 72.1 per cent, 74.4 per cent and 69.6 per cent respectively for these three periods.

Table below gives the washeries performance for 1976-77, 1977-78 and April-September, 1978:—

Washery	Capacity Raw coal input ('000 t py)	1976-77			1977-78			April-Sept.' 78		
		Raw Coal input ( '000 t)	Washed coal prodn. ( '000 t)	Utilisation (%)	Raw coal input ( '000 t)	Washed coal prodn. ( '000 t)	Utilisation (%)	Raw coal input ( '000 t)	Washed coal prodn. ( '000 t)	Utilisation (%)
1	2	3	4	5	6	7	8	9	10	11
<i>I. Prime :</i>										
Dugda-I . . . . .	2400	1618	999	67.4	1626	1028	67.8	785	480	65.4
Dugda-II . . . . .	2400	1855	1075	77.3*	1772	1024	73.8	866	478	72.2
Bhoj udih . . . . .	2000	2114	1755	105.7	2101	1667	105.0	953	764	95.2
Patherdih . . . . .	2000	1574	1128	78.7	1599	1121	80.0	772	521	77.2
Lodna . . . . .	410	277	207	67.6	244	172	59.4	93	65	45.4
Jamadoba . . . . .	1440	1482	1000	102.9	1474	983	102.3	626	401	86.9
Chasmala . . . . .	2000	1191	953	59.6	1310	1074	65.5	533	425	53.3
Durgapur . . . . .	1500	1140	827	76.0	1047	759	69.8	493	353	65.7
Sub-Total : Prime . . . . .	14150	11251	7944	79.5	11173	7828	79.0	5121	3287	72.4

	1	2	3	4	5	6	7	8	9	10	11
<i>II. Medium :</i>											
Kargali . . . . .		2720	2467	1611	91.4	2409	1594	88.6	1155	779	84.9
Kathara . . . . .		3000	1704	1034	56.8	1738	1006	57.9	819	467	54.6
Sawang . . . . .		750	514	379	68.5	627	427	83.6	318	208	84.8
Gidi . . . . .		2840	852	466	30.0	1392	729	48.0	677	342	47.7
West Bokaro . . . . .		630	578	337	91.8	586	360	93.1	293	164	93.0
Sub-Total : Medium . . . . .		9940	6115	3828	61.5	6752	4116	67.9	3262	1960	65.6
TOTAL . . . . .		24090	17366	11771	72.1	17925	11944	74.4	8383	5447	69.6

Information relating to additions modifications and balancing facilities for the existing washeries, wherever necessary, and installation of new washeries, may be obtained from the Ministry of Energy.

[Ministry of Steel and Mines( Deptt. of Steel) O. M. No. H-11018(1)/76-Parl. (Vol. IV) dated 28-12-1978]

**Recommendations (Serial No. 41, Para 4.168-4.169)**

The Committee were informed that there had been a trend of deterioration in the quality of coking coal as more and more of higher grade coal was being used up and constant endeavour was being made to improve the performance of coal washeries. With a view to accommodate inferior grades of coals and also to regulate the technological process at the plants to use lower grades of coking coals, steps are also being taken with Central Fuel Research Institute so that new types of coal were tried and introduced for coke making for the steel plants.

The Committee would urge that Government/SAIL should keep in view the recommendations made by the Committee of Secretaries in September, 1975 and also ensure that the recommendations made by the Estimates Committee in paragraphs 6.23, 6.24 and 6.26 of their 68th Report of 1974-75 about the programme of washeries are implemented without loss of time. The Committee also recommend that proper standards of operation and maintenance are observed so that appropriate quality of coal/suitable blends of coal of minimum ash content are available to the steel plants.

**Reply of Government**

A Committee has been constituted by the Government to examine the problems connected with the production and supply of coal of the required quality to the consumers of coal, including Steel Plants. The Committee will examine all aspects of quality of coal supply to various consumers.

Steps have been taken to improve the performance of the Washeries supplying coking coal to the steel industry by improving the standards of operation and maintenance. Balancing facilities and modifications are also in hand at the washeries to improve the quality of washed coal, wherever necessary. In line with the recommendations of the Committee to plan and review supply of coking coal to Steel Plants during Fifth and Sixth Plans, construction of two Washeries is under implementation and construction of more washeries is under consideration.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. (Vol II) dated 29th September, 1976].

**Further information called for by the Committee**

When was a Committee constituted to examine the problem connected with the production and supply of coal of the required quality to the consumers of coal including steel plant?

(b) What are its terms of reference and when the Committee is expected to submit the Report?

[L.S.S. M. No. 26-PU/75 dated 15th October, 1976].



### **Further Report of the Government**

The Committee was set up on the 6th April, 1976. A copy of the Resolution indicating the composition and terms of reference to the Committee is enclosed. The Committee has to submit its report by the 31st December, 1976. (*Vide* Appendix IV)

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 26th November, 1976].

### **Recommendation (Serial No. 44, Paras 5.17 to 5.19)**

The Committee note that SAIL has revised its policy for distribution with a view to ensure movement of Steel materials in bulk from the steel plants for optimum utilization of wagon capacity, availability of materials at consuming centres in adequate quantity at all times, elimination of cumbersome procedures for procurement of steel and consequent reduction of inventory with the consumers; and allocation of Steel on priority to Defence, Engineering, Exports, Power, Steel and Coal sectors.

Some of the salient features of the revised distribution policy relate to allocation of steel by the Steel Priority Committee on a six monthly basis, despatches from the main producers being made directly to about 800 major steel consumers; the balance allottees being provided steel by the Steel Priority Committee through the stockyards of the main producers, suitable expansion of the compact group of industries and dispensing with the stipulation for deposit of earnest money while booking indents for steel materials.

The Committee were informed that the present distribution policy had resulted in a number of improvements and was working satisfactorily. The Committee were further informed that as a result of these measures, steel has become easily available as compared to a position of shortage which was experienced in the past and open market trading in steel above a regulated price is reported to have disappeared in the case of most of the steel items. The Committee would like Government/SAIL to keep a continuous watch on the working of new distribution policy with a view to ensuring that the short-comings of the old system are completely eliminated and the objectives envisaged under it are actually achieved and the priorities fixed for the use of steel are not disturbed and there is no maldistribution of scarcity of steel.

### **Reply of Government**

This is being done. In view of the increased production and better availability of iron and steel, certain further changes in the distribution policy

were made in December, 1975. Under this, plates and forging quality steels have also been taken out of the purview of the Steel Priority Committee, and end-use restrictions have been removed. The present position is that most categories of iron and steel are easily available now.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated the 31st August, 1976].

### **Reply of Government**

As recommended by the Committee, a continuous watch on the working of the distribution policy is being kept. In December, 1975, with the easing of the availability position, plates and forging quality plates were also taken out of the purview of the Steel Priority Committee. In effect, the system of Priority allocations by the Steel Priority Committee was discontinued. Restrictions on end-use were also removed. However, from the beginning of 1977-78, the demand for some categories of steel has gone up, while there has been some shortfall in production. End-use restrictions have therefore, been re-imposed in case of plates, tin plates, HR/CR Coils/Sheets, GP/GC Sheets, structurals etc. At the same time, liberal imports of the categories in short supply are being arranged.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated the 21st February, 1979].

### **Recommendation (Serial No. 45, Para 5.20)**

The Committee were informed that as a measure of improvement, steps were being taken to reduce the time lag between the indenting and allocation from the present level of about 6 1/2 months to two months for all indentors. The Committee desire that concerted measures should be taken to reduce the time lag between indenting and allocation/supply of steel to the the consumers to buy their requirements as and when they need it.

### **Reply of Government**

The entire procedure for steel distribution has undergone a change. There is no need now for indenting nor are there any allocations. The main producers have appointed Customer Contact Officers (posted all over the country) who keep in touch with the consumers and make arrangements to supply them the required steel with the minimum lead time. The producers' stockyards also keep a range of products as base stock to enable the consumers to buy their requirements as and when they need it.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated the 31st August, 1976].

**Recommendation (Serial No. 45, Para 5.20)**

The Committee were informed that as a measure of improvement, steps were being taken to reduce the time lag between the indenting and allocation from the present level of about 6½ months to two months for all indentors. The Committee desire that concerted measures should be taken to reduce the time lag between indenting and allocation/supply of steel to the minimum which should not normally exceed two months.

**Reply of Government**

This recommendation was in the context of the time-lag in the Steel Priority Committee allocation system. As explained in reply to Sl. No. 44, this system has since been discontinued. Further, with the appointment of Customer Contact Officers, efforts are being made to reduce lead time to the minimum.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated the 21st February, 1979].

**Recommendation (Serial No. 46, Para 5.21)**

The Committee note that according to the revised procedure, the stockyards will supply steel to (1) SPC allottees who do not receive steel directly from the plant basically smaller allocation (2) local and State Government Departments. The Stockyards will also handle larger quantities of prime steel than hitherto. To strengthen the stockyards, an independent Audit Group with Headquarters in Calcutta has been set up by SAIL (a) to ensure that the stockyards adhere to the Government's policy for distribution of steel, (b) to suggest ways and means of serving the consumers better, and (c) to simplify the procedures to help quicker and efficient distribution.

**Reply of Government**

As mentioned in the replies given against the recommendations at S. Nos. 44 and 45, the procedure for steel distribution has since undergone certain further changes and most of the categories of iron and steel are now easily available to the consumers.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 26th July, 1976].

### **Further Reply of Government**

Noted.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV), dated 21st February, 1979].

### **Recommendation (Serial No. 47, Paras 5.22 and 5.23)**

The Committee also note that with effect from 2nd May, 1975 a new distribution system has been introduced which envisages despatch of bulk of iron and steel materials from the steel plants in rake loads to stock-yards of main producers and distributions or these to customers. stockyards facilities have also been improved by constructing new siding facilities, equipping stockyards with additional cranes and handling equipments, expanding of existing yards opening new stockyards in important steel consuming centres; opening delivery points in important major steel consuming centres and in places of industrial concentration etc. It has been stated that according to the new distribution procedure material to stockyards will move according to pre-determined demand of consumers in the area including Steel Priority Committee materials. It is, however apprehended that there would still be cases where some items not matching the demands would come up during the course of production which have to be moved to stockyards as a normal marketing channel though effective steps have been taken to reduce such arisings to the minimum. It is also stated that steel consumers may obtain their requirements either from small scale Industries Corporations to whom suppliers are generally made direct from the plants or from producers stockyards depending on the availability. Since adequate and easy supply position is ensured, it has been stated that opportunities for illegal deals in steel by traders have been substantially minimised.

While the Committee feel that with the implementation of new distribution policy and with increased production of steel, it should be possible to make steel easily available to all consumers, the Committee recommend that the workings of the new distribution procedure and working of stockyards should be kept under constant and continuous review and necessary improvements made in the light of experience gained to ensure that steel is available easily to all consumers and the stockyards serve the purpose for which they have been set up.

### **Reply of Government**

This is being done. (Please also see replies given against recommendations at S. Nos. 44 and 45).

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated the 31st August, 1976].

### **Further Reply of Government**

This is being done. (Please also see replies given against recommendations at S. Nos. 44 and 45).

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated the 21st February, 1979].

### **Recommendation (Serial No. 48, Para 5.24)**

The Committee note that in order to meet the requirements of units manufacturing agricultural implements, steel scrap is supplied from Producers' stockyards as per quota fixed by the Joint Plant Committee and all other items are supplied to the State Small Industries Corporation and the State Agro-Industries Corporations who co-ordinate the supplies to agricultural implements manufacturers. Iron and Steel is supplied at stockyards prices or at State Corporation prices. The Committee recommend that in order to ensure that agricultural operations are not hampered for want of adequate supplies of agricultural instruments, priorities should be fixed for the iron and steel required for such implements on the basis of assessments made through sponsoring authorities. They have already given their recommendation in para 5.47 of this Chapter that SAIL should make sure that prices of iron and steel for agricultural needs are kept within reasonable limits.

### **Reply of Government**

With further improvement in the availability of steel the requirements of iron and steel for agricultural instruments are being now met satisfactorily. Under the revised procedure for steel distribution, agricultural instruments industry is not required to have their demand sponsored through any authority; and they can meet their requirements easily from the producers' stockyards.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated the 31st August, 1976].

### **Further Reply of Government**

Units manufacturing agricultural implements are mostly in the small scale sector. Their requirements are now met mainly through the State Small Scale Industries Corporations/State Agro-Industries Corporations. Supplies to such Corporations have been considerably stepped up during the current year. They are also being supplied at a concessional price, as explained in the reply to Sl. No. 51.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV), dated 5th February, 1979].

**Recommendation (Serial No. 50, Paras 5.48 to 5.49)**

The Committee were informed during evidence that when the SAIL went in for dual pricing policy, an inter-ministerial Committee on such retention prices went into the costing of the various plants and came to the conclusion that out of the price increase in certain categories of steel a portion of increase will remain with the plants and the rest would be put in a fund called the Central Fund. This money would belong to the Profit and Loss Account of the individual company and could be used for development and expansion of the company concerned. The Committee were also informed that the Steel Plants had started depositing the additional profits viz., the excess of selling price over the retention prices, into the Central Fund. Withdrawals from the Fund were allowed for the purpose of capital outlay under schemes approved by SAIL in consultation with the Planning Commission. The Committee were, however, surprised to learn during evidence that practically there was no money left in the fund as all the time there was inflow and outflow.

The Committee recommend that the steel plants should not use the Fund as a current account in a bank to meet their day-to-day needs but should build up the Fund to meet the capital outlays on duly approved schemes for the growth and expansion of steel industry for which it was envisaged.

The Committee would like the Government/SAIL to keep a close watch on the working of the Central Fund with a view to see that the moneys put in the Fund are utilised for the purpose for which this fund has been set up.

**Reply of Government**

The Fund is maintained by SAIL. Withdrawals are permitted only in consultation with the Planning Commission for approved schemes of plant rehabilitation, creation of additional facilities for improving production, balancing facilities, renewals and replacements.

However, the suggestion of the Committee that Government/SAIL should keep a close watch on the working of the Central Fund, is noted.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 29th July, 1976].

**Further Reply of Government**

The Fund was maintained by SAIL. Withdrawals were permitted only in consultation with the Planning Commission for approved schemes of plant rehabilitation, creation of additional facilities for improved production, balancing facilities, renewals and replacements.

The fund has been discontinued w.e.f. 19th November, 1977 on Government's acceptance of the recommendation of the Second Inter-ministerial Committee on Steel Retention Prices to discontinue the same. This fund had lost its basic utility and it was realised that the contribution available to the fund was likely to be extremely small in view of the nominal margin between the net realisation and retention prices of various categories of iron and steel.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV), dated the 5th February, 1979]

### **Recommendation (Serial No. 52, Paras 6.11 to 6.12)**

The Committee note that imports of iron and steel amounted to 12,37,083 tonnes in 1972-73, 10,55,954 tonnes in 1973-74 and 920,858 tonnes in 1974-75. It has been stated that the total demand for various categories of mild steel in 1975-76 has been tentatively estimated to be about 6.2 million tonnes, of which about 90 per cent would be met by indigenous supplies while for the remaining 10 per cent imports of very special categories of steel, which are either not produced or the production of which may be less than required, like, boiler quality plates, ship building quality plates, etc. would be necessary. The imports during 1975-76 are estimated to be about 3 lakh tonnes as against 9 lakhs in 1974-75 and the main cut would be in hot rolled coil which is expected to be available from Bokaro. The Committee are informed that in aggregate terms even in 1975-76, the country would be self-sufficient in steel and that it is already self-sufficient in various categories like steel billets, steel bars and rods and certain railway materials. The Committee are further informed that the SAIL has made out a pattern by which the country would be self-sufficient in total tonnage and would have certain surpluses also but still certain types of steel would have to be imported as it was neither technologically possible nor economically desirable for a country to be self-sufficient in every category of steel. It is claimed that SAIL has succeeded in reducing the imports considerably by two ways (1) new production coming in, and (2) by changing the product-mix to meet the demands which are not earlier by imports and utilising the capacity in such a way as to reduce the imports to the minimum.

While the Committee note that the imports of iron and steel have come down progressively from 1972-73 the Committee recommend that Government should appoint an Expert Committee to go into the question of reduction of imports and diversification of product-mix so as to attain self-sufficiency in steel. The Committee would like to be informed of the action taken within three months of the Report.

### Reply of Government

Government accept the recommendation of the Committee. The Expert Committee for going into the question of reduction in imports and diversification of product-mix is being set up.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. dated 16th June, 1976].

### Further Reply of Government

In keeping with the recommendations of the Committee an Expert Committee was set up *vide* Government of India Resolution 14(1)/76 published in the Gazette of India Extraordinary Part I—Section I dated July 28, 1976. A copy of the Resolution is at Appendices V and VII. The Committee submitted its report to the Government and the Government decisions/comments on the report were communicated through this Department OM No. H-11018(1)/76-Parl. (Vol. III) dated 11th May, 1978. Steel Authority of India Limited are taking further follow-up action.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated 15th November, 1978].

### Recommendation (Serial No. 53, Paras 6.33 to 6.34)

The Committee note that SAIL International Ltd., has been incorporated with effect from 10th June, 1974 to co-ordinate the export and import business and during 1974-75 exports were to the extent of 52,135 tonnes valued at Rs. 1092.73 lakhs as against 36,652 tonnes valued at Rs. 462 lakhs in 1973-74. The Committee note that Government recognised the need for steel exports in a balanced way and made SAIL International Ltd., as the canalising agency not only for exports but also for imports so that available exports market intelligence and bargaining strength could be properly integrated under one umbrella. During 1974-75 it is stated that SAIL processed 87 export applications besides orders for exports of billets, slabs, bars and rods, rails pig iron etc. to Iran, Turkey, Sri Lanka, Bangladesh and Kenya to the tune of Rs. 58 crores. As a canalising agency for imports, orders worth Rs. 18.23 crores have been released. The activities of SAIL International Ltd., during 1974-75 resulted in net profit of Rs. 11.25 lakhs. The Committee would like to watch the performance further.

The Committee need however stress that the SAIL International Ltd., should organise its activities in such a way as to maximise the exports and minimise the imports. As the price of steel in the international market is rising and great development programmes requiring steel are under way in petroleum producing countries, it should be possible for SAIL to effect



greater exports to these potential markets of great promise. The Committee need hardly stress that every care should be taken to keep the expenditure on SAIL International to the minimum so as to service the exports and imports at most competitive rates.

### **Reply of Government**

The recommendation has been noted and conveyed to SAIL International Limited who have stated that they would keep the Committee's recommendations firmly in view in their working in the coming years.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 29th July, 1976].

### **Recommendation (Serial No. 54, Paras 7.27—7.33)**

The Committee note that at the conference of Chief Executives held on March 20-22, 1974, the information system towards the monitoring and evaluation of performance of subsidiaries of SAIL had been decided. The broad outlines of the new system comprise daily and fortnightly reports covering production despatches and stocks; monthly reports covering production *vis-a-vis* targets, comparison of performance with that of the same months of the previous years, constraints, profit and loss position and the cash flow statements the quarterly reports cover production performance and constraints thereto including industrial relations situation; profit and loss position and the cash flow statements. The existing system essentially comprised periodical report in selected areas, follow up action at various levels monthly reporting to Board.

The Committee also learn that SAIL monitors the movements of coking coal and regular coordination is maintained with the Railways for the movement of raw materials and with Damodar Valley Corporation, Orissa State Electricity Board and others and with CPWC at Delhi for the supply of power.

The Committee have been informed that the production of the plants is monitored at SAIL level on a daily basis. Daily control report and 10 day reviews are also sent to the Chairman and Minister of Steel. The SAIL Board reviews the production at the subsidiaries at its meeting held every month.

Periodical reports from the subsidiaries are obtained with the object of exercising internal financial control and these are analysed in depth to locate the sensitive areas so that corrective action can be initiated. The working results of the subsidiaries were monitored every month and the same reported to the Board of Directors of SAIL. An internal Audit Manual for SAIL had been compiled and the same had been brought into use with effect from May, 1974.

With regard to internal control of commercial activities, the Committee are informed that the SAIL is getting periodical reports on production and despatch performance, plant-wise sales value of home despatches, stockyard operations, import operations, stocks of steel etc., from all the producers. These are tabulated and submitted to Chairman and Director of SAIL. The Committee also learn that supply of steel to the economy-source-wise and category-wise, monthly trend in total iron and steel stock at the plants and monthly trend in the market prices of selected items of steel are being monitored and put up to the SAIL Board monthly. Similarly monthly reports are received from the plants in regard to important construction activities.

The Committee note that in addition to general reports, the special monitoring is done from the fortnightly reports of the producers in respect of items like despatches of steel stockyard operations, point-wise delivery and stock position, import operations, sales-plant sales, etc., stock of steel in perspective at plants, at stockyard and imported materials. The Committee have also been informed that close liaison is maintained between personnel department of SAIL and the subsidiaries on all important matters in the field of industrial relations, which are generally dealt with in the Joint Negotiating Committee and by the plant management acting in close consultation with the Personnel Directorate. Reports on research and development are also received on a quarterly basis and these are scrutinised by the SAIL and appropriate assistance rendered to the units.

While the Committee note that SAIL had a management information system and system of internal control to over-see the functions of production, financial, commercial, personnel, vigilance and other areas, the Committee recommend that the working of the information system and the internal control should be subjected to a critical and continuous review so that the submission of these reports are meaningful and are such as to enable SAIL to plan its strategies of production for best utilization of the existing capacity, determine priorities and pinpoint constraints in the achievement of the production targets so that appropriate and timely action could be taken in these matters. The Committee also suggest that in order that the system be effective and a realistic evaluation of the performance may be done, it is necessary that, on the basis of experience gained, a suitable proforma for getting on these reports should be evolved so that information on several aspects of the working of the subsidiaries is obtained on a uniform basis for specific periods and at regular intervals. The Committee would also like SAIL to ensure that these reports do not become a mere formality with the passage of time and that they are received regularly and in time and systematically and critically analysed with particular reference to priorities of planning production achievements, *vis-a-vis* the targets, constraints in the matter of achieving production by way of movement of raw materials, supply of powers main-

tenance of plant and machinery, lack of adequate inventories, ores, despatches, sales and other activities so that corrective action is initiated in time and the subsidiaries are afforded the necessary assistance to overcome these constraints and improve the performance. Specific reports about the cost of production and productivity should also be made out and brought to the notice of Board of Directors with a view to having effective control on costs and improving productivity.

### **Reply of Government**

The present system of management reporting in SAIL as well as in its subsidiaries and other allied matters have been recently referred to a firm of Consultants for examination. The consultants would review all reports in certain important areas objectively and suggest suitable modifications, improvements and additions to the Information System. The suggestions made by the Committee would be taken into account in finalising the new system (on receipt of the recommendations of the consultants).

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol.II) dated 1st September, 1976]

### **Further Reply of Government**

As stated in the earlier Government reply, the Management Information System in Steel Authority of India Limited as a Holding Company had been studied by a firm of Chartered Accountants. However, with the coming into effect of the provisions of the Public Sector Iron and Steel Companies (Restructuring) and Miscellaneous Provisions Act, 1978 from 1st May 1978, its information needs have undergone considerable change since it has now become an integral company monitoring and controlling the operations of the various steel plants and other units and the making of steel. In view of this, a revised Management Information System is being evolved by SAIL, keeping also in view such of the suggestions made by the firm of Chartered Accountants as are relevant in the altered circumstances.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated 1st January, 1979]

### **Recommendation (Serial No. 55, Para 7.34)**

The Committee also recommend that a critical comparative evaluation of the performance of the plant may be made so that the contributory factors which were responsible for better performance in any plant can with advantage be utilised in the others.

### Reply of Government

A system of inter-plant comparison of important factors like rates, yields, financial ratios etc. has already been introduced.

A critical review of the production of steel (including production from TISCO, IISCO and VISL) and of NMDC and the availability and supplies of inputs is regularly presented for consideration of the Board of SAIL.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 1-9-1976].

#### Recommendation (Serial No. 56, Paras 8.6 to 8.7)

The Committee note Government have authorised the SAIL to sanction capital expenditure including new schemes upto Rs. 10 crores where funds can be found from within the budget allocation.

The Committee would like to SAIL to ensure that the delegation of powers is worked properly and new schemes costing less than Rs. 10 crores are really such as to improve the working of the existing plants or such as will be in the overall national interest. The Committee suggest that before launching such schemes, the financial viability of each of these schemes should be critically examined and approved by SAIL/Government.

### Reply of Government

Noted SAIL has further delegated appropriate powers to its subsidiaries in this area. Thus, Hindustan Steel Limited has powers to sanction programmes of capital expenditure costing upto Rs. 2 crores. Accordingly, so far as Hindustan Steel Limited is concerned, only capital schemes costing between Rs. 2 crores and Rs. 10 crores are sanctioned by SAIL. In view of the capital intensive nature of the steel industry, this power covers mostly outlays on schemes of the following nature:—

- (a) Schemes for addition/modifications/balancing facilities etc. for—
  - (i) Improving salability.
  - (ii) Reducing cost.
  - (iii) Attaining optimum production.
  - (iv) Improving health, safety, working conditions, amenities etc.
  - (v) Meeting administrative requirements.
- (b) Replacement of existing facilities.

The schemes under (a) (i), (ii), (iii) above are normally sanctioned keeping in view overall national policy and after critical examination of their financial and economic viability. The financial and economic analysis

comprises, to the extent possible, forecast of profit and loss over the entire life of the scheme, cash in-flow and out-flows from year to year, break-even capacity determination and profitability analysis. However, such of the schemes of additions and modifications and replacements which may not be susceptible to similar financial analysis (e.g., schemes undertaken as a measure of safety, replacement of individual units/items of plant and equipment etc.), the investments are examined based on their essentiality and a broad cost benefit analysis, including social benefits.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H111018(1)/76-Parl. (Vol. II), dated 28-7-76]

**Recommendation (Serial No. 57, Para 8.8)**

The Committee also note that SAIL has so far approved under these delegated powers 13 schemes each costing less than Rs. 10 crores of which two schemes relating to Dugda I and II had already been completed and the remaining 11 schemes are at various stages of execution. The Committee recommend that SAIL should monitor the progress of execution of these schemes to ensure that these projects are completed not only within the time scheme but also within the capital cost already sanctioned for them.

**Reply of Government**

Effective systems and procedures for monitoring the physical and financial progress of capital, schemes already exist in SAIL. The subsidiaries regularly report the progress of expenditure and physical progress on a monthly basis. These reports are examined in SAIL and suitable reports on the physical progress of each major capital scheme in quantitative terms, duly linked with financial progress, are also placed before the Board of Directors periodically.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 29-7-76].

**Recommendation (Serial No. 58, Para 8.9)**

The Committee are informed that there are five schemes costing more than Rs. 10 crores each which have already been approved by Government before formation of SAIL. Two of which have been completed. In addition, there are seven more schemes two of which have been approved by Government and rest awaiting approval of the Government. The Committee find that one of the schemes—Donimalai Pelletisation Plant, the estimated cost of which is Rs. 33.03 crores would work in a loss of Rs. 1.7 lakhs per year after paying Rs. 1.5 crores export duty if the project were to work at 90 per cent capacity. They recommend that before a final decision is taken in the matter, the economics of the project should be carefully

gone into so that investment on the project does not result in any loss. The Committee also find that two schemes namely augmentation of in-plant generation for Rourkela Steel Plant CRGO (RSP) which have been approved by the *Ad-hoc* Committee more than one year back are yet to be finally approved by the SAIL Board. The Committee see no reason why it has taken SAIL more than one year to examine these schemes and take a final decision.

### **Reply of Government**

The proposal for the setting up of a pelletisation plant at Donimalai is presently under the consideration of Government. The recommendation of the Committee has been noted and will be borne in mind while taking an investment decision on this project.

The scheme for augmentation of in-plant generation of power for the Rourkela Steel Plant had been initiated at a time when there was an acute shortage of power. However, subsequently the position about supply of power from the Orissa State Electricity Board improved and, accordingly, the scheme has not been processed further.

As regards the setting up of the CRGO Plant at Rourkela, the scheme was approved by the *Ad-hoc* Committee on 6th July, 1978 and by the SAIL Board in principle on 31st July, 1973. However, since the terms for collaboration of M/s. ARMCO of USA were quite stiff, a series of discussions spread over a long time had had to be conducted with the firm and the matter was considered more than once by the Foreign Investment Board. The agreement between SAIL and ARMCO was finally entered into on 14-11-1975.

In pursuance of the agreement, ARMCO were commissioned to prepare a Master Plan for the project which has been delivered towards the end of May, 1976. This is now under consideration.

[Ministry of Steel and Mines (Department of Steel) O.M.  
No. H-11018(1)/76-Parl. (Vol. II), dated 29.9.76]

### **Further information called for by the Committee**

Whether the economics of setting up of a Pelletisation Plant at Donimalai has been worked out? If so, with what results?

[LSS O.M. No. 26-PU/75, dated 27-8-76].

### **Further Reply of Government**

The proposal is still under examination and the economics are being worked out in the light of the latest cost and price indications."

[Ministry of Steel and Mines (Department of Steel) O.M. No.  
No. H-11018(1)/76-Parl. (Vol. II), dated 29-9-76].

### **Further information called for by the Committee**

Whether the economics of setting up of a Pelletisation Plant at Donimalai has since been finalised? If so, results thereof.

[L.S.S. O.M. No. 26-PU/75, dated 31st December, 1977]

### **Further Reply of Government**

National Mineral Development Corporation Limited have conducted detailed negotiations with the prospective suppliers of plant and equipment for the Donimalai Pellet Plant, of annual capacity of 2.0 million tonnes and, apart from certain further reductions to be sought from the suppliers, the plant is estimated to cost Rs. 67 crores, including a foreign exchange component of Rs. 24 crores. The proposal was considered by the Project Appraisal Group including representatives of Planning Commission Bureau of Public Enterprises and Finance. The view was taken that more information on marketability of the pellets was required before the Project could be approved. Accordingly, negotiations have been under way with various potential buyers, including, in particular, a trading firm of Holland. Several rounds of negotiations have already been completed and the representatives of the Dutch firm are presently in India for the final negotiations. Concurrently, approaches have also been made by us in some of the West Asian countries who have plans to set up direct reduction plants for which Donimalai Pellets could be used. The matter is being considered further in the light of the various negotiations.

[Ministry of Steel and Mines (Department of Steel)  
O.M. No. H-11018(1)/76-Parl. (Vol. IV), dated 28th February, 1978].

### **Further Reply of Government**

As regards the setting up of a Pelletisation Plant as at Donimalai, the matter is still under consideration. It has been felt that in view of the large capital investment and the prevailing recession international steel market, in the plant should be set up only after firm arrangement has been made for the sale of the product. Efforts are continuing in this direction.

The installation of a plant to produce 37,500 tonnes of CRGO and 36,000 tonnes of CRGO sheets, to meet the demand of electrical industry, at an estimated cost of Rs. 109.80 crores at Rourkela has since been sanctioned (November, 1977). The plant is expected to go into production in 1981.

[Ministry of Steel and Mines O.M. No. 11018/1/76-Parl. (Vol. IV),  
Dated, 1-1-79].

### **Comments of the Committee**

(Please see Paras 35—39 of Chapter I of the Report).

**Recommendation (Serial No. 59, Para 8.10)**

The Committee are informed that the schemes when implemented would improve the overall profitability of the plants. Some of them would increase production strightway or bring about important replacement, without which production would fall or would involve in-plant generation like supply of power, etc. for immediate requirements and some other would obviate or minimise imports and save foreign exchange. The Committee recommend that SAIL/Government should critically go into the economic viability of each of the projects and also ensure that the implementation of these projects would actually improve the working of the existing plants and take a decision in the best interest of the organisation and also determine *inter-se* priorities for execution of these schemes in the context of its importance to the steel industry and the country as a whole. The Committee would also like SAIL/Government to ensure that once a scheme is taken up for execution after approval, it should be completed within the time and the cost schedule fixed for the project so that the results anticipated of it really accrue and the funds invested thereon are not unnecessarily blocked.

**Reply of Government**

The recommendation of the Committee has been noted.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018 (1)/76-Parl. (Vol. II) dated the 29-7-76].

**Recommendations (S. No. 60, Paras 8.19—8.22)**

The Committee note that there is a proposal for setting up a central workshop to produce certain medium and heavy range of vital spare parts common to the steel plants. The intention is that, besides reducing dependence on imports for these spares, in the process of manufacturing these spares, it would be possible to develop skills and capabilities which could be of better service in the years ahead when the steel base in the country is enlarged. The other consideration is that, in the proposed workshop, spares which are not mass production items and cannot sometimes be got off the shelf would also be manufactured.

The Committee were informed that the estimated cost of the proposed workshop was Rs. 20 crores a year ago and it may be more now. They are also informed that though some of the spares would be made by Hindustan Machine Tools Ltd., Heavy Engineering Corporation, Mining and Allied Machinery Corporation, these undertakings were basically engaged in manufacture of capital machinery or complete parts and were not producing recurring spares.

The Committee also find that a feasibility report was prepared by MECON and submitted to SAIL in July-August, 1975 and MECON had



also recommended centralised facilities for the manufacture of certain type of spares. It has been stated that the report is still under the consideration of SAIL.

While the Committee agree that there is need to reduce dependence on import of spare parts required by the steel plants and for developing indigenous capacity for production of spares to meet the future needs of the steel industry, the Committee feel that Government and SAIL should, before taking a decision on the setting up of a workshop, take stock of the existing idle capacity in machine and machine tool manufacturing units in public sector like Hindustan Machine Tools Ltd., Heavy Engineering Corporation, Mining and Allied Machinery Corporation, etc. and also in the medium and small scale sectors to see how far such available spares capacity could be advantageously diversified for the manufacture of spare parts for the steel plants. In the opinion of the Committee such diversification would not only result in saving of capital investment of more than Rs. 20 crores by SAIL in the establishment of workshops solely for the manufacture of spare parts but will also help in full utilisation of the available capacities in other public undertakings.

### **Reply of Government**

In October 1974, SAIL commissioned MECON to prepare a feasibility report for setting up of a Central Workshop. This report was submitted by MECON in July, 1975 recommending the setting up of centralised facilities for the manufacture of certain medium and heavy spare parts to cater to the requirements of all integrated steel plants. Full stock of existing manufacturing units, both in small scale as well as in large scale, was taken into account while arriving at such a conclusion. The report and other connected aspects of the question is under examination of the Steel Authority.

2. Recommendation of the Committee would be taken into account while taking a final decision on the setting up of this Central Workshop.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018  
(1)/76-Parl. (Vol. II) dated 17-8-76].

### **Further Reply of Government**

The proposal for setting up of a central workshop for the manufacture of steel plant spares was considered by SAIL Project Appraisal Committee in March, 1977. In accordance with the decision taken by the Appraisal Committee, the proposal was examined by a Sub-Committee consisting of the representatives of SAIL, Planning Commission and Ministry of Heavy Industry. The Sub-Committee suggested that additional facilities be set up in individual steel plants on a family group basis instead of at one

centralised place. This view was, however, not agreed to by representatives of SAIL and a note of dissent was given by them.

Subsequently on further examination of the above suggestion, it has been found that setting up of additional facilities on family group basis is not practicable. Since the steel plants are still experiencing difficulties in the procurement of spare parts and the engineering units having facilities for manufacture of such spares have not been able to meet the requirements; the proposal is being put up afresh for consideration of the SAIL Board. In the present proposal, however, setting up of facilities for castings and forgings are being left out and these are proposed to be procured as brought out items.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018  
(1)/76-Parl. IV dated 20.2.1979]

### **Recommendation (Serial No. 62, Para No. 8.57)**

The Committee regret to note that while a decision to set up the Visakhapatnam and Vijayanagar Steel Plants was taken as early as in April, 1970, the Detailed Project Reports for these projects are still in the process of being assigned to consultants even after a lapse of 5 years. At the meeting of the Public Investment Board held on 24-10-1973, the Steel Authority of India Limited was authorised to take action for the preparation of Detailed Project Reports for Visakhapatnam and Vijayanagar Steel Projects and in the meantime work regarding land acquisition and on essential preliminaries within the plan and budget allocation should go on. They learn that for the Visakhapatnam Steel Project out of 5700 acres of land required, 5335 acres had been acquired and for Vijayanagar Steel Plant out of 9,000 acres of land about 7116 acres of land had already been acquired. Certain other items of work, such as, topographical surveys and soil testing, testing of raw materials, requirements of Water and Power during the construction and operational stage, provision for railway facilities and development of communications had been completed. The Committee recommend that Steel Authority of India Limited/Government should so plan the implementation of the projects that the ancillary facilities and inputs actually become available before the projects are commissioned.

### **Reply of Government**

#### **1. VIJAYANAGAR STEEL PLANT**

Metallurgical and Engineering Consultants (India) Limited were commissioned for the preparation of the Detailed Project Report on 2-4-75. This Report is expected to be ready sometime in early 1977. Acquisition

of land for the plant and topographical surveys are completed. Soil investigations and testing of raw materials are in progress. Discussions with concerned agencies regarding water, power, road and railway facilities are in progress so as to ensure their availability before the project is commissioned.

## II. VISAKHAPATNAM STEEL PLANT.

The Consultants were commissioned for preparation of the Detailed Project Report for Visakhapatnam Steel Plant on 1-4-75. This Report is expected to be ready sometime in early 1977. Topographical surveys for the plant are completed. Soil investigations and testing of raw materials are in progress. Discussions with concerned agencies regarding water, power, road, rail facilities are in progress so as to ensure their availability before the Project is commissioned.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018 (1)/76-Parl. (Vol. II) dated 30-7-76].

### **Recommendations (Serial No. 63, para Nos. 8.58—8.61)**

The Committee were informed that capital cost estimates prepared in 1970-71 (Visakhapatnam Rs. 854.47 crores, and Vijayanagar Rs. 854.00 crores) were not very relevant in the present context in view of the high capital cost of the plant and equipment and raw materials. The revised cost and profitability estimates would be covered in the Detailed Project Report for these two plants.

The Committee also note that the work regarding preparation of Detailed Project Report for the Visakhapatnam Steel Project would be entrusted to M/s. M. N. Dastur & Co., Private Limited and that for the Vijayanagar Steel Project would be entrusted to MECON (INDIA) Ltd., the selection of the consultants was decided at the highest level keeping in view their competence and the relative work load already with them. The assignment for preparation of the Detailed Project Report would be given to the consultant immediately and the Detailed Project Reports would become available by the end of 1976. The Committee find that Steel Authority of India Limited/Department of Steel are thinking of making a study of the product-mix requirements of these two plants which will be passed on to the consultants at the Detailed Project Report stage.

The Committee are concerned to note the situation which has arisen on account of the poor off take of steel and the consequent stockpiling and the likely effect the present trend of increased production will have on such stocks. The Committee would therefore like Steel Authority of India Limited and the Government to have a fresh look at the requirements of the various kinds of steel in the country so that a realistic assessment of th-

demand may be made before a decision on the product-mix requirements is taken and Detailed Project Reports finalised. The Committee would also like Government and Steel Authority of India Limited to ensure that, in planning and deciding on the product-mix of the new plants, imports of steel which are now being in certain critical areas, are as far as possible reduced to the minimum.

The Committee would like Steel Authority of India Limited and Department of Steel to conclude the study of the product-mix requirements keeping these factors in view so that the assignment of work of preparation of Detailed Project Reports which is already delayed is expedited. Once the work is assigned to consultants, the Committee recommend that Steel Authority of India Limited/Government should keep a close and continuous watch to see that the Detailed Project Reports become available by end of 1976 as envisaged.

### **Reply of Government**

Before finalising the product-mix, the matter is discussed with all the authorities concerned including the Planning Commission. While deciding the product-mix of the new plants, care is taken to identify those categories of steel that are in short supply in relation to domestic demand and production is accordingly worked out. By this, the imports are reduced to the extent possible.

2. Position relating to Vijayanagar and Visakhapatnam Steel Plants is indicated below:—

#### **1. VIJAYANAGAR STEEL PLANT**

The revised cost and profitability estimate for Vijayanagar and Visakhapatnam Steel Plants would be covered in the Detailed Project Reports which are expected to be available by early 1977.

The preparation of the Detailed Project Report of Vijayanagar Steel Plant has been entrusted to Metallurgical and Engineering Consultants (India) Ltd. After considering the availability and demand of Steel in 1988-89, the product-mix for Vijayanagar Steel Plant as given in the memorandum of Agreement for the preparation of Detailed Project Report has been confirmed.

#### **II. Visakhapatnam Steel Plant**

The preparation of the Detailed Project Report for Visakhapatnam Steel Plant has been entrusted to M/s. Dastur & Co. on 1-4-75 and the Report is expected to be available in early 1977. After considering the availability and demand of steel upto 1988-89 the product-mix for Visakhapatnam Steel Plant for the preparation of Detailed Project Report has been confirmed.

3. The Project authorities and the Consultants, in both cases of the Projects, are in constant touch with each other.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018 (1)/76-Parl. (Vol. II) dated 30-7-76].

**Further information called for by the Committee**

Whether DPRs for Vijayanagar Steel Plant and Visakhapatnam Steel Plant have been received? If so, please indicate the present position of works therein.

(L.S.S. O.M. No. 26-PU/75 dated the 31st Dec., 1977)

**Further Reply of Government**

The Detailed Project Reports for Vijayanagar and Visakhapatnam Steel Plants have since been received. These are currently being scrutinised by Steel Authority of India Limited. Meanwhile, in case of both the projects most of preliminary surveys, tests/investigations, etc. have been completed. Government of Andhra Pradesh have assured that they would be in a position to meet the construction and operational requirements of water and power for Visakhapatnam Steel Project. For Vijayanagar Steel Project also, preliminary surveys in regard to water and power supply schemes have been completed.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018 (1)/76-Parl. (Vol. IV) dated the 8th February, 1978]

**Further Reply of Government**

The Detailed Project Reports for Vijayanagar and Visakhapatnam Steel Plants which have since been received are being scrutinised by Steel Authority of India Limited. Meanwhile, in case of both the projects the various preparatory jobs/investigations have been completed. The progress is indicated below:

**Visakhapatnam Steel Project.**

1. An extent of about 5380 acres of land has been acquired for the steel project.
2. Surveys, soil investigations, etc. for the steel plant and township sites have been completed.
3. Raw material sources have been identified, detailed explorations have been carried out to prove the deposits and raw materials tested at NML, Jamshedpur.

4. Survey for construction railway siding to the steel plant site have been completed by RITES, a company under the administrative control of Railway Ministry.
5. Survey for construction raw materials in and around Visakhapatnam has been completed by CBRI, Roorkee.
6. After detailed discussions, State Government have identified sources and confirmed availability of power and water both for construction and operation.
7. Town and Country Planning Organisation, Ministry of Works and Housing have prepared the structure plan and development plan for the steel township.

#### *Vijayanagar Steel Project*

The following works/investigations have been completed.

1. Land acquisition for the plant.
2. Topographical surveys.
3. Geophysical investigations
4. Detailed soil investigations.
5. Preliminary water supply and power supply schemes.
6. Raw material investigations and testing.
7. Construction raw materials investigation.
8. Preliminary Traffic-cum-Engineering study by Railways.
9. Development and Master Plans for the city.

It is also added that the product-mix of the new steel plants would be gone into in full detail before taking the investment decisions, keeping in view the necessity of reduction of imports, compulsion of internal demand and all other relevant factors. Action is in hand to get an investment decision taken for Visakhapatnam project.

[Ministry of Steel and Mines (Deptt. of Steel) O. M. No. H-11018(1)/76-Parl. (Vol. IV) dated 9.1.1979]

#### **Recommendation (Serial No. 64, Para No. 9.31)**

The Committee note that SAIL as a holding Company has taken a number of significant steps to bring together the management of the subsidiaries and the trade union leaders both at the local and national levels so as to promote better understanding and create proper climate for fulfilling agreed production targets. One such special meeting of the Joint

Negotiating Committee in which representatives of Central Trade Union Organisation and the recognised unions from each plant participated, resulted in brining the management and the union closer for appreciating the problems in the Steel Industry and reaching agreements on targets of production. The Committee recommend that the working of the system of the Joint Negotiating Committee may be reviewed so as to strengthen it in the interest of improving performance.

### **Reply of Government**

After the wage agreement signed in July, 1975, the name of the Committee has been changed from the Joint Negotiating Committee to National Joint Consultative Committee for the Steel Industry and its functions have been further enlarged. In order to make the discussion of important matters relating to the industry more meaningful, the General Managers of the three main steel plants of Hindustan Steel Limited have also been made members of the Committee. A regular report is given to the Committee, on a quarterly basis, on production and despatches in each steel plant and the reasons for shortfall in production for its review.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 1.9.76.]

### **Further information called for by the Committee**

Have any guidelines been issued by Steel Authority of India Ltd./Ministry to its subsidiaries to strengthen industrial relations? If so, please give details.

(LSS O.M. No. 26-PU/75 dated 13-10-76)

### **Further Reply of Government**

Instructions from Ministry of Labour, Government of India regarding labour participation in industry issued vide No. S. 61011(4)/75-Dk. I(B) dated 30th October, 1975 have been sent to the subsidiaries for their strict compliance. The following action has also been taken to ensure strengthening of industrial relations in the subsidiaries:—

- (i) The Chief Executives have been told to give great importance to the maintaining of harmonious industrial relations.
- (ii) The Minister for Steel and Mines holds Quarterly meetings of the Chief Executives of the subsidiaries and industrial relations involving compliance of various labour laws, resolving of workers grievances, ensuring safety of workers, implementation of labour participation at the shop floor and plant level, welfare of workers etc. form an important item for discussion and suitable directions are given to the Chief Executives.

- (iii) Director (Personnel) of Steel Authority of India Limited convenes periodical meetings of the Personnel Managers of the subsidiaries where industrial relations situations are reviewed and necessary guidelines in matters relating to union-management relations, grievances of workers, welfare etc. are given.
- (iv) Steel Authority of India Limited is keeping the top leadership of the Central Trade Union Organisations to which the local unions are affiliated, fully apprised of the industrial relations problems in the steel industry and has been obtaining constructive help from them in tackling the various problems.
- (v) The responsibility for maintaining good industrial relations rests with the subsidiaries but where necessary Steel Authority of India Limited assists the subsidiaries in resolving important problems thus ensuring maintenance of harmonious industrial relations in the industry.

[Ministry of Steel and Mines (Department of Steel), O. M. No. H-11018(1)/76-Parl. (Vol. II), dated 27-10-1976]

**Recommendation (Serial No. 65, Para 9.32 & 9.33)**

The Committee also note that in a Conference of Chief Executives of subsidiaries of SAIL held in New Delhi in March, 1974 a broad framework for an action plan for maintaining harmonious industrial relations was drawn up. The plan provided for management's role in bi-partite Committees, negotiating wage agreements, relations with trade union organisations, provision of food in industrial townships, housing and other welfare amenities etc.

The Committee were informed that though by and large industrial relations were stated to have been good and sound, there was intermittent trouble in Rourkela and difficulties in Durgapur. The Committee also note that the Action Committee on Public Enterprises have made certain recommendations emphasising *inter alia* the need for the General Manager allocating the task of implementing the various provisions of the Report as a time bound programme, for strengthening the Personnel Department of the Durgapur Steel Plant, and creation of a more effective and objective recruitment system, institution of intensive and imaginative training programme for officers in the Personnel Department of the Durgapur Steel Plant and creation of a more effective and objective recruitment system, institution of intensive and imaginative training programme for officers in the Personnel Department so as to acquire ability to deal with human problems with initiative, imagination and determination. The Committee would like that SAIL/Ministry should provide suitable guidelines to the

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subsidiaries in order to strengthen the industrial relations keeping the recommendations of Action Committee in view and ensure that they are implemented within a specified time.

### **Reply of Government**

The position has changed since the submission of the Action Committee Reports on Rourkela and Durgapur Steel Plants. There has been a substantial improvement in the industrial relations situation in all the steel plants including these two plants and the Alloy Steel Plant at Durgapur from 1975-76 onwards, particularly after the proclamation of the Emergency. The total loss of man-hours in 1975-76 in the Rourkela Steel Plant and Durgapur Steel Plant was only 1,306 and 937 as compared to a loss of 22,904 and 1,73,740 man-hours respectively, in 1974-75. This drastic reduction in loss of man-hours was reflected in higher production and productivity. In fact, the production in 1975-76 was largely due to a positive response from and greater discipline among the workers and closer cooperation between labour and management at the shop floor level and in production programmes. In this connection, please also refer to Government reply to Recommendation No. 68.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 1-9-76].

### **Further information called for by the Committee**

Have any guidelines been issued by Steel Authority of India Ltd./ Ministry to its subsidiaries to strengthen industrial relations? If so, please give details.

[LSS O.M. No. 26-PU/75, dated 13-10-76].

### **Further Reply of Government**

Instructions from Ministry of Labour, Government of India regarding labour participation in industry issued *vide* No. S. 61011(4)/75-Dk.I(B) dated 30th October, 1975 have been sent to the subsidiaries for their strict compliance. The following action has also been taken to ensure strengthening of industrial relations in the subsidiaries:—

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relations involving compliance of various labour laws, resolving of workers grievances, ensuring safety of workers, implementation of labour participation at the shop floor and plant level, welfare of workers etc. form an important item for discussion and suitable directions are given to the Chief Executives.

- (iii) Director (Personnel) of Steel Authority of India Limited convenes periodical meetings of the Personnel Managers of the subsidiaries where industrial relations situations are reviewed and necessary guidelines in matters relating to union-management relations, grievances of workers, welfare etc. are given.
- (iv) Steel Authority of India Limited is keeping the top leadership of the Central Trade Union Organisations to which the local unions are affiliated, fully apprised of the industrial relations problems in the steel industry and has been obtaining constructive help from them in tackling the various problems.
- (v) The responsibility for maintaining good industrial relations rests with the subsidiaries but where necessary Steel Authority of India Limited assists the subsidiaries in resolving important problems thus ensuring maintenance of harmonious industrial relations in the industry.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 27-10-76].

#### **Recommendation (Sl. No. 66, Para 9.34)**

The Committee also note that in regard to Alloy Steels Plant though the Action Committee had given their recommendations as early as 1974, no follow up action had been taken so far thereon. The Committee recommend that Government|SAIL should take steps to implement the recommendations of the Action Committee in the interest of bettering the industrial relations in Alloy Steels Plant, which is understood to have shown some improvement.

#### **Reply of Government**

The draft report of the Action Committee on Alloy Steels Plant, Durgapur, relates to the period from 1971-72 to 1972-73. Steel Authority of India Limited (SAIL) initiated action on this. As a result of the steps taken by SAIL, there has been an improvement in the industrial relations situation since the report was submitted. Shop level committees and Joint Council at Apex level have been formed in which nominees of the three major unions are represented. These committees have been cooperating with the management in increasing production.

2. The three tier system is not working at present but in its place, bipartite committees have been functioning satisfactorily.

3. The deficiencies in the Personnel Department have been removed. The system of recruitment has been improved and the Management Development and Training Programmes for the officers in the Personnel Department have been completed.

4. The performance of the plant has shown significant increase in production and productivity. This and the good industrial relations prevailing in the plant indicate that the management has paid adequate attention to personnel management and industrial relations. During 1975-76, the man-hours lost due to labour trouble in the Alloy Steels Plant were only 26,370 as compared to 3,29,527 in 1974-75.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated the 31st August, 1976]

#### Further Reply of Government

In addition to the reply communicated through this Ministry's O.M. No. H-11018(1)/76-Parl (Vol. II) dated 31-8-1976, the following further information is given.

After March, 1977 the Alloy Steels Plant has faced serious labour trouble due to intra-union and inter-union rivalries. The INTUC-affiliated Alloy Steels Workers Union had split into two factions each of which declared itself to be the official executive of the union and each faction vied with the other in raising demands and causing troubles. Right from April, 1977 onwards, there have been several prolonged incidents of labour trouble like strikes, work stoppages, slow down, demonstrations in the works premises, refusals to do acting, stay on overtime and perform normal work etc., in various departments of the steel plant which have had a severe adverse effect on production.

The disturbed state of industrial relations in Alloy Steels Plant is reflected in the following comparative statistics of loss of man-hours and production, etc., during the years 1976-77, 1977-78 and 1978-79.

	1976-77	1977-78	1978-79 . (Apr-Nov.)
Loss of man-hours . . . . .	37	3,943	101,132
Loss of production (in tonnes) . . . . .	—	400	7,614

With a view to strengthening the Personnel Management set up in this plant, a new experienced Senior Officer was transferred from Rourkela Steel Plant to the Alloy Steels Plant to work as the Chief of Personnel and Management Services. Management have tried to tackle industrial relations problems with tact and persuasion, availing the help and guidance of the State Labour Machinery wherever necessary. Whereas every effort is made to settle the demands and grievances of employees/Unions under a normative approach by effectively utilising the negotiating machineries, the pressure tactics resorted to by the Unions are not being yielded to. It is hoped that the existing processes of negotiations and dialogues to resolve the disputes will produce a better industrial relations climate.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018 (1)/76--Parl. (Vol. IV) dated 2-2-1979]

### **Recommendation (Serial No. 67, Paras No. 9.35 and 9.36)**

The Committee also note that in Bhilai Steel Plant an Incentive Bonus Scheme has been introduced based on productivity of workmen in groups in order to have better control on inputs and achieve rated capacity of production.

The Committee note that incentive schemes had been introduced in the steel plants of Hindustan Steel Ltd. since 1961-62 with a view to provide necessary motivation for the workers to achieve rated capacity of the various units of the plants. The Committee also note that as in the Durgapur Steel Plant this incentive scheme was not effective, a revised incentive scheme was introduced with effect from 2-2-1974. Which was purely related to production as against the productivity oriented scheme adopted in certain departments of Durgapur Steel Plant earlier. The Committee also find that loss of production due to labour troubles has been considerably reduced. According to SAIL it is difficult to isolate the impact of incentive scheme on production. The Committee would like that the working of the scheme should be carefully watched and its impact on productivity should be carefully assessed.

### **Reply of Government**

Noted. The incentive scheme is reviewed and its effects analysed periodically.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 1-9-1976]

### **Recommendation (Serial No. 68, Para No. 9.37)**

The Committee are glad to note that the recommendations made in their 17th Report (1971-72) on Personnel Policies and Labour Management Relations in Public Undertakings about participation of workers and their representatives in Management of Public Undertakings at all levels beginning from the shop level to the Board of Directors has been accepted by Government and suitable guidelines have been issued by Government in this behalf. The Committee hope that Government/SAIL would keep these in view and implement them as early as possible both in letter and spirit and ensure workers participation at all effective levels in the interest of increased production and better industrial relations.

### **Reply of Government**

A well-organised system of workers' association with management has been functioning in the steel industry for quite some time. This system has been given further impetus and a new orientation in the light of new economic programme. New Committees have been constituted wherever necessary and measures have been taken to revitalise the functioning of the existing Committees.

There is, in general, a two-tier system of joint consultation in the steel plants (bi-partite Committees at the plant level and at the departmental level). Floor Level Committees have been set up in all the operation and maintenance services. The Shop Floor Committees discuss day-to-day shop problems. They are also responsible for reviewing production performance, increasing productivity and maintaining discipline at the shop floor level.

There are at present 373 bi-partite committees for closer association of workers with management in the public sector steel plants. These Committees discuss a wide variety of problems such as improvement in production and productivity, reduction of cost, safety and accident prevention services, welfare and grievances. The Grievance Committees, in particular, which meet every month are aimed at setting grievances in the shortest possible time and at the lowest possible step.

At the apex level there is a Committee now known as National Joint Consultative Committee for Steel Industry which was originally set up in 1969 for determining the wage structure for steel workers. This bi-partite

Committee comprises representatives of the employers and workers and also includes representatives of three Central Trade Unions. The Committee concerns itself with problems common to the industry as a whole, such as evolving and agreeing upon common wage structure, fringe benefits, welfare measures, standardisation of grades and nomenclatures and the setting of annual production targets for the industry. This Committee reached a second four-year agreement on wages and allied matters on 30th July, 1975. It is expected to play a larger and constructive role in the growth and development of the industry and, in particular, in the maintenance of harmonious industrial relations.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 1-9-1976]

### **Recommendation (Serial No. 69, Paras 9.60 and 9.61)**

The Committee find that SAIL/HSL has developed its own Recruitment and Training Procedures and till end of March, 1974 as many as 18,406 persons have been trained in different categories. The Committee also note that in the initial stages, HSL had to send a number of engineers and technicians in foreign countries for training. The Committee are glad to note that with the development of training facilities at the HSL plants, it is no longer necessary to send personnel abroad for training except in areas where there is need for specialised knowledge and technique which are not available in the country. The training in foreign countries is generally covered under foreign aided programmes under bilateral agreements. The Committee are informed that till end of March, 1974, 2795 persons of the different plants have been trained abroad. The Committee hope that with the expertise developed so far it should be possible for SAIL to develop training programmes in all faces of steel production suited to Indian conditions and obviate the necessity for foreign training abroad as far as possible.

The Committee would, however, caution that SAIL should lay down strict procedures for manning the different units and develop staff standards for different activities and ensure that overheads and levels of supervisions are not excessive.

### **Reply of Government**

Noted: The need for foreign training has already gone down as a result of the establishment of Training Institutes in the steel plants and the

Management Training Institute at Ranchi which organise a number of training and management development courses and programmes. Efforts will be made to reduce foreign training still further and to confine such training to areas where new technology is introduced or in which know how is not available in the country.

So far as manning in different plants/units is concerned, suitable guidelines are being issued by SAIL for following strict manning containment policy.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11018/1/76-  
Parl. (Vol. IV) dated the 18th September, 1976]

#### **Further information called for by the Committee**

Please furnish a copy of the guidelines issued by SAIL for manning different plants/units.

(L.S.S. O.M. No. 26-PU/75 dated 31-12-1977)

#### **Reply of Government**

In view of the observations made by COPU in respect of the Labour Productivity and Manpower of the Steel Plants, the following guidelines have been laid down for containment of manpower in the subsidiaries of Steel Authority of India Limited, which may be followed hereafter:—

- (1) The manpower may be kept constant at the existing level in case it cannot be decreased in all the subsidiaries of SAIL.
- (2) It is also suggested that fresh intake against turn over vacancies may be kept to bare minimum and each filling of post may be approved by the Chief Executives in such cases.
- (3) The manpower statement giving detailed break-ups of grades, departments etc. may please be sent every month so as to reach SAIL by 1st week of the succeeding month for information and coordination.
- (4) It will be advantageous if all the subsidiaries initiate action to work out productivity targets for the year 1975-76. In a steel Plant, for example, the productivity target will be based on ingot ton per man-year formula. This exercise, in future, will be done every year before the start of the next financial year.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11018/1/76-  
Parl. (Vol. IV) dated 14th February, 1978]

### **Recommendation (Serial No. 70, Para No. 9.69-9.70)**

The Committee note that the yardstick for measuring labour productivity in steel plants is expressed in terms of 'ingot tonnes per man year' and is calculated after taking into account the production of ingot steel and 25 per cent of pig iron for sale and the man-power employed (direct and indirect). They observe that the Mehtab Committee, which examined the question of labour productivity in steel plants, had expressed the view that it should be possible for HSL Plants to raise the productivity to about 125 ingot tonnes per man year and above in each of the steel plants. The Government informed the Committee on Public Undertakings in 1971-72 that HSL has set to achieve a target of 100,90 and 95 ingot tonnes of steel per man year in BSP, DSP and RSP respectively by the end of current expansion of the steel plants. The Committee regret to note that SAIL/HSL has not only failed to improve the productivity over 1969, it has not even able to maintain the productivity in any of the steel plants.

The Committee also note that the labour in steel Industry abroad in 1972 was 303 tonnes of crude steel per man year in Japan, 195 in West Germany and 252 in USA as compared to the highest labour productivity of 71 ingot tonnes per man year achieved in India in Bhilai in 1969. The labour productivity figures in Indian steel plants and those in the steel industry abroad are stated to be not comparable because in foreign countries many activities are done on contract and the man engaged thereon are not taken into account, the level of automation there is much higher and man-power figures in India include indirect labour required for administration, township and medical services also. While the labour productivity figures in Indian Steel Plants may not be comparable with those in the steel industry abroad the Committee cannot appreciate the reasons for wide variations in the labour productivity figures in the various steel plants in India. In 1973-74, while the labour productivity in Bhilai was 63 ingot tonnes per man year, it was almost half of this figure in Durgapur (33) and over less than half in IISCO (24). In Rourkela and TISCO too, it was as low as 42 and 40 respectively. They would like SAIL to investigate the reasons for the sharp variation in the labour productivity figures in respect of the different steel plants in India with a view to devising ways and means of bringing them upto an optimum level.

### **Reply of Government**

Steel Authority of India Ltd. has commissioned Metallurgical and Engineering Consultants (India) Limited (MECON) to make an in-depth study of the reasons for higher labour productivity in advanced countries as also to examine the sharp variations in labour productivity figures in



respect of different steel plants in India with a view to devising ways and means for raising them to an optimum level.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11018/1/76-Parl. (Vol. IV) dated the 18th September, 1976]

### **Further Information called for by the Committee**

Has Metallurgical and Engineering Consultants (India) Limited completed in depth study regarding the reasons for higher labour productivity in advanced countries? If so, please furnish a copy thereof. What remedial measures have been taken to improve the labour productivity as a result of such a study.

(LSS O.M. No. 26-PU/75 dated 31-12-1977)

### **Further Reply of Government**

Metallurgical and Engineering Consultants (India) Limited has completed the study and a copy of MECON's report on Labour Productivity is enclosed. Copies of this report have been sent to the Steel Plants under Hindustan Steel Limited for having a programme of implementations based on the findings of the report. Steps taken by the Plants to increase the Labour Productivity are being ascertained.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated 14th February, 1978]

### **Recommendation (Serial No. 71, Para 9.71)**

The Committee further observe that steel plants abroad, *i.e.* Japan, West Germany and USA had been able to raise their productivity of labour from 247,122 and 235 ingot tonnes per man year in 1969 to 303,195 and 252 ingot tonnes per man year respectively in 1972. In case of India, the productivity of labour which in 1968 was 79,39 and 47 ingot tonnes per man year in Bhilai, Durgapur and Rourkela steel plants respectively for works and Administration Personnel came down to 63, 33 and 42 ingot tonnes per man year respectively in 1973-74. The Committee are constrained to note that whereas the steel plants in the countries abroad have improved their labour productivity, in case of HSL steel plants, it has deteriorated. They feel that even if labour productivity of countries abroad is not comparable with that of India for reasons indicated by SAIL,

improvements in productivity is an imperative need for all progressive and developing industries. They desire SAIL to examine the matter critically analyse reasons for deterioration in productivity and take suitable steps to improve its productivity and try to achieve the minimum level of productivity of 125 ingot tonnes per man year as set forth by the Mehtab Committee.

### **Reply of Government**

Please see Government reply to Recommendation No. 70.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. H-11018/1/76-Parl. (Vol. II), dated the 18th September, 1976].

### **Recommendation (Serial No. 72, Para 10.57-10.58)**

The Committee note that the basic idea of setting up of SAIL has emerged out of the experience of the manner in which the public sector enterprises were run, the desire to accelerate the returns from the enterprises in which much resources were ploughed and to handle the Public Sector enterprises in a more professional manner by persons having commercial and industrial experience. The Committee however, find that there are differences between the holding companies are mostly financial institutions and devices through which the Government seek to gain control over crucial sectors of economy though they also observe the basic concept that entrepreneurial decisions should rest with those companies.

The Committee are informed that the concept of SAIL basically is that it would be responsible for the coordinated and efficient functioning of public enterprises in the field of steel and associated input industries and that it will discharge this responsibility on the basis of commercial and cost effective principles and at the same time ensure full compliance and furtherance of the socio-economic objectives of the setting up of the public sector and that the operational programme and development of the enterprises are conducted in accordance with the national plan. The Committee have already given their observations in regard to the part played by SAIL in the coordination of in-puts, cost of production, etc. in the relevant chapters of this report. The Committee would, (however, like to point out that though at the time of formation of SAIL the Bharat Coking Coal Limited and Washeries had been made the subsidiaries of SAIL as a holding company, these have now been taken out of SAIL and transferred to the Department of Coal. The concept, therefore, that all undertakings dealing with in-puts required for the steel production should be under one umbrella of SAIL, has thus got modified to some extent. Although the Committee have been informed that coordination is maintained by SAIL even after such a change with the Department of Coal, the Committee would like to watch the functioning of this arrangement for some time after the change.

## Reply of Government

Noted.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018  
(1)/76-Parl. (Vol. II) dated 29-7-76]

### Recommendation (Serial No. 73, Paras 10.59—10.63)

The Committee also note that the Chairman of the Steel Authority of India besides being the Chief Executive of the company is the Secretary of the Department of Steel. It was stated that the rationale behind this decision emanated from the concept that the holding companies should exercise entrepreneurial functions on behalf of the Government, marshal and operate investments in areas considered as core and strategic, the operations and management should be run on sound industrial and commercial principle; and performance evaluation of the holding company and the subsidiaries should be undertaken in the context of physical norms and targets laid down by the Government. It has been claimed that the individuality of both the roles has been preserved and definite areas have been visualised and thus not only the necessary leadership and directions are provided but the accountability is also preserved.

With the introduction of holding company concept through SAIL, the technical areas which could be better supervised and decided at levels different from Government have been delegated to SAIL and the autonomy allowed to the holding company has provided a measure of viability which was not available in the past. The integration of the office of Secretary to the Government with Chairman of SAIL, it has been claimed has helped to ensure that the Government is not just another link in the chain of decision making. This has allowed the Ministry to concentrate on issues of policy nature, enforcement of norms and laws, national objectives and targets in relation to performance and growth in sales sector without getting enmeshed day-to-day problems.

The Committee, in this connection, would like to invite the attention of SAIL/Government to paragraph 8.12 of their 70th Report (4th Lok Sabha) (1969-70) on India Tourism Development Corporation where they have observed as follows:—

“As pointed out above, the Estimates Committee and the Committee on Public Undertakings had unmistakably commented upon the inadvisability of inclusion of a Secretary or Additional Secretary in the management of public sector undertakings. In spite of the above recommendation, it is noticed with surprise that Additional Secretary of the Government has been appointed as part-time Chairman of India Tourism

Development Corporation as recently as in 1970. The Committee have taken strong exception to the deliberate flouting of the recommendations of Parliamentary Committee and of Administrative Reforms Commission and would recommend that the recent appointment of Chairman of Board of Directors of I.T.D.C. should be immediately reconsidered in the light of the recommendations earlier made and already accepted by the Government."

This recommendation has been accepted by Government.

The Committee would also like to invite the attention of SAIL/ Government to the recommendation made in paragraph 5.23 of their 68th Report (4th Lok Sabha) on Bokaro Steel Ltd. Where they have observed "The Committee regret to note that the Secretary of the Ministry of Iron and Steel was appointed as Chairman of Bokaro Ltd. On 4th February, 1964 contrary to decision of Government taken as early as November, 1961 that no Secretary of the Ministry/Department shall be a member of any board and in disregard to the recommendation of the Estimates Committee and accepted by Government". In their 14th Report (5th Lok Sabha) (1971-72) on Action Taken, the Committee have reiterated their recommendation and desired that the recommendation of the Administrative Reforms Commission that "no officer of Ministry should be made Chairman of a public undertaking nor the Secretary of the Ministry be included in its board of management" which was accepted by Government in respect of industrial undertakings should be strictly followed.

In spite of the observations of the Administrative Reforms Commission and the Committee on Public Undertakings in their earlier reports, the Committee are surprised to find that the post of the Chairman of the undertaking has been combined with that of Secretary to Government. It has been stated that the combination of the post of Chairman of the undertaking with that of the Secretary to Government has not acted as a constraint in the discharge of the duties of Secretary.

The Committee observe that, in spite of Government having accepted the recommendations of the Committee on Public Undertakings in paragraph 8.12 of their 70th Report (1969-70) and their recommendation in para 5.23 of the 68th Report (1969-70) which had been reiterated by the Committee, the Secretary of the Ministry has also been appointed as the Chairman of SAIL contrary to these recommendations. However, the Secretary has tried to explain the position during the evidence by stating that "it is not a question whether Secretary should always be the Chairman or *vice versa*. The important thing is the objective visualised in setting up the Steel Authority and really giving effect to this objective." In view of this statement and the improvements noticed after formation of SAIL

as a holding company which is a novel experiment, the Committee would like to watch the functioning of this arrangement for some more time before they could give their observations in this regard.

**Reply of Government**

Noted.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dated 29-7-76].

**Recommendation (Serial No. 74, Para 10.64)**

The Committee were informed that the organisational set up evolved in the last few years of working of SAIL has been found to be reasonably adequate. The Committee, however, agree with Secretary, Department of Steel, that the organisational structure should be such as to subserve the practical objectives for which SAIL has been created, and caution SAIL/Government that the organisation should not proliferate into another parallel Secretariat or Ministry and thus add to the administrative overheads. This aspect needs to be most carefully watched and any tendency to inflate levels of supervisors and overheads firmly checked right from the beginning.

**Reply of Government**

Noted. Efforts are being made to check any tendency to inflate levels of supervision and overheads.

(Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 1-9-76].

**Recommendation (Serial No. 76, Para 10.66)**

The Committee note that already SAIL has been taking steps to strengthen the boards of the subsidiaries with a view to building up a fairly long-term functional team to manage the entire affairs of the company in its various facets production, industrial finance, etc. The Committee would like to watch the developments in this regard.

**Reply of Government**

Noted.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 29-7-76].

**Further information called for by the Committee**

“What are the steps taken by SAIL/Government to strengthen the boards of its subsidiaries upto now with a view to building up a fairly long-term functional team?”

[L.S.S. O. M. No. 26-PU/75, dated 28-8-76].

### **Further Reply of Government**

Under the Articles of Association of the subsidiaries of SAIL, the Chairmen of the subsidiaries are appointed by the Chairman, SAIL, with the approval of the President. The Directors on the Boards of the subsidiaries are appointed by the Chairman, SAIL, in consultation with the Chairman of the concerned subsidiary.

With a view to providing a degree of stability and building up a fairly long-term functional team, the Articles of Association of the subsidiaries provide for the appointment of whole time Director(s) and/or non-rotational part-time Director(s) and for the retirement of one third of the rotational Directors every year. This ensures that the Directors would normally be on the Board for a period of three years which would give them adequate time and opportunities to understand the multi-farious problems of the undertakings and to make suitable contributions to their solution. Further, a retiring Director is eligible for reappointment. It is also the policy of SAIL to appoint Directors having specialised knowledge and experience in various fields of activities including finance, technical, industrial relations, production etc. Some of the persons are also drawn from the private sector on account of their professional experience.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 29-9-76].

### **Further Reply of Government**

In this connection, reference is invited to the latest Government reply in respect of Recommendation No. 3. In pursuance of the provision of the Public Sector Iron and Steel Companies (Restructuring) and Miscellaneous Provisions Act, 1978, a number of subsidiaries of SAIL have either been merged with SAIL or converted into independent companies. Further, Bolani Ores Limited which was a partly-owned subsidiary of SAIL earlier will be merged in SAIL and become a unit thereof in pursuance of the Bolani Ores Limited (Acquisition of Shares) and Miscellaneous Provisions Act, 1978. SAIL will then have the following partly-owned subsidiaries:—

1. Indian Iron and Steel Company Ltd.
2. IISCO Stanton (a Subsidiary of IISCO).
3. Metal Scrap Trade Corporation Ltd.

[Ministry of Steel and Mines O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated 1-1-79].

### **Recommendation (Serial No. 77, Para 10.67)**

The Committee note that one of the important functions of SAIL is to ensure career development, succession planning and the organisation and development of steel cadre. For this purpose, SAIL, and its subsidiaries have been exempted from the present empanelment procedures and it has already taken the most important procedural step of appointing a full time Director of Personnel in the organisation. It has also been stated that appropriate policies are being worked out to develop the steel cadre so as to ensure that selection/appointments in the various posts are made having regard to the merits objectivity and the interest of the company concerned. The Committee were informed that it has been decided to defer the formation of rules, regulations, grades, methodology of promotion, transfers, etc. and setting up of the cadre for a short time. The Chairman, SAIL and Secretary, Department of Steel has, however, admitted during evidence "We are not satisfied completely with the steps taken in that direction. These things relate to action taken to try to sharpen the training, recruitment, placement and selection of cadre. I hope we will soon reach a stage when we would think that the time was mature enough to give a formalistic shape to it." The Committee recommend that the necessary procedural formalities and the rules and regulations in this regard and the formation of steel cadre and the relationship of HSL and SAIL should be completed at an early date so that the staff and officers working in SAIL and its subsidiary units are clear about their service rules and regulations and their position *vis-a-vis* the steel cadre. The Committee would like to be informed of the action taken in this regard.

### **Reply of Government**

As stated in Government reply to Recommendation No. 3, it has been decided to restructure Hindustan Steel Limited. The necessary legal and other formalities are being completed. SAIL has taken up the preparatory work relating to the rationalisation of various establishment rules in different subsidiaries so as to facilitate proper man-power planning and mobility of executives at managerial levels. Data is also being collected in respect of executives in managerial cadres. It is only after the rationalisation of rules and the collection and analysis of these data that a concrete shape can be given to the idea of Steel Cadre.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 1-9-76].

### **Further information called for by the Committee**

Please indicate the latest position regarding financial performance of the various Steel Plants?

(L.S.S. O.M. No. 26-PU/75, dated 31-12-77).

**Further Reply of Government**

The following statement indicates financial performance of the various steel plants:—

Steel Plants under SAIL made in all time record profit of Rs. 69.22 crores in 1976-77 as against Rs. 27.72 crores in 1975-76 as will be seen from the following statement:

	(Rs. in crores)		
	1975-76	1976-77	Increase/Decrease in 1976-77 over 1975-76
Hindustan Steel Limited . . . . .	(+ )28.22	(+ )49.05	(+ )20.83
Rourkela Steel Plant . . . . .	(+ )28.33	(+ )33.13	(+ )4.80
Durgapur Steel Plant. . . . .	(—)20.076	(—)7.3	(+ )12.33 Decrease in losses.
Alloy Steels Plant . . . . .	(+ )3.97	(+ )4.17	(+ )0.20
Fertilizer Plant at Rourkela . . . . .	(+ )2.41	(+ )2.71	(+ )0.30
Central Coal Washeries Organisation . . . . .	(+ )1.83	(+ )2.36	(+ )0.53
Refractories Plant, Kamgarh . . . . .	(—)0.02	(—)0.06	(—)0.04
Provisions for unrealised profit . . . . .	(—)0.02	(—)0.17	(—)0.15
Continuing and investment Allowance and Provision for Contingencies . . . . .	—	(—)16.00	(—)16.00
	(+ )44.66	(+ )67.46	(+ )22.80

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated the 14th Feb., 1978].

**Recommendation (Serial No. 76, Para 11.35)**

The Committee note that for the first time the Hindustan Steel Ltd. showed a profit of Rs. 4.71 crores in 1973-74 as against losses to the tune of Rs. 44.85 crores in 1971-72 and Rs. 27.80 crores during 1972-73 respectively. The Committee also find that during 1974-75 the Hindustan Steel Ltd. made a profit of Rs. 48.24 crores compared to the profit of Rs. 4.71 crores during 1973-74. The Committee also note that the price



increase allowed during 1973-74 brought an extra income of 47 crores against which the cost of escalations in running the plant to the tune of Rs. 39 crores was set off, resulting in a net gain of Rs. 8 crores. The Committee were further informed that the profit during 1973-74 would have been more by Rs. 38.72 crores but for the loss consequent on the decrease in production to the extent of 5 lakhs tonnes of saleable steel due mainly to power, raw material, transport and industrial relation problems. In respect of Bokaro steel, the Committee note that the loss during 1974-75 has been slightly higher than in 1973-74. The Committee are informed that the increase in profit during 1974-75 has been the result of higher production of steel, pig iron and fertilizers, decision to maximise production of saleable steel instead of the earlier, emphasis on ingot steel, more efficient utilisation of raw materials and reduction in overhead cost resulting from better distribution of products important cost reduction achieved in the per tonne cost of demurrages, wharfages loss in transit, handling cost. It has been stated that since the formation of SAIL, it has been devoting special attention towards stepping up of production, from steel plants and subsidiaries, bringing about improvement in inputs through loss and effective coordination and liaison with concerned agencies, fixation of realistic targets, continuous coordination with Railways in the matter of movement of principal inputs, providing of balancing facilities in washeries, coordination with the Ministry of Energy and the State Governments for supply of power etc. The Committee are also informed that the over all profit including the subsidiaries during 1974-75 amounted to Rs. 38.27 crores as against a loss of Rs. 2.75 crores during 1973-74. In regard to the constraints about the inputs the Committee have already given their comments in the relevant chapters of the Report. The Committee hope that efforts would continue to be made by SAIL with particular reference to removing bottlenecks coming in the way of greater production by providing balancing equipment, ensuring regular schedule of maintenance, assuring supply of inputs etc., achieve efficiency and economy in cost of production of steel with particular reference to OMS and quantity and value of inputs, minimising defectives and rejects reduce distribution costs and thus improve the performance and profitability of SAIL so that larger resources may be generated for further development and expansion.

### **Reply of Government**

The observations of the Committee have been noted. As regards raising the levels of production from and of capacity utilization in the public sector steel plants, reference is invited to Government reply to Recommendation No. 9. Adequate attention continues to be paid to the quality of production as well as the financial performance of the steel plants. In 1975-76, Hindustan Steel Limited earned a profit of Rs. 44.66 crores, Rourkela and Bhilai Steel Plants making a profit of Rs. 28.33 crores and Rs. 28.22 crores

respectively. This was despite cost escalations beyond the control of management estimated at about Rs. 49.0 crores. The other subsidiaries of SAIL except Bokaro Steel Limited, Bharat Refractories Ltd. and Bolani Ores Ltd. also registered a profit. The total profit made by all the subsidiaries taken together amounted to Rs. 30.66 crores in 1975-76 after providing the loss of Bokaro suffered by Bokaro amounting to Rs. 16.94 crores.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II), dated 1-9-76].

#### Further Reply of Government

As regards production from and capacity utilisation in the public sector steel plants, reference is invited to the latest Government reply to the Recommendation No. 9.

As indicated earlier, Hindustan Steel Limited earned a profit of Rs. 67.46 crores in 1976-77, Bhilai and Rourkela Steel Plants making a profit of Rs. 49.05 crores and Rs. 33.13 crores respectively. The other subsidiaries of SAIL except National Mineral Development Corporation Limited, Bharat Refractories Limited, India Fire-bricks and Insulation Company Limited and Bolani Ores Limited also registered a profit. The total profit made by all the subsidiaries taken together amounted to Rs. 73.26 crores in 1976-77.

In 1977-78, Hindustan Steel Limited earned a profit of Rs. 46.78 crores. All its main units except Durgapur Steel Plant made a profit. The profit earned by Bhilai and Rourkela Steel Plants was Rs. 39.76 crores and Rs. 19.10 crores respectively. This was despite fall in production by 1,22,000 tonnes of saleable steel and further cost escalations as compared to 1976-77. While some other subsidiaries of SAIL also earned a profit, Bokaro Steel Ltd., National Mineral Development Corporation Ltd., Bharat Refractories Limited, Indian Firebricks and Insulation Company Limited and Bolani Ores Limited incurred a loss. The total profit made by all the subsidiaries taken together amounted to Rs. 29.26 crores in 1977-78, after taking into account the losses of Rs. 10.10 crores and of Rs. 11.77 crores incurred by Bokaro Steel Ltd. and by National Mineral Development Corporation Ltd. respectively. The loss of Bokaro Steel Limited was primarily due to lower level of production on account of commissioning of new units during the year and higher incidence of depreciation. The loss incurred by NMDC is mainly due to external factors such as low F.O.R. Sales realisation (on residual basis, after deducting charges on account of post, handling and transportation) on exports of iron ore, lower off-take of iron ore by overseas buyers following recession in steel industry, and lower per carat realisation in the sale of diamonds.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV), dated 1-1-79].

**Recommendation (Serial No. 79, Para 11.36)**

The Committee note that the ratio of operating cost to net sales was 98 per cent in the case of Hindustan Steel Ltd. in 1974 as compared to 93 per cent in Japan, 95 per cent in Germany and 97 per cent in Britain in 1971; the ratio of net profit (before two) to sales was 1 per cent in HSL, 2 per cent in Japan, 2 per cent in Germany and 5 per cent in Britain; and the return on equity (before interest and tax) was 4 per cent in HSL, 7 per cent in Japan, 7 per cent in Germany and 4 per cent in Britain. The Committee would like the SAIL to make concerted efforts to reduce the operating cost in its steel plants by improving its productivity, performance and better utilisation of raw materials so that it will be possible for SAIL to make steel available at most competitive prices and thus provide phillip to engineering industries and also earn the much needed foreign exchange through exports.

**Reply of Government**

Noted. Vigorous efforts are being made to step up the exports of iron and steel materials. In 1975-76, about 8 lakhs tonnes of iron and steel materials valued at Rs. 110 crores were exported by SAIL International Ltd. The target for export of these materials in 1976-77 has been placed at 2.5 million tonnes. Actual shipments during the period, April-July, 1976 came to about 0.861 million tonnes valued at about Rs. 107 crores.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018 (1)/76-Parl. (Vol. IV), dated 1-9-1976.]

**Further information called for by the Committee.**

Please indicate the value of steel materials exported by SAIL International during 1976-77.

(L.S.S. O.M. No. 26-PU/75 dt. 31-12-77)

**Further Reply of Government**

The value of Steel materials exported by SAIL during 1976-77 is Rs. 260.51 crores.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018 (1)/76-Parl. (Vol. IV) dated the 8-2-1978.]

### III

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

### **Recommendation (Serial No. 36, Para 4.124)**

The Committee note that the management of the refractory plant of Assam Sillimanite Ltd. was taken over by the Government under the Industries Development and Regulation Act in November, 1972 and management entrusted to HSL. The Committee were informed that after taking over of the management of the refractory plant of Assam Sillimanite Ltd. a number of measures have been taken by Government to start production and utilise the available plant and machinery to the best advantage. Accordingly the plant was commissioned in April, 1973, and production started in July, 1973. The Committee however, find that as against the envisaged capacity of 29,000 tonnes capacity in the first stage, the production in 1974-75 was only 6,118 tonnes against which the present production capacity of 65,000 tonnes. The Committee recommend that SAIL should chalk out a time bound programme and take suitable concerted measures to provide the necessary facilities so as to improve production and achieve the originally envisaged capacity of 29,000 tonnes. The Committee would like to be informed of the action taken in this regard.

### **Reply of Government**

The Refractory Plant of M/s. Assam Sillimanite Ltd. whose management had been taken over by Government in November, 1972, has since been acquired by Government under the Assam Sillimanite Limited (Acquisition and Transfer of Refractory Plant) Act, 1976. It is proposed to complete/expand the plant to a capacity of 30,000 tonnes per year. MECON has been commissioned to prepare a detailed project report for this purpose which is expected to be received by the end of this year.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018  
(1)/76-Parl. (Vol. IV) dated 29-7-76].

### **Further information called for by the Committee**

- (a) "Has any time bound programme been chalked out to complete/expand the refractory plant of Assam Sillimanite Limited to a copy of 30,000 tonnes a year?"
- (b) "If so, please give details?"

(LSS O.M. No. 26-PU/75 dated 27-8-1976).

### **Further Reply of Government**

(a) and (b). As already stated in reply to Recommendation No. 36, the detailed project report is expected to be received from MECON by the end of this year. On receipt, the report will be examined by Hindustan Steel Limited and an investment decision taken by Steel Authority of India Limited/Government. It is only thereafter that a time-bound programme can be drawn up for the completion/expansion of the plant.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018  
(1)/76-Parl. (Vol. II), dated 29-9-76.]

### **Further information called for by the Committee**

“Has the detailed project report been received from MECON?  
If so, action taken thereon.”

(L.S.S. O.M. No. 26-PU/75- dated 31-12-77).

### **Reply of Government**

The Detailed Project Report prepared by MECON for expansion has been received. The Detailed Project Report has since been approved by Hindustan Steel Limited Board for expansion of the plant for a production capacity of 22,000 tonnes in the first stage. After the approval of the proposal by the Steel Authority of India Limited Committee on Projects, the same was put up for consideration and approval of Steel Authority of India Limited Board in its meeting held on November 28, 1977 which decided that the demand and availability of refractories should in the first instance be reviewed. This is presently under discussion by the Department of Steel with Planning Commission and D.G.T.D.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018  
(1)/76-Parl. (Vol. IV) dated 15-2-1978]

### **Recommendation (Serial No. 42, Para 4.170)**

The Committee also recommend that proper linkages of coal with the appropriate quality and the requisite quantity should be established well in advance and tied up with the steel plants so that the steel plants are not faced with the constraints of non-availability of requisite quantity and the quality of coal. The Committee recommend that Government should review the requirements of coal of steel plant at the commencement of each plan and review the position of coal supplies and the constraints, if any, every year so that suitable remedial measures may be taken in 4.171 time to overcome such constraints and supply of coal ensured.

The Committee note that in the case of coking coal supplies to Durgapur there had been a gradual deterioration in the quality of coal because of

cheaper mining. While according to the project report the ash content of the coal blend was to vary between 16 and 17 per cent, the actual ash content for the period 1969-70 to 1974-75 varied between 20.1 and 21.3 per cent. Although the loss of production because of higher ash content was not susceptible of quantification it has been reported that there had been loss of productivity to the extent of 4 per cent per every one per cent rise in ash content in coal. The Committee were informed that measures like increasing production of washery at Durgapur Steel Plant, increasing the allocation of washed coal from BCCL, washeries to Durgapur from 20,000 tonnes per month to 35,000 tonnes per month and constant dialogue with the CMAL and BCCL for improving the quality of direct feed have been taken with a view to improving the quality of coking coal. The Committee would like to be informed of the results achieved by these measures and would also like to watch the improvements in this regard.

### **Reply of Government**

The production plan for the main steel plants (including TISCO and IISCO) is drawn up for each year. Based on the production plan, categorywise requirement of coking coal for each plant is projected, which is then discussed with COAL India LTDI, and the Department of Coal, Ministry of Energy. The sourcewise linkage of coal for the plants for the year, for meeting the quantity and quality requirement of coal is then worked out in consultation with the coal producers and Railways. A Committee has been constituted by the Government to examine the problems connected with production and supply of coal of the required quality to the consumers, including steel plants under the Chairmanship, Joint Secretary, Department of Coal. The Committee includes representatives of Department of Power, Ministry of Railways, Department of Technical Development, Department of Steel, Coal India Ltd., Coal Consumers Association of India, Singerani Collieries Co; Ltd., and CFRI.

The terms of reference of the Committee briefly are to examine the nature of the complaints of various consumers in respect of quality of coal supplied to them and the arrangements the coal producers had made to ensure supplies accordingly to consumers' specification and they suggest steps that should be taken for effective improvement in the supply of quality of coal to the consumers and, if necessary, to make necessary adjustments in the production programme to the extent possible. The first meeting of Committee was held on 29th May, 1976. Its report is expected to be received by 31-12-1976.

[Ministry of Steel & Mines (Department of Steel) O.M.  
No. H-11018(1)/76-Parl. (Vol. II) dated the 23rd Sept. 1976].

### Further Reply of Government

In addition to the earlier information communicated through the [Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018/1/76- Parl. (Vol. II) dated 23rd September, 1976. The following further information is given:—

The shortfalls in receipt of coking coal as compared to the agreed programme have been covered under Sl. No. 37 already.

The quality of coal supplied has also been steadily deteriorating over the years as seen from the following table:

*Ash Content in blend coal at Steel Plants*

Period	(Unit %)					
	B.S.P.	D.S.P.	R.S.P.	B.S.L.	IISCO	TISCO
1973-74 . . . . .	17.96	20.52	18.23	18.24	18.65	n.a.
1974-75 . . . . .	18.09	21.23	18.68	20.18	19.54	n.a.
1975-76 . . . . .	18.86	21.12	19.11	20.63	20.76	n.a.
1976-77 . . . . .	18.97	20.22	18.94	19.84	19.93	18.49
1977-78 . . . . .	19.84	20.44	19.05	20.35	20.20	19.05
1978-79 . . . . . (Aprl. Sept.78)	19.93	20.63	18.92	20.29	20.63	19.13

In view of the above, the Steel Plants had to relax further the quality norms of coal to be supplied by some of the washeries in order to meet the steel plants requirements quantitatively during the current financial year 1978-79.

In this connection a copy of the report of the Committee constituted to examine the problems connected with the production and Supply of coal as obtained from the Deptt. of Coal was forwarded to the Lok Sabha Sectt. with this Department's O.M. No. H-11018(1)/78-Parl. (Vol. IV) dated 8-11-1977 in reply to their O.M. No. 26. PU/75, dated 10-3-1977.

[Ministry of Steel & Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated 28-12-1978].

#### Recommendation (Serial No. 43, Para 4.172)

The Committee note that the Department of Coal and Department of power have been brought under the Ministry of Energy and BCCL has been brought under the Department of Coal. Department of Steel/SAIL.

have developed a very close coordination with the Department of Coal and BCCL and all problems with regard to the availability of coking coal in terms of adequate quantity and quality are being continuously sorted out with the Department of Coal. The Committee hope that this coordination will ensure smooth and regular supply of coal of adequate quantity and appropriate quality to the steel plants. The Committee would, however, stress that there is need for a perspective plan in regard to requirements of coal and close coordination between SAIL, Coal Mining Authority, Ministry of Energy, Railways and the plant authorities so that there may not be any stoppages on account of non-availability of inadequate availability of coal.

### **Reply of Government**

In order to review whether the current and perspective plans which have been drawn up and are being implemented for the production of coking coal and for the setting up of coal washeries will adequately meet the requirements of the steel plants, Government set up a Committee with Shri K. S. R. Chari, Secretary Department of Coal, Ministry of Energy as Chairman. The Committee had members from the Department of Steel, SAIL, Planning Commission, Railway Board, CFRI, BCCL, CMPDI and Coal Controller. The Committee submitted its report in September, 1975, dealing with the plans for the supply of coking coal for the period upto 1984-85. The Committee has suggested that the projected gap between demand and supply should be bridged by increased production of raw coal, adoption of simple techniques of clearing including installation of unit washeries and by expediting commissioning of new washery Projects. Certain measures of reducing coking coal consumption have also been suggested.

“With a view to avoid any shortage of coking coal efforts are being made to try new sources of coal to find out their suitability in the steel making.”

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76 Parl. (Vol. II) dated the 23rd Sept. 1976]

### **Recommendation (Serial No. 49, Para 5.47)**

The Committee note that a system of dual pricing policy was adopted and implemented by SAIL with effect from 15th October, 1973 (i) to ensure supply of steel to meet the bulk of the requirements of priority need of Government Departments, Public Sector and some sectors of Industry at low prices based on cost of production and minimum return to producers, (ii) to permit prices of the other categories of steel to be fixed in relation to supply and demand and (iii) to mop up the surplus profit in



the open market and with steel users so that the internal resources so generated are used for expansion and growth of steel industry. They are informed that the new pricing policy had the expected effect of reducing premium in certain varieties, unwanted consumption of steel, cement and timber, eliminating black market in steel and mopping up surplus profits and that its working was being continuously reviewed. It has also been claimed that the psychology of shortage had changed to one of easy availability. While the Committee appreciate the rationale to provide steel for public sector and some sectors of industry at lower prices, and to permit prices of steel for general use to be (fixed in relation to demand and supply, they feel that SAIL should keep a constant vigilance on open market prices and ensure that the mechanism of supply *vis-a-vis* demand does not in any way operate to the detriment of the consumers. The Committee would like SAIL to keep the working of the dual pricing policy under review in order to ensure that the purpose with which the policy has been introduced is actually achieved. The Committee would like SAIL to examine in particular the effect of dual pricing policy on implements, pumpsets and other things used in agricultural sector and see whether the prices of steel used to meet the requirements of agricultural sector are within reasonable limits.

### **Reply of Government**

There has been no change in the base prices of steel items of Joint Plant Committee after the 15th October, 1973 when the dual pricing policy was implemented, except on account of factors like increase in excise duty, railway freight and increase in prices of coal. The dual pricing policy, as such has not resulted in escalating the prices of steel items used in the manufacture of agricultural implements etc.

There has been marked improvement in the availability of steel in the market and no complaint has been received that the manufacturers of agricultural implements have to pay unfair prices in the market for the steel items.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dt. 29-7-1976].

### **Further Reply of Government**

The dual pricing policy as such did not result in escalating the prices of steel items used in the manufacture of agricultural implements etc. The prices of steel used to meet the requirements of the agricultural sector were also reasonable.

2. It may, however, be mentioned that steel prices have been revised *w.e.f.* 5-6-1978 mainly for the following reasons:—

- (i) to cover cost escalation in the production of iron and steel;
- (ii) to ensure a fair return to producers;
- (iii) to cover increased incidence of freight burden on account of increase in lead distance over a period of time; and
- (iv) to find adequate funds for modernisation, rehabilitation and development of the steel industry and to lessen its dependence on budgetary resources.

3. With effect from 5-6-1978, it has also been decided that the difference between the stockyard price and JPC price should be brought down to a uniform level of Rs. 35/- per tonne only. Prior to this, the stockyard prices used to be substantially higher than the J.P.C. prices, with the result that bulk buyers, who were mostly big industrialists taking their requirements in rake loads, used to have the advantage of lower prices. This has now been done away with. Further, as explained in reply to Recommendation No. 51, the small scale units are now being supplied steel by the S.S.I. Corporations at a price which is Rs. 40/- per tonne less than the stockyard prices, which in effect means even lower than the JPC price.

4. It may also be added that SAIL are now taking steps to import substantial quantities of those categories of steel which are in short supply and, with the arrival of the imports, the open market prices are also expected to come down to about the same level as the stockyard prices.

[Ministry of Steel and Mines (Department of Steel) O.M.  
No. H-11018(1)/76-Parl. (Vol. IV) dated 5-2-1979].

#### **Recommendation (Serial No. 51, Paras 5.50 to 5.51)**

The Committee were given to understand that there have been disparities between prices at which smaller units were getting steel from stockyards and the prices at which steel was being supplied to bigger units direct from the plants. The Committee were informed that the question of disparity between the prices at which the smaller units got-steel from the stockyards and the prices at which the bigger units got-steel from the steel plants was being discussed by the SAIL with other Ministries and the Government would consider the difficulties of the small units. The Committee would like to be informed of the developments. The Committee recommend that SAIL should evolve a procedure by which such disparities are eliminated. The Committee would like to be informed of the action taken.

The Committee however find from the new distribution scheme effective from 2-5-1975, that small consumers may obtain their requirements either from Small Scale Industries Corporations to whom supplies are generally made directly from plants or from producers' stockyards depending on availability. They can thus cater to needs of small units attached to them. The Committee hope that with the introduction of the new distribution scheme any disparity in prices would be eliminated.

### Reply of Government

The question of equalisation of prices for the steel supplies to small scale industries as compared to larger units is being examined in this Department.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. II) dt. 29-7-1976]

### Further information called for by the Committee

Please indicate whether any decision in the matter of removal of disparity in prices has been taken.

(L.S.S. O.M. No. 26-PU/75 dated 1st Dec., 1977).

### Reply of Government

The matter has since been examined. The position is that while accepting in principle in April, 1973 that supplies channelled through the Small Scale Industries Corporations should be available to small units at about the same price as others getting theirs directly from the plants, the then Minister of Steel & Mines had stated in the Lok Sabha on 19-4-1973 that the price of iron and steel supplied to small-scale units was higher only in the case of those categories in which the supplies from the steel plants had been channelled through the SSI Corporations and that while steel moved from the plants only in wagons, not all parties in the small-scale sector could secure despatches for wagon loads at a time. It was for these reasons that Government had been considering the question of equalisation of prices for the supplies made to small-scale units from the SSI Corporations *vis-a-vis* the larger units getting supplies directly from the plants.

2. The situation obtaining since 2nd May, 1975, when the new distribution procure came into force, is totally different from that prevalent in early 1973. At that time supplies were made in wagon loads to customers directly from the plant. But at present the customers can obtain supplies from the steel plants direct only if they take a rake-load (excepting Defence, Railways and SSI Corporations.) The customers

taking supplies directly from the plants are few. By far the great majority have to draw their requirements from the stockyards at prices which are higher than the plant prices. However, as observed earlier, the SSI Corporations have the option to receive supplies directly from the main producers even in wagon-loads. Therefore, assuming that the SSI Corporations recover minimal service or handling charges the small-scale units are not at a disadvantage as compared to the larger units getting their supplies from stockyards. With the clear price advantage in that they can draw their requirements in wagon-loads at JPC price when compared to the bulk of the consumers who have to pay stockyard prices, it should be possible for the Small-scale Industries Corporations to sell the material to SSI units at a price lower than the stockyard prices by reducing or cutting down their profit margins.

In the net result, even though there is no special mechanism at present for equalisation of prices, in substance the SSIs are at no disadvantage either. Government, therefore, feel that under the circumstances explained above the procedure being followed at present needs to be continued.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated 27th Dec., 1977]

#### **Reply of Government**

At the time of revision of steel prices on 5-6-1978, it was also decided that supplies of steel to the State Small Scale Industries Corporations would be made by the stockyards of the producers at a concessional price which would be less by Rs. 150 per tonne and they would, in turn, supply them to the S.S.I. units at a price which is Rs. 40 per tonne less than the stockyard price. As it was also decided that the differences between the stockyard price and the JPC price should be at a uniform level of Rs. 35 per tonne only, the S.S.I. units are in effect now getting steel from the S.S.I. Corporations at a price which is even lower than the J.P.C. price. Hence, the SSI units are now getting materials from the SSI Corporations at a price which is cheaper than the price that the bigger unit pays whether it (the bigger unit) buys from the plant or the producers' stockyards.

[Ministry of Steel and Mines (Department of Steel) O.M. No. H-11018(1)/76-Parl. (Vol. IV) dated 5-2-1979].

**IV**

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

**NIL**

V

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT ARE AWAITED

—NIL—

NEW DELHI;

JYOTIRMOY BOSU,

March 31, 1979.

Chairman

Chaitra 10, 1901 (Saka).

Committee on Public Undertakings.

## APPENDIX I

[Vide Para 18 of Report and reply to Recommendation No.9]

*Production of Ingot steel and saleable steel from the integrated steel plants in 1977-78 and during the period of April-November, 1978.*

(In thousand Tonnes)

Plants	Production 1976-77	1977-78		April-November, 1978		Variation Over			
		Target	Production	Capacity Utilisation	Target	Production	Capacity Utilisation	Target	April-Nov. 1977
<b>INGOT STEEL</b>									
Bhilai	2302	2300	2371	94.8	1591	1424	85.4	10.5	-8.0
Durgapur	1091	1250	1092	68.2	842	635	59.5	24.6	-12.5
Rourkela	1503	1550	1403	78.3	1012	864	72.0	14.6	-6.8
Bokaro	956	1400	933	..	1327	718	63.4	45.9	+4.8
IISCO	667	850	641	65.1	483	398	59.7	17.6	-7.0
TISCO	1908	1950	1968	98.4	1282	1237	92.8	3.5	-3.3
<b>TOTAL</b>	<b>8427</b>	<b>9300</b>	<b>8424</b>	<b>84.2*</b>	<b>6537</b>	<b>5276</b>	<b>74.7</b>	<b>-19.3</b>	<b>-5.7</b>
<b>SALEABLE STEEL</b>									
Bhilai	2019	1925	1930	98.2	1280	1200	91.6	8.2	-5.7
Durgapur	901	1000	865	69.8	659	514	62.2	22.0	-8.1
Rourkela	1174	1170	1178	96.2	721	685	83.8	11.2	-9.2
Bokaro	736	1048	815	..	981	579	64.1	41.0	-0.9
IISCO	542	680	506	63.2	371	297	55.7	19.9	-8.6
TISCO	1550	1550	1601	106.7	1015	991	99.1	2.4	-3.7
<b>TOTAL</b>	<b>6922</b>	<b>7373</b>	<b>6894</b>	<b>93.3*</b>	<b>5016</b>	<b>4266</b>	<b>79.2</b>	<b>-15.0</b>	<b>-5.7</b>

\* Excluding Bokaro under construction/gestation

Exclusive of 61,000 tonnes of HIR Coils transferred from Bokaro to Rourkela.

## APPENDIX II

(Vide Reply to Recom. Nos. 3 to 75)

*Statement made by the Minister of Steel and Mines in the Lok Sabha on 25th May, 1976 regarding restructuring of Hindustan Steel Ltd.*

As the Honourable Members are aware, the question of restructuring of Hindustan Steel Limited in the context of the formation of Steel Authority of India Limited had been under the consideration of Government for quite some time. Hindustan Steel was originally incorporated in 1954. At present, it has five major operating units under its control—three integrated steel plants at Bhilai, Rourkela and Durgapur, the Alloy Steels Plant at Durgapur and Coal Washeries at Dugda, Bhojudih and Patherdih. The Fertilizer Plant at Rourkela is a part of the steel plant complex.

2. The functions of H.S.L. are essentially confined to planning, direction, control and provision of advisory services to the steel plants and other units under its control. However, when Steel Authority of India was formed in January, 1973, it was envisaged that gradually the work being performed by H.S.L. should pass over to this new Holding Company so that there would be only three tiers operating viz. the Ministry, SAIL and the steel plants/undertakings. There is accordingly at present a certain amount of avoidable over-lapping and duplication of work between SAIL and HSL. This is not in the interest of efficient functioning of large enterprises on sound business and commercial lines.

3. The steel plants of HSL are large-sized units in terms of capital employed, turnover, labour employed, their importance to the economy etc. and these plants can justifiably be constituted into separate companies with their own Boards of Management. This would not only vest them with greater autonomy and responsibility but also provide them with new opportunities for developing their own styles of functioning and management, thereby helping to achieve maximum production, productivity and profitability.

4. The Hon'ble Members are fully aware of the substantial improvements which have been effected in the management of the steel plants during the last few years and the marked increase in production, productivity and capacity utilisation which has been achieved, particularly during the last two years. H.S.L. has done pioneering work in planning, executing



and managing some of the largest industrial units in the country. I would like to place on record Government's deep appreciation of the good work done by the dedicated band of officers and men of H.S.L. who, through unceasing effort and hard work, have built up a sound and firm base for the steel industry in the country. The expertise that has been built up in H.S.L. would continue to serve our steel sector and would be utilised by us by suitable redeployment of HSL staff with SAIL and its subsidiaries.

5. Structural changes which will now be introduced would be broadly as follows:—

- (a) Bhilai Steel Plant and Rourkela Steel Plant (including Fertilizer Plant at Rourkela) and Alloy Steels Plant at Durgapur will be formed into 3 independent companies with their own Boards of Management. They will be fully owned subsidiaries of SAIL.
- (b) Durgapur Steel Plant would continue as the residual HSL and as a fully owned subsidiary of SAIL. This will also be an independent company with its own Board of Management.
- (c) The coal washeries at Dugda, Bhojudih and Patherdih which supply prime washed coal to the steel plants will be transferred to the Bharat Coking Coal Limited. The management of these washeries is already with BCCL since 1st April, 1975.
- (d) Internal and international sales and marketing will be handled by one company so as to ensure close coordination between domestic marketing and export planning. Accordingly, internal sales will be taken over by SAIL International Limited.
- (e) HSL Liaison Office at London will be transferred to SAIL International Limited.
- (f) The Management Training Institute (MTI) and the P&D Organisation of HSL will be transferred to ASIL.

6. Necessary action is being taken to set up these new companies and to transfer the assets and liabilities of the various units on the basis of audited accounts and in accordance with the provisions of the Companies Act and other relevant enactments. Pending completion of legal formalities, work of internal sales has been transferred to SAIL International Ltd. with immediate effect. Similar action is being taken in respect of transfer of the Management Training Institute and R&D to SAIL. Steel Authority of India Ltd. will continue to coordinate the activities of the new companies and units, to determine their economic and financial objectives/targets and to review, control, guide and direct their performance with a view to securing optimal utilisation of all resources/placed at their disposal.

7. Since this is an important matter and the Hon'ble Members have been taking keen interest in the proper working of public enterprises in general and Hindustan Steel Limited in particular, I am taking this opportunity of apprising the Members of these important decisions before their actual implementation. We have every hope that these changes would bring about further improvement in the management and functioning of these units.

### **APPENDIX III**

*(Vide Reply to Recom. 17)*

#### *Action taken to improve viability of Mini Steel Plants*

Government have recently taken several steps to improve the viability of the mini steel plants. These are stated below:—

- (i) Excise Duty on production of ingots/rolled products has been abolished;
- (ii) Import Duty on melting scrap has been abolished;
- (iii) Excise Duty on certain categories of heavy melting scrap procured from the integrated steel plants has been abolished;
- (iv) It has been agreed that financial institutions may consider favourably applications for loans from mini steel plants for purposes of diversification, depending upon the viability of the scheme;
- (v) The question of inclusion of mini steel plants under the soft loan scheme is under consideration of the Government. A decision is expected to be announced shortly;
- (vi) Mini Steel Plants have been allowed to diversify into production of certain grades of alloy steels. Selective mini steel plants may also be permitted to set up rolling facilities.

[Ministry of Steel and Mines (Department of Steel)  
O.M. No. 12-12(5)/77-dt. 16.3.78]

## APPENDIX IV

(Vide Reply to Recom. 41)

### CONSTITUTION OF COMMITTEE TO EXAMINE THE PROBLEMS OF PRODUCTION AND SUPPLY OF COAL

To be published in Part I Section I of the Gazette of India

No. 54012/3/76-CDT.

Government of India

MINISTRY OF ENERGY

Department of Coal

New Delhi, the 6th April, 1976.

#### RESOLUTION

In pursuance of the recommendation made by the Public Accounts Committee in their 154th Report (1974-75), that Government of India have decided to constitute a committee to examine comprehensively the problems connected with production and supply of coal of the required quality to the various consumers including the Railways. The Committee will consist of the following:—

#### *Chairman.*

1. Joint Secretary, Ministry of Energy, Department of Coal.

#### *Members*

2. Dr. M. G. Krishna, Director, Central Fuel Research Institute.
3. Shri K. Z. George, President, Coal Consumers Association of India.
4. Shri B. Sinha, Joint Secretary, Ministry of Energy, Deptt. of Power.
5. Shri C. B. Lal, Director, Mechanical Engineering, Railway Board.
6. A representative of the Deptt. of Steel in the Ministry of Steel and Mines.

7. Shri N. R. Srinivasan, Industrial Adviser, Department of Technical Development.

8. Shri B. N. Raman, Chairman-cum-Managing Director, Singareni Collieries Company Limited.

9. Shri K. P. Mukherjee, Director (Commercial) Coal India Limited.

*Member-Secretary*

10. Shri M. Jha, Director, Ministry of Energy, Deptt. of Coal.

2. The terms of reference of the Committee will be as follows:—

- (i) To review the present arrangements for production and supply of coal to various consumers according to their specifications in respect of quality.
- (ii) To examine the nature of complaints in respect of quality from the consumers.
- (iii) To make recommendations regarding steps to be taken and processes, procedures and guidelines to be adopted for ensuring the production and supply of coal/coke of required quality to consumers.

3. The Committee should submit its report to the Government by the 31st August, 1976.

Sd./- K. S. R. CHARI,

Secretary to the Govt. of India.

No. 54012/3/76-CDT.

New Delhi, the 31st March, 1976.

**ORDER**

Ordered that a copy of this Resolution be communicated to all the Ministries of the Government of India. The President's Secretariat, the Prime Minister's Secretariat, the Cabinet Secretariat, the Department of Parliamentary Affairs, the Lok Sabha/Rajya Sabha Secretariat, the Planning Commission, the Comptroller and Auditor General of India, the Accountant General, Commerce, Works and Miscellaneous, the Chairman, Coal India Limited, the Managing Directors, Bharat Coking Coal Ltd./Eastern Coalfields Ltd./Western Coalfields Ltd./Central Coalfields Ltd./Central Mine Planning and Design Institute Ltd. and all Members of the Committee.

Order also that the Resolution be published in the Gazette of India for General Information.

Sd./- K. S. R. CHARI,

Secretary to the Govt. of India.

To  
The Manager,  
Govt. of India Press  
Faridabad.

Together with a copy of Hindi rendering.

Copy to:—

1. S. A. to Minister (E).
2. P. S. to the Deputy Minister.
3. P. S. to Secretary.
4. All Officers in the Department of Coal.
5. D. P. I. O. (Shri R. K. Kachru), Press Information Bureau.

Sd./- S. K. DHAR,  
*Director.*

APPENDIX V

(Vide Reply to Recom. No. 52)

*Constitution of Expert Committee to go into question of reduction of imports and diversification of product-mix*

REGISTERED NO. D(D) 72

THE GAZETTE OF INDIA

EXTRAORDINARY

PART I—SECTION I

PUBLISHED BY AUTHORITY

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No. 143 New Delhi, Wednesday, July 28, 1976/Sravana 6, 1898 (S)

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Separate paging is given to this part in order that it may be filed as a separate compilation

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MINISTRY OF STEEL AND MINES  
(DEPARTMENT OF STEEL)

RESOLUTION

*New Delhi, the 28th July, 1976*

No. SC-D-II-B-14(1)/76.—In chapter VI of its 77th Report on Steel Authority of India Limited, the Committee on Public Undertakings (1975-76) (5th Lok Sabha) considered import of iron and steel by the country during 1972-73, 1973-74 and 1974-75. The Committee while noting that the import of iron and steel had come down progressively from 1972-73, recommended that the Government should appoint an Expert Committee to go into the question of reduction of imports and diversification of product-mix so as to attain self-sufficiency in steel.

2. Government after carefully considering the recommendation have accepted it. In pursuance thereof, Government hereby appoint a Committee consisting of the following:—

*Chairman.*

1. **Shri A. C. Banerjee, Director (Technical), Steel Authority of India Limited, New Delhi.**

*Members*

2. **Shri S. R. Jain, General Manager, Bhilai Steel Plant.**
3. **Shri S. Samarapungavan, Managing Director, Bokare Steel Limited.**
4. **Dr. N. C. B. Nath, Director (Commercial), Steel Authority of India Limited, New Delhi.**
5. **Shri P. Anant, General Manager (Operations) and Director, The Tata Iron & Steel Co. Ltd.**

3. Necessary secretarial assistance to the Committee will be provided by Steel Authority of India Limited, New Delhi.

4. The Committee while examining the question of diversification of the product-mix, shall keep in view marketability of such production either indigenously or through exports so that there is no locking up of valuable resources in idle investment. While making recommendations for a programme of self-sufficiency, the economic viability of schemes which go into this programme, should be kept in view.

5. The Committee shall make a final report to Government within four months from this day.

**ORDER**

Ordered that a copy of this resolution be communicated to all concerned. Ordered also that the resolution be published in the Gazette of India for general information.

**K. J. M. SHETTY, Jt. Secy.**



**APPENDIX VI**

[Vide Reply to Recommendation No. 52]

*Committee on import substitution appointed vide Department of Steel Resolution No. SC-D-II-B-14(11)76 dated July 27, 1976  
Recommendations/Observations and Government decision thereon*

Para No.	Recommendation/Observation made by the Committee	Comments of Department of Steel
1	2	3
5-2	Electrode Quality Wire Rods are now manufactured in the country. Accepted, except at times when indigenous production falls short There will not be any necessity for the import of this quality.	of demand owing to temporary production constraints.
5-1.4	Part of the gap of 25,000 tonnes in High Carbon Wire Rods could possibly be met by the Bhilai Steel Plant for steel below 0.75% carbon, provided this production can be fitted into their programme, in addition to their normal production of other high carbon steel.	The production of high carbon wire rods by Bhilai would be maximised to the extent feasible. However, as the problem appears to be more of quality stipulations like freedom from surface defects, decarburisation, close tolerances, guaranteed cleanliness etc., than one of the quantity alone, imports may have to be continued of wire rods for locked coil wire ropes, wire rods for lickerin, jacquered and card clothing wire, etc., till the quality problem is sorted out. A study is being made for identifying uses of wire rods with carbon above 0.75% also and for establishing production indigenously when considered economically feasible. With the liberalisation of the industrial licensing policy, availability of high carbon billets and wire rods from electric arc furnace units as well as from wire rods mills is expected to go up.
5-1.5	Low and Medium Carbon Cold Heading Quality Wire Rods are mostly consumed by the fasteners and chain link manufacturers. Wire Rods Mills of private sector are producing some quantity of this product. Although size tolerances are rather stringent, Bhilai Steel Plant could try to develop this quality product.	The proposal is being taken up with SAIL.
5-1.6	Alloy Steel Plant, Durgapur, could try to develop alloy steel cold heading and ball bearing quality wire rods, of say, 10 mm dia.	The proposal is being taken up with SAIL.

- 5-1.7 Alloy Steel Plant, Durgapur are not in a position to make stainless steel wire rods below 8 mm dia whereas the bulk of requirement is 6 mm. dia. Therefore, the import is likely to continue.
- 5-1.8 Wire rod rolling facility in the country, including mild steel quality is not sufficient and, therefore, if we try to bridge the gap of special quality wire rods, there is a likelihood of shortfall of other wire rods. Wire rod mill has been planned at Visakhapatnam Steel Plant. DSP and IISCO in their expansion schemes are also considering installation of wire rod mill.
- 5-2.4 & 5-2.5 Alloy Steel Plant, Durgapur can cover a considerable portion of imports of high speed steel. As a balancing facility they may leave to install grinding facility as the demand for high speed steel is more in ground conditions. It is, however, being observed that the tool makers getting import entitlement, manoeuvre the sizes to import this quality and virtually take nothing from the country's alloy steels manufacturers. The main reason is that there is a price advantage in importing this material. Unless import duty is increased, this quality of steel will continue to be imported.
- 5-2.6 & 5-2.7 There will not be any difficulty in meeting country's demand of carbon constructional steel including forging quality in the size range 140 to 330 mm. ASP can supply squares and rounds of size upto 550 mm. Our plants have capacity for producing blooms and billets of alloy constructional steel and also square rounds and flats of sizes upto 330 mm in rolled condition.
- 5-2.8 The capacity for production of die blocks upto 23,000 sq. mm. exists in the country. In case demand becomes more than the production, a percentage of the product could be imported. This item could be included under group III and not group I and II so that we can know the details of the items imported and take action accordingly.
- Noted. Efforts to indigenise would, however, continue.
- The approach is acceptable. Letters of intent/industrial licences have since been issued to bridge the gap and their implementation will be monitored.
- Apart from Alloy Steels Plant, Durgapur which does not seem to be keen in the continued production of high speed steel as part of its product-mix rationalisation programme there are other producer also in the country. Indigenous producers are unable at present to cater to the stringent technical specifications except for a limited range of sizes and find it difficult to supply smaller quantities against each size. High import duty is not conducive to efficient and competitive growth of the industry. While, therefore, the indigenous sector has a case for protection under the import trade control regime in the area where it has acquired an established technical capability for matching specifications, imports in the residual area may have to continue, as otherwise production in the user engineering industry would be adversely affected. The loopholes in REP import policy have since been plugged.
- The proposal for enlarging the size range of manufacture will be pursued with ASP/other producers.
- With the existing capacity at ASP and commissioning of forge plant VISL and foundry forge complex of BHEL at Hardwar, in addition to the capacity at HEC, Ranchi, full requirements of die blocks upto 230,000 sq. mm. cross sectional area can be met. The possibility of producing die blocks of larger sizes after studying demand, cost of production, marketability etc., is being taken up with SAIL.

1

2

3

5-2.9 to 5-2.11

Alloy tool steel is produced in the Alloy Steel Plant. ASP do not have enough orders for this quality. Large quantities of imports are obtained against REP licences and against export entitlement licence by the export houses. Increase of import duty on this item may reduce import.

The loopholes in REP have since been plugged.

Products like hollow drills, cobalt bearing high speed steel, clad or composite tool steel continue to be imported.

The demand for these items is limited, the techno-economic feasibility of their indigenisation needs to be studied.

6-1 to 6-3

Alloy steel and high carbon skelp/srips/sheets, ASP and DSP are jointly trying to diversify their product in skelp mill and in due course will be able to cover some of the areas of import. Salem Steel Plant when fully installed will have facilities for continuous hot rolling and cold rolling of all types of alloy and special steels. With the installation of this plant, the import of practically all types of alloy and high carbon steel flat products both hot rolled and cold rolled will stop.

Besides ASP, TISCO and a few other units are also producing high carbon steel sheets. With the implementation of all public sector projects most of the requirements are likely to be met indigenously, imports being residual.

6-3-1

In the country at present, production of electrical steel sheets is limited to hot rolled electric sheets mostly dynamo grade only. Import of CRGO and CRNO sheets will continue until CRGO plant at Rourkela is installed. It is expected that this plant will be in operation in 3-4 years time. The demand of this quality will also increase. Therefore, it has been planned to produce this grade of steel at Salem also who will have hot rolling and cold rolling facilities.

The position indicated is correct.

7-7-1 to 7-3

With the increase and diversification of production in our existing mills at RSP and DSP and with the commissioning of Bokaro the import of hot rolled coils and skelp in low carbon and medium carbon and drawing/deep drawing quality items will practically stop in 1976-77.

The intractable delays in commissioning facilities have led to imports. Indigenous availability of thinner gauges of cold rolled steel sheets/coils and deep drawing/extra deep drawing qualities does not yet match demand. SAIL is being asked to maximise production for closing these gaps.

With the commissioning of Bokaro Hot Strip Mill, import of hot rolled sheets will stop except a small quantity in pickled and coiled form.

With the commissioning of Cold Rolling Mills at Bokaro in January, 1977 import of mild steel cold rolled sheets and coils is expected to stop totally except about 5,000 tonnes in above 2.5 mm. thickness which is beyond Bokaro's and Rourkela's range of manufacture. Small quantity of wider sheets which are beyond the capacity of our mills may also have to be imported.

- 7.4 Ship building quality plates RSP meets the full requirements of Lloyds Grade A. Lloyds Grades B and D will continue to be imported. RSP and Bokaro will try to step up their production of boiler quality plates. We hardly produce high tensile plates. The only big plate mill that we have is at Rourkela. This has a limited capacity. The mill produces plates of all the qualities but in limited quantity. The situation will ease out with the installation of the Plate Mill at Bhilai.
- 4.1 Demand of plates above 75 mm thickness is about 20,000 tonnes. As this is beyond the range of RSI, it cannot be produced within the country.
- 4.2 Capacity of Rourkela for manufacture of plates 22-63 mm is only 60,000 tonnes per year. Demand is double of this quantity. Therefore, this has to be imported until BSP's plate mill comes into production.
- 4.3 Rourkela can produce plates 12-20 mm to the extent of 15,000 tonnes per month. It is likely that in 1977-78 demand of this size plate will be more than the production.
- 4.4 Import of plates 5-10 mm has been practically stopped. The import of the material in these ranges is not likely to exceed 5,000 tonnes in 1976-77.
- 4.5 Demand of prime tin plates is of the order of 150,000 tonnes out of which demanded for 0.24 mm and thinner tin plates is about 30,000 tonnes. Rourkela is trying to increase production of the thinner quality to 20,000 tonnes which will include substantial quantity of OTSC quality. The balance will have to be imported.
- The position stated is factual. SAIL is being asked to take the necessary steps for import substitution of boiler quality plates as early as possible. Import substitution of high tensile steel plates, which are required in a number of specifications calls for further in depth study.
- If this size range cannot be produced in the country, imports will have to continue as investment needed for setting up a new plate mill to cater for this demand, will be uneconomical. Position will improve after Bhilai's Plate Mill commissioning when it can roll plates thicker than 75 mm with slabs brought from Bokaro.
- The position stated is correct.
- In view of size limitations and demand outstripping supply, imports may have to continue till the commissioning of Bhilai Plate Mill.
- Noted.
- Noted.

7-4-6

Rourkela has now adequate availability of tin plate waste. These are imported mainly due to price advantage.

The indigenous arisings of tinplate waste do not yet match demand, necessitating imports. Waste mainly caters to the small sector engaged in the manufacture of hurricane lanterns, bootpolish cases etc. The price factor cannot be ignored. With increase in production of primary tinplates at RSP and also at Tin Plate Company of India Limited the arising of tinplate waste will improve.

8-1

Import of thinner gauge stainless steel sheets can be substituted by cut sheets produced by ASP re-rolled by re-rollers to thinner gauges and installation of hot rolling facilities in the country for stainless steel bands to supply to cold rolling mills who roll from coils.

ASP'S sheets, rounds and flats are already being re-rolled into thinner strips in straight lengths but there are limitations with regard to sizes, quality and quantity. Imports may be hopefully expected to come down sizeably after Salem Steel Plant is commissioned and facilities are introduced at ASP.

8-2

Stainless steel thicker sheets and plates in the range 1.25 mm to 14 mm can be produced by ASP. Thicker plates beyond 20 mm will, however, continue to be imported as this is beyond the range of ASP.

ASP has been producing only upto 12 mm thickness and even this range there are limitations relating to the widths, lengths, quality and specifications. ASP is being asked to take special steps to manufacture upto 20 mm.

10-00

If we are keen of import substitution the following actions are proposed :—

(i) Banning import of certain items which are available in the country or alternatively raise the duty so high that imported price becomes unattractive.

Import policy is formulated every year keeping in view the interest of both producers and the consumers. In the context of our all industrial production and the need to hold the price line, it may not be advisable to impose a total ban on imports even for items manufactured in the country. The duty rates cannot be made prohibitive as it will be detrimental to the consumers, apart from driving out our products in the international export market. High tariff protection is also not conducive to making indigenous industry efficient and competitive. Import duty, therefore, will have to be reasonable and selective.

(ii) Canalise all materials through certain agency so that all particulars of material imported become known and action on substitution becomes possible.

While appreciating the suggestion for statistical data a collection, canalisation cannot be based on only the need to collect statistical information which can also be otherwise obtained. The Govern-

ment have laid down certain criteria like bulkability, economic procurement, satisfactory service to consumers etc. These are being followed and continuously reviewed in the light of the performance of the canalising agency and other related factors.

(iii) By 1980-81 imports will be limited to only very special products, manufacture of which may not be economically viable.

Noted. The steel plants have been asked to pay greater attention to take production of quality and value added steel (for example, killed/rimming quality, high tensile quality, cold heading quality, EDD quality etc.) at internationally comparable prices and to orient their production and sales increasingly to customer satisfaction.

The study of the Committee is limited to 1978-79. SAIL would have to assess production, supply and demand at liftcat for the next 10 years for evolving a long term strategy for import substitution.

There is also one other factor which has come up since the C.O.P.U. made their observation in their 77th Report and which is relevant here. With the easy availability of foreign exchange and liberalisation of imports, there has been a shift in emphasis i.e. from import substitution *per se* too self-sufficiency subject to economic and strategic considerations. Taking this fact into account SAIL may have to re-orient the production programme to suit, the needs of self-sufficiency on strategic requirements, increase in production on the grounds of economic viability and maximisation of returns.

**Notes :— Abbreviations used :—**

SAIL :	Steel Authority of India Limited	ASP :	Alloy Steel Plant
BSF :	Bhilai Steel Plant	RSP :	Rourkela Steel Plant
TISCO :	Tata Iron & Steel Company Limited	REP :	Registered Exporters Import Policy.