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STANDING COMMITTEE ON
COAL AND STEEL (2017-2018)
SIXTEENTH LOK SABHA

MINISTRY OF STEEL

**"PHYSICAL AND FINANCIAL PERFORMANCE OF STEEL AUTHORITY OF
INDIA LTD. AND MECON LTD."**



THIRTY-SEVENTH REPORT

**LOK SABHA SECRETARIAT
NEW DELHI
January, 2018/Pausa, 1939(Saka)**

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Presented to Lok Sabha on 04.01.2018

Laid in Rajya Sabha on 04.01.2018



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COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2017-18)

Chairperson - Shri Rakesh Singh

Lok Sabha

2. Shri Idris Ali
3. Shri A. Arunmozhithevan
4. Shri Chandulal Sahu
5. Smt. Jyoti Dhurve
6. Shri Shailesh Kumar
7. Dr. Banshilal Mahato
8. Shri Kamalbhan Singh Marabi
9. Shri Godam Nagesh
10. Shri Ajay Nishad
11. Smt. Riti Pathak
12. Smt. Ranjeet Ranjan
13. Shri Ravindra Kumar Ray
14. Shri Tamradhwaj Sahu
15. Shri Tathagata Satpathy
16. Shri Janardan Singh 'Sigrival'
17. Shri Pashupati Nath Singh
18. Shri Rama Kishore Singh
19. Shri Sunil Kumar Singh
20. Shri Sushil Kumar Singh
21. Shri Krupal Balaji Tumane

Rajya Sabha

22. Dr. Pradeep Kumar Balmuchu
23. Shri Ranjib Biswal
24. Shri Md. Nadimul Haque
25. Shri Ranvijay Singh Judev
26. Shri Ram Vichar Netam
27. Shri Dilip Kumar Tirkey
28. Shri Alok Tiwari
29. Vacant
30. Vacant
31. Vacant

(ii)

SECRETARIAT

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

(iii)

INTRODUCTION

I, the Chairperson, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Thirty-Seventh Report of the Standing Committee on Coal and Steel (Sixteenth Lok Sabha) on "Physical and Financial Performance of Steel Authority of India Ltd. (SAIL) and MECON Ltd." relating to the Ministry of Steel.

2. The Standing Committee on Coal and Steel (2017-18) had selected the subject for detailed examination and report to the Parliament. The Committee took oral evidence representatives of the Ministry of Steel and Steel PSUs on 13.12.2017. Based on the oral and written testimony submitted to the Committee, a report on the subject was prepared.

3. The Committee considered and adopted the Report at their sitting held on 02.01.2018.

4. The Committee wish to express their thanks to the officials of the Ministry of Steel and Steel PSUs for placing before them and in furnishing material/information from time to time as desired by the Committee.

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

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

NEW DELHI;

**02 January, 2018
12 Pausa 1939(Saka)**

RAKESH SINGH

**Chairperson
Standing Committee on Coal and Steel**

(iv)

REPORT

PART-A

CHAPTER-I

INTRODUCTORY

1.1 Steel is crucial to the development of any modern economy and is considered to be the backbone of human civilization. The level of per capita consumption of steel is treated as an important index of the level of socio-economic development and living standards of the people in any country. All major industrial economies are characterized by the existence of a strong steel industry. India occupies a central position on the global steel map and is currently the world's third largest producer of crude steel.

1.2 In 2016-17, the Indian Steel industry was shaken by the extreme volatility in raw material prices. For example, Coking coal prices surged , more than tripling from April 2016 to November 2016. They finally settled in April 2017 almost double the April 2016 price levels. Similarly, Iron ore prices rose by almost 60% from April 2016 to March 2017. While domestic steel prices rose subsequent to September 2016 due to increase in input costs, this was not commensurate with the increases in cost suffered by the steel industry. A significant portion of the increase in the input cost had to be borne by the steel producers. This demand supply gap coupled with squeeze on margins due to disproportionate increase in input costs not led to situation where the domestic industry, which had invested huge amounts in setting up capacities as per demand projections continued to face difficulty in raising the funds for servicing these loans, continuing the financial stress.

1.3 Given the current stage of development of the Indian economy and the likely growth path for the Country's economy in the next decade, the Committee were informed that steel demand in India will witness significant growth in future. From the Annual Report of SAIL, the Committee note that with strong reforms, rising infrastructure spend & robust consumption demand will provide a platform to reach per capita steel consumption of 160 kg & total steel capacity of 300 Million tonnes by 2030-31 as envisaged by the National Steel Policy 2017.

1.4 Keeping these aspects in mind, the health of Public Sector Companies in the country becomes a crucial factor. Out of Eight Central Public Sector Enterprises (CPSEs) under administrative control of Ministry of Steel, Steel Authority of India Limited (SAIL) is the largest state-owned steel making company in India and one of the top steel makers in world. MECON Limited, on the other hand, is one of the leading multi-disciplinary Design, Engineering, Consultancy and Contracting organization in the field of Metals and Mining, Power, Oil & Gas, Infrastructure, Refineries & Petrochemicals, Pipelines, Roads & Highways, Railways, Water Management, Ports & Harbours, General Engineering, Environmental Engineering and other related/diversified areas with extensive overseas experience. The Committee took up in detail the examination of performance of these two steel PSUs. Based on the written and oral depositions of the Ministry, SAIL and MECON Ltd., the Committee deliberated upon the subject as enumerated in the succeeding chapters.

CHAPTER-II

STEEL AUTHORITY OF INDIA LTD. (SAIL)

Steel Authority of India Ltd is one of India's largest steel producers. SAIL is ranked amongst the top most Public Sector Companies and has been conferred with the prestigious 'Maharatna' status. SAIL is ranked among top 30 steel producers in the world in terms of crude steel production. It is a fully integrated iron and steel maker, producing both basic and special steels for domestic and export markets and offers the maximum array of steel products amongst all Indian manufacturers in the Country. SAIL is an institution whose contribution and commitment towards building the nation has been relentless. SAIL is at the epicenter of nation's infrastructure development & an important player for key sectors like defence, railways, oil & gas, construction, power and shipping. SAIL manufactures critical items such as rails & wheels/ axles for Indian Railways and wide plates to service several niche markets.

Structure of the Company

2.2 SAIL has five integrated Steel Plants, three Special Steel Plants & Ferro Alloys Plant at Chandrapur, located principally in the Eastern and Central regions of India and situated close to domestic sources of raw materials (captive mines), mainly iron ore.

Integrated Steel Plants

- Bhilai Steel Plant (BSP), Chhattisgarh
- Durgapur Steel Plant (DSP) , West Bengal
- Rourkela Steel Plant (RSP), Orissa
- Bokaro Steel Plant (BSL), Jharkhand
- IISCO Steel Plant (ISP), West Bengal

Special Steel Plants

- Alloy Steels Plant (ASP), West Bengal
- Salem Steel Plant (SSP), Tamil Nadu
- Visvesvaraya Iron and Steel Plant (VISL), Karnataka

SAIL has various central units viz. Research & Development Centre for Iron & Steel (RDCIS), Centre for Engineering & Technology (CET) and Management Training

Institute (MTI) all located at Ranchi, Central Coal Supply Organisation located at Dhanbad, Raw Materials Division and Environment Management Division located at Kolkata, SAIL Refractory Unit (SRU) headquarter at Bokaro and Chandrapur Ferro Alloys Plant at Chandrapur and Central Marketing Organisation, with its Headquarters at Kolkata, co-ordinates the Country-wide marketing and distribution network besides other few subsidiaries.

A. Physical Performance

2.3 SAIL achieved a turnover of Rs. 49,180 crore during 2016-17, which is higher by 14% over previous year due to increase in both sales volume (8%) as well as Net Sales Realisation (NSR) of Saleable Steel of five Integrated Steel Plants by about 6%. The increase in NSR was partly due to an overall improvement in price levels and partly due to measures in enriching Company's product mix. The Company's intensive focus on improving operational parameters resulted in positive EBITDA in all four quarters of FY 2016-17 and the Company reportedly trimmed losses by 30% by recording an overall improvement in production, sales and efficiency. As far as production performance is concerned, SAIL achieved highest ever Hot Metal production at 15.73 Million Tonnes (MT), Crude Steel production at 14.50 MT and Saleable Steel production at 13.87 MT during FY 2016-17. There were all round improvements in the major techno-economic parameters. The unprecedented increase in coal prices during FY2016-17 however, adversely impacted the cost of production and overall margins. During the year, there was an additional impact of around Rs. 4,300 crore as compared to FY 2015-16 on account of increase in prices of both imported and domestic coal. This increase in coal prices, neutralized the significant improvement in Net Sales Realization (NSR). Notwithstanding the increase in coal price, the Company could reduce its operational expenditure per ton of saleable steel by 2% during the fiscal.

2.4 As regards SAIL's production trend during the last 3 years, the Ministry of Steel informed the Committee as under:-

PARAMETER	UNIT	14-15	15-16	16-17	% Improvement (over last 3 years)
Hot Metal	MT	15.41	15.72	15.73	2
Crude Steel	MT	13.91	14.28	14.50	4
Saleable Steel	MT	12.84	12.38	13.87	8
Saleable Production	MT	13.48	13.02	14.36	7
Techno Economics					
Coke Rate	Kg./thm.	504	489	473	6
BF productivity	(t./m3/day)	1.56	1.58	1.67	7

Production Performance during H1'17-18 :

Unit:'MT

Items	H1'17-18			H1'16-17 Actual	% growth over H1'16-17
	Plan	Actual	% Ful.		
Hot Metal	7.99	7.61	95	7.74	-2
Crude Steel	7.54	7.13	95	7.11	0
Saleable Production	7.22	6.99	97	7.21	-3

B. CAPACITY UTILIZATION BY SAIL

2.5 On being asked about SAIL's installed capacity of crude steel, hot metal, saleable steel and saleable production before and after completion of modernization and expansion programme during the last 3 years and plant wise information of installed capacity and actual capacity utilization, the Ministry of Steel in a written reply informed the Committee as under:-

"Plant-wise capacity and capacity utilization for last three years is below:-

**SAIL: Crude Steel production and capacity during last three years
2014-15 to 2016-17**

Unit: '000 T

PLANT	YEAR	CRUDE STEEL		
		Capacity	ACTUAL	% C.U
SAIL	2014-15	12839	13908	107
	2015-16	16826	14279	85
	2016-17	16826	14496	86
BSP	2014-15	3925	4807	122
	2015-16	3925	5058	129
	2016-17	3925	4737	121
DSP	2014-15	1802	2063	114
	2015-16	1802	1975	110
	2016-17	1802	2042	113
RSP	2014-15	1900	2792	147
	2015-16	3707	2730	74
	2016-17	3707	2932	79
BSL	2014-15	4360	3831	88
	2015-16	4360	3392	78
	2016-17	4360	3154	72
ISP	2014-15	500	141	28
	2015-16	2500	871	35
	2016-17	2500	1397	56
ASP	2014-15	234	104	44
	2015-16	234	91	39
	2016-17	234	88	38
SSP	2014-15	180	125	69
	2015-16	180	120	66
	2016-17	180	108	60
VISP	2014-15	118	46	39
	2015-16	118	42	36
	2016-17	118	39	33

2.6 On being asked to briefly outline the major Highlights of Production Performance by SAIL for the last three years and first half of 2017-18, the Ministry of Steel in its written reply furnished as follows:-

Achievements in H1'17-18

Highest ever Concast production at 6.09 MT surpassing previous best of 5.64 MT achieved in H1' 16-17	Coke Rate at 464 kg/thm, Reduced by 3% over CPLY	BF Productivity 1.66 t/m ³ /day, Higher by 1% over CPLY	CDI rate Improved by 25% to 75 kg/thm over CPLY
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(i) "Major Achievements in 2014-15:

- SAIL achieved Record Production of Hot Metal of 15.4 MT of Hot Metal in 2014-15 with a growth of 7%. (Previous best of 15.2 MT achieved in 2007-08)
- At individual plants, Highest ever hot metal production was achieved at RSP, DSP and BSL (with 4 furnaces).
- SAIL achieved best ever coke rate at 504 kg/thm with an improvement of 2% over previous best of 513 kg/thm achieved in 2013-14.
- SAIL achieved best ever CDI rate in CDI furnaces at 58 kg/thm with an improvement of 6% over previous best of 55 kg/thm achieved in 2013-14.
- SAIL achieved highest ever concast production at 10.34 MT with a growth of 6% over previous best of 9.8 MT achieved in 2013-14.
- SAIL achieved best ever specific energy consumption at 6.52 Gcal/tcs with an improvement of 1% over previous best of 6.59 Gcal/tcs achieved in 2013-14."

(ii) Achievements in 2015-16:

- **Highest ever** production of hot metal in a year at 15.7 MT, with a growth of 2% over last year (Previous best 15.4 MT in 2014-15)
- **Highest ever** production of crude steel in a year at 14.3 MT with a growth of 3% over last year (Previous best 13.9 MT in 2007-08)
- **Highest ever**concast production at 10.8 MT with a growth of 5% over previous best of 10.34 MT achieved in 2014-15. Proportion of production through Concast in crude steel has increased to 76% in comparison to 74% of last year.
- Lowest ever coke rate at 489 kg/thm, improved by 3 % over CPLY (previous best 504 kg/thm; 2014-15)
- Specific energy Consumption at 6.51Gcal /TCS the same as achieved last year.
- BF productivity improved by 1% as compared to last year to 1.58 t/m³/day.

(iii) Achievements in 2016-17:

- **Highest ever** production of crude steel in a year at 14.50 MT with a growth of 2% over last year (Previous best 14.289 MT in 2015-16)
- **Highest ever** production of saleable steel in a year at 13.87 MT with a growth of 12% over last year (Previous best 13.04 MT in 2007-08)

- **Highest ever** concast production at 11.77 MT with a growth of 9% over previous best of 10.8 MT achieved in 2015-16. Proportion of Concast in crude steel has increased to 81% in comparison to 76% of last year.
- **Lowest ever** coke rate at 473 kg/thm, improved by 3 % over CPLY (previous best 489 kg/thm; 2015-16).
- **Highest ever** BF productivity at 1.67 t/m³/day improved by 6% as compared to last year (previous best : 1.58 t/ m³/day in 2015-16).

2.7 While observing the Production performance of SAIL, the Committee note that the growth percentage in production of Hot Metal and Crude Steel, during last three years at 2% and 4% respectively . When asked about the reasons for such low Production performance of hot metal and crude steel during the last 3 years, the Ministry of Steel in a written reply informed the Committee as under:-

"Major reasons for lower production of hot metal and crude steel during the Financial years are as below:

- Extended shut down of HSM at BSL during FY 15-16 for roughing group modernization led to throttling of upstream production of hot metal and crude steel.
- In the FY 16-17, Hot metal and Crude Steel production was restricted at Bokaro Steel Plant (BSL) and RSP to liquidate the inventory of high slab stocks.
- Delay in commissioning of Blast Furnaces at IISCO Steel Plant (ISP), Production facilities at Bhilai Steel Plant.
- Problems in stabilization of production from new facilities at Rourkela Steel Plant (RSP) and new Wire Rod Mill at ISP."

2.8 Reasons for lower production of Hot Metal, Crude Steel and saleable Steel during first half of 2017-18 than planned have been given as constrained imported coking coal supply till Jul'17 (impact of cyclone "Debbie" on supplies from Australian mines), delay in start of BF-1 at RSP and incident of slag ingress in all tuyeres of BF-5 at RSP in May'17. In this context, when asked whether SAIL is dependent on a single source for coking Coal and what steps have been taken to source coking coal from different countries sources so that production is not hampered due to non-supply/ delayed supply from the source, the Ministry of Steel in a post evidence reply informed the Committee as follows:-

"SAIL is not dependent on a single source for Coking Coal. Currently SAIL procures imported coking coal from Australia, USA, Canada, Mozambique and Indonesia. SAIL has 15 Long Term Agreements with 12 Long Term suppliers from these countries for procurement of imported coal."

2.9 The Company achieved the Labour Productivity (LP) of 320 TCS/Man/Year in 2016-17. The manpower strength of the Company was 82,964 nos. as on 31.3.2017 with manpower rationalization of 5,691 achieved during the year. The enhanced productivity with rationalized manpower could be achieved as a result of judicious recruitments, building competencies and infusing a sense of commitment and passion among employees to go beyond and excel. To give further thrust for enhancing productivity and manpower rationalization, the Company has recently introduced Voluntary Retirement Scheme-2017 w.e.f. 15th June, 2017. Trend of enhanced productivity and manpower rationalization since 2007-08 onwards shows that significant enhancement in productivity from 214 TCS/Man/Year (2007-08) to 320 TCS/Man/Year (2016-17).

2.10 When enquired about the crude steel output per employee of the company during the last 3 years, the Ministry of Steel in a written reply submitted as under:-

"Crude Steel Output per employee per year (Labour Productivity) of SAIL

Year	Labour Productivity (Tonne Crude Steel/Man/Year)
2017-18 (upto Sept.-17)	322
2016-17	320
2015-16	315
2014-15	302

2.11 On being asked about the production of iron ore and other raw materials from the mines being operated by SAIL, whether these are sufficient to meet the increased capacity of plants after modernization and expansion plan and also asked to furnish present status of development of mines leased out to SAIL so far, the Ministry of Steel in its written reply informed the Committee as follows:-

"SAIL has captive mines of Iron ore, coal and Limestone & Dolomite. Production performance and supply plan of these raw materials after completion of modernization and expansion plan is as below:

Iron ore:- During the year 2016-17 SAIL mines produced 26.44 MT of iron ore and the entire Iron Ore requirement of SAIL plants was met through the captive mines of SAIL. After the ongoing modernization and capacity

enhancement of SAIL the Hot Metal production is expected to touch a level of 23.46 MTPA . At this stage the requirement of Iron Ore shall be 39 MTPA and SAIL mines are geared up to meet this expected demand 100% through captive mines.

Coking coal:- Indigenous availability of low ash coking coal in the country is limited due to which SAIL imports about 80-85% of Low Ash coking coal from Australia, USA and New Zealand etc. and blends it with coking coal produced from captive mines and BCCL/CIL sources. During the year 2016-17 coal mines produced .54 MT of raw coking coal. This was processed at Chasnallawashery along with coking coal from BCCL/CIL sources and 0.71 MT of clean coal was supplied to Steel plants. After the current phase of modernization , Hot Metal production is expected to touch a level of 23.46 MTPA and at this stage the requirement of coking coal shall be to the tune of about 21 MT . At this stage around 4 MT of coking coal will be provided from captive and BCCL/CIL sources and remaining quantity would be imported.

Flux:-Limestone and Dolomite are used as flux for two purposes (i) In Blast Furnace (BF)/ Sinter Plant (SP) for iron making and (ii) In SMS grade for steel making. SAIL does not have captive sources for SMS grade Limestone and Dolomite and these are procured from market, whereas BF /SP grade flux is supplied from captive sources. During the year 2016-17 SAIL mines produced 2.07 MT of Limestone & Dolomite. At 23.46 MT Hot Metal stage about 9 MT flux is likely to be required, out of which about 4.5 MT may be provided from captive sources and remaining from market sources. Present Status of mines leased out to SAIL is placed **at Annexure I."**

2.12 Asked about the major achievements of SAIL during 2016-17, the Committee were apprised that the new facilities already operational were ramped up during the year. New Blast Furnace at RSP achieved about 100% of its capacity, whereas, other facilities like New Caster and New Plate Mill were also in process of stabilization and achieved 84% and 80% of their respective capacities during the year. The new facilities at IISCO Steel Plant have also been ramped up and the capacity utilization in Hot Metal, Crude Steel and Saleable Steel production was in the range of 50-70% of capacity during this year. At Bhilai Steel Plant, Universal Rail Mill (URM) (with capacity to produce World's longest single-piece 130meter long rail) along with Rail Welding Line for production of 260 meter Long Rails, has been completed and the Mill has started regular production from January, 2017. Other facilities like Ore Handling Plant Part-A, 2nd Sinter Machine in Sinter Plant-3 and Coke Oven Battery-11 are in regular operation. Further, Bar line of Bar and Rod Mill (BRM) has been completed and hot trial of BRM has started in Mar'17. At IISCO, third converter(#1) in SMS was started in August, 2016. SAIL has achieved

an all time best performance in case of Continuously-Cast Steel and Sinter production, with production of 11.77 MT and 23.1 MT registering a growth of 9% and 1% respectively over last year. SAIL's various initiatives to reduce environmental footprint and enhance operational efficiency have led to significant improvement in environmental parameters as well as techno-economic efficiency. This has enabled the Company to produce greener and more environmental friendly steel, than ever before. The Plants recorded the best ever Coke Rate at 473 kg/thm and BF productivity of 1.67 t/m³/day. This was achieved, as a result of higher volume of Hot Metal produced through new state of art Blast Furnaces (29% of total Hot Metal) and increased Crude Steel production through energy efficient Continuous Casting route (81%, up by 5% over CPLY). SAIL became true force in transforming the Nation by supplying steel to ISRO for the launch of a record 104 satellites in a single rocket by way of providing high quality stainless steel for the fuel and oxidizer tanks used in the launch vehicle. SSP had earlier supplied steel for the iconic Chandrayan and Mangalyan missions too.

2.13 According to Annual Report of SAIL, Captive Power Generation during the Financial Year 2016-17 increased to 820 MW from 785 MW in the previous year, with growth of 4.5%. About 68.3% of the Company's total power requirement of 1200 MW was supplied from Captive power generation, 30% by purchasing power from grid utilities and the balance 1.7% from Power Exchange through Open Access.

2.14 On being asked about the rate of power purchased by SAIL and the quantum of increase during 2017-18 vis a vis 2016-17, regarding performance of captive power plants, it was informed that the Plant Load Factor of Captive Power Plants during 2017-18 (H1) was 76.5%. (*Excluding power & blowing stations which are mainly used for supply of process steam*). About 68% of the power requirement of SAIL is being supplied from captive sources, 30% is being purchased from grid and balance 2% is being purchased from power exchange. the Ministry of Steel in its written reply furnished as follows:-

"The rate of power purchased by SAIL was Rs 4.82 per kwh during 2017-18 (Q1) in comparison to Rs 4.68 per kwh during 2016-17 (Q1) an **increase of Rs 0.14 per kwh**. The increase was primarily due to increase in cost of boiler coal."

2.15 When asked the steps being taken by SAIL to reduce the cost of power production, the Ministry of Steel in its written reply furnished as follows:-

"Cost of captive power generation is being optimized by improving the performance parameters of the captive power plants such as Auxiliary Power Consumption, Sp. Oil Consumption, Heat Rate and Plant Load Factor (PLF)."

2.16 In order to expedite capacity expansion projects of mines, following environment and forest clearance have been obtained during the Financial Year 2016-17:

- Environment Clearance(EC) for setting up of 3.5 million tonnes per annum (MTPA) capacity washery at Tasra was granted by MoEFCC on 30th March, 2017.
- Environment Clearance of the Dhobil Iron Ore mine has been amended by MoEFCC on 19th April, 2017 for the limited purpose of continuation of transportation of iron ore for further period of 5 years beyond 24th January, 2017.
- MoEFCC vide letter dated 29th November, 2016 has revalidated the earlier Environment Clearance of Sitanala Coal block in favour of the Company.
- MoEFCC vide letter dated 06th December, 2016 transferred the Environment Clearance for Parbatpur Coal block to SAIL with a condition that "No mining shall be carried out till the washery is operational.

2.17 However, the Stage-II forest clearances for the capacity expansions of Gua and Chiria mines and opening of South-Central Blocks in KiriburuMeghahatuburu mines in Saranda forest in Jharkhand are yet to be granted by MoEFCC. In view of its criticality to the capacity expansion projects, the matter is being actively pursued with the Government. In view of promulgation of MMDR Amendment Act, 2015 and further issuance of Mineral (Mining by Government Companies), Rules, 2015, lease period of the following leases have been extended:

- Lease period of ML-162 mining lease of Barsua Iron Ore Mine for an area of 77.94 Ha. has been extended by Government of Odisha vide Order dated 5th July, 2016. Under the said Rules, the first lease is deemed to be granted for 50 years i.e. from 29th April, 1960 to 28th April, 2010 and further lease period is extended for another period of 20 years from 29th April, 2010 to 28th April, 2030. Lease Amendment Agreement in this regard was signed on 29th September, 2016.
- Lease period of the Nandini Limestone Mine of BSP for the area of 526.34 Ha. has been extended by Government of Chhattisgarh till 31st March, 2028. Lease Amendment Agreement in this regard was signed on 22nd March, 2017. Government of Chhattisgarh vide Order dated 25th June, 2016 has extended the lease period of Hirri Dolomite Mine of BSP for an area of 128.77 Ha.

under Chhattisgarh Minor Minerals Rules, 2015 till 31st March, 2020. Lease Amendment Agreement in this regard was signed on 22nd March, 2017.

Expediting Clearances to Enhance Production

2.18 When asked to furnish details of latest environment and forest clearances granted to SAIL as on date and also to furnish the status of pending environment and forest clearances as on date alongwith the efforts being made for expediting them, the Ministry of Steel in its written reply furnished as follows:-

"Forest Clearances /Environment Clearance obtained during 2016-2017:-

State	Mine Complex	Capacity	Forest Clearance (FC)
Forest Clearance (FC)			
Odisha	Bolani	10 Mtpa Iron ore	Stage – I FCs for Sabik Forest Lands involved in 5.1 Sq. Miles & 6.90 Sq. Miles leases have been granted by MoEFCC on 12.09.2017. Stage – I FC with amended conditions for Forest Land under 6.9 Sq. Miles lease has been issued by MoEFCC on 24.07.2017.
	Barsua-Taldih-Kalta	7 Mtpa Iron ore	MoEFCC granted Stage –II (Final) FC on 23.10.2017.
Jharkhand	Jhillingburu – I Manganese Mining under Gua	61,000 TPA Manganese Ore	Stage – I FC was granted by MoEFCC on 25.09.2017.
Chhattisgarh	Ispat Dolomite Quarry BARADUAR (IDQ)	2 MTPA of dolomite	Forest Clearance granted by MoEF & CC on 12.09.2017 .
Environment Clearance (FC)			
Chhattisgarh	Rowghat Iron Ore Project	14 MTPA of Iron Ore	Modification of Environment Clearance for transportation of 0.3MTPA Iron ore from Rowghat to Keonti by road granted by MoEF & CC on 08.06.2017
Jharkhand	Dhobil Lease of Chira Mines	0.75 MTPA	MoEFCC, New Delhi vide letter dated 19.04.17 issued the amendment to EC allowing continuation of transportation of ore by road for further 5 years w.e.f. 23.01.17 with

			a condition to put conveyor system for transportation of iron ore within 5 years.
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Pending issues with MoEFCC

Pending Stage-II Forest Clearance in Saranda Forest in Jharkhand

1. Stage-II FCs for three Iron ore mines of SAIL in Jharkhand region are awaiting clearance of MoEFCC . The details are :-
 - Gua: pending since September, 15*
 - Kiriburu-Meghahatuburu: pending since July, 15/Apr, 16*
 - Chiria: pending since July, 15*
2. Efforts made in the past to resolve the issue:-
 - (i) Hon'ble PM reviewed the Gua project under PRAGATI on 30.09.2015 and advised MoEFCC to expeditiously process the forest clearance.
 - (ii) Hon'ble Minister of Steel discussed the matter with Minister MoEFCC during the meeting held on 08.06.2016 and 21.02.2017.
 - (iii) To expedite pending Stage-II FC in Saranda Forest in Jharkhand including Chiria leases, Ministry of Steel vide letter dtd 29.09.2016 submitted its comments on Draft MPSM of MoEFCC and requested that mineralised area of Ankua Forest Block in which Chiria mine is located should be excluded from no mining zone .
 - (iv) Secretary Steel held a meeting with Secretary, MoEFCC on 02.12.2016
 - (v) Secretary Steel vide letter dtd 07.02.2017 requested Secretary MoEFCC to expedite pending Stage-II FC with a copy to Principal Secretary to PMO.
 - (vi) Further in the matter, Hon'ble Minister Steel had a meeting with Hon'ble Minister MoEF&CC on 21.02.2017.
 - (vii) Hon'ble MP of District Singhbhum(West), Shri Laxman Gilua vide letter dated 02.02.2017 and 21.06.2017 had made a request to Hon'ble Minister, MoEFCC to expedite grant of pending FC for SAIL mines in Saranda Forest.

Delay in grant of Environment Clearance (EC) for Kalwar-Nagur Iron Ore Mining Project under Bhilai Steel Plant (BSP)

- (i) EC proposal of the mine was considered by Expert Appraisal Committee (EAC) of MoEFCC on 23.02.2016 but on account of non availability of status of leases the EC proposal was deferred. Lease period extension order of the State Government was submitted to MoEFCC on 16.03.2016. Subsequently, EAC, MoEF considered the proposal favourably on 25.04.2016 and recommended for grant of EC.

- (ii) Further, vide letter dated 27.06.2016, MoEFCCC has requested for a authentication from Chief Wildlife Warden of the state that No National Park, Sanctuaries, Bio Sphere Reserves, Wildlife Corridors, Tiger/Elephant reserves exists within 10 Km of mine lease area. The authentication of CWLW was submitted to MoEFCC on 08.07.2016.
- (iii) Vide letter dated 30.09.2016, MoEFCC has asked PCCF, Chhattisgarh about the status of payment of NPV for Kalwar-Nagur lease. As desired status of payment for NPV for the lease along with information that for balance forest land in the lease no notice has been received from GoCG was submitted to MoEFCC on 06.10.2016.
- (iv) Further, vide letter dated 16.12.2016 and 06.02.2017, MoEFCC has asked SAIL to expedite the information of payment of NPV for the lease through GoCG.
- (v) Desired informations submitted to MoEFCC on 28.12.2016 and 08.02.2017. The matter was reviewed by Special Secy, MoEFCC on 28.04.2017 wherein SAIL officials had intimated that in the matter of total payment of NPV in a mining lease, Secretary Steel vide letter dated 21.03.2016 has sought clarification from MoEFCC and the same are still awaited. SAIL has already challenged the MoEFCC guideline dtd 01.04.2015 in the matter of Jharkhand leases which provides payment of NPV for entire forest land in a mining lease.
- (vi) Grant of Environment Clearance (EC) is awaited.

Delay in grant of Environment Clearance (EC) Barduar Ispat Dolomite Quarry:-

- (i) Originally was granted to SAIL on 26.12.1970 but mining operation stopped since June, 1983.
- (ii) For Reopening of the mine Renewal application was applied on 01/10/10. However the District Collector Champa has directed to obtain Environment Clearance (EC) & Forest Clearance (FC) for further lease renewal.
- (iii) EC was recommended by MoEF &CC on 02.09.2015 with a condition to obtain Stage-I FC in 18 months.
- (iv) The Government of Chhattisgarh has forwarded the proposal for diversion of 407.410 ha. of Forest Land to MOEF & CC on 18th Jan 2017. MoEF & CC has requested for Site Investigation Report (SIR) on 27.02.2017. Regional Office (RO), MoEF & has submitted the SIR on 29.05.2017 to MoEF & CC.
- (v) Stage-FC has been issued by MoEF & CC on 12.09.2017
- (vi) Grant of EC is awaited."

C. Financial Performance

The Financial Performance of SAIL during the last 3 years is given in the table below:-

Year	Turnover (Gross)	EBIDTA	Interest	Depreciation	Profit Before Tax	Profit After Tax
14-15	50627	5586	1454	1773	2359	2093
15-16	43294	-2204	2300	2402	-7008	-4021
16-17	49180	672	2528	2680	-4851	-2833

Year	Volume Sales (MT)	Net Revenue per ton (INR)
14-15	11.71	38606
15-16	12.12	31737
16-17	13.11	33460

• SAIL – FINANCIAL PERFORMANCE (H1 FY 18)

	H1 FY 16	H1 FY 17	H1 FY 18	% Improvement
Net Sales Rs. Crores	18472	20162	24898	+23%
EBITDA Rs. Crores	-534	527	989	+88%
Interest Rs. Crores	1048	1197	1231	+3%
Depreciation Rs. Crores	980	1266	1457	+15%
Exceptional Expenses Rs. Crores	-	243	329	+86 Crores
PBT Rs. Crores	-2562	-2179	-2028	+6.9%
PAT Rs. Crores	-1356	-1268	-1340	*-5.7%
EBITDA to Net Revenue Ratio	-2.9%	2.6%	3.9%	+50%

2.19 From the financial performance of the Company for the last 3 years (i.e. 2014-15 to 2016-17) and Q1 2017 – 18, it is observed that the Gross turnover during the 2014-15 was Rs.50627 crore and the Profit After Tax (PAT) was Rs.2093crore

where as the turnover in 2015-16 was Rs.43924 crore with a loss of Rs.4021 crore. During 2016-17 the turnover was Rs.49180 crore with a loss of Rs.2833 crore.

2.20 When asked about reasons for a sudden dip in financial performance of SAIL from 2015-16 onwards, the Ministry of Steel in a written reply informed the Committee as under:-

"There has been a dip in the financial performance of SAIL from 2015-16 *mainly* because of rise in interest and depreciation in 2015-16 & 2016-17 over the corresponding period 2014-15, decrease in Net Sales per ton of saleable Steel and Coal prices. These had a negative impact on the profitability and the financials of the Company. The details are as below:

- a) The rise in interest and depreciation is because of capitalization of assets and Expenditure on CAPEX. The impact vis-a-vis Financial Year 2014-15 is as below:

Head (in crores)	FY 14-15	FY 15-16	FY 16-17
Interest	1457	2300	2528
Depreciation	1773	2402	2680
Total	3230	4702	5208
Impact vis a vis 14-15	-	1472	1978

- b) Impact on account of low Net Sales per Tonne of Saleable Steel inspite of increase in volume of saleable steel sales of approx Rs. -8325 crores in FY 15-16 and Rs. -6746 crores in FY 16-17 vis a vis 14-15.

- c) Further with the increase in Coal prices the impact has been of approx. Rs. 1055 crores in FY 16-17

As a Summary:

	FY 14-15	FY 15-16	FY 16-17
Interest & Depreciation	-	-1472	-1978
Net sales Realisation per tonne	-	-8325	-6746
Coal Price	-	3726	-1055
Total Impact	-	-6071	-9779
PAT Change	-	-6114	-4926

Performance during FY Q1 17-18

2.21 The Committee were informed that SAIL reported a turnover of Rs. 12860 crore, during Q1 2017-18 which was higher than Q1 2016-17 (Rs. 10180 crore) by 26%. At the same time, SAIL has also reported loss before tax and loss after tax of Rs. 1287 crore and Rs.801 crore respectively during Q1 2017-18 vis-a-vis loss

before tax and loss after tax of Rs. 925 crore and Rs. 536 crore respectively during corresponding period last year (CPLY).

2.22 When asked about the reasons for increase in losses incurred by SAIL during first quarter of 2017-18, even after posting higher turnover as compared to 2016-17, the Ministry of Steel in a written reply informed the Committee as under:-

"The major reasons furnished for losses in Q1 2017-18, as compared to Corresponding Period Last Year, were lower production of Steel Plants (6.8%), increase in purchased power rate, increase in repairs & maintenance expenditure, increase in stores & spares, higher imported and indigenous coal prices, increase in security expenses, higher royalty on Iron Ore and higher depreciation. However, the same has been partially offset by higher Net Sales Realisation (14%) and sales volume (8.7%), improved product-mix, settlement of revision of Rail price for FYs 12-13, 13-14 & 14-15, lower percentage of imported coal in blend, improved BF productivity, reduction in coke rate and increase in CDI rate for CDI furnaces, decrease in salaries & wages etc."

2.23 On perusal of the Production & Physical Performance of the SAIL it has been observed that there is a trend of overall improvement. On being asked what are the major factors affecting the financials of the Company and its trend thereof, the Ministry in its written reply submitted as under:-

"The major factors affecting the financials of the Company and its trend is given as under:

ITEMS	UNIT	2014-15	2015-16	2016-17	H1 2017-18
Sales Volume-Saleable Steel	000T	11710	12122	13110	6569
Net Sales Realisation	Rs/T	35341	28150	29928	33811
Coal - Indegenous	Rs/T	6373	5930	6875	8105
- Imported	Rs/T	9338	8040	11438	14572
Salary & Wages	Rs/Crs	9736	9894	8950	4346
Interest	Rs/Crs	1454	2300	2528	1231
Depreciation	Rs/Crs	1773	2402	2680	1457

D. EXPENDITURE ON MODERNIZATION AND EXPANSION OF STEEL PLANTS

2.24 SAIL has undertaken modernization & expansion plan at its five integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and special steel plant at Salem to enhance its crude steel production capacity from 12.8 Mtpa to 21.4 Mtpa. The Expansion Plan, besides capacity enhancement, also addresses the need

to improve techno economic parameters by eliminating technological obsolescence, introducing energy efficient technologies, enriched product mix, better pollution control, and have matching infrastructure facilities to support higher production volumes.

2.25 When asked about the funds spent by SAIL on modernisation and expansion of Steel Plants, the Ministry of Steel in its written reply informed the Committee as follows:-

"Steel Authority of India Ltd had undertaken Modernisation and Expansion of its integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and special steel plant at Salem. The indicative investment for Modernization and Expansion of steel plants is about Rs. 62,000 crore out of which Rs. 60,886 crore have been spent till Nov'17. Plant-wise details are given below:

Rs in crore

Plant	Approved Cost (Net of Cenvat)	Approved cost (Gross basis)	Cumulative expenditure (Nov'17) (Gross)	Expenditure during Q1 of 2017-18 (Apr-Jun'17)	Expenditure during H1 of 2017-18 (Apr-Sep'17)
Bhilai Steel Plant	17,266	18,847	18,181	233	604
Rourkela Steel Plant	11,812	12,922	12,623	16	61
Durgapur Steel Plant	2,875	3,164	3,128	23	55
Bokaro Steel Plant	6,325	6,951	5,927	77	115
IISCO Steel Plant	16,408	17,961	18,656	43	97
Salem Steel Pant	1,902	2,138	2,371	1	1

2.26 Regarding the debt the company had taken to meet its modernization and expansion plans, the interest SAIL had to pay for the same and how it has been impacting the financial performance of the company, the Ministry of Steel in its written reply submitted as under:-

"Total cumulative expenditure on modernisation and expansion (including sustenance and other new schemes) is Rs.66731 crore till November 2017. To finance this, an amount of Rs 32067 crore was taken as loan, out of which Rs.24547 crore is outstanding as on 30.11.2017. The gross interest payable on outstanding loans (about 8.5%p.a.) works out to Rs.2086 crore on an annualised basis."

2.27 During Oral Evidence, Chairman, SAIL informed that they have made lot of progress during last one and a half year especially in Rourkela Steel Plant and the plant is running on full capacity post modernization. Even the IISCO Steel Plant which was running on 15-20% capacity uilitization after modernization is now operating at 70% of its installed capacity.

E. TURN AROUND STRATEGIES

(i) Major Initiatives Proposed

2.28 Enunciating details about the turnaround strategies developed by SAIL to meet the challenges of adverse business environment it was informed that a company-wide turnaround initiative, named 'SAIL Uday' has been undertaken covering improvements for all functions in the plants and units of SAIL while reviewing and sharpening our business strategy and processes. For the same, in February 2017, SAIL had engaged M/s Boston Consulting Group (India) Private Limited (BCG), as Management Consultant for studying the present health of SAIL and to suggest suitable measures for its turnaround and provide hand holding support and assistance to SAIL in implementation of approved road map for turnaround. M/s BCG has submitted a Comprehensive Turnaround Roadmap Report in October 2017. Based on the recommendation the major initiatives being taken up for overall improvement in performance are as follows:

- 1. Debottleneck and turnaround Modernization and Expansion Projects (MEP) :** Focus on accelerating commissioning and ramping-up production from eight key projects across SAIL.
- 2. Re-orient marketing strategy to improve sales volume and NSR:** by upgrading product mix and optimizing marketing channel structure
- 3. De-bottleneck high margin assets & increase production of value added finished steel**
 - a) Hot Strip Mill & Cold Rolling Mill of Bokaro Steel Plant
 - b) Rail & Structural Mill of Bhilai Steel Plant
 - c) Hot Strip Mill of Rourkela Steel Plant
 - d) Wire Rod Mill of Bhilai Steel Plant
 - e) New Plate Mill of Rourkela Steel Plant
 - f) Bar Mill of IISCO Steel Plant
 - g) Wire Rod Mill of IISCO Steel Plant
 - h) Wheel Plant of Durgapur Steel Plant
- 4. Improve ancillary revenues through sales of by-products and cash release:** by expediting reduction of excess inventory across plants and stockyards.
- 5. Optimize cost of key inputs including iron ore, coking coal, flux and power**

Coal: Cost optimization through improvement in blending practices and bringing efficiency in the supply chain of imported and indigenous coal.

Iron Ore: By using best practices to operate new mines and better utilization of idle stock of low grade fines, slimes and fresh fines by pelletization/benefication.

Flux: By bringing efficiency in the supply chain of fluxes.

- 6. Minimize production cost per ton of hot metal & crude steel : by improving** Raw material quality and by introducing improved operational practices.
 - 7. Reduce cost of supply chain & logistics of finished products :** through optimization of distribution/warehousing network
 - 8. Increase productivity of manpower & organization**
 - 9. Strategic interventions for SAIL across joint ventures :** by reviewing the performance of the JVs and their strategic importance to SAIL.
- Increasing Revenue
 - Continued focus on high NSR locations (including rural areas) and high NSR segments.
 - Value addition within and outside plants including last mile connectivity.
 - Optimising Costs
 - Ramping up production from new units.
 - Maximising potential of existing units.
 - Thrust on production from efficient routes.
 - Optimising inventory levels.
 - Improving manpower productivity and customer service through further automation and IT enabling."

2.29 When asked briefly to outline the other major initiatives taken/being taken by SAIL for overall improvement on various parameters and its future plan, the Ministry of Steel in a written reply informed the Committee as under:-

"Major initiatives undertaken by SAIL at operational level for overall improvement of various parameters:

- Maximizing production through modern and energy efficient new units
- Enriching product mix by developing new products
- Increase usage of Coal Dust injection in Blast Furnaces thereby reducing the BF Coke consumption.
- Maximizing production through the energy and cost effective Concast route

- Reduction in specific water consumption
- Waste utilisation/ Management.
- Maximizing utilisation of engineering shops and replacing purchased items.
- Control on demurrage expenses."

(ii) Sales and Marketing

2.30 When asked about the production and sales targets of SAIL for the year 2017-18 and actuals for the year 2016-17, the Ministry of Steel in a written reply submitted as under:-

"The Production target for saleable production for 2017-18 is 15.4 MT and Actual production for saleable production during 2016-17 was 14.36 MT."

2.31 When asked about the steps taken by the company to reshape its marketing strategy in the recent past to ensure best value realization for SAIL products, the Ministry of Steel in a written reply informed the Committee as under:-

"Higher realisation with change in size/grade mix-

Average realization from sales is planned to be increased with availability of products from new mills in comparison to similar products from existing mills viz. Wire Rods of ISP & BSP, Structurals from MSM of DSP and USM of ISP, CR from CRM-III of BSL. This would improve realization on account of higher grades and superior quality products expected from these mills.

a) Change in Channel Mix-

Two-tier channel of Distributors-Dealers is being put in place for deeper reach of retail channel for sales of TMT Bars and Galvanised Corrugated sheets. The channel is expected to provide higher realisations once established. Clusters have been identified for appointment of distributors and the process of appointment is already on.

b) Value addition through Conversion of Semis into Finished products-

- With a view to generate additional value for semis as well as to make available a wider range of Finished products to the customers by supplementing availability from SAIL plants SAIL is undertaking conversion of Semi-finished steel to finished steel. This not only helps in higher realizations on Semis but also fills the gaps in plant product mix.
- Through conversion SAIL has been able to supply products like Rails 15 KG, Flats, Rounds which are not produced in Plants, whereby expanding SAIL product basket for projects. Further small quantities of Special grade structural and TMT, small quantities of customized length structural and TMT was also supplied through conversion which was not economically viable through Plants.

c) Special initiatives for value addition-

A Special Initiatives Group (SIG) headed by an ED was formed in April'17 with a view to enhance SAIL's product basket so as to provide better value to the customers. The Group has identified the following areas for expanding business-

- Ready-to-Use Re-bars
- Color Coated Products
- Crash Barriers
- There are a few other areas like Conversion into Hollow Sections, Conversion of Semis to TLT Sections, conversion of Precision Pipes, Pre-Fabricated structurals for Building Solutions, etc. which will be taken up subsequently for evaluation.

d) Renewed thrust on Exports-

Certification of the New Mills is in the process to help compete in the global markets. Entry into new markets is being made with the help of expansion of product basket and improvement in product quality from the modernised mills. Some of the new markets developed are Djibouti (Billets), Taiwan (HR Coil), Philippines (Wire Rod Coils/Billet), Thailand (Bloom), Bangladesh (CR Coil).

Simultaneously, improvement in service parameters such as Cost & Freight (CFR)/Cost Insurance & Freight (CIF) deliveries instead of only Free on Board (FOB) supplies, better payment terms, reduction in delivery schedule, faster handling of enquiries, Third Party Inspection.

e) Other marketing initiatives-

In addition, the following marketing initiatives have been identified to improve marketing performance:

- **Sales Force Effectiveness (SFE) Programme-** This is designed to improve the effectiveness of sales and marketing team with a more structured approach towards customer interface.
- **Key Account Management (KAM)-** A redesigned KAM process aimed at bringing more focus on the top customers is being introduced for which key accounts have been identified and trial runs started for firming up the process and structure for implementation of the same."

(iii) Steel Consumption and Net Sale Realization (NSR)

2.32 Looking at the low per capita steel consumption in the country, the Committee asked to furnish details of the major sales and marketing initiatives being taken to increase the sales volume. In this regard, the Ministry of Steel informed the Committee as under:-

"The following major Sales and Marketing initiatives have been taken by SAIL to increase sales volumes:

- i) Setting up of a two tier distribution system to increase the reach in rural areas.
- ii) Entering into MOU with Project/Construction companies and tying up with customers for their total requirement under Annual MOU and other tie-up schemes.
- iii) Augmenting availability of Finished Products through Conversion and Service centre facilities.
- iv) Increased production from all plants by ramping up the capacity utilization.
- v) Monitoring the progress of execution of larger projects in order to meet their full requirements.
- vi) Enhancing Exports by increasing service parameters and adding new countries for establishing in the International market.
- vii) Developing new grades of steel for targeting specific end use, import substitution and better steel application etc.
- viii) Revitalizing the Key Account Management process for increased customer satisfaction and enhance market share."

2.33 To further increase the sales volume, SAIL is reported to be geared up to market additional volumes from the new Mills. Some of the steps being taken by SAIL to increase sales volume are as under:

- Tying up sales with MOU(s) & annual/ quarterly commitments with customers.
- Dedicated Cross Functional Teams for marketing of new products and targeting new segments.
- Visits of Architects/Designers organised to the new Mills of Durgapur Steel Plant and IISCO Steel Plant for familiarisation with new products.
- Seminars for and presentations to the target customers consisting of Govt. departments, designers and major project customers.
- Focus on retail sales with higher volumes and deeper reach.
- Focus on value addition through Conversion and Service centres for improving product mix and servicing the requirements of Construction, Auto, PEB and Engineering segments, thus building differentiated supply chain to service diverse customer base.

- Exploring opportunities for downstream products such as colour coated products, Crash Barriers, Ready-to-use Re bars etc. for value addition and segment diversification.
- Initiating a campaign "SAIL Steel- Gaon Ki ore" the theme of which is to conduct rural workshops in order to educate rural masses on benefits of steel usage and to create awareness about Branded SAIL Products
- Building sustained presence in global markets through exports."

Marketing Highlights

- SAIL supplied more than 80% of the steel requirement in the recently inaugurated Sardar Sarovar dam on river Narmada
- SAIL supplied large quantities in phase-I of Lucknow metro
- SAIL supplied more than 90% of steel for Dhola- Sadiya bridge in Assam

Corporate Branding Initiatives

- Stainless Steel Charkha at Palika Bazaar
- Stainless Steel bus queue shelter at Shanti Path
- Collaboration with NDMC for stainless steel benches , litter bins and information kiosks

2.34 During Oral Evidence dated 13.12.2017, Chairman, SAIL informed that they have decided to reduce the sale of Semis. Private Sector buys these from SAIL, converts them and earns profit. Thrust will be to increase production of Plate Mills etc. High end Products like Cold Rolling Mills under Value Addition. He further, informed that their production has increased due to which there is a positive trend in net revenue per tonne.

2.35 When asked to provide the Net Sales Realization (NSR) trend of SAIL for the last three years, the Ministry of Steel in a written reply submitted as under:-

"The Net Sales Realisation (NSR) trend of saleable steel (5 ISPs) for the last three years and H1 17-18 are as under:

				(Rs/T)
ITEMS	2014-15	2015-16	2016-17	H1 2017-18
Net Sales Realisation	35341	28150	29928	33811

2.36 When asked about the trend of Earnings Before Income, Tax, Deductions and Amortization (EBITDA) and EBITDA/ per tonne of Sales for the corresponding period, the Ministry of Steel informed the Committee as under:-

				(Rs. crore)
ITEMS	2014-15	2015-16	2016-17	H1 2017-18
EBIDTA (Cr)	5586	-2204	672	989
EBIDTA per tonne of Saleable Steel Sales (Rs/t)	4771	-1818	512	1506

2.37 Steel Authority of India Ltd. (SAIL), is running a nation-wide campaign (SAIL steel – Gaon ki ore) which is aimed at boosting steel. The Gaon ki ore campaign is designed to familiarize end users at the Grass-root level, especially of rural areas like masons, artisans, individual house builders, gram panchayat members and eminent local personalities, with innovative usage of SAIL steel and its applications and advantages in construction, household equipment, agriculture etc. Through engagement activities the audience are informed how using SAIL steel can increase durability, life, safety and longevity of any construction and product. Workshop feedback to help in understanding steel requirements of the rural areas and improved targeting of products for rural markets. SAIL’s product basket has branded products like SAIL TMT, SAIL Jyoti GP/GC sheets, Salem stainless utensils products in its basket which fit the rural requirements well and has popular acceptance. Through this nation-wide campaign initiated at Nalbari, Assam, SAIL aims to cover more than 100 locations by the end of this year and within months of its inception around twenty workshops have already been conducted in various states like Haryana, HP, MP, Karnatka, Tamil Nadu, Jharkhand, UP, Assam etc. This new age marketing campaign strategically aims to develop a stronger link with consumers through direct engagement. All workshops of the campaign are designed to familiarize participants about SAIL’s production process, product range, applications and advantages and the interactive sessions are conducted in local language for easier connect with audience. This has started to reflect positively through the dealer sales numbers, which recorded an 18% jump in the month of August 2017 over CPLY selling 91,000 tonnes of steel in the month. SAIL targets to sell 1 Million Tonnes steel through its dealer network this financial year and aims at doubling it in next three financial years.

(iv) Enhancing Steel Consumption

2.38 A summary of the production and consumption of steel in India for 2016-17 and the previous year is placed below:-

Million Tonnes		
Year	Production (crude steel)	Consumption (finished steel)
2015-16	89.8	81.5
2016-17 (upto Dec., 2017)	73.96	61.54

2.39 During Oral Evidence dated 13.12.2017, Chairman, SAIL informed that per capita steel consumption increased from 60 kg to 65 kg during last 2 years. Chairman, SAIL further elaborated that the country has a major challenge of consumption. The percapita capacity in rural areas is 12 kg. The average world capacity of steel consumption is 215 kg per capita which is a momentous target. There is a lot of scope for consumption in villages. For a production target of 300 million tonne, we have to achieve a consumption level of 170 kg to 180 kg. Secretary, Ministry of Steel also added that significant usage of steel will be done in the houses constructed under the Pradhan Mantri Awas Yojna - Gramin (PMAY- G) wherein steel intensive structures are being built. These houses get ready quickly and are cheaper. The other significant areas for consumption are infrastructure, capital goods, automobile, railways etc. foundations of ports and harbours, bridges, crash barriers, steel structures. Besides this, a new area of drinking water pipes has been identified where there is adequate scope for consumption as the usage of steel would reduce wastage due to water loss, non-carcinogenic, unbreakable and has already been introduced in countries like South Korea, Tokyo and Britain.

2.40 When asked about the steps taken by the company in finding newer applications for the steel and ensuring that steel products are not being gradually replaced by aluminium or other composite metals, the Ministry in a written reply informed the Committee as under:-

"SAIL has been taking number of steps for newer applications for steel. Recent efforts in this direction has led to steels for agricultural implements (tractor disc, tilling equipment etc.), silos for grain storage, high strength plates for ATM chest, soft iron plates for neutrino detector for India Based Neutrino observatory, seismic resistant TMT rebars (Fe500S) for construction sector, High Strength Forming Quality steels for Auto segment and steels for Indian navy and defence which include DMR 249A/B for INS Vikrant and

SAILARM for testing of ammunition. Our on-going efforts focus on (a) Q&T steels for HARDOX and WELDOX for Earth Moving Equipment (EME) segment, (b) seismic resistant plates and structurals for construction segment, (c) AB3 grade Q&T plates for defence, (d) Colour coated sheets for roofing (construction segment), and (e) crash resistant hot stamped steels for auto segment.

Aluminium and other composites are posing threat to steel as a competitive material owing to their corrosion resistance and superior specific strength. There is an increasing trend of use of Aluminium and other composites material in auto, white goods & architectural applications. World-wide initiatives from steel sector focuses on coated, corrosion resistant and high strength steels as a counter measure.

In line with contemporary approach, SAIL has recently commissioned a new state of the art Cold Rolling Mill Complex at BSL, Bokaro. High strength steels and coated products (both galvanized & galvannealed) will constitute major part of the product-mix from this complex which will cater to Auto and White goods segments. SAIL plans to enter into a joint venture with Arcelor Mittal for the production of high strength steels (both coated and un-coated) for Auto segment.

Considering the total life cycle assessment, steel becomes a cost effective and competitive material compared to other alternative materials like aluminium."

(v) Optimizing Costs

2.41 When asked about the present international prices of steel as compared to domestically produced steel, the Ministry in its written reply furnished as follows:-

"Comparison of present international prices with domestic prices for few representative products is given below-

Sl. No.	ITEM	* Domestic retail price at Kolkata market (Rs/tonne)	Domestic price at Kolkata market (Converted to US\$/tonne- Exchange Rate 64.08)	# China Export FOB (\$/tonne)
1	WIRE RODS (6 MM)	34542	539	595
2	TMT (12 MM)	32731	511	557
3	H. R. COILS (3.15 MM)	37034	578	567
4	C. R. COILS (0.63 MM)	41949	655	612

*Domestic prices are retail prices in Kolkata market, as reported by JPC (Ministry of Steel) and include freight from steel Plants as well as retail

margin. Ex-works prices will accordingly be lower than the above level. Domestic prices are as reported for the indicated size in each category.

#International prices are ex-works prices on FOB basis ex-China, as reported by Platts (SBB). Platts do not report prices for a specific size."

2.42 When asked about the steps taken by SAIL to reduce the cost of production and how much has it declined during the last 3 years, the Ministry of Steel in a written reply informed the Committee as under:-

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

- Increasing Coal Dust Injection in BFs to reduce the requirement of BF coke
- Reduction in coke rate and index based pricing mechanism for coking coal
- Reduction in consumption level of raw materials like Coal, Iron Ore, Fluxes, etc and bringing down cost of raising iron ore & clean coal in mines
- Production optimization and product-mix improvement and improvement in techno-economic parameters
- Rationalization of manpower and reduction in the various items of administrative expenses and identification and closure of uneconomic activities
- Rationalizing production from relatively inefficient routes of production and waste management and strict control on demurrage expenses
- Full utilisation of engineering shops and replacing purchased items and reduction in number of service contracts.
- Re-negotiation of prices of long term contracts for cutting down procurement price where deliveries are still pending and reduction in procurement cost through strict monitoring.
- De-proprietorisation of items of stores & spares, plant & machinery, maintenance services, etc.
- Reduction in inventory of finished/semi-finished products, stores & spares and raw materials, etc. and better inventory management and reduction in accumulated slabs
- Monitor and reduce handling and transit losses of imported coal and reduction in logistic cost for transportation of coal being imported etc.

This has resulted in the reduction of *total operating expenses* as under:-

Financial Year	Total operating Expenses per tonne (INR)
2014-15	35145
2015-16	34480
2016-17	33795

2.43 Chairman, SAIL while deposing for Oral Evidence on 13.12.2017 also submitted that post modernization, production cost has been reduced at RSP and IISCO Steel Plant. He further elaborated that during last financial year, SAIL is the only company amongst JSW and Tata who has reduced its cost of production even in ineffective route despite the fact that all 3 companies were affected by increasing coal prices and the other 2 had increased their coal production. He further, apprised that there would be improvement in coal production every quarter. They are also reducing production drastically from ineffective routes. These units would finally be shut down and reopened after modernization. Being a Government PSU SAIL has certain cost of production limitations compared to other private companies which is higher on account of man power cost which is 18-19% per tonne in SAIL as compared to say JSW where it is 2% only.

2.44 When asked about the percentage of coking coal in overall production costs and the steps taken by the company to meet the challenge of increasing coking coal costs including R&D activities undertaken to substitute coking coal with any other product, the Ministry in its written reply informed the Committee as follows:-

"R&D activities undertaken to substitute coking coal has been aimed at improving coke quality to facilitate increased use of auxiliary fuels in the blast furnace like Coal Dust Injection (CDI), tar etc. to reduce coke rate/coking coal consumption.

SAIL have done massive modernization in its steel plants by installing modern blast furnaces to achieve higher hot blast temperature, higher oxygen enrichment, better burden distribution facility, better logistics etc. These facilities are helping in achieving higher CDI rate & lower coke rate. Existing blast furnaces are also being upgraded to achieve higher CDI rate & thereby reducing coke rate. R&D efforts have also been taken in mines & sinter plant to improve Raw material & sinter quality which are facilitating in achieving higher CDI rate & lower coke rate.

Higher CDI rate & Lower Coke rate result in lower hot metal cost by decreasing dependence on costly coking coal.

SAIL have also installed new modernized coke oven batteries in their plants with dry quenching facilities which are helping in better coke quality w.r.t. better Micum indices, less moisture content etc. Better coke quality helps in lowering coke rate & increasing CDI rate. Many R & D projects are being carried out to improve coke quality like differential crushing, development of automatic heating control system for batteries, assimilation of new

technologies like partial briquetting of coal charge (PBCC), Selective crushing etc.

Efforts are on to increase Coal dust injection in blast furnaces. Coal dust injection has increased by 14% in 2016-17 to 66 kg/thm as compared to 58 kg/thm during 2015-16. Further CDI rate improved by 25% to 75 kg/thm in H1 FY 17-18 over CPLY

Further steps have been taken to meet the challenge of increasing coking coal costs, as below :

- Imported Coal basket has been increased with addition of new coals which are available at comparatively cheaper price.
- Usage of Soft Coking Coal and CDI have been gradually increased, which are cheaper as compared to Hard Coking Coal and reduces consumption of Hard Coking Coal.
- Freight Differential, i.e., deduction of Differentials on account higher Freight from US and Canada as compared to Australia, has been made integral parts of the Agreements with US and Canadian Suppliers."

2.45 Regarding Chiria Mines, Chairman, SAIL informed during Oral Evidence dated 13.12.2017 that tendering process for Chiria has started, though there are certain pending issues of wild life and lease which are yet to get clearance.

(vi). Government Initiatives

2.46 In view of the huge slump seen in the India Steel Sector since 2014-15 onwards, when asked to furnish the steps taken by the Government to protect the domestic steel industry to tide over this crisis, the Ministry of Steel in its written reply informed the Committee as under:-

"To protect the domestic steel industries from the onslaught of cheap imports, the Government of India, had implemented certain measures towards this end:-

- Increased the peak rate of basic customs duty on both flat and non-flat steel to 15% from 10% in the **Union Budget 2015-16**.
- Increased the import duty on ingots & billets, alloy steel (flat & long), stainless steel (long) and non-alloy long products to 7.5% (from 5%) and non-alloy and other alloy flat products to 10% (from 7.5%) **in June 2015**. This has been further revised in **August, 2015**. Currently, import duty on flat steel is applicable at 12.5%, on long steel products at 10% and on semi-finished steel products at 10%.

- Levied the Anti-Dumping Duty for five years on imports of certain variety of hot-rolled flat products of stainless steel from China (\$ 309 per tonne), Korea (\$ 180 per tonne) and Malaysia (\$ 316 per tonne) **in June 2015**.
- Levied the Anti-Dumping Duty for five years on imports of cold rolled Flat products of stainless steel of width of 600 mm upto 1250 mm of all series not further worked than Cold rolled (cold reduced) with a thickness of up to 4 mm from China (57.39% of landed value), Korea (5.39% - 13.44% of landed value), Chinese Taipei (15.93% of the landed value), South Africa (12.34% - 36.91% of landed value), Thailand (4.58% - 5.39%), USA (9.47% of landed value) and EU (29.41% - 52.56% of landed value) **in December 2015**.
- Amended the Steel & Steel Products (Quality Control) Order, 2012, **in December 2015** to ensure that only quality steel is produced/imported in India.
- **In February 2016**, the Government has notified Minimum Import Price (MIP) on 173 steel products in order to provide a level playing field to domestic producers against the injury caused as evident from the decline in margins of the producers.
- Imposed the Safeguard Duty of 20% **in March 2016** on hot-rolled flat products of non-alloy and other alloy steel, in coils of width of 600 mm or more, whose effective value has now been reduced to 18%.
- Apart from the measures mentioned above, the Government has notified certain trade measures **in August, 2016** in order to protect the industry from material injury caused on account of cheap imports. These measures are mentioned as below -
 - Provisional Anti-Dumping duty on HR Coils (USD 474/tonne) and HR Plates (USD 557/tonne)
 - Provisional Safeguard Duty of 10% on HR Plates
 - Provisional Anti-Dumping duty on CR Products (USD 594/tonne)
- The Government has extended the MIP twice on 66 tariff lines which are not covered under the anti-dumping duty (AD) and safeguard (SG) measures for a period of 2 months (**once in August 2016 and again in October 2016**).
- The Government **in November 2016**, has notified provisional anti-dumping duty on "Wire Rod of Alloy or Non-Alloy Steel" originating and exported from China into India at a reference price of USD 499/tonne – USD 538/tonne.
- **In December 2016**, the Government has again notified Minimum Import Price (MIP) on 19 GP/GC tariff lines excluding colour coated sheets in order to remove any scope of circumvention within this range and to guard domestic steel producers against cheap in-bound shipments. After this 3rd extension of MIP on only 19 tariff lines of coated products, the MIP has been completely phased out after 4th February 2017.
- **In January 2017**, the Government has notified provisional anti-dumping on import of colour-coated sheets originating and exported from China and European Union (EU) region into India at a reference price of USD 849/tonne.
- **In February 2017**, the Government has notified anti-dumping on import of seamless tubes, pipes and hollow profiles of iron, alloy or non-alloy

steel originating and exported from China into India at a reference price of USD 961 to 1610/tonne

- **In May 2017**, the Government has finally notified Anti-Dumping duty on HR Coils (USD 489/tonne) and HR Plates (USD 561/tonne) and CR Products (USD 576/tonne), where provisional ADD was levied in August 2016.
- **In August 2017**, the government has finally notified Anti-Dumping duty on Wire Rod (USD 535-546/tonne) and Color Coated (USD 822/tonne) where provisional ADD was levied in November 2016 and January 2017 respectively.
- **In September 2017**, the government has notified Countervailing duty on imports of Hot rolled and cold rolled flat products of stainless steel of all grades/series from China PR (18.95% of landed value) for five years.
- **In October 2017**, the government has notified Anti-Dumping duty on Cold-rolled Flat products of stainless steel of width greater than 1250 mm of all series not further worked than Cold rolled (cold reduced) with a thickness of up to 4mm, from People's Republic of China (57.39% of landed value), Korea(5.39%-13.44% of landed value), European Union (29.41%-52.56%of landed value), South Africa (12.34%-36.91% of landed value), Taiwan (15.93% of landed value), Thailand (4.58%-5.39% of landed value), United States of America (9.47% of landed value) till 10th December 2020.

Ministry has taken several policy and other initiatives to promote domestic steel sector–

- 1 Ministry of Steel has –
 - (a) Rolled out **National Steel Policy 2017**
 - (b) Rolled out **Policy on preference to Domestically Manufactured Iron & Steel Products**
 - (b) To modify **GFR guidelines** to incorporate life cycle cost analysis while formulating the design and specification in the public / PPP projects.
- 2 Hired consultants for "**Social Media Marketing**" to promote steel usage and educate on the various avenues of steel usage and its advantages.
- 3 Ministry of Steel has taken several initiatives through INSDAG, HSCL and its CPSEs to increase use of steel like development of **prototypes of low cost houses**, Steel intensive structures for infrastructure development in **hilly terrains & seismic zones** and **low cost "Anganwadi Centres**
- 4 **Constituted 4 Task Forces in conjunction with relevant ministries** for increasing steel usage in the Railways, Urban development, Road Transport & Highways and Shipbuilding sector.
- 5 **Promoted steel through Indian Railways** with a structured brand promotion activity through inaugural run of the daily Hazrat Nizamuddin – Visakhapatnam, **Vizag Steel Samta Express** at Nizamuddin station in December 2016.

In addition to above mentioned points, Ministry of Steel is also constantly promoting Indian iron and steel sector through various R&D initiatives in the field of development of technology for Cold Rolled Grain Oriented (CRGO) electrical steel and high grade automotive steel."

2.47 When asked about the status of Minimum Import Price and anti-dumping duty imposed by the Government on imported steel and whether SAIL is satisfied with the current rates and also asked to give details and reasons thereon, the Ministry of Steel in its written reply informed the Committee as under:-

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

- **1st Extension** on 66 tariff lines excluding Hot Rolled & Cold Rolled Products – 4th August 2016
- **2nd Extension** on 66 tariff lines excluding Hot Rolled & Cold Rolled Products – 4th October 2016
- **3rd Extension** only on 19 Tariff Lines of Coated Products – 3rd December 2016

After this 3rd extension of MIP on only 19 tariff lines of coated products, **the MIP has been completely phased out after 4th February 2017.**

All the items covered under MIP, are now covered under the ADD imposed by the Government, the details of ADD orders imposed are as below:-

- The Government in November 2016, has notified provisional anti-dumping duty on "Wire Rod of Alloy or Non-Alloy Steel" originating and exported from China into India at a reference price of USD 499/tonne – USD 538/tonne
- In January 2017, the Government has notified provisional anti-dumping on import of colour-coated sheets originating and exported from China and European Union (EU) region into India at a reference price of USD 849/tonne
- In February 2017, the Government has notified anti-dumping on import of seamless tubes, pipes and hollow profiles of iron, alloy or non-alloy steel originating and exported from China into India at a reference price of USD 961 to 1610/tonne
- In May 2017, the Government has finally notified Anti-Dumping duty on HR Coils (USD 489/tonne) and HR Plates (USD 561/tonne) and CR Products (USD 576/tonne), where provisional ADD was levied in August 2016.
- In August 2017, the government has finally notified Anti-Dumping duty on Wire Rod (USD 535-546/tonne) and Color Coated (USD 822/tonne) where provisional ADD was levied in November 2016 and January 2017 respectively."

CHAPTER-III

MECON LTD.

MECON was established as Central Engineering Design Bureau (CEDB) in the year 1959 as multi-disciplinary Design Engineering Consultancy(DEC), Project Management & Consultancy (PMC), Engineering & Project Management Consultancy (EPMC)&Engineering, Procurement and Construction (EPC) organization and has successfully completed more than 3500 Consultancy & EPC assignments both in India & abroad. Acting as a prime consultant to Indian Iron & Steel industry, MECON has provided its value added services to 18 Integrated Steel Plants both in Public & Private sectors amounting to approximately 40% of total installed capacity in India. MECON has also successfully completed more than 130 overseas projects in Asia, Africa, Europe, North America & Australia. MECON has developed in-house indigenous design for 1.0 mtpa Coke Oven Battery and 4250m³ Blast Furnace, which have been launched on 21st December 2016 at MECON, Ranchi by brand names "ANGARA 7.1" and "LOHA 4250" respectively.

F. Financial Performance

3.2 The financial performance of FY 2016-17 & FY 2017-18 (H1) is indicated in the following table:-

₹ in Crores					
SI No	Particulars	2016-17 Up to Sept16 (H 1)	2016-17 from Oct 16 to March 17 (H2)	2016-17 (Actual)	2017-18 Up to Sept17 (Prov) (H1)
1	Turnover	93.93	249.00	342.93	155.45
	- Consultancy	84.95	176.81	261.76	127.02
	- Projects	8.98	72.19	81.17	28.43
2	Total Income	127.00	279.98	406.98	190.66
3	Total Expenses	205.87	289.26	495.12	228.49
4	Profit Before Tax	(78.87)	(9.28)	(88.14)	(37.83)
5	Profit After Tax	(78.65)	(5.19)	(83.84)	(37.83)

3.3 When asked about the reasons for MECON incurring higher expenses than its income during the last three year thereby resulting in losses to the Company, the Ministry of Steel in its written reply informed the Committee as under:-

"Major Reasons for incurring high expenses resulting in losses:

- i. **Employee benefit expenses of the company are fixed cost by nature**, comprising of salary & allowances, leave encashment, superannuation benefits, company's contribution to PF and EPS, education, medical etc. which accounts for significant percentage of total expenses. Other expenses are variable/ semi variable by nature depending on the Turnover of the company.
- ii. **Due to overall economic slow-down**, the company has not been able to secure a good order booking during the past few years (2012-13 to 2015-16). **Low order booking** in aforesaid years has adversely affected the turnover and profitability for 2016-17 and 2017-18.
- iii. The projects in hand (particularly MEPs of SAIL) are nearing the completion stage resulting in **low contribution towards turnover**.
- iv. The core sector i.e. **Metal & Mining, has witnessed global overcapacity situation**. Thus, falling of prices and lack of new up-coming projects, has further contributed to the low order booking for MECON.
- v. Additionally, **ban on iron ore mining** resulted in either delay in implementation of projects or even non-materializing of expected projects. Several orders bagged in previous years are not moving to next phase of implementation."

F. Optimizing cost and curtailing Expenses

3.4 When asked about measures undertaken for curtailing expenses and cost reduction, the Ministry of Steel in a written reply informed the Committee as under:-

- i. "Reduction in operating expenses
- ii. Organisational Restructuring and Optimum Utilisation of Manpower : To meet contractual requirement and to reduce manpower cost, employees are engaged/ deployed through agencies as per requirement of project/ client at various locations.
- iii. Improvement in Project Execution Methodology by completing the projects without any time or cost overrun and to carve out better profits for the organization as well as the client.

- iv. Replacement of Bank Guarantee with Corporate Guarantee: Neyveli Lignite Corporation has accepted Corporate Guarantee from MECON. SAIL has also agreed to consider the proposal and take it to their board. This will help in cost reduction for the company.

G. Business Target and their Achievements

3.5 On being asked about the details of business targets and their achievements of MECON during last three years both in non-metal sector as well as metal sector, the Ministry of Steel in a written reply informed the Committee as under:-

"Business Targets & their Achievements:

Business Procurement (in Rs. Crores)				
Year	MoU Target for Business Procurement (Good)	Achieved		Total Achieved
		Metals	Non-Metals	
2014-15	450	438.15	155.24	593.40
2015-16	815	150.96	532.44	683.40
2016-17	675	635.70	782.95	1418.65

3.6 The Urja Ganga Project is a gas pipeline project which aims to provide piped cooking (PNG) gas to residents of eastern region of the country and CNG gas for vehicles and industries. When asked to furnish a detailed note on the above Project highlighting inter-alia the role of MECON in the same, the Ministry in a written reply informed the Committee as under:-

"The **Pradhanmantri Urja Ganga Pipeline Project** (also known as the JagdishpurHaldia&BokaroDhamra pipeline project) is a natural gas pipeline project of M/s GAIL (India) Ltd. which aims to provide piped natural gas (PNG) to residents and compressed natural gas (CNG) for vehicles & industries in the eastern region of the country.

M/s GAIL is the owner and operator of the project. The project envisages gas supply catering to energy needs of the states of Uttar Pradesh, Bihar, Jharkhand, Odisha and West Bengal (covering 40 districts and 2,600 villages). Salient features of the project are:

- Pipeline Length - 2655 km (approx.)

- Investment- Rs. 12,940 Cr. (approx.) (of which Govt. capital grant is Rs. 5176 Cr.)

The project will pave way for revival of three large fertilizer plants, enable industrialization of over 20 cities and facilitate development of City Gas Distribution (CGD) network in 6 cities (with an investment of about Rs. 1725 Cr. for the CGDs), generating a large number of jobs.

The pipeline route has been determined by M/s GAIL in view of various technical, geographical, socio-economic and environmental considerations. The Petroleum & Natural Gas Regulatory Board (PNGRB) is the regulatory body for authorization of the pipeline project and associated CGD networks.

MECON's Role

MECON has pipeline projects worth about Rs. 18,000 Cr. (executed and in hand) till date. Several prestigious gas pipeline projects (such as the BawanaNangal Pipeline,) were successfully completed by us for M/s Gas Authority of India Ltd. (GAIL). GAIL has recently awarded Engineering & Project Management Consultancy (EPMC) services to us for the **Pradhanmantri Urja Ganga Pipeline Project** (excluding the Dobhi - Haldia segment).

MECON's scope of work involves a pipeline length of 1813 km (approx.) (from Phulpur to Dobhi and Bokaro to Dhamra), entailing an Investment of about Rs. 7,867 Cr. MECON's fee for the job is about Rs. 108.2 Cr (excluding GST and site related expenses).

MECON has also been awarded EPMC services by M/s GAIL for developing the CGD networks in 6 nos. cities along the Urja Ganga (viz. Varanasi, Bhubaneswar, Cuttack, Patna, Ranchi & Jamshedpur)."

H. Challenges being faced

3.7 When asked about the challenges being faced by MECON and the steps being taken to overcome the same in the present business environment, the Ministry of Steel in a post evidence reply informed the Committee as under:-

Challenges being faced by the Company	Steps being taken to overcome the same
Securing jobs on nomination basis from PSUs within the same Ministry such as SAIL, RINL, NMDC, MOIL, KIOCL, MSTC etc.	Government support is sought for securing jobs on nomination basis from PSUs within Ministry of Steel in line with those being secured from GAIL.

I. Turnaround Plans Envisaged

3.8 On being asked as to whether MECON has made any turnaround plans, the Ministry of Steel in its written reply informed the Committee as under:-

"Strategic growth plan for MECON for next five years i.e. upto FY 2021-22 is under finalization. The growth agenda targets three to four fold enhancement in revenues by 2021-22, with sustained profitability. The strategic plan envisages leveraging the core strength in metals sector and to harness business opportunities in diversified sectors such as energy (oil & gas and power generation, transmission & distribution) and infrastructure (stress on steel intensive structures) to provide hedge against the cyclic risks in the metals business. The plan document also formulates business strategy for MECON to align with Govt. policies, priorities and initiatives, including National Steel Policy 2017.

The plan envisages the followings:

- Retaining market leadership position in Design, Engineering & Consultancy (DEC) services in the core Metals & Mining sectors
- Extending other services viz. Turnaround of stressed assets, energy audits, audits of secondary steel sector, audits of steel plants on health, safety and environment etc.
- Establishing end-to-end EPC capabilities in material handling (ports & coal mining) and coal washeries.
- Engineering & Project monitoring & Control (PMC) services in ordnance depots, other strategic projects for Defence & Space
- EPC, DEC & PMC of select packages in petrochemicals & refineries, group gathering station, LNG terminals, EPCM for oil & gas pipelines, POL and city gas distribution networks
- EPC, DEC & PMC services for SO_x, NO_x retrofitting DEC, PMC of R & M of ageing thermal & hydel power plants and T&D substations
- DEC & PMC services in water desalination and industrial water treatment, smart cities, housing and institutional buildings

All these measures are expected to improve the top line of the Company and generate profits after meeting the fixed and other expenses. It is expected that with these measures, the Company would achieve at least break even by the end of the current financial year."

PART-B

OBSERVATIONS/RECOMMENDATIONS

PHYSICAL PERFORMANCE

1. The Committee note that over the last 2 years, the SAIL has made considerable progress in enhancing its physical performance. During 2016-17, SAIL achieved highest ever production of crude steel in a year at 14.50 MT with a growth of 2% over the last year and saleable steel at 13.87 MT with a growth of 12% over the last year. During the year 2016-17, SAIL achieved highest ever saleable steel sale and production of Saleable Steel in a year. Further, the Committee also observe that SAIL achieved highest ever Hot Metal production at 15.73 Million Tonnes (MT), Crude Steel production at 14.50 MT and Saleable Steel production at 13.87 MT during financial year 2016-17. The Committee further observe that during the first half of 2017-18, against the plan production of Hot Metal at 7.99 MT, the actuals were 7.61 MT and against crude Steel production target of 7.54 MT, the actuals were 7.13 MT. SAIL had also undertaken expansion of its integrated steel plants at Bhilai, Bokaro, Raurkela, Durgapur and Burnpur and Special Steel Plant at Salem. There were all round improvements in major techno-economic parameters. The Committee appreciate that even in wake of unprecedented increase in input prices and subdued demand for steel, the performance of SAIL on various parameters has improved. At the same time, the Committee feel that SAIL should step up the good efforts for overall improvement in its physical performance so as to make the company more competitive with other players in the market.

Capacity Utilization

2. The Committee observe that against the installed capacity of 12.8 MT of Crude Steel Production during 2014-15, the actual production was 13.90 MT and thus achieving 107% of capacity utilization. Against the installed

capacity of 16.8 MTPA during 2015-16 and 2016-17, the total Crude Steel production by SAIL was 14.27 MT and 14.50 MT respectively showing 85% and 86% of capacity utilization. The Committee also note that the installed capacity of crude steel by SAIL after modernization and expansion programme will be increased from 12.8 MTPA to 21.4 MTPA after operations at all plants come to stream. Although, the Committee are happy to note that Bhilai Steel Plant and Durgapur Steel Plant had exceeded in production as far as their installed capacity is concerned, they are concerned to note the poor performance of Rourkela Steel Plant(RS), IISCO Steel Plant(ISP), Alloy Steel Plant(ASP), Salem Steel Plant(SSP) and Visvesvaraya Iron Steel Plant(VISP) that could achieve only 79%, 56%, 38%, 60% and 33% of their installed capacity of Crude Steel during 2016-17. While appreciating the highest ever Hot Metal, Crude Steel and Saleable Steel Production by SAIL during 2016-17, the Committee desire that the Company should take all necessary steps to address all the bottlenecks which hampers full capacity utilisation of these plants so that production targets for 2017-18 which are lagging behind during the first half of the year are fully achieved. The Committee would also like to be apprised of the reasons for very poor capacity utilization by other plants of SAIL and the steps taken by the company to ensure that all the plants operate at their full installed capacity.

RAW MATERIAL

(a) Iron Ore

3. The Committee note that SAIL has captive mines of iron ore, coal, Limestone & Dolomite. During the year 2016-17, SAIL mines produced 26.44 MT of iron ore and the entire iron ore requirement of SAIL plants was met through the captive mines of SAIL. After the ongoing modernization and capacity enhancement of SAIL, Hot Metal production is expected to touch a level of 23.46 MTPA. At this stage, the requirement of Iron Ore shall be 39 MTPA and SAIL mines are geared up to meet this expected demand fully through captive mines. The Committee further observe that in order to expedite capacity expansion projects, SAIL has

obtained extended mining leases of ML-162 of Barsua-Taldih-Kalata Iron Ore Mine in Odisha, Nandini Limestone Mine and Hirri Dolomite Mine of Bhilai Steel Plant in Chhattisgarh. The Committee are, however, concerned to note that forest clearance in respect of Kiriburu Meghaha Tuburu iron ore mines, Gua Ore Mines and Chiria, Jharkhand, Kalwar-Nagur Iron Ore Mines Project under Bokaro Steel Plant are pending with the Ministry of Environment, Forest & Climate Change. The Committee also note with concern about non-development of Kalwar and Rowghat iron ore mines in Chhattisgarh for which stage-II forest clearance was granted way back in August, 2009. In line with expected Hot Metal production target of 23.46 MTPA for which the requirement of Iron Ore is 39 MTPA, the Committee recommend that Ministry of Steel/SAIL should vigorously pursue with Ministry of Environment, Forest and Climate Change and impress upon them to grant forest clearance for the projects under reference without further delay. The Committee would like to be apprised of the steps taken by the Ministry in this regard.

(b) Coal

4. According to Ministry of Steel, due to limited indigenous availability of low ash coking coal in the country, SAIL imports 80-85% of low ash coking coal from Australia, USA and New Zealand etc. and blends it with coking coal produced from captive mines of SAIL and from Bharat Coking Coal Ltd. (BCCL)/ Coal India Ltd. (CIL) sources. With expected 23.46 MTPA production of Hot Metal, the requirement of coking coal by SAIL will be 21 MT against 0.54 MT coking coal provided from indigenous sources during 2016-17 and 4 MT of coking coal is likely to be made available from captive and BCCL/CIL sources, the Committee feel that coking coal is one of the important raw material for cost optimization in production of Steel and in the absence of adequate quantities of coking coal, it is imperative that improved methodology be developed for blending of indigenous and imported coal. Further, the supply chain of imported and indigenous coal be strengthened and made efficient. The Committee also

desire that SAIL should enter into long term agreement/joint ventures with CIL for acquisition of coking coal blocks abroad to ensure availability of adequate quantity of coking coal as per their requirement so that production of SAIL is not affected for want of supply of adequate quantity of coal. In this context, the Committee would also like to be apprised of the timeframe by which 3.5 MT washery at Tasra and another to wash coal produced from Parbatapur coal block will be set up by SAIL.

(c) Power

5. The Committee observe that SAIL has laid stress on reliability of power supply in its plants and strengthening of the power distribution system Bokaro Steel Plant (BSL) with Damodar Valley Corporation (DVC) grid at 220 KV which has already been commissioned. With this, all the Integrated Steel Plants of SAIL are now connected with utility grids at 220 KV level, which enhances the reliability of grid power supply and lowers the tariff of grid power as well as open access charges for having grid connectivity at such high voltages. The Committee also take note of the fact that captive power generation by SAIL during 2016-17 increased to 820 MW from 785 MW during 2015-16 showing a growth of 4.5%. The Committee are happy to note that captive power generation capacity is being further augmented by capacity addition of 290 MW through NSPCL (joint venture of NTPC & SAIL). Further, orders for supply and installation of Power Plants of 1 x 250 MW at Rourkela Steel Plant and 2 x 20 MW at Durgapur Steel Plant were placed during the year. These Plants are expected to commence commercial operations during the Year 2019-20. It has also been brought to the notice of the Committee that as a part of commitment towards development of renewable energy, the SAIL has already installed a capacity of 1070 KWp rooftop solar plants at various locations and 1 MWp grid interactive solar plant at RSP. Further, actions for installation of 200 MWp capacity solar plants at various SAIL Plant locations have also been initiated. While appreciating the efforts of SAIL for captive power generation and its augmentation programme, the

Committee desire that SAIL should also commit itself for development of renewable energy and grid interactive solar plants at various locations of SAIL plants in a fixed timeframe to reduce its carbon footprint on the line of one being setup at RSP. The Committee would like to be apprised of the action plan of SAIL in this regard.

FINANCIAL PERFORMANCE

6. The Committee feel that though SAIL has slowly and steadily managed to come on track after suffering initial setbacks during last 2 years, a lot is yet to be accomplished. For this, various measures like better fund management, enhancing operational efficiency, striving for higher sales volume and high net sales realization are needed. As regards the financial performance of SAIL during the last 3 years, the Committee observe that the gross turnover which was Rs. 50627 crore during 2014-15 was reduced to Rs. 43294 crore during 2015-16 and again rose to Rs. 49180 crore during 2016-17. During the first half of Financial Year 2018, the net sale is Rs. 24898 crore as compared to Rs. 18472 crore during H1 of the financial year 2017 showing improvement of 23%. According to the Ministry of Steel, there has been a dip in the financial performance of SAIL from 2015-16 mainly because of rise in interest which rose from Rs. 1457 crore in 2014-15 to Rs. 2528 crore during 2016-17 and depreciation which has risen from Rs. 1773 crore during 2014-15 to Rs. 2680 during 2016-17. The Committee note that despite increase in higher imported and indigenous coal prices, high royalty on iron ore, depreciation, increase in store and spares and repair and maintenance expenses, SAIL's financial performance has shown positive trend with Earning Before Income, Tax, Depreciation and Amortization (EBIDTA) improving from Rs. -2204 crore during 2015-16 to Rs. 672 crore during 2016-17 and during the financial year 2018, it has shown a positive trend at Rs. 989 crore with improvement of 88% due to higher Net Sales Realization (14%) and Sales Volume (8.7%). While appreciating the concerted efforts made by SAIL, the Committee desire that the Company should keep the momentum going

on and ensure effective implementation of various initiatives undertaken by them to improve its performance which would help them to regain its lost glory. The Committee would like to be apprised of the progress made in its financial performance as a result of various initiatives undertaken by them.

SALES & MARKETING

7. The Committee note that with a view to reshape its marketing strategy ensuring best value realization for SAIL products, SAIL has undertaken conversion of semis to finished products. For this purpose, a Special Initiatives Group (SIG) headed by an Executive Director (ED) was formed in April, 2017 with a view to enhance SAIL's product basket so as to provide better value to the customers. The Group has identified areas like Ready-to-Use Re-bars, Colour Coated Products and Crash Barriers, etc. for expanding business. Entry into new markets overseas is also being made with the help of expansion of product basket and improvement in product quality from the modernised mills. Some of the new markets developed are Djibouti (Billets), Taiwan (HR Coil), Philippines (Wire Rod Coils/Billet), Thailand (Bloom), Bangladesh (CR Coil). SAIL has also introduced several improvements in service parameters such as Cost & Freight (CFR)/Cost Insurance & Freight (CIF) deliveries instead of only Free on Board (FOB) supplies, better payment terms, reduction in delivery schedule, faster handling of enquiries, Third Party Inspection, etc. In addition, a Sales Force Effectiveness (SFE) Programme is being introduced to improve the effectiveness of sales and marketing team with a more structured approach towards customer interface alongwith a Key Account Management (KAM) process aimed at bringing more focus on the top customers. The Committee hope that with these initiatives, SAIL would be able to achieve a better customer satisfaction and improved market share. The Committee would like to be apprised of the achievements made as a result of sales and marketing initiatives undertaken by SAIL.

AUGMENTING RURAL CONSUMPTION OF STEEL

8. The Committee have time and again emphasized that there is immense possibility in rural areas where the per capita consumption of steel is 12 kg only. The Committee observe that a significant usage of steel will be done in the houses constructed under the Pradhan Mantri Awas Yojna - Gramin (PMAY-G) wherein steel intensive structures will be used to built the houses. These houses get ready quickly and are cheaper. In its efforts for enhancing the steel consumption in rural areas, the Committee note that SAIL has started a new initiative 'SAIL Steel - *Gaon Ki Ore*' aimed at boosting steel consumption in the country. The Gaon ki Ore campaign is designed to familiarize end users at the grass-root level, especially of rural areas like masons, artisans, individual house builders, gram panchayat members and eminent local personalities, etc., with innovative usage of SAIL steel and its applications and advantages in the fields of construction, household equipment, agriculture, etc. Through engagement activities, the awareness is spread amongst audience about the advantages of using the steel in terms of increased durability, life, safety and longevity of any construction and product. The Committee also note that SAIL's product basket has branded products like SAIL TMT, SAIL Jyoti GP/GC sheets, Salem stainless utensils products in its basket which fit the rural requirements well and has popular acceptance. A nation-wide campaign and workshops have been organised at various locations/States which strategically aims to develop a strong link with consumers through direct engagement. All workshops of the campaign are designed to familiarize participants about SAIL's production process, product range, applications and advantages and the interactive sessions are conducted in local language for easier connect with audience. The Committee are happy to note that as a result of these efforts being made by the company, its Sales have jumped up in the month of August 2017 over Corresponding Period Last Year (CPLY) selling 91000 tonnes of steel in the month. While acknowledging this achievement of SAIL, the Committee desire that during these direct interactions and awareness programmes, feedback from the participants may be taken so that specific need based products of

the rural consumers may be identified thereby enabling SAIL to produce and market these products to the rural consumers accordingly.

ENHANCING STEEL CONSUMPTION

9. The Committee note that although the per capita steel consumption has increased from 60 kg to 65 kg during the last 2 years, yet it is quite far from the world average of 215 kg per capita. There is a lot of scope for consumption in villages. A significant usage of steel as already stated is in the houses constructed under PMAY-G. The other significant areas for consumption of steel are infrastructure, capital goods, automobile, railways, etc., foundation of ports and harbours, bridges, crash barriers. Besides, there is adequate scope for consumption in drinking water pipes as the usage of steel would reduce wastage due to water loss, non-carcinogenic and unbreakable. As regards the steps taken by SAIL in finding newer applications for the steel and ensuring that steel products are not gradually replaced by aluminium or other composite materials, the Committee observe that recent efforts of SAIL in this direction have led to usage of steel for agricultural implements (tractor disc, tilling equipment etc.), silos for grain storage, high strength plates for ATM chest, soft iron plates for neutrino detector for India Based Neutrino observatory, seismic resistant TMT rebars (Fe500S) for construction sector, High Strength Forming Quality steels for Auto segment and steels for Indian navy and defence which include DMR 249A/B for INS Vikrant and SAILARM for testing of ammunition, etc. According to Ministry of Steel, there is an increasing trend of use of Aluminium and other composites material in auto, white goods & architectural applications. World-wide initiatives from steel sector focuses on coated, corrosion resistant and high strength steels as a counter measure. The Committee further observe that in line with contemporary approach, SAIL has recently commissioned a new state- of-the-art Cold Rolling Mill Complex at BSL, Bokaro. High strength steels and coated products (both galvanized & galvanealed) will constitute major part of the product-mix from this complex which will cater to Auto and White goods segments. SAIL has

also entered into a joint venture with Arcelor Mittal for the production of high strength steel (both coated and un-coated) for Auto segment. In view of the fact that steel is totally recyclable and cost effective and competitive material as compared to other alternative material like aluminium, the Committee feel that there is an urgent need to identify new steel products of mass consumption to achieve higher target of steel usage per capita in the country. The Committee also note that the production target of 300 MT of steel by 2025 can not be achieved unless the consumption level of steel is augmented significantly to the level of 170 kg to 180 kg. as argued by the Ministry. The Committee, therefore, recommend that the Ministry of Steel in coordination and collaboration with Ministries of Defence, Railways, Road Transport and Highways, Housing and Urban Affairs, Shipping, Drinking Water and sanitation etc. should vigorously identify the areas where steel can be consumed, which in-turn can be produced and marketed by SAIL as per their specific needs. The Committee would like to be apprised of the initiatives undertaken by the Ministry/SAIL and progress made therein.

INITIATIVES BY GOVERNMENT

10. The Committee note that the Government has taken a slew of measures to protect the steel industry from the onslaught of cheap imports resulting in huge slump in domestic steel sector from 2014-15 onwards. The steps taken by the government inter-alia include increase in basic custom duty, levying of anti-dumping duty, notification of Minimum Import Price (MIP) and imposition of provisional safeguard duty on certain items, amending the Steel and Steel Products (Quality Control) Order, 2012 etc. The Committee also note that MIP has since been completely phased out after 4th February, 2017 and all the items covered under MIP are now covered under the Anti-Dumping Duty (ADD) imposed by the Government. While appreciating the steps taken by the Government to bail out the domestic steel Industry from cheap imports of steel products by imposing anti-dumping duty on import of Wire Rod of Alloy or Non-Alloy Steel,

colour-coated sheets, seamless tubes, pipes and hollow profiles of iron, alloy or non-alloy steel, HR coils, HR plates, CR products, the Committee recommend that every effort should be made by the Government to check onslaught of cheap imports on domestic steel sector and a mechanism may be put in place to monitor the imports of steel and its impact on domestic steel sector from time to time. In view of the targeted 300 MT production of Steel by 2025, the Committee also feel that the Ministry of Steel should pursue with the Ministry of Finance and the Ministry of Commerce to give more incentives to the domestic steel industry so that more and more capacity addition projects are commissioned under 'Make in India' campaign.

OPTIMIZING COST

11. The Committee note with satisfaction that SAIL has taken prudent decisions to bring down the cost of production and improving the profitability like reduction in consumption level of raw materials, rationalization of manpower, reduction in administrative expenses, closure of uneconomic activities, rationalizing productions from relatively inefficient routes of production, etc. As a result of these measures, the total operating expenses per tonne has reduced from Rs. 35145 during 2014-15 to Rs. 33795 during 2016-17. In this context, the Committee are also happy to note that SAIL is the only company amongst JSW Steel and Tata, which has reduced its cost of production even in ineffective route despite the fact all 3 were affected by increasing coal prices and the other two had increased their cost of production. The Committee at the same time take cognizance of the fact that being a Government PSU, SAIL has certain additional obligations limiting cost of production as compared to other private companies, which is higher on manpower costs around 18-19% per tonne in SAIL as compared to say JSW steel where it is 2% only. However, the Committee trust that SAIL would strive to compete with private sector by compensating the higher manpower costs by reducing the cost of consumption of raw materials like coal, iron ore, etc. besides

reducing wastage and improving other performance parameters. The Committee hope that SAIL will manage to show further reduction in its cost of production with every subsequent quarter.

FINANCIAL PERFORMANCE OF MECON LTD.

12. The Committee note that MECON Ltd. has been incurring higher expenses than its income. During 2016-17, the total income of MECON Ltd. was Rs. 406.98 crore against expenses of Rs. 495.12 crore. Even during 2017-18 (H1) (upto September, 2017), MECON Ltd. had generated an income of Rs. 190.66 crore against expenses of Rs. 228.49 crore. According to the Ministry/MECON Ltd, the main reasons for incurring high expenses resulting in losses to the company are fixed employee benefit expenses by nature, overall economic slow down, projects in hand nearing completion stage resulting in low contribution towards turnover, metal and mining sector witnessing overcapacity situation and loan on iron ore mining. Notwithstanding the reasons explained for the losses to the company, the Committee feel that the expenses on the higher side than income is not a healthy trend for any Company. The Committee, therefore, emphasize that MECON Ltd. should meticulously analyze the various factors which have resulted in increasing losses and take stringent and urgent cost cutting measures. The Committee are happy to note that various measures being undertaken by them are reducing operating expenses, organizational restructuring, optimum utilization of manpower, enhancing employee productivity, improvement in project execution and monitoring methodology to remove any bottlenecks during its operations. The Committee would like to be apprised of the success achieved as a result of various initiatives being taken by the Ministry/MECON Ltd. in this regard.

TURNAROUND PLANS

13. The Committee also note that MECON Ltd. has shown a very good performance in business procurement during the last three years. From an order booking of Rs. 593.40 crore in 2014-15, MECON Ltd. booked orders

worth Rs. 683.40 crores in 2015-16 and Rs. 1418.65 crore during 2016-17, which is an all time high improvement and achievement of the company. The Committee also note that a Strategic growth plan of MECON Ltd. for next five years i.e. upto FY 2021-22 is reported to be under finalization. The growth agenda targets three to four fold enhancement in revenues by 2021-22, with sustained profitability. The strategic plan envisages leveraging the core strength in metals sector and to harness business opportunities in diversified sectors such as energy (oil & gas and power generation, transmission & distribution) and infrastructure (stress on steel intensive structures) to provide hedge against the cyclic risks in the metals business. The plan document also formulates business strategy for MECON Ltd. to align with Government policies, priorities and initiatives, including National Steel Policy 2017. The Committee would like that the proposed growth plan may be finalized as early as possible. The Committee trust that MECON Ltd. would make all earnest efforts and strive on this growth plan besides arresting the downturn in its financial performance and retain its market position as a premier consultancy company.

SECURING JOBS ON NOMINATION BASIS

14. The Committee are happy to note that MECON Ltd. has pipeline projects worth about Rs. 18,000 Cr. (executed and in hand) till date. Several prestigious gas pipeline projects (such as the Bawana Nangal Pipeline,) were successfully completed by MECON for M/s Gas Authority of India Ltd. (GAIL). GAIL has recently awarded Engineering & Project Management Consultancy (EPMC) services to MECON Ltd. for the Pradhanmantri Urja Ganga Pipeline Project (excluding the Dobhi - Haldia segment in Eastern Region of the Country). MECON's scope of work involves a pipeline length of 1813 km (approx.) (from Phulpur to Dobhi and Bokaro to Dhamra), entailing an Investment of about Rs. 7,867 Cr. MECON's fee for the job is about Rs. 108.2 Cr (excluding GST and site

related expenses). MECON Ltd. has also been awarded EPMC services by M/s GAIL for developing the City Gas Distribution (CGD) networks in 6 cities along the Urja Ganga (viz. Varanasi, Bhubaneswar, Cuttack, Patna, Ranchi & Jamshedpur). On similar lines MECON Ltd. has sought Government support for securing jobs on nomination basis from PSUs within Ministry of Steel such as SAIL, RINL, NMDC Ltd., MOIL, KIOCL, MSTC etc. in line with those being secured from GAIL. The Committee desire that the Ministry of Steel should consider adequate support sought by MECON for securing jobs from Steel PSUs on nomination basis only at compatible prices so that MECON Ltd. could regain its foothold in the business and therefore urge the Ministry of Steel to do the needful in the matter. The Committee would like to be apprised of the action taken in this regard.

NEW DELHI;
02 January, 2018
12 Pausa 1939(Saka)

RAKESH SINGH
Chairperson
Standing Committee on Coal and Steel

ANNEXURE-I

**PRESENT STATUS OF MINES LEASED OUT TO SAIL
MINING LEASE DETAILS OF SAIL MINES- IRON ORE & MANGANESE**

SL	STATE	MINE COMPLEX	LEASE	STATUS				
				LEASE	EC	FC	CTO	REMARKS
1	ODISHA	BOLANI ORES MINES	1. 5.10 SQ MILE ML (1321.45 HA)	Lease deed executed and extended up to 09.04.2030	Granted on 21.12.2012 for 12 MTPA I/O	Stage-II FC granted on 11.12.2012 for total forest area as per HAL ROR & valid up to lease period. For SABIK forest, Stage-I FC granted on 12.09.2017 by MoEFCC	Valid upto 31.03.2019	WORKING
			2. 6.90 SQ MILE ML (1586.36 HA) (Iron & Manganese)	Lease extension is under consideration with Govt. of Odisha	Granted on 21.12.2012 for 15000 TPA Mn Ore	Stage-I FC granted on 24.02.1999 & further modified on 24.07.2017 for total forest areas per HAL forest. For SABIK forest, Stage-I FC granted on 12.09.2017 by MoEFCC	Valid up to 31.03.2018 for Railway siding	<ul style="list-style-type: none"> Working (partially) using infrastructure in non-forest area Manganese Mining will start after Stage-II FC. Extension of lease recommended by appellate authority. Pending with CM's Office for approval.
2	ODISHA	BARSUA-TALDIH-KALATA MINES	1. ML-130 (2486.38 3 HA)	Lease deed executed and extended up to 05.01.2030	Granted on 29.10.2010 for 8.05 MTPA I/O	Stage-II FC granted on 06.03.2013 for total forest area & valid up to lease period.	Valid upto 31.03.2019	<p>WORKING</p> <ul style="list-style-type: none"> Stage-II FC granted Taldih&Kalta are in Operation. Barsua Production would start after getting clearance from Hon'ble Supreme Court of India Next hearing is Jan 2018.
			2. ML-162 (77.94 HA)	Lease deed executed and extended up to 28.04.2030	Covered under ML-130 lease	Stage-II FC granted on 23.10.2017 for total forest area & valid up to lease period.	Covered under ML-130 lease	<ul style="list-style-type: none"> Stage-II FC granted Infrastructure facility of this lease will be operated after getting clearance from Hon'ble Supreme Court of India Next hearing is Jan 2018.

MINING LEASE DETAILS OF SAIL MINES

SL	STATE	MINE COMPLEX	LEASE	STATUS				REMARKS
				LEASE	EC	FC	CTO	
3.	JHARKHAND	KIRIBURU-MEGHAHA TUBURU IRON ORE MINES	1. LEASE-I (1936.06 HA)	Extended upto 31.03.2020	Granted on 23.09.2014 for 16 MTPA	Stage-II FC granted on 26.11.2014 for 644.26 ha. Stage-I FC granted on 18.10.2010 for additional 247.50 ha	Valid upto 31.12.2019	<ul style="list-style-type: none"> WORKING Stage-II FC pending with MoEFCC for South-Central Block
			2. LEASE-II (879.439 HA)	Extended upto 31.03.2020		Stage-II FC granted on 11.04.2005 for 55.9 ha.		WORKING
			3. LEASE-III (82 HA)	Extended upto 31.03.2020		Stage-II FC granted on 11.04.2005 for 24.23 ha.		WORKING
4.	JHARKHAND	GUA ORE MINES	1. DUARGUIBURU (1443.756 HA)	Under Consideration with Govt. of Jharkhand	Granted on 25.03.2013 for 12.5 MTPA	Stage-II FC granted on 22.08.2014 for 274.61 ha. Stage-I FC granted on 04.03.2014 for additional 361.295 ha	Valid upto 31.12.2020	<ul style="list-style-type: none"> WORKING Lease extension awaited Stage-II FC pending with MoEFCC since Sept 2015
			2. TOPAILORE (14.16 HA)	Extended upto 31.03.2020	Granted on 17.08.2015 for 0.6 MTPA	Stage-I FC granted on 30.08.2013 for 14.15 ha	Not Applicable	<ul style="list-style-type: none"> Fine dump & infrastructure facility
			3. JHILLINGBURU -I (210.526 HA) (Iron & Manganese)	Under Consideration with Govt. of Jharkhand as per MMGC Rule 2015.	Applied & pending with MoEFCC	Stage-I FC granted on 25.09.2017 for 210.526 ha		<ul style="list-style-type: none"> NON- WORKING Stage-II FC awaited Extension of lease awaited
			4. JHILLINGBURU -II (30.43 HA) (Iron & Manganese)	Extended upto 31.03.2020	Applied & pending with SEIAA.	Stage-I FC granted on 29.01.2013 for 30.43 ha		<ul style="list-style-type: none"> NON- WORKING Stage-II FC awaited Extension of lease awaited

5.	JHARKHAND	MANOHAR PUR ORE MINES, CHIRIA	1. AJITABURU (323.887 HA)	Under Consideration with Govt. of Jharkhand	Granted on 31.03.2011 for 2.8 MTPA	Stage-I FC granted for 595.075 ha on 07.03.2011. Stage-II FC granted on 21.10.1998 for 29.411 ha area under Dhobil lease.	Application submitted for CTE	<ul style="list-style-type: none"> NON- WORKING Extension of lease awaited Stage-II FC awaited
			2. BUDHABURU (823.617 HA)	Extended upto 31.03.2020	Granted on 23.03.2011 for 4.2 MTPA		CTE valid till 24.07.2018	<ul style="list-style-type: none"> NON- WORKING Stage-II FC awaited
			3. SUKRILUTURB URU (609.554 HA)	Under Consideration with Govt. of Jharkhand	Granted on 10.06.2013 for 0.75 MTPA		CTE valid till 21.05.2018	<ul style="list-style-type: none"> NON- WORKING Extension of lease awaited Stage-II FC awaited
			4. DHOBIL (513.036 HA)	Under Consideration with Govt. of Jharkhand	Granted on 24.01.2012 for 0.75 MTPA		CTO Valid upto 07.03.2018	<ul style="list-style-type: none"> WORKING Lease extension awaited
			5. ANKUA (67.178 HA)	Extended upto 31.03.2020	Does not exists	Not exists	Does not exists	<ul style="list-style-type: none"> VIRGIN LEASE NON- WORKING

MINING LEASE DETAILS OF SAIL MINES

SL	STATE	MINE COMPLEX	LEASE	STATUS				
				LEASE	EC	FC	CTO	REMARKS
1.	CHHATISGARH	RAJHARA MEC & KOKAN WEST (Iron Ore)	Pandridalli&RajharaPahar M.L	Lease deed executed and extended up to 27.04.2023	Applied & under consideration with MoEFCC for expansion to 3.5 MTPA	Stage-II FC granted on 06.04.2004, over an area of 100.76 ha making it co-terminus to mining lease	Applied	Working
2.	CHHATISGARH	DALLI MECH, JHARANDALI & KOKAN EAST (Iron Ore)	Rajhara Hills M.L	Lease deed executed and extended up to 27.04.2023	Granted on 30.09.2013 for enhancement of production from 9.55 mtpa to 14 MTPA.	Stage-II FC granted on 06.04.2004 over an area of 283.60 ha making it co-terminus to mining lease	Exists upto 31.03.2018	Working
3.	CHHATISGARH	MAHAMAYA & DULKI (Iron Ore)	Mahamaya-Dulki M.L	Lease deed executed and extended up to 03.11.2021	Granted on 26.03.2015 for enhancement of production capacity from 0.96 million to 1.46 million TPA	Mahamaya (84 HA) - Stage-II clearance granted by MOEF & consequently by state govt. for a period of 20 years from 04.11.2001 over an area of 84 ha in durg district. Stage-II forestry clearance granted by MOEF & CC over 60.0 HA on 07.08.2015.	Exists upto 31.03.2018	Working
4.	CHHATISGARH	KALWAR (Iron Ore)	Kalwar-Nagur M.L	Under Consideration with Govt. of Chhattisgarh	Applied & MoEFCC agreed for grant of EC.	Stage-II FC granted on 03.08.2009 for 17 ha,	Applied	<ul style="list-style-type: none"> Non-Working Grant of EC is awaited
6.	CHHATISGARH	ROWGHAT IRON PROJECT (Iron Ore)	ROWGHAT	Lease deed executed and extended up to 20.10.2019	Granted on 04.06.2009 for 14 MTPA.	STAGE-II FC granted on 03.08.2009 over 883.22 Ha	Applied	<ul style="list-style-type: none"> Work awarded to MDO

MINING LEASE DETAILS OF SAIL MINES- FLUX

SL	STATE	MINE COMPLEX	LEASE	STATUS				
				LEASE	EC	FC	CTO	REMARKS
1	MADHYA PRADESH	KUTESWAR LIMESTONE MINES	1. RIGHT BANK LEASE (944.89 HA)	Lease deed executed and extended up to 09.06.2021	Granted on 02.09.2015 for 2.32 MTPA L/S	<i>Not required as no forest land involved</i>	Exists upto 31.01.2018	Working
			2.LEFT BANK LEASE (91.14 HA)	Lease deed executed and extended up to 14.05.2022	Granted on 17.08.2015 for 0.06 MTPA L/S	-do-	Exists upto 31.07.2018	Non-Working
2.	JHARKHAND	BHAWANTHPUR GROUP OF MINES	1.GORGAON (228.46 HA)	Lease period extended up to 31.03..2020	Applied	Applied but not obtained	Not Applicable	Non-Working and processed for surrender
			2.GHAGHRA (675.46 HA)	-do-	Applied	-do-	-do-	
			3.SARAIYA (275 HA)	-do-	Applied	-do-	-do-	
			4.TULSIDAMAR (118.72 HA)	Lease extended up to 31.03.2020. Lease deed execution is under Process	Granted on 24.03.1995 for Dolomite	Stage-II FC granted on 18.12.1997 for total forest land.	Exists upto 31.03.2020	Working
3.	ODISHA	PURNAPANI LIMESTONE & DOLOMITE QUARRY	ML-153 (230.525 HA)	Lease deed executed and extended up to 31.03.2020	Yet to be Obtained	<i>Not required as no forest land involved</i>	Not Applicable	Non-Working

FLUX LEASE DETAILS OF SAIL MINES

SL	STATE	MINE COMPLEX	LEASE	STATUS				
				LEASE	EC	FC	CTE/CTO	REMARKS
1.	Chhattisgarh	NANDINI MECH MINE Limestone (526.34 ha)	Lease period extended up to 31.12.2018 as per MMDR amendment act 2015 & MoM notification dated 03.12.2015.	Under process	F.C not required	Valid up to 31.12.2017.	Working	
2.		HIRRI MINE Dolomite (128.77 ha)	Lease period extended & executed upto 31.03.2020	Granted on 05.02.2009 for 2 MTPA.	F.C not required	Valid up to 31.07.2018.	Working	
3.		IDQ, BARADUAR Dolomite (523.35 ha)	Under consideration with Govt. of Chattisgarh	Pending with MoEF&CC	Stage-I FC granted on 12.09.2017	Not Applicable	<ul style="list-style-type: none"> • Non-Working • Grant of Stage-II FC awaited • Grant of EC awaited 	

ANNEXURE-II

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 13TH DECEMBER, 2017 IN COMMITTEE ROOM No. '3', 'A' Block, PARLIAMENT HOUSE EXTENSION BUILDING, NEW DELHI.

The Committee sat from 1200 hrs. to 1500 hrs.

PRESENT

Shri Rakesh Singh- Chairperson

Lok Sabha

2. Shri Idris Ali
3. Shri Shailesh Kumar
4. Dr. Banshilal Mahato
5. Shri Ajay Nishad
6. Shrimati Riti Pathak
7. Shri Janardan Singh "Sigriwal"
8. Shri Pashupati Nath Singh
9. Shri Sunil Kumar Singh
10. Shri Krupal Balaji Tumane

Rajya Sabha

11. Dr. Pradeep Kumar Balmuchu
12. Shri Ranvijay Singh Judev
13. Shri Ram Vichar Netam

SECRETARIAT

- | | | |
|-------------------------|---|---------------------|
| 1. Shri U.B.S. Negi | - | Joint Secretary |
| 2. Shri Ajay Kumar Garg | - | Director |
| 3. Shri Arvind Sharma | - | Additional Director |

WITNESSES

- | Sl. No. | Name and Designation |
|----------------|------------------------------------|
| 1. | Dr. Aruna Sharma, Secretary, Steel |

2. Shri Saraswati Prasad, AS&FA, Steel
3. Shri Sunil Bharthwal, Joint Secretary, Steel
4. Smt. Urvilla Khati, Joint Secretary, Steel
5. Shri P.K. Singh, Chairman, SAIL
6. Shri Anil Chaudhary, Director (Fin.), SAIL
7. Shri Raman, Director (Tech.), SAIL
8. Ms. Soma Mondal, Director(Comm.), SAIL
9. Shri Atul Bhatt, CMD, MECON Ltd.
10. Shri P.K. Sarangi, Director (Tech.), MECON Ltd.
11. Shri G. Chatterjee, Director (Comm.), MECON Ltd.

2. At the outset, the Hon'ble Chairperson welcomed the Secretary and other representatives of the Ministry of Steel and its PSUs (SAIL & MECON) to the sitting of Committee convened to take oral evidence on the subject, "Physical and financial performance of SAIL & MECON Ltd".

3. Thereafter, the representatives of SAIL & MECON made Powerpoint presentations on the subject matter. The Chairperson and Members then raised queries and sought responses from the representatives of Ministry of Steel / SAIL and MECON on various issues like Physical and financial performance of both the Companies, reasons for decline in profit of two companies due to the slump in steel sector witnessed during 2015-16 onwards, modernization and expansion of Steel plants by SAIL, reasons for losses and strategies adopted by the PSUs for revival of performance by curbing losses and curtailing expenses, current challenges being faced by the PSUs and new initiatives proposed for future, consultancy and project execution work to MECON Ltd. on nomination basis.

4. The representatives of Ministry of Steel / SAIL and MECON attended to the queries of the Members and made submission on various aspects of the subject.

5. The Chairperson, thereafter, directed the representatives of the Ministry of Steel to furnish written replies to all the queries raised by the Members which could not be responded to.

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

The Committee then adjourned.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 2 JANUARY, 2018 IN HON'BLE CHAIRPERSON'S CHAMBER, ROOM NO. '210', B-BLOCK, PHA EXTENSION BUILDING, NEW DELHI.

The Committee sat from 1530 hrs. to 1600 hrs.

PRESENT

Shri Rakesh Singh - Chairperson

Lok Sabha

2. Shri Idris Ali
3. Shri Kamalbhan Singh Marabi
4. Shri Godam Nagesh
5. Shri Ajay Nishad
6. Smt. Riti Pathak
7. Smt. Ranjit Ranjan
8. Shri Tamradhwaj Sahu
9. Shri Janardan Singh 'Sigriwal'
10. Shri Pashupati Nath Singh
11. Shri Sunil Kumar Singh
12. Shri Sushil Kumar Singh
13. Shri Krupal Balaji Tumane

Rajya Sabha

14. Shri Ranjib Biswal
15. Shri Md. Nadimul Haque
16. Shri Ranvijay Singh Judev
17. Shri Ram Vichar Netam

SECRETARIAT

1. Shri U.B.S. Negi - Joint Secretary
2. Shri Ajay Kumar Garg - Director
3. Shri Arvind Sharma - Additional Director
2. At the outset, Chairperson welcomed the Members to the sitting of the Committee.
3. The Committee thereafter took up for consideration the following Reports:-
 - (i) ** ** ** **
 - (ii) Draft Report on "Physical and Financial Performance of Steel Authority of India Ltd. (SAIL) and MECON Ltd." relating to the Ministry of Steel.
4. The Committee adopted the Reports without any changes/modifications. The Committee then authorized the Chairperson to finalise the Reports on the basis of factual verification from the concerned Ministries and present the same to both the Houses of Parliament.

The Committee then adjourned.

**Do not pertain to this Report.