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

MINISTRY OF STEEL

"DEMANDS FOR GRANTS (2018-19)"
[Action Taken by the Government on the Observations/ Recommendations contained in the Thirty-Eighth Report of the Standing Committee on Coal and Steel (Sixteenth Lok Sabha)]

FORTY-FOURTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI
AUGUST, 2018/ SHRAVANA, 1940(Saka)

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COAL AND STEEL (2017-2018)

(SIXTEENTH LOK SABHA)

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[Action Taken by the Government on the Observations/ Recommendations contained in the Thirty-Eighth Report of the Standing Committee on Coal and Steel (Sixteenth Lok Sabha)]

Presented to Lok Sabha on 02.08.2018

Laid in Rajya Sabha on 02.08.2018

LOK SABHA SECRETARIAT
NEW DELHI
August, 2018/Shravana 1940(Saka)

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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 'Sigriwal'
17. Shri Pashupati Nath Singh
18. Shri Rama Kishore Singh
19. Shri Sunil Kumar Singh
20. Shri Sushil Kumar Singh
21. Shri Krupal Balaji Tumane

Rajya Sabha

22. Shri Ranjib Biswal
23. Shri Ranvijay Singh Judev
24. Shri Ram Vichar Netam
25. Shri Sanjay Singh^
26. Shri Samir Oraon*
27. Shri Dhiraj Prasad Sahu*
28. Shri Achyutananda Samanta*
29. Prof. Manoj Kumar Jha*
30. Shri Prabhaker Reddy Vemireddy*
31. Vacant

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^ Nominated w.e.f. 13.02.2018.

* Nominated w.e.f. 02.06.2018

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

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 Forty-Fourth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the observations/ recommendations contained in the Thirty-Eighth Report (Sixteenth Lok Sabha) of the Standing Committee on Coal and Steel on "Demands for Grants (2018-19)" relating to the Ministry of Steel.

2. The Thirty-Eighth Report (Sixteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 13.03.2018. Replies of the Government to all the observations/recommendations contained in the Report were received on 18.06.2018.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 25.07.2018.

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

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

NEW DELHI; **RAKESH SINGH**
25 July, 2018 **Chairperson**
03 Shravana, 1940(Saka) **Standing Committee on Coal and Steel**

REPORT

CHAPTER I

This Report of the Standing Committee deals with Action Taken by the Government on the observations/recommendations contained in the Thirty-Eighth Report (Sixteenth Lok Sabha) of the Standing Committee on Coal and Steel on the subject, "Demands for Grants (2018-19)" relating to the Ministry of Steel which was presented to Lok Sabha and laid in Rajya Sabha on 13.03.2018.

2. The Report contained 13 Observations/Recommendations. The Action Taken Replies have been received from the Ministry of Steel in respect of all the 13 observations/recommendations contained in the Report on 18.06.2018. These have been categorised as follows:-

(i) Observations/Recommendations which have been accepted by the Government:
Serial Nos. 1, 3, 4, 6, 8, 10 and 12 Total : 07
Chapter-II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government:
Serial No. Nil Total : 00
Chapter-III

(iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee:
Serial Nos. 2, 7 and 9 Total : 03
Chapter-IV

(iv) Observations/Recommendations in respect of which final replies of the Government are still awaited:
Serial No. 5, 11 and 13 Total : 03
Chapter-V

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

where it is not possible for the Ministry to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee desire that Action Taken Replies on the Observations/Recommendations contained in Chapter-I and Final Action Taken Notes to the recommendations contained in Chapter-V of this Report be furnished to them within three months.

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

Recommendation No. 1

<u>FACILITATING GROWTH OF DOMESTIC STEEL INDUSTRY</u>

The Committee were happy to observe that the capacity for domestic crude steel production expanded from 97.024 metric tonnes per annum in 2012-13 to 128.277 MT per annum in 2016-17, a Compound Annual Growth Rate of 7% during five year period. Further, during January-December 2017, crude steel production in the country crossed 100 MT mark for the first time reaching 101.371 MT (provisional), a growth of 6.18% over same period during 2016. According to Ministry of Steel during 2017-18 (April to December, 2017) production of crude steel was at 75.642 million tonnes, a growth of 4.8% compared to same period of last year. SAIL, RINL, TSL, ESSAR, JSWL & JSPL produced 43.534 million tonnes during this period, which was a growth of 6.8% compared to last year. The rest amounting to 32.108 million tonnes was the contribution of Other Producers, which was a growth of 2.1%, compared to last year. The Committee also note that the country has also become the 3rd largest consumer of finished steel (83.5 million tonnes in 2016) in the world preceded by China (681.0 million tonnes in 2016) and the USA (91.6 million tonnes in 2016). While appreciating the various initiatives undertaken by the Ministry of Steel and the Steel Companies to augment production and productivity of steel by imposition of various trade remedial measures such as imposition of Minimum Import Price (MIP), Anti dumping duties, inclusion of principles of Life Cycle Cost in GFR 2017, rationalization of logistic costs and ensuring availability of input raw material, etc., the Committee expect that Ministry of Steel will continue to facilitate growth of domestic steel industry with their active coordination and formulation of right policy directives/ initiatives. The Committee recommended that to maintain this positive growth, Ministry of Steel should extend all possible support not only in providing linkage for raw materials like iron ore, coking coal and natural gas but also ensuring availability of required number of wagons for movement of raw materials and for setting up of slurry pipe lines.

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

> "Ministry of Steel has requested Ministry of Railways vide letter dated 5.2.2018 for providing additional rakes for ensuring that sufficient quantity of iron ore is transported to SAIL.
>
> NMDC Ltd has taken up construction of Slurry Pipeline system from Bailadila (Dantewada dist) to Nagarnar (Bastar Dist) in Chhattisgarh for transportation of iron ore fines subsequent to its conversion to iron ore concentrate in slurry form. The Slurry Pipeline will be laid underground as per P & MP Act 1962 and enroute passes through two districts namely Dantewada and Bastar District covering 62 villages."

7. In their original Report, the Committee had inter alia observed that to expand the capacity of domestic crude steel production, the Ministry of Steel should extend all possible

support to the Steel PSUs not only in providing linkage for raw materials like iron ore, coking coal and natural gas but also by ensuring availability of required number of wagons for movement of raw materials and for setting up of slurry pipe lines. In this regard, while appreciating that NMDC has already taken up construction of slurry pipeline system from Bailadila to Nagarnar, the Committee, however, note with concern that after requesting the Ministry of Railways vide letter dated 5.2.2018 for providing additional rakes for ensuring that sufficient quantity of iron ore is transported to SAIL, no further action has been taken by the Ministry of Steel in the matter after the Committee made its recommendation and presented the Report on 13th March, 2018. The Committee, therefore, cannot but deplore the inaction on the part of Ministry of Steel and reiterate their earlier recommendation on the subject and desire that Ministry of Steel should extend all possible support not only in providing linkage for raw materials like iron ore, coking coal and natural gas but also ensure availability of required number of wagons by Railways for movement of raw materials by earnestly pursuing the matter with the Ministry of Railways. The Committee would like to be apprised of the action taken by the Ministry after the Committee made their recommendation in the matter.

Recommendation No.2

NATIONAL STEEL POLICY

8. The Committee noted that Ministry of Steel has rolled out two national landmark policies, (i) National Steel Policy (NSP), 2017 and (ii) Domestically Manufactured Iron and Steel Products (DMI&SP) policy. The Committee found that NSP, 2017 aims to increase focus on

expansion of Micro, Small & Medium Enterprises (MSME) sector, R&D activities, availability of raw material at competitive prices, reduce import dependency and cost of production, and thus develop a technologically advanced and globally competitive steel industry that promotes economic growth, eyeing self-sufficiency in production, developing globally economical steel manufacturing capabilities by facilitating investments and cost efficient productions with adequate availability of raw materials. The Committee were also happy to note that the Government has also introduced the Policy on preference to DMI&SP in Government procurements. This policy encourages the downstream companies to set up capacities for steel products which were otherwise being imported directly in the past, leading to substantial outflow of valuable Forex. DMI&SP policy also mandates a minimum domestic value addition of 15% for domestic producers. The Committee appreciated these new policy initiatives which would help India to be a world leader in energy efficiency and sustainability by adopting steel production technologies matching global standards in safety and health to meet the entire demand of high grade automotive steel, electrical steel and special steel and alloys. At the same time, the Committee felt that these initiatives be implemented with extra zeal and desired that a prospective plan be prepared to implement these policy measures so that the country could achieve the target set to augment per capita Steel consumption from 66 kg to 120 kg by 2020 and 160 kg per capita by 2030 and the projected growth of 300 MT of Steel production by 2030-31 alongwith increase in employment generation by around 11 lakhs. The Committee would like to be apprised of the action plan of the Government to implement the policy initiatives undertaken by them in a time bound manner.

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

> "The policy for providing preference to Domestically Manufactured Iron and Steel Products (DMI&SP) in Government procurement (DMI&SP) and National Steel Policy (NSP) 2017 were notified on 8th May, 2017 and implemented."

10. The Committee have taken note of the two national landmark policies, (i) National Steel Policy (NSP), 2017 and (ii) Domestically manufactured Iron and Steel Products (DMI&SP) policy rolled out by the Government. The Committee have appreciated these new policy initiatives as they would help India to be a world leader in energy efficiency and sustainability by adopting steel production technologies matching global standards in safety and health to meet the entire demand of high grade automotive steel, electrical and special steel and alloys. Keeping this in view, the Committee had recommended that these initiatives be implemented with extra zeal and desired that a prospective plan be prepared to implement these policy measures so that the country could achieve the target set to augment per capita Steel consumption from 66 kg to 120 kg by 2020 and 160 kg per capita by 2030. The Committee are, however, concerned to note that the reply of the Government is silent on the action plan of the Government to implement these policy initiatives undertaken by them in a time bound manner. The Committee would, therefore, like to be apprised of the prospective / action plan to implement these policy initiatives in a time bound manner to augment capita Steel consumption as targeted by 2020 and 2030.

Recommendation No.7

ALLOTMENT OF IRON ORE/COAL MINES TO RINL

11. The Committee noted that RINL do not have any captive Iron Ore Mine, Coking Coal and Thermal Blocks to meet its raw material demand. As regards the iron ore mines, the Committee were informed that RINL has been participating in various auctions conducted for allotment of mines. As per the Mines and Minerals (Development and Regulation) Act, 1957, as amended through the Mines and Minerals (Development and Regulation) Amendment Act, 2015, the State Governments have been empowered to grant mining lease through the method of auction under Section 10A or through the reservation route under Section 17A(2A) of the Act. Further, the allocation of coal mines are made by the Ministry of Coal under the provisions of the Coal Mines (special Provisions) Act, 2015 as well as Mines and Minerals (Development and Regulation) Act 1957. As per the prescribed procedure, PSUs including RINL have to apply for the allocation of Coal mines to the Ministry of Coal as and when a notice inviting application is published by them. The Committee observed that RINL has requested for direct allotment of at least one thermal coal block from Radhikapur (East) Coal Block, Talcher Coalfield, Angul District, Odisha with estimated reserves of 183.43 Mt. or Radhikapur (West) Coal Block, Talcher Coalfield, Angul District, Odisha with estimated reserves of 288.44 Mt. under the dispensation route. According to Ministry of Steel, RINL had participated in the e-auction for two Parbatpur Central Coking Coal Block from the blocks put up in Tranche- III in July, 2015. However, this block was removed from the auction process in August, 2015. RINL also participated in e-auction of three Coking Coal Mines located in Jharkhand i.e. Bramhadiha Coal Mine with extractable reserves of 2.215 MT, Jogeshwar & KhasJogeshwar Coal Mine with

extractable reserves of 7.356 MT and Rabodih OCP Coal Mine with extractable reserves of 46.19 MT put up by the Ministry of Coal, in Tranche- V in April, 2017. However the whole Tranche-V e-auction was terminated in July, 2017.RINL had also requested for direct allotment of Kotre Basantpur & Pachmo Open Cast Coking Coal Block in Hazaribagh, West Bokaro District, Jharkhand with estimated reserve of 251 Mt in a Joint Venture with SAIL or Choritanr-Tilaiya Open Cast Coking Coal Block in Hazaribagh, West Bokaro District, Jharkhand with an estimated reserve of 97 Mt directly to RINL. Taking note of the fact that though RINL is continuously trying hard and is participating in e-auction of the Iron Ore Mines as well as Thermal and Coking Coal Blocks, the Company has failed to get any mining lease for iron ore and coal blocks resulting in its dependence on procurement of raw material from the market thereby adversely impacting its cost of production. While recommending that RINL should continuously participate in e-auction of Iron Ore Mines, Thermal and Coking Coal Blocks, the Committee also urge the Ministry of Steel to take up the matter with the Ministry of Coal for allocation of thermal and coking coal blocks as requested by the company. The Ministry of Steel and RINL should also strive hard to impress upon the concerned State governments to allocate iron ore mine through reservation route under Section 17 A(2A) of the Mines and Minerals (Development and Regulation) Amendment Act, 2015. The Committee would like to be apprised of the efforts made by Ministry of Steel/RINL in this regard.

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

> "Allocation of mining lease is regulated as per the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, as amended through the Mines and Minerals (Development and Regulation) Amendment Act, 2015 (Act 10 of 2015), wherefrom the State Governments has been empowered to grant mining

lease through the method of auction under Section 10A or through reservation route under Section 17A(```2A) of the said Act.

A Joint Venture Agreement between RINL and Andhra Pradesh Mineral Development Corporation (APMDC) for exploration and development of Iron ore mining reserves / deposits over an area of around 2,800 hectares in Kukunur, West Godavari District, Andhra Pradesh is under deliberation.

RINL has been participating in e-auction of iron ore, thermal and coking coal Blocks as and when they are put up for auction. RINL has not been able to succeed in such auctions due to high price quoted in bidding by other parties. RINL will be participating in the forthcoming e-auctions for Iron ore / Coal Mines / Blocks after ascertaining their economic viability. A consultant has been engaged by RINL to advise RINL for future e-auctions.

As regards allocation of Coal mines, the same is regulated as per the provisions of the Coal Mines (Special Provisions) Act, 2015 as well as MMDR Act, 1957. Ministry of Steel from time to time has taken up the matter of sufficient availability of coal to Steel Sector with Ministry of Coal. With the objective to facilitate allocation of coal blocks / mines to the PSUs, Coal Ministry has been approached to allocate coal mines to steel PSUs under Section 5 of Coal Mines (Special Provisions) Act, 2015, through Government dispensation route. As per the prescribed process, Public Sector Undertakings including RINL, have to apply for the allocation of coal mines to the Ministry of Coal as and when a Notice inviting application is published by Ministry of Coal."

13. While observing that RINL has been trying hard for allocation of mining lease for Iron ore and Coal blocks but had failed to get them even after continuously participating in e-auction of Iron Ore Mines, Thermal and Coking Coal Blocks, the Committee in their original Report had urged the Ministry of Steel to take up the matter with the Ministry of Coal for allocation of thermal and coking coal blocks as requested by

the company. The Committee had also desired that the Ministry of Steel and RINL should also strive hard to impress upon the concerned State Governments to allocate iron ore mines through reservation route under Section 17A (2A) of the Mines and Minerals (Development and Regulation) Amendment Act, 2015. From the Action Taken Replies furnished by the Ministry of Steel, the Committee find that RINL has been participating in e-auction of iron ore, thermal and coking coal blocks as and when they are put up for auction. However, RINL has not been able to succeed in such auctions due to high price quoted in bidding by other parties. The Ministry of Steel has further apprised the Committee that RINL will be participating in the forthcoming e-auctions for Iron ore / Coal Mines / Blocks after ascertaining their economic viability and a consultant has been engaged by RINL to advise for future e-auctions. Although the Ministry of Steel has stated that they had taken up the matter of sufficient availability of coal to Steel sector from time to time with Ministry of Coal with the objective to facilitate allocation of coal blocks / mines to the PSUs and the Ministry of Coal has also been approached to allocate coal mines to steel PSUs under Section 5 of Coal Mines (Special Provisions) Act, 2015, through Government dispensation route, the reply of the Government is silent on special efforts made by Ministry of Steel with the Ministry of Coal for allocation of coal blocks and with respective States Government for obtaining iron ore leases. The Committee would, therefore, like to be apprised of the renewed efforts made by the Ministry of Steel to ensure availability of raw material like iron ore, coking and non-coking coal to RINL.

Recommendation No.8

IRON AND STEEL PLANT OF NMDC LTD.

14. The Committee noted that there has been a delay of approximately 41 months on the commissioning of 3.0 MTPA Iron and Steel Plant of NMDC Ltd. at Nagaranar, Chhattisgarh which was supposed to be commissioned in May, 2015. Now the plant is proposed to be completed by October, 2018. The Committee were informed that various constraints like pending statutory clearances, flood in Bastar, delay in making barrages, controversy on right of use of water pipeline, lack of skilled manpower, delay in one package due to non completion of other linked activities, law and order issues etc. have been the major reasons for delay. However, the Committee were assured that most of these hurdles have now been overcome, the project is likely to be commissioned by October, 2018. The Committee also noted that after 7.0 MTPA Bailadila Iron Ore Deposit11-B Project in Chhattisgarh, 7.0 MTPA Kumaraswamy Iron Ore Project in Karnataka and 1.2 MTPA Pellet Plant, Donimalai in Karnataka which were commissioned in March, 2015, August 2015 and June, 2015 respectively, no new project of NMDC Ltd. has been commissioned during the last 2 years. Keeping this in view, the Committee desired that work on this project be expedited vigorously so that the project is commissioned by October, 2018.

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

> "NMDC is setting up 3.0 MTPA Integrated Steel Plant, which is in advanced stage of construction. It is proposed to be completed by October 2018. For ease of execution, project is divided into Major, Auxiliary, Infrastructure, Enabling and Railway packages. MECON was appointed as consultant for both Engineering and PMC.

For expediting the project to be commissioned by Oct 2018, a High-Level Review Meeting is being taken at regular interval by CMD, NMDC Ltd. Besides regular site visits are also being undertaken by Director (Tech), NMDC Ltd for review of progress. Executive Director, Nagarnar Integrated Steel Plant is reviewing the progress of Steel Plant Project on daily basis.

The Project is being monitored in Ministry through PRAGATI and E-Samiksha Portal for ensuring its timely completion.

Based on the steps being taken as detailed above, it is expected that the plant will be commissioned by October 2018."

16. The Committee while observing that there has been a delay of approximately 41 months on the commissioning of 3.0 MTPA Iron and Steel Plant of NMDC Ltd. at Nagaranar, Chhattisgarh has desired that work on this project be expedited vigorously so that the project is commissioned by October, 2018. Although, the Ministry of Steel in its Action Taken Reply has submitted that for expediting the project to be commissioned by October 2018, a High-Level Review Meeting is being taken at regular intervals by CMD, NMDC Ltd. for review of progress, the Committee find that the Ministry is not sure about completion of project as targeted and has stated that based on the steps being taken, it is expected that the plant will be commissioned by October 2018. In view of the inordinate delay in implementation of the Integrated Steel Plant, the Committee strongly urge the Ministry of Steel / NMDC Ltd to ensure that the project is commissioned by October 2018 as targeted and they be apprised of the present status of the project.

Recommendation No.9

<u>STRATEGIC MANAGEMENT PLAN (SMP) OF NMDC LTD.</u>

17. The Committee also noted that NMDC Ltd. has formulated a Strategic Management Plan (SMP), 'Vision 2025' in June 2015.

As per this plan, the company’s Iron ore Production capacity has been envisaged to be increased to 50 million tonnes per annum (MTPA) by FY 2018-19 and 67 MTPA by FY 2021-22. Thrust has been given on capacity augmentation of operating mines to maximize production in cost-competitive manner. Development of green-field mines in Chhattisgarh has also been planned through JVs with the State Mining Corporations. NMDC Limited is also expanding its activities towards steel making and other value added products. Further, the company is making substantial investment to increase evacuation capacity by doubling of Kirandul-Kothavalasa Railway line for capacity enhancement and construction of new Jagdalpur to Rowghat Railway line. Besides this, NMDC Ltd. is also coming up with a 15 MTPA slurry pipeline from Bacheli to Nagarnar along with 2 MTPA beneficiation and pellet plant in first phase. The Second phase envisages slurry pipeline from Nagarnar to Vishakhapatnam with suitable partners, along with pellet plant at Vizag. According to Ministry of Steel, NMDC Ltd. is also facilitating creation of new steel capacities in the country through Special Purpose Vehicle (SPV) route in Karnataka, Jharkhand and Chhattisgarh. Regarding its offshore forays, the Committee were informed that NMDC Ltd. has invested in Legacy Iron Ore Limited based in Perth, Australia with a focus on iron ore, gold and base metals and has 78.56% equity stake in this company. While appreciating that NMDC Ltd. aspires to be a multi commodity globally diversified company and has invested in emerging opportunities which have the potential to deliver long term benefits to the company and the country, the Committee would like to be apprised of the milestones achieved so far by the Company under its Strategic Management Plan (SMP) and the steps taken to achieve the goals it has set for itself in iron ore production of 50 MTPA by 2018-19 and 67 MTPA by Financial Year 2021-22.

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

"NMDC has formulated a strategy to meet the enhanced iron requirement of the nation by increasing its production capacity. NMDC Vision 2025 prepared in May 2015 (revised in September 2016) lays down the objectives for the growth agenda as:

- To increase iron ore mining capacity;
- Forward-integrate to value added business (Pellet & Steel);
- Strategically diversify into other commodities based on growth potential, relevance to NMDC;
- Invest in other geographies selectively based on "mining potential" and "business environment".

While formulating the SMP, the company decided to set an ambitious expansion target to have 'stretch goals' and to be capacity ready keeping in view the potential of Indian steel industry to grow. Crucial issues which were factored in meeting the expansion target were:

- Grant of Mining Lease for Deposit 4 to NMDC and transfer of Lease to NCL;
- Grant of Mining Lease for Deposit 13 to NMDC and transfer of Lease to NCL;
- Completion of doubling of KK Line by FY 2020 being carried out by Indian Railways;
- Control in Insurgent activities in Bailadila Region.

i. Production Capacity Expansion:

NMDC has planned to **increase its iron ore mining capacity to 67 MTPA** by FY'22. This will help in fulfilling the raw material requirement of the country to meet 300 MT steel capacity target by 2030-31envisaged in the National Steel Policy, 2017.

NMDC has two major thrust areas to achieve the production capacity of 67 MTPA of iron ore.

- **Thrust on Brown-field expansion** through exploration and sustainable mining operations for cost efficient production to 52 MTPA by FY'22.

- **Two Green Field Mines Deposit 4 & Deposit 13 in Bailadila were** envisaged to be developed with a capacity of 15 MTPA by FY'22 through JV route with Chhattisgarh Mineral Development Corporation.

  Green Field Mines:
  Out of 15 MTPA Iron ore production capacity envisaged through New Mines (Deposit 13 - 10 MTPA & Deposit 4 - 5 MTPA) NMDC is likely to achieve a production capacity of 2 MTPA from Deposit 13 in FY 2021-22. Production from Deposit 13 is likely to start only in FY 2018-19 as the transfer of Lease to NCL could be completed in December, 2017 and presently the process for appointment of an MDO (Mine Developer & Operator) is under progress.

  The lease for Deposit 4 was not granted to NMDC as FAC after thorough deliberation on the inspection report submitted by the Committee headed by ADG (FC) decided not to recommend the proposal. However, efforts are being made for grant of the said lease and a revised Application has been submitted in September 2017 to Govt. of C.G. for grant of Mining Lease in favour of NMDC- CMDC Ltd.

  New Mining Leases:
  NMDC is continuously making efforts for allocation of iron ore leases through reservation route under Section 17A (2A & 1A) of the MMDR Act. After extensive discussions with the State/Central Governments, several applications have been submitted such as Ghatkuri in Jharkhand, Malangtoli/ Mankadnacha in Odisha, Ramandurg in Karnataka, Deposit-4 in Chhattisgarh etc. and the same are being pursued. NMDC also participated in auction process of Iron Ore deposits carried out till now in the country but has not been successful. NMDC plans to participate in forthcoming auction of iron ore deposits too.

  NMDC is keen to grow in line with the projected iron ore requirements of the Indian Steel Industry and seeks the help of Govt. of India and respective State Governments for allocation of additional deposits through government dispensation route for time-bound sustainable development."

19. As per Strategic Management Plan (SMP), 'Vision 2025' of NMDC Ltd., the company's Iron ore production capacity has been envisaged to be increased to 50 million tonnes per annum

(MTPA) by FY 2018-19 and 67 MTPA by FY 2021-22. While appreciating the NMDC's ambitious Strategic Management Plan (SMP), the Committee in their original report had desired to be apprised of the milestones achieved so far by the Company under this Plan and the steps taken to achieve the goals it has set for itself in iron ore production of 50 MTPA by 2018-19 and 67 MTPA by 2021-22. Although, the Ministry of Steel in their Action Taken Reply has informed the Committee that to attain the desired goal of capacity expansion, NMDC is giving thrust on Brown-field expansion through exploration and sustainable mining operations for achieving cost efficient production of 52 MTPA by 2022 and two Green Field Mines in Bailadila envisaged to be developed with a capacity of 15 MTPA by 2022 though JV route with Chhattisgarh Mineral Development Corporation (CMDC) Ltd., the Committee observe that the grant of mining lease in respect of Deposit-4 for 5 MTPA is still pending with Government of Chhattisgarh for grant of mining lease in favour of NMDC-CMDC Ltd. Taking note of these pending grants and the fact that no new mines have been allocated to NMDC Ltd. under Section 17 A (2A & 1A) of the MMDR Act, the Committee feel that the projected 67 MTPA iron ore production programme of the company is likely to be adversely affected. The Committee, therefore, urge the Ministry of Steel and NMDC Ltd to initiate necessary steps to get clearance / grant of Deposit-4 as well as in setting allocation of additional iron ore deposits through Government dispensation route for time bound sustainable development.

CHAPTER –II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No.1

FACILITATING GROWTH OF DOMESTIC STEEL INDUSTRY

The Committee are happy to observe that the capacity for domestic crude steel production expanded from 97.024 metric tonnes per annum in 2012-13 to 128.277 MT per annum in 2016-17, a Compound Annual Growth Rate of 7% during five year period. Further, during January-December 2017, crude steel production in the country crossed 100 MT mark for the first time reaching 101.371 MT (provisional), a growth of 6.18% over same period during 2016. According to Ministry of Steel during 2017-18 (April to December, 2017) production of crude steel was at 75.642 million tonnes, a growth of 4.8% compared to same period of last year. SAIL, RINL, TSL, ESSAR, JSWL & JSPL produced 43.534 million tonnes during this period, which was a growth of 6.8% compared to last year. The rest amounting to 32.108 million tonnes was the contribution of Other Producers, which was a growth of 2.1%, compared to last year. The Committee also note that the country has also become the 3rd largest consumer of finished steel (83.5 million tonnes in 2016) in the world preceded by China (681.0 million tonnes in 2016) and the USA (91.6 million tonnes in 2016). While appreciating the various initiatives undertaken by the Ministry of Steel and the Steel Companies to augment production and productivity of steel by imposition of various trade remedial measures such as imposition of Minimum Import Price (MIP), Anti dumping duties, inclusion of principles of Life Cycle Cost in GFR 2017, rationalization of logistic costs and ensuring availability of input raw material, etc., the Committee expect that Ministry of Steel will continue to facilitate growth of domestic steel industry with their active coordination and formulation of right policy directives/ initiatives. The Committee recommend that to maintain this positive growth, Ministry of Steel should extend all possible support not only in providing linkage for raw materials like iron ore, coking coal and natural gas but also ensuring availability of required number of wagons for movement of raw materials and for setting up of slurry pipe lines.

Action Taken

Ministry of Steel has requested Ministry of Railways vide letter dated 5.2.2018 for providing additional rakes for ensuring that sufficient quantity of iron ore is transported to SAIL.

NMDC Ltd has taken up construction of Slurry Pipeline system from Bailadila (Dantewada dist) to Nagarnar (Bastar Dist) in Chhattisgarh for transportation of iron ore fines subsequent to its conversion to iron ore concentrate in slurry form. The Slurry Pipeline will be laid underground as per P & MP Act 1962 and enroute passes through two districts namely Dantewada and Bastar District covering 62 villages.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Comments of the Committee

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

Recommendation No.3

R&D IN STEEL SECTOR

The Committee note that during 2015-16, out of RE of Rs. 15 crore, only Rs. 10.26 crore were utilized under the Scheme for Promotion of R&D Iron and Steel Sector. However, the Committee note with satisfaction that budgetary provision (RE) of Rs. 15 crore and Rs. 14 crore respectively made during 2016-17 and 2017-18 for the purpose was fully utilized for various R&D projects like smelting reduction of iron ore/fines by Hydrogen Plasma and elimination of Carbon Di-oxide emission, production of low phosphorus steel, development of cost effective refractory lining materials, etc. In addition 14 R&D projects which have been initiated during the last 3 years, are in progress. The Committee also note that steel PSUs are also pursuing R&D projects with thrust on cost reduction; value addition, quality improvement, development of new products etc. During 2016-17 (upto December 2016), SAIL had expended Rs. 339.43 crore on R&D activities. Similarly, RINL's actual expenditure during 2016-17 on R&D was Rs. 23.52 crore and during 2017-18 (upto December 2017), it was Rs. 7.14 crore. The expenditure of NMDC Ltd., MECON Ltd and MOIL during 2017-18 (upto December 2017) was Rs. 18.60 crore, Rs. 1.23 crore and Rs.6.99 crore respectively. While observing that to bring in all the stake-holders into one platform and promote steel research on themes of critical and vital national importance, an institutional platform called Steel Research and Technology Mission of India (SRTMI) has been established with an objective to spearhead R&D of national importance in iron & steel, creating state-of-art facilities to conduct cutting edge research, develop expertise and skill development, manage human resource etc., the Committee observe that steel companies are engaged in carrying out R&D activities with special focus on cost reduction, value addition, quality improvement, etc. The Committee, however, expect that necessary efforts should be made under the aegis of SRTMI to acquire innovative/path breaking technologies and manufacturing capabilities to develop all critical equipment and systems for steel plants. The Committee, therefore, recommend that a time bound action plan should be evolved under SRTMI alongwith all Steel Companies (both public and private sector) to boost innovation in steel sector and enhance their R&D expenditure. In the opinion of the Committee, this would enable the production of most of the value added products like automotive steel for high end applications, electrical steel like CRGO & Amorphous steel as well as special steel and alloys for the Power Equipment, Aerospace, Defence and Nuclear applications which are presently imported, in the country itself. The Committee would like to be apprised of the action plan of SRTMI to raise the level of R&D and acquire world class manufacturing capabilities in the country.

Action Taken

Steel Research and Technology Mission of India (SRTMI) has been established with a vision "To develop an Industry - Institution interface for making the Iron & Steel industry competitive globally, by utilizing expertise available in various academic and research institutes of national repute as well as by collaborating with international organizations in the field, to build 300 million tons production capacity of steel by 2030 through cost effective, environmental friendly, state of the art technologies for optimum utilization of natural resources and strengthening design & equipment manufacturing capability in the country".

Roadmap for achieving various objectives as set in National Steel Policy -2017 shall be developed by holding brain storming session with all the stakeholders which shall encompass the following three mission objectives:-

1. Mission -300

- 300 Million TPY Steel Production by 2030;
- 300 kg/Thm of Coke Consumption against present value of 400-600 Kg/Thm;
- 300,000T (Max) of waste generation per million tons of steel produced and utilization of the same in downstream industries;
- Blast Furnace productivity of Minimum 3.0Kg/T/M3 /day ;
- Minimum 30% reduction in energy from 6.7 to 5 Gcal/tcs to meet our commitment in COP-21of 30-35% reduction in CO_2.

2. Import Substitution

- Focus on production of value added steel and products for Electrical, Automobile , Railway & Defence like CRGO, Amorphous, Boron steel, etc.;

- Maximize use of domestic resources mainly low grade Iron Ore, thermal Coal, refractory to minimize dependency on imported coking coal and other raw material;
- Making secondary sector more technology advanced and competitive to produce quality and alloy steel using large scrap likely to be generated from new vehicle scrap policy.

3. Zero Discharge, Zero Waste and Zero Harm

- Development of Ultra Low CO_2 Steel through Non-Coking Coal based technology to avoid need of sintering plant and coke oven batteries in Integrated Steel Plants;
- Minimizing CO_2 emission through CO_2 capturing and Methanization;
- 100% Waste Utilization in Road, Cement, Agriculture besides by-product recovery;
- Power generation through Dry Quenching of Coke and Dry Slag Granulation to minimize external power requirement;
- Zero Discharge through 100% Recycling of Waste Water by effective Waste Water Treatment Technologies.

While implementing the above, maximum focus shall be accorded on the basic framework of 6R's i.e. Reduce, Reuse, Recycle, Recover, Redesign and Remanufacture to avoid any adverse impact on the environment as emphasized by Hon'ble Prime Minister so that "Social License to Operate" is available by Maximum participation of the people. This will not only help in creating a completive Iron and Steel Industry but will also help in generating large employment and in avoiding climate change besides making country as the second largest Steel producer in the world.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Recommendation No.4

UTILIZATION OF PLAN OUTLAYS BY SAIL

As regards the SAIL's plant-wise plan outlays for the year 2017-18, the Committee note that against the plan outlays (BE) of Bhilai Steel Plant, Rourkela Steel Plant, Bokaro Steel Plant at Rs. 1260 crore, Rs. 700 crore and Rs. 530 crore respectively, the actuals (upto January, 2018) were Rs. 1289 crore, Rs. 1643 crore and Rs. 738 crore respectively. While the expenditure by these plants of SAIL exceeded their plan outlays, the plan outlays of Durgapur Steel Plant (upto January, 2018) was Rs. 162 crore against BE of Rs. 200 crore, it was Rs. 162 crore by ISSCO Steel Plant (ISP) against BE of Rs. 425 crore. Further, Salem Steel Plant (SSP) and Visvesvaraya Iron and Steel Plant (VISP) could utilized only Rs. 4 crore and Rs. 1 crore during 2017-18 (upto January, 2018) against their plant outlays of Rs. 20

crore and Rs. 10 crore respectively. While appreciating the gradual increase in production of hot metal, crude steel and saleable steel by SAIL from 2015-16 to 2016-17 and higher targets fixed at BE/RE stage during 2017-18 and 2018-19, the Committee failed to understand lower utilization of plan outlays by some of the plants like DSP, ISP, SSP and VISP. The Committee, therefore, recommend that Ministry of Steel and SAIL should analyse the financial performance of their plants and come out with the reasons for the huge mismatch between the plan outlays and actual utilization of funds by them and they be apprised of the same. The Committee would also like to be apprised of the corrective measure taken by SAIL to ensure full utilization of plan outlay of Rs. 4000 crore for the year 2018-19.

Action Taken

It may be noted that Budgeted Estimates (BE) for any Financial Year are formulated about 6 months prior to the beginning of the year taking into account the progress planned for on-going projects, statutory payments, new projects expected to be sanctioned during the year and the company's financial position for allocation of funds. The BE thus formulated is, therefore, indicative in nature and being a multi-Plant/ Unit company, gives an overall idea about the capital expenditure being envisaged to be incurred during the year. However, the actual expenditure is dependent on several factors viz. physical & financial progress of the capital projects, timely submission of defect-free running account bills, timely processing of bills and availability/ release of capital for payment against pending bills, expenditure on plant-level schemes etc. Sometimes variation occurs as there is lower/ higher utilization based on the performance of contractors for the subject work. Therefore, a mid-course correction is taken to minimize the difference between the outlay and the actual expenditure during formulation of the Revised Estimates (RE) sometime during the middle of the financial year.

In case of DSP, ISP and SSP, the respective Modernisation and Expansion Plans had already been operationalized and the bulk of the proposed outlay in these Plants during 2017-18 was to be on account of final contractual payments for completed projects and progress payments for balance works under Modernisation & Expansion. However, it may be noted that several activities are required to be fulfilled after operationalisation / commissioning of the facility before it can be said to be completed contractually viz. analysis for the delays caused during the contract execution; activity-wise comparison between Original Time Schedule / Latest Time Schedule as per approved Revised Cost Estimate (RCE) and actual achieved; reasons for delays in the Project on account of Consultant, Contractors, Plant / Unit; issuance of Preliminary Acceptance Certificate, Commissioning

Certificate, Performance Guarantee Certificate and Final Acceptance Certificate; levy of Liquidated Damages etc. Therefore, the said process is full of uncertainties/ complexities involving the Consultant, Plant/ Unit and the Contractor and did not fructify as envisaged at the time of formulation of BE. Besides, due to the prevailing recessionary / funds crunch scenario, SAIL had to resort to appropriate prioritisation of schemes and spend judiciously based on the progress of various projects in all its Plants/ Units. These have been adequately taken care of while formulating the RE 2017-18. Similarly, a provision of Rs. 241 crore as budget for capital repairs and spares, in line with the new Indian Accounting Standard (INDAS), had to be made in RE 2017-18 against nil allocation in BE.

In case of VISP, the allocation in BE was primarily for plant-level schemes. The actual expenditure has been less than that envisaged due to frequent disruptions in Plant operations and its financial viability due to non-availability of captive iron ore mines. The RE 2017-18 has accordingly been scaled down.

The BE & RE outlays for 2017-18 with actual expenditure till Mar.'18 for DSP, ISP, SSP and VISP are given below:-

(Rs. Cr.)

Sl.	**Name of Plant**	**BE**	**RE**	**Actual (Apr.'17 to Mar.'18)**
1.	Durgapur Steel Plant	200	180	214
2.	IISCO Steel Plant	425	170	172
3.	Salem Steel Plant	20	5	4
4.	VISL	10	5	2

BE for the year 2018-19 has been kept at Rs. 4000 cr. which includes Rs. 1829 cr. towards Modernization & Expansion Plan and Rs. 1789 cr. towards other Addition/ Modification/ Replacement (AMR) Schemes. The outlay of Rs 1829 crore towards Modernization & Expansion Plan of SAIL Plants / Units majorly envisages likely payments towards post completion contractual liability against demonstration of Commissioning, Performance Guarantee (PG) and Final Acceptance by the Vendors/ Suppliers. Also, in view of the present financial position of the Company, emphasis has been given on consolidation of existing facilities rather than going for new Capital Schemes. As per the present progress of projects mainly at Rourkela and Bokaro, it appears that the major on-going projects viz. Installation of New Hot Strip Mill at Rourkela and Modernisation of Steel Melting Shop-I at Bokaro Steel Plant etc. would meet the allocation of Rs. 1789 Crore. Besides, a provision of Rs. 252 cr. has been made under BE 2018-19 for major capital repairs viz. Capital Repair of Blast Furnace (BF) No.4, Cold repair of Coke Oven Battery-2,

Plate Mill Housing Stand repairs, Shell strengthening of Blast Furnace No.5 at Bhilai; BF-3 stack repair, Capital Repair of Sinter Plant Machine 1, 2 & 3, Converter No.1 & Mixer No. 2 at Bokaro etc.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Recommendation No.6

PERFORMANCE OF RINL

The Committee note that though Rashtriya Ispat Nigam Ltd. (RINL) made profits for 13 consecutive years till 2014-15, the company has been incurring losses since 2015-16 and the losses have been increasing henceafter. The Profit After Tax (PAT) during 2015-16 and 2016-17 was Rs. -1420.64 crore and Rs. -1263.16 crore respectively. Upto December, 2017, RINL has incurred loss of Rs. 978 crore against RE of losses at Rs. -1344.54 crore. Major reasons for losses are reported to be adverse market conditions, lower net sales realizations of steel products, increase in imported and indigenous coal prices and downturn in global steel industry, etc. The Committee also note that the Company had taken up modernization & up gradation of the existing major steel processing units like Blast Furnaces, Converters of Steel Melt Shop and Sinter Plant while completing 6.3 Mtpa Expansion. The modernization and upgradation has since been completed, with the commissioning of Blast Furnace-2 on 22/10/2017 and additional Steel Caster on 28/12/2017. With stabilisation and ramp up of production from Expansion and Modernisation units, liquid steel production of 6.3 MTPA is envisaged in 2018-19 with a growth of 26% over 2017-18. The Committee were informed that RINL has been taking continuous steps for improving its physical performance and achieved continuous growth in Saleable Steel production in 2017-18. Due to depressed prices, although the turnover of the Company increased by 9% only, from 2014-15 to 2016-17, the sales volume increased by 38%. The Committee also observe that improvement has been achieved in several techno economic parameters like BF Productivity (WV), Fuel Rate, Pulverised Coal Injection, Value Added Production, Labour Productivity, Special Energy Consumption, Special Water Consumption, etc. Thrust has also been given on cost reduction and revenue maximization measures. The Committee expect that as a result of various initiatives undertaken by the Ministry/RINL and higher sales realization with expanded capacity of 6.3 MTPA, RINL will be able to earn profits from the next financial year. However, the Committee hope that there will be no slackness in the measures undertaken by RINL to ensure turn around of the financial performance of the Company.

Action Taken

The company has been passing through the transitional phase of Expansion and Modernization. Both, Expansion to 6.3 Mtpa and Modernization and Augmentation thereby fut5her upgrading the capacity to 7.3 Mtpa have been completed. RINL's thrust now is on ramping up of production from its expanded capacity that is expected to facilitate continuance of the growth momentum.

Sales Turnover of Rs.16618 Crs. (unaudited) achieved during the current year registered a growth of around 31% over CPLY. The Domestic Sales volume during the year grew by 21% and export sales volume grew by 27% over CPLY.

Financial year 2017-18 ended on a positive note, with best every yearly performance in major *production areas as given below:-

Item	**Tonnage ('000 t)**	**Growth w.r.t. CPLY (%)**
Hot Metal	5132	17
Liquid Steel	4972	19
Finished Steel	3884	21
Saleable Steel	4500	17
Value Added Steel	3591	16

* With the completion of Modernization & Upgradation, production reached an annualized rate of 6.0 Mt Liquid Steel in March'18.

The improvement in major techno-economic indices during the 2017-18 is detailed below:-

Item	**Unit**	**Value**	**Improvement over CPLY(%)**
Pulverized Coal Injection	Kg/tHM	54	> 100
Labour Productivity	t CS/man-year	451	20
Sp. Energy Consumption	G Cal/t CS	6.05	5
Carbon Emissions	t/t CS	2.62	6
Sp. Water consumption	cum/t CS	2.40	4

With increase in volumes and initiatives towards cost reduction such as Pulverised Coal Injection as a partial replacement for costlier Coke, optimization of Coal blend cost with introduction of new coals, Increase in Waste Energy Utilization etc and Dynamic Product Mix adjustment on continuous basis in line with market demand the loss in EBITDA could be reduced from Rs.659 Crs. (Rs.790 Crs. under previous accounting standard IGAAP) in 2015-16 to Rs.264 Crs. in

2016-17 and positive EBITDA of approx. Rs.332 Crs. (unaudited) could be achieved in 2017-18. Sustained efforts for growth in all areas helped RINL to post Cash Profit of around Rs.60 Crs. in Q4 of 2017-18.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Recommendation No.8

<u>IRON AND STEEL PLANT OF NMDC LTD.</u>

The Committee note that there has been a delay of approximately 41 months on the commissioning of 3.0 MTPA Iron and Steel Plant of NMDC Ltd. at Nagaranar, Chhattisgarh which was supposed to be commissioned in May, 2015. Now the plant is proposed to be completed by October, 2018. The Committee were informed that various constraints like pending statutory clearances, flood in Bastar, delay in making barrages, controversy on right of use of water pipeline, lack of skilled manpower, delay in one package due to non completion of other linked activities, law and order issues etc. have been the major reasons for delay. However, the Committee were assured that most of these hurdles have now been overcome, the project is likely to be commissioned by October, 2018. The Committee also note that after 7.0 MTPA Bailadila Iron Ore Deposit11-B Project in Chhattisgarh, 7.0 MTPA Kumaraswamy Iron Ore Project in Karnataka and 1.2 MTPA Pellet Plant, Donimalai in Karnataka which were commissioned in March, 2015, August 2015 and June, 2015 respectively, no new project of NMDC Ltd. has been commissioned during the last 2 years. Keeping this in view, the Committee desire that work on this project be expedited vigorously so that the project is commissioned by October, 2018.

Action Taken

NMDC is setting up 3.0 MTPA Integrated Steel Plant, which is in advanced stage of construction. It is proposed to be completed by October 2018. For ease of execution, project is divided into Major, Auxiliary, Infrastructure, Enabling and Railway packages. MECON was appointed as consultant for both Engineering and PMC.

For expediting the project to be commissioned by Oct 2018, a High-Level Review Meeting is being taken at regular interval by CMD, NMDC Ltd. Besides regular site visits are also being undertaken by Director (Tech), NMDC Ltd for review of progress. Executive Director, Nagarnar Integrated Steel Plant is reviewing the progress of Steel Plant Project on daily basis.

The Project is being monitored in Ministry through PRAGATI and E-Samiksha Portal for ensuring its timely completion.

Based on the steps being taken as detailed above, it is expected that the plant will be commissioned by October 2018.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Comments of the Committee

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

Recommendation No.10

PERFORMANCE OF MECON LTD.

The Committee note that MECON Limited is basically an engineering consultancy and contracting organisation with no manufacturing set up of its own. The Committee were informed that due to the nature of the jobs undertaken by the company, the services of the company are spread over a wide geographical area. In the process of execution of the jobs, the company has to set up offices / guest houses, expand existing offices / guest houses to cater to the project / office / client needs at various project locations. Accordingly, a lumpsum amount of Rs. 5.00 crore is being provided as outlay out of I&EBR expenditure for Expansion, Modification & Augmentation of Office Space / Guest Houses at various locations. The Committee note that out of an IEBR of Rs. 5 crore during 2017-18, only Rs. 2.18 crore has been expended till December, 2017 whereas during 2016-17, against plan outlay of Rs. 5 crore, the Company utilized Rs. 14.36 crore. The Committee are, however, concerned to note that no funds have been earmarked by MECON Ltd. for business procurement for the year 2018-19, and the reason furnished by MECON Ltd. is that no requirement has been felt for the same till date. The Committee are surprised at this attitude of the Company especially at a time when it is going through a period of continuous losses after 2014-15. The Committee feel that to compete in the market, instead of being complacent, MECON Ltd. should earmark funds for business procurement. On the positive side, the Committee take note of the assurance given by the CMD of the Company during evidence that after 2 years of losses, the Company will be able to break even this year and presently their focus is to become a Rs. 1000 crore organisation from the present level of Rs. 400 crore while working in close collaboration with NMDC Ltd. and KIOCL Ltd. to take forward its mission. In this regard, the Committee would like to refer to their 37th Report on "Physical and Financial Performance of SAIL and MECON Ltd.", presented to Parliament on 04.01.2018 wherein the Committee have expected MECON Ltd. to harness business opportunities in diversified sectors and formulate a comprehensive business strategy to arrest the downturn in its financial performance. The Committee hope and trust that MECON Ltd. will make concerted and coordinated efforts and formulate a road map to make the company once again a profitable organisation in the near future.

Action Taken

MECON LIMITED is an engineering consultancy and contracting organisation with no manufacturing set up of its own. Due to the nature of the jobs being undertaken by the company, the services of the company are spread over wide geographical area. In the process of execution of the jobs, the company has to set-up offices / guest houses, expand existing offices / guest houses to cater to the project /office /client needs at these various locations. Accordingly, the company is incurring CAPEX for the Expansion, Modification & Augmentation of Office Space / Guest Houses at various locations as and when required.

During the FY 2016-17, MECON has incurred an amount of Rs. 14.36 crores against Revised Estimate of Rs. 15.00 crores (Budget Estimate of Rs. 5.00 crores) due to the acquisition of 2 nos. of flat at Delhi for the purpose of Guest House. In 2017-18, an amount of Rs. 2.69 crores (Provisional) was incurred against Budget Estimate of Rs. 5.00 crores. The less expenditure is because of the nature of business of the company where the necessity varies from year to year. The company has earmarked Rs. 5.00 crores for the FY 2018-19 also.

MECON has its Marketing group at all three engineering offices, i.e. Ranchi, Delhi and Bangalore. The Marketing group is responsible for carrying out business procurement functions covering the broad spectrum of its activities like accessing market opportunities through web portals, newspapers, etc. and creating opportunities through visits to existing as well as new potential clients, purchasing and participation in tenders, attending client meetings, participation in business summits/ seminars/ expos/ conferences, sales promotion including business presentations. MECON has got a separate budget for its participation in these business summits/ seminars/ expos/ conferences as well as for publication of advertisements, brochures, magazines, etc., towards business promotion.

MECON has resorted to widen its existing business portfolio and included new sectors, while maintaining its strong presence in the core sector viz. Metals, Energy (*Oil & Gas and Power*) and Infrastructure. The company already has a well-diversified business strategy for consolidation of its core business (Metals) and strengthening the diversified areas to de-risk its business against downturn. The above measures have already yielded desired results, which are reflected in physical & financial performance of the company, returning it to the profitable regime.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Recommendation No.12

MSTC Ltd.

As regards the business activities of MSTC Ltd., the Committee note that the company is engaged mainly on two business segments namely, trading and e-commerce. The trading business of the company was targeted at Rs. 3850 crore at BE 2017-18 stage. This was revised to Rs. 7000 crore and the actuals upto December, 2017 were Rs. 6500 crore. The target for 2018-19 for trading business of MSTC Ltd. is set at Rs. 8400 crore. The Committee are also happy to note that against the target of Rs. 30500 crore for e-commerce business of MSTC Ltd., the RE is Rs. 60000 crore and upto December, 2017, the company has accomplished business of Rs. 37329 crore. Now for the year 2018-19, the company has set Rs. 72000 crore as their e-commerce business target. The Committee are, however, concerned to note that despite increase in volume of business of MSTC Ltd., the income of company is showing a declining trend since 2015-16. Against the income of Rs. 2967.58 crore and Rs. 1497.52 crore during 2015-16 and 2016-17 respectively, the RE target of income during 2017-18 have been downwardly revised to Rs. 964 crore against BE of Rs. 2555 crore. As regards the reasons for lower income, the Ministry of Steel informed the Committee that in trading business, MSTC facilitates procurement of raw materials primarily for the buyers from the secondary steel producers and petroleum sector both in Facilitator and Purchase & Sale mode by opening Letter of Credit (LC) on their behalf. In addition, it supplies imported thermal coal to the Power utilities in India through Business Associates selected on yearly basis through Open Tender process. Majority of the MSTC's customers in this segment are passing through a difficult time due to lack of demand and availability of raw material concerns and therefore, have been forced either to run their plants at low capacity or closed down their plants. In addition, there was also a steep fall in the raw material prices which has prevented the customer to use high value raw material purchased earlier through MSTC Ltd. This has resulted in accumulation of large inventory of pledged material of MSTC Ltd. with sluggish and irregular payment against the outstanding. The e-commerce segment of business of MSTC Ltd. deals in the sale of scraps, condemned items, old plant and machineries, land parcels, etc. and prime products like all major minerals, agri & forest produce, petro products, coal and non-coal mining blocks, human hair etc all through e-auctions. Majority of e-auctions are conducted with a service charge on percentage basis. There has been a steep fall in the prices of the aforesaid items/commodities, particularly for scrap and iron ore, resulting in substantial reduction in income in comparison to the volume. The earnings from these businesses, being on percentage basis, have come down drastically due to lower realization. MSTC Ltd. is facing immense competition mostly from small players who offer very low service charge rates. The volume of these business achieved in the current year is significantly high compared to last year but there has not been corresponding increase in income due to continuous pressure from the clients to reduce service charge rate and also to switch over to event based rate from percentage on sales value rate. Apart from these, the main challenge is to cope up with the fast changing technology. The Committee were given to understand that MSTC Ltd. is presently doing trading business with a few selected parties and giving thrust to recover the old outstanding from the others. MSTC Ltd. has a Risk Management plan in place which is updated from time to time to deal with the challenges it faces. As regards e-commerce services rendered by MSTC Ltd., the Committee note that the company has introduced various innovative service mixes to suit the customers. Customized services is the new USP of MSTC Ltd. Whenever Government of India has entrusted any job, the same has been customized as per the requirement and the purpose of the Government of India has also been fulfilled. The Committee feel that to overcome the present challenges and competitiveness being faced by the company from small time players, MSTC Ltd. has to continuously upgrade its technological base and introduce new models of business with better quality to remain as a market leader. The Committee would also like to be apprised of the total outstanding dues of MSTC Ltd. for the services rendered by it and steps taken/methodology adopted by the company to recover these dues.

Action Taken

The income of MSTC Limited mainly is from service charges on volume of business on a percentage basis. The Principals, including some State Governments, are insisting MSTC to reduce service charges. Further, the service income also declined due to sharp fall in scrap & raw material prices as MSTC's service charge is on percentage basis. MSTC is trying to increase the income with more volume of business.

MSTC is striving to introduce new models of business such as procurement based on 110% Bank Guarantee and software solutions to retain their position.

The total outstanding on account of e-commerce segment of business as on 31.3.2018 is Rs.58.47 Crores, out of which Rs.9.35 Crores is more than one year old. All these dues are from various Government Departments & public sector undertakings. Regular follow-up is being done to recover these dues.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

CHAPTER – III

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

-NIL-

CHAPTER – IV

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

Recommendation l No.2

NATIONAL STEEL POLICY

The Committee note that Ministry of Steel has rolled out two national landmark policies, (i) National Steel Policy (NSP), 2017 and (ii) Domestically Manufactured Iron and Steel Products (DMI&SP) policy. The Committee find that NSP, 2017 aims to increase focus on expansion of Micro, Small & Medium Enterprises (MSME) sector, R&D activities, availability of raw material at competitive prices, reduce import dependency and cost of production, and thus develop a technologically advanced and globally competitive steel industry that promotes economic growth, eyeing self-sufficiency in production, developing globally economical steel manufacturing capabilities by facilitating investments and cost efficient productions with adequate availability of raw materials. The Committee are also happy to note that the Government has also introduced the Policy on preference to DMI&SP in Government procurements. This policy encourages the downstream companies to set up capacities for steel products which were otherwise being imported directly in the past, leading to substantial outflow of valuable Forex. DMI&SP policy also mandates a minimum domestic value addition of 15% for domestic producers. The Committee appreciate these new policy initiatives which would help India to be a world leader in energy efficiency and sustainability by adopting steel production technologies matching global standards in safety and health to meet the entire demand of high grade automotive steel, electrical steel and special steel and alloys. At the same time, the Committee feel that these initiatives be implemented with extra zeal and desire that a prospective plan be prepared to implement these policy measures so that the country could achieve the target set to augment per capita Steel consumption from 66 kg to 120 kg by 2020 and 160 kg per capita by 2030 and the projected growth of 300 MT of Steel production by 2030-31 alongwith increase in employment generation by around 11 lakhs. The Committee would like to be apprised of the action plan of the Government to implement the policy initiatives undertaken by them in a time bound manner.

Action Taken

The policy for providing preference to Domestically Manufactured Iron and Steel Products (DMI&SP) in Government procurement (DMI&SP) and National Steel Policy (NSP) 2017 were notified on 8^{th} May, 2017 and implemented.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Comments of the Committee

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

Recommendation No.7

ALLOTMENT OF IRON ORE/COAL MINES TO RINL

The Committee note that RINL do not have any captive Iron Ore Mine, Coking Coal and Thermal Blocks to meet its raw material demand. As regards the iron ore mines, the Committee were informed that RINL has been participating in various auctions conducted for allotment of mines. As per the Mines and Minerals (Development and Regulation) Act, 1957, as amended through the Mines and Minerals (Development and Regulation) Amendment Act, 2015, the State Governments have been empowered to grant mining lease through the method of auction under Section 10A or through the reservation route under Section 17A(2A) of the Act. Further, the allocation of coal mines are made by the Ministry of Coal under the provisions of the Coal Mines (special Provisions) Act, 2015 as well as Mines and Minerals (Development and Regulation) Act 1957. As per the prescribed procedure, PSUs including RINL have to apply for the allocation of Coal mines to the Ministry of Coal as and when a notice inviting application is published by them. The Committee observe that RINL has requested for direct allotment of at least one thermal coal block from Radhikapur (East) Coal Block, Talcher Coalfield, Angul District, Odisha with estimated reserves of 183.43 Mt. or Radhikapur (West) Coal Block, Talcher Coalfield, Angul District, Odisha with estimated reserves of 288.44 Mt. under the dispensation route. According to Ministry of Steel, RINL had participated in the e-auction for two Parbatpur Central Coking Coal Block from the blocks put up in Tranche- III in July, 2015. However, this block was removed from the auction process in August, 2015. RINL also participated in e-auction of three Coking Coal Mines located in Jharkhand i.e. Bramhadiha Coal Mine with extractable reserves of 2.215 MT, Jogeshwar & KhasJogeshwar Coal Mine with extractable reserves of 7.356 MT and Rabodih OCP Coal Mine with extractable reserves of 46.19 MT put up by the Ministry of Coal, in Tranche- V in April, 2017. However the whole Tranche-V e-auction was terminated in July, 2017.RINL had also requested for direct allotment of Kotre Basantpur & Pachmo Open Cast Coking Coal Block in Hazaribagh, West Bokaro District, Jharkhand with estimated reserve of 251 Mt in a Joint Venture with SAIL or Choritanr-Tilaiya Open Cast Coking Coal Block in Hazaribagh, West Bokaro District, Jharkhand with an estimated reserve of 97 Mt directly to RINL. Taking note of the fact that though RINL is continuously trying hard and is participating in e-auction of the Iron Ore Mines as well as Thermal and Coking Coal Blocks, the Company has failed to get any mining lease for iron ore and coal blocks resulting in its dependence on procurement of raw material from the market thereby adversely impacting its cost of production. While recommending that RINL should continuously participate in e-auction of Iron Ore Mines, Thermal and Coking Coal Blocks, the Committee also urge the Ministry of Steel to take up the matter with the Ministry of Coal for allocation of thermal and coking coal blocks as requested by the company. The Ministry of Steel and RINL should also strive hard to impress upon the concerned State governments to allocate iron ore mine through reservation route under Section 17 A(2A) of the Mines and Minerals (Development and Regulation) Amendment Act, 2015. The Committee would like to be apprised of the efforts made by Ministry of Steel/RINL in this regard.

Action Taken

Allocation of mining lease is regulated as per the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, as amended through the Mines and Minerals (Development and Regulation) Amendment Act, 2015 (Act 10 of 2015), wherefrom the State Governments has been empowered to grant mining lease through the method of auction under Section 10A or through reservation route under Section 17A(```2A) of the said Act.

A Joint Venture Agreement between RINL and Andhra Pradesh Mineral Development Corporation (APMDC) for exploration and development of Iron ore mining reserves / deposits over an area of around 2,800 hectares in Kukunur, West Godavari District, Andhra Pradesh is under deliberation.

RINL has been participating in e-auction of iron ore, thermal and coking coal Blocks as and when they are put up for auction. RINL has not been able to succeed in such auctions due to high price quoted in bidding by other parties. RINL will be participating in the forthcoming e-auctions for Iron ore / Coal Mines / Blocks after ascertaining their economic viability. A consultant has been engaged by RINL to advise RINL for future e-auctions.

As regards allocation of Coal mines, the same is regulated as per the provisions of the Coal Mines (Special Provisions) Act, 2015 as well as MMDR Act, 1957. Ministry of Steel from time to time has taken up the matter of sufficient availability of coal to Steel Sector with Ministry of Coal. With the objective to facilitate allocation of coal blocks / mines to the PSUs, Coal Ministry has been approached to allocate coal mines to steel PSUs under Section 5 of Coal Mines (Special Provisions) Act, 2015, through Government dispensation route. As per the prescribed process, Public Sector Undertakings including RINL, have to apply for the allocation of coal mines to the Ministry of Coal as and when a Notice inviting application is published by Ministry of Coal.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Comments of the Committee

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

Recommendation No.9

STRATEGIC MANAGEMENT PLAN (SMP) OF NMDC LTD.

The Committee also note that NMDC Ltd. has formulated a Strategic Management Plan (SMP), 'Vision 2025' in June 2015. As per this plan, the company's Iron ore Production capacity has been envisaged to be increased to 50 million tonnes per annum (MTPA) by FY 2018-19 and 67 MTPA by FY 2021-22. Thrust has been given on capacity augmentation of operating mines to maximize production in cost-competitive manner. Development of green-field mines in Chhattisgarh has also been planned through JVs with the State Mining Corporations. NMDC Limited is also expanding its activities towards steel making and other value added products. Further, the company is making substantial investment to increase evacuation capacity by doubling of Kirandul-Kothavalasa Railway line for capacity enhancement and construction of new Jagdalpur to Rowghat Railway line. Besides this, NMDC Ltd. is also coming up with a 15 MTPA slurry pipeline from Bacheli to Nagarnar along with 2 MTPA beneficiation and pellet plant in first phase. The Second phase envisages slurry pipeline from Nagarnar to Vishakhapatnam with suitable partners, along with pellet plant at Vizag. According to Ministry of Steel, NMDC Ltd. is also facilitating creation of new steel capacities in the country through Special Purpose Vehicle (SPV) route in Karnataka, Jharkhand and Chhattisgarh. Regarding its offshore forays, the Committee were informed that NMDC Ltd. has invested in Legacy Iron Ore Limited based in Perth, Australia with a focus on iron ore, gold and base metals and has 78.56% equity stake in this company. While appreciating that NMDC Ltd. aspires to be a multi commodity globally diversified company and has invested in emerging opportunities which have the potential to deliver long term benefits to the company and the country, the Committee would like to be apprised of the milestones achieved so far by the Company under its Strategic Management Plan (SMP) and the steps taken to achieve the goals it has set for itself in iron ore production of 50 MTPA by 2018-19 and 67 MTPA by Financial Year 2021-22.

Action Taken

NMDC has formulated a strategy to meet the enhanced iron requirement of the nation by increasing its production capacity. NMDC Vision 2025 prepared in May 2015 (revised in September 2016) lays down the objectives for the growth agenda as:

- To increase iron ore mining capacity;
- Forward-integrate to value added business (Pellet & Steel);
- Strategically diversify into other commodities based on growth potential, relevance to NMDC;
- Invest in other geographies selectively based on "mining potential" and "business environment".

While formulating the SMP, the company decided to set an ambitious expansion target to have 'stretch goals' and to be capacity ready keeping in view the potential of Indian steel industry to grow. Crucial issues which were factored in meeting the expansion target were:

- Grant of Mining Lease for Deposit 4 to NMDC and transfer of Lease to NCL;
- Grant of Mining Lease for Deposit 13 to NMDC and transfer of Lease to NCL;
- Completion of doubling of KK Line by FY 2020 being carried out by Indian Railways;
- Control in Insurgent activities in Bailadila Region.

ii. Production Capacity Expansion:

NMDC has planned to **increase its iron ore mining capacity to 67 MTPA** by FY'22. This will help in fulfilling the raw material requirement of the country to meet 300 MT steel capacity target by 2030-31envisaged in the National Steel Policy, 2017.

NMDC has two major thrust areas to achieve the production capacity of 67 MTPA of iron ore.

- **Thrust on Brown-field expansion** through exploration and sustainable mining operations for cost efficient production to 52 MTPA by FY'22.
- **Two Green Field Mines Deposit 4 & Deposit 13 in Bailadila were** envisaged to be developed with a capacity of 15 MTPA by FY'22 through JV route with Chhattisgarh Mineral Development Corporation.

Green Field Mines:

Out of 15 MTPA Iron ore production capacity envisaged through New Mines (Deposit 13 - 10 MTPA & Deposit 4 - 5 MTPA) NMDC is likely to achieve a production capacity of 2 MTPA from Deposit 13 in FY 2021-22. Production from Deposit 13 is likely to start only in FY 2018-19 as the transfer of Lease to NCL could be completed in December, 2017 and presently the process for appointment of an MDO (Mine Developer & Operator) is under progress.

The lease for Deposit 4 was not granted to NMDC as FAC after thorough deliberation on the inspection report submitted by the Committee headed by ADG (FC) decided not to recommend the proposal. However, efforts are being made for grant of the said lease and a revised Application has been submitted in September 2017 to Govt. of C.G. for grant of Mining Lease in favour of NMDC- CMDC Ltd.

New Mining Leases:

NMDC is continuously making efforts for allocation of iron ore leases through reservation route under Section 17A (2A & 1A) of the MMDR Act. After extensive discussions with the State/Central Governments, several applications have been submitted such as Ghatkuri in Jharkhand, Malangtoli/ Mankadnacha in Odisha, Ramandurg in Karnataka, Deposit-4 in Chhattisgarh etc. and the same are being pursued. NMDC also participated in auction process of Iron Ore deposits carried out till now in the country but has not been successful. NMDC plans to participate in forthcoming auction of iron ore deposits too.

NMDC is keen to grow in line with the projected iron ore requirements of the Indian Steel Industry and seeks the help of Govt. of India and respective State Governments for allocation of additional deposits through government dispensation route for time-bound sustainable development.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Comments of the Committee

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

CHAPTER – V

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

Recommendation No.5

DELAY IN MODERNIZATION AND EXPANSION OF SAIL PLANTS

The Committee observe that during 2017-18, IEBR component of SAIL which at BE stage stood at was Rs. 3500 crore was revised to Rs. 4200 crore. The actual utilization of funds during 2017-18 (upto December, 2017) was Rs. 3724 crore. Now, IEBR (BE) for the year 2018-19 is earmarked at Rs. 4000 crore. Major portion of this outlay is towards likely payments for Modernization & Expansion Plan of SAIL Plants / Units for post completion contractual liability against demonstration of Commissioning, Performance Guarantee (PG) and Final Acceptance by the Vendors /Suppliers. Also, likely expenditure towards major on-going projects viz. New Hot Strip Mill at Rourkela, Modernisation of Steel Melting Shop-I and New Sinter Plant at Bokaro etc. have been considered. In view of the present financial position of the Company, the emphasis is being given on consolidation of existing facilities rather than going for new Capital Schemes while formulating RE for the current financial year as well as BE for 2018-19. The Committee are unhappy to note the delay in implementation of modernization and expansion of Bhilai Steel plant which was originally to be completed in March, 2013 at a cost of Rs. 17265 crore. The plant is now anticipated to be completed by February, 2018 which primarily is due to poor performance of contractors. Another project for development of permanent barracks at 21 locations at Rowghat Deposit which was targeted to be completed by April, 2015 at a cost of Rs. 188.93 crore could not be completed due to delay in handing over of clear sites at all the locations by the State Government. While endorsing the Ministry's view that emphasis be on completing the ongoing major projects rather than going for new capital schemes, the Committee desire that SAIL should work out a concrete action plan to complete all the targeted modernization and expansion plan of various plants within a stipulated timeframe and they be apprised of the same alongwith revised cost over-run, if any.

Action Taken

Modernization and Expansion Plan:

The Modernisation and Expansion at Rourkela, Burnpur, Durgapur, Bokaro and Salem Steel Plants has been completed and various facilities are under operation, stabilization & ramp up. The modernisation & expansion of Rourkela Steel Plant and IISCO Steel Plant have been dedicated to the Nation by the Hon'ble Prime Minister on 01.04.2015 & 10.05.2015 respectively.

At Bhilai Steel Plant, the new Blast Furnace-8 (BF) has been blown-in on 02.02.18 and all major facilities except Ore Handling Plant Part-B, Fuel Flux Crushing & Screening Facilities and Steel Melting Shop No.3 (SMS) have been completed. The delay in completion has been primarily due to following reasons:-

- Poor performance of PSU Contractors like M/s Heavy Engineering Corporation (HEC), M/s Engineering Projects (India) Limited (EPI) etc. All earlier commitments made by these two PSU entities from time-to-time have failed and could not be achieved. The performance of these contractors continues to be sub-optimal and may have further impact on the scheduled completion of Modernisation & Expansion of BSP.
  - Non-completion of cranes by M/s HEC is affecting the erection and completion of SMS-III.
  - Slow performance by M/s EPI is affecting the packages like Ore Handling Plant (Part-B) and Fuel & Flux Crushing & Screening Facilities which are essential for raw material supply to BF -8 and SMS-III.
- Further, For Water Supply Systems, fresh contracts had to be awarded to alternate agencies due to poor performance of original contractors.

The balance facilities are in advanced stage of execution and will be completed progressively.

Cost escalation, if any, shall be worked out at the time of preparation of the Revised Cost Estimates in association with the Consultant, M/s Mecon. At present, the same is at various stages of preparation. So far, there has been a cost overrun in ISP expansion (Rs.1965 crore) where the cost estimate has been revised to Rs.16,408 crore against the earlier cost of Rs.14,443 crore, an increase of about 13.6%.

Development of permanent Barracks at 21 locations at Rowghat Deposit:

Out of 21 numbers, sites for permanent barracks have been handed over at 16 locations; Work has already been completed at 14 locations. At 15th location, forces have been deployed on 28.09.2017 in temporary barracks and work of permanent barracks is being taken up. The force was relocated on 05.02.2018. At 16th location forces have been deployed on 09.02.2018 in temporary barracks. At one location, the barrack is not required and balance 4 locations are still awaiting handing over of clear sites by the State Government.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

Recommendation No.13

KIOCL Ltd.

The Committee note that the installed capacity of pellets production of KIOCL Ltd. is 3.5 MT per annum. The utilization of installed capacity for pellet production by KIOCL Ltd. during 2015-16 was only 3%, which increased to 42% during 2016-17. The pellet production by KIOCL Ltd. during 2017-18 (upto December, 2017) was 1.7 MT against 1.46 MT during 2016-17. The Committee are concerned to note that against the Plan Outlays of Rs. 1800 crore at BE stage and RE of Rs. 2024.09 crore including capital expenditure of Rs. 496 crore by KIOCL Ltd. the actual utilization till January, 2017 was only Rs. 1.71 crore. Now, for the year 2018-19, plan outlays of Rs. 1782.44 crore have been targeted to be utilized. According to Ministry of Steel, during the last 3 years, viz. 2014-15 to 2016-17, KIOCL Ltd. envisaged various projects in the development of iron ore deposit and setting up various forward and integration projects at the existing plants. However, due to delay in getting the allotment of mine and further statutory clearances, the actual utilisation has been low. Now, during 2017-18, with the issue of Gazette Notification by Government of Karnataka for reservation of 470.40 h.a. Devadari Iron Ore deposit in favour of KIOCL Ltd., the CAPEX in the succeeding months will improve. KIOCL Ltd. has submitted the Mining Plan to Indian Bureau of Mines for approval. This is prerequisite for getting Environmental Clearances, Forest Clearance and other statutory clearances. During the process of forest clearance, the Company will be required to pay Net Present Value (NPV) and Compensatory Afforestation amount to Forest Department in Stage-II. Further, utilization of capital budget allocated to other specific projects is linked to certain compliances, which are being reviewed/worked out by the Company. The Committee also observe that certain Schemes like development of permanent railway siding at Mangalore, setting up of forward and backward integration with Blast Furnace Unit, Mangalore slipped year after year since 2015-16 pending Statutory Clearances.

The Committee feel that with allocation of Devadari Iron Ore Mine to KIOCL Ltd. by Karnataka Government alongwith the concerted and coordinated efforts of Ministry of Steel, KIOCL Ltd. will be able to achieve full utilization of Capital Outlays during 2018-19. The Committee, therefore, recommend that KIOCL Ltd. should focus on completing its various forward and integration projects which were held up due to Statutory Clearances and they be apprised of the action plan of KIOCL Ltd. in this regard.

Action Taken

(i) **Setting up of forward and backward integration in Blast Furnace Unit, Mangaluru**

The TEFR submitted by M/s MECON was reviewed from technical and commercial consideration. Keeping in view the market scenario, M/s MECON Limited were asked to review the TEFR and make a comparative study between downstream facilities of steel plant and rolling mill Vs. Ductile Iron spun pipe and the financials. M/s MECON Limited has submitted the report and also made presentation of their study to the Board of KIOCL in its meeting held on 30.01.2018. The Board while deliberating the agenda sought some additional clarifications, which are being addressed.

(ii) **Development of Permanent Railway Siding at Thokur, Mangaluru**

KIOCL had sought quotes from Southern Railway's empanelled agencies for updating the existing Detailed Project Report and also discussions were held with two of the consultants (M/s RITES and M/s STUP Consultants). M/s RITES recommended that KIOCL should get a pre-feasibility report and alignment finalized and obtain the approval from Southern Railway prior to the DPR preparation. In the meantime, KIOCL is awaiting the statutory clearances for the Devadari Mines. Once the statutory clearances for the Devadari project are obtained, necessary action shall be taking up this project.

[O.M. No.11014 (5)/2018-Parl. Dated 18/06/2018, Ministry of Steel]

NEW DELHI; **RAKESH SINGH**
25 July, 2018 **Chairperson**
03 Shravana,1940 (Saka) **Standing Committee on Coal and Steel**

ANNEXURE-I

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 25 JULY, 2018 IN HON'BLE CHAIRPERSON'S CHAMBER, ROOM NO. '210', B-BLOCK, PHA EXTENSION BUILDING, NEW DELHI.

The Committee sat from 1500 hrs. to 1530 hrs.

PRESENT

Shri Rakesh Singh - Chairperson

Lok Sabha

2. Shri Chandulal Sahu
3. Smt. Jyoti Dhurve
4. Dr. Banshilal Mahato
5. Shri Godam Nagesh
6. Shri Ajay Nishad
7. Smt. Riti Pathak
8. Smt. Ranjeet Ranjan
9. Shri Ravindra Kumar Ray
10. Shri Janardan Singh 'Sigriwal'
11. Shri Pashupati Nath Singh

Rajya Sabha

12. Shri Samir Oraon
13. Prof. Manoj Kumar Jha
14. Shri Prabhaker Reddy Vemireddy

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 Draft Reports on:-

(i) ** ** ** **

(ii) ** ** ** **

(iii) Action Taken by the Government on the Observations/ recommendations contained in their Thirty-Eighth Report on Demands for Grants (2018-19) of the Ministry of Steel;

(iv) ** ** ** **

(v) ** ** ** **

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

The Committee then adjourned.

**Do not pertain to this Report.

ANNEXURE-II
(Vide Para IV of Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE THIRTY-EIGHTH REPORT OF THE STANDING COMMITTEE ON COAL AND STEEL

I.	Total No. of Recommendations made	13
II.	Recommendations that have been accepted by the Government *(vide* recommendation at Sl. Nos. 1, 3, 4, 6, 8, 10 and 12) Percentage of total	 07 54%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (vide Recommendation at Sl. No. Nil) Percentage of total	 00 0%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee *(vide* recommendation at Sl. Nos. 2, 7 and 9) Percentage of total	 03 23%
V.	Recommendations in respect of which final replies of the Government are still awaited (*vide* recommendation at Sl. Nos. 5, 11 and 13) Percentage of total	 03 23%