17

STANDING COMMITTEE ON COAL AND STEEL (2005-06)

FOURTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS
(2006-07)

SEVENTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI
May, 2006 / Jyaistha, 1928 (Saka)

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DEMANDS FOR GRANTS
(2006-07)

Presented to Lok Sabha on 23.5. 2006
Laid in Rajya Sabha on 23.5. 2006

LOK SABHA SECRETARIAT
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Shri Ananth Kumar - **Chairman**

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3. Shri Hansraj G. Ahir
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18. Shri Prabhunath Singh
19. Shri Rewati Raman Singh

***20. Shri Ramsevak Singh (Babuji)

21. Shri M.Anjan Kumar Yadav

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* Nominated w.e.f. 29.1.2006

** Ceased to be a Member of the Committee consequent upon his resignation from the membership of Lok Sabha w.e.f.15.5.2006.

*** Consequent upon his expulsion from Lok Sabha, he ceased to be a Member of the Committee w.e.f. 23.12.2005.

Rajya Sabha

22. Shri Devdas Apte
23. Shri Ramadhar Kashyap
24. Capt. Jai Narayan Prasad Nishad
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£26. Shri B.J. Panda
@27. Shri G.K. Vasan
%28. Dr. Swami Sakshi Ji Maharaj
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30. Vacant
31. Vacant

SECRETARIAT

1.	Shri A.K.Singh	-	Joint Secretary
2.	Shri A.K.Singh	-	Director
3.	Shri Shiv Singh	-	Under Secretary
4.	Shri T. Mathivanan	-	Senior Committee Assistant

$ Ceased to be a Member of the Committee w.e.f. 2.4.2006 after his retirement from Rajya Sabha.

£ Ceased to be a Member of the Committee w.e.f. 3.4.2006 after his retirement from Rajya Sabha

@ Ceased to be a Member of the Committee w.e.f. 29.1.2006 on his induction in the Council of Ministers.

% Ceased to be a Member of the Committee w.e.f.21.3.2006 after his retirement from Rajya Sabha

Nominated w.e.f. 29.4.2006.

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Seventeenth Report(Fourteenth Lok Sabha) on Demands for Grants (2006-07) of the Ministry of Steel.

2. The Committee took evidence of the representatives of the Ministry of Steel on 5th April, 2006.

3. The Committee wish to thank the representatives of the Ministry of Steel who appeared before the Committee and placed their considered views. They also wish to thank the Ministry of Steel for furnishing the replies on the points raised by the Committee.

4. The Committee in their sitting held on 22nd May 2006 considered and adopted the Report.

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

New Delhi;	**ANANTH KUMAR,**
<u>22 May, 2006</u>	**Chairman,**
1 Jyaistha, 1928 (Saka)	**Standing Committee on Coal and Steel.**

CHAPTER I
INTRODUCTORY

Steel is a very versatile material, one that touches every aspect of our life right from the houses to the infrastructure around us. The consumption of steel is an indicator of economic development of the country. It reflects growth in infrastructure and the maturing of the manufacturing industry of a nation. An industry like steel has strong forward and backward linkages with other sectors of the economy. Therefore, its own growth pattern cannot remain uninfluenced by what happens in other sectors of the economy.

1.2 India is the 9th largest producer of steel in the world, and has to its credit, the capability to produce a variety of grades and that too, of international quality standards. In the past Indian steel industry was operated under a regulatory regime, marked by controls in capacity, price and distribution and high levels of protection from international competition. Following liberalization of Industrial Policy, globalisation of Indian economy since 1991-92, steel sector is facing increasing competition. Global steel industry is currently in a state of position and the centres of growth both in terms of consumption and production. It provides an opportunity to the Indian Steel Industry to emerge as a leading production centre and supplier of steel globally. Moreover, the domestic market for steel is also set for a substantial expansion with the added emphasis on building physical infrastructure and a growing manufacturing base. Both the Public Sector Steel Plants and Private Sector Steel Plants are accelerating their growth in a competitive market situation and extract fully the dynamic advantages inherent in the changing global steel scenario. It may be appreciated that the environment in which the steel sector operates and the role this sector has to play in sustaining the pace of economic development, calls for key promotional role for the Ministry of Steel. The Ministry of Steel is expected to play the role of a facilitator to remove any bottleneck in the availability of raw materials, development of infrastructure, interaction with Financial Institutions for making available the needed capital and aiding and advising other concerned Ministries and Departments of the Government in formulating appropriate policy responses.

1.3 With a view to create enabling conditions for the Indian steel industry to expand its production base adequately in response to the anticipated increase in domestic and oversees demand in the coming decade, the Government announced the National Steel Policy, 2005. As per the long-term goal of the National Steel Policy, India needs to have a modern and efficient steel industry of world standards, catering to diversified steel demand. The focus of the policy is, therefore, to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity. This will require indigenous production of 110 million tones (MT) per annum by 2019-2020 from the 2004-05 level of 38 MT, which implies a compounded annual growth of 7.3 percent per annum.

1.4 The Ministry of Steel has to play a crucial role in ensuring harmonious and integrated growth of steel sector. The main functions of the Ministry of Steel are:-

(a) Formulation of policies in respect of production, distribution, prices, imports and exports of iron and steel and ferro alloys;
(b) Planning, development and facilitation of setting up of iron and steel production facilities;
(c) Development of iron ore mines in the public sector and other ore mines used in the iron and steel industry; and
(d) Overseeing the performance of Steel Authority of India Limited(SAIL) and its subsidiaries and of other Public Sector Undertakings/Government managed companies functioning in the iron and steel sector.

1.5 Besides the Secretariat, the Ministry of Steel has an attached office, ***viz.*** the Office of the Development Commissioner for Iron and Steel(DCI&S) located at Kolkata and its four Regional Offices located in New Delhi, Kolkata, Chennai and Mumbai. The Office of DCI&S including its 4 regional offices was closed w.e.f. 23rd May 2003. Under the administrative control of the Ministry of Steel the following Public Sector Undertakings are functioning: -

(i) Steel Authority of India Ltd.(SAIL).
(ii) Kudremukh Iron Ore Company Ltd.(KIOCL), Bangalore.
(iii) National Mineral Development Corporation Ltd.(NMDC), Hyderabad.
(iv) Hindustan Steelworks Construction Ltd.(HSCL), Kolkata.
(v) MECON Ltd., Ranchi.

(vi) Manganese Ore India Ltd.(MOIL), Nagpur.
(vii) Sponge Iron India Ltd.(SIIL), Hyderabad.
(viii) Bharat Refractories Ltd.(BRL), Bokaro.
(ix) Rashtriya Ispat Nigam Ltd.(RINL), Visakhapatnam.
(x) MSTC Ltd., Kolkata.
(xi) Ferro Scrap Nigam Ltd.(FSNL - a subsidiary of MSTC Ltd.), Bhilai.
(xii) Bird Group of Companies (a Government managed Company), Kolkata

1.6 Consequent on acquisition of the shares of the Bird Group of Companies Ltd. 8 companies of the Bird Group related to the steel industry came under the administrative control of the Ministry of Steel which *inter-alia* include Eastern Investment Ltd.(EIL); Orissa Mineral Development Co. Ltd.(OMDC); Bisra Stone Lime Co. Ltd.(BSLC); Karanpura Development Co. Ltd.(KDCL); Scott & Saxby Ltd.(SSL - a subsidiary of KDCL); Kumardhubi Fireclay & Silica Works Ltd.(KFSW); Borrea Coal Co. Ltd. and Burrakur Coal Co. Ltd.

1.7 Borrea and Burrakur coal companies are non-operational and exist only to settle claims and counter claims with Commissioner of Payments and other agencies. KFSW has since gone under liquidation. Only four companies, *viz*. OMDC, BSLC, KDCL and SSL are now operational.

1.8 The Ministry of Steel has presented the Demands for Grants No.90 to the House on 14.3.2006. The Ministry has highlighted the Relativity of Outcome Budget(2006-07) with policy initiatives that the schemes proposed to be undertaken by the PSUs during 2006-07 like Coke Oven Plant, Ductile Iron Spun Pipe, Rebuilding of Coke Oven Battery, technological gradation, installation of new slab caster and AMR schemes would increase the production capacity of plants and bring down the cost of production. These schemes would help the PSUs to achieve the goal of the National Steel Policy in achieving global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity.

1.9 Since this year the Demands for Grants (2006-07) have already been passed by Parliament, the Committee's recommendations/observations as detailed in the succeeding paragraphs relate to implementation of the plans/projects of the Ministry of PSUs/Organisations under its administrative control. The Ministry should ensure proper utilization of allotted funds and recommendations/observations of the Committee should be taken into consideration while implementing plans/projects.

1.10 The Committee observe that the steel industry, being a core sector, has a vital role in sustaining the pace of economic development. The Committee hope that with the large scale modernisation, huge investment in infrastructure, significant growth in the industrial sector, setting up of green-field and brown-field projects by domestic steel producers and entry of global steel producers, the Indian steel industry promises tremendous growth opportunities. The Committee are happy to note that the Government have announced National Steel Policy (NSP) to create a modern and efficient steel industry of world standards.

The Committee, therefore, desire that the Government should bring proposed policy reforms as envisaged in NSP to facilitate further growth and expansion of steel sector by time bound improvement of infrastructure and effective measures to attract more investments including Foreign Direct Investments. The Committee also desire that considering the cyclical nature of steel industry, the Government should strategically prioritise the needs of Public Sector steel plants to ensure long-term and short-term profitability and sustainable growth.

CHAPTER II

STATUS OF IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN THE TENTH REPORT OF THE STANDING COMMITTEE ON COAL AND STEEL ON DEMANDS FOR GRANTS(2005-06) OF THE MINISTRY OF STEEL

The Parliamentary Standing Committee on Coal and Steel presented their Tenth Report on Demands for Grants(2005-06) of the Ministry of Steel on 26.4.2005. The Committee presented their 13th Report on Action Taken by the Government on the recommendations contained in the Tenth Report of the Committee on Demands for Grants(2005-06) of the Ministry of Steel on 22.12.2005. Out of 31 recommendations given by the Committee in their Tenth Report, 24 recommendations (Nos.1, 2, 3, 5, 7, 8, 10, 11, 12, 14, 15, 16, 17, 20, 21, 22, 23, 24, 25, 26, 28, 29, 30 and 31) were accepted by the Government. In respect of 3 recommendations (Nos.6,13 and 19), the Committee did not desire to pursue in view of the Government's replies. In respect of 2 recommendations (Nos.18 and 27), the reply of the Government was not accepted by the Committee and in respect of 2 recommendations(Nos.4 and 9), the replies of the Government were of interim nature.

2.1 The Committee hope that the Ministry of Steel will implement the recommendations in a time bound manner which the Committee commented upon in their Action Taken Report. The Committee desire that the Ministry of Steel should furnish final replies to the recommendations (Nos.4 and 9) which were categorised as of interim nature. The Committee would like to be apprised of the action taken in this regard.

CHAPTER III

ANALYSIS OF DEMANDS FOR GRANTS (2006-07)

The Ministry of Steel has presented the Demand No.90 to the Parliament as Demands for Grants for the year 2006-07. The Demand includes provision for Plan and Non-Plan expenditure under Revenue and Capital sections of the Ministry proper, attached/subordinate offices and Public Sector Undertakings under the administrative control of the Ministry of Steel. The details of Ministry's Demands under Revenue section and details relating to Capital section with reference to public enterprises are shown in **Annexure-I**. Various points arising out of the scrutiny of Demands for Grants of the Ministry are discussed in the succeeding paragraphs: -

3.2 The following Table shows the Actuals for 2004-05, Budget Estimate, Revised Estimate for 2005-06 and Budget Estimate for 2006-07: -

(Rs. in crore)

	Actuals 2004-05			**Budget Estimate 2005-06**			**Revised Estimate 2005-06**			**Budget Estimate 2006-07**		
Major Head	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
Revenue	--	114.08	114.08	--	72.53	72.53	--	82.50	82.50	--	84.50	84.50
Capital	15.00	74.89	89.89	15.00	2.00	17.00	15.00	2.00	17.00	45.00	--	45.00
Total	15.00	188.97	203.97	15.00	74.53	89.53	15.00	84.50	99.50	45.00	84.50	129.50

A. Demand, Projections and Actual Allocation

3.3 As against the total Plan Outlay of Rs.3,728.49 crore, including Budgetary Support of Rs.82.50 crore, proposed by the Ministry of Steel, the Planning Commission has approved an Outlay of Rs.3,217.30 crore with a Budgetary Support of Rs.45.00 crore.

3.4 The Demand projected by the Ministry of Steel for the Financial Year 2006-07, the actual amount approved by the Planning Commission is summarized in the following Table: -

(i). PLAN EXPENDITURE – 2006-07(BE)

(Rs. in crore)

Sl. No	Name of PSUs/ Organisations	BE 2006-07 Proposed by Ministry of Steel			BE 2006-07 Approved by Planning Commission		
		I&EBR	B S	Total Outlay	I&EBR	B S	Total Outlay
1.	Steel Authority of India Limited (SAIL)	1275.00	0.00	1275.00	1275.00	0.00	1275.00
2.	Rashtriya Ispat Nigam Ltd (RINL)	1452.16	0.00	1452.16	1452.00	0.00	1452.00
3.	MSTC Ltd.	5.00	0.00	5.00	5.00	0.00	5.00
4.	MECON Ltd.	0.00	67.50	67.50	0.00	30.00	30.00
5.	Ferro Scrap Nigam Ltd (FSNL)	11.80	0.00	11.80	11.80	0.00	11.80
6.	Hindustan Steelworks Construction Ltd. (HSCL)	0.00	7.00	7.00	0.00	7.00	7.00
7.	Bharat Refractories Ltd (BRL)	0.00	7.00	7.00	0.00	7.00	7.00
8.	Sponge Iron India Ltd. (SIIL)	5.00	0.00	5.00	5.00	0.00	5.00
9.	Research & Technology Mission	60.00*	0.00	60.00*	0.00	0.00	0.00
10.	Kudremukh Iron Ore India Ltd. (KIOCL)	335.00	0.00	335.00	200.00	0.00	200.00
11.	National Mineral Development Corp. (NMDC)	387.49	0.00	387.49	150.00	0.00	150.00
12.	Manganese Ore India Ltd. (MOIL)	71.29	0.00	71.29	48.50	0.00	48.50
13.	Bird Group of Companies(BGC)	43.25	1.00	44.25	25.00	1.00	26.00
	Total	3645.99	82.50	3728.49	3172.30	45.00	3217.30

Plan budgetary support is being provided to some of the financially weak and loss making PSUs under the Ministry of Steel. While the total Plan budgetary support of Rs.15.00 crore in BE 2005-06 was retained in RE 2005-06, budgetary support of Rs.45 crore has been provided in BE 2006-07. The details are as follows:-

(Rs. in crore)

Sl.No	Name of PSU	Scheme	Plan BS BE & RE 2005-06	Plan BS BE 2006-07
1	Bharat Refractories Ltd (BRL)	AMR Schemes	7.00	7.00
2	Hindustan Steelworks Construction Ltd. (HSCL)	Replacement/Purchase of construction equipments & machinery	4.00	7.00
3	MECON Ltd.	Computer/acquisition of office building	4.00	0.00
		Equity investment in the company*	0.00	30.00*
4	Bird Group of Companies	AMR Schemes	0.00	1.00
		Total	**15.00**	**45.00**

* Subject to approval of restructuring package for MECON. The restructuring proposal for MECON prepared by consultants M/s. PWC is under consideration of the Govt.

(ii). NON-PLAN EXPENDITURE – 2006-07(BE)

The Non-Plan expenditure of Ministry of Steel, including Secretariat proper, PAO(Steel), Development Commissioner for Iron and Steel(DCI&S), Kolkatta and the PSUs under the Ministry , in 2005-06(BE&RE) and BE 2006-07 are given in the following table:-

(Rs. in crore)

Sl. No.	Description	BE 2005-06	RE 2005-06	BE 2006-07
1	**2**	**3**	**4**	**5**
1.	Secretariat – Economic Services	9.66	8.54	9.89
2.	Development Commissioner for Iron and Steel, Kolkata	2.75	2.62	2.15
3.	Non-Plan loan to Bird Group of Companies to meet shortfall in resources	2.00	2.00	0.00
4.	Subsidy to Hindustan Steelworks Construction Ltd. for payment of interest on loans raised from banks for implementation of VRS	56.81	56.81	59.19
5.	Subsidy to Hindustan Steelworks Construction Ltd. for waiver of Guarantee Fee for the Guarantee given by GOI for cash credit/bank guarantee and VRS loans	0.92	6.10	6.60
6.	Subsidy to BRL for waiver of guarantee fee	0.54	0.54	0.54
7.	Interest Subsidy to MECON Ltd. for loans raised from banks for implementation of VRS and payment of statutory dues	1.75	6.54	6.03

8.	Subsidy to MECON Ltd for waiver of guarantee fees for the guarantee given by GoI on VRS loan	0.00	1.25	0.00
9.	Awards to Distinguished Metallurgists	0.10	0.10	0.10

From the above table it will be seen that the RE 2005-06 Non-Plan expenditure to the tune of Rs.9.97 crore is in excess of BE 2005-06. The increase is due to the following:-

i) Additional provision of Rs.5.18 crore for subsidy for waiver of guarantee fee to HSCL

ii) Additional provision of Rs.4.79 crore for 50% interest subsidy to MECON Ltd. on loans raised by MECON from banks for implementation of VRS and payment of statutory dues.

The subsidy of Rs.1.25 crore to MECON for waiver of guarantee fee in RE 2005-06 is to be met from the savings available within the grant.

The salient features of the scheme of financing of Annual Plan 2006-07(BE) in respect of PSUs/Organisations under the administrative control of Ministry of Steel are as under:-

i) Except for HSCL, MECON and BRL, all the other PSUs viz. SAIL, RINL, NMDC, KIOCL, FSNL, MOIL, SIIL, MSTC and Bird Group of Companies will finance their Plan schemes from Internal Resources.

ii) HSCL, MECON and BRL are not in position to generate any I&EBR and the entire Plan outlay in respect of these companies for 2006-07 is to be financed through budgetary support.

iii) The Plan budgetary support of Rs.30.00 crore for MECON is for equity investment in the company. However, the release of this amount in 2006-07 would be subject to the approval by the competent authority of the restructuring package for MECON.

iv) The Plan outlay for R&T Mission has not been considered in Annual Plan, 2006-07 since the Planning Commission suggested that as the expenditure on R&D schemes of R&T Mission is met out of the Steel Development Fund(SDF), it need not be included in the Plan schemes of Ministry of Steel.

3.5 There are four Major Heads under which budgetary provisions have been made by the Ministry of Steel for the year 2006-07. The broad parameters on the basis of which budgetary projections have been made in 2006-07 are as follows:

Major Head '3451' – Secretariat – Economic Services : The provision of Rs.9.89 crores made under this head is for meeting the administrative expenditure (Salaries, Travel Expenses, Office Expenses, etc,) of the Secretariat of the Ministry of Steel.

Major Head '2852' – Industries: The provision of Rs.74.61 crore under this head is primarily meant for providing interest subsidy and subsidy for waiver of guarantee fee to some of the financially weak PSUs under the Ministry (Rs.72.36 crore), and also to provide for administrative expenditure on the office of DCI&S, Kolkata (Rs.2.15 crore) and for awards to distinguished metallurgists (Rs.0.10 crore).

Major Head '4852' – Capital Outlay on Iron & Steel Industries: The provision of Rs.37.00 crore under this head has been provided for equity investment in two PSUs viz. BRL (Rs.7.00 crore) and MECON (Rs.30.00 crore). Rs.7.00 crore investment in BRL has been provided as per the Govt. approved revival package for BRL, while Rs.30.00 crore investment in MECON has been provided as per the restructuring proposal for the company prepared by the consultants M/s PWC. However, the release of this amount to MECON in 2006-07 is subject to approval of the restructuring proposal by the competent authority.

Major Head '6852' – Loans for Iron & Steel Industries: Provision of Rs.8.00 crore made under this head is for providing Rs.1.00 crore Plan loan to Bird Group of Companies for executing AMR Schemes and

Rs.7.00 crore Plan loan to HSCL for purchase of construction equipment and machinery for the company's projects.

The Ministry of Steel's budgetary projections in BE 2006-07 are based on the proposals received from the various offices of the Ministry (Secretariat, PAO and office of DCI&S) and PSUs under the administrative control of the Ministry. The proposals are examined on the parameters of the trend of actual expenditure over the last few years, merit of the fund requirements proposed by the offices and the PSUs and the guidelines/instructions of the Ministry of Finance. Thus, the Ministry endeavour to project realistic estimates and believes that the projections for BE 2006-07 are realistic.

3.6 The expenditure incurred in each quarter of 2005-06 against the allotment under Budgetary Support (Major Head-wise for both Plan and Non-Plan schemes) and PSU-wise in respect of allotment under I&EBR, is given in **Annexure – II**.

B. Non-Plan Loans to Public Sector Steel Plants

3.7 There are four operating companies under the Bird Group of Companies. The provision of Non-Plan loan of Rs.2.00 crore was made in BE 2005-06 and same retained in RE 2005-06 but not provided in BE 2006-07. The following table shows the details: -

(Rs.in crore)

Bird Group of Companies	**2005-06**		**2006-07**
	BE	**RE**	**BE**
Non-Plan loan to Bird Group of Companies for implementation of VRS.	2.00	2.00	0.00
Total – Non-Plan loan under MH " 6852"	2.00	2.00	0.00

3.8 When the Committee wanted to know the reasons for not providing Non-Plan loan in BE 2006-07 to Bird Group of Companies, the Ministry of Steel expressed the following views:-

"Non-Plan loan is required by companies under Bird Group mainly for implementing VRS in Bisra Stone Lime Company Ltd. During 2004-05, Rs.3.00 crore was provided to Bisra Stone Lime Company Ltd. but the company did not find the response of employees towards opting VRS encouraging. As a result, company was having unspent amount of the Non-plan loan provided during 2004-05. Further, there was provision made for Non-Plan loan of Rs.2 crore in RE 2005-06 for implementing VRS. Hence, the company did not require provision in BE 2006-07. If requirement is felt, the provision may be sought in RE 2006-07".

3.9 When asked about the status of restructuring proposal of Bird Group of Companies, the Ministry of Steel stated as follows:-

"A reorganization proposal for companies under Bird Group has been accorded in principle approval. The salient features of reorganization proposal are as below:

i. Bisra Stone Lime Company Ltd. would be made subsidiary of Orissa Minerals Development Company Ltd. by acquiring its shares held by Rashtritya Ispat Nigam Ltd. and balance required shares from Eastern Investment Ltd.

ii. Karanpura Development Company Ltd. and Scott & Saxby Ltd. would be merged with Orissa Minerals Development Company Ltd.

Action is being taken for preparing a comprehensive proposal implementing the reorganization scheme".

3.10 The Committee note that the Ministry had proposed the annual plan outlay of Rs.3728.49 crore including Budgetary Support of Rs.82.50 crore for the year 2006-07. The Planning Commission has, however, approved an outlay of Rs.3172.30 crore with Budgetary Support of Rs.45 crore. As a sequel to reduction in approved outlay the Internal and Extra Budgetary Resources(I&EBR) allocation in respect of Kudremukh Iron Ore Company Ltd.(KIOCL) has come down from Rs.335 crore to Rs.200 crore and in the case of National Minerals Development Corporation(NMDC) from Rs.387.49 crore to Rs.150.00 crore. The I&EBR allocation for Manganese Ore India Ltd.(MOIL) has been reduced from Rs.71.29 crore to Rs.48.50 crore whereas in the case of Bird Group of Companies (BGC), it stands reduced from Rs. 43.25 crore to Rs.25 crore. The provision of Budgetary Support has been made for Hindustan Steelworks Construction Ltd.(HSCL), MECON Ltd. and Bharat Refractories Ltd.(BRL) as these companies are unable to generate I&EBR. In the approved outlay, however, Budgetary Support of MECON Ltd. has been reduced from Rs.67.50 crore to Rs.30 crore.

The Committee observe that the projection of estimates for BE 2006-07 were unrealistic and unattainable as the Ministry had failed to convince the Planning Commission to allocate the funds as projected by KIOCL, NMDC, MOIL and MECON Ltd. The Committee in their 10th report had recommended that the Ministry should make realistic estimates and

allocate funds at BE stage itself instead of resorting to provision of funds at RE stage. The Committee have little doubt that reduction in allocation is going to adversely affect the performance of the PSUs.

The Committee, therefore, recommend the Ministry to approach the Planning Commission with ample justifications to provide sufficient funds at revised estimates stage as per the needs of PSUs. The Committee once again emphasize that the realistic projections and allocation of sufficient funds for PSUs are essential for sustained progress of steel industry and therefore, reiterate their earlier recommendations for immediate corrective measures in this direction.

C. Subsidies to Public Sector Steel Plants

Out of total outlay of Rs.129.50 crore in BE 2006-07, major portion of allotment goes to subsidy to the tune of Rs.72.36 crore. The breakup details of subsidy as follows:-

(Rs. in crore)

Sl. No.	Description	BE 2006-07
1	Subsidy to Hindustan Steelworks Construction Ltd. for payment of interest on loans raised from banks for implementation of VRS	59.19
2	Subsidy to Hindustan Steelworks Construction Ltd. for waiver of Guarantee Fee for the Guarantee given by GOI for cash credit and bank guarantee and VRS loans	6.60
3	Subsidy to BRL for waiver of guarantee fee	0.54
4	Interest subsidy to MECON Ltd for loans raised from banks for implementation of VRS and payment of statutory dues	6.03
	Total	72.36

(i) Hindustan Steelworks construction Limited

3.11 Interest subsidy to Hindustan Steelworks Construction Limited (HSCL) for loans raised for implementation of VRS.

(Rs. in crore)

Major Head	Budget Estimate2005-06			Revised Estimate 2005-06			Budget Estimate 2006-07		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
2852	--	56.81	56.81	--	56.81	56.81	--	59.19	59.19

3.12 When asked about the reasons for increase in BE 2006-07 as compared to BE & RE 2005-06 and the status of separation of employees, the Ministry of Steel informed as below:-

> "The increase is due to the fact that company is yet to raise loan of Rs.50 crore against Govt. of India guarantee for implementation of VRS. Against the Govt. of India guarantee of Rs.568.36 crore extended for implementing VRS, HSCL has raised so far Rs.518.36 crore. The company is expected to raise the remaining amount of Rs.50 crore during 2006-07. Therefore, there is increase of Rs.2.38 crore in BE-2006-07 as compared to BE and RE 2005-06 for payment of interest subsidy.
>
> 11316 employees have been separated through VRS after implementation of restructuring package in July, 1999. Against the manpower target of 1000 employees, company has 1872 employees as on February, 2006. The company has been able to separate 30 employees through VRS during 2005-06 till February".

3.13 About the efforts taken to improve the performance of HSCL, the Ministry of Steel stated that the following steps have been taken to improve the performance of the company during the 10th Five Year Plan period:-

> "Increase turnover by diversifying company's business activities in new areas.
>
> Increase Order Booking in Infrastructure Sector.
>
> Reduce the employment cost by rationalizing manpower to make the company more cost effective and competitive".

PERFORMANCE OF THE COMPANY DURING THE LAST FIVE YEARS

(Rs. in crore)

Parameters	2000-01	2001-02	2002-03	2003-04	2004-05
1	2	3	4	5	6
Turnover					
Steel Units	86	81	83	75	102
Infrastructure Units	171	175	194	232	220
Total	**257**	**256**	**277**	**307**	**322**
Marketing					
Steel Units	60	52	80	62	124
Infrastructure Units	141	181	225	451	397
Total	**201**	**233**	**305**	**513**	**521**
Operational Margin	(-)79.76	(-)32.57	3.90	18.40	28.68
Employment Cost	95.44	73.65	53.94	31.32	27.57

All the performance parameters have improved after implementation of restructuring package.

SUBSIDY TO HSCL FOR WAIVER OF GUARANTEE FEE

(Rs. in crore)

	Budget Estimate 2005-06			Revised Estimates 2005-06			Budget Estimate 2006-07		
Major Head	Plan	Non – Plan	Total	Plan	Non – Plan	Total	Plan	Non – Plan	Total
2852	--	0.92	0.92	--	6.10	6.10	--	6.60	6.60

3.14 While explaining the reasons for increased allocation in RE 2005-06 and BE 2006-07, the Ministry of Steel informed as follows:-

> "In the BE-2005-06, Ministry of Steel had projected an amount of Rs.6.10 crore towards waiver of guarantee fee to HSCL. However, Ministry of Finance did not agree to the proposal of Ministry of Steel. Ministry of Finance has agreed to provide Rs.6.60 crore for waiver of guarantee fee for the year 2006-07".

INTEREST SUBSIDY TO MECON LTD.

(Rs. in crore)

	Budget Estimate 2005-06			Revised Estimates 2005-06			Budget Estimate 2006-07		
Major Head	Plan	Non – Plan	Total	Plan	Non – Plan	Total	Plan	Non – Plan	Total
2852	--	1.75	1.75	--	6.54	6.54	--	6.03	6.03

3.15 When asked about the reasons for increased allocation in RE 2005-06 and BE 2006-07 as compared to BE 2005-06 and status of capital restructuring proposal of MECON Ltd., the Ministry of Steel stated the following:-

> "In the BE-2005-06, Ministry of Steel had projected an amount of Rs.6.54 crore for payment of interest subsidy to MECON Ltd. However, Ministry of Finance did not agree to the proposal of Ministry of Steel. Ministry of Finance has agreed to provide Rs.6.03 crore to MECON Ltd. for payment of interest subsidy for 2006-07. Therefore, there is increased provision of funds in BE-2006-07 as compared to BE-2005-06.
>
> The meeting of Board for Reconstruction of Public Sector Enterprises (BRPSE) in its meeting held on 16.3.2006 considered the restructuring proposal of MECON Ltd. The BRPSE has approved the restructuring package for MECON and further action for obtaining approval of the Government is being taken up on priority".

3.16 The Committee are constrained to note that despite their earlier recommendations made in 10th Report on Demands for Grants (2005-06), the Ministry is yet to clear the restructuring proposal of MECON Ltd.

The Committee feel that inordinate delay in clearing of the proposal has already resulted in substantial reduction in budgetary support to this ailing undertaking by Planning Commission and any further delay would seriously impair the performance of MECON Ltd. The Committee, therefore, reiterate that the restructuring proposal of MECON Ltd. should be cleared at once so that the budget earmarked for the purpose could be spent and the funds reduced by the Planning Commission could be sought at RE stage.

D. Investment in Public Sector Steel Plants

3.17 The Public Sector Steel Plants under the administrative control of Ministry of Steel, raising Internal and Extra-Budgetary Resources (I&EBR) to implement various Capital Schemes.

(i) Investment in Steel Authority of India Ltd (SAIL)

(Rs. in crore)

	Budget Estimate 2005-06			Revised Estimates 2005-06			Budget Estimate 2006-07		
Major Head	Plan	Non – Plan	Total	Plan	Non – Plan	Total	Plan	Non – Plan	Total
12852	--	1030.00	1030.00	--	815.00	815.00	--	1275.00	1275.00

3.18 An outlay of Rs.1030 crore was planned in BE 2005-06 for completion of ongoing schemes & few new schemes and reduced to Rs.815 crore at RE during

2005-2006. The anticipated expenditure during 2005-06 is Rs.730 crore. In response to a specific query of the Committee whether any schemes got affected due to reduction in allocation at RE 2005-06, the Ministry of Steel stated as below:-

> "The allocation for 2005-06 was revised to Rs.815 crore from Rs.1030 crore based on the progress of schemes under implementation and new schemes planned for approval during 2005-06. Therefore, no schemes got affected due to revision in the allocation".

The major schemes where allocation was reduced are as under:

Reduction (Rs. in crore)	Remarks
7	Deferment in BF-7 up-gradation at BSP.
20	Plate Mill schemes at BSP though are on schedule, expenditure is less in current year based on billing schedule.
16	Initial delay in Wire Rod Mill schemes at BSP.
10	Delay in supply by BHEL for Turbo Generator at BSP.
20	Delay in civil and structural work by HSCL for Bloom Caster at DSP.
8	Delay by CUI for COB-1 Rebuilding at RSP.
18	Initial delay in placement of order for Coke Oven Battery at BSP due to high tendering cost.
10	Delay in finalisation of Mae-west Block upgradation at BSL due to poor response of bidders.
83	Due to change in strategy for expansion plan of IISCO Steel Plant which has been drawn recently.

3.19 When asked about the reasons for reduction in the proposed annual plan outlay from Rs.1405 crore to Rs.1275 crore in BE 2006-07, the Ministry of Steel informed as follows:-

> "A provisional outlay of Rs.1405 crore was kept during mid term appraisal of 10th Five year Plan in June'04. While finalizing the Annual Plan 2006-07 in Sep'05, the allocation (BE) for 2006-07 has been kept at Rs.1275 crore based on the progress of schemes under implementation and plan for approval of new schemes.

The proposed outlay for the year 2006-07 in respect of the various capital schemes of SAIL including subsidiaries is Rs.1275 crore. The outlay is proposed to be met from internal resources".

3.20 The broad details of outlay provided in BE 2006-07 for various schemes of SAIL are as under:-

(i) An outlay of Rs.400 crore has been provided for Bhilai Steel Plant. The outlay ***inter alia*** covers expenditure on rebuilding of Coke Oven Battery No.5(Rs.85 crore), New Slab Caster in SMS-2(Rs.135 crore), Technical Upgradation of Blast Furnace No.7(Rs.59 crore), HAGC & PVR in Plate Mill)Rs.25.19 crore) and for other completed, ongoing and unsanctioned schemes(Rs.25 crore).

(ii) An outlay of Rs.190 crore has been provided for Durgapur Steel Plant. The outlay ***inter alia*** covers expenditure on Bloom Caster with associated facilities(Rs.110 crore) and other ongoing schemes(Rs.9.64 crore) and unsanctioned schemes(Rs. 70 crore).

(iii) An amount of Rs.238 crore has been provided for Rourkela Steel Plant. The outlay ***inter alia*** covers expenditure on rebuilding of Coke Oven Battery No.1(Rs.49.34 crore), Modernisation of RSP-Phase 1&2(Rs.20 crore) and other ongoing and unsanctioned schemes(Rs.156 crore).

(iv) An outlay of Rs.248 crore for Bokaro Steel Plant has been provided for installation of Rebuilding of Coke Oven Battery No.5(Rs.57.10 crore), Mae-west Block in HSM(Rs.43.36 crore), Upgradation of automation system of TM-2(Rs.17.75 crore) and for other ongoing, completed and unsanctioned schemes(Rs.69.00 crore).

(v) Out of the outlay of Rs.30.00 crore for Alloy Steels Plant, Rs.17.00 crore is meant for Argon Oxygen De-Carburisation and Electric Arc Furnace, schemes costing less than Rs.10 crore (Rs.5.00 crore) and unsanctioned schemes(Rs.8.00 crore).

(vi) Outlay of Rs.40.00 crore has been provided for Raw Material Division for ongoing schemes(Rs.12.00 crore) and unsanctioned schemes(Rs.28.00 crore).

(vii) Outlay of Rs.75.00 crore has been provided for Indian Iron & Steel Co., a subsidiary of SAIL, which includes expenditure on Rehabilitation Schemes(Rs.55.00 crore) and unsanctioned schemes(Rs.24.00 crore).

(viii) The remaining outlay of Rs.54.00 crore have been provided for Visvesvaraya Iron & Steel Ltd.(Rs.10.00 crore), Salem Steel Plant(Rs.11.00 crore) Central Units(Rs.18.00 crore) and Maharashtra Electrosmelt Ltd.(Rs.15.00 crore) for undertaking various AMR Schemes, ongoing projects and research work.

3.21 The following schemes of SAIL's units are scheduled to be completed during the financial year 2006-07:

Name of the Units	**Scheme**	**Target**	**Estimated cost (in crore)**	**Amount spent so far (in crore)**
Bhilai Steel Plant	Technical upgradation of BF 7	July 2006	170.41	1.66
	Rebuilding of coke oven battery	January 2007	219.04	7.33
	Installation of hydraulic AGC & plan view rolling in plate mill	July 2006	64.10	2.44
	Revamping/Replacement of B-Strand Wem	May 2006	74.66	0.65
Durgapur Steel Plant	Bloom Caster with associated facilities	May 2006	271.41	43.52
Rourkela Steel Plant	Rebuilding of coke oven battery No.4	March, 2005 revised to June, 2006	112.39	51.41
Bokaro Steel Plant	Rebuilding of coke oven battery No.5	January, 2007	198.84	19.97
Alloy Steel Plant	Installation of AOD with high powered EAF	June, 2006	54.16	2.75
		Total	**1165.01**	**129.33**

When the Committee wanted to know whether above SAIL units would be able to complete the above-mentioned schemes within the scheduled time and utilize the estimated funds in 2006-07, the Ministry of Steel stated as follows:-

"The status of implementation of the schemes as indicated is given below. Efforts will be made to utilize the funds as allocated against these schemes during 2006-07 (BE)".

PROJECTS UNDER IMPLEMENTATION

S.No.	Name of the Project	Cost (Rs. Cr.)	Schedule	Now scheduled
	Bhilai Steel Plant			
1	Upgradation of Blast Furnace-7	170.41	Jul'06	Aug'06
2	Rebuilding of Coke Oven Battery-5	219.04	Jan'07	Jun'07
3	Revamping of B-Strand of Wire Rod Mill	74.66	May'06	Aug'06
4	Hydraulic Automatic Gauge Control and Plan View Rolling in Plate Mill	64.10	Jul'06	Aug'06
	Durgapur Steel Plant			
1	Bloom Caster with associated facilities	271.41	May'06	Dec'06
	Rourkela Steel Plant			
1	Rebuilding of Coke Oven Battery-1	112.39	Mar'05	Oct'06
	Bokaro Steel Plant			
	Alloy Steels Plant			
1	Argon Oxygen Decarburisation and Electric Arc Furnace	54.16	Jun'06	Jun'06

3.22 When asked about the mechanism do SAIL have in monitoring the implementation of schemes under Corporate Plan 2012, the Ministry of Steel stated as follows:-

> "SAIL has well established Monitoring Mechanism for the projects under Implementation. Project Planning & Monitoring Groups are working at all the Integrated Plants to plan and schedule all construction activities and monitor, review and control the micro-planned schedule of projects. SAIL Board also review the progress of capital schemes regularly. The progress of capital schemes is also monitored on bi-monthly basis by Additional Secretary and Financial Advisor in the Ministry of Steel. The progress is reviewed at the highest level by Ministry of Steel(Secretary) on quarterly basis".

3.23 The Committee note that the steel sector PSUs generate I&EBR for implementation of their various capital schemes. In the year 2006-07 SAIL, RINL, NMDC and KIOCL have been allocated Rs.1275 crore, Rs.1452 crore, Rs.150 crore and Rs.200 crore respectively from their I&EBR. The Committee observe that for implementation of schemes and other investments in PSUs, generation of sufficient I&EBR and utilization of the same is equally essential. The Committee, however, note the discouraging trend that the steel PSUs have not only failed to utilize the I&EBR as reflected in BE but also faltered in expending even the reduced amount earmarked at RE stage. The extent of reduction at RE stage in the year 2005-06 in respect of SAIL, RINL, NMDC and KIOCL was 21%, 71.50%, 32.29% and 42.38% respectively. The Committee are perturbed to note that in the year 2005-06, RINL and KIOCL had failed to utilize nearly 85% of their reduced allocation with SAIL and NMDC surrendering nearly 30% and 45% of their allocated funds. The Committee are extremely unhappy that though the Monitoring Committee headed by the Additional Secretary and Financial Advisor(Steel) has been reviewing the progress of fund utilisation on bi-monthly basis, the PSUs were unable to overcome the obstacles in utilizing the allocated funds year after year.

While examining allocation and utilisation of I&EBR by SAIL in the year 2005-06, the Committee note that the Ministry has reduced the allocation of Rs.1030 crore provided in BE to Rs.815 crore in RE based on the progress of ongoing schemes and new proposals. The Committee are surprised to observe that SAIL has so far spent only Rs.129.33 crore out of the allocated amount of Rs.1165.01 crore constituting barely 11.13 per cent on the schemes scheduled to be completed before 31st March, 2007. The Committee consider the contention of the Ministry that no schemes got affected even after 21% reduction in allocation, entirely untenable and are of the view that there is not even the remotest possibility that SAIL would be able to utilize balance amount without further rescheduling of the targets.

The Committee feel that not only the Ministry floundered in reviewing the progress of various schemes but the monitoring mechanism of SAIL also failed to perform its functions effectively resulting in underutilization of funds year after year. The Committee, therefore, desire that a special Monitoring Committee may be set up in SAIL at headquarter level as the existing monitoring mechanism has failed to deliver the results. The Committee also desire the Ministry to review the progress of utilisation of funds at regular intervals and ensure speedy implementation of schemes and full utilization of funds.

(ii) Investment in Rashtriya Ispat Nigam Ltd. (RINL)

(Rs. in crore)

	Budget Estimate 2005-06			Revised Estimates 2005-06			Budget Estimate 2006-07		
Major Head	**Plan**	**Non – Plan**	**Total**	**Plan**	**Non – Plan**	**Total**	**Plan**	**Non – Plan**	**Total**
12852	--	895.75	895.75	--	255.35	255.35	--	1452.00	1452.00

3.24 Regarding the reasons for reduction from Rs.895 crore in BE 2005-06 to Rs.255.35 crore in RE 2005-06 and the schemes got affected due to this reduction, the Ministry of Steel informed as below: -

> "The BE 2005-06 was made envisaging Expansion outlay of Rs. 410 crore anticipating approval by March'05. However, the approval could be got approved only by the end of October'05, the plan outlay had to be revised downwards to Rs.22 crore. This was the main reason for the poor performance in actual expenditure of BE for 2005-06 due to certain other technical constraints, certain other schemes like Degassing facilities in SMS, had to be postponed for taking up along with the Expansion programme. The RE 2005-06 was made based on the state of approvals for expansion schemes and the progress of AMR Schemes. No scheme is affected due to revision at RE stage but the RE is made based on the outlay required for schemes".

3.25 The following are the appropriations made in 2006-07 BE:-

(Rs. In crore)

Name of the Scheme	**2006-07 (BE) Outlay**
Coke Oven Battery No.4	
Phase I	122.16
Phase II	42.00
Expansion	901.00
Accredited Pollution Control labs	52.00
Pulvarised Coal Injection	100.00
Air Separation Plan	60.00
Acquisition of Iron Ore Mine & Coking Coal Mine	60.00
Research & Development	15.00
AMR Schemes	100.00
Total	**1452.16**

"The major reasons for increase in outlay of 2006-07(BE) are on account of outlay for Expansion to the tune of Rs.900 crore, Coke Oven Battery No. 4 for Rs.164 crore, Pulverized Coal injection to the tune of Rs.100 crore etc.

In view of approval for expansion plan and progress achieved in respect of construction of Battery-IV, it is anticipated that RINL would be in a position to utilize the envisaged funds optimally. However, the expenditure on Coke Oven Batter No.4 (Phase-II) and Pulverized Coal Injection will take place only after obtaining the approval. Similarly, expenditure on Acquisition of Mines is subject to availability of Mines for which efforts are continuously being made".

3.26 The Committee note that RINL has been allocated Rs.1452 crore in BE 2006-07, an increase of 162% as compared to Rs.895.75 crore in BE 2005-06 with the provisions of Rs.901 crore to implement the expansion scheme and Rs.60 crore for acquisition of iron ore mine and coking coal mine. The Committee further note that the utilisation of funds for Coke Oven Battery No.4(Phase-II), Pulverized Coal Injection and acquisition of iron ore and coking coal mine is subject to approval and availability of mines which are extremely vital for RINL.

The Committee, therefore, desire that there should not be any procedural delay in clearing of the above schemes. The Committee also desire the Ministry to take effective steps to ensure early acquisition of iron ore and coking coal mines.

(iii) Investment in National Mineral Development Corporation Ltd.(NMDC)

NMDC is the single largest producer of iron ore and diamond in the country. It is engaged in exploring, development and exploitation of various other minerals.

(Rs. in crore)

	Budget Estimate 2005-06			Revised Estimates 2005-06			Budget Estimate 2006-07		
Major Head	**Plan**	**Non – Plan**	**Total**	**Plan**	**Non – Plan**	**Total**	**Plan**	**Non – Plan**	**Total**
12852	--	220.25	220.25	--	149.14	149.14	--	150.00	150.00

Detailed appropriation of Rs.150 crore in BE 2006-07:-

SCHEMEWISE DETAILS OF APPROVED CAPITAL OUTLAY : 2006- 07

Sl. No.	NAME OF SCHEME	BE 2006-07
A.	**CONTINUING SCHEMES**	
1	BAILADILA DEPOSIT 10/11A	3.00
2	NISP	2.00
3	UNI-FLOW SYSTEM	-
	TOTAL (A)	**5.00**
B.	**NEW SCHEMES:**	
1	BAILADILA DEPOSIT -11B	10.00
2	BAILADILA DEPOSIT -13	0.50
3	KUMARASWAMY	9.50
	TOTAL (B)	**20.00**
C.	**ADDITIONS/MODIFICATIONS & REPLACEMENTS**	**115.00**
D.	**TOWNSHIP**	**1.00**
E.	**EXPENDITURE ON RESEARCH & DEVELOPMENT AND OTHER NEW PRODUCTS/VALUE ADDED**	**5.00**
	TOTAL (E)	**5.00**
F.	**FEASIBILITY STUDIES**	
1	IN INDIA	1.00
2	**ABROAD**	
	TANZANIA	1.00
	TOTAL (F)	**2.00**
G.	**INVESTMENTS IN OTHER VENTURES**	
1	RAILWAY LINE JAGDALPUR-RAWGHAT	-
2	INVESTMENTS IN OTHER VENTURES	2.00
		-
	TOTAL (G)	**2.00**
	TOTAL OUTLAY	**150.00**

3.27 When asked about the steps taken/proposed to be taken to diversity its functions and whether any schemes sanctioned in 9th Five Year Plan are yet to be completed, the Ministry of Steel stated as below :-

> "The Company plans opening up of new mines viz. Bailadila Deposit 11B, Bailadila Deposit 13 and Kumaraswamy where the projects are awaiting the Environmental and Forest Clearance. Once the necessary clearances are obtained, NMDC will be able to harness the iron ore at those mines which will increase the production.
>
> Continuing schemes that have been approved in 9th Five Year Plan except NISP which got spilled over to 10th Five Year Plan have been implemented and completed. Though, NMDC Iron & Steel Plant (NISP)

was conceived at the end of 9th Five Year Plan, but the approval of the scheme could not take place in the absence of selection of alternate technology as originally envisaged Romelt technology could not materialize".

3.28 The Ultra Pure Ferric Oxide(UPFO) Plant at Visakapatnam, which was constructed at Rs.60.34 crore, operated for a brief period of 16.1.2004 till 31.3.2004 and discontinued for want of market tie up. When the Committee wanted to know the steps to run the plant, the Ministry of Steel stated as follows:-

"The production of UPFO from the plant is kept in abeyance on account of sales being not remunerative vis-à-vis cost of production. In view of the non viability of the UPFO plant operations, alternate uses of the plant are being explored for consideration".

3.29 In Tenth Plan, an outlay of Rs.401.00 crore was approved but later revised to Rs.1.00 crore for investment in Rajasthan Lignite Scheme, Rs.52.85 crore for coal project and Rs.123.49 crore for Arki Limestone Project. However, no amount has been spent so far. When asked about the reasons for such dismal performance, fate of these schemes and viability of the schemes, the Ministry of Steel submitted as under:-

"Rajasthan Lignite Scheme, Coal Project was proposed under Joint Venture and the same did not materialize with the result no expenditure could be incurred. For the present the same has been kept under abeyance. As regards Arki Limestone project, the same has been dropped due to non-viability".

3.30 In reply to a specific query of the Committee about the status of expansion plan of NMDC, the Ministry of Steel stated as follows:-

"NMDC is awaiting Environmental and Forest Clearances for the expansion plans with regard to its new schemes at Bailadila Deposit 11B, Bailadila Deposit 13 and Kumaraswamy. Once the necessary clearances are obtained from the competent authority NMDC will go in full swing in expansion".

3.31 The Committee find that in the year 2005-06, the allocation of funds to NMDC has been drastically reduced from Rs.220.25 crore in BE to Rs.149.14 crore in RE with marginal increase to Rs.150 crore in BE 2006-07. The Committee observe that setting up of NMDC Iron and Steel Plant (NISP) envisaged in 9th Five Year Plan got spilled over to 10th Five Year Plan is yet to be commissioned due to non-availability of Romelt Technology. Another major project of NMDC viz. Ultra Pure Ferric Oxide (UPFO) plant at Visakapatnam has ceased operation since April 2004 for want of market tie up. Further, the investment schemes viz. Rajasthan Lignite Scheme, Coal Project and Arki Limestone Project envisaged in Tenth Plan outlay involving Rs.401 crore have remained on paper. The Committee are extremely concerned at the performance of NMDC as not even a single scheme initiated by them in 10th Five Year Plan has been completed. The Committee are convinced that NMDC had taken up these schemes in an extremely casual manner without proper planning and feasibility studies.

The Committee, therefore, desire the Ministry to review the pending and proposed schemes of NMDC to ensure that only viable schemes are taken up after a detailed ground work to avoid wasteful expenditure.

(iv) Investment in Kudremukh Iron Ore Company Ltd (KIOCL)

(Rs. in crore)

	Budget Estimate 2005-06			**Revised Estimates 2005-06**			**Budget Estimate 2006-07**		
Major Head	**Plan**	**Non – Plan**	**Total**	**Plan**	**Non – Plan**	**Total**	**Plan**	**Non – Plan**	**Total**
12852	--	225.00	225.00	--	129.66	129.66	--	200.00	200.00

3.32 When the Committee called for the reasons for continuing reduction in I&EBR from Rs.225 crore in BE 2005-06 to Rs.129.66 in RE 2005-06 and Rs.200.00 crore in BE 2006-07 and possibility of generating internal resources, the Ministry of Steel Submitted as under: -

“During discussions with Ministry/Planning Commission the annual plan outlay of 2005-06(BE) of Rs.225 crore, was pruned to Rs.129.66 crore in 2005-06(RE). About Rs.100 crore were reduced from the 2005-06(BE). This reduction was made during October, 2005 considering the then realistic position and same was shifted to 2006-07(BE) and these schemes are expected to spill over to the 11th plan.

In order to meet the immediate requirement of keeping the Pellet Plant running, a temporary railway siding in NMPT yard has been constructed to receive iron ore by rail. This temporary facility, which has been created, will help the Company in maintaining generation of internal resources.

The reason for reducing the outlay are as under:-

1. **Development of permanent railway siding at Mangalore**

   Land has already been allotted by the KIADB. However, a portion of land allotted has been a matter of dispute in the High Court of Karnataka between the owner and KIADB. Once this matter is settled by the High Court, the work is expected to begin.

2. **Construction of bulk material handling facilities for receipt of iron ore by rail**

   Initially the proposal was to go on a turnkey basis. However, it was found, based on the quote received that the cost on turnkey basis was too high. Hence, after discussion it was decided to award the engineering consultancy on total responsibility basis to M/s MECON and execute the work by awarding to different contracts. The consultancy contract has since been awarded and work is in progress. Consequently, there is reduction in the outlay for the year 2005-06 (RE).

3. **Other Mine Development**

   An MoU has been entered into with M/s SAIL for formation of Joint venture company for mining and related activities to develop and work on Taldih alongwith Barsua and Kalta. M/s MECON have been entrusted with preparation of feasibility studies for upgradation of mines and setting up of a 2 million tonnes capacity Pellet Plant. The work of preparation of report is in progress. Considering this, reduction in expenditure was proposed in 2005-06 (RE)".

3.33 Responding to further query of the Committee about the sufficiency of allotment in BE 2006-07 to improve its financial performance, steps taken/proposed to be taken to improve its financial performance and to protect the welfare of employees, the Ministry of Steel stated as follows:-

"After realistic estimate the allocation in BE 2006-07 is made and the same will keep the Pellet Plant running and usher in development of new mines and formation of joint ventures.

With the stoppage of mining at Kudremukh w.e.f. 31st December 2005, the main objective of the outlay for 2005-06(RE) and 2006-07(BE) is to continue the Pellet Plant operation and also develop other mines. Simultaneously, it is also envisaged that development of new mines in Orissa, for which an MoU has already been signed with SAIL and it appears that Government of Karnataka, also recommended for allotment of 50% of Ramanadurg mine, to KIOCL, to sustain its operations.

Even with the closure of mining activity at Kudremukh w.e.f. 31st December 2005, all the welfare measures rendered so far has been continued. A voluntary retirement scheme has also been introduced. The Company is examining the possibility of redeployment of its workforce in the areas of new mine development as well as in Joint Ventures envisaged to the extent possible".

3.34 The Committee note that KIOCL has been allocated Rs.200 crore in BE 2006-07 for implementation of various new schemes/ongoing schemes as against Rs.225 crore in BE 2005-06 reduced to Rs.129.66 crore in RE 2005-06. The Committee feel that unlike the previous year, KIOCL should utilize the allocated amount of Rs.200 crore to retain its financial strength in the aftermath of Hon'ble Supreme Court direction to stop mining at Kudremukh. The Committee, therefore, desire that schemes/projects relating to acquisition and development of new mines should be given highest priority and incessant efforts should be made for the sustainability of the company.

CHAPTER IV

TENTH FIVE-YEAR PLAN: TARGETS AND ACHIEVEMENTS

Based on the 10th Five-Year Plan proposals of the PSUs/organizations under the Ministry of Steel, the discussions held with the Planning Commission and keeping in view the Plan priorities reflected in the Approach Paper to the 10th Plan, the outlay approved for the 10th Plan of the Ministry of Steel is given below:

(Rs. in crore)

(a)	Gross Budgetary Support	65 .00
(b)	Internal & Extra Budgetary Resources (I&EBR)	10,979.00
(c)	Total Outlay (a+b) of Ministry of Steel	11,044.00

4.1 The various targets/projections set by the Ministry for the 10th Five-Year Plan, PSU-wise, is given in the table below:-

(Rs. in crore)

Sl. No.	Name of PSUs/ Organisations	10th Plan (2002-2007) Approved Outlay		
		I&EBR	B.S.	Total Outlay
1.	Steel Authority of India Limited(SAIL)	5000.00	0.00	5000.00
2.	Rashtriya Ispat Nigam Ltd.(RINL)	860.00	0.00	860.00
3.	MSTC Ltd.	30.00	0.00	30.00
4.	MECON Ltd.	0.00	5.00	5.00
5.	Ferro Scrap Nigam Ltd.(FSNL)	56.00	0.00	56.00
6.	Hindustan Steelworks Construction Ltd.(HSCL)	25.00	22.00	47.00
7.	Bharat Refractories Ltd.(BRL)	36.00	33.00	69.00
8.	Sponge Iron India Ltd.(SIIL)	25.00	0.00	25.00
9.	Research & Technology Mission	750.00	0.00	750.00
10.	Kudremukh Iron Ore India Ltd.(KIOCL)	495.00	0.00	495.00
11.	National Mineral Development Corp.(NMDC)	3546.00	0.00	3546.00
12.	Manganese Ore India Ltd.(MOIL)	149.00	0.00	149.00
13.	Bird Group of Companies	7.00	5.00	12.00
	Total	**10979.00**	**65.00**	**11044.00**

Note :- Ministry of Steel has been exempted from earmarking 10% of its Budget for the North-Eastern Region, including Sikkim.

4.2 Consequent upon the mid-term appraisal of the 10th Plan, the Ministry of Steel has scaled down the outlay from Rs.11,044 crore(I&EBR:Rs.10,979 crore and Budgetary Support: Rs.65 crore) to Rs.8,476.68 crore(I&EBR:Rs.8,411.68 crore and Budgetary Support: Rs.65 crore). The details are as follows:

(Rs. in crore)

Name of PSUs / Organisations	I&EBR	BS	Total Outlay
1. Steel Authority of India Ltd.(SAIL)	3700.00	0.00	3700.00
2. Rashtriya Ispat Nigam Ltd.(RINL)	1219.65	0.00	1219.65
3. MSTC Ltd.	30.00	0.00	30.00
4. MECON Ltd.	0.00	5.00	5.00
5. Ferro Scrap Nigam Limited(FSNL)	56.00	0.00	56.00
6. Hindustan Steelworks Construction Ltd.(HSCL)	3.00	22.00	25.00
7. Bharat Refractories Limited(BRL)	10.00	33.00	43.00
8. Sponge Iron India Limited(SIIL)	25.00	0.00	25.00
9. Research & Technology Mission	300.00	0.00	300.00
10. Kudremukh Iron Ore (India) Ltd.(KIOCL)	200.00	0.00	200.00
11. National Mineral Dev. Corpn. (NMDC)	2660.00	0.00	2660.00
12. Manganese Ore India Limited (MOIL)	100.23	0.00	100.23
13. Bird Group of Companies	107.80	5.00	112.80
Total	**8,411.68**	**65.00**	**8,476.68**

4.3 While explaining the reasons for reduction in I&EBR in the approved 10th Five-Year Plan outlay from Rs.10,979 crore to Rs. 8,411.68 crore in Mid-Term Appraisal of 10th Five-Year plan, the Ministry of Steel stated as follows:

> **"(i) SAIL:-** Against the approved 10th Plan outlay of Rs. 5,000 crore SAIL's outlay has been reduced to Rs.3,700 crore due to shortfall in achieving the target of expenditure in first two years of the 10th Plan. The major reason for shortfall was depressed market condition and adverse financial position upto 2002-03, and reprioritization and deferment of schemes.
>
> **R&T Mission**: Against the approved 10th Plan outlay of Rs. 750 crore, outlay in respect of R&T Mission has been reduced to Rs. 300 crore in view of the rather unsatisfactory actual expenditure of only Rs.21.96 crore upto 31st March, 2005.

NMDC: Against the approved 10th Plan outlay of Rs. 3,546 crore, the outlay in respect of NMDC has been revised to Rs. 2,660 crore due to shortfall in achieving the target of expenditure in first three years of the 10th Plan due to delay in getting environmental/forest clearances for setting up of iron ore project in Bailadila and Donimalai regions, delay in acquisition of private land and finalization of agreement for Romelt shop in respect of NISP, political instability in Madagascar – which hampered investigation of gold deposits in that country – and absence of favourable results in investigation leading to winding up of operations in Namibia.

KIOCL: Against the approved 10th Plan outlay of Rs. 495 crore, an amount of Rs. 200 crore is proposed in Mid-Term review because expenditure on schemes such as 'Primary Ore Development' (Rs.115 crore) and 'Ductile Iron Spun Pipe' (Rs.180 crore) appear to be highly doubtful. In the case of Primary Ore Development, the Hon'ble Supreme Court Judgment clearly prohibits KIOCL from exploiting primary ore at Kudremukh. The DISP project of its JVC, KISCO, has run into serious liquidity problems and is not expected to come up during the next two years.

Information regarding allocation and actual expenditure on Plan schemes for which budgetary support had been provided to PSUs in each year of the 10th Plan i.e. from 2002-03 to 2005-06, and schemes completed is given in **Annexure – III.**

4.4 Regarding accomplishment of major thrust area in 10th Five-Year Plan, the Ministry of Steel stated the followings:-

"The growth of the iron & steel sector is dependent upon the growth of the economy in general and the growth of industrial production and infrastructure sectors in particular. When the 10th Five Year Plan was launched in 2002-03, the iron & steel sector had been experiencing a slow down for 3-4 years because of several factors like sluggish demand in the steel consuming sectors such as construction, capital goods and engineering goods industries, overall economic slow down, lack of investment in major infrastructure projects, cost escalation in the input materials for iron & steel sector and fall in international prices of steel due to global recession.

The effect of the slow down in the iron & steel sector was reflected in the poor financial performance of most of the PSUs under the Ministry of Steel during this period. In 2001-02 (last year of the 9th Plan) and 2002-03 (first year of the 10th Plan), 6 out of the 12 PSUs under the Ministry registered negative Profit After Tax (PAT) including SAIL and RINL. Therefore, major thrust areas of the Ministry of Steel in the 10th Five Year Plan was, in general, to help the domestic steel sector to overcome the problems faced by the steel industry due to the slow down in the iron & steel sector and, in particular, to improve the profitability of the PSUs under the Ministry.

To achieve this, several actions were taken by the Ministry during the 10th Plan to boost the demand in the steel consuming sectors like constitution of a National Campaign Committee for increasing the demand for steel in non-traditional sectors with special emphasis on penetration of rural markets, reduction in the cost of input materials like coal and coking coal, reduction in power and rail tariffs, reduction in excise duty on iron & steel items, reduction in import duties on key steel-making raw materials, strengthening of anti-dumping mechanism, etc. The PSUs under the Ministry also undertook several steps to improve profitability like intensive cost control measures, control on capital expenditure, productivity improvement through systematic application of new technology, rightsizing of manpower, improvement in labour productivity and adoption of market-oriented product mix with focus on customer satisfaction.

In the meantime there has been overall improvement in the domestic iron & steel sector vis-à-vis the sluggish outlook at the beginning of the 10th Plan. There has been remarkable improvement in the financial performance of almost all the PSUs under the Ministry. Factors like rise in international and domestic steel prices since 2002-03 and revival of demand for steel products coupled with the efforts of the Ministry and the PSUs during the 10th Plan have yielded positive results. The steel plants in the private sector also recorded impressive growth during this period. The PAT figures of PSUs for 2001-02 & 2002-03 (at the beginning of the 10th Plan) and for 2004-05 & 2005-06 (towards the end of the 10th Plan) given below, show the improvements in their profitability as well".

Profit After Tax (PAT) of PSUs

(Rs. in crore)

Name of PSU	2001-02 (Actual)	2002-03 (Actual)	2003-04 (Actual)	2004-05 (Actual)	2005-06 (Estimated)
1. Steel Authority of India Ltd. (SAIL)	-1707.00	-304.00	2512.00	6817.00	3528.00
2. Rashtriya Ispat Nigam Ltd. (RINL)	-75.15	520.69	1547.19	2008.09	1032.74
3. Hindustan Steelworks Const. Ltd. (HSCL)	-142.08	-135.54	-88.50	-94.21	-76.90
4. Bharat Refractories Ltd. (BRL)	-63.35	-74.50	-7.93	-5.21	-5.00
5. MECON Ltd.	-146.06	-70.83	10.72	10.73	14.50
6. Bird Group of Cos. @	-5.05	3.14	104.24	145.55	151.00
7. MSTC Ltd.	4.54	9.05	18.75	38.30	29.50
8. Ferro Scrap Nigam Ltd. (FSNL)	8.32	5.09	5.36	5.41	3.78
9. Sponge Iron India Ltd. (SIIL)	0.55	8.51	12.98	3.93	4.41
10. National Mineral Development Corp. (NMDC)	256.54	312.20	432.63	755.44	1441.15
11. Kudremukh Iron Ore Co. Ltd. (KIOCL)	88.37	87.54	300.70	649.84	397.53
12. Manganese Ore India Ltd. (MOIL)	19.52	17.78	28.51	126.90	72.32

@ Figures given in respect of Orissa Minerals Development Co, (OMDC), one of the four units of Bird Group. The remaining three units are loss making.

From the above table it will be seen that whereas 6 PSUs had negative PAT in 2001-02, only one PSU viz. HSCL has negative PAT in 2004-05 & 2005-06. The turnaround in respect of SAIL and RINL is especially noteworthy. Also, the PAT of PSUs like NMDC, KIOCL and MOIL, that were profit making even in 2001-02 & 2002-03, have shown dramatic increases in 2004-05 & 2005-06.

4.5 The actual expenditure vis-à-vis the approved plan outlays during the last four years of the 10th Plan, ***viz.*** 2002-03, 2003-04, 2004-05 and 2005-06(anticipated), as compared to the targets, are given in the table below: -

(Rs. in crore)

Name of PSUs/ Organisations	2002-03 Plan Outlay		2003 – 04 Plan Outlay		2004 – 05 Plan Outlay		2005 – 06 Plan Outlay	
	Outlay	Amount spent	Outlay	Amount spent	Outlay	Amount spent	Outlay	Antici-pated Expendi-ture
1. SAIL	500.00	224.33	600.00	454.32	650.00	531.63	1030.00	780.00
2. RINL	55.00	27.05	227.00	25.00	300.00	70.90	896.00	137.24
3. MSTC Ltd.	20.00	14.85	5.00	0.00	5.00	0.00	5.00	4.30
4. MECON	4.00	2.00	1.00	1.00	1.00	1.00	12.28	11.62
5. FSNL	12.00	14.91	11.50	5.33	11.50	12.93	10.00	17.39
6. HSCL	9.00	4.00	4.00	4.00	3.00	3.00	4.00	4.00
7. BRL	13.00	5.00	7.00	12.00	10.00	10.00	7.00	7.00
8. SIIL	5.00	2.00	5.00	2.02	9.00	1.10	5.00	0.76
9. R &T Mission	95.00	0.41	60.00	13.93	60.00	7.63	0.00	0.25
10. KIOCL	133.00	10.07	30.00	9.22	54.00	11.05	225.00	31.28
11. NMDC	527.05	113.05	481.55	65.12	321.90	46.76	220.25	122.03
12. MOIL	32.50	12.93	26.75	7.78	20.00	17.57	34.21	16.69
13.Bird Group of Companies	3.45	3.74	2.50	16.91	16.00	5.04	17.38	5.75
Total	**1409.00**	**434.34**	**1461.30**	**616.63**	**1461.40**	**718.61**	**2466.12**	**1138.31**

From the above table it will be seen that the actual plan expenditure during the first three years of the 10th Five Year Plan relative to the approved 10th Plan outlay has not been satisfactory, though there is a distinct trend of increase in the utilisation of plan outlay vis-à-vis the approved annual plan outlays. As against actual utilisation of 31.40% and 41.50% in 2002-03 and 2003-04 respectively, the utilisation in Annual Plan 2004-05 is 49.17%. This trend is further reflected in the increased Annual Plan outlay of Rs. 2466.12 crore for 2005-06(71% increase over the Plan outlay for 2004-05) and of Rs.3217.30 crore for 2006-07(30.50% increase over Plan outlay for 2005-06). Also, with the approval accorded by the Government in October, 2005 for capacity expansion of RINL from the existing level of 3 million tonnes(mt) per annum of Liquid Steel capacity to 6.3 mt per annum at an estimated cost of Rs.8,692 crore, the utilisation of the approved Plan outlays in the remaining years of the 10th Plan is expected to improve further.

In this context it would be relevant to mention that the 10th Five Year Plan outlay of the Ministry was finalized in 2001 while the market for steel sector stared showing signs of improvement from the year 2003. The low utilisation of plan outlays during the first two years of the 10th Plan and the subsequent trend of improvement in the utilisation of outlay, as also the increase in plan outlay for 2005-06 & 2006-07, are to a great extent reflection of this fact".

4.6 While analysing the expenditure pattern of Public Sector Steel Plants during the last four years of the 10th Five-Year Plan viz. 2002-03, 2003-04, 2004-05 and 2005-06(anticipated) as compared to the targets, the Ministry of Steel submitted as under: -

"The budgetary support and I&EBR at RE stage of the steel PSUs, actual expenditure and the unspent funds, from the year 2002-03 to 2005-06, are given in **Annexure – IV**".

4.7 The Committee observe that an outlay of Rs.11044 crore (I&EBR of Rs.10979 crore and Budgetary Support of Rs.65 crore) has been provided in 10th Five Year Plan of the Ministry of Steel with the aim of achieving the major thrust areas viz. improving the profitability of the Steel PSUs and facilitating the domestic steel sector to overcome the problems faced by it at the beginning of the Plan period. In the Mid-term Appraisal, the Plan outlay was scaled down by 24% from Rs.11044 crore to Rs.8476.88 crore (I&EBR of Rs.8411.68 and Budgetary Support of Rs.65 crore). The reasons advanced by the Ministry for reduction were depressed market condition and adverse financial position upto 2002-03, reprioritization and deferment of schemes, lesser expenditure on Research and Development, delay in execution of certain schemes of National Mineral Development Corporation and Kudermukh Iron Ore Company Ltd.

The Committee are constrained to note that the total expenditure during the first four years of the 10th plan was Rs.2847.89 crore which comes to merely 34% of approved outlay. Two major PSUs viz. SAIL and RINL could spent 53.79% and 21.33% only of their revised plan outlay. The Committee are anguished that in the terminal year of the 10th Five Year Plan, the Ministry still has an unspent balance of Rs.5628.99 crore. The Committee are deeply concerned about the possible impact of failure of the Ministry to expend the allocated amount on modernisation and expansion plans of the steel PSUs.

The Committee, therefore, desire the Ministry to speed up the implementation of schemes to ensure maximum utilisation of funds in 2006-07 and to focus on achieving the targets fixed in 10th Five Year Plan. The Committee also desire the Ministry to identify the constraints that have been responsible for lesser utilisation of funds during 10th Five Year Plan and prepare a strategy to address the same while formulating and implementing the 11th Five Year Plan.

4.8 When the Committee asked the financial assistance needs to be provided to improve the performance of MECON Ltd., HSCL and BRL, the Ministry of Steel stated as follows:-

MECON Ltd.

"A financial restructuring/revival package for equity infusion and other requirements of the company amounting to Rs.101 crore has been considered by the Board for Reconstruction of Public Sector Enterprises(BRPSE). Based upon recommendations of BRPSE, action will be taken accordingly.

HSCL

Since the financial condition of the company continued to be adverse, though it is making operational profits, a consultant, M/s. A.F Ferguson(AFF) was appointed to conduct a diagnostic study and ascertain future viability of the company. Based on the report of M/s. AFF, a comprehensive proposal has been submitted before the BRPSE to give its recommendations.

BRL

As the financial condition of the company continued to be precarious despite the financial package granted, the company was directed to get a fresh viability study conducted. Accordingly, a Business Plan-cum-Viability study was conducted by MECON Ltd. The recommendations contained in the study are under consideration of the Ministry".

4.9 The Committee find that despite the budgetary support amounting to Rs.51 crore to HSCL, MECON Ltd. and BRL in 10th Five Year Plan period, these PSUs have still not been able to generate I&EBR. The Committee note that the Ministry has sent a comprehensive proposal to the Bureau for Reconstruction of Public Enterprises(BRPSE) based on the diagnostic study conducted by a consultant on future viability of HSCL. A report on Business Plan-cum-Viability study on BRL is also under consideration of the Ministry.

The Committee, therefore, desire the Ministry to revamp/restructure HSCL and BRL in the light of studies conducted in this regard and prepare a road map to make them profitable.

CHAPTER V

PHYSICAL AND FINANCIAL PERFORMANCE

A. Steel Authority of India Ltd.(SAIL)

SAIL is a company registered under the Indian Companies Act, 1956 and is an enterprise of the Government of India. It operates and manages four integrated plants at Bhilai(Chhattisgarh), Bokaro(Jharkhand), Durgapur (West Bengal) and Rourkela(Orissa). Besides, another integrated steel plant at Burnpur is owned by Indian Iron Steel Company Ltd. which was earlier a wholly owned subsidiary of SAIL. IISCO has been merged with SAIL with effect from 16.2.2006. SAIL has three special and Alloy Steels units at Durgapur (West Bengal), Salem (Tamil Nadu) and Bhadravati (Karnataka). In addition to these, a Ferro Alloy producing plant at Chandrapur is owned by Maharashtra Elekrtosmelt Ltd., which is a subsidiary of SAIL. The IISCO-Ujjain Pipe and Foundry Co.Ltd. a subsidiary of IISCO, which was manufacturing Cast Iron Spun Pipes at its works at Ujjain (Madhya Pradesh), is under liquidation. Besides, SAIL has seven central units, *viz*. the Research and Development Centre for Iron and Steel (RDCIS), the Centre for Engineering and Technology (CET), the Management Training Institute (MTI) all located at Ranchi, Central Coal Supply Organisation located at Dhanbad, Raw Materials Division, Growth Division and Environment Management Division all located at Kolkata. SAIL Consultancy Division (SAILCON) functions from New Delhi. The Marketing of Products of SAIL plants is done through the Central Marketing Organisation (CMO), Kolkata which has a countrywide distribution network.

5.2 Physical Performance

Production of Steel

(in '000 tonnes)

	2004-05		2005-06		2006-07
	Target	**Actual**	**Target**	**Anticipated**	**Target @**
HOT METAL	13,590	13,203	13,581	13,975	14,070
CRUDE STEEL	12,522	12,460	12,611	12,720	13,000
SALEABLE STEEL	11,336	11,317	11,356	11,377	11,780
PIG IRON	479	363	485	579	490

@ The detailed plans for 2006-07 is yet to be finalized in SAIL. Therefore, provisional production plan based on an optimistic scenario is given which may undergo changes in line with market and operating conditions.

Production Plan 2004-05

The production plan and actual production for 2004-05 in respect of SAIL is indicated in the following Table:-

(Unit'000 T)

Item/Plant	Capacity	Target Production	Actual Production
1. Hot Metal			
Bhilai Steel Plant(BSP)	4080	4550	4511
Durgapur Steel Plant(DSP)	2088	2000	2017
Rourkela Steel Plant(RSP)	2000	1740	1691
Bokaro Steel Plant(BSL)	4585	4300	4132
Visvesvaraya Iron & Steel (VISL)	216	150	168
Indian Iron & Steel Co.(IISCO)	850	850	684
Total SAIL	**13819**	**13590**	**13203**
RINL	**3400**	**3950**	**3920**
2. Crude Steel			
BSP	3925	4400	4582
DSP	1802	1850	1806
RSP	1900	1597	1603
BSL	4360	3920	3835
Alloy Steel Plant(ASP)	234	115	150
VISL	118	120	127
IISCO	520	520	357
Total SAIL	**12859**	**12522**	**12460**
RINL	**3000**	**3300**	**3560**
3. Saleable Steel			
BSP	3153	3750	3935
DSP	1586	1700	1635
RSP	1671	1650	1556
BSL	3780	3500	3524
ASP	184	120	128
SSP	175	95	149
VISL	99	95	102
IISCO	426	426	287
Total SAIL	**11074**	**11336**	**11317**
RINL	**2656**	**2958**	**3173**

Production Plan 2005-06

The production plan during 2005-06 in respect of SAIL is indicated in the following Table:-

(Unit'000 T)

Item/Plant	**Capacity**	**Target Production**	**Anticipated Production**
<u>1. Hot Metal</u>			
Bhilai Steel Plant(BSP)	4080	4570	4900
Durgapur Steel Plant(DSP)	2088	2000	2000
Rourkela Steel Plant(RSP)	2000	1695	1650
Bokaro Steel Plant(BSL)	4585	4300	4500
Visvesvaraya Iron & Steel (VISL)	216	166	200
Indian Iron & Steel Co.(IISCO)	850	850	725
Total SAIL	**13819**	**13581**	**13975**
RINL	**3400**	**4000**	**4000**
<u>2. Crude Steel</u>			
BSP	3925	4410	4700
DSP	1802	1850	1750
RSP	1900	1624	1550
BSL	4360	3925	4000
ASP	234	150	150
VISL	118	132	150
IISCO	520	520	420
Total SAIL	**12859**	**12611**	**12720**
RINL	**3000**	**3400**	**3500**
<u>3. Saleable Steel</u>			
BSP	3153	3760	4000
DSP	1586	1705	1600
RSP	1671	1655	1450
BSL	3780	3510	3580
ASP	184	100	120
SSP	175	110	150
VISL	99	90	130
IISCO	426	426	347
Total SAIL	**11074**	**11356**	**11377**
RINL	**2656**	**3044**	**3125**

Production Plan 2006-07

The detailed plans for 2006-07 is yet to be worked out in SAIL. Therefore, provisional production plan based on an optimistic scenario is given below which may undergo changes in line with market and operating conditions.

(Unit'000 T)

Item/Plant	Target	
	Capacity	Production
<u>1. Hot Metal</u>		
Bhilai Steel Plant(BSP)	4080	4700
Durgapur Steel Plant(DSP)	2088	2000
Rourkela Steel Plant(RSP)	2000	1900
Bokaro Steel Plant(BSL)	4585	4500
Visvesvaraya Iron & Steel (VISL)	216	170
Indian Iron & Steel Co.(IISCO)	850	800
Total SAIL	**13819**	**14070**
RINL	**3400**	**4100**
<u>2. Crude Steel</u>		
BSP	3925	4500
DSP	1802	1850
RSP	1900	1800
BSL	4360	4100
ASP	234	150
VISL	118	150
IISCO	520	450
Total SAIL	**12859**	**13000**
RINL	**3000**	**3550**
<u>3. Saleable Steel</u>		
BSP	3153	3900
DSP	1586	1700
RSP	1671	1700
BSL	3780	3700
ASP	184	120
VISL	175	150
SSP	99	130
IISCO	426	380
Total SAIL	**11074**	**11780**
RINL	**2656**	**3175**

Labour Productivity

Trend of labour productivity from the year 2001-02 to H1 2005-06 is as follows:-

Crude Steel/tonne/man/year

Plants	2001-02	2002-03	2003-04	2004-05	H1 2005-06	H 2004-05
Bhilai Steel Plant	137	153	179	178	197	162
Durgapur Steel Plant	108	120	131	141	134	128
Rourkela Steel Plant	67	77	84	87	75	77
Bokaro Steel Plant	116	127	136	151	172	136

5.3 The Committee note that Steel Authority of India Ltd.(SAIL) as a whole achieved the full capacity utilisation in the year 2005-06 showing satisfactory improvement over the year 2004-05. The Committee are, however, distressed to find that except Bhilai Steel Plant rest of the units have failed to utilize either their capacity or achieve their target. In the case of Hot Metal production for the year 2006-07, whereas Bhilai Steel Plant has anticipated production of 4900 tonnes against the capacity of 4080 tonnes, Rourkela Steel Plant's production will be barely 1650 tonnes against the capacity of 2000 tonnes. As regards the production of crude steel and saleable steel, whereas Bhilai Steel Plant will be producing at 120% of its capacity, both the Bokaro Steel Plant and Rourkela Steel Plant will be operating between 80%-90% of their capacity. The Committee are constrained to observe that on the one hand Bhilai Steel Plant's performance has been exceedingly well, the other units have been barely utilizing their capacity with Bokaro Steel Plant and Rourkela Steel Plant lagging behind. The Committee desire SAIL to undertake a detailed Performance Audit of the SAIL units to pinpoint the weak links in their entire production process and take corrective steps before the next financial year.

The Committee are unhappy to note that the targets have been fixed below the capacity by SAIL and most of its units except Bhilai Steel Plant. As reflected in the production plan 2005-06, the target production of both Hot Metal and Crude Steel is below the installed capacity for the SAIL units though in respect of Saleable Steel, the target at 11356 tonnes is marginally higher than the installed capacity of 11074 tonnes. The Committee are anguished to note the laidback approach of SAIL in the present era of fierce and aggressive competitive environment, particularly when the global steel industry is booming.

The Committee deprecate that the detailed production plan for 2006-07 is yet to be worked out and the provisional plan based on optimistic scenario has fixed the target just marginally higher than the installed capacity. The Committee are not happy at this lackadaisical approach of SAIL and feel that if Bhilai Steel Plant can exceed the capacity utilisation, the other SAIL units can perform equally well.

The Committee, therefore, emphasize that in the current scenario with stiff competition from private sector steel players and current volatile international market, SAIL should set higher targets and strive to scale new heights.

Financial Performance

5.4 The financial results of SAIL as a whole are given in the table below: -

(Rs. in crore)

ITEMS	2003-04 (Actual)	2004-05 (Actual)	2005-06 (Anticipated)	2006-07 (Estimated)
Gross Margin	4,652	11,097	6,968	6,299
Net Profit	2,512	6,817	3,528	3,106

5.5 In response to a specific query of the Committee why the net profit is anticipated to go down in 2006-07 as compared to 2004-05 and 2005-06, its impact on implementation of Corporate Plan and SAIL's plan to make sustainable profits during 2006-07, the Ministry of Steel replied as follows: -

> "Globally, Steel is a cyclic industry. The cyclic nature of world Steel market was reflected once again as the year 2005-06 starting off with a historical high price line but ended with an over all downward correction of around 30%. Any upward and downward movement of international price has a direct impact on Prices of Domestic steel companies. Custom duty at 5% do not provide any safe guard to domestic Steel companies. Lower custom duty clubbed with decline in international prices has resulted in spurt in import of steel items in the country affecting the sales.
>
> NSR of steel product which peaked in 1st Quarter of current financial year has declined progressively in 2nd and 3rd Quarter, adversely effecting the profitability of SAIL. From April'05 to Feb'06, average NSR of SAIL products has declined by 27%.

Other than lower steel prices (NSR), high input costs mainly coking coal, demurrage rates, freight on Iron ore etc, has also resulted in lower financial performance by SAIL, inspite of improvement in techno-economic parameters & improved capacity utilization.

Plan to improve profit in 2006-07:

- Development and implementation of focused marketing strategies on various steel consuming segments such as tube maker, cold rolling units, water pipeline, oil & gas sector, wire drawing units, construction and TLT segment etc.

- Enlarging customer base and increasing number of bookings with actual consumers under MoU and Small Manufacturers' Booking Scheme.

- Thrusts on marketing to project segment in order to benefit from the wide range of products and presence of marketing outlets across the country.

- Improvement in Product Mix. Thrust on sales of special quality grades and value added items.

- Development of image of SAIL's branded products like TMT and GP/GC Sheets.

- Use of Alternate fuels in Blast Furnaces and reduction in usage of Coking coal.

- To maintain impetus on cost reduction and productivity improvement through systematic application of new technology and strong awareness to reduce cost at all levels of operations.

- To increase domestic availability of coking coal by acquiring new coking coal blocks and entering into partnership with BCCL.

- Exploring possibilities of Equity Participation in overseas coking coal mines.

- Enhanced Production through continuous cast route.

- Manpower rationalization.

- Adopting e-commerce for inputs procurement.

- Reduction in detention time of wagons at Plants to reduces demurrage charges.

- Increase in production/sales volume.

  Financial performance of 2005-06 is likely to surpass the MoU 2005-06 profitability target. As per SAIL's Corporate Plan 2012, financing of investment would primarily come from internal resources and if required, to meet the balance fund requirement, market borrowing will be resorted to. However, efforts would be made to keep the overall debt to equity ratio up to 1:1".

5.6 Status of implementation of modernisation scheme of IISCO

"The IISCO Steel Plant has now been merged with SAIL and two major schemes worth Rs.423 crore viz. Blast Furnace No. 2 and Coke Oven battery No.10 have been approved 'in principle' by SAIL Board. Plan for modernization of IISCO has been drawn, feasibility report has been prepared by MECON and is under examination by various appraising agencies and the financial institution".

5.7 Performance of Special and Alloy Steel Plant

Steps taken to improve physical and financial performance of Alloy Steel Plant. Salem Steel Plant and Visvesvaraya Iron and Steel plant are detailed below :-

Alloy Steel Plant (ASP), Durgapur

(1) "Various operational improvement schemes have been implemented to improve the performance of the unit. Major schemes taken up are :

   (i) Replacement of Roller Bearing of 650 Mill of Blooming & Billet Mill.
   (ii) Revamping of 60T VAD at Steel Melting Shop.
   (iii) Automatic Mould Level controller at Continuous Casting Shop.

(2) For improving financial performance sales mix have been improved by enhancing proportion of value added products such as Spade & Jackal steel, Sailcor and forged products etc. This has improved

the average net sales realization. ASP is expected to reduce losses substantially during current fiscal 2005-06.

(3) For further improving the performance of the plant the following major projects are under execution.

(i) Installation of Argon oxidation Decarburization (AOD) Unit.
(ii) Revival of EAF#4.
(iii) Oxygen Plant capacity 100 T per day on Build Own and Operate (BOO) basis.

The projects are at advanced stage of execution and expected to be commissioned during 2006-07.

Salem Steel Plant (SSP), Salem

SSP does not have its own steel making facility as such it is dependent on supply of input stainless steel slabs from very limited external sources. Stainless steel market witnessed steep fall from April 2005 and remained depressed through out the year 2005-06. This had adverse impact on stainless steel production and sales. Steps were taken to make up the production by producing higher volume of hot rolled carbon steel coils based on slabs made available from sister steel plants.

The detailed feasibility study for setting up Steel Making Facility and Cold Rolling facility at SSP Salem has been done by technical consultant M/s. M.N.Dastur & Co. and the proposal is under appraisal by financial institution IFCI. The appraisal report is awaited.

Visvesvaraya Iron & Steel Plant (VISL), Bhadravati

(1) Various operational improvement schemes and sustenance projects have been implemented to improve the performance of the unit. Major schemes/projects taken up are:

(i) Blast Furnace :- Two blower operation started from February 2006 after capital repair of 2nd electric blower.

(ii) Two Converter operation got stabilized. Various additional facilities are under execution.

(2) For further improving the performance of the plant the following major projects are under execution.

(i) Oxygen Plant capacity 50 T per day on Build Own and Operate (BOO) basis.

(ii) Installation of 350X 350 MM Bloom Caster capacity 125,000 Ts per year".

5.8 **SAIL's Corporate Plan, 2012**

The Corporate Plan is designed to increase the hot metal production to about 20 million tonne (mt) per annum against the current level of 13 mt per annum. This would happen through the optimal utilization of assets coupled with marginal capacity expansion, thereby enhancing SAIL's market share to about 27%, under the presumption that domestic consumption of finished steel would be in the region of 60 mt by 2011-12.

5.9 The plan envisages an investment of about Rs.25,000 crore upto 2011-12. These investments would be substantially funded from internal accruals and supplemented by market borrowing maintaining a Debt: Equity ratio of 1:1.

5.10 Responding to a query of the Committee about the status of implementation of Corporate Plan 2012, the Ministry of Steel submitted the following details: -

"SAIL formulated its Corporate Plan in 2004, covering a period up to 2012. The Corporate Plan envisages growth in volume of production from 13 MT to 22.5 MT of Hot Metal by 2011-12. In addition, the Plan aims to attain higher levels of growth in output with focused attention on Quality & Cost Competitiveness. For effective implementation, the Company has prepared a time bound schedule for the execution of the major schemes and is putting concerted efforts to adhere to the same to reap maximum benefits. Also, actions to ensure availability of quality raw materials, utilities support, infrastructure and functional strategies etc. to meet the growth targets have started.

Some of the actions have been taken in several areas as outlined below:

1. Projects for volume growth, cost and quality:

Major projects worth Rs. 720 crore have already been completed during 2004-05 and 2005-06. Major schemes worth Rs. 2182 crore are on-going as per Corporate Plan. During 2006-07 approval is expected to be accorded for projects worth Rs. 6000 crore based on feasibility report prepared.

2. Raw Materials:

Strategic tie-up for Coking Coal:

As part of efforts to meet increased coking coal requirements, SAIL has planned strategic actions to improve indigenous coking coal supplies to a level of 8 to 10 MTPA. This will be through partnership with BCCL by extending loans for development of BCCL mines, development of own mines and application for acquisition of Coal Blocks. In this regard, MoU is likely to be signed shortly for development of Seam 16A of Moonidih mines followed by Seam 15 of the same mine. SAIL is also developing its Tasra mine with help of BCCL and has further applied for allocation for mining of coal of Sitanalla mine in Jharkhand.

Iron Ore:

Actions for development of Chiria, Rowghat and Taldih Iron Ore Mines have been initiated and are in various stages of development. Taldih, Barsua mines are to be developed as a 4.0 MT mine in joint venture between KIOCL and SAIL. Orders for mining plan and EIA/EMP have already been placed.

3. Infrastructure:

Efforts are being made to ensure availability of infrastructure like Railways/Ports to facilitate expansion requirements:

Strategic alliance with Railways for special freight corridors is being pursued. For development of a new railway line between Haridaspur-Paradip SAIL has submitted EoI for acquiring 5-10% equity in the SPV. The line is to be operational by 2008.

SAIL is holding talks for getting more berths/ facilities at existing ports and also pursuing with the new ports for getting dedicated facilities.

Efforts are on to procure wagons through own your wagons scheme of railways.

4. Mergers and Acquisitions:

IISCO has been merged with SAIL w.e.f. 16th February'06.

Neelanchal Ispat Nigam Ltd(NINL) - Committee of Secretaries has recommended the merger of NINL with SAIL to CCEA. Further enabling actions in this regard are in progress, under the guidance of an empowered committee constituted by Ministry of Steel.

5. Utilities:

Power - Actions have been taken for augmenting power generation by existing power JVs to reduce cost of power and dependence on State Electricity Boards. In this regard, 2x250 MW plant is being put up at Bhilai. Order for main boiler – generator set has already been placed.

Oxygen - The contracts for installation of oxygen plants on BOO basis for all plants to meet the higher requirement of oxygen are being signed.

6. Information Technology:

A road map for major IT interventions has been drawn. Approval for ERP installation at BSP and BSL have already been accorded by SAIL Board.

These are some of the major actions initiated in the process of implementation of Corporate Plan 2012 by SAIL.

5.11 The Committee note that the year 2004-05 was an exceptional year for the steel industry with demand outstripping the supply, which resulted in higher realization for steel products. However, in the year 2005-06, the demand for steel products was sluggish resulting in lower realization. The Committee further note that though the steel production of SAIL units is increasing since 2004-05, the net profit has declined from Rs.6817 crore in 2004-05 to Rs.3528 crore in 2005-06. The net profit is likely to decline further in 2006-07 to Rs.3106 crore. SAIL has planned to increase profit by taking various steps like focus on marketing strategies, improvement in

product mix, use of alternate fuels in blast furnaces, acquisition of overseas coking coal mines and manpower rationalisation etc. The Committee are not satisfied with the reply of the Ministry that the proposed multiple interventions and its corporate plan 2012 would ensure competitiveness of SAIL to withstand the cyclic nature of steel industry.

The Committee in their 10th report on the Demands for Grants (2005-06) had cautioned that increasing cost of inputs coupled with cyclic nature of steel industry would put tremendous pressure on SAIL to improve its physical performance and recommended to revamp the corporate plan to suit the long-term requirements. The Committee are distressed to note that the measures taken by SAIL have not yielded the required benefits in arresting the decline in profit in 2005-06 and 2006-07.

The Committee, therefore, re-emphasize that the corporate plan be revamped and also effective short term and long term measures be taken to enable SAIL to maintain its pre-eminent position.

The Committee further note that one of the reasons advanced by the Ministry of Steel about decline in sales and consequent dipping of profits of domestic steel companies is further reduction in custom duty on finished products of steel from 10% to 5%. The Committee in their 10th report had expressed their view that duty structure introduced in Budget 2005-06 was anomalous and it should be rolled back from 10% to 15% on finished refractory. The Ministry in pursuance to the Committee's recommendation had sent proposal to the Ministry of Finance. The Committee are unhappy to note that the Ministry of Steel has not only failed to convince the Ministry of Finance but also could not take up the matter effectively to prevent further reduction in custom duty.

The Committee are apprehensive that the extant customs duty structure would further jeopardize the domestic steel industry with the possibility of spurt in import of steel. The Committee, therefore, recommend the Ministry to vigorously pursue the matter at the highest level to safeguard the domestic steel companies from the dumping of cheaper steel.

B. Rashtriya Ispat Nigam Ltd (RINL)

5.12 Visakhapatnam Steel Plant (VSP) is the first shore based integrated Steel Plant located at Visakhapatnam in Andhra Pradesh. VSP has an excellent layout, which allows expansion of the plant capacity to over 10 MTPA.

Physical Performance

Production of Steel

(in '000 tonnes)

Item	2002-03	2003-04	2004-05	2005-06		2006-07
	Actual	Actual	Actual	BE	RE	Target
Hot Metal	3942	4055	3,920	4,000	4,000	4,100
Crude Steel	3357	3508	3,560	3,400	3,500	3,550
Saleable Steel	3056	3169	3,173	3,044	3,125	3,175
Pig Iron	517	439	273	525	434	479

5.13 The production targets set for the year 2004-05 by the company, much above the rated capacities, were also surpassed registering a growth compared to the previous year by 5% in Light & Medium Merchant Mill (LMMM) production, 4% in Wire Rod production, 2% in Medium Merchant Structural Mill(MMSM) production and 0.13% in Saleable Steel production.

MoU targets were fulfilled by more than 100% in case of Liquid Steel and Saleable Steel. The performance against MoU targets is at 108% in Liquid Steel, 114% in Light & Medium Merchant Mill (LMMM) production, 113% in Wire Rod production, 115% in Medium Merchant Structural Mill(MMSM) production and 107% in Saleable Steel production.

The efficiency in Specific Energy Consumption achieved for the year 2004-05 is 6.07 G.Cal/tls as compared to the MoU target of 6.25 G.Cal/tls for the year. The efficiency in gross water consumption stood at 2.76 Cum/tls during 2004-2005 as compared to 3.31 Cum/tls of previous year. Gross Power consumption stood at 470 Kwh/tls during 2004-05 as compared to 481 Kwh/tls of previous year.

Financial Performance

(Rs. in crore)

Sl No	Item	2004-05	2005-06 BE	2005-06 RE	2006-07 BE
1.	Income	8,778.06	8,340.00	8,761.40	9,066.34
2.	Operating cost	5,507.07	6,778.13	6,710.10	7,646.56
3.	Gross Margin	3,270.99	2,232.84	2,051.30	1,419.77
4.	Profit before Tax	2,253.76	1,734.25	1,556.38	916.18
5.	Profit after Tax	2,008.09	1,598.27	1,032.74	592.00

5.14 The Committee specifically wanted to know the reasons for declining trend in net profit in 2005-06 and 2006-07 and steps taken to strengthen its financial performance, the Ministry of Steel replied as under: -

> "It may please be noted that the year 2004-05 was an exceptional year for Steel Industry with demand outstripping the supply. This resulted in higher realizations for steel products. However, in the year 2005-06 for most part the demand for steel products was sluggish resulting in lower realization. This was the major reason for steep fall in profit before tax for 2005-06 as compared to 2004-05. Further, the prices of Iron Ore was increased by M/s NMDC substantially by about Rs. 750 per ton Imported coking coal price also increased by about Rs. 2000 per ton in 2005-06. These also contributed for the fall in profit before tax in the year 2005-06. This trend was expected to continue in the year 2006-07 also when the Budget Estimates were prepared.
>
> On the tax front the income for the year 2004-05 was subject to Minimum Alternate Tax (MAT) which was around 8.4% due to accumulated losses to of Rs. 2914.09 crore as on 31.3.2004. The tax liability for the year 2004-05 was Rs.87.18 crore. The company was expected to wipe out the accumulated losses in the year 2005-06 as a result of which the income for the year 2005-06 is subject to regular income tax @ 33.66%. The tax liability was estimated at Rs. 523.65 crore for 2005-06 (RE). The increase of Rs. 436.47 crore in the tax liability is another reason for reduction in the net profit as compared to the year 2004-05.
>
> The Company is taking steps to improve techno-economic factors, implement cost control measures & improve productivity. The company is making efforts to acquire Iron Ore and Coal Mines to insulate from price fluctuation of major raw materials".

5.15 The Committee note that Rashtriya Ispat Nigam Ltd(RINL) has installed capacity to produce 3 million tons per annum of liquid steel and is operating at production levels of about 4.1 million tonnes (mt) hot metal, 3.5 mt of liquid steel and 3.1 mt of saleable steel, representing capacity utilisation levels of 119%, 117% and 119% respectively. Though RINL has fulfilled the Memorandum of Understanding target by more than 100%, the production target set for the year 2005-06 and 2006-07 is marginally higher than the preceding years. The Committee further note that the profit of RINL is expected to decline from Rs.2008.09 crore in 2004-05 to Rs.1032.74 crore in 2005-06 and Rs. 592.00 crore in 2006-07. The Committee also note that the operating cost of the RINL has increased from Rs.5507.07 crore in 2004-05 to Rs.6710.10 crore in 2005-06 and Rs.7646.56 crore in 2006-07. The Ministry has advanced the reasons such as sluggishness in market, higher price of iron ore and coking coal for increasing operating cost and declining profits. The Ministry has further stated that RINL is planning to augment profits by improving the techno-economic factors, implement cost control measures, improve productivity and acquisition of iron ore and coal mines.

The Committee are of the view that had RINL acted with foresight and taken the essential measures viz. increasing sale of value-added products, expanding customer base and future contract with consumers, it could have stemmed the steep decline in profit in 2005-06 and 2006-07. The Committee, therefore, recommend that RINL should devise long term strategic plan keeping in mind the uncertainty of steel industry and take efforts pro-actively to contain the operating cost and ensure consistency in profits.

CHAPTER VI

GENERAL TOPICS RELATING TO STEEL SECTOR

A. Research and Technology Mission

Research and Development in the iron and steel sector is normally being carried out by the steel plants, academic institutions and National Research Laboratories. However, to supplement and encourage research activities in the iron and steel sector, Government of India is providing financial assistance from the Steel Development Fund for some of the R & D projects received from the public and private sector steel plants, research laboratories and academic institutions etc.

6.2 The objectives of the Research and Development in the steel sector are as follows:-

- Design and development of new technologies & production processes.
- Reduction in raw material and energy consumption.
- Utilisation of waste materials.
- Development of new value-added products.
- Improvement in productivity and quality.

Research and Technology Mission :-

(Rs. in crore)

	Budget Estimate 2005-06			Revised Estimates 2005-06			Budget Estimate 2006-07		
Major Head	**Plan**	**Non – Plan**	**Total**	**Plan**	**Non – Plan**	**Total**	**Plan**	**Non – Plan**	**Total**
12852	--	60.00	60.00	--	65.00	65.00	--	--	--

6.3 The money released in RE 2005-06 from Steel Development Fund (SDF) for the approved research projects by the Empowered Committee is Rs.0.29 crore.

6.4 The Plan Outlay for R&T Mission has not been considered in Annual Plan, 2006-07 since the Planning Commission has suggested that as the expenditure on R&D schemes of R&T Mission is met out of the Steel Development Fund(SDF), it need not be included in the Plan Schemes of Ministry of Steel.

6.5 In reply to the Committee's query about the built-in mechanism to monitor the utilisation of funds made from Steel Development Fund and appropriation of the amount to be allotted in 2006-07, the Ministry of Steel submitted as below:

"There is an established mechanism for the utilization of funds made from Steel Development Fund (SDF) for Research & Development, which are as under:

(i) At the time of evaluation/approval of research proposals, it is ensured that head-wise allocation of fund has been made and the estimated expenditure under each head is reasonable.

(ii) The proposer submits six-monthly phased wise requirement of money, based on which the 1st installment is released.

(iii) Quarterly progress report along with utilization certificate is submitted by the proposer which is examined by the Ministry of Steel before releasing 2nd installment. Un-utilized money and interest accrued, if any, is adjusted in the 2nd installment. The same procedure is followed for other installment(s). At the end, on completion of the project, utilization certificate duly certified by the Chartered Accountants is also insisted along with the final report.

(iv) In respect of mega project (costing Rs. 1 crore and above), the progress of the project and utilization of fund is also monitored by the Empowered Board constituted for this purpose.

(v) In addition the Joint Plant Committee, Kolkata also keeps a check on proper utilization of money by the proposer and report to Ministry of Steel in case any deviation is noticed.

According to present estimates, an amount of Rs.70 crore may be required to be released during 2006-07 for the on going and newly sanctioned projects (including the Steel Research & Development Mission for which provision of an amount of Rs.55 crore has been kept). In addition, there are some pending research proposals and are at various stages of examination for SDF assistance which if approved may also require some funds. The above amount is proposed to be allotted from the SDF".

6.6 Amount spent by the PSUs under Research and Development Scheme:-

(Rs. in crore)

Sl. No.	**Organisation**	**2003-04**	**2004-05**	**2005-06 (upto Sept, 2005)**
(i)	Steel Authority of India Limited	71.91	60.55	30.30
(ii)	Rashtriya Ispat Nigam Limited	2.50	-	-
(iii)	National Mineral Development Corporation	6.51	6.03	3.08
(iv)	Kudremukh Iron Ore Company Ltd.	3.50	0.62	0.52
(v)	Manganese Ore (India) Ltd.	1.08	2.75	0.70

The Committee wanted to know the reasons why the overall performance of Steel PSUs in Research and Development has been worsening year by year, and steps taken to encourage R&D in iron and steel sector, the Ministry of Steel stated as follows:

"Amongst the Steel PSUs, R&D is mainly carried out by RDCIS, SAIL. Though the capital expenditure on R&D has been reducing, the technological outputs of the center during the last three years has shown a consistent trend which is reflected in terms of R&D projects completed, patent/copy rights filed, paper published etc. All these inputs have been responsible for better performance of the steel plants with improved techno economic parameters.

In view of very limited R&D investment and the direction of the Standing Committee for increasing R&D expenditure in iron and steel sector, Ministry of Steel has reviewed the position and after wide ranging brain storming and consultation with scientists, technologists and industry a Task Force was set up to review the existing institutional infrastructure, identify the gaps, identify the present/future needs of the industry and to suggest a blue print for setting up an Advanced Research Centre for Iron and Steel for innovative/path breaking technology to utilize domestically available resources.

The Task Force recommended creation of a Virtual Centre, to revitalize the existing R&D centers, augmenting human and R&D infrastructure through focused projects and programmes and thereby encourage R&D in Iron and Steel sector solving various problems confronting the Indian Iron and Steel Industry. The proposed Virtual Centre namely Steel Research & Development Mission (SRDM) will be a registered Society and the affairs of the centre is to be governed and driven entirely by a **Governing Council (GC)** comprising of eminent scientists/technologist/professionals, leading industrialists and one representative each from Ministry of Steel and Ministry of Science & Technology. A Director will manage the day to day affairs of the Centre. Besides the Director, there will be engineers/scientists/technologists for taking up specific R&D projects.

The proposed Virtual Centre is expected to encourage R&D in iron steel sector. It will identify and undertake basic/applied research to develop appropriate and innovative/path breaking technology for cost effective production of quality of steel to primarily with indigenous raw material including the degrading resources in an environment friendly manner and also market/implement the research result in the industry. The idea is to create a centre completely networked with the existing academic and research institution which would be meant and driven by the scientific community themselves".

6.7 When the Committee wanted to know the possibilities of joint research by Public and Private Sector steel plants and the role of Ministry of Science and Technology in promoting Research & Development in steel sector, the Ministry of Steel submitted as follows:

"Ministry of Steel has been exploring the possibilities of joint research by public and private sector steel plants through SDF assisted R&D projects. The Empowered Committee had approved the following two joint research projects:

(i) Production of CC Billet/Bloom of quality suitable for single-stage conversion into special Bars Tata Iron & Steel Co. Ltd. and RDCIS, SAIL, Ranchi

(ii) Maximisation of blast furnace productivity with Indian iron ore: by National Metallurgical Laboratory (NML), Jamshedpur, Tata Steel Ltd (T) and Research and Development Centre for Iron and Steel (RDCIS), Steel Authority of India Ltd. (S), Ranchi.

Department of Science & Technology (DST) as well as Deptt. Of Scientific & Industrial Research are represented in the Empowered Committee of the Ministry of Steel which approves/reviews R&D projects. Besides, Department of Scientific and Industrial Research is also represented in the Evaluation Group, which is responsible for techno-economic evaluation of R&D projects before the same are placed before the Empowered Committee. In addition, in a few research projects approved by the EC, DST has also contributed money for the part funding".

6.8 The Committee in their 10th report on the Demands for Grants(2005-06) had deprecated the utter lack of concern for R&D in the Ministry of Steel as no allocation was made for the same in the year 2005-06 and miniscule expenditure of Rs.22.22 crore was incurred till then in 10th Plan period as against the allocated fund of Rs.750 crore later reduced to Rs.300 crore. The Committee had, therefore, emphasized the indispensability to invigorate the R&D in steel sector. The Committee note that in pursuance of their recommendation, the Ministry constituted a Task Force to review the existing institutional infrastructure, identify the gaps, identify the present/future needs of the industry and to suggest a blue print for setting up an Advanced Research Centre for Iron and Steel for innovative and path breaking technology to utilize domestically available resources. The Task Force recommended creation of a virtual centre namely Steel Research and Development Mission(SRDM), a registered society, comprising of eminent scientists/technologists/professionals, leading industrialists and one representative from the Ministry of Steel and Ministry of Science and Technology.

The Committee hope that the creation of Steel Research Development Mission (SRDM) is a step in the right direction to address the various issues staring at steel industry. The Committee desire that concerted efforts should be made to enable the SRDM to complete the task assigned to it in a time bound manner in order to achieve and sustain technological excellence.

The Committee also note that some pending research proposals, awaiting clearances are at various stages of examination. The Committee are deeply anguished to note that in the year 2005-06 a paltry sum of Rs.29 lakhs has been released from the Steel Development Fund for the approved projects.

The Committee, therefore, reiterate that the processes and procedures involved in the clearance of the proposals needs to be simplified for speedy and efficient disposal. The Committee also desire that in order to have technology that suits the domestic steel sector with the available domestic inputs, network of R&D may be expanded with active participation of interested foreign research and academic institutions and IITs.

B. Availability of Raw Material

6.9 In reply to a specific query of the Committee whether any Steel PSU faced short supply of raw material in 2005, the Ministry of Steel stated as below:

> "**Steel Authority of India Limited (SAIL)**
> SAIL has not faced any short supply of raw materials in 2005-06.
>
> **Iron ore:** Corporate plan -2012 of SAIL envisages iron ore linkages to its Steel plant. Total requirement of Iron ore would be met from its own sources. SAIL has iron ore reserves to meet its iron ore requirement for the next 20 years. However, renewal of mining leases are pending with Jharkhand State and Orissa State for a long time. In case renewal of existing leases particularly Chiria and new leases at Rowghat and Thakurani are not granted, the iron ore linkage beyond 2012 would be difficult.
>
> **Coal:** SAIL is sourcing its coal requirement from indigenous sources (34%) and imported sources (66%). Action has been initiated for ensuring 8-10 MTPA of coking coal from indigenous sources.
>
> **Flux:** The requirement of fluxes by 2011-12 in SAIL plants would be around 6.77 MT of Limestone and 5.31 MT of Dolomite. The quality of flux from captive sources are not conducive for steel making due to higher content of acid insoluble and lower level of lime content. As a result, captive mines will be able to meet partly the requirement of flux for iron making and balance flux for iron and steel making would be met through purchases.

Sponge Iron India Limited (SIIL)

SIIL has faced shortage of Iron ore during 2005-06. The shortage of raw material in SIIL is cropped up mainly because of heavy demand of iron ore from Karnataka State due to large number of sponge iron plants that have come up in the area. Regarding coal, frequent change of sources of coal mines by M/s. Singareni Collieries (M/s. SCCL) is also amounting to quality problems and increased input cost.

Rashtriya Ispat Nigam Limited (RINL)

RINL has not faced any short supply of raw materials in 2005. RINL at present does not have adequate linkage of raw material for the next 20 years. However, RINL enters into annual agreements with NMDC to meet its requirement of iron ore. RINL has been allotted medium coking coal blocks at Mahal in Dhanbad District of Jharkhand. This will take some time for developing the block. RINL has its captive dolomite and limestone mines which will take care of its requirements for the next 20 years.

An amount of Rs. 111.55 crore has been earmarked during the 10th Five-year plan for acquisition of Iron Ore and Coal Mines. The company applied for allotment of coal blocks in Jharia, East and West Bokaro coalfields and allotment has been recently received for two Coal Blocks in Mahal. The company also applied for mining leases for Iron ore in the States of Orissa, Chhattisgarh and Andhra Pradesh. The company is also exploring for possible investments in joint ventures with coal mining companies abroad to have captive sources for meeting their coal requirements. Ministry is also providing all help to get mining leases of iron ore for RINL (VSP)".

6.10 When asked about the steps taken/proposed to be taken to modernize existing iron ore mines as well as acquiring new iron ore and coal mines in view of enhanced production plans of SAIL units, the Ministry of Steel informed as follows:

"Iron Ore Mines:

To meet the enhanced production plan of SAIL, it has been proposed to expand some of the mines and develop new mines. The details are given below:

- Existing mines at Chiria, Bolani, Barsua-Taldih would be expanded.

- New mines would be developed at Rowghat in Chhattisgarh and Thakurani in Orissa.

- Development of south block as replacement to existing Kiriburu mine and Central block to existing Meghataburu mine.

Steps have been taken so that the developmental works are completed by 2011-12. These are :

Chiria: Detailed project report to produce 7 MTPA is being prepared by MECON and would be submitted by May'06. Application has been submitted to Jharkhand State Govt. for acquisition of land, EIA/EMP report has been prepared by NEERI. Application for NOC from State Pollution Control Board (JSPCB) has been submitted to State Govt. Presentation has been made to JSPCB on 11.03.06. JSPCB has to fix date for public hearing before giving NOC. Renewal application for all the six leases are pending with State Govt. Regarding rejection of two renewal application, namely Sukri – Latur and Ajitaburu, Mining Tribunal Govt. of India vide its order dated 8.11.05 has quashed and set aside the rejection order of State Govt. and has asked to reconsider SAIL's renewal application. As desired by State Govt. SAIL has submitted it's growth strategy for Jharkhand on 1.03.06. Renewal of mining leases are critical for meeting the long term iron ore requirement of SAIL.

Rowghat: Rowghat mine would be developed to produce 14 MTPA to meet the long term requirement of BSP. With the depleting iron ore reserves of existing Rajhara and Dalli group of iron ore mines, Rowghat would be the most economic source of iron ore supply to BSP. SAIL's application for de-reservation of forest area was considered by MoEF, GOI on 25.8.05. MoEF has desired SAIL to reduce the requirement of forest area. As per suggestion of MoEF, revised proposal along with approved mining plan by IBM would be resubmitted to MoEF through State Govt.

Thakurani: SAIL's application for grant of prospecting license (PL) is under consideration of Orissa Govt. After grant of PL, application for forest clearance for carrying out exploration and prospecting would be submitted to State Govt.

Barsua-Taldih: Barsua-Taldih deposit would be developed in Joint venture with KIOCL. Feasibility Report (FR) has been prepared and accepted by SAIL & KIOCL. Process initiated for preparation of mining plan, ore testing, preparation of EIA/EMP and DPR. The mine would be developed to process 4.25 MTPA of ROM and produce 1.6 MTPA of iron ore lump and fines and 2 MTPA of pellets for consumption of SAIL plants.

Bolani: Being expanded to 5 MTPA from the present capacity of 3.44 MTPA.

South Block and Central Block: EIA/EMP has been prepared. Mining scheme is under preparation.

All these developmental plans will depend on renewal of mining leases, forest clearances and environment clearances.

There are no plans for acquiring iron ore mines, since the mines allotted to SAIL have sufficient resources to take care of SAIL's growth requirement.

Coal Mines: As per Corporate Plan of SAIL, the coking coal requirement will increase from the present level of around 15 MTPA to 22 MTPA by 2011-12. Due to poor availability of indigenous coking coal from CIL, most of the present requirement is being met by imports.

In order to reduce dependence on imported coal and to meet increased requirement, SAIL has planned to increase domestic availability of coking coal to the level of 8-10 MTPA. In this regard, SAIL is looking at opportunities for acquiring new coking coal blocks for development as well as entering into partnership with BCCL (a subsidiary of CIL) by funding their projects. Steps taken by SAIL in this regard are as follows:

(a) **Partnership with BCCL**:

(i) **Development of Moonidih Seam 16 Top** – SAIL has agreed to provide interest bearing fund to the tune of Rs.166 crore to BCCL for upgradation of its seam 16 Top of Moonidih mine. Entire output of about 0.66 MTPA (ROM) from the scheme would be for the captive use of SAIL plants. Both SAIL and BCCL Boards have approved the proposal and an MoU between SAIL and BCCL is likely to be signed shortly.

(ii) **Development of Moonidih Seam 15** - BCCL is planning to develop the seam 15 of Moonidih with an output of about 0.6 MTPA of ROM coal. SAIL has agreed to finance the development in return for which, output from mine would be dedicated to SAIL.

(iii) **Kapuria Block** – The Block has a mineable reserve of about 37 MT, which can be developed into a modern mine of about 2 MTPA production. SAIL has shown interest to CIL/BCCL for participation in development of this mine in joint venture in order to secure out put from the mine.

(b) **Sitanala Coking Coal Block:** SAIL, during October 2005, have filed an application (letter of interest) for development of Sitanala coal block. The block having around 108 MT reserves can be developed to produce about 1-2 MTPA of coal through underground mining. The application is under examination by Ministry of Coal.

In addition, SAIL is also taking action to develop Tasra coking coal Block of IISCO Steel Plant. SAIL is pursuing with BCCL and other agencies for acquisition of balance land so that mining can be started at the earliest.

After discussion between SAIL & CIL, BCCL has agreed to become the operating agency for mining at Tasra. Two patches for start of initial mining operations have been identified by BCCL and mine planning is in progress."

6.11 Status of Iron Ore Mining Leases of Steel PSUs :-

SAIL:

STATE – ORISSA

Sl. No	Mines	Total Area (ha)	Granted on	Valid up to	Status of Mining lease renewal
(I)	IRON ORE				
1.	Bolani	1321.45	11.04.90	10.04.10	Valid
		1786.14	14.11.62	13.11.82	Under deemed extension. First renewal application submitted on 12.11.82. Second renewal application submitted on 26.03.2002
2.	Barsua-Kalta	2486.38(ML130)	06.01.60	05.01.90	Under deemed extension. Renewal application submitted on 7.12.88
		77.96 (ML162)	29.04.80	28.04.00	Under deemed extension. Renewal application submitted on 21.4.99
		25.98(ML139)	17.01.75	16.01.95	Under deemed extension. Renewal application submitted on 16.2.94
		3.34(ML227)	18.01.84	17.01.04	Under deemed extension. Renewal application submitted on 4.01.03
		117.44(ML232)	18.08.69	17.08.89	Under deemed extension. Renewal application submitted on 16.8.88
3.	Kiriburu	1051.98 (Horomoto)	01.01.70	31.12.99 **lapsed w.e.f. 10.02.88**	Lease declared lapsed w.e.f. 10.02.88 for non- commencement of mining operation by Orissa State Govt. vide order dt.02.06.92.

STATE - JHARKHAND

Sl. No	Mines	Lease Details/ Total Area(ha)	Granted on	Valid up to	Status of Mining lease renewal
(I)	IRON ORE				
1.	Kiriburu-Meghatuburu,	KC – 30 **(Lease No – I)** 1936.06	23.03.60	27.03.90	Under deemed extension. Renewal application submitted on 18.07.87. Duplicate renewal application submitted on 16.6.2004.
2.	Kiriburu-Meghatuburu,	KC – 23 & 24 **(Lease No – II)** 879	06.02.73	05.02.03	Under deemed extension. Renewal application submitted on 5.2.2002
3.	Kiriburu-Meghatuburu,	KC – 27 & 28 **(Lease No – III)** 82	01.10.73	30.09.03	Under deemed extension. Renewal application submitted on 26.9.2002
4.	Gua	Duarguiburu 1443.725	22.02.79	21.02.09	Valid.
	Dist. West Singhbhum (IISCO)	Jhillingburu-I 210.526	12.05.50	11.05.80	Renewal Application rejected by State Government on 15.02.2004.
		Jhillingbhuru-II 30.440	12.05.50	11.05.80	Under deemed extension. Renewal application submitted on 7.5.1979
		Topailore 14.170	09.03.70	08.03.00	Under deemed extension. Renewal application submitted on 6.3.1999
5.	Manoharpur (Chiria)	Budhaburu 823.643	08.12.75	07.12.05	Under deemed extension. Renewal application submitted on 17.11.2004
	Dist. West Singhbhum (IISCO)	Ajithaburu 323.75	07.12.47	06.12.77	Renewal Application rejected by State Government on15.12.2004. **
	Manoharpur (Chiria)	Sukri Latur 609.57	22.03.49	21.03.79	Renewal Application rejected by State Government on 15.12.2004. **
	Dist. West Singhbhum (IISCO) contd.	Dhobil 512.83	08.03.78	07.03.98	Under deemed extension. Renewal application submitted on 6.3.1997
		Tatiburu 38.850	01.09.49	31.08.79	Renewal Application rejected by State Government on27.08.2005.
		Ankua 67.16	14.06.82	13.06.92	Under deemed extension. Renewal application submitted on 12.6.91.

** Mining Tribunal, GOI, vide its order dated 8.11.05 has quashed and set aside rejection orders of State Govt and has asked to reconsider renewal application.

STATE - CHHATTISGARH

Sl. No	Mines	Lease Details	Total Area (ha)	Granted on	Valid up to	Status of Mining lease renewal
	IRON ORE					
1.	Rajhara Dist. Durg (BSP)	Mechanised mine & Konkar West	220.42	30.03.60 and subsequently w.e.f 28.04.2003	**27.04.23**	Valid
2.	Dalli Dist. Durg (BSP)	Mechanised Jharandalli & Konkar East	719.60	05.11.62 and subsequently w.e.f 01.06.2003	**31.05.23**	Valid
		Mannual-Mayurpani	100.00	26.04.63 and subsequently w.e.f 21.08.2003	**20.08.23**	Valid

3.	Mahamaya & Dulki Dist. Durg (BSP)		1522.67	05.05.71	03.11.01	Under deemed extension . Application for 1st Renewal of M.L. submitted on 3.11.2000. Pending with MRD, GOCG, Final grant awaited.
4.	Kalwar-Nagur Dist. Kanker (BSP)		938.059	01.10.74	31.03.05	Under deemed extension. Application for 1st Renewal of M.L. submitted on 17.03.2004. Pending with MRD, GOCG .

Ministry of Steel facilitates SAIL in getting clearance of Mining lease in time through interventions as and when required.

6.12 National Mineral Development Corporation (NMDC):

Kumarawamy Mining Lease: State Government of Karnataka has renewed NMDC's mining lease in the Kumarawamy Range of Bellary District (ML No. 1111). NMDC proposes to commence mining operations in the Kumarawamy range shortly. However, a private party M/s Deccan Mining Syndicate has obtained a stay from the Karnataka High Court on the renewal of the lease in favour of NMDC. The stay has been obtained on the minor issue of alleged overlapping of boundaries of NMDC's lease with that of the private party. In the writ petition filed by the private party, the State Government has been made respondent no.1 whereas NMDC is only the 4th respondent. It is of utmost importance that the stay is vacated and the writ petition is disposed of early so that NMDC's plans to start mining in this area are not impeded. An early commencement of mining operation in Kumarawamy is critical to NMDC's continued operations in the state. NMDC's operations and production from its existing Donimalai mines will gradually diminish and will eventually stop in the next few years and has to be replaced and supplemented by production from Kumarawamy mines. Impediments in the way of developing new mines in Kumarawamy will have serious consequences for NMDC's capacity to meet growing demand of iron ore of iron and steel plants both in the region and other parts of the country. NMDC has requested the Ministry of Steel to approach Government of Karnataka for approaching the Advocate General of Karnataka to appear on behalf of the Government of Karnataka which is made a party (First respondent) in the above Writ Petition. In this regard, Ministry of Steel has requested the State Government of Karnataka for necessary action in vacating the stay as requested by NMDC. As per information received from State Government of Karnataka, Advocate General has already been requested for necessary action in vacating the stay order of High court.

Bailadila Deposit-11B: The Board in its 381st meeting held on 25th January'05 gave its approval for investment in development of Bailadila Iron Ore Project Deposit-11B at a capital outlay of Rs.295.89 crore. Assistant Inspector General of Forests, Ministry of Environment and Forest(MoEF) vide his letter No. F No.8-98/97-FC(Vol.II) dt.6-12-2004, conveyed the approval of the Central Government for felling of trees over Deposit-11B. DFO Dantewada has finalized compensatory afforestation scheme required for felling of trees along the proposed down hill conveyor alignment. This has been forwarded to Nodal officer, Raipur on 1st June 2005. Govt., of Chhattisgarh, Raipur is yet to issue tree cutting order in this regard. NOC has been issued by CE & OSD, CECB, Raipur on 18th Nov'05. Section Officer (IA-II), MoEF, New Delhi addressed a letter to Director, Ministry of Steel (MoS), New Delhi accepting NMDC's application regarding Dep-11B environmental clearance vide letter of even number dated 20.12.2005 is pending in MoEF. The matter has not been listed for discussion in the Expert Committee meeting scheduled to be held on 23/24-.02.2006. NMDC is pursuing the matter.

Bailadila Deposit-13: Revised application for forest land diversion of 413.745 ha. has been submitted on 13th March 2004. Secretary-Forest, CG Government, has asked NMDC to submit mining plan duly approved by IBM. Vide letter dated 16/6/05 & 8/8/05, Principal Secretary, Mineral Resource Department, CG Government has been requested to communicate the precise ML area for enabling NMDC to submit mining plan for approval by IBM. NMDC Board in its 384th meeting held on

28/7/05 has accorded approval for signing of MoU with CMDC for development and exploration of deposit No.13. The MoU document is being prepared. Mining plan will be resubmitted after getting the letter of intent from Chhattisgarh Govt. Recently CMDC has forwarded the terms and conditions for entering in to the JV with NMDC. The same is under examination by NMDC.

Ramandurg Mining lease: NMDC is one of the applicants for this iron ore deposit. The area was earlier reserved for exploitation by PSUs of the Government. State Government de-reserves the area in 2003. NMDC has filed a writ petition in High Court of Karnataka against the decision of the State Government of Karnataka for de-reserving the area. The judgment in respect of this writ petition is under dictation. State Government of Karnataka has requested this Ministry to advise the company to withdraw the case. NMDC was advised to obtain the legal opinion. In the legal opinion, it has been advised that at the fag end of the case, there is no meaning in withdrawing the case. It has also been advised that in case NMDC withdraw the case and State Government does not act in accordance with law, the only remedy left with NMDC would be to file the revision before Central Government or a Writ Petition before the Karnataka High Court. State Government has decided to allocate the lease in favour of KIOCL and JVSL.

Development of Bailadila Deposit-1 as JV with CMDC,Chhattisgarh: PL application was submitted in April 1991 over an area of 1130 ha. Chhattisgarh Mineral Development Corporation Ltd. (CMDC), Chhattisgarh has shown interest for forming of a JV with NMDC for mining and marketing of iron ore from Deposit-1. NMDC vide letter dated 22nd December 2003 indicated willingness for having JV with CMDC. Action plan indicating costs & activity for conducting Joint exploration work was sent to CMDC on 06.04.2004. NMDC made a presentation in May 2004 to

Principal Secretary, MRD, Govt. of Chhattisgarh, Raipur indicating its interest in forming a JV with CMDC. NMDC vide letter dated 7/5/2004 committed that the proposed new mine at Deposit No. 1 will meet the demand of iron ore requirement by the Steel Plants/Sponge Iron Plants in the State of Chhattisgarh. NMDC appraised MoS on status of pending PL application vide letter dt.23.09.05. The matter is being pursued with State Government of Chhattisgarh.

Bailadila Dep-3: NMDC holds ML over an area of 3308.40 ha., and is valid up to 2/8/2007. MoEF vide letter dated 28/7/2004 has accorded approval for conducting exploration work in Deposit 3 over an area of 83 ha. NMDC is awaiting for the consent of local forest officials to start the work. Govt. of Chhattisgarh issued a show cause notice dated 13/12/2004 on non-commencement of mining operations in Deposit No.3 mining lease and requested NMDC appear for a hearing before the Principal Secretary on 23/12/2004. The matter was discussed and clarified by NMDC and relevant documents were submitted. NMDC has submitted application for diversion of forestland on 11.01.2005 for undertaking mining operations in Deposit No.3 ML. Boundary demarcation has been completed. On the request of NMDC for tree enumeration, DFO replied that DGM, Chhattisgarh has asked to keep the matter on hold till the matter of lapsing the lease is decided. Matter is being taken up with DMG. NMDC requested Additional Chief Secretary, MRD, Raipur vide letter dated 09.12.05 to advise CCF, Raipur to continue processing of the application of NMDC for grant of forest land diversion.

Bailadila Deposit No-4 (ML): ML application was submitted in January 1990 for an area of 1023.7 ha. As advised by IBM, later on ML area has been reduced to 646.6 ha. Mining plan was approved by IBM on 05-04-1991. Revised application for land diversion has been re-submitted on 19/3/2005 through Collector, Dantewada. CCF, Raipur, vide letter dated

31/5/2005 informed that, the forest clearance application of Deposit No. 4 will be entertained only when it is forwarded along with the mining lease approval letter from Mineral Resource Department, Chhattisgarh. Under Secretary, MRD, Chhattisgarh vide letter dated 15/7/05 sought certain clarifications on NMDC's application. NMDC's reply with relevant documents was sent on 29/8/05. NMDC vide letter 1/10/2005 has requested to expedite grant of ML.

Ministry of Steel facilitates NMDC in getting clearance of mining lease in time. A Committee headed by Joint Secretary (steel) has been constituted in the Ministry of Steel to facilitate NMDC in implementation of project stated in proceeding para.

6.13 Kudremukh Iron ore Company Ltd.(KIOCL)

Efforts made by KIOCL for getting permission to continue mining for some more time and the current status are as under:-

KIOCL filed an IA No.1010/2003 in December, 2003 with prayers including inter-alia as under:-

- To permit utilization of 54.01 Hectares required for the purpose of safety reasons and for the stability of mine at the time of closure of mine.
- To permit to extract primary ore for a period of 20 years in the additional area of 374 Ha. within the leased area.

The Hon'ble Supreme Court referred KIOCL's application to the CEC in January, 2004.

In April, 2004, MoEF, in support of KIOCL, filed an affidavit in the Hon'ble Supreme Court stating that the CCEA has approved extension of Mining Lease for 20 years and MoEF stands by the decision of the Cabinet.

In April, 2004, KIOCL filed a rejoinder with CEC repudiating each point raised by the NGO.

In April, 2004, CEC filed its report with the Hon'ble Supreme Court.

In July, 2004, KIOCL filed a rejoinder to the recommendations of CEC, inter-alia, stating that slope stability as recommended by NIRM is the only solution for safe slope stability and also gave justification for other prayers.

In August, 2004, the Hon'ble Supreme Court referred KIOCL's application and connected papers to the Monitoring Committee.

In May, 2005, the Monitoring Committee filed its report to the Hon'ble Supreme Court, inter-alia, recommending as under:-

KIOCL may be allowed additional un-broken forest area of 54.01 Hectares as suggested in NIRM's report in order to achieve long term slope stability.

Majority view of the Committee is that the material generated in the process of excavation may be allowed to be utilised within the minimum possible time in the existing plant at mine site.

For permitting mining of primary ore in the already broken up area during the interim period subject to the condition that the slope stability is taken care of as an integral part of such mining.

Independent expert body to monitor the environmental impact while the Company is mining the primary Ore.

Govt. of Karnataka had made a statement before the Monitoring Committee clearly expressing their desire to permit KIOCL to continue mining at Kudremukh for a period of Five years. At every stage KIOCL actively pursued with all the agencies concerned.

On 30.9.2005, the Supreme Court directed that no mining is permissible after 31.12.2005 and further directed that the application be listed for January, 2006.

In October, 2005, MoEF, filed an additional affidavit stating inter-alia that Slope Stability as suggested by NIRM is to be implemented. This would mean mining in 54 Hectares of un-broken area.

In January, 2006, the Hon'ble Supreme Court heard KIOCL matter and inter-alia passed an Order directing CEC to name an Expert Body to be appointed to report on the Closure of Mine in general but in particular on the issue of Slope Stability.

In February, 2006, CEC filed list of the individuals consisting of Mining Engineers, Civil Engineers and NGOs for Expert Body. KIOCL objected for appointment of individuals in the Expert Body and only reputed institutions could be considered.

On 24.2.2006, Supreme Court constituted IIT – Delhi as an Expert Body with a direction to submit its Report by 4 weeks time. The case is listed for hearing after 5 weeks.

The Expert Body visited Kudremukh on 27th and 28th March, 2006.

KIOCL has made all out efforts at every stage.

Status of Ramanadurg iron ore mines

(i) Government of Karnataka on 17.02.2003 issued a Notification dereserving a large area in Bellary-Hospet area including Ramanadurg. On 15th March, 2003, the State Government issued another Notification calling applications from the intending applicants for grant of mining lease in the dereserved area including Ramanadurg area (Blocks 13, 14 and 17).

(ii) KIOCL on 14.04.2003 applied for mining lease for Ramanadurg area (Block No. 13/1 measuring 16.80 Sq. Kms out of approximate area of 248.64 Sq. Km totally dereserved in Bellary – Hospet area) in response to the Notification once again since the company had already earlier applied on 9.3.2000.

(iii) On 9th April, 2003, National Mineral Development Corporation (NMDC) , a public sector enterprise under the Ministry of Steel, filed writ petition No.18445-46/2003 in the Hon'ble High Court of Karnataka challenging two notifications issued by the Government of Karnataka de-reserving iron ore mining area which had been earlier reserved for the public sector and inviting applications for mining lease. The ground taken was that they have done the prospecting at Ramanadurg and they should have been considered for allotment of mining lease against their application pending since 1991 for 4.5 Sq. km. out of 16.80 Sq.km of Ramanadurg block No. 13/1. Eight private parties also filed similar writ petitions for the mining areas which they had applied for.

(iv) On 11th April, 2003 an interim order (Stay Order) was passed by the Hon'ble Court of Karnataka directing the State Government not to grant any mining lease in favour of any third party with regard to Ramanadurg deposit. Stay orders were also passed on the Writ Petitions of the eight private parties.

(v) Both State Government and NMDC argued the matter in the Court, before Hon'ble Justice Mr. N. Kumar, who heard the arguments on several days upto 22nd September, 2003 when the arguments concluded and the judgment was to be pronounced. But as per the Court records the matter was repeatedly appearing in the cause list under the heading " for further orders". The judgment has still not been pronounced.

(vi) Ministry of Steel has constantly taken up the issue with Chief Secretary, Government of Karnataka Meetings have been held between Secretary (Steel) and Chief Secretary, Karnataka on 17th December, 2003, 22nd September, 2005 apart from regular letters from the Ministry to the State Govt. of Karnataka. Steel Minister after detailed discussion on 13.10.2005, wrote to Chief Minister of Karnataka seeking the latter's help on getting either the stay vacated and early allocation of Ramanadurg area to KIOCL or examining and recommending to the Ministry of Mines 50% of mining lease to KIOCL. Meetings have also been held at the highest level of the Government – vide meetings held by the Principal Secretary to the Prime Minister, Cabinet Secretary on 17.3.2006. KIOCL has sought guidance from a senior lawyer on the issue of dereservation of Ramanadurg iron ore deposit by Ministry of Mines, Government of India in favour of KIOCL under the provision Section 17 A(1) of Mines and Minerals Regulation and Development Act, 1957 (MMRD Act, 1957). The lawyer's opinion was that "similar to the action of Ministry of Mines in respect of State Trading Corporation of India, an order for reservation of KIOCL can be issued". But subsequent step of issue of mining lease by the State Government of Karnataka based on the reservation order can only be done after pending stay orders are vacated by the High Court of Karnataka.

The allocation and utilisation of funds during the last four years for mine development:-

(Rs. in crore)

	Year	**allocation**	**Utilization**
1	2002-03	Nil	Nil
2	2003-04	5.00	Nil
3	2004-05	1.00	Nil
4	2005-06	20.00	Nil

M/s KIOCL has not utilized any allocation for mine development during the last four years since M/s KIOCL did not have any mining lease on hand for its development as the matter is pending before the High Court of Karnataka for a very long time (nearly three years).

6.14 Orissa Mineral Development Company Ltd. (OMDC)

OMDC is operating on six Iron Ore mining leases out of which three leases are in the name of OMDC. The rest three leases are in the name of

Bharat Process & Mechanical Engineers Ltd. (BPMEL) and are being operated by OMDC under working permission granted by the State Government. There are following problems with these three leases of BPMEL but operated by OMDC:

(i) BPMEL is under liquidation.
(ii) Renewal of these leases are pending.
(iii) 80% of the iron ore reserves operated by OMDC are in these three leases.

State Government is repeatedly being requested at the level of company and by Ministry of Steel too for renewal of these three leases in favour of OMDC. The State Government is of view that the applications for renewal of these leases are liable for rejection as OMDC did not set up mineral based industry. The matter is being pursued with State Government vigorously and Ministry of Steel is taking up the matter at appropriate level in State Government".

6.15 Responding to a specific query of the Committee whether any State Government have accorded preference to the Private steel plants over the Public Sector steel plants in awarding of iron ore mining leases, the Ministry of Steel submitted as below:

"Mining Concessions for iron ore are granted by State Government with prior approval of Ministry of Mines; Govt. of India in accordance with MMDR Act and MC Rules. Under the Act and Rules concessions are generally granted on the principle of "First Come First Served" subject to the provision that preferential treatment may be given to applicant on ground such as setting up a plant for value addition. The Act and Rule also allow reservation of deposits for PSUs/Government Companies. The Ministry of Steel does not monitor grant of leases by State Government except to Steel and Mining PSUs, under it."

6.16 When the Committee wanted to know whether the Government has constituted a Committee for formulating guidelines for the preferential grant of mining lease and iron ore mines by the State Government, the Ministry of Steel stated as follows:

> "The Ministry of Steel constituted an "Expert Group", on 20th April, 2005, for formulating guidelines for preferential grant of mining leases, for iron ore, manganese ore and chrome ore by State Governments. The composition of the "Expert Group" and its terms of reference are given as under:
>
> **Composition:**
>
> 1. Sh. R. K. Dang, Ex-Secretary, Government of India , Ministry of Mines- Chairman
> 2. Director General, Indian Bureau of Mines-Member
> 3. Managing Director, Tata Iron & Steel Co.- Member
> 4. Chairman, Steel Authority of India Ltd.-Member
> 5. Executive Director, Sponge Iron Manufacturers Association-Member
> 6. CMD, National Mineral Development Corporation Limited-Member
> 7. Director General, NEERI-Member
> 8. Secretary General, Federation of Indian Mineral Industries-Member
> 9. Principal Secretary, (Mines), Govt. of Karnataka-Member
> 10. Principal Secretary, (Mines), Govt. of Orissa-Member
> 11. Joint Secretary, Ministry of Mines-Member
> 12. President, Indian Steel Alliance-Member
> 13. Sh. Ajoy Kumar, Joint Secretary, Ministry of Steel-Member Convener

Terms of Reference:

To formulate guidelines pertaining to Iron ore, Manganese Ore and Chrome Ore regarding giving preferential mining rights to certain persons by the State Governments under Section 11(5) of MMDR Act, 1957.

The "Expert Group" has submitted its report to the Ministry of Steel on 26^{th} August 2005.

The recommendations of the Group are basically in the form of a “Scheme of Preferences”. Such a scheme has been prescribed for iron ore and chrome ore. No recommendations have been made with respect of manganese ore. The scheme in the case of iron–ore envisages over riding priority to grant of mining leases on captive basis existing steel plants and for new steel projects above a minimum size. Among existing plants those in the public sector have been given higher priority. In the case of new steel projects higher priority has been given for projects coming up in schedule areas. Priority has also been allowed to consortia of small iron and steel producers. In the second category are mining companies amongst whom first priority has been given to public sector mining companies. Several conditionalities such as those with regard to concurrent mining, beneficiation, and agglomeration of fines have been built into the scheme. The conditionalities prescribed are to be enforced through watertight agreements. In the case of chrome ore the “scheme of preferences” gives priority to captive allocation for ferro-alloy producers.

In addition to the above Shri R.K Dang and some members of the group have also made” other suggestions and recommendations” which are outside the report as they deal with subjects not forming part of the terms of reference of the group. These deal with issues such as exports, renewal of leases and dormant leases, royalty, procedure for grant of leases, environmental and forest clearance, beneficiation and agglomeration and transport logistics.

The broad status of the action taken on the recommendations of the group is that the recommendation of the group has been examined and the views of the Ministry on the recommendations along with the Dang Committee report has been referred to High Level Committee (HLC) constituted in Planning Commission under the Chairmanship of Shri Anwarul Hoda , Member, Planning Commission. The HLC has been tasked with a comprehensive review of the National Mineral Policy and the MMDR Act so as to suggest changes and other measures to promote investment in the mining sector. The terms of reference of the HLC is very comprehensive and wide and thus subsumes the issues dealt with by the Ministry’s “Expert Group”.

6.17 The Committee note that availability of critical inputs such as iron ore, coking and non–coking coal in required quantity and quality determines the fate of the steel companies. The Committee also note that the financial strength of SAIL beyond 2012 would mainly depends on renewal of existing mining leases at Chiria and Rowghat pending with State Governments of Chhattisgarh, Jharkhand and Orissa for more than a decade. Further, RINL does not have adequate linkage of raw material for the next 20 years and NMDC’s expansion programme has been hanging fire for many years due to inordinate delay in approval/clearances of Kumaraswamy, Bailadila and Ramanadurg mining leases. The OMDC too is heading towards crisis as renewal of three leases which meets 80% of its

requirement are pending with Orissa Government and KIOCL which is craving for iron ore mines to continue its pellet operation is also caught in the web of pending renewal of mining leases.

The Committee had earlier recommended that a High Powered Committee might be constituted for speedy renewal of mining leases including Chiria and Rowghat for SAIL and Bellary-Hospet for KIOCL and expediting various clearances required from other Ministries and the State Governments. The Committee note that although the Project Coordination Group under the Chairmanship of the Minister of Steel has been functioning since October 2004, no visible improvement has been noticed in the system.

The Committee feel that the Ministry has failed to play its role of facilitator since most of the steel PSUs are facing the problem of availability of raw material in the absence of clearances required for mining lease/renewal of mining lease. The Committee, therefore, desire the Ministry to address the issue with utmost seriousness and bail out the steel PSUs by expediting the clearance of the mining leases.

The Committee further note that regarding grant of preference to the steel PSUs in the award of mining lease, an Expert Group constituted by the Ministry of Steel inter-alia recommended that existing steel plants in the Public Sector should be given higher priority. The Ministry has referred the recommendations of the Expert Group and Dang Committee report on export, procedure/renewal of leases, etc. along with its views to a High Level Committee constituted in Planning Commission for a comprehensive review of the National Mineral Policy and MMDR Act.

The Committee desire that National Mineral Policy and MMDR Act should be suitably amended in order to give preference to the steel PSUs in grant/renewal of mining lease and time-bound approval of forest/environment clearances.

C. Merger of Steel PSUs

6.18 In response to the Committee's query whether the Ministry proposed to merge the Public Sector Steel Plants with SAIL, the Ministry of Steel stated as follows:-

> "An expert group under the Chairmanship of Shri B.L.Das, Ex-Secretary(Steel) has *inter-alia* recommended the merger of Maharashtra Electrosmelt Ltd.(MEL) with SAIL. Ministry of Steel has requested SAIL to furnish a proposal for merger of MEL with SAIL after taking due approval by the respective Boards of the two companies. After receipt of the

proposal from SAIL, the Ministry will take further necessary action in the matter.

Indian Iron & Steel Company Limited (IISCO), which was a subsidiary of SAIL has been merged with SAIL w.e.f. 16.2.2006. There is no other formal proposal for merger of any other public Sector Steel Plant with SAIL. Neelanchal Ispat Nigam Ltd.(NINL) - Committee of Secretaries has recommended the merger of NINL with SAIL to CCEA. Further enabling actions in this regard are in progress, under the guidance of an empowered committee constituted by Ministry of Steel".

6.19 The Committee note that the Committee of Secretaries has recommended for merger of Neelanchal Ispat Nigam Limited(NINL) with SAIL and enabling actions are in progress. The Committee further note that an Expert Committee has recommended for merger of BRL with SAIL however, no final decision has yet been taken on the issue of merger of HSCL with SAIL. The Committee are of the view that the merger of steel PSUs with SAIL would bring far reaching benefits like consolidating their strength in terms of competitiveness and distribution of raw material among the steel PSUs etc.

The Committee also feel that while merging smaller companies with SAIL due considerations should be given to the economies and financial impact thereof on SAIL without ignoring the labour and social obligations entrusted to public sector undertakings in the country. The Committee, therefore, recommend that the merger of BRL and NINL since accepted by the Government, should be expedited and completed in the time-bound manner. The Committee would like to reiterate their earlier recommendations on merger of HSCL with SAIL and desire that till a final decision is taken, the Ministry should endeavour to award new projects as well as work on modernisation/upgradation of existing projects to HSCL in order to bail it out from financial crunch.

D. Outlook of Domestic Steel Industry

6.20 When asked about the future trend of global steel industry particularly in China and its impact on the domestic steel sector, the Ministry of Steel submitted as follows:-

"According to the latest projections of the International Iron and Steel Institute (IISI), the prospects for global steel industry would continue to be good in the short run. Apparent steel consumption is forecast to grow to 1040-1053 million tonnes in 2006 from a total of 972 million tonnes in 2004. This translates to a growth of about 4-5% over the two-year period. The forecasts are presented in Table 1 and 2 below.

Table 1: IISI Apparent Steel Demand Forecast – 2004-06

(Million Metric Tonnes)

	2004	2005	2006	2004-05		2005-06	
				mmt	%	mmt	%
World	971	998	1040-1055	+26.6	2.7	40-55	4.0-5.5
China	272	300	320-330	+28.0	10.3	20-30	7.0-10.0
Rest of World	699	698	720-725	-1.4	-0.2	20-25	3.0-3.5

Table 2: IISI Apparent Steel Demand Forecast Region wise

(Million Metric Tonnes)

	2004	2005	2006	2004-05	2005-06
Europe	192	190	198	-1%	+4%
CIS	45	45	48	+2%	+5%
NAFTA	151	145	149	-4%	+3%
Central & South America	33	33	36	+1%	+7%
Africa	20	20	21	+3%	+5%
Middle east	28	29	31	+3%	+7%
Asia Pacific	502	534	570	+6%	+7%
WORLD	971	998	1040-1055	+3%	+4-5%

The major observations on the basis of the above tables are as given below:-

- Global steel demand is predicted to increase by 40–55 million tonnes(mt) during 2006 (from 998 million tonnes in 2005 to 1040-1055 mt in 2006 representing a growth rate of 4-5%).
- All major economic regions will witness positive growth. However, China will continue to dominate the growth in world steel demand registering largest additions to demand. Consumption in China is predicted to grow between 7%-10% between 2005 and 2006.
- Steel consumption remained stagnant in the rest of the world between 2004 and 2005. In the current year, however, demand in markets outside China is slated to increase by about 3% -3.5% i.e., an addition of 20-25 million tonnes in a year.
- The probability of resurgence in global steel demand during 2006 is high because of the depletion of the significant build-up of inventories existing in the system during the preceding year i.e., 2005.

Overall impact of global supply-demand developments with special reference to the Indian steel sector: The following points emerge from the various predictions on the future trend of the global steel industry:

- As China becomes self-sufficient in steel production, the export window provided by the ever-growing Chinese demand to Indian steel producers will be lost, to a large extent. This would mean that the Indian producers would have to look for alternative markets abroad. However, it should be noted that mainly the domestic market has driven the growth of the Indian steel industry. The share of export of steel to total steel production in India remains very low at less than 15% compared to more than 30% for the world as a whole. As a matter of fact, exports of steel have come down significantly in the course of the last two years as the domestic economy started registering higher growth rates.

- The second impact on the Indian steel industry may come in the form of sudden increase in imports due to periodic mismatches between Chinese demand and supply. Similarly, imports from the traditional producer-exporters like Japan and certain countries of the EU and CIS may also be diverted from the Chinese markets to India. However, any possible threat from a spurt in imports may be offset by the following neutralizing factors:

  (i) With per capita consumption of steel at around 176 Kgs China has not yet reached the consumption levels of the industrially developed mature economies. Therefore, there still exists a large latent demand for steel in China.

  (ii) Competitiveness of imports of Chinese steel into India will depend on the external value of the Chinese Yuan. If, as predicted by many financial observers, the currency appreciates to reflect its true value, then the threat of cheap imports will be reduced to a large extent.

  (iii) As far as unfair competition from overseas imports are concerned, since both China and India are members of the WTO, trade distortions can be redressed through various trade actions (e.g., Anti-dumping, Anti-subsidy and Safeguard actions).

  (iv) As far as imports from economies other than China are concerned, the reprieve may come in the form of growing economies with small steel production base in different regions (Africa, Middle east, South East Asia) who have to cater to their own domestic demand.

- The third impact of enlarged production by China will operate through the input side. The recent experience has shown that the sudden expansion of Chinese steel production between 2000 and

2005 has exerted tremendous pressure on prices of iron ore, metallurgical coal and coke. As far as India is concerned, the Indian iron ore industry stands to gain, especially on the spot market, through higher price realization. It is to be noted that India is one of the top producers of high Fe iron ore. Similarly, coking coal supply is again likely to come under pressure, as China would like to use its coking coal reserves internally rather than export to other steel makers.

The last input price increase has provided a strong impetus for new investment in the mining sector all over the world. Therefore, new mines are likely to come on stream in Australia, Brazil, South Africa, and some CIS countries rich in mineral reserves. Even in India, the mining sector has been witnessing far-reaching reforms to attract new investments, especially under the private-public participation schemes, to meet the enhanced raw materials requirement by the expanding steel sector".

National Steel Policy

6.21 With a view to create enabling conditions for the Indian steel industry to expand its production base adequately in response to the anticipated increase in domestic and overseas demand in the coming decade, the Government announced the National Steel Policy 2005**.** As per the long-term goal of the National Steel Policy India needs to have a modern and efficient steel industry of world standards, catering to diversified steel demand. The focus of the policy is, therefore, to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity. This will require indigenous production of 110 million tonnes(MT) per annum by 2019-20 from the 2004-05 level of 38 MT, which implies a compounded annual growth of 7.3 percent per annum.

6.22 During the course of Oral evidence, the Secretary to the Ministry of Steel has stated *inter-alia* regarding National Steel Policy:-

"The National Steel Policy has envisaged to achieve indigenous production of 110 Million Tonnes(MT) per annum by 2019-20 from the 2004-05 level of 38 MT. However, the steel players are willing to invest in domestic steel industry to produce around 200 MT per annum by 2019-20. But the procedural delays in various clearances viz. forest/environment clearances, grant/renewal of mining leases impedes the investment. To simplify the procedures and to attract investment, the Government constituted a High Powered Committee namely Hoda Committee which is now deliberating on various issues to streamline the domestic steel industry and is expecting its report may available within two months".

6.23 When the Committee wanted to know about the mechanism evolved for the implementation of the National Steel Policy:-

"Ministry of Steel will identify all issues relating to infrastructure and refer them to the Planning Commission for being placed before the Committee on Infrastructure, which is headed by the Prime Minister, for decisions. As regards, other issues related to the implementation of NSP, requiring inter-Ministerial coordination, Ministry of Steel would whenever necessary refer such issues to the Committee of Secretaries(CoS). The recommendations of the CoS would then be put for approval by the competent authority."

6.24 The Committee note that Global Steel demand in 2006 might register a growth rate of 4.5%. The domestic steel industry is also expected to achieve higher growth rate as the domestic economy started to register higher growth rates. As against unfair competition from imports, the domestic steel industry would be protected by taking various steps like Anti-dumping, Anti-subsidy and safeguard actions. As far as raw material particularly escalating demand of Coking Coal is concerned, the steel industry would face tremendous pressure owing to expanding steel sector. The Committee also note that with the announcement of National Steel Policy to achieve indigenous production of 110 Million Tonnes(MT) per annum by 2019-20 from the 2004-05 level of 38 MT, Government is gearing up its mechanism to address all the issues which may hamper the growth and development of the steel industry.

The Committee note that the steel players are willing to invest in domestic steel industry and set up production capacity of more than 200 MT by 2019-20 as admitted by the Secretary during the course of oral evidence but the cumbersome procedures and inordinate delay in various clearances viz. forest/environment clearance, grant/renewal of mining lease hamper not only the growth of steel industry but also economy of the country.

The Committee are constrained to observe that while NSP has pegged the total steel production at 110 MT by 2019-20, the investment proposals have already been in the pipeline for more than 200 MT. The Committee are optimistic that the investment scenario of the country is capable of attracting more investment and the capacity for production of steel may well exceed 200 MT per annum. The Committee are not sure whether NSP envisages the provision of required infrastructure and related facilities.

The Committee, therefore, desire the Ministry to address all the issues including adjustment in NSP, related to domestic steel industry with serious commitment and create investor-friendly environment in order to harness the potential for achieving more than 200 MT production of steel per annum by 2019-20.

New Delhi;
May 22, 2006
1 Jyaistha, 1928(Saka)

ANANTH KUMAR,
Chairman,
Standing Committee on Coal and Steel.

STATEMENT OF CONCLUSIONS/RECOMMENDATIONS OF THE STANDING COMMITTEE ON COAL AND STEEL CONTAINED IN THE REPORT

Sl. No.	Reference Para No. of the Report	Conclusions/Recommendations
1	2	3
1.	1.10	The Committee observe that the steel industry, being a core sector, has a vital role in sustaining the pace of economic development. The Committee hope that with the large scale modernisation, huge investment in infrastructure, significant growth in the industrial sector, setting up of green-field and brown-field projects by domestic steel producers and entry of global steel producers, the Indian steel industry promises tremendous growth opportunities. The Committee are happy to note that the Government have announced National Steel Policy (NSP) to create a modern and efficient steel industry of world standards. The Committee, therefore, desire that the Government should bring proposed policy reforms as envisaged in NSP to facilitate further growth and expansion of steel sector by time bound improvement of infrastructure and effective measures to attract more investments including Foreign Direct Investments. The Committee also desire that considering the cyclical nature of steel industry, the Government should strategically prioritise the needs of Public Sector steel plants to ensure long-term and short-term profitability and sustainable growth.
2.	2.1	The Committee hope that the Ministry of Steel will implement the recommendations in a time bound manner which the Committee commented upon in their Action Taken Report. The Committee desire that the Ministry of Steel should furnish final replies to the recommendations(nos.4 and 9) which were categorised as of interim nature. The Committee would like to be apprised of the action taken in this regard.
3.	3.10	The Committee note that the Ministry had proposed the annual plan outlay of Rs.3728.49 crore including Budgetary Support of Rs.82.50 crore for the year 2006-07. The Planning Commission has, however, approved an outlay of Rs.3172.30 crore with Budgetary Support of Rs.45 crore. As a sequel to reduction in approved outlay the Internal and Extra Budgetary Resources(I&EBR) allocation in respect of Kudremukh Iron Ore Company Ltd(KIOCL) has come down from Rs.335 crore to

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		Rs.200 crore and in the case of National Minerals Development Corporation(NMDC) from Rs.387.49 crore to Rs.150.00 crore. The I&EBR allocation for Manganese Ore India Ltd.(MOIL) has been reduced from Rs.71.29 crore to Rs.48.50 crore whereas in the case of Bird Group of Companies(BGC), it stands reduced from Rs. 43.25 crore to Rs.25 crore. The provision of Budgetary Support has been made for Hindustan Steelworks Construction Ltd.(HSCL), MECON Ltd. and Bharat Refractories Ltd.(BRL) as these companies are unable to generate I&EBR. In the approved outlay, however, Budgetary Support of MECON Ltd. has been reduced from Rs.67.50 crore to Rs.30 crore. The Committee observe that the projection of estimates for BE 2006-07 were unrealistic and unattainable as the Ministry had failed to convince the Planning Commission to allocate the funds as projected by KIOCL, NMDC, MOIL and MECON Ltd. The Committee in their 10th report had recommended that the Ministry should make realistic estimates and allocate funds at BE stage itself instead of resorting to provision of funds at RE stage. The Committee have little doubt that reduction in allocation is going to adversely affect the performance of the PSUs. The Committee, therefore, recommend the Ministry to approach the Planning Commission with ample justifications to provide sufficient funds at revised estimates stage as per the needs of PSUs. The Committee once again emphasize that the realistic projections and allocation of sufficient funds for PSUs are essential for sustained progress of steel industry and therefore, reiterate their earlier recommendations for immediate corrective measures in this direction.
4.	3.16	The Committee are constrained to note that despite their earlier recommendations made in 10th Report on Demands for Grants (2005-06), the Ministry is yet to clear the restructuring proposal of MECON Ltd. The Committee feel that inordinate delay in clearing of the proposal has already resulted in substantial reduction in budgetary support to this ailing undertaking by Planning Commission and any further delay would seriously impair the performance of MECON Ltd. The Committee, therefore, reiterate that the restructuring proposal of MECON Ltd. should be cleared at once so that the budget earmarked for the purpose could be spent and the funds reduced by the Planning Commission could be sought at RE stage.

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5.	3.23	The Committee note that the steel sector PSUs generate I&EBR for implementation of their various capital schemes. In the year 2006-07 SAIL, RINL, NMDC and KIOCL have been allocated Rs.1275 crore, Rs.1452 crore, Rs.150 crore and Rs.200 crore respectively from their I&EBR. The Committee observe that for implementation of schemes and other investments in PSUs, generation of sufficient I&EBR and utilization of the same is equally essential. The Committee, however, note the discouraging trend that the steel PSUs have not only failed to utilize the I&EBR as reflected in BE but also faltered in expending even the reduced amount earmarked at RE stage. The extent of reduction at RE stage in the year 2005-06 in respect of SAIL, RINL, NMDC and KIOCL was 21%, 71.50%, 32.29% and 42.38% respectively. The Committee are perturbed to note that in the year 2005-06, RINL and KIOCL had failed to utilize nearly 85% of their reduced allocation with SAIL and NMDC surrendering nearly 30% and 45% of their allocated funds. The Committee are extremely unhappy that though the Monitoring Committee headed by the Additional Secretary and Financial Advisor(Steel) has been reviewing the progress of fund utilisation on bi-monthly basis, the PSUs were unable to overcome the obstacles in utilizing the allocated funds year after year. While examining allocation and utilisation of I&EBR by SAIL in the year 2005-06, the Committee note that the Ministry has reduced the allocation of Rs.1030 crore provided in BE to Rs.815 crore in RE based on the progress of ongoing schemes and new proposals. The Committee are surprised to observe that SAIL has so far spent only Rs.129.33 crore out of the allocated amount of Rs.1165.01 crore constituting barely 11.13 per cent on the schemes scheduled to be completed before 31st March, 2007. The Committee consider the contention of the Ministry that no schemes got affected even after 21% reduction in allocation, entirely untenable and are of the view that there is not even the remotest possibility that SAIL would be able to utilize balance amount without further rescheduling of the targets. The Committee feel that not only the Ministry floundered in reviewing the progress of various schemes but the monitoring mechanism of SAIL also failed to perform its functions effectively resulting in underutilization of funds year after year. The Committee, therefore, desire that a special Monitoring Committee may be set up in SAIL at headquarter level as the existing monitoring mechanism has failed to deliver the results. The Committee also desire the Ministry to review the progress of utilisation of funds at regular intervals and ensure speedy

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		implementation of schemes and full utilization of funds.
6.	3.26	The Committee note that RINL has been allocated Rs.1452 crore in BE 2006-07, an increase of 162% as compared to Rs.895.75 crore in BE 2005-06 with the provisions of Rs.901 crore to implement the expansion scheme and Rs.60 crore for acquisition of iron ore mine and coking coal mine. The Committee further note that the utilisation of funds for Coke Oven Battery No.4(Phase-II), Pulverized Coal Injection and acquisition of iron ore and coking coal mine is subject to approval and availability of mines which are extremely vital for RINL. The Committee, therefore, desire that there should not be any procedural delay in clearing of the above schemes. The Committee also desire the Ministry to take effective steps to ensure early acquisition of iron ore and coking coal mines.
7.	3.31	The Committee find that in the year 2005-06, the allocation of funds to NMDC has been drastically reduced from Rs.220.25 crore in BE to Rs.149.14 crore in RE with marginal increase to Rs.150 crore in BE 2006-07. The Committee observe that setting up of NMDC Iron and Steel Plant (NISP) envisaged in 9^{th} five year plan got spilled over to 10^{th} five year plan is yet to be commissioned due to non-availability of Romelt Technology. Another major project of NMDC viz. Ultra Pure Ferric Oxide (UPFO) plant at Visakapatnam has ceased operation since April 2004 for want of market tie up. Further, the investment schemes viz. Rajasthan Lignite Scheme, Coal Project and Arki Limestone Project envisaged in Tenth Plan outlay involving Rs.401 crore have remained on paper. The Committee are extremely concerned at the performance of NMDC as not even a single scheme initiated by them in 10^{th} Five Year Plan has been completed. The Committee are convinced that NMDC had taken up these schemes in an extremely casual manner without proper planning and feasibility studies. The Committee, therefore, desire the Ministry to review the pending and proposed schemes of NMDC to ensure that only viable schemes are taken up after a detailed ground work to avoid wasteful expenditure.
8.	3.34	The Committee note that KIOCL has been allocated Rs.200 crore in BE 2006-07 for implementation of various new schemes/ongoing schemes as against Rs.225 crore in BE 2005-06 reduced to Rs.129.66 crore in RE 2005-06. The Committee feel that unlike the

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		previous year, KIOCL should utilize the allocated amount of Rs.200 crore to retain its financial strength in the aftermath of Hon'ble Supreme Court direction to stop mining at Kudremukh. The Committee, therefore, desire that schemes/projects relating to acquisition and development of new mines should be given highest priority and incessant efforts should be made for the sustainability of the company.
9.	4.7	The Committee observe that an outlay of Rs.11044 crore (I&EBR of Rs.10979 crore and Budgetary Support of Rs.65 crore) has been provided in 10^{th} Five Year Plan of the Ministry of Steel with the aim of achieving the major thrust areas viz. improving the profitability of the Steel PSUs and facilitating the domestic steel sector to overcome the problems faced by it at the beginning of the Plan period. In the Mid-term Appraisal, the Plan outlay was scaled down by 24% from Rs.11044 crore to Rs.8476.88 crore (I&EBR of Rs.8411.68 and Budgetary Support of Rs.65 crore). The reasons advanced by the Ministry for reduction were depressed market condition and adverse financial position upto 2002-03, reprioritization and deferment of schemes, lesser expenditure on Research and Development, delay in execution of certain schemes of National Mineral Development Corporation and Kudermukh Iron Ore Company Ltd. The Committee are constrained to note that the total expenditure during the first four years of the 10^{th} plan was Rs.2847.89 crore which comes to merely 34% of approved outlay. Two major PSUs viz. SAIL and RINL could spent 53.79% and 21.33% only of their revised plan outlay. The Committee are anguished that in the terminal year of the 10^{th} Five Year Plan, the Ministry still has an unspent balance of Rs.5628.99 crore. The Committee are deeply concerned about the possible impact of failure of the Ministry to expend the allocated amount on modernisation and expansion plans of the steel PSUs. The Committee, therefore, desire the Ministry to speed up the implementation of schemes to ensure maximum utilisation of funds in 2006-07 and to focus on achieving the targets fixed in 10^{th} Five Year Plan. The Committee also desire the Ministry to identify the constraints that have been responsible for lesser utilisation of funds during 10^{th} Five Year Plan and prepare a strategy to address the same while formulating and implementing the 11^{th} Five Year Plan.

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10.	4.9	The Committee find that despite the budgetary support amounting to Rs.51 crore to HSCL, MECON Ltd. and BRL in 10th Five Year Plan period, these PSUs have still not been able to generate I&EBR. The Committee note that the Ministry has sent a comprehensive proposal to the Bureau for Reconstruction of Public Enterprises(BRPSE) based on the diagnostic study conducted by a consultant on future viability of HSCL. A report on Business Plan-cum-Viability study on BRL is also under consideration of the Ministry. The Committee, therefore, desire the Ministry to revamp/restructure HSCL and BRL in the light of studies conducted in this regard and prepare a road map to make them profitable.
11.	5.3	The Committee note that Steel Authority of India Ltd.(SAIL) as a whole achieved the full capacity utilisation in the year 2005-06 showing satisfactory improvement over the year 2004-05. The Committee are, however, distressed to find that except Bhilai Steel Plant rest of the units have failed to utilize either their capacity or achieve their target. In the case of Hot Metal production for the year 2006-07, whereas Bhilai Steel Plant has anticipated production of 4900 tonnes against the capacity of 4080 tonnes, Rourkela Steel Plant's production will be barely 1650 tonnes against the capacity of 2000 tonnes. As regards the production of crude steel and saleable steel, whereas Bhilai Steel Plant will be producing at 120% of its capacity, both the Bokaro Steel Plant and Rourkela Steel Plant will be operating between 80%-90% of their capacity. The Committee are constrained to observe that on the one hand Bhilai Steel Plant's performance has been exceedingly well, the other units have been barely utilizing their capacity with Bokaro Steel Plant and Rourkela Steel Plant lagging behind. The Committee desire SAIL to undertake a detailed Performance Audit of the SAIL units to pinpoint the weak links in their entire production process and take corrective steps before the next financial year. The Committee are unhappy to note that the targets have been fixed below the capacity by SAIL and most of its units except Bhilai Steel Plant. As reflected in the production plan 2005-06, the target production of both Hot Metal and Crude Steel is below the installed capacity for the SAIL units though in respect of Saleable Steel, the target at 11356 tonnes is marginally higher than the installed capacity of 11074 tonnes. The Committee are anguished to note the laidback approach of SAIL in the present era of fierce and aggressive competitive environment, particularly when the global steel industry is booming.

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		The Committee deprecate that the detailed production plan for 2006-07 is yet to be worked out and the provisional plan based on optimistic scenario has fixed the target just marginally higher than the installed capacity. The Committee are not happy at this lackadaisical approach of SAIL and feel that if Bhilai Steel Plant can exceed the capacity utilisation, the other SAIL units can perform equally well. The Committee, therefore, emphasize that in the current scenario with stiff competition from private sector steel players and current volatile international market, SAIL should set higher targets and strive to scale new heights.
12.	5.11	The Committee note that the year 2004-05 was an exceptional year for the steel industry with demand outstripping the supply, which resulted in higher realization for steel products. However, in the year 2005-06, the demand for steel products was sluggish resulting in lower realization. The Committee further note that though the steel production of SAIL units is increasing since 2004-05, the net profit has declined from Rs.6817 crore in 2004-05 to Rs.3528 crore in 2005-06. The net profit is likely to decline further in 2006-07 to Rs.3106 crore. SAIL has planned to increase profit by taking various steps like focus on marketing strategies, improvement in product mix, use of alternate fuels in blast furnaces, acquisition of overseas coking coal mines and manpower rationalisation etc. The Committee are not satisfied with the reply of the Ministry that the proposed multiple interventions and its corporate plan 2012 would ensure competitiveness of SAIL to withstand the cyclic nature of steel industry. The Committee in their 10th report on the Demands for Grants(2005-06) had cautioned that increasing cost of inputs coupled with cyclic nature of steel industry would put tremendous pressure on SAIL to improve its physical performance and recommended to revamp the corporate plan to suit the long-term requirements. The Committee are distressed to note that the measures taken by SAIL have not yielded the required benefits in arresting the decline in profit in 2005-06 and 2006-07. The Committee, therefore, re-emphasize that the corporate plan be revamped and also effective short term and long term measures be taken to enable SAIL to maintain its pre-eminent position.

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		The Committee further note that one of the reasons advanced by the Ministry of Steel about decline in sales and consequent dipping of profits of domestic steel companies is further reduction in custom duty on finished products of steel from 10% to 5%. The Committee in their 10th report had expressed their view that duty structure introduced in Budget 2005-06 was anomalous and it should be rolled back from 10% to 15% on finished refractory. The Ministry in pursuance to the Committee's recommendation had sent proposal to the Ministry of Finance. The Committee are unhappy to note that the Ministry of Steel has not only failed to convince the Ministry of Finance but also could not take up the matter effectively to prevent further reduction in custom duty.
		The Committee are apprehensive that the extant customs duty structure would further jeopardize the domestic steel industry with the possibility of spurt in import of steel. The Committee, therefore, recommend the Ministry to vigorously pursue the matter at the highest level to safeguard the domestic steel companies from the dumping of cheaper steel.
13.	5.15	The Committee note that Rashtriya Ispat Nigam Ltd(RINL) has installed capacity to produce 3 million tons per annum of liquid steel and is operating at production levels of about 4.1 million tonnes (mt) hot metal, 3.5 mt of liquid steel and 3.1 mt of saleable steel, representing capacity utilisation levels of 119%, 117% and 119% respectively. Though RINL has fulfilled the Memorandum of Understanding target by more than 100%, the production target set for the year 2005-06 and 2006-07 is marginally higher than the preceding years. The Committee further note that the profit of RINL is expected to decline from Rs.2008.09 crore in 2004-05 to Rs.1032.74 crore in 2005-06 and Rs. 592.00 crore in 2006-07. The Committee also note that the operating cost of the RINL has increased from Rs.5507.07 crore in 2004-05 to Rs.6710.10 crore in 2005-06 and Rs.7646.56 crore in 2006-07. The Ministry has advanced the reasons such as sluggishness in market, higher price of iron ore and coking coal for increasing operating cost and declining profits. The Ministry has further stated that RINL is planning to augment profits by improving the techno-economic factors, implement cost control measures, improve productivity and acquisition of iron ore and coal mines.
		The Committee are of the view that had RINL acted with foresight and taken the essential measures viz. increasing sale of value-added products, expanding customer base and future contract with consumers, it could have stemmed the steep decline in profit in

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		2005-06 and 2006-07. The Committee, therefore, recommend that RINL should devise long term strategic plan keeping in mind the uncertainty of steel industry and take efforts pro-actively to contain the operating cost and ensure consistency in profits.
14.	6.8	The Committee in their 10th report on the Demands for Grants(2005-06) had deprecated the utter lack of concern for R&D in the Ministry of Steel as no allocation was made for the same in the year 2005-06 and miniscule expenditure of Rs.22.22 crore was incurred till then in 10th Plan period as against the allocated fund of Rs.750 crore later reduced to Rs.300 crore. The Committee had, therefore, emphasized the indispensability to invigorate the R&D in steel sector. The Committee note that in pursuance of their recommendation, the Ministry constituted a Task Force to review the existing institutional infrastructure, identify the gaps, identify the present/future needs of the industry and to suggest a blue print for setting up an Advanced Research Centre for Iron and Steel for innovative and path breaking technology to utilize domestically available resources. The Task Force recommended creation of a virtual centre namely Steel Research and Development Mission(SRDM), a registered society, comprising of eminent scientists/technologists/professionals, leading industrialists and one representative from the Ministry of Steel and Ministry of Science and Technology. The Committee hope that the creation of Steel Research Development Mission (SRDM) is a step in the right direction to address the various issues staring at steel industry. The Committee desire that concerted efforts should be made to enable the SRDM to complete the task assigned to it in a time bound manner in order to achieve and sustain technological excellence. The Committee also note that some pending research proposals, awaiting clearances are at various stages of examination. The Committee are deeply anguished to note that in the year 2005-06 a paltry sum of Rs.29 lakhs has been released from the Steel Development Fund for the approved projects. The Committee, therefore, reiterate that the processes and procedures involved in the clearance of the proposals needs to be simplified for speedy and efficient disposal. The Committee also desire that in order to have technology that suits the domestic steel sector with the available domestic inputs, network of R&D may be expanded with active participation of interested foreign research and academic institutions and IITs.

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15.	6.17	The Committee note that availability of critical inputs such as iron ore, coking and non–coking coal in required quantity and quality determines the fate of the steel companies. The Committee also note that the financial strength of SAIL beyond 2012 would mainly depends on renewal of existing mining leases at Chiria and Rowghat pending with State Governments of Chhattisgarh, Jharkhand and Orissa for more than a decade. Further, RINL does not have adequate linkage of raw material for the next 20 years and NMDC's expansion programme has been hanging fire for many years due to inordinate delay in approval/clearances of Kumaraswamy, Bailadila and Ramanadurg mining leases. The OMDC too is heading towards crisis as renewal of three leases which meets 80% of its requirement are pending with Orissa Government and KIOCL which is craving for iron ore mines to continue its pellet operation is also caught in the web of pending renewal of mining leases. The Committee had earlier recommended that a High Powered Committee might be constituted for speedy renewal of mining leases including Chiria and Rowghat for SAIL and Bellary-Hospet for KIOCL and expediting various clearances required from other Ministries and the State Governments. The Committee note that although the Project Coordination Group under the Chairmanship of the Minister of Steel has been functioning since October 2004, no visible improvement has been noticed in the system. The Committee feel that the Ministry has failed to play its role of facilitator since most of the steel PSUs are facing the problem of availability of raw material in the absence of clearances required for mining lease/renewal of mining lease. The Committee, therefore, desire the Ministry to address the issue with utmost seriousness and bail out the steel PSUs by expediting the clearance of the mining leases. The Committee further note that regarding grant of preference to the steel PSUs in the award of mining lease, an Expert Group constituted by the Ministry of Steel inter-alia recommended that existing steel plants in the Public Sector should be given higher priority. The Ministry has referred the recommendations of the Expert Group and Dang Committee report on export, procedure/renewal of leases, etc. along with its views to a High Level Committee constituted in Planning Commission for a comprehensive review of the National Mineral Policy and MMDR Act.

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		The Committee desire that National Mineral Policy and MMDR Act should be suitably amended in order to give preference to the steel PSUs in grant/renewal of mining lease and time-bound approval of forest/environment clearances.
16.	6.19	The Committee note that the Committee of Secretaries has recommended for merger of Neelanchal Ispat Nigam Limited(NINL) with SAIL and enabling actions are in progress. The Committee further note that an Expert Committee has recommended for merger of BRL with SAIL however, no final decision has yet been taken on the issue of merger of HSCL with SAIL. The Committee are of the view that the merger of steel PSUs with SAIL would bring far reaching benefits like consolidating their strength in terms of competitiveness and distribution of raw material among the steel PSUs etc. The Committee also feel that while merging smaller companies with SAIL due considerations should be given to the economies and financial impact thereof on SAIL without ignoring the labour and social obligations entrusted to public sector undertakings in the country. The Committee, therefore, recommend that the merger of BRL and NINL since accepted by the Government, should be expedited and completed in the time-bound manner. The Committee would like to reiterate their earlier recommendations on merger of HSCL with SAIL and desire that till a final decision is taken, the Ministry should endeavour to award new projects as well as work on modernisation/upgradation of existing projects to HSCL in order to bail it out from financial crunch.
17.	6.24	The Committee note that Global Steel demand in 2006 might register a growth rate of 4.5%. The domestic steel industry is also expected to achieve higher growth rate as the domestic economy started to register higher growth rates. As against unfair competition from imports, the domestic steel industry would be protected by taking various steps like Anti-dumping, Anti-subsidy and safeguard actions. As far as raw material particularly escalating demand of Coking Coal is concerned, the steel industry would face tremendous pressure owing to expanding steel sector. The Committee also note that with the announcement of National Steel Policy to achieve indigenous production of 110 Million Tonnes(MT) per annum by 2019-20 from the 2004-05 level of 38 MT, Government is gearing up its mechanism to address all the issues which may hamper the growth and development of the steel industry.

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		The Committee note that the steel players are willing to invest in domestic steel industry and set up production capacity of more than 200 MT by 2019-20 as admitted by the Secretary during the course of oral evidence but the cumbersome procedures and inordinate delay in various clearances viz. forest/environment clearance, grant/renewal of mining lease hamper not only the growth of steel industry but also economy of the country. The Committee are constrained to observe that while NSP has pegged the total steel production at 110 MT by 2019-20, the investment proposals have already been in the pipeline for more than 200 MT. The Committee are optimistic that the investment scenario of the country is capable of attracting more investment and the capacity for production of steel may well exceed 200 MT per annum. The Committee are not sure whether NSP envisages the provision of required infrastructure and related facilities. The Committee, therefore, desire the Ministry to address all the issues including adjustment in NSP, related to domestic steel industry with serious commitment and create investor-friendly environment in order to harness the potential for achieving more than 200 MT production of steel per annum by 2019-20.

ANNEXURE I
(Vide Para 3.1 of the Report)

BUDGET 2006-2007 AT A GLANCE
Demand No. 90

A. The Budget Allocation, Net of Recoveries are given below:

(Rs. in crore)

Sl. No.	**Details**		**BE 2005-2006**			**RE 2005-2006**			**BE 2006-2007**		
		Major Head	**Plan**	**Non Plan**	**Total**	**Plan**	**Non Plan**	**Total**	**Plan**	**Non Plan**	**Total**
		Revenue **Capital** **Total**	**0.00** **15.00** **15.00**	**72.53** **2.00** **74.53**	**72.53** **17.00** **89.53**	**0.00** **15.00** **15.00**	**82.50** **2.00** **84.50**	**82.50** **17.00** **99.50**	**0.00** **45.00** **45.00**	**84.50** **0.00** **84.50**	**84.50** **45.00** **129.50**
1	2	3	4	5	6	7	8	9	10	11	12
1.	**Secretariat Economic Services**	3451	0.00	9.66	9.66	0.00	8.54	8.54	0.00	9.89	9.89
	Development Commissioner for Iron and Steel, Kolkatta		0.00	2.75	2.75	0.00	2.62	2.62	0.00	2.15	2.15
2.Iron and Steel Industries											
	Non-Plan Loan to Bird Group of Companies	6852	0.00	2.00	2.00	0.00	2.00	2.00	0.00	0.00	0.00
	Total		**0.00**	**2.00**	**2.00**	**0.00**	**2.00**	**2.00**	**0.00**	**0.00**	**0.00**
3. Subsidies to Public Sector Steel Plants											
(i)	Subsidy to Hindustan Steel Works Constructions Ltd. for waiver of guarantee fee	2852	0.00	0.92	0.92	0.00	6.10	6.10	0.00	6.60	6.60
(ii)	Interest Subsidy to Hindustan Steel Works Constructions Ltd. for loans raised for implementation of VRS		0.00	56.81	56.81	0.00	56.81	56.81	0.00	59.19	59.19
(iii)	**Interest Subsidy to MECON Ltd. for loans raised for implementation of VRS**		0.00	1.75	1.75	0.00	6.54	6.54	0.00	6.03	6.03
(iv)	Subsidy to BRL for waiver of guarantee fee		0.00	0.54	0.54	0.00	0.54	0.54	0.00	0.54	0.54
	Total		**0.00**	**60.02**	**60.02**	**0.00**	**69.99**	**69.99**	**0.00**	**72.36**	**72.36**
4. Investment in Public Enterprises											
(i)	BRL	4852	7.00	0.00	7.00	7.00	0.00	7.00	7.00	0.00	7.00
(ii)	MECON Ltd		0.00	0.00	0.00	0.00	0.00	0.00	30.00	0.00	30.00
(iii)	Bird Group of Companies	6852	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	1.00

(iv)	Hindustan Steelworks Construction Ltd		15.00	0.00	15.00	15.00	0.00	15.00	45.00	0.00	45.00
(v)	MECON Ltd		4.00	0.00	4.00	4.00	0.00	4.00	0.00	0.00	0.00
	Total		**26.00**	**0.00**	**26.00**	**26.00**	**0.00**	**26.00**	**83.00**	**0.00**	**83.00**
5.	Other Programmes	2852	0.00	3.86	3.86	0.00	3.02	3.02	0.00	2.85	2.85
Sl. No.	Details		**BE 2005-2006**			**RE 2005-2006**			**BE 2006-2007**		
B.	**Investment in Public Enterprises**	**Head of Division**	**Budget Support**	**IEBR**	**Total**	**Budget Support**	**IEBR**	**Total**	**Budget Support**	**IEBR**	**Total**
(i)	Steel Authority of India Ltd.	12852	0.00	1030.00	1030.00	0.00	815.00	815.00	0.00	1275.00	1275.00
(ii)	Rashtriya Ispat Nigam Ltd.	12852	0.00	896.00	896.00	0.00	255.35	255.35	0.00	1452.00	1452.00
(iii)	Sponge Iron India Nigam Ltd.	12852	0.00	5.00	5.00	0.00	5.00	5.00	0.00	5.00	5.00
(iv)	Hindustan Steel Works Construction Ltd.	12852	4.00	0.00	4.00	4.00	0.00	4.00	7.00	0.00	7.00
(v)	Bharat Refractories Ltd.	12852	7.00	0.00	7.00	7.00	0.00	7.00	7.00	0.00	7.00
(vi)	National Mineral Development Corporation Ltd.	12852	0.00	220.25	220.25	0.00	149.14	149.14	0.00	150.00	150.00
(vii)	Kudremukh Iron Ore Company Ltd.	12852	0.00	225.00	225.00	0.00	129.66	129.66	0.00	200.00	200.00
(viii)	Manganese Ore India Ltd.	12852	0.00	34.21	34.21	0.00	45.96	45.96	0.00	48.50	48.50
(ix)	Bird Group of Companies	12852	2.00	17.38	19.38	2.00	17.38	19.38	1.00	25.00	26.00
(x)	MECON Ltd.	12852	4.00	8.28	12.28	1.00	0.00	1.00	30.00	0.00	30.00
(xi)	MSTC Ltd.	12852	0.00	5.00	5.00	0.00	5.00	5.00	0.00	5.00	5.00
(xii)	Ferro Scrap Nigam Ltd.	12852	0.00	10.00	10.00	0.00	16.70	16.70	0.00	11.80	11.80
(xiii)	Research & Technology Mission	12852	0.00	0.00	0.00	0.00	125.00	125.00	0.00	0.00	0.00
	Total		**17.00**	**2451.12**	**2468.12**	**14.00**	**1564.19**	**1578.19**	**45.00**	**3172.30**	**3217.30**
5.	Plan Outlay		**17.00**	**2451.12**	**2468.12**	**14.00**	**1564.19**	**1578.19**	**45.00**	**3172.30**	**3217.30**

ANNEXE-II

(Vide 3.6 of the Report)

Expenditure incurred in each quarter of 2005-06 against budgetary allotment, both under Budgetary Support (Plan and Non-Plan Schemes) and I&EBR

I. BUDGETARY SUPPORT

(Rs. in crore)

Sl. No.	**Major Head**	**Allocated amount for 2005-06**	**Actual Expenditure during 2005-06**				**Whether expenditure in last quarter huge compared to first three quarters of 2005-06/ Remarks**
			1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr. (Anticipated)	
1	**3451** - Secretariat Economic Services	**8.54**	2.54	2.07	2.45	2.20	Expenditure in 4th quarter not large compared to first 3 quarters.
2.	**2852 -** Industry	**73.96**	4.53	20.68	11.62	32.59	Rs.32.59 crore to be spent in the 4th quarter includes (i) Rs. 9.97 crore for which Supplementary has been sought in the 3rd Batch of Supplementary Grants, 2005-06 and the same will be released after receipt of approval from Ministry of Finance, and (ii) Rs. 8.42 crore released in March'06 to HSCL as interest subsidy arrear for the period April'05 to Feb'06. Hence the comparatively higher expenditure in the 4th quarter.
3.	**4852**- Capital outlay on Iron and Steel Industries	**7.00**	0.00	7.00	0.00	0.00	Not Applicable
4.	**6852** - Loans for Iron & Steel Industries	**10.00**	0.00	0.00	4.00	4.00	Expenditure of Rs.4 crore in last quarter is 40% of the allocated amount of Rs.10 crore which is not huge compared to the expenditure in the first 3 quarters.
	Total (1 to 4)	**99.50**	**7.07**	**29.75**	**18.07**	**37.97**	

***ANNEXURE – II** (contd.)*

II. INTERNAL & EXTRA BUDGETARY RESOURCES (IEBR)

(Rs. in crore)

Sl. No.	Name of the PSU	**Approved Outlay 2005-06 (BE)**			**Actual Expenditure during 2005-06**				**Whether expenditure in last quarter huge compared to first three quarters of 2005-06/ Remarks**
					1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr (Anticipated)	
		Outlay	IEBR	B.S.					
1	SAIL	1030.00	1030.00	0.00	115.00	210.00	173.00	282.00	Expenditure in 4th quarter not huge compared to first 3 quarters
2.	RINL	896.00	896.00	0.00	31.71	30.81	26.35	48.37	- do -
3.	SIIL	5.00	5.00	0.00	0.24	0.27	0.15	0.10	- do -
4.	HSCL	4.00	0.00	4.00	0.00	0.00	0.36	3.64	Amount was released on 31.10.2005. Procurement process for purchase of equipments/machinery in progress
5	MECON Ltd.	12.28	8.28	4.00	0.67	0.42	1.56	8.97	Higher expenditure in 4th quarter is because of payment of Rs.6.54 crore to RITES Ltd. for acquiring office premises from them in SCOPE Minar, Delhi.
6	BRL	7.00	0.00	7.00	0.26	0.74	1.03	4.97	Amount was released in July, 2005. Higher expenditure in 4th quarter is because procurement of capital items is done on payment of 30% advance on placement of order and the balance 70% on receipt of items. Also payments of certain capital items are made on successful commissioning. This results in substantial payment/ expenditure in the later part of the year.
7	MSTC Ltd.	5.00	5.00	0.00	0.00	0.00	3.30	1.00	Expenditure in 4th quarter not huge compared to first 3 quarters
8	FSNL	10.00	10.00	0.00	4.34	5.79	4.26	3.00	- do -
9	NMDC	220.25	220.25	0.00	6.97	20.81	47.67	46.58	- do -

10	KIOCL	225.00	225.00	0.00	5.77	7.40	8.11	10.00	- do -
11	MOIL	34.21	34.21	0.00	5.67	1.45	2.08	7.49	Expenditure in last quarter is 45% of the total anticipated expenditure in 2005-06.
12	Bird Group of Companies	17.38	17.38	0.00	1.09	1.16	2.71	0.79	Expenditure in 4th quarter not huge compared to first 3 quarters
	Total	**2466.12**	**2451.12**	**15.00**	**171.72**	**278.85**	**270.58**	**416.91**	

ANNEXURE- III
(Vide Para 4.3 of the Report)

SCHEMES/PROJECTS OF PSUs, FINANCED OUT OF BUDGETARY SUPPORT, FROM 2002-03 TO 2005-06

(Rs. in crore)

Name of PSU	Scheme/Project	Allocation for the year	Actual expenditure	Whether Scheme completed/ Remarks
1	2	3	4	5
I. YEAR 2002-2003				
1.HSCL	Purchase of construction equipments and machinery for projects	4.00	4.00	Purchase of construction equipments/machinery completed
2. BRL	Addition, Modification & Renovation (AMR) schemes	5.00	5.00	AMR Schemes completed
3. MECON Ltd.	Information Technology (IT) – Purchase of computer hardware & software	2.00	2.00	Purchase of computer hardware/software completed
4. Bird Group of Co.	AMR Schemes	1.00	1.00	AMR Schemes completed
II. YEAR 2003-2004				
1. HSCL	Purchase of construction equipments and machinery for projects	4.00	4.00	Purchase of construction equipments/machinery completed
2. BRL	AMR Schemes	12.00*	12.00	AMR Schemes completed
3. MECON	IT - Purchase of computer hardware & software	1.00	1.00	Purchase of computer hardware/software completed
4. Bird Group	AMR Schemes	1.00	1.00	AMR Schemes completed
III. YEAR 2004-2005				
1. HSCL	Purchase of construction equipments and machinery for projects	3.00	3.00	Purchase of construction equipments/machinery completed
2. BRL	AMR Schemes	10.00*	10.00	AMR Schemes completed
3. MECON	IT - Purchase of computer hardware & software	1.00	1.00	Purchase of computer hardware/software completed
4. Bird Group	AMR Schemes	1.00	0.70#	Rs.1.00 crore was released in Jan., 2005. Entire amount expected to be utilized for AMR Schemes by March, 2006.
IV. YEAR 2005-2006				
1. HSCL	Purchase of construction equipments and machinery for projects	4.00	0.36#	Amount released in 2nd quarter of 2005-06. Purchase of machinery and execution of AMR Schemes expected to

2. BRL	AMR Schemes	7.00*	2.03#	be completed by March, 2006.
3. MECON	IT - Purchase of computer hardware & software and testing equipments	4.00	0.00#	Rs.4.00 crore released in 4th quarter of 2005-06. Procurement process expected to be completed by March, 2006.

* Rs.7.00 crore as equity investment in BRL and the balance amount as Plan loan

Actual expenditure as on 31.12.2005

<u>Note:</u> Budgetary Support (col. 3 of table) provided as Plan loan, except in case of BRL

ANNEXURE – IV
(Vide Para 4.6 of the Report)

BUDGETARY SUPPORT AND I&EBR AT RE STAGE, ACTUAL EXPENDITURE AND UNSPENT BALANCE OF STEEL PSUS FROM 2002-03 TO 2005-06.

A. **Budgetary Support**

(Rs. in crore)

Name of PSU	Revised Estimates (RE)		Actual Expenditure		Unspent funds	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
I. Year 2002-03						
1. HSCL	4.00	147.51	4.00	134.07	0.00	13.44 *
2. BRL	5.00	145.00	5.00	145.00	0.00	0.00
3. MECON	2.00	3.47	2.00	2.69	0.00	0.78
4. SAIL	--	28.53	--	28.53	--	0.00
5. IISCO (A Subsidiary of SAIL)	--	186.00	--	186.00	--	0.00
6. Bird Group	1.00	2.00	1.00	2.00	0.00	0.00
II. Year 2003-04						
1. HSCL	4.00	33.12	4.00	33.12	0.00	0.00
2. BRL	12.00	--	12.00	--	0.00	0.00
3. MECON	1.00	3.47	1.00	3.32	0.00	0.15
4. SAIL	--	54.16	--	54.16	--	0.00
5. Bird Group	1.00	2.00	1.00	2.00	0.00	0.00
II. Year 2004-05						
1. HSCL	3.00	158.04	3.00	158.04	0.00	0.00
2. BRL	10.00	--	10.00	--	0.00	--
3. MECON	1.00	6.89	1.00	6.89	0.00	0.00
4. SAIL	--	9.30	--	9.30	--	0.00
5. Bird Group	1.00	3.00	0.70**	2.17**	0.30**	0.83**
II. Year 2005-06						
1. HSCL	4.00	56.81	4.00#	51.75	0.00	5.06 $
2. BRL	7.00	--	7.00#	--	0.00	--
3. MECON	4.00	6.54	4.00#	6.54#	0.00	0.00
4. Bird Group	--	2.00	--	0.00	--	2.00@

* Rs.13.44 crore remained unspent because of lower interest subsidy requirement of HSCL in 2002-03, since the company could raise VRS loans of Rs.200 crore only while interest subsidy provision in 2002-03 was made for VRS loans of Rs.250 crore.

** As on 31.12.2005

$ Unspent fund is because of reduction in interest rates on VRS loans of HSCL and swapping of high-interest loans with low-interest loans from ICICI Bank

Anticipated expenditure for 2005-06. Sanction orders for the respective amounts have been issued, except in respect of Rs.6.54 crore for MECON for which information reg. approval of third Supplementary grant by Parliament is awaited from Finance Ministry.

@ Rs.2.00 crore for implementation of VRS in BSLC, a unit of Bird Group, will not be utilized because of sluggish response to VRS in BSLC.

<u>Note</u>: Budgetary support for subsidy for waiver of guarantee fee and for write-off of Govt. loans and interest has not been included in the above table as these are only accounting adjustments and do not involve any cash outgo.

B. Internal & Extra Budgetary Resources (I&EBR)

(Rs. in crore)

Name of PSU	2002-03 (I&EBR)			2003-04 (I&EBR)			2004-05 (I&EBR)			2005-06 (I&EBR)		
	RE	**Actual Expendt.**	**Unspent funds**	**RE**	**Actual Expendt.**	**Unspent funds**	**RE**	**Actual Expendt.**	**Unspent funds**	**RE**	**Anticiptd. Expendt.**	**Unspent funds (Anticptd.)**
1. SAIL	350.00	224.33	125.67	425.00	454.32	-29.32#	650.00	531.63	118.37	815.00	780.00	35.00
2. RINL	62.00	27.05	34.95	99.00	25.00	74.00	174.00	70.90	103.10	255.35	137.24	118.11
3. MECON	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.63	7.62	1.01
4. MSTC	63.48	14.85	48.63	5.00	0.00	5.00	5.00	0.00	5.00	5.00	4.30	0.70
5. FSNL	13.61	14.91	-1.30#	11.50	5.33	6.17	11.50	12.93	-1.43#	16.70	17.39	-0.69#
6. SIIL	4.75	2.00	2.75	5.00	2.02	2.98	9.40	1.10	8.30	5.00	0.76	4.24
7. HSCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8. BRL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9. R&T MISSION	95.00	0.41	94.59	9.00	13.93	- 4.93#	60.00	7.63	52.37	125.00	0.25	124.75
10. NMDC	834.45*	113.05	721.40	212.43	65.12	147.31	77.79	46.76	31.03	149.14	122.03	27.11
11. KIOCL	119.68	10.07	109.61	30.00	9.22	20.78	54.00	11.05	42.95	129.66	31.28	98.38
12. MOIL	21.76	12.93	8.83	20.41	7.78	12.63	34.41	17.57	16.84	45.96	16.69	29.27
13. BIRD GROUP	0.00	2.74	-2.74#	19.32	15.91	3.41	43.62	4.04	39.58	17.38	5.75	11.63
Total	***1564.73***	***422.34***	***1142.39***	***836.66***	***598.63***	***238.03***	***1119.72***	***703.61***	***416.11***	***1572.82***	***1123.31***	***449.51***

Actual expenditure higher than the estimates in RE for the year.

* NMDC's allocation for capital plan expenditure in RE 2002-03 was Rs.377.69 crore.

ANNEXURE-V

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2005-2006) HELD ON 5.4.2006 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee met from 1100 hours to 1300 hours.

PRESENT

Shri Chandrakant Khaire - In the Chair

MEMBERS

2. Shri Hansraj G.Ahir
3. Shri Harishchandra Chavan
4. Shri Chandra Sekhar Dubey
5. Shri Vikrambhai Arjanbhai Maadam
6. Shri Bhubneshwar Prasad Mehta
7. Shri Hemlal Murmu
8. Shri Anirudh Prasad *alias* Sadhu Yadav
9. Shri Rewati Raman Singh
10. Capt. Jai Narayan Prasad Nishad

SECRETARIAT

1.	Shri A.K.Singh	-	Joint Secretary
2.	Shri A.K.Singh	-	Director
3.	Shri Shiv Singh	-	Under Secretary

LIST OF WITNESSES

MINISTRY OF STEEL

Sl.No.	Name and Designation	Ministry/PSUs
1.	Dr. Mano Ranjan, Secretary	Ministry of Steel
2.	Shri A.K.Rath, AS&FA	-do-
3.	Dr. S.N.Dash, Addl. Secretary	-do-
4.	Shri Ajoy Kumar, Joint Secretary	-do-

5.	Shri P.K.Padhy, Economic Adviser	-do-
6.	Shri S.S.Saha, Industrial Adviser	-do-
7.	Shri Deepak Anurag, Director	-do-
8.	Shri Ashutosh Baranwal, Director	-do-
9.	Shri V.S.Jain, Chairman	SAIL
10.	Shri S.K.Roongta, Director (Personnel)	-do-
11.	Shri K.K.Khanna, Director, (Tech.)	-do-
12.	Shri G.C.Daga, Director (Finance)	-do-
13.	Shri P.Ganesan, CMD	KIOCL
14.	Shri B.Ramesh Kumar, CMD	NMDC
15.	Shri Parthasarathy, K.,CMD	HSCL
16.	Shri Abhijit Ghosh, Director(Fin.)	-do-
17.	Shri K.L.Mehrotra, CMD	MOIL
18.	Shri M.AV.Goutham, Director(Fin.)	-do-
19.	Shri Y.Siva Sagar Rao, CMD	RINL
20.	Shri R.C.Srivastava, CMD	Bird Group of Cos.
21.	Shri Champak Banerjee, ED(Fin.)	-do-
22.	Shri Malay Sengupta, CMD	MSTC
23.	Shri D.D.Singh, MD	FSNL
24.	Shri D.Rath, CMD	MECON
25.	Shri K.J.Singh, CMD	BRL

2. Since the Hon'ble Chairman was not available, Members of the Committee requested Shri Chandrakant Khaire to preside over the meeting.

3. At the outset, Shri Chandrakant Khaire, welcomed the Members of the Committee and representatives of the Ministry of Steel to the sitting of the Committee and apprised them of the provision of Direction 58 of the Directions by the Speaker.

4. Thereafter, the Secretary, Ministry of Steel briefed the Committee on the Demands for Grants(2006-07) of the Ministry of Steel. The following important points were discussed by the Committee:

(i) Performance of Steel PSUs;
(ii) Availability of Iron Ore and Coking Coal;

(iii) Export of Iron Ore;
(iv) Demand and Supply of Steel;
(v) Impact of International Steel Prices on Domestic Market;
(vi) Merger of Maharashtra Elektro-Smelt Limited and Hindustan Steel Works Construction of Limited with SAIL and;
(vii) Employment Generation under National Steel Policy.

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

The Committee then adjourned.

ANNEXURE-VI

MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2005-06) HELD ON 22nd MAY, 2006 IN COMMITTEE ROOM 'B' PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1530 hrs. to 1640 hrs. to consider and adopt the Reports on Demands for Grants (2006-07) pertaining to the Ministries of Coal, Mines and Steel.

PRESENT

Shri Ananth Kumar - Chairman

MEMBERS

2. Shri Hansraj G. Ahir
3. Shri Chandra Sekhar Dubey
4. Shri Chandrakant Khaire
5. Shri E.Ponnuswamy
6. Smt. Karuna Shukla
7. Shri Devdas Apte
8. Capt. Jai Narayan Prasad Nishad

SECRETARIAT

1.	Shri A.K.Singh	-	Joint Secretary
2.	Shri A.K.Singh	-	Director
3.	Shri Shiv Singh	-	Under Secretary

2. At the outset, the Chairman, Standing Committee on Coal and Steel welcomed the Members to the sitting of the Committee.

3. The Committee then considered and adopted the following Draft Reports with some additions/deletions/modifications:-

(i) ** ** ** ** **

(ii) ** ** ** ** **

(III) Report on Demands for Grants (2006-07) of the Ministry of Steel

** Does not pertain to this Report.

4. The Committee authorized the Chairman to finalise the Reports after making consequential changes arising out of factual verifications by the concerned Ministries and to present these Reports to both the House of Parliament during the Current Session.

The Committee then adjourned.