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STANDING COMMITTEE ON COAL AND STEEL (2006-2007) FOURTEENTH LOK SABHA

MINISTRY OF STEEL

REVIEW OF PERFORMANCE OF RASHTRIYA ISPAT NIGAM LIMITED (RINL)

TWENTY SIXTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

May, 2007 / Vaisakha, 1929 (Saka)

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RASHTRIYA ISPAT NIGAM LIMITED (RINL)

Presented to Lok Sabha on 14.5.2007
Laid in Rajya Sabha on 10.5.2007

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NEW DELHI
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COMPOSITION OF THE STANDING COMMITTEE ON

COAL AND STEEL (2006-07)

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21. Shri Anirudh Prasad a*lias* Sadhu Yadav

* Appointed w.e.f. 14th March 2007 vice Shri Ananth Kumar, M.P. resigned.

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COAL AND STEEL (2005-06)

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24. Shri Vidya Sagar Nishad
25. Shri B.J.Panda
26. Dr. Swami Sakshi Ji Maharaj

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* Nominated w.e.f. 20.1.2006.

COMPOSITION OF THE SUB-COMMITTEE ON STEEL OF THE STANDING COMMITTEE ON COAL AND STEEL (2005-06)

Shri Ananth Kumar – Chairman

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8. Shri Hemlal Murmu
9. Shri Anirudh Prasad
10. Shri E.Ponnuswamy
11. Shri Tarachand Sahu
12. Shri Rewati Raman Singh
13. Shri M.Anjan Kumar Yadav
14. Shri Ramadhar Kashyap
15. Capt. Jai Narayan Prasad Nishad
16. Shri Swapan Sadan Bose

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 Twenty-Sixth Report (Fourteenth Lok Sabha) on the subject "Review of Performance of Rashtriya Ispat Nigam Limited (RINL)".

2. Taking into consideration the significance of the subject, the Standing Committee on Coal and Steel selected the above-mentioned subject and entrusted the same to the Sub-Committee on Steel for examination and report thereon.

3. The Sub-Committee on Steel was briefed on the subject by the representatives of the Ministry of Steel on 14.12.2005. Thereafter the Standing Committee on Coal and Steel took oral evidence of the representatives of the Ministry of Steel on 4.10.2006. As a part of proper examination, the Committee visited the Visakhapatnam Steel Plant on 27.6.2006 and held informal discussion with the representatives of RINL on 28.6.2006. The Committee also took evidence of representatives of the Ministry of Railways and State Governments of Chhattisgarh, Jharkhand, Karnataka and Orissa on 16.10.2006 to find a solution to the outstanding issues and discuss the possibilities in allocation of captive iron ore mines to RINL respectively.

4. The Committee wish to express their thanks to the representatives of the Ministries of Steel, Mines and Railways and the State Governments of Chhattisgarh, Jharkhand, Karnataka and Orissa for placing before them the detailed material/information as desired by the Committee/Sub-Committee and sharing with the Committee/Sub-Committee their frank views and perceptions concerning the subject.

5. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 9.5.2007.

6. The Committee place on record their profound appreciation for the work done by the Sub-Committee on Steel for their in-depth study and analysis of the subject and invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

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

New Delhi;
9 May, 2007
19 Vaisakha, 1929 (Saka)

Dr. SATYANARAYAN JATIYA,
Chairman,
Standing Committee on Coal and Steel.

CHAPTER I

INTRODUCTION

Rashtriya Ispat Nigam Limited (RINL), the corporate entity of Visakhapatnam Steel Plant (VSP) popularly known, as VIZAG STEEL is the first shore based integrated steel plant in the country located at Visakhapatnam in Andhra Pradesh. The plant was commissioned in August 1992 with a capacity to produce 3 million tons per annum (mtpa) of liquid steel. The Plant has been built to matching international standards in design and engineering with the State-of-the-Art Technology, incorporating extensive energy saving and pollution control measures. Basically a long-product manufacturer, VIZAG STEEL pioneered several technological trends in the Indian Steel Industry such as 7 metre tall Coke Oven Batteries, 3200 Cum. Blast Furnaces (still biggest in the Country), 100 per cent Continuous Casting, Tempcore and Stelmore thermal treatment processes. VSP has an excellent layout, which allows expansion of the plant capacity to over 10 mtpa. Right from the year of its integrated operation, the VSP established its presence both in the domestic and international markets with its superior quality of products. The Company has been awarded all the three international standard certificates namely ISO 9001:2000, ISO 14001:1996 and OHSAS 18001:1999. Finance & Accounts Division of RINL also obtained Certificate for Quality Management System under ISO 9001:2000 standard as an independent entity, which is the first of its kind in the Manufacturing Sector. RINL is contributing considerably for the development of the Country.

1.2 VSP was conceived in the year 1970 as a unit of Steel Authority of India Limited (SAIL) to augment its long-products capacity and to serve the southern markets. Announcement for VSP was made in Parliament in the year 1970 and the foundation stone was laid in the year 1971. Feasibility Report of the plant was made in the year 1973, Indo-Soviet Agreement was signed in the year 1979 and comprehensive revised Detailed Project Report was made in the year 1980. Finally, in the year 1982, the project was sanctioned by Government of India and in the same year a separate company called Rashtriya Ispat Nigam Limited (RINL) was formed. The Plant was to be commissioned by 1986 as per original schedule. However, because of severe cash crunch, in the year 1986, a rationalized concept was adopted in which some of the envisaged facilities were dropped to lower the capital costs and the nameplate capacities of steel making and rolling mills were increased for making revenue generation more attractive. Finally, the plant was fully commissioned in the year 1992. Due to the long gestation period of 22 years from the concept to commissioning stage, the capital cost of the project went up from original estimate of Rs.2256 crore in 1979 to Rs.8594 crore in 1992. As a result of high capital cost and large borrowings the Company had to bear high interest and depreciation burden resulting in continuous losses year after year. This has resulted in huge cost overruns and high capital related charges and at the time of commissioning itself the Company had a net loss of over Rs.2000 crore. While the plant was picking up production, the South-East Asian financial crisis severely affected the steel market that led to

continuous drop in steel prices both in domestic and international markets. All these conditions have brought in a tremendous pressure on the financials of the company.

1.3 Despite these adverse conditions, VSP collectively rose to the occasion and over the last few years VSP's performance has improved on all fronts including production, techno-economics, marketing and financials. RINL has been awarded Mini-Ratna status in 2006. It will help RINL in taking decisions faster and implementing the projects as per schedule. With this status, RINL can incur capital expenditure up to Rs.500 crore on new projects, modernization, purchase of equipment, etc. without approval of Government. Further, it empowers RINL to invest to establish Joint Ventures and Subsidiaries in one project up to Rs.500 crore.

Global Steel Scenario

1.4 The International Iron & Steel Institute (IISI) in its forecast for 2006 has confirmed the trend of recent years of an increase in steel use in-line with general economic growth and with the fastest growth occurring in the countries with the highest GDP growth such as India and China. Apparent world-wide steel demand is to grow to between 1040 and 1053 million tonnes(mt) in 2006 from a total of 972 mt in 2004. This is a growth of 4-5 per cent over the two year period. However, according to IISI the cost of raw materials and energy would continue to represent a major challenge for the world steel industry.

Domestic Steel Scenario

1.5 In the last decade, steel production in India showed a remarkable growth of 100%. From a level of 21 mt in 1995, production rose to about 42 mt in 2005-06. India has also become net exporter of steel since 1996. Per capita consumption of steel in India is 35 kg compared to 170 kg in the world. In view of the fact that Indian population is 16% of the global population, the production of steel is much lower in India. India ranks eighth in steel production in the world. This indicates that tremendous potential exists for increasing steel consumption and improving the per capita consumption in India.

National Steel Policy Vs RINL

1.6 National Steel Policy (NSP) envisages annual growth of steel production and consumption at 7.3% and 6.9% respectively in India. These growth trends correspond to steel demand of about 60 Mt by 2011-12, which is the terminal year of 11th Five Year Plan and 110 Mt by 2019-20.

1.7 In line with NSP and to realize the emerging opportunity of increasing steel demand in the world in general and in the country in particular, RINL has been implementing its first-phase expansion plan to raise the capacity to 6.3 Mt by 2008-09 and planned to increase the capacity further to 6.8 Mt by 2008-09, 8.5 Mt by 2010-11 and 16 Mt by 2020. Further to improve the distribution network for reaching hinter-land

as envisaged in NSP, RINL has planned to operate marketing network in each and every District of Southern India & to the Block Level in a progressive manner and exploring the possibility of setting up of an export oriented unit as a joint venture.

1.8 The Committee are happy to note that Rashtriya Ispat Nigam Limited (RINL) which was facing financial crunch in the past, has turned around and made significant improvement in its performance over the last five years.

The Committee observe that the steel industry at global level is witnessing phenomenal growth in demand and supply. Indian steel industry is also poised for a quantum jump in the next 15 years. The Committee feel that as the coming years would be crucial for the growth of steel industry, RINL has to prepare itself for technological and productivity improvements and benchmarking them to global standards to remain competitive and also to develop the strength to withstand the vagaries of cyclic nature of the steel industry.

The Committee, therefore, recommend that RINL should strive to set new standards in global steel industry by improving and achieving higher techno-economic parameters relating to raw material, energy, water consumption, etc. having multiplying effect on productivity. The Committee also desire that in consonance with National Steel Policy, the Ministry of Steel should ensure adequate and enabling infrastructure for RINL.

CHAPTER II

PHYSICAL PERFORMANCE

Product Profile

Visakhapatnam Steel Plant's (VSP) Product Mix comprises Wire-Rods, Bars, Angles, Channels, Beams, Rounds and Billets. The Plant also produces Pig Iron, Granulated Slag and Coal Chemicals. The rolled products find extensive usage in the Construction, Infrastructure, Railways, Power, Oil, Defence, Transport and Ship Building sectors. Bars and Rods are used mainly for re-inforced concrete work for housing, construction of dams, buildings & factories, manufacture of agricultural implements, fabrication of light engineering components. The Wire-Rods are used in Wire-Drawing industry for electrodes, transmission lines and weld ability requirements. The structurals find application in engineering, house building, agricultural implements, machinery, transmission towers, etc. Production performance during the past five years are as below:-

(in '000' tonnes)

No.	Item	2002-03	2003-04	2004-05	2005-06	2006-07 Estimate
1	Hot metal	3942	4055	3920	4153	4100
2	Crude Steel (Liquid Steel)	3357	3508	3560	3603	3550
3	Saleable Steel	3056	3169	3173	3237	3175
4	Pig Iron	517	439	273	439	479

Capacity Utilisation

2.2 VSP has been achieving consistent growth in production and capacity utilisation over the years. During 2001-02, the company surpassed its rated capacities. Since then, VSP has been registering steady improvement year after year. During 2005-06, the capacity utilisation has been more than 120 per cent. The production and capacity utilisation from 2003-04 are indicated below:-

Item	Installed capacity	2003-04		2004-05		2005-06	
	(Mt)	Production(Mt)	% CU	Production(Mt)	% CU	Production(Mt)	% CU
Hot Metal	3400	4055	119	3920	115	4153	122
Liquid Steel	3000	3508	117	3560	119	3603	120
Saleable Steel	2656	3169	119	3172	119	3237	122

CU: Capacity Utilisation, Mt – Million Tonnes

2.3 When the Committee asked whether there is any shortfall in production since 2002-03 and the reasons therefor, the Ministry of Steel has submitted that

> "There is no shortfall in the production performance since 2002-03. RINL has been exceeding the targets set in the Memorandum of Understanding (MoU) with the Ministry of Steel. The data on target set and actual production of saleable steel since 2002-03 are given below: -

Item	2002-03	2003-04	2004-05	2005-06
MoU Target(Mt)	2.675	2.900	2.958	3.125
Production of Saleable Steel(Mt)	3.056	3.169	3.173	3.237
% of Target Fulfillment	114	109	107	104

> Out of RINL's products, Wire-Rod Mill Products yield maximum Net Sales Realisation."

2.4 Production of finished steel by RINL during the year 2005-06 vis-à-vis production of other companies like SAIL, Tata Steel is :

(in '000' tonnes)

2005-06	SAIL	Tata Steel	RINL	Main Producers (SAIL, Tata & RINL	% of RINL production among Main Producers
Finished Steel Production	9.78	3.847	2.980	16.607	17.94%

2.5 Market share of RINL among main producers in Finished Steel Long-Products is given below:-

(in '000 tonnes)

Year	Quantity sold by RINL	% share
2005-06	2832	49
2004-05	2775	50
2003-04	2446	49
2002-03	2430	48

In the long-products segment, during 2005-06, secondary re-rollers had a share of around 63%. Because they hold a larger share of this segment, they have a big say in the prices in spite of VSP's edge on quality. The price of secondary producers is influenced by import price and thus, market price gets affected.

2.6 The Committee note that Rashtriya Ispat Nigam Limited (RINL)has installed capacity to produce 3 million tonnes (mt) per annum of Liquid Steel and is operating at production level of about 4.1 mt hot metal, 3.5 mt of Liquid Steel and 3.1 mt of Saleable Steel representing capacity utilisation levels of 122%, 120% and 122% respectively. The Committee further note that since turn around in 2002-03, RINL has been able to surpass its rated capacities early in the year 2002 and improving thereafter every year. The Committee observe that domestic demand for steel especially in construction sector has been steadily growing since 2002-03 and is estimated to grow further. The Committee, therefore, desire that RINL should strive to further improve its techno-economic parameters and achieve higher capacity utilisation so as to reap the benefits of boom period in domestic steel market. Efforts should also be made to bring down the cost of products to make it competitive in the market.

2.7 The Committee note that as against the targets fixed in Memorandum of Understanding (MoU) for the production of saleable steel of 2.9 mt, 2.95 mt and 3.12 mt for the years 2003-04, 2004-05 and 2005-06 respectively, RINL had produced 3.16 mt, 3.17 mt and 3.23 mt marginally higher than the target. The Committee are unhappy to note that instead of fixing achievement as target for the next year, the target fixed for the years 2003-04, 2004-05 and 2005-06 was lesser than the achievement of the previous year and percentage of fulfillment of target also decreased from 114 per cent in 2002-03 to 104 per cent in 2005-06 resulting in overall lower achievement in subsequent years. The Committee are of the view that had the target been fixed higher than the achievement on previous years, RINL could have performed even better.

The Committee feel that the Ministry should fix the MoU targets suitably after taking into account the new opportunities and new concerns that might have emerged during the year rather than routinely updating the previous year's target. The Committee, therefore, recommend that RINL should make efforts to surpass the target in order to give further impetus to its competitiveness and

financial performance and devise suitable mechanism for taking corrective steps for its all round progress and improvement in the performance.

The Committee also desire that due care should be taken for the maintenance and operation of the plant and machinery as capacity utilisation is 122 per cent. Hence, scheduled maintenance of the plants and machinery must be taken as and when due.

2.8 The Committee note that as against the production of saleable steel of 3.16 mt, 3.17 mt and 3.23 mt, RINL had sold 2.44 mt, 2.77 mt and 2.83 mt only during the years 2003-04, 2004-05 and 2005-06 respectively. The Committee are pained to observe that RINL's market share for sale of steel products to different sectors has been hovering around 50 percent only between 2003-04 and 2005-06 while the production has been increasing year after year. The Committee note that Secondary Steel Sector in Long-Products especially in production of TMT, wire-rods and structurals and upcoming of large number of units in ore rich States like Chhattisgarh, Orissa, Jharkhand and West Bengal and some units with international technology like Thermex and Tempcore for production of TMT have increased their share of market at the expense of RINL. The Committee, therefore, cannot but deprecate the failure of RINL in capitalizing the upswing in the steel industry being witnessed during the last couple of years in terms of market penetration and also showing ineptitude in becoming resilient competitor to the growing Secondary Steel Sector.

The Committee, therefore, recommend that RINL should initiate a comprehensive exercise to identify requirements of the consumers, region wise and frame a long-term perspective plan to increase the presence of its Long-Products in the domestic market.

2.9 Steel products sold to different sectors by RINL for the year 2004-05 and 2005-06:-

(in '000 tonnes)

Sector	2005-06	2004-05
Construction & Roadways	1261	1121
Power	98	97
Automobile	481	476
Actual Users(consumption Sector)	1265	1367
Domestic Total	**3105**	**3061**
Exports	202	56
Grand Total	**3307**	**3117**

2.10 The Percentage of increase in domestic consumption and corresponding increase in RINL's production since 2002-03:-

Item	2002-03		2003-04		2004-05		2005-06	
	Mt	%Gr	Mt	%Gr	Mt	%Gr	Mt	%Gr
Apparent Steel Consumption	28.897	5.3	31.169	7.9	34.389	10.3	38.112	10.8
RINL's Production (Finished Steel)	2.622	10.9	2.782	6.1	2.886	3.7	2.973	3.0

Value-added Products:

2.11 When the Committee asked during the sitting held on 14th December 2005 whether RINL is focusing on production of value added products, the CMD, RINL has replied that:

> "Regarding products like blue steel etc. the second phase of the expansion we have planned only for the long-products because in the present Indian steel scenario, there is a lot of demand for the long products. Automotive industry has come from Europe to India and a lot of opportunities are there. That is why, we have planned that. As far as Maruti steel is concerned, we are planning in the next stage of the expansion, depending upon the market conditions".

2.12 On being asked, the proportion of value-added products, high end products in total production and steps taken to increase production and results thereon, the Ministry of Steel has submitted the following:-

> "VSP was basically designed to produce carbon steel. Production of value added steel was not envisaged in the design stage. However, with Research and Development (R&D) efforts and minor design modifications, production of

value added steel was commenced and has been increasing over the years as indicated below:-

(unit in '000 tonnes)

Item	2005-06	2004-05	2003-04	2002-03
Saleable Steel Production	3237	3173	3169	3056
Value-Added Production	889	880	802	802
% of Value-Added Production	27.5	27.7	25.3	15.8

During 2005-06, VSP produced 8.9 lakh tonnes of value-added steel products, which represents about 27% of saleable steel production. It is proposed to increase the production of value-added steel products gradually to about 44% of saleable steel production after the on going expansion".

Steps are being taken on continuously for producing value-added steel. Some of the important steps are brought out below:-

- Improvement in facilities of secondary metallurgy like Introduction of Ladle Furnace and on-line bottom purging.
- Lime addition system during tapping to reduce phosphorus reversal
- Control of Super Heat at Continuous Casting Department (CCD)
- Control of cooling parameters as per the grade requirement at CCD and Rolling Mills
- 100% inspection of the grades
- Introduction of Local Area Network (LAN) system for on-line correction in composition
- Electronic logging of all parameters and monitoring/tracking in stacking/dispatches of all the grades
- Branding of products
- Tungsten Carbide rolls for rolling of special steels".

2.13 When the Committee asked at informal discussion with the representatives of the Ministry of Steel and RINL during the Study Tour held on 27.6.2006 at Visakhapatnam about the RINL's strategy regarding quality improvement, creating a range and value addition for its products to have edge on PSUs/private steel companies, the CMD, RINL replied that

"By utilizing right quality of raw materials and through process control at each stage of steel making, the quality of products is maintained. In order to produce value-added steel products, secondary refining facilities like ladle furnace, on-line bottom purging etc. have been introduced. It is proposed to install an electro-magnetic stirrer in the continuous casting department for producing steel products for specific applications.

For further improvement of quality, creating a range and value addition for products, the expansion units are being so designed that facilities which are presently not available during steel making process like external de-sulphurising unit, vacuum de-gassing, container lab etc. are being added. Also to increase the range of products, state-of-the art rolling mills are planned to be set up to produce seamless tubes, higher sizes wire rods and rounds etc."

2.14 At the sitting held on 4th October 2006 to take oral evidence of the representatives of the Ministry of Steel, the Committee enquired whether RINL do supply value added steel to Defence sector, if so, the demand and quantum of supply, the Ministry of Steel has replied the following:-

"RINL is not presently supplying material to Defence organisations directly. However, some Military Engineering Service (MES) Contractors are purchasing VSP's products for use in Defence Projects and allocation to such Defence Projects is given priority".

2.15 On being asked about what would be the strategies other than expansion to be taken up to boost productivity and become competitive, the Ministry of Steel has replied that

"The strategies needed to be taken up to boost productivity and become competitive are given below:-

- Bed height increase in sinter machines
- Exhauster capacity enhancement to improve vacuum in sinter plant
- Implementation of Pulverized Coal Injection along with oxygen enrichment in BF
- Automation of Hot Blast Stoves in BFs
- Combined blowing facilities at SMS
- Modernisation of CCMs
- Introduction of Modern Gas cutting machines
- Conversion of binding machine to strapping machine in LMMM

- Installation of Auto Gauge measurement in LMMM / MMSM.
- Upgradation of process control computer in wire rod mill.
- WRM furnace upgradation
- Water box modification in WRM
- Conversion of Tying Machine to Strapping Machine in MMSM
- Upgradation of mill PLCs and cooling bed PLCs in MMSM".

Technological Goals

2.16 The continuous efforts made since 2002 to establish technological goals in material utilisation, energy consumption, pollution control, productivity and quality:-

"**Material Utilisation**

- Usage of LD slag in SP, BF and SMS to reduce purchased Limestone
- Usage of Coke dust in partial replacement for coke breeze in Sinter Plant
- Usage of Nut coke in partial replacement for BF coke in Blast Furnace
- Usage of used silica bricks to replace Quartzite lumps in Blast Furnace
- Utilisation of Lime Fines through briquetting
- Usage of internal recovered Copper scrap in SMS for making value
- Reclamation of scrap form maintenance activities and use in SMS
- Use of non-reclaimable used Lubrication and Hydraulic oil as a fuel in place of costly HSD in CRMP drier

Energy Consumption

- Optimising mixed gas calorific value and air fuel ratio
- Optimal utilisation of BF stoves
- Optimisation of heating time of ladles and tundishes
- Optimisation of furnace pressure and excess air in fuel gas in LMMM.
- Improvement in combustion air temperature by replacing old air recuperators with in-house fabricated one
- Modification of charging door and pusher of MMSM furnaces for reduction of leakages

- Replacing damaged baskets of air heaters of boilers

Pollution Control

- Provision of additional treatment facilities to treat the township Sewage Treatment Plan effluents to makeup water quality for reuse in the plant
- Installation of continuous track monitoring equipment in 10 stacks and setting up of three on-line ambient air quality monitoring stations
- Procured second weather monitoring station and noise measuring meter
- Modification of sequential pulsing system of bag filters of wagon tipplers, compressed air network and DE systems
- Recycling of coal tar, Benzol muck, Coke Dust in Coke Ovens
- Implementation of the ISO: 14001 Standard and Certification of the same

Productivity

- Increase in Bed Height to 500 in sinter machines
- Oxygen enrichment in Blast Furnace
- Improvement in Converter Lining Life
- Argon Shrouding during Casting of Steel
- Upgradation of PLCs in Mills
- Upgradation of drive controls to digital controls in WRM
- Installation of filters in cooling water system of WRM
- Upgradation of frequency controllers in MMSM
- Improvement in the level of automation and use of IT

Quality of Steel

- Production of Liquid Steel with both Silicon and Aluminium
- Rinsing of Liquid Steel with argon gas for sufficient time to homogenize and separation of impurities.
- Strict temperature control by using IRUT (Injection Refining and Up Temperature)
- Chemistry control is carried out by IRUT process and in the Ladle Furnace".

Labour Productivity

2.17 The Labour Productivity of VSP during the last five years is given in the following table:-

(Tons/man/year)

2001-02	2002-03	2003-04	2004-05	2005-06
228	253	262	265	282

The reason for increase in labour productivity from 253 t/man/year in 2002-03 to 282 t/man/year in 2005-06 was improvement in the production performance and containment of workforce.

WORLD STANDARDS IN PRODUCTION

2.18 VSP's Plans to reach world standards in production are given below:

S.No	Zone	New Plans envisaged
1	Coke Ovens	The latest Programmable Logic Controller (PLC) based control system in all three batteries will be completed by 2006-07. This is the replacement for obsolete Russian make Analog control system
2	Sinter Plant	Automation of Sinter Machine Operations with PLC based Control System.
3	Blast Furnaces	Pulverized coal injection to increase the throughput and also to reduce the usage of imported coking coal, Automation of stoves in BF-1 planned for 2006. Level-II automation has been planned for optimization of production and productivity. This is going to be the state-of-the-art technology of the world.
4	Steel Melt Shop(SMS)	For level-II system already tenders have been invited. Bottom blowing for converters have already been planned
5	Automation	Level-II automation system has been planned for SMS & BF Units
6	Information Technology	Paperless Office Automation. Enterprises Resource Planning (ERP)

2.19 The Committee note that RINL was basically designed to produce carbon steel. However, with Research and Development (R&D) efforts and minor design modifications, the production of value-added steel commenced which has been gradually increasing from 15% in 2002-03 to 25.3% in 2003-04, 27.7% in 2004-05 and 27.5% in 2005-06. The Committee also note that RINL has been taking several measures such as improvement in facilities of secondary metallurgy,

Lime addition system, installation of an electro-magnetic stirrer and expansion units are being so designed for producing value-added steel so as to increase its production to 44 per cent of saleable steel production. The Committee desire that a time-schedule be drawn up to achieve this target.

The Committee are constrained to note that though RINL has been keeping pace with the changes in steel industry by producing value-added steel, it has not fully exploited the growing demand for value-added steel as its share of value-added steel production has not increased since 2003-04. The Committee are, therefore, unhappy to note that rather than taking corrective steps immediately, RINL has planned to take up value-added production in the Second-Phase of expansion plan. The Committee are of the view that as the automobile industry is witnessing steep growth and steel companies are vying to capture the market by focusing on value-added steel, a tactical strategy is needed to enable RINL to become a leading producer of value-added steel.

The Committee, therefore, recommend that RINL should strive to increase value-added productions in the coming years by appropriate modifications in the First-Phase of expansion plan and if feasible, enter into future trade agreement with consumers of both steel and non-steel sectors in order to capitalize the existing resources to yield maximum return. The Committee also recommend the Ministry to set reasonable target for value-added products in MoU for the coming years.

2.20 The Committee observe that RINL has been supplying material to the Defence projects on priority basis through Military Engineering Service Contractors. The Committee feel that supplying the material directly to the Defence sectors rather than through contractors would benefit both the Defence sectors and RINL and therefore, recommend RINL to approach the Ministry of Defence and their organisations for supplying the material directly to them on future trade basis.

Appraisal of Major Projects

1. Coke Oven Battery No.4

2.21 The Coke Oven Battery No. I, II and III were commissioned during the year 1989, 1991 and 1992 respectively. The proposal to install 4th Coke Oven Battery in VSP was sanctioned on 10th December, 2003 at the cost of Rs.286.83 crore to enable rebuilding of the existing 3 Batteries sequentially during which the 4th Battery operates as a replacement battery and after their complete rebuilding it would serve as an additional Battery. The 4th Battery is expected to be ready for operation by July 2007 as against the approved date of commissioning on 10th December, 2006.

The cumulative expenditure upto December, 2006 is Rs.237.97 crore. An outlay of Rs.122 crore has been proposed in 2006-07 and incurred Rs.67.31 crore till December, 2006.

Reasons for Delay

- M/s HSCL has to improve their Manpower & Machinery resources for carrying out structural steel works to make up the backlogs.

- Refractory work in battery proper was badly affected due to non-supply for replacement bricks for rejected quantities of silica bricks from M/s TRL. Matter was taken up with suppliers.

- Inadequate mobilization by the erection agency – M/s NCCPL w.r.t. mechanical works.

- Delay in supply of mechanical items as per delivery schedule and as per erection requirement.

- Delay in completion of refractory work is resulting in delay in start of mechanical works of battery proper.

- Delay in supply and starting of erection of oven machines by M/s Bhilai Engineering Corporation.

- Consultant fixed for additional facilities in coke oven on 23.12.2006 for coal handling side. Consultant is yet to be fixed by by-product side.

Corrective Action Taken

- Taken up the issue of timely delivery of refractory items & other equipments with the concerned supplies at different levels.

- Follow-up by visiting the manufacturers premises on regular basis.

2. Air Separation Unit

Combined blowing process is implemented in SMS to improve the converter life to increase yield and to reduce consumption of Ferro Alloys. The same is approved under Addition, Modification and Replacement (AMR) scheme. However, there will be a shortfall in the meetings of supply of argon to the combined blowing process. In order to bridge this gap, it is proposed to install a 600 T Air Separation Unit thereby the argon requirements shall be met and simultaneously oxygen produced in the process shall be used for enriching the hot blast going to blast furnaces from the existing level of 1.5% to 3.3% whereby the productivity of the Blast Furnace will increase. The completion period of the project shall be 18 months and the total estimated cost of this scheme is Rs.96 crore.

When asked about the steps to be taken up to set up Thermal Power Plants and Air Separation Unit in VSP to meet the demands of expansion plan, the Ministry of Steel has submitted as follows:-

"RINL already has a captive Thermal Power Plant and an Air Separation Plant. However, under the current Expansion project, it is planned to set up additional Thermal Power Plant (2x67.5 mw capacity with all necessary facilities) and Air Separation Plant (2x 1350 t/day oxygen) under Build, Operate and Own (BOO) basis as approved by Government of India. These are likely to be commissioned by October 2008 along with other major expansion units. This will not only be cost effective but also increase energy efficiency.

Additionally, the existing TPP & BH are being augmented by setting up an additional TG-5(1x6.75 mw) & TB-4(1x418000 Ncum/hr) and 2x330 t/hr multi-fuel fired boiler. These are also likely to be commissioned along with other expansion units of Stage – I.

- Tender for appointment of Engineering Consultancy Service was invited on 1.9.2006.

- Only one offer received from M/s MN Dastur & Company, Kolkata. Though MECON did show interest, they did not submit any offer.

- Offer of M/s MN Dastur & Company, Kolkata is being evaluated.

Reasons for Delay

- Non-availability of engineering consultant in spite of best efforts".

3. Pulverized Coal Injection System in BF-1&2

Pulverized Coal Injection (PCI) results in reduction of cost of production as this envisages replacement of a portion of expensive BF coke with less expensive coal. The cost of the project comes to Rs.181 crore. Proposal was approved by the board of RINL on 23.1.2005 and submitted to Ministry of Steel for approval on 4.2.2005. Ministry of Steel informed RINL to exercise enhanced financial & operational powers as the company received Mini-Ratna status. Accordingly, board approved the proposal on 26.7.2006 with completion period as 15 months. Tender was invited on 16.8.2005. Five tenders viz., M/s Paul Worth S.A, Luxemburg, M/s Simplex Engg. & Foundry works Pvt. Ltd, M/s Kuttener GmbH, Germany received on 24.7.2006. Technical evaluation is completed. Commercial deviations are put up to tender Committee.

Reasons for Delay

- Non-clearance of the proposal by Government of India in time.

- Decision on commercial deviation sought by bidders.

2.22 The Committee note that RINL is implementing the major projects viz. installation of Coke Oven Battery No.4, Power Plant & Air Separation Unit on Built- Operate - Own (BOO) basis and Pulverized Coal Injection System in Blast Furnace 1&2 to reduce the operating cost. The Committee are dismayed to note that all the above-mentioned projects are unlikely to be commissioned as per schedule due to delays in finalisation of consultant, tendering process and delivery of equipments. The Committee strongly feel that speedy implementation of the above projects is essential to reap the benefits of on-going expansion programme of RINL.

The Committee, therefore, recommend that RINL should expedite processes and procedures in finalising the consultant and tender and make all out efforts for early completion of the projects. The Committee also desire that RINL should explore the possibility of setting up the Power Plant & Air Separation Unit on Built –Operate - Own –Transfer (BOOT) basis as it can be cost effective and help sustainable development in the future.

CHAPTER III

FINANCIAL PERFORMANCE

RINL started its commercial production during 1991-92 after a long gestation period of 22 years from the concept to commissioning stage. As a result the Company was burdened with high capital cost and large borrowings and net loss of Rs.2000 crore. Therefore, the Government was compelled to take up the first capital restructuring of the Company in July 1993. This helped the Company in only avoiding reference to the Board for Industrial and Financial Reconstruction (BIFR) and to raise funds for working capital. A second restructuring was undertaken in May 1998, converting Government loans into redeemable Preference Capital. This too helped in avoiding reference to BIFR. However, the Company could not be brought out of its financial problems. In compliance to the direction of Cabinet for a comprehensive revival package for RINL, the proposal was prepared based on the recommendation of M/s A.T.Kearney, the consultants. However, Ministry of Finance did not find the proposal viable and was against any further investment in the plant.

3.2 In the meantime, Disinvestments Commission recommended writing off of the entire accumulated losses of the company as on 31.3.1999 along with disinvestments of not less than 51% of its remaining Equity to a strategic buyer. The Ministry of Steel initially prepared a comprehensive proposal, based on the recommendations of the Disinvestments Commission. However, with the formation of Department of Disinvestments, the latter took up the preparation and processing of the comprehensive proposal, based on the recommendations of the Disinvestments Commission, for obtaining the approval of the Government.

3.3 The revival/disinvestments proposal was internally reviewed in the Ministry of Steel in February, 2002 keeping in view the vastly improved performance of RINL and the difficulties being faced in reaching a consensus on the revival/ Disinvestment proposal framed by Department of Disinvestment. During this review meeting, it was noted that the Company had been earning cash profit since 2001-02 and was expected to earn a net profit during the year 2002-03. The Company had also achieved/exceeded rated capacities against a number of parameters. Thus, the review noted that the company was well on the way to achieving a turnaround. It was, therefore, decided that the Company should concentrate on a short-term turnaround strategy for growth and revival, which consist of the following:

(a) Negotiating with LIC/UTI for full/partial conversion of loans into equity;

(b) Negotiating with LIC/UTI for reduction of interest rates; and

(c) Government of India Guarantee for working capital loan for one year at a time.

3.4 The Ministry / Company took action on the above points. The Company, keeping in view the short-term turnaround strategy, undertook several initiatives to improve the performance in all the areas of its operation. The major initiatives were as follows:

- Strategic marketing by developing niche market for new products, development of new products and sections, drive to increase project sales, widening customer base and improved customer service etc.

- Cost reduction drive including recycling of metallurgical wastes and intensifying operational efficiency.

- Reduction of interest burden by getting interest rate reduction through negotiation with UTI & LIC, waiver of penal interests, pre-payment of scheduled principal amounts through internal generation/swapping, availing lower interest products like commercial paper, FCNR(B) DL against working capital etc.

- The Company got waiver of Government of India guarantee from consortium of Bankers for sanction of working capital limits from the year 2004-05.

3.5 The above concerted efforts resulted in improved performance of the company from the year 2001 onwards. In the year 2002-03, the Company turned around by making a net profit of Rs. 520.69 crore for the first time in any financial year. The Company has achieved a net profit of Rs. 1547.19 crore during the year 2003-04 and Rs. 2008.09 crore during the year 2004-05. It is expected that the Company would wipe out all its past losses completely during 2005-06. The Company also became debt free by repaying all long-term debts in the year 2003-04.

The production targets of saleable steel and net profit

3.6 As per Memorandum of Understanding (MoU) signed with Ministry of Steel, achievement and the percentage fulfillment during 10th five year plan period are given below:-

Item	Unit		2002-03	2003-04	2004-05	2005-06	2006-07
Saleable Steel (Capacity 2.656 Mt)	Mt	Target	2.675	2.900	2.958	3.125	3.175
		Actual	3.056	3.169	3.173	3.237	-
		% Ful	114	109	107	104	-
Net Profit (after tax)	Rs. in crore	Target	-102	222	754	1598	538
		Actual	521	1547	2008	1252	-
		% Ful	611	697	266	78	-

3.7 As can be seen above, the target fulfillment in respect of physical targets has been more than 100% in all the four years during the 10th Five Year plan period. As regards net profit after tax, the fulfillment during 2005-06 has fallen short due to increased income tax liability. The income tax liability has increased to Rs.637 crore in 2005-06 compared to Rs.245 crore in 2004-05, mainly because RINL wiped out its accumulated losses earlier than envisaged. However, it may be mentioned that the net profit before tax was higher than the target.

3.8 The details of financial performance during 10th Five Year Plan are given in the table below:-

(Rs.in crore)

No.	Item	2002-03	2003-04	2004-05	2005-06	2006-07 (Provisional)
1	Income	4944.79	6352.72	8778.06	8482.00	9126.00
2	Operating cost	3846.30	4280.01	5507.07	6113.00	6423.00
3	Gross Margin	1098.49	2072.71	3270.99	2369.00	2653.00
4	Interest	123.19	49.05	11.11	31.24	35.00
5	Cash Profit	975.30	2023.66	3259.88	2337.80	2618.00
6	Depreciation including DRE	454.61	476.47	1006.12	448.29	371.00
7	Profit before tax	520.69	1547.19	2253.76	1889.51	2246.00
8	Income tax	0.00	0.00	245.67	637.14	889.00
9	Profit after tax	520.69	1547.19	2008.09	1252.37	1358.00
10	Return on Net Worth (%)	16	32	33	23	-

3.9 During 2005-06, there has been a shortfall in achievement of the targets in respect of turnover and net profit after tax. The main reason for decline in turnover was lower net sales realizations of iron and steel products. During 2005-06, average net sales realization of pig iron and steel products have come down by about 18% and 9% respectively compared to those of the previous year 2004-05. Further, there was unprecedented hike in the prices of iron ore by National Mineral Development Corporation (NMDC) and coking coal by Coal India Ltd.

Wiping out the Accumulated Losses

3.10 The net profit after tax for the last four years is indicated below:

Year	Net Profit after tax (Rs. in crore)
2002-03	520.69
2003-04	1547.19
2004-05	2008.09
2005-06	1252.37
2006-07	1358.00(Prov.)

It can be seen from the above, that net profit for the year 2003-04 and 2004-05 is on the increasing trend as compared to previous years. The net profit for the year 2005-06 however, has declined which can be attributed to the following reasons:

- The major increase in operating expenditure for the year 2005-06 as compared to 2004-05 was due to increase in major raw material prices like Imported Coking Coal (ICC) and Iron Ore.

- Due to increase in prices of ICC the company had to incur additional expenditure of about Rs.577 crore.

- Unilateral increase of iron ore prices by NMDC accounted for an increase in expenditure of about Rs. 389 crore.

- The details of average landed cost of the said materials are as follows:

(Rs. per tonne)

Year	ICC	Iron Ore (Fines)	Iron Ore(Lump)
2004-05	3531	1048	1195
2005-06	5583	1514	2185
2006-07(prov)	6215	1738	2400

- The Company was subjected to Minimum Alternate Tax (MAT) in the year 2004-05 @ 7.84% due to carry forward losses of earlier years. In the year 2005-06, the Company wiped out the entire carry forward losses in advance and turned net positive Company. Thus, the Company had to pay regular Income Tax @ 33.66% in the year 2005-06 as against MAT of 2004-05. This has resulted in increase in Income Tax component by Rs.392 crore.

3.11 The initiatives taken for improving performance further in the future years are as follows:-

- It is proposed to improve the production of Hot Metal to 4.25 Mt and Saleable Steel to 3.315 Mt in 2006-07 against 4.153 Mt and 3.237 Mt respectively achieved during the year 2005-06.

- Production of value-added steel to be increased to 1.2 Mt in 2006-07 from the level of 0.89 Mt in 2005-06.

- Increase of sales to end users and project customers by 10% and increasing customer base by 5% for original equipment manufacturers.

- Adding value to the end products through Service Centres for supplying customized products to the customers.

- Maintaining strategic presence in export market for export of Iron & Steel products.

- Dynamic decision-making on domestic and export sales for optimizing sales and revenue.

- Enlisting more authorized dealers to reach actual users including rural areas.

- Appointment of Consignment Agents in Middle East, Sri Lanka etc. to take advantage of increasing market potential through exports.

- To match export of steel from VSP with CAGR of over 13% projected for exports in the National Steel Policy of Government of India.

- To produce 60% of production based on customers orders.

Raw Material Security

- Mahal Coal Block is being explored for commercial exploitation to partly replace imported coking coal.

- Efforts for acquiring coal mines abroad is continuing and process of appointment of Consultants is on to evaluate the offers received.

- Efforts are also on to acquire Iron Ore Mines.

3.12 During oral evidence held on 14th December 2005, the CMD, RINL has stated the following:-

"On 1st April, 2005, we have got an outstanding of Rs.908 crore. Barring that a total of Rs.4958 crore minus Rs.908 crore is already wipe out in the last three years. This year's remaining is Rs.908 crore. Out of that, nearly Rs.650 crore are wiped out and another Rs.200 crore to Rs.250 crore are there which we are planning to get out of it by December".

3.13 When asked about the steps taken to improve profits by cost reduction (i.e raw materials, salary and wages, production and operating cost) and value added production, the Ministry of Steel has submitted as under:-

"Cost of Production

As per Commodity Research Unit (CRU) International, Long-Product Cost Study 2005, the cost of production of VSP at steel making stage is 5th. Amongst the companies from all over the world participated in the study. The cost of production in China Steel Corporation is 7th. The cost of production at steel making stage of top 8 companies from different countries is given below:-

Unit: US$/ton of Liquid Steel

Item	Acominas Brazil	Krivorozhstal Ukraine	POSCO South Korea	TATA India	RINL India	Villacero Mexico	Nizhny Tagil, Russia	CSC Taipei
Cost	184	190	196	189	192	202	174	199
Position	2	4	6	3	5	8	1	7

Cost Reduction:

Every year cost reduction plan is prepared in consultation with all Heads of the departments of works division. This cost reduction plan includes improvements in techno-economic parameters like specific energy consumption, water consumption, utility consumption, material yields, productivity improvements etc. More emphasis is put to maximize recycling of metallurgical waste, LD slag, reclaimed oil, tar/benzol sludge, etc. There has been steady improvement in various techno-economic parameters like specific energy consumption, specific water consumption, yields, specific maintenance cost, etc. The trends of some of these parameters are brought out below:-

Techno-economic parameters	Unit	DPR norm	2003-04	2004-05	2005-06
BF productivity (working vol.)	t/cum/day	1.74	2.03	1.96	2.07
Avg. Lining life of LD of converter	No. of heats	300	1955	2445	2926
Sp. refractory consumption	Kg/t/LS	34.26	9.3	8.9	8.8
Sp. Water consumption	Cum/t/LS	--	3.31	2.76	2.56

Sp. Energy consumption	G cal/t/LS	7.78	6.07	6.14	6.08
Labour productivity	T/man/yr	200	262	265	414
Maintenance cost	Rs./t/LS	--	1160	1105	1103

Efforts are put to optimize the blend at coke ovens by using more of soft coking coal. Based on the cost pattern of sinter and sized ore, dynamic adjustments are made in the iron bearing inputs to the Blast Furnace. Depending on the availability of scrap and the Net Sales Realisation (NSR) of scrap/pig iron, the metallic charge at Steel Melting Shop is optimized. Efforts are also on to use better quality Refractories and work practices to improve converter life, ladle life, etc."

3.14 When asked about the reasons for increase in operating cost during the last three years and the steps proposed to be taken to contain the operating cost, it has been stated as follows:

"The details of the operating cost per tonne on saleable steel for the past three years are:

(Rs./tonne)

Cost Element	2003-04	2004-05	2005-06
Operating Cost	3831	3918	4405

It can be seen from the above table that the operating cost has increased in the year 2005-06 over the year 2004-05. The increase of operating cost by Rs.487 crore in 2005-06 has been mainly on account of increase in salaries, cost of stores and spares, electricity charges etc. In fact, the specific cost of maintenance has come down in 2005-06 compared to the previous year.

Operating Cost is increasing on account of major increase in operating expenditure and income tax liability. The major increase in operating expenditure for the year 2005-06 as compared to 2004-05 was due to increase in major raw material prices like Imported Coking Coal (ICC) and Iron Ore. Due to increase in prices of ICC the company had to incur additional expenditure of about Rs.5.77 crore. Unilateral increase of Iron Ore prices by NMDC accounted for an increase in expenditure of about Rs.389 crore. Thus, these two raw materials along brought down the operating profit by about Rs.966 crore.

The percentage of cost of raw material to cost of production is indicated below:

Input Material	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Net Material Cost (Rs./Tonne)	4737	5129	7775	9023
Total Cost (Rs./Tonne)	10193	10261	12941	14678
% of Net Material Cost of Total Cost	46%	50%	60%	61%

Distribution of Income of the year 2005-06 is as follows:-

Details	Amount (Rs.in crore)	% of income
Raw materials consumed	3584.62	40%
Stock depletion	65.85	1%
Employees Remuneration & benefits	572.34	6%
Stores & Spares consumed	338.95	4%
Power and Fuel	235.10	3%
Repairs & Maintenance, Freight, Other expenses, Interest etc.	626.93	7%
Excise duty	1176.73	13%
Depreciation & DRE	448.29	5%
Provision for Taxation	637.14	7%
Profit after Tax	1252.37	14%

The following steps are taken to contain the operating cost: -

- Reduction in consumption heat & power at CO, SP, BF, SMS, Mills, ASP and PP.
- Reduction in maximum demand and gross import of power.
- Maximizing the recovery of by-product gaseous fuels viz., CO gas, BF gas and LD gas.
- Replacing coal tar fuel with CO gas at CRMP.
- Maximizing recycling of waste materials – benzol muck and tar sludge.
- Conservation of water.
- Improving power generation from GETS by reducing BF gas network pressure.
- Increasing LD Gas yield by commissioning of 4^{th} stream.
- To improve production, productivity and effect cost reduction several Addition, Modification and Replacement (AMR) schemes are planned.

- Efforts are on to go for dual firing burners at CRMP so that the valuable Coal Tar Fuel can be disposed off profitably.

- Coal Dust Injection is proposed to be introduced in Blast Furnaces".

3.15 When the Committee asked the plans to cut down the cost of production, the Ministry of Steel has replied that the major cost reduction initiatives undertaken by RINL as below:-

"**Raw Material Procurement Costs**

RINL does not have captive mines for meeting its Iron Ore and coal requirements, which are the major bulk raw materials in steel making. The main reason for increase in the cost of production is frequent hikes of prices by the suppliers of these materials. RINL approach the Governments of Orissa, Chhattisgarh and Andhra Pradesh for allotment of coal and iron ore mines. RINL is also exploring the possibility of joint venture/new units for acquisition of iron ore and coal mines both in the domestic and overseas areas.

Improvement in techno-economic parameters

Efforts are made continuously for improving techno-economic parameters. Further, standardization, improvement in process, technological up-gradation, innovative maintenance are taken-up for cost of production.

- Substitution of materials for cost advantage
- Recovery of waste materials and recycling
- Reduction in water consumption
- Adoption of latest technology/process
- Implementation of AMR schemes
- Reduction of interest costs

- The system of availing working capital limits through consortium of banks is replaced with multiple banking system to take advantage of prevailing competitive environment apart from flexibility in operations.

- Substantial reduction in processing charges, LC charges & interest on cash credit was obtained.

- Cheaper lines of credit are being availed for import of essential raw materials like coal & coke.

- Bank L/C charges: major suppliers like NMDC etc., have been persuaded for direct payments through L/Cs. This resulted in substantial savings of L/C charges to the company.

Steps being taken to curtail non-operational costs:-

- Administrative expenditure is controlled at the time of Budget preparation through discussions of Finance and with Heads of the Departments of the respective Departments. Budgetary Control System is made online for effective control over the Administrative Expenditure.

- Achieved significant reduction in Bank charges and LC charges. Interest charges are also controlled by introduction of Cash Management System and optimum utilisation of cash credit limits.

- Insurance premium has been brought down during 2005-06 by combining various insurance policies.

- In the area of training and employee development, external faculty costs are optimized by engaging them through long-term tie-ups for in-house programmes. Further, several in-house programmes are being facilitated by the employees of VSP.

Steps being taken by RINL to improve its performance:-

“Since 2003-04, RINL has started the system of preparing sustainability plan every year. The plan is prepared by a Committee constituted for the purpose every year. Detailed action plan and strategies for each division for improving the performance are included in the Plan document. Broadly the strategies in the following areas are covered in the Sustainability Plan:-

- Increasing production volumes
- Improving operational efficiencies
- Improving techno-economic parameters
- Reducing cost of production
- Increasing production of value added steel products
- Containing cost through cost reduction and waste minimization”.

Domestic Sales

3.16 Net Sales Realisations (NSRs) of pig iron and steel products during 2004-05 and 2005-06 are given below:-

Products	NSR(Rs/t)		% Decline
	2004-05	2005-06	
Pig Iron	13,772	11,368	17
Saleable Steel	21,071	19,152	9

The reasons for decline in NSR are given below:-

- Reduction in international prices of iron & steel products. The prices witnessed downtrend during December 2004, which continued in 2005-06
- Some quantities of imports had taken place into the country due to low international prices which has necessarily brought in pressure on the domestic prices of iron and steel products.
- With cheaper imports coming to the country, more availability and due to less demand resulted in bringing down the prices of iron and steel products.
- The availability of Iron and Steel products far exceeded the demand within the country led to build up of stocks with the producers.

Export

3.17 The export of RINL during the last four years are given below:-

(in '000 tonnes)

2002-03	2003-04	2004-05	2005-06
626	769	249	443

Major Achievements

3.18 Some of the major achievements of RINL since 2000-01: -

- Achieving "Excellent" MoU Rating Since 2000-01
- Surpassed rated capacities in 2001-02
- Turned around in 2002-03
- Became debt free in 2003-04
- Registered Best ever Net Profit after tax of Rs.2008 crore in 2004-05

- Wiped out accumulated losses in 2005-06
- Awarded Mini-Ratna Status in 2006-07
- Prime Minister's Trophy for best integrated steel plant in 2002-03

Business Promotion Strategies

3.19 Road-map for Business Promotion in view of ongoing expansion: -

- Increasing value added steel from the current 30% to 44% by 2008-09
- Launching of seamless pipes in the market
- Establishing Brand Name for all products
- Concept of Nodal Stockyard for effective distribution
- Increasing distribution network by adding new branches
- Exclusive yards for special steels
- Setting up of marketing offices in abroad
- Separate divisions for Business Development, Business Services, Business Execution and Audit, Pricing & Policies
- Concept of Product Managers for different product segments
- Setting up of Special Economic Zone in the vicinity of the plant
- Establishment of Service Centres for supplying reinforcement steel in required lengths & shapes to the Construction Sector.

3.20 The Committee are happy to note that revival packages coupled with concerted efforts have not only achieved turn around for RINL but also transformed it as a profit making and debt free Mini-Ratna Company. The Committee further note that RINL has achieved a net profit of Rs.2008.09 crore in 2004-05 as against Rs.520.69 crore in 2002-03. The Committee are, however, constrained to observe that in view of rapidly increasing operating cost which was Rs.3846.30 crore in 2002-03 but leaped to Rs.7646.56 crore in 2006-07, the profit of RINL has drastically declined to Rs.1252.74 crore in 2005-06 from Rs.2008.09 crore in 2004-05. The profits are likely to be Rs.1358.00 crore in 2006-07.

The Committee have been informed that operating cost is escalating due to hike in prices of critical raw material viz. imported coking coal and iron ore, unilateral increase of iron ore prices by National Mineral Development Corporation (NMDC), increase in landed cost of raw material and payment of

regular corporate tax at 33.66 per cent as against Minimum Alternate Tax (MAT). The Ministry has further stated that various measures for improving the production of Hot Metal and Saleable Steel and increasing the sales along with other cost reduction measures apart from securing raw material are being contemplated to arrest the declining trend in profit.

The Committee find that RINL has taken several measures to contain the operating cost but these initiatives have not made significant impact on the financial performance of the company and the operating cost continues to escalate year after year. The Committee in their 17th Report had recommended that RINL should devise long-term plan keeping in mind the uncertainty of steel industry and make efforts pro-actively to contain the operating cost and ensure consistency in profits. The Committee further note that in 2005-06, nearly 40 per cent was spent on raw material and 20 per cent to meet expenses on stock depletion, stores & spares, power and fuel and Repairs & Maintenance, etc. The Committee observe that RINL has to make efforts to reduce the operating cost drastically keeping in mind the escalating cost of inputs and emerging threat from new technologies.

The Committee, therefore, reiterate their earlier recommendation to reduce the operating cost and desire RINL to take effective measures to contain the escalating operating cost by relying more and more on newer and efficient technologies. The Committee also recommend that the Ministry should constitute a special audit team to verify and suggest the measures to bring down the operating cost of RINL and the Committee may be apprised in this regard.

3.21 The Committee note that payment of corporate tax at an exorbitant rate of 33.66 per cent is leaving RINL with little resources for investment in the future development plans. The Committee, therefore, recommend the Ministry of Steel to take up the matter with the Ministry of Finance to provide financial relief to RINL as a special case by rationalizing the taxes, etc. till the completion of expansion plan i.e. 2012.

The Committee desire that the Road-Map for Business Promotion should be implemented in a time-bound manner so that the desired results can be achieved.

CHAPTER IV

RAW MATERIAL

In line with the Expansion Plan of RINL to increase the capacity of the plant from the present 3 Million Tonnes (Mt) to 6.8 Mt by 2008-09, approved by the Government of India, various expansion activities are in progress. Beyond 6.8 Mt capacity, it is planned to increase the capacity to 8.5 Mt by 2010-11. The requirement of some of the major raw materials at this production level has been worked out considering the present levels of raw material consumption rates. These are as under:

(Unit : MT)

Item	Requirement of Raw Materials in	
	2005-06	2012-13
Iron Ore	6.21	11.96
Imported Coking Coal (including Soft coal)	2.92	5.62
Medium Coking Coal	0.53	1.02
BF Coke	0.33	0.64
Non-Coking Coal	1.54	2.97
Limestone	0.86	1.66
Dolomite	0.76	1.46

4.2 To enhance the cost efficiency of coke making, the blend consisting of imported hard coking coal, imported soft coking coal and indigenous medium coking coal is optimized considering the landed cost of each component and without affecting the desired quality of metallurgical coke. At times, the usage of prime coking coal has been attempted. Pulverized Coal Injection (PCI) is envisaged in the expansion phase as well as in the existing Blast furnaces for reducing the specific cost of coal. RINL is also planning to utilize Natural Gas in Blast Furnaces to reduce dependence on imported coking coal besides improving productivity. In such case, the consumption of coking coal will come down proportionately. As far as the requirement of non-Coking Coal is concerned, the quantity required in expansion (Build-Operate-Own basis) has also been considered here.

4.3 As per the Detailed Project Report (DPR), VSP has been linked with NMDC, Bailadilla for supply of Iron Ore Fines and Lumps as per the requirement. NMDC is meeting VSP's requirement of iron ore fines. The data on plan and receipt of iron ore over the years are given below:

(Unit in Tonnes)

Year	Iron Ore Lumps			Iron Ore Fines		
	Plan	Receipt	%	Plan	Total	%
2001-02	1920000	1890591	98	3293000	3186967	97
2002-03	2224000	1793149	81	3700000	3828585	103
2003-04	2397000	1747191	73	3987000	4089487	103
2004-05	2489000	1955922	79	3999000	3958318	99
2005-06	2245000	2079583	93	3977000	4022159	101
2006-07	22,26,000	21,24,306	95	42,14,000	38,75,778	92

4.4 NMDC has given assurance for uninterrupted supplies of iron ore for expansion to 6.3 Mt stage. Besides this, RINL has applied for iron ore leases for captive mining to supplement the plant's requirement after expansion and also to control the cost of major raw material. Although NMDC is supplying the material regularly, sometimes VSP is facing shortages due to their export commitment, break downs etc. at NMDC and also with respect to the quality of Iron Ore Fines affecting the productivity of Blast Furnaces. These problems are taken up regularly with NMDC through meetings, written communication and also by visiting the Mines of NMDC by VSP officials. These problems in respect of both quantity and quality will be resolved if a captive iron ore mine is allotted to VSP.

4.5 Further, RINL has entered into an MoU with NMDC for setting up a Pelletisation Plant as a joint venture in Chhattisgarh with a capacity to produce 3.5 Mt of Pellets per annum. It is planned to own iron ore mine jointly by RINL and NMDC in Chhattisgarh for providing raw material for the Pelletisation Plant. If this materializes, the joint venture Company will have these iron ore mines as captive mines. It is also proposed to set up a Pelletisation Plant near Visakhapatnam Steel Plant on joint venture basis. Usage of Pellets in Blast Furnaces will help in improving the productivity of furnaces.

4.6 Regarding Boiler Coal and Medium Coking Coal, VSP is getting the supply from indigenous sources and Coking Coal and SMS Grade Limestone requirement is being met through import sources and as such VSP does not face any major problem. VSP proposes to acquire coal mines aboard. Actions have been initiated in this regard. In case this initiative fructifies, Metallurgical Coal can be sourced from these Mines.

4.7 When asked about the steps taken to ensure availability of raw materials to meet the requirement of expansion plan, the Ministry of Steel has submitted as under:

> "RINL has applied for iron ore mining leases in the States of Orissa, Chhattisgarh and Andhra Pradesh. In case Mines are allotted, these have to be developed.
>
> RINL is making efforts to acquire coking coal, non-coking coal and iron ore mines in order to get the bulk materials at reasonable cost. This will afford cost competitiveness as well as provide security of supply.

The status of applications for allotment of coking coal, non-coking coal mines and iron ore is indicated below:-

Coking Coal

Two applications have been submitted for allotment of coal blocks. Ministry of Coal, Government of India has allotted Mahal Coal Block, Jharia Coal Fields, Dhanbad District (proven reserves 258 Mt) to RINL. Work order was issued to Central Mine Planning Institute (CMPDI), Ranchi for preparation of pre-feasibility report. The report is expected by October, 2006. The other application for allotment of Tenughat Jhirki Coal Block, Jharia Coal Fields, West Bokaro District (proven reserves 204 Mt) is under examination by the Government of India.

Non-Coking Coal

Three applications for allotment of Non-Coking Coal Blocks in Khammam District, Andhra Pradesh (proven reserves of about 176 Mt) have been filed with the Ministry of Coal, Government of India. These are under examination.

Iron Ore

RINL submitted five mining lease application for allotment of iron ore mines in Sundergarh and Keonjhar districts of Orissa (proven reserves of about 511 Mt). Two mining lease application have been submitted for allotment of mines in Bastar and Dantewara districts of Chhattisgarh State (proven reserves of about 582 Mt). Two applications for mining lease in Prakasam District of Andhra Pradesh State (proven reserves of about 57 Mt) have also been submitted. These are also under examination".

GAS

4.8 On being asked about the status of supply of Natural Gas to VSP, the CMD, RINL has submitted as under:-

"We have given our requirement. In fact, we have entered a MoU with Gujarat State Gas Corporation. This is required for the second phase of the expansion…the availability of gas may be there in 2008".

4.9 **Status of Joint Ventures**

- **Coking Coal Abroad**
  - Committee constituted for finalizing Joint Ventures
  - Identified 5 parties in Australia and 3 parties in USA

- Offers received from 1 party each from USA and Australia
- Appointment of Consultant is being finalized for due diligence study of the others

➢ **Pelletisation Plant**

- MoU signed with NMDC for setting up of a Pelletisation Plant in the State of Chhattisgarh
- Tender floated for fixing consultant for preparing feasibility report
- Discussions with Bidders in Progress & order placement likely in October 2006
- Committee constituted for finalizing Joint Ventures

➢ **Ferro Alloys**

- MoU signed with Manganese Ore India Ltd(MOIL) on July 26, 2006 for setting up of Ferro Alloy Unit in Visakhapatnam
- Nodal Officer and working group formed
- MECON was appointed to submit a feasibility report

➢ **Slag Cement Plant**

- To utilize BF slag
- Appointment of Consultant for preparing Feasibility Report under process

➢ **Special Economic Zone**

- Strategic alliance for dedicated export production through 100% SEZs in process
- Committee formed to suggest methodology

4.10 During oral evidence on 14th December 2005, the CMD, RINL has further informed the Committee as below:-

> "...as far as iron ore is concerned, we have applied for only four blocks in Orissa and one in Chhattisgarh. It is already two years and the applications are pending with the State Governments.
>
> …RINL looking at some coal-mines abroad. They have got identified there in Australia and in USA. That process is going on. In the country, they have been given recently a coking coal block recently in Dhanbad area. That will be developed. But whatever we may do, the coking coal position in the country is that we have to depend on imports of coking coal. So, even the RINL will not be able to get away with coking coal imports. They will have to continue".

4.11 On being asked at the oral evidence held on 4th October 2006 as to why RINL has not acquired any captive mines on lease for raw materials and coal blocks of Coal India Limited in Andhra Pradesh or the nearest State for long-term linkage so that RINL could come out of its weaknesses, the CMD, RINL has stated the following in written reply:-

> "There are no known coking coal deposits in the State of Andhra Pradesh or in the surrounding States".

4.12 The Committee enquired whether RINL has applied for captive mines in Jharkhand, the CMD, RINL has stated the following in written reply:-

> "VSP made a study of iron ore deposits in the State of Jharkhand. VSP could not apply for the areas it found suitable, since they were already held by/applied for by other PSUs. This is in line with the directive of the Ministry of Steel, Government of India, while giving clearance to RINL for applying for iron ore leases vide Ltr.No.6(2)/2003-VSP, Dt:19.11.2003".

4.13 On being asked the reasons for rejection of its proposal for captive mines in Orissa, the Chief Secretary to the State Government of Orissa has submitted the followings during the oral evidence on 16th October 2006:-

> "As far as RINL issue is concerned, this is a quasi-judicial proceeding and the decision has been taken. Now, the question is RINL is taking in a larger perspective. The requirement of it has to be met; whether it is from Orissa, Jharkhand, Madhya Pradesh or whatever other States. The present policy is not very clear at the Government of India level also. We have already 15 Mt of MoU signed. They have advanced many of them substantially. We have to make a different between certain policies which we have prepared and within the policy framework all decisions will be taken".

4.14 During oral evidence the Committee asked the reasons for rejection of RINL's application for allotment of iron ore mines by Government of Orissa, the Ministry of Steel has stated in written reply the following:-

> "VSP applied for five mining leases for iron ore in Orissa. VSP made presentations on three applications on 18.02.2006, 19.05.2006 and 15.07.2006. Government of Orissa rejected two applications and communication for the third is awaited. The reasons communicated by Government of Orissa are:
>
> **Application No.1025 Dated: 16.1.2004 covering an area of 1300.930 ha**
>
> - The applied area overlaps with a number of prior mineral concession applications.
> - Grant of Mining Lease is objectionable from forest point of view.
> - As RINL, VSP has no plan or programme for establishment of mineral based industry in the State of Orissa for end use of minerals applied for.
>
> **Application No.1419 Dated: 13.1.2004 covering an area of 1246.094 ha**
>
> - The applied area overlaps with a number of prior mineral concession applications.
> - Grant of Mining Lease is objectionable from forest point of view.
> - As RINL, VSP has no plan or programme for establishment of mineral based industry in the State of Orissa for end use of minerals applied for.
>
> Presentation on the balance two applications will be made on the advice of Government of Orissa".

4.15 On being enquired during the sitting held on 16th October 2006 about the status of application of RINL for allotment of iron ore mine pending with State Government of Chhattisgarh, the Additional Chief Secretary to the State Government of Chhattisgarh has submitted the followings: -

> "The other part of Rowghat is deposit 'F' and which is the largest deposit. On the five deposits, that is, A, B, C, D and E, which take about 250 Mt of iron ore, PLs were granted in 1999 in favour of some private company. RINL applied after that and as per law their application is pre-mature. We have informed them that till such time this company had PL, it has a preferential right. We have not formally rejected their application. But the application is pre-mature

because the areas were granted to earlier companies…till that issue is finalised, all applications will be pre-mature as per law".

4.16 When the Committee asked the reasons for rejection of RINL's application by Government of Chhattisgarh, the Ministry of Steel has submitted in written reply that

"**Application No.8 Dated: 9.12.2003 covering an area of 3975.00 ha**

Government of Chhattisgarh has informed that the area is not vacant due to pending of Prospecting Licence Applications by the Private Agencies. It has not been considered, as the Ministry of Environment and Forests is not inclined to allow Mining Activities in the area in the next 15 years.

Application No.21 Dated: 23.9.2005 covering an area of 631.00 ha

No intimation has been received from the authority concerned after the hearing was held on 12.5.2006 in the office of the Additional Chief Secretary, Government of Chhattisgarh, Raipur".

4.17 When the Committee expressed their concern how RINL is going to sustain while investing huge amount for its expansion plan without getting assured supply of Raw Material, the Secretary, Ministry of Steel has replied as follows:-

"From an accumulated loss of Rs.4000 crore, RINL have wiped out losses and it has now come to Rs.1000 crore. RINL are well set to expand and meet the requirements of this country. Their biggest problem is lack of iron ore. They have applied to various States; they are getting rejection. There is one ray of hope and that is this. The Government of India appointed the Hoda Committee. The Government of India, at the Cabinet level, is yet to take a final view on the Hoda Committee's report. The Ministry of Mines is processing it. There is one recommendation there and that is this. The plants which are in existence on 1st July 2006 they should be given priority in allotment of mines on captive basis. If that is accepted by the Government, RINL qualifies for getting the captive mines. The problem areas are these… All the State Governments are insisting on value addition within the State whether it is Orissa, Chhattisgarh or Jharkhand. RINL is located in Andhra Pradesh where there are no great mines and they will have to get mines from the other States where they are not in a position to set up something on their own. That is the problem, which we have to resolve at the policy level…….

As far as coal is concerned, one mine has already been allocated in Jharkhand. Another Tenughat mine is under the process of consideration. Our Ministry has made recommendation to the Ministry of Coal. Hopefully, RINL will get it. They are in the process of examining the DPR etc. Hopefully, that will be sorted out".

4.18 The Committee need not emphasise that an access to raw material in right quantities/quality and at right time is critical for profitability and growth of steel companies. The Committee note that RINL has no captive mines and presently meeting out its requirement of iron ore fines and lumps from National Mineral Development Corporation (NMDC), medium coking coal from indigenous sources and soft coking coal from abroad. RINL has been taking measures like blending imported coking coal with indigenous medium coking coal, installation of Pulverized Coal Injection (PCI) system and using Natural Gas in blast furnaces to reduce the consumption of raw material.

The Committee further note that RINL has also taken various steps to secure the availability of raw material and has since been allotted Mahal coal block whereas the allotment of Tenughat Jhirki coking coal block in Jharkhand and non-coking coal blocks in Andhra Pradesh is under consideration with the Ministry of Mines. In so far as securing the adequate availability of iron ore, the RINL has entered into MoU with NMDC to set up Pelletisation unit in Chhattisgarh and is planning to set up one more Pelletisation unit in Andhra Pradesh on joint venture basis. RINL has also applied for iron ore mining leases in Orissa, Chhattisgarh and Jharkhand. The Committee also note that RINL is in the process of acquiring coking coal mines abroad.

The Committee are dismayed to note that while State Government of Orissa has rejected two iron ore mining lease applications out of five leases applied by RINL on the ground that RINL has no plan or programme for establishment of mineral based industry in the State. The remaining three applications are still pending with them. The State Government of Chhattisgarh has also rejected one mining lease application of RINL since the prospecting licence has already been granted to a private company while no decision has been taken on its other applications. The State Government of Jharkhand has also rejected its lone application on technical grounds.

The Committee are extremely concerned to note that problem of the availability of iron ore to RINL is a very grave one and needs to be addressed quite seriously as it is shelling out a major share of its profit for raw material and it is the only steel plant under the public sector undertaking which does not have a captive mine.

The Committee also note that in pursuance of directions given by them in the meetings held on 16.10.2006 with the representatives of the Ministries of Steel, Mines and Railways, RINL, NMDC and representatives of the State Governments of Chhattisgarh, Jharkhand, Karnataka and Orissa to thrash out the issue of availability of raw material to Steel PSUs, the Secretary, Ministry of Mines has convened a meeting with all Ministry/State Government and PSUs concerned. The Committee are, however, concerned to note that no visible improvement has been noticed with regard to availability of raw material to Steel PSUs specially RINL as the applications for the allotment of mining lease to the PSUs are still pending with various State Governments.

Keeping in view the capacity addition by steel companies across the world coupled with unprecedented rise in the prices of key inputs, the Committee feel that without having an assured supply of iron ore, a basic raw material for the steel plant, the expansion programme of RINL would not yield the desired results. The Committee are of the view that allotment of captive mines to RINL is extremely essential for its profitable sustenance.

The Committee, therefore, recommend the Ministry of Steel to take up the issue of allotment of captive mines to RINL at the highest level with the Ministry of Mines in close coordination with the State Governments concerned. The Committee also recommend to bring necessary changes in Policy, etc. to accord priority to steel PSUs in allotment of captive mines.

The Committee further desire the Ministry of Steel to ensure early commencement of mining works by RINL in Mahal coal blocks and the Ministry of Mines may be approached for expediting the applications of RINL for allotment of coking coal and non-coking coal blocks in Jharia Coalfields in Jharkhand and Khammam District in Andhra Pradesh respectively.

4.19 The Committee understand that due to the financial crunch being faced by the State Governments, their insistence on value-addition is one of the pre-conditions for allotment of captive mines. The Committee, therefore, desire RINL to consider setting up of any mineral based industry involving value-addition in Orissa for early allotment of captive mines. The Committee also desire RINL to act on war footing for acquiring the coking coal mines abroad and getting supply of Natural Gas so as to ensure long-term availability of raw material required for meeting its current and future growth plans.

The Company should also point out to the State Governments that the Company which already has a working plant can be a source of good revenue to the State than a new Company which has yet to set up the plant and exploit the mine and hence it should be given preference in allotment of mines, etc.

4.20 **FACILITIES REQUIRED FOR RINL**

- Allocation of captive iron ore mines for RINL
- NMDC to meet VSP's total requirement of iron ore
- Railways to increase the availability of more number of rakes from Bailadilla
- Railways to take appropriate measures for meeting the projected expansion requirements of VSP
- Ensuring adequate quantity of water by State Government of Andhra Pradesh for expansion of VSP
- Timely commissioning of Gangavaram port
- Waival of Surcharge on Kinnadual-Kotavasala (K.K. Line) by Railways for iron ore

- Railways to charge for actual distance from Visakhapatnam Port Trust to Visakhapatnam Steel Plant

4.21 At present, there is no proposal pending for entering into joint venture for iron ore mines. However, RINL and NMDC signed MoU on 16.9.2005 for setting up of a Pelletisation/Sponge Iron Plant in Chhattisgarh State.

4.22 A special sitting of the Committee held on 16th October 2006 to sort out the outstanding issues of RINL with the Railways regarding availability of more rakes from Bailadilla, Railways' cooperation for future expansion of VSP, waival of surcharge on K.K. line by Railways for iron ore and Charges for actual distance from Visakhapatnam Port to VSP.

4.23 The CMD, RINL briefed the Committee about the outstanding issues with the Railways as follows:-

> "Railways levy surcharge of 20% for movement of iron ore from Bailadilla to VSP on K.K. line. The Railways levy freight for rail movement for a minimum chargeable distance of 100 km even if the distance is less than 100 km. If the distance is less than 50 km, 50% concession is given on the freight charges. As the distance between VSP and Vizag port is 23 km, VSP pays for 100 km with 50% concession.
>
> The issue has been taken up by RINL several times in the past with Railways. As of now payment of freight as mentioned above is continuing.
>
> Present transportation from the K.K. line has to be increased to meet our expansion plan from 6.3 Mt to 16 Mt. The most important issue is about K.K. line where the surcharge is levied at 20% of the normal freight. There was an understanding that when K.K. line was constructed and that surcharge will be taken away once the construction cost comes back and it reach the rated capacity. I submit that the construction cost and rated capacity have already reached the targets. Now, onwards this 20% surcharge is to be waived off, which is costing us nearly Rs.60 to Rs.65 crore a year……".

4.24 The MD, NMDC has further briefed the Committee as follows: -

> "The K.K. line was commissioned in 1968. Initially the capacity of the line was only 6 Mt….. Over a period of time, the capacity of line, transportation has been increased. Today, we are moving more than 15 Mt on the same line. In the 1990s when we talked about expansion in those areas, it was said that we increase the capacity to about 14 Mt to 15 Mt. So, we have already crossed that limit of 15 Mt. We are doing more than 15 Mt and progressively from 65 per cent inflated mileage it has been reduced to 60, then 65.2 to 35, 30 and it is 20 per cent since 9th of July, 2002. For four years form 9.7.2002 to 2006, there

has been hardly more than targeted capacity and a lot of movement is taking place, reduction is taking place and would increase because with the increase of steel plant capacity we are also going to increase our projection. Our submission is, to be competitive, there is a need to look at the volumes that are being moved to consider further reduction in the inflated mileage".

4.25 The Member (Traffic), representative of the Ministry of Railways has replied on the above issue as follows:-

"It is a standard principle in the Railways that wherever there is a gradient or in a hilly terrain where the cost of construction is more, we inflate the distance by suitable percentage because our cost of operation increases. In the case of K.K. line, there is a ruling gradient of one in 60, almost throughout the K.K. line, which increases the requirement of rolling stock. While the number of locos required is more, if the consumption is more, our cost of operation would be more. Originally, this percentage was 30%. One element is that the cost of construction over a period can be realized. That is why we have reduced it from 30 to 20 %. This percentage is required to meet the increased cost of transportation. According to our rate table, the minimum distance for charge earlier was 100 km. Two or three years back, we have reduced it to 50 km. So, whatever may be the actual distance, we charge for a minimum of 50 km for all, across the table".

4.26 When the Committee asked the Ministry of Railways to give a comparative situation existing in any other sector, anywhere where they are charging surcharge, the Ministry of Railways in its written reply has stated the following:-

"At present, 20% inflation in distance for charge is being levied on K.K. Line. K.K. Line is located on a difficult terrain. The rolling stock movement on this line suffers heavy wear and tear and extra expenditure is incurred on maintenance of rolling stock as well as on their premature replacement. Because of steep gradient, sharp curves etc., track renewal are undertaken after 15 years as against the normal span of 40 years. Electric energy consumption is also very high and is normally double that of flat main lines. These factors explain exceptionally high cost of operation on this line. To offset the high cost of operation on K.K. Line, inflation in distance for charge is being levied on this line.

There are a number of sections on Indian Railways where inflation in distance for the purpose of charging fare and freight is being levied. A few examples are as under:-

S.No.	Section	Percentage of Inflation in Distance (for goods traffic)
(i)	Castle Rock – Kulem	125%
(ii)	Kalka – Shimla	200%
(iii)	Mettupalayam – Wellington	175%
(iv)	Salem – Bangalore City	13%
(v)	Pimpalkutty – Parli Vaijnath	50%
(vi)	Sakleshpur – Subramanya Road (Hassan – Mangalore section)	100%

4.27 When the Committee enquired whether the Ministry of Railways could reduce surcharge, for example, to 15%, the representative of the Ministry of Railways has replied that

> "We cannot do any further reduction. We have seen our calculations".

4.28 On being asked the Ministry of Railways to look into the issue of having a flat rate for having upto 50 km at the rate of 50 km, the Ministry of Railways in its written reply has stated as below:-

> "Rail freight comprises of a Variable Cost and a Fixed Cost. The Variable Costs depend upon the distance for which traffic is carried out and includes elements like fuel, signaling costs etc. The Fixed Costs are levied primarily for costs like terminal costs and are independent of the lead and are leviable even for the traffic for the shortest distance. In order to ensure recovery of the Fixed Costs, freight charges cannot be below a certain level. It thus becomes inevitable to introduce a minimum distance of charge just to recover the costs incurred. This concept cannot be abolished without introducing a subsidy for short lead traffic, which is not considered desirable. This minimum distance charge is applicable for all commodities".

4.29 When the Committee asked the Ministry of Railways about the possibilities of giving some incentive to the user, if the user has used and is using more and more beyond the targeted capacity, the Ministry of Railways has given the following written reply:-

> "Railways have introduced a number of incentive schemes which provide discount/concessions in freight, subject to fulfillment of certain performance conditions. These schemes are as under:

I. Incentive schemes for incremental traffic.

II. Loyalty discount scheme.

II. Incentive schemes for traditional empty flow directions.

III. Long Term Special Incentive Scheme".

4.30 Regarding provision of infrastructure by Railways to VSP, the CMD, RINL and NMDC respectively have stated as under:-

CMD, RINL:

"Presently we are getting iron ore from Bailadilla through K.K. line with five rakes a day. After expansion, by 2008-09, it may go up to 8.2 rakes and by 2010, it will go up to 10 rakes and progressively, by 2020, It will go up to 20 rakes a day. This is apart from the NMDC's requirements".

CMD, NMDC: -

"We are moving 16 Mt on K.K. line; out of that about 7 Mt is that of RINL. So, 9 Mt is for other customers. There is an increase for RINL and so, there will be a corresponding increase by other customers, we are working out the details as to what will be the requirement by 2020. These have to be assessed because the lines should have ultimate capacity".

4.31 The Member (Traffic), representative of the Ministry of Railways has replied as below:-

"At present, the position is five rakes per day; they need about 10 rakes because from 3.6 Mt., the are increasing their hot metal capacity to 6 Mt. Even now, we can supply up to 10 rakes additionally. Whatever will be their requirement, I can assure the Committee that we will gear up ourselves".

4.32 The Committee have been informed that RINL has some outstanding issues with the Railways regarding availability of more rakes from Bailadilla, waiver of surcharge on Kinnadual-Kotavasala (K.K. Line) for iron ore, charging for actual distance from Visakhapatnam Port to Visakhapatnam Steel Plant(VSP) and cooperation for expansion of VSP.

The Committee are of the strong view that besides commercial considerations, Railways have to be little more responsive to the social responsibilities and more open to the growing needs of the infrastructure and

economy. The Committee, therefore, recommend the Ministry of Steel to convene a meeting at the highest level with the Ministry of Railways and other organisations to find immediate solution to the outstanding issues so that future expansion of the plant can be done as per schedule.

CHAPTER V

EXPANSION PLAN

The production from various units has gone up substantially as a result of many improvement initiatives taken-up by RINL. Currently, the plant is operating at production levels of about 4.1 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. The Company has drawn up its Corporate Plan for expansion of its capacity to 10 Mt of Liquid Steel in phases. Now, under Phase-I of the proposed expansion, it is planned to realize full potential of existing units and enrich the product mix with minimum investment.

5.2 In Phase-I expansion, production of 6.5 Mt of hot metal per annum has been planned with an additional Blast Furnace with a capacity of 3800 cum. The liquid steel production is planned to be enhanced to 6.3 Mt with an additional steel melt shop SMS-2 with a caster. It is also planned to enhance saleable steel with second wire rod mill and a seamless pipe plant, Light Structural Mill, Special Bar Mill. In addition to the above units, a 67.5 MW turbo generator with a boiler along with connected facilities have been planned to be installed in the existing Thermal Power Plant (TPP).

5.3 Government of India accorded its approval on 28th October, 2005 for expansion of the capacity from the existing level of 3 Mt per annum of Liquid Steel capacity to 6.3 Mt per annum at an estimated cost of Rs. 8692 crore (base June 2005 prices) with a time schedule of completing it in 36 months for Stage I, in 45 months for Special Bar Mill and in 48 months for Light Structural Mill.

5.4 The entire cost of the project will be met by the Company from its internal resources (1:1 ratio of Debt: Equity) and there will be no budgetary support from the Government.

5.5 On being asked about the Projects being undertaken by RINL and completion of those projects, the Ministry of Steel has submitted that ……..all the units under this expansion are likely to be completed by October 2008 except for special bar mill and structural mill which are likely to be completed by July 2009 and October 2009 respectively. There are no cost and time overruns. Appointment of Consultant M/s MN Dastur & Co. is made on February 2006. Value of work done till 20th January, 2007 is Rs.265.13 crore and Rs.900 crore is proposed to incur in 2006-07.

5.6 **Reasons for Delay**

- Delay in award of Site Leveling work & other connected activities.
- Intermittent cyclonic rain affected the progress of work.

- Ground water seepage & water logging caused delay in earthwork for site leveling works of raw material and steel melting shop area.
- Incomplete technical offers submitted by major process package bidders necessitating clarifications and technical discussions resulting into giving time.
- Commercial deviations from international bidders for major process packages resulting into prolonged discussions & delay.
- Process equipment suppliers asked more completion time thus resulting in prolonged discussions in finalizing schedule.

Corrective Action Taken

5.7 A Committee constituted to review & compress the schedule. The Committee succeeded in advancing completion period by one month in eleven cases, fifteen days in seven cases. Ministry of Steel, supporting the proposal has taken up the issue at appropriate levels with Ministry of Mines to help RINL to acquire captive mines of their own.

It has also been proposed to continue in the Long Products segment, considering the increasing demand for steel in the building-up of infrastructure in the country.

MONITORING MECHANISM

5.8 High Power Steering Committee consists of CMD, Director (Finance), Director(Personnel) & i/c Projects, Joint Secretary, Ministry of Steel and Independent Director has been constituted to monitor the implementation of projects in every month".

5.9 When asked about the capital invested by RINL since Liberalisation for expansion and corresponding increase in the production, the Ministry of Steel has submitted the following:-

"RINL has commenced its operations after liberalisation and small amounts of Capital have been invested thereafter. There is a steady growth in the production over the years. The increase in the production during the past few years is achieved due to the improvement in operational efficiency and implementation of various improvement schemes through Addition, Modification and Replacement (AMR).

The details of AMR investments and production since 2001-02 are given below:

Year	AMR Investment (Rs. in crore)	Saleable Steel Production ('000t)
2001-02	8.86	2757
2002-03	17.52	3056
2003-04	25.00	3169
2004-05	16.67	3173
2005-06	38.67	3237

5.10 On being asked to what extent the expansion plan of RINL is modern technology oriented, the Ministry of Steel has replied as follows: -

> "RINL has conducted Business Opportunity Summit "Vruddhi" during 9th and 11th April 2000 with a view to identify latest technologies available in the Steel manufacturing. Reputed Design Consultants, Construction Agencies, Technology Providers, Equipment Suppliers etc. in the World were invited to participate in the Summit. Experts in the steel sector were also invited to facilitate Session on various steel making processes. The information available through this summit is being utilized for finalizing specifications of equipment.
>
> VSP continues to follow the same route i.e. CO-BF-BOF in the expansion also. Technologies like coal dust injection, natural gas injection, continued blowing, billet casting etc. are planned to be implemented in the expansion.
>
> Further, State-of-the Art Technology has been envisaged for all the expansion units like Sinter Plant, Blast Furnaces, LD Converters, Secondary Refining, Facility, Continuous Casting, Wire Rod Mill and Seamless Tube Mill".

Perspective Plan 2020

5.11 The global steel companies are looking at India as a platform for setting up steel plants. When the Committee asked whether RINL think that sudden flow of major global steel companies entry in India forces re-look at its Corporate Plan and whether RINL's Corporate Plan is advanced and competitive to the expansion plan of private sector steel plants, the Ministry of Steel has stated the following:-

> "Production of crude steel in India was 41 Mt in 2005-06. As per National Steel Policy, the production of crude steel is expected to reach a level of 100 mt by 2020, which corresponds to a Compounded Annual Growth Rate (CAGR) of 7.3%. This represents a growth of 262%. In order to meet this demand, existing steel companies have started expanding their capacities.

POSCO, South Korea announced that they will set up a steel plant with a capacity of 12 Mt in Orissa. Mittal-Arcelor have announced that they will set up steel plants with a capacity of 12 Mt each in Jharkhand and Orissa. Many other companies also have announced that they will set up steel plants.

RINL has also taken up expansion of its capacity to 6.3 Mt by 2008-09 from the present level of 3 Mt.

RINL is revisiting its Corporate Plan 2020 in view of the National Steel Policy 2005, various plans of steel companies both national and international".

5.12 On being asked about the vision of RINL beyond 2020 as India is growing and a lot of infrastructure projects are also coming up and RINL's role is going to be much more prominent and important, the Ministry of Steel has submitted that:-

"RINL is making its long term plan with a perspective up to 2020. It is planned to increase the capacity from the present level of 3 Mt to 16 Mt by 2020. Up to 9 Mt capacity, the plant will be in the longs category. Subsequently it is proposed to diversify to flat products. As far as the plan up to 2050 is concerned, brainstorming is going on to chalk out the plan. The progress on Corporate Plan 2020 will be reviewed periodically and further plans beyond 2020 will be drawn".

5.13 The Committee note that as per projections made in the National Steel Policy, the production of steel in the country is expected to increase to 60 mt by 2011-12 and 110 mt by 2019-20. Keeping in view the National Steel Policy, RINL has also planned to expand the capacity in phases with a vision to become a continuously growing world-class steel plant. Initially, it is proposed to expand the capacity to 6.3 mt from the present level of 3.5 mt by 2008-09. It has also planned to raise the capacity to 8.5 mt by 2010-11, 13 mt by 2014-15 and 16 mt by 2019-20. The Committee note that at present, RINL's products are 100 per cent long-bars, re-bars, wire-rods and structurals that are used in the construction industry. During the first-phase of expansion, RINL would continue to produce long-products in view of the company's brand image and to meet the envisaged demand for wire-rods. During second-phase of expansion, special coils would be produced to meet the demand of the automobile and oil & gas units.

The Committee hope that expansion plan of RINL would strengthen its competitiveness and ignite further growth and development of steel sector. The Committee, therefore, desire RINL to gear up to complete the mammoth task of expansion within the scheduled period and attains world benchmarks in all parameters in its expansion programme and explore the possibilities for technological tie-ups with Steel Authority of India Limited(SAIL).

The Committee further observe that as domestic economy is on the growth path, huge investment is pouring in for infrastructure development and global steel companies are entering in the domestic steel sector, RINL has to look beyond 2020. The Committee, therefore, recommend that RINL should devise a road-map for its growth and development beyond 2020 and start ground works for creating enabling infrastructures.

CHAPTER VI

MISCELLANEOUS

(i) Research and Development(R&D)

R&D activities in the company are limited to applied research applicable to process in the Plant. Along with experimental development on the existing technology, R&D activities are primarily directed towards trouble-shooting with technological solutions for operational activities through investigative studies, failure analysis and critical examination of process parameters. In-depth study and analysis of major technological aspects to evolve a strategic solution for future course of action is also undertaken.

6.2 R&D projects are taken up every year. At the beginning of the year itself R&D projects are identified. These projects are included in the MoU signed with the Ministry of Steel. During the current year i.e. 2006-07, the following major R&D projects are being taken up:-

- In-house development of pilot coke oven and testing the carbonization properties of new coals to optimize coal blend.

- Study the techno economics of briquetting of SMS GCP sludge and charging into LD converter for better waste utilization.

- In-house development of a pot sintering unit and testing the effect of different raw materials and additives on sinter properties.

- Study the effect of discharge temperature, soaking time, deformation in various stands and rate of cooling on generation and propagation of cracks in billets and rounds of chromium steel and spring steel.

Thrust/Focus Areas

- Process Improvement
- New Products/Grades developments
- Waste Utilisation
- Development of R&D facilities

R&D Facilities

- Atomic Absorption Spectrometer
- Oxygen, Nitrogen, Hydrogen gas Analyser
- Optimal Emission Spectrometer
- Ultimate Analyser
- Vitrinite Reflectivity Measurement
- Proximate Analyser
- Gieser Plastometer

Joint R&D Projects

- Regional Research Laboratory, Bhubaneswar: Waste Utilisation
- Indian Institute of Chemical Technology, Hyderabad: Modelling of Reheating Furnace.
- Andhra University: Process improvement of Benzol Plant and Corrosion Studies
- GITAM, Vizag: Biological Treatment of Effluents, Heat transfer of hood of LD Converter, LD slag usage in converter
- National Metallurgical Laboratory, Jamshedpur: Utilisation of LD slag

6.3 The Allocation of funds and percentage of the total expenditure on R&D activities during the last four years is given below:-

(Rs. in crore)

Year	R&D Expenditure	Total Expenditure (Excluding Int & Dep)	R&D expenditure as a % of total expenditure
2002-03	2.5	3008.68	0.08
2003-04	2.5	3325.54	0.08
2004-05	6.25	4312.83	0.14
2005-06	10.46	5034.02	0.21
2006-07	12.0(likely)	12.0(likely)	0.24

Projected Expenditure

Year	R&D Expenditure (Rs.in crore)
2009-10	85
2014-15	345
2019-20	460

The National Steel Policy suggests that R&D expenditure may be in the order of 2% of turnover. In line with this, VSP proposes to increase the expenditure on R&D as mentioned above. The jump in the first 4 years is high as huge capital expenditure is planned for infrastructure development in this period.

6.4 Some of the research activities helped in increasing the Converter life, recycling of waste material, usage of lesser grade materials etc. Some of the achievements due to R&D during the last four years are listed below:-

2002-03

- Steel Grades: HC Cr / HC CrV were developed which improved the drawability of wire rods
- The practice of slag splashing was established, which continued to improve the lining life of LD converters.
- Process for welding quality steel ISO 2879 was developed and established
- Specific consumption of gaseous and solid fuel in sinter plant was reduced to 37 mcal/ton and 48 kg/ton from 44 mcal/ton and 59kig/ton in previous year.
- Experiments conducted on reduction of Ammonical nitrogen by activated sludge. Results showed improvement in effluent quality.

2003-04

- Oxygen enrichment of cold blast by 2% was established. This improved production rate and reduced coke rate.
- Parameters of slag splashing were fine tuned to improve its effectiveness.
- Quantitative determination of grain boundary cemetite to enhance the effectiveness of subsequent rolling process.
- Scaling behavior of different steels was studied and scale loss was quantified. Possible measures to reduce scale loss were indicated.

2004-05

- A mathematical model was developed to predict CSR, CRI, M10 of coke from blend coal properties.
- Optimum sinter chemistry vis-à-vis minimization of specific slag volume in blast furnace was established.
- Used graphite refractory for blast furnace lining was used as re-carburiser in place of petroleum coke for production of carbon steel. This resulted in reduction of sulphur in steel.
- Process parameters established to get better properties in 12 mm rebars in wire rod mill of VSP.

2005-06

- Bulk density measuring equipment for coal was developed o optimize the moisture and size distribution of the blend.
- A new type of lance tip was designed for reduction in blowing time of LD converter.
- Refractory brick reinforced with stainless steel fibre was used in the lining of LD converter to improve the charge pad life.
- Improvement in roll utilisation efficiency was established".

6.5 The following new initiatives are proposed to be taken in R&D:-

- Development of new products suiting to growing needs of Auto-industry & Agriculture needs.
- Extensive work on solid waste utilization.
- Joint Research projects with leading Research Institutions like National Metallurgical Labs, Regional Research Labs, IITs, Andhra University, CSIR Labs, NITs and Academic Institutes.
- Development of new technologies for Process improvements, Pollution Control and Energy Conservation etc.

- Developing New Infrastructure for R&D including, building, sophisticated lab facilities, work shops and pilot plants etc.
- Development of new process for using alternative / low cost raw materials.

6.6 The Committee note that R&D plays a vital role in the steel sector in designing and development of new technologies, development of new value-added products, improvement in productivity and quality, reduction in consumption of raw material and conservation of energy. RINL has been pursuing R&D projects through MoU with the Ministry of Steel and also in collaboration with technical institutions in the country focusing on process improvement, new products/grades development and waste utilisation, etc. RINL has proposed to spend an amount of Rs.85 crore by 2008-09, Rs.345 crore by 2014-15 and Rs.460 crore by 2019-20 in line with the objectives of the National Steel Policy (NSP) to spend 2 per cent of turnover under R&D.

The Committee further note that though RINL has been taking up R&D projects every year on its own and jointly with the technical institutions, it could spend barely 0.15 per cent against Rs.33.71 crore allotted under R&D during 10th Five Year Plan. The Committee feel that had RINL taken up R&D projects in right spirit and spent the allocated funds, it would have reaped the benefits by reducing the cost of production. The Committee are apprehensive that unless RINL prune its R&D strategy by identifying new areas in R&D, estimating futuristic needs of special steel products and developing innovative technology ahead of markets and its rivals, RINL would be failing 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 as envisaged in NSP.

The Committee, therefore, desire that RINL should adopt innovative approach for achievement in R&D and develop, adopt and absorb technology which leads to cost reduction, improve quality and save energy. The Committee also desire that RINL should take up a continuous improvement in different

areas of steel plant operations so as to build its own strength in meeting the growing/changing demands of different sector and become a formidable competitor in the steel industry.

(ii) Marketing

6.7 Five Regional Offices, twenty-four Branch Sales Offices and Stockyards spread across the length and breadth of the country ensures the availability of VIZAG STEEL to customers at their doorstep. With a fully computerized Marketing network, VIZAG STEEL attains a high level synergy in meeting the rising and ever changing needs of the customer.

6.8 Further, sale of by-products like coal chemicals, scrap & secondary iron and steel products, granulated slag etc. is carried out on ex-plant basis from Headquarters.

Export Division at Headquarters carries out export of iron and steel products.

6.9 RINL has a policy to enter into long-term contracts with the customers for a period of one year at the beginning of the year. Around 72% of total sales volume was sold through long-term contracts during 2005-06. The system of entering into quarterly / half yearly MoUs with Project Customers also exists in VSP. During 2005-06, 16% of the total sales were made to Project Customers.

6.10 Certain quantities of steel are allocated by the Ministry of Steel for servicing Small Scale Industries (SSIs), whose consumption levels are less than 600 tonnes per annum, through Corporations. Medium and large scale SSIs, whose consumption is more than 600 tonnes per annum, are serviced directly from VSP's Stock Yards. As per the directive of Ministry of Steel due priority is given for supplies to the Government Departments, PSUs, Railways etc.

6.11 On being asked about the ratios of growth of revenue and market penetration since 2002-03 and steps being taken to expand RINL's marketing network, the Ministry of Steel has submitted as under:-

Item	2002-03	2003-04	% Gr	2004-05	%Gr	2005-06	%Gr
Sales value of Steel (in crore)	4581	5635	23	7686	36	7772	1
Sales volume of steel ('000t)	3199	3156	-1	3117	-1	3307	6

6.12 With a view to expand the marketing network, action has already been initiated for opening of Consignment Sales Agents/Branch at Jamshedpur, Chhattisgarh, Puducherry and Himachal Pradesh. A survey is being conducted for exploring the market potential in Goa.

6.13 **Marketing Initiatives**

- Priority to NSICs/SSICs/SSIs
- Greater emphasis on Project sales and sale of Special Steels
- Development of new grades and sections as per customer need
- Better market segmentation and improvement in delivery schedules
- Channelising product distribution for better net sales realization
- On-line customer settlement in place
- Penetration into rural markets for steel promotion

6.14 **District Level Dealers (DLD)**

- Concept of DLDs for promotion of steel consumption in rural areas
- Proposal for setting up of Dealerships in all districts of South India
- 39 DLDs appointed in the first phase
- Additional 61 DLDs by October 2006 under second phase
- Likely 22% of existing & proposed DLDs belong to SC/ST categories
- DLDs conference in November 2006 – interaction

Status on District Level Dealers: All India

Region	**Existing**		**Under Finalisation**				**Overall Position**	
Category	**SC/ST**	**Total**	**SC/ST**	**OBC**	**Others**	**Total**	**SC/ST**	**Total**
East	0	7	0	0	0	0	0	7
South	0	5	12	11	34	57	12	62
West	2	5	0	0	0	0	2	5
North	2	7	0	0	0	0	2	7
Andhra	2	15	4	0	0	4	6	19
Total	6	39	16	11	34	61	22	100

SC/ST no.of dealers expected to be 22 out of 100 nos.

6.15 The Committee at the sitting held on 4th October 2006 enquired whether RINL supplying its products to Small Scale Industries on priority, the CMD, RINL has submitted the followings:

> "VSP supplies steel products to Small Scale Industries Sectors as per the policy guidelines stipulated by Ministry of Steel. The Policy for the same is displayed in the Ministry of Steel Home Page. Top priority is given to Small Scale Industrial Corporations (SSICs) and National Small Industries Corporations (NSICs)".

6.16 When asked about the Reservation system being followed in Dealership for SCs, STs and OBCs, the Committee expressed their views that Reservation in Dealership should be based on the population of each State to make the Reservation system fruitful and all Steel PSUs should follow it. The Secretary, Ministry of Steel has replied as follows:-

> "About dealers, this is a new initiative taken this year. In pursuance of that initiative, SAIL as well as RINL have expanded their network. The Steel Minister, every now and then, is insisting that representation of the weaker sections must be adequate. We have taken note of the suggestions that have been made. We will try and ensure that the quota within the reserved category and disadvantaged category is not usurped by others. There should be representation of SCs, STs and OBCs etc.… Reservation is based on the census report and at present dealership is awarded to SCs and STs at 15% and 7.5% respectively".

6.17 When the Committee opined that for district level dealership, district-wise reservations for SCs/STs and OBCs should be done as per census of Government of India, the Ministry of Steel has stated as below:-

> "At present, VSP has District Level Dealerships operating in 39 districts. Out of which, 6 are manned by weaker sections belonging to SC/ST. Recently, VSP has advertised for DLDs in 66 districts of southern states. Under the policy, preference will be given to weaker sections belonging to SC/ST/OBC. Additionally, no EMD would be charged from the applicants belonging to these categories. The policy is under fianlisation.
>
> However, the Suggestion of the Committee would be kept in view when this scheme is extended to other categories of the country".

- VSP has a 20-point scale for evaluating the offers received for district level dealership scheme. The evaluation criteria consist of weightage points for factors like turnover, infrastructure, selling ability etc. in case of SC/ST/OBC. Also, this evaluation process helps them to become eligible at all locations with a score of 4 points.

- The Security Deposit has been waived for SC/ST/OBC, and hence there is no forfeiture clause for them in the new scheme.

6.18 Presently, VSP has district level dealers in 95 districts predominantly in Southern States. Preference is being given to SC or ST or OBC. Relaxation has been provided in selection of DLD belonging to SC/ST/OBC categories in the policy of appointment of DLDs.

6.19 The Committee note that RINL is marketing its products on long term contracts and giving due priority in supplies to the Government Departments, PSUs, Railways and Small Scale Sectors. RINL is taking marketing initiatives such as opening up of new sales branches and setting up of District Level Dealerships (DLDs) in all Districts of Southern States to expand their network and increase penetration into rural markets for steel promotion etc. The Committee desire that while allotting DLDs due representation should be given to SCs/STs and OBCs, etc.

The Committee feel that though the market forces play an important role in determining demand and prices, RINL could have earned more by strengthening its marketing. The Committee, therefore, desire that in addition to completing the task of appointment of DLDs in Southern States, RINL should also expand its marketing network all over India. The Committee also desire that in order to promote steel consumption in rural areas, RINL should identify and produce steel items required in rural areas and organize Grameen Ispat Melas in villages in cooperation with Institute for Steel Development and Growth (INSDAG).

The Committee further desire that RINL should try to increase its exports by opening marketing offices abroad also and examine whether the sale of by-products can also be done through its district offices to increase its revenue from by-products.

(iii) M**anpower**

6.20 The manpower strength of VSP as on 30.6.2006 is 16,522 as against the sanctioned strength of 17,800. It is planned to re-deploy some of the existing manpower and add about 2000 employees for the purpose of expansion to 6.3 Mt.

6.21 The CMD, RINL during oral evidence informed the Committee that:-

> "…all the reserved posts are filled to the extent of 100 per cent. Only this year we have recruited about 150 people. There is a shortage of 1 per cent. We will fill up that backlog next year".

6.22 On being asked whether RINL has settled the grievances of workers on HR relations, the CMD, RINL has submitted the followings:

> "The following three issues on which Unions and Employees have been voicing their concern were amicably settled by VSP:-

- Growth opportunities for the non-executive employees;
- Productivity based incentive scheme; and
- Job rotation in steel melting shop, sintering plant and coke ovens.

Operation of ASP and power plant under expansion on BOO basis was yet another concern. To obviate this, several presentations-cum-discussions were held with the Unions to explain the advantages for VSP by pursuing the BOO concept in the expansion phase.

The overall IR situation in RINL remains peaceful as proactive measures of involving the employees at various levels is taken up and appropriate communication channels are achieved across the organisation. A number of participative for a exist in the company to address shop floor issues of production, safety and general welfare of employees through which sustained levels of production and productivity are achieved. Management is also responsive to the various suggestions and improvements through suggestion schemes, quality circles and quality improvement projects.

It is true that there are Grievances of employees. The Company has taken several initiatives to redress the Grievances by laying formal and informal Grievance Redressal Procedure. All the Grievances raised are quickly redressed to the fullest satisfaction of employees".

6.23 The Committee note that the manpower strength of RINL is 16,522 as against the sanctioned strength of 17,800. RINL has planned to redeploy some of the existing manpower and add about 2000 employees for capacity expansion and fill up backlog vacancies under the reserved categories in the year 2007.

The Committee feel that focusing on human resource, the most important factor for continuous development, especially on proper utilisation, multi-skill training, performance development workshop and enlisting skills would be of paramount importance in achieving the objectives of expansion programme focusing on production of wire-rods during the first phase and special steel during the second phase.

The Committee, therefore, desire RINL to ensure that the skills of employees are continuously upgraded in the areas like process control, improvement of quality, new products for automotive industry, development of new steels and awareness of latest technology in order to improve the productivity further and training programmes are aligned with attainment of global benchmark as envisaged in National Steel Policy. The Committee also desire RINL to clear all backlog vacancies under reserved categories at the earliest and the Committee may be apprised in this regard.

The Committee further desire that proper Grievance Redressal Procedure should be put in place which should work directly under Chairman-cum-Managing Director (CMD), RINL. The recommendations made by the Grievance handling machinery should be given due weightage and implemented.

(iv) Displaced Persons (DPs)

6.24 The Committee at the informal discussion held with the representatives of the Ministry of Steel and RINL during the Study Tour on 27.6.2006 asked about the employment to Displaced Persons (DPs), the CMD, RINL has stated the following: -

- "No. of DPs employed in VSP: 6310

- No. of DPs yet to be employed: Though the rehabilitation of Displaced Persons is primarily the responsibility of State Government, VSP had committed to provide employment to 5000 DPs at the ultimate stage of operations based on the technically qualified manpower, requirement of VSP and the skill/qualification profile of the DPs. As against the commitment to provide employment to 5000 DPs, 6310 DPs have been provided employment. Thus, the commitment of VSP has been more than fulfilled. As regards employment of DPs in future, it may be mentioned that as and when there is a requirement for the posts in Non-Executive Cadre, the same will be done through the Employment Exchange/Press Advertisement by following the laid down procedure and DPs will be considered for selection as per the prevailing rules and procedures.

  …the displaced persons list is not finalized. Every time, there is a new list coming up. We have an agreement where we have to give 5000 permanent jobs to them. We have 6500 jobs and nearly 2500 contractual jobs. This comes to 9000 people. We have given jobs to DPs. Before coming here, three days back I had a meeting with the Collector and told them that because the expansion is coming the remaining persons if any will be absorbed into the contractual job. The list is being prepared for this purpose.

  In the Live Register of Displaced Persons from VSP area, 14,827 were registered and as on date, 6310 displaced persons have been provided jobs as regular employees in VSP. In addition, 2747 DPs are being engaged by the contractors in the contract works of VSP. 141 DPs, whose names are received recently from the District authorities, are in the process for referring to contractors for Employment. VSP is also planning to encourage engagement of 2000 DPs in contract jobs".

6.25 The Committee further enquired about the contract workers and facilities provided to them, the CMD, RINL has stated the followings:-

- No. of contract workers employed (engaged by contractors) in VSP: 7862
- Contract workers made permanent: Nil
- The number of years since these contract workers are working in VSP: As and when the requirement arises, works which are temporary in nature are awarded to the contractors, who in turn engage the services of contract labour. As soon as the contractors' work is over, they wind up their establishment by paying full and final and terminal benefits to their workmen.
- No. of contract workers in VSP's Mines(engaged by contractors): 95

RINL as Principal Employer is ensuring provision of the following facilities/amenities to the contract workforce.

- Payment of Minimum wages besides an ad-hoc payment of Rs. 300/- per month with effect from 16.6.2005.

- Remittance of Provident Fund and addressing complaints regarding non-remittance of PF etc.

- Payment of Bonus.

- Payment of Gratuity.

- Payment of Workmens' Compensation upto 31.1.2006. Medical facilities and coverage under ESI Act w.e.f. 1.2.2006.

- Ex-gratia amount in case of any fatal accident to the tune of Rs. 100,000/- in addition to statutory coverage.

- Full & final benefits in case of retrenchment such as notice pay, service pay, leave pay, Bonus etc.

- Safety Training and ensuring supply of personal protective equipment by contractor and usage by the contract workmen.

Other Amenities

Recognizing the welfare needs of the contract labour, the following amenities provided in VSP are also availed by contract labour.

- Subsidised canteen facility on par with the regular employees.
- Adequate Latrines, Urinals and Drinking Water facilities provided in the Plant.
- In case of accidents to contract labour, medical aid is being provided in Visakha Steel General Hospital (VSGH)/First Aid Centres of VSP.

6.26 The Committee note that Visakhapatnam Steel Plant (VSP) has been providing employment to Displaced Persons (DPs) from VSP area. 6310 DPs are already appointed as regular employees, 2747 DPs are being engaged by the contractors. 141 DPs are likely to be given contractual employment in the near future. The Committee further note that RINL would employ remaining DPs, if any, into contractual jobs for which a list is being prepared at the District level.

The Committee while appreciate that RINL has already employed 6310 DPs in regular posts based on their skills/qualifications and requirement, they

are extremely concerned at the RINL's proposal to provide contractual jobs to other DPs instead of providing them employment on regular basis.

The Committee feel that as the contractual jobs are temporary in nature and the future of such DPs employed on contractual basis is uncertain, they would be rendered jobless on the completion of such contractual jobs. The Committee, therefore, desire that RINL should arrange to impart institutional training to make the unskilled DPs into skilled ones and absorb them into the regular employment as far as possible while recruiting people for the ongoing expansion plan.

The Committee also desire that RINL should take up the matter with the district authorities and to finalise a updated list of DPs at the earliest.

(v) Safety

6.27 The Committee when asked about the details of accidents during the last three years, the CMD, RINL has stated as under:

Non-fatal accidents				**Fatal accidents**		
Year	No. of regular employees	No. of contract labour	Total no. of cases	No. of regular employees	No. of contract labour	Total no. of cases
2003	50	19	69	02	03	05
2004	64	19	83	Nil	Nil	Nil
2005	46	18	64	Nil	04	04

6.28 Investigations/enquiries were carried out for all accidents. All other reportable accidents are investigated jointly by the Zonal Safety Officer and Departmental Officer. The fatal accidents are enquired into by a standing committee and the recommendations of investigation/enquiry committees are implemented.

6.29 As the accident rate in VSP is increasing year by year, the Committee on being asked about the safety measures being taken by RINL to avoid the accidents, the Ministry of Steel has submitted in written reply as below:-

> "Though the "Reportable" (non-fatal) accidents are on a decreasing trend since 1999, fatal accidents have suddenly increased in respect of contract workers. To arrest this trend, the following systems have been strengthened for ensuring the safety of regular employees and contract workers:-

- All contractors' workers are being given one day "Safety Induction Training" by Safety Engineering Department of VSP. Safety Officers take the sessions. Safety films are also shown. Working lunch, tea/snacks are also provided by VSP. Safety training passes are issued to each worker based on which gate-passes are made. No work is started until the workers take the safety training and the necessary safety appliances like safety helmet & shoes are provided by the contractor. The passes are valid for one year after which refresher safety training is given for Half Day and the pass is renewed/revalidated for another one year.

- For working at heights training is given and "height passes" are issued to successful workers. These height passes are valid for one year. Use of safety belts and safety nets are also enforced at site.

- Permit-to-work system is enforced strictly for departmental jobs and for contractors also.

- For regular employees, VSP has a budget of Rs.2 crore for various safety activities including training, safety promotional activities and safety appliances.

- Continuous 4-tier safety training of regular employees is being conducted viz.

  For Khalasis – every Friday (4/month)
  For Technicians – every Tuesday & Thursday (8/month)
  For Chargemen – every alternate Wednesday (2/month)
  In addition, there are safety training programmes on fire safety, electrical safety, gas safety and road safety, etc.

- The total no. of contract workers & regular employees trained in 2005-06 is given below.

Regular Employees	-	4,625
Contract Workers	-	5,749
Total		**10,374**

- There are 25 Departmental Safety Committees (DSC) and one apex Central Safety Committee (CSC) in operation. The DSCs hold meetings monthly and the CSC every quarter.

- VSP is already accredited under all the 3 International Standards viz. ISO-9001, ISO-14001 and OHSAS-18001. Under OHSAS-18001, over 2,000 activities have been identified and HIRA (hazard Identification & Risk Assessment) has been carried out.

- Safety Week Celebrations are held in various departments to increase safety awareness.

- The National Safety Day is celebrated at Plant level on 4th March every year. Prizes are given for various competitions. School children also participate.

- Every year 2 nos. mock drills on emergency preparedness at plant level and 12 nos. mock drills are conducted each month in various departments (Total : 144/year).

- External Safety Audits are conducted every year and recommendations are implemented.

- Internal Safety Audits are also conducted in 16 departments once every 6 months (Total: 32/year).

- MSDS (Material Safety Data Sheets) are prepared and displaced at the designated places.

- To motivate employees for safe behaviour, an amount of Rs.75 per head per month is paid if there is no "Reportable' accident in the department. A special motivational scheme for contract workers is under finalization.

- VSP received the safety Innovation Award-2006 from the Institution of Engineers (India) on 6th Sept. 2006 for the following innovations:-

    - Developing a special structure for training workers to work at heights.

    - Developing fire-retardant suits in collaboration with Ministry of Textiles, GOI.

    - Developing woolen gloves as 100% replacement of asbestos gloves.

- A separate Safety Wing for safety at expansion site has been formed.

6.30 The Committee note that in the year 2004 and 2005 fatal accident reported cases were 5 & 4 respectively involving mostly contract workers. The Committee further note that non-fatal accidents also increased from 69 in 2003 to 83 in 2004 and declined to 64 in 2005. The Ministry has stated that though the "Reportable"(non-fatal) accidents have been decreasing, fatal accidents have suddenly increased in respect of contract workers and to arrest this trend, RINL

has strengthened its systems like "Safety Induction Training" etc. for ensuring the safety of regular employees and contract workers.

The Committee are, however, dismayed to note that given the accident cases reported in VSP, the measures taken / being taken by RINL have not been found adequate. The Committee, therefore, recommend that since safety is a key priority area for steel industry, RINL should modernise the safety training programmes and provide safety appliances to the contract workers also. The Committee also recommend that RINL should devise a system whereby the responsibility of the contractors for the safety of their workers is ensured.

The Committee desire that in case of non-fatal and fatal accidents, compensation to the affected workers and their families should be provided as per law and at the earliest. The Committee also desire that in case of contractor's workers, it should be ensured that timely payment is made by him to the affected workers. In case of his failure, payment should be made by the Company as per law and the amount should be deducted from the payments to be made to the contractor concerned.

(vi) Merger

6.31 On being asked whether there is any proposal to merge RINL with SAIL, the Secretary, Ministry of Steel has apprised the Committee during the oral evidence on 14th December 2005 and 4th October 2006 respectively as below:-

> "…in the wake of buoyancy in the steel market and huge profits of SAIL and RINL, there were many requests from small PSUs that they want to merge either with SAIL or with RINL. Now we have taken a decision in the Ministry and we have set up an Expert Group which is headed by a former Steel Secretary. It has the Chairman and Managing-Director of the IDBI bank. Sponge Iron India's merger with RINL is one of those cases that will be studied by this Committee and after that we will take necessary action".
>
> The Steel Minister took a meeting with the hon. Members of Parliament form Andhra Pradesh. They were all of the view that let us not merge it. At present, the matter rests there unless really a consensus emerges. There are certainly

advantages in merging but the sentiments cannot be brushed aside; they have to be kept in view".

6.32 The Committee note that in the wake of buoyancy in the steel market and huge profits of SAIL and RINL, the Ministry of Steel has constituted an Expert Group to study the requests of small PSUs to merge either with SAIL or RINL. Keeping in view that the major steel producers across the world are strengthening their operation and competitive edge through planned mergers and acquisitions, the Committee are of the opinion that RINL should also venture into merger and acquisition for not only to remain strong but also to gain access to captive mines and more resources.

The Committee, therefore, recommend that RINL should look at the merger and acquisition opportunities in India and abroad to consolidate its position. The Committee also recommend the Ministry to expedite the task of Expert Group constituted for studying the merger and acquisition of small PSUs either with SAIL or RINL and implement its recommendations in order to sharpen the competitive edge of Steel PSUs. The Committee would like to be apprised in this regard.

(vii) Corporate Social Responsibility (CSR)

6.33 RINL has formulated CSR Policy with the approval of the Board, which *inter alia* focus on the following:

- Environmental care
- Education
- Health care
- People care
- Peripheral Development
- Cultural Efflorescence
- Establishment of Special School for mentally challenged children
- Girl child education
- Adoption of 3 neighbouring villages – Dibbapalem, Devada, Madinabagh as model villages
- Proposal of Steel Village in Maddivanipalem

6.34 The Company has adopted four-fold strategy as under for implementation of CSR activities:-

(i) **RINL as Promoter :** RINL taking up CSR activities on its own

(ii) **RINL as a Partner :** RINL building up partnership with Voluntary Bodies, Autonomous Bodies, Statutory Agencies, State and Central Government Agencies to take up Corporate Strategic Responsibility Projects on a sustainable basis.

(iii) **RINL as Facilitator :** RINL making contributions to various socially beneficial projects in and around VSP, in the district of Visakhapatnam and in the Country at large.

(iv) **RINL as a Consultant:** RINL extending assistance in terms of technical expertise, managerial expertise etc to welfare and developmental projects

6.35 On being asked whether RINL have encouraging supply of steel to the people's housing construction, a component of Bharat Nirman, in Andhra Pradesh, the CMD, RINL has stated the following:-

"RINL is supplying steel products as per the requirement of Andhra Pradesh Housing Programme. From April 2006 till date, about 6,600 tonnes of TMT bars have been supplied. RINL shall further supply materials as per the requirement of Andhra Pradesh Housing Programme and three is no problem in servicing".

6.36 **Expenditure on CSR activities**

Year	Rs. in lakhs
2002-03	8.62
2003-04	13.84
2004-05	41.14
2005-06	86.14
2006-07	175.00
2006-17(plan)	692.00

The budget allocated for peripheral development for the year 2006-07 is Rs.13.5 lakh. As per the policy on Corporate Social Responsibility (CSR), which has been approved by the RINL Board recently, 0.5% of distributable profit is to be allocated as the budget towards CSR activities every year. This worked out to about Rs.1.17 crore for the year 2005-06.

6.37 RINL has developed a comprehensive CSR Policy, which has been approved by the Board of Directors in its 211th meeting held on 8-2-2006. During the 216th meeting of Board of Directors held on 31-8-2006, the Board has allocated 2% of its net profit as fund for CSR.

The Secretary, Ministry of Steel has stated the following on expenditure under CSR:-

"It is true that earlier the expenditure has been much less. Now 2 percent of the profit made last year is likely to be spent this year. That is how the calculations have been made. It is a big jump from the past. The way the plans have been made; the way they are trying to make available steel in the rural areas, also in the dealers' places in the districts, at the same rate at which it is available at the metro; they are trying to adopt steel villages apart from the many other responsibilities which they have already been discharging in the last several years, I think there will be big takeoff of expenditure under Corporate Social Responsibility. The Ministry is also monitoring their expenditure on Social Responsibility".

6.38 The Committee note that RINL is discharging its Corporate Social Responsibility (CSR) with a focus on education, health, peripheral development and adoption of steel villages. The Committee further note that RINL is implementing CSR activities on its own, partnering with voluntary bodies and State and Central Government agencies, facilitating socially beneficial projects and extending technical and managerial assistance to such projects.

The Committee are, however, concerned to note that expenditure incurred by RINL for implementing CSR activities which was less than 2 per cent of profit earned during 10th Five Year Plan has not been very encouraging. The Secretary, Ministry of Steel has admitted during the oral evidence that expenditure incurred under CSR has been much less and now 2 per cent of the profit made in the year 2005-06 is likely to be spent in the year 2006-07 and there would be big take off of utilisation of funds and the Ministry is also monitoring the expenditure under CSR.

The Committee feel that while PSUs have to ensure profit, they should not forget their social responsibilities and it should be one of the parameters in

their policies. The Committee, therefore, desire that in addition to taking up of traditional CSR activities like Health care, etc. the steel PSUs should also take up promotional schemes in diverse areas for improvement of the standards of living of local people. The Committee also desire the Ministry to ensure that all the PSUs under its jurisdiction spend 2 per cent of profit under CSR every year.

New Delhi;
9 May, 2007
19 Vaisakha, 1929 (Saka)

Dr. SATYANARAYAN JATIYA,
Chairman,
Standing Committee on Coal and Steel.

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

Sl. No.	Reference Para No. of the Report	Conclusions / Recommendations
1	2	3
1.	1.8	The Committee are happy to note that Rashtriya Ispat Nigam Limited (RINL) which was facing financial crunch in the past, has turned around and made significant improvement in its performance over the last five years. The Committee observe that the steel industry at global level is witnessing phenomenal growth in demand and supply. Indian steel industry is also poised for a quantum jump in the next 15 years. The Committee feel that as the coming years would be crucial for the growth of steel industry, RINL has to prepare itself for technological and productivity improvements and benchmarking them to global standards to remain competitive and also to develop the strength to withstand the vagaries of cyclic nature of the steel industry. The Committee, therefore, recommend that RINL should strive to set new standards in global steel industry by improving and achieving higher techno-economic parameters relating to raw material, energy, water consumption, etc. having multiplying effect on productivity. The Committee also desire that in consonance with National Steel Policy, the Ministry of Steel should ensure adequate and enabling infrastructure for RINL.
2.	2.6	The Committee note that Rashtriya Ispat Nigam Limited (RINL)has installed capacity to produce 3 million tonnes (mt) per annum of Liquid Steel and is operating at production level of about 4.1 mt hot metal, 3.5 mt of Liquid Steel and 3.1 mt of Saleable Steel representing capacity utilisation levels of 122%, 120% and 122% respectively. The Committee further note that since turn around in 2002-03, RINL has been able to surpass its rated capacities early in the year 2002 and improving thereafter every year. The Committee observe that domestic demand for steel especially in construction sector has been steadily growing since 2002-03 and is estimated to grow further. The Committee, therefore, desire that RINL should strive to further improve its techno-economic parameters and achieve higher capacity utilisation so as to reap the benefits of boom period in domestic steel market. Efforts should also be made to bring down the cost of products to make it competitive in the market.

3.	2.7	The Committee note that as against the targets fixed in Memorandum of Understanding (MoU) for the production of saleable steel of 2.9 mt, 2.95 mt and 3.12 mt for the years 2003-04, 2004-05 and 2005-06 respectively, RINL had produced 3.16 mt, 3.17 mt and 3.23 mt marginally higher than the target. The Committee are unhappy to note that instead of fixing achievement as target for the next year, the target fixed for the years 2003-04, 2004-05 and 2005-06 was lesser than the achievement of the previous year and percentage of fulfillment of target also decreased from 114 per cent in 2002-03 to 104 per cent in 2005-06 resulting in overall lower achievement in subsequent years. The Committee are of the view that had the target been fixed higher than the achievement on previous years, RINL could have performed even better. The Committee feel that the Ministry should fix the MoU targets suitably after taking into account the new opportunities and new concerns that might have emerged during the year rather than routinely updating the previous year's target. The Committee, therefore, recommend that RINL should make efforts to surpass the target in order to give further impetus to its competitiveness and financial performance and devise suitable mechanism for taking corrective steps for its all round progress and improvement in the performance. The Committee also desire that due care should be taken for the maintenance and operation of the plant and machinery as capacity utilisation is 122 per cent. Hence, scheduled maintenance of the plants and machinery must be taken as and when due.
4.	2.8	The Committee note that as against the production of saleable steel of 3.16 mt, 3.17 mt and 3.23 mt, RINL had sold 2.44 mt, 2.77 mt and 2.83 mt only during the years 2003-04, 2004-05 and 2005-06 respectively. The Committee are pained to observe that RINL's market share for sale of steel products to different sectors has been hovering around 50 percent only between 2003-04 and 2005-06 while the production has been increasing year after year. The Committee note that Secondary Steel Sector in Long-Products especially in production of TMT, wire-rods and structurals and upcoming of large number of units in ore rich States like Chhattisgarh, Orissa, Jharkhand and West Bengal and some units with international technology like Thermex and Tempcore for production of TMT have increased their share of market at the expense of RINL. The Committee, therefore, cannot but deprecate the failure of RINL in capitalizing the upswing in the steel industry being witnessed during the last couple of years in terms of market penetration and also showing ineptitude in becoming resilient

		competitor to the growing Secondary Steel Sector. The Committee, therefore, recommend that RINL should initiate a comprehensive exercise to identify requirements of the consumers, region wise and frame a long-term perspective plan to increase the presence of its Long-Products in the domestic market.
5.	2.19	The Committee note that RINL was basically designed to produce carbon steel. However, with Research and Development (R&D) efforts and minor design modifications, the production of value-added steel commenced which has been gradually increasing from 15% in 2002-03 to 25.3% in 2003-04, 27.7% in 2004-05 and 27.5% in 2005-06. The Committee also note that RINL has been taking several measures such as improvement in facilities of secondary metallurgy, Lime addition system, installation of an electro-magnetic stirrer and expansion units are being so designed for producing value-added steel so as to increase its production to 44 per cent of saleable steel production. The Committee desire that a time-schedule be drawn up to achieve this target. The Committee are constrained to note that though RINL has been keeping pace with the changes in steel industry by producing value-added steel, it has not fully exploited the growing demand for value-added steel as its share of value-added steel production has not increased since 2003-04. The Committee are, therefore, unhappy to note that rather than taking corrective steps immediately, RINL has planned to take up value-added production in the Second-Phase of expansion plan. The Committee are of the view that as the automobile industry is witnessing steep growth and steel companies are vying to capture the market by focusing on value-added steel, a tactical strategy is needed to enable RINL to become a leading producer of value-added steel. The Committee, therefore, recommend that RINL should strive to increase value-added productions in the coming years by appropriate modifications in the First-Phase of expansion plan and if feasible, enter into future trade agreement with consumers of both steel and non-steel sectors in order to capitalize the existing resources to yield maximum return. The Committee also recommend the Ministry to set reasonable target for value-added products in MoU for the coming years.
6.	2.20	The Committee observe that RINL has been supplying material to the Defence projects on priority basis through Military Engineering Service Contractors. The Committee feel that supplying the material directly to the Defence sectors rather than through contractors would benefit both the Defence sectors and RINL and therefore, recommend RINL to approach the Ministry of Defence

		and their organisations for supplying the material directly to them on future trade basis.
7.	2.22	The Committee note that RINL is implementing the major projects viz. installation of Coke Oven Battery No.4, Power Plant & Air Separation Unit on Built- Operate - Own (BOO) basis and Pulverized Coal Injection System in Blast Furnace 1&2 to reduce the operating cost. The Committee are dismayed to note that all the above-mentioned projects are unlikely to be commissioned as per schedule due to delays in finalisation of consultant, tendering process and delivery of equipments. The Committee strongly feel that speedy implementation of the above projects is essential to reap the benefits of on-going expansion programme of RINL. The Committee, therefore, recommend that RINL should expedite processes and procedures in finalising the consultant and tender and make all out efforts for early completion of the projects. The Committee also desire that RINL should explore the possibility of setting up the Power Plant & Air Separation Unit on Built –Operate - Own –Transfer (BOOT) basis as it can be cost effective and help sustainable development in the future.
8.	3.20	The Committee are happy to note that revival packages coupled with concerted efforts have not only achieved turn around for RINL but also transformed it as a profit making and debt free Mini-Ratna Company. The Committee further note that RINL has achieved a net profit of Rs.2008.09 crore in 2004-05 as against Rs.520.69 crore in 2002-03. The Committee are, however, constrained to observe that in view of rapidly increasing operating cost which was Rs.3846.30 crore in 2002-03 but leaped to Rs.7646.56 crore in 2006-07, the profit of RINL has drastically declined to Rs.1252.74 crore in 2005-06 from Rs.2008.09 crore in 2004-05. The profits are likely to be Rs.1358.00 crore in 2006-07. The Committee have been informed that operating cost is escalating due to hike in prices of critical raw material viz. imported coking coal and iron ore, unilateral increase of iron ore prices by National Mineral Development Corporation (NMDC), increase in landed cost of raw material and payment of regular corporate tax at 33.66 per cent as against Minimum Alternate Tax (MAT). The Ministry has further stated that various measures for improving the production of Hot Metal and Saleable Steel and increasing the sales along with other cost reduction measures apart from securing raw material are being contemplated to arrest the declining trend in profit. The Committee find that RINL has taken several measures to contain the operating cost but these initiatives have not made

		significant impact on the financial performance of the company and the operating cost continues to escalate year after year. The Committee in their 17th Report had recommended that RINL should devise long-term plan keeping in mind the uncertainty of steel industry and make efforts pro-actively to contain the operating cost and ensure consistency in profits. The Committee further note that in 2005-06, nearly 40 per cent was spent on raw material and 20 per cent to meet expenses on stock depletion, stores & spares, power and fuel and Repairs & Maintenance, etc. The Committee observe that RINL has to make efforts to reduce the operating cost drastically keeping in mind the escalating cost of inputs and emerging threat from new technologies. The Committee, therefore, reiterate their earlier recommendation to reduce the operating cost and desire RINL to take effective measures to contain the escalating operating cost by relying more and more on newer and efficient technologies. The Committee also recommend that the Ministry should constitute a special audit team to verify and suggest the measures to bring down the operating cost of RINL and the Committee may be appraised in this regard.
9.	3.21	The Committee note that payment of corporate tax at an exorbitant rate of 33.66 per cent is leaving RINL with little resources for investment in the future development plans. The Committee, therefore, recommend the Ministry of Steel to take up the matter with the Ministry of Finance to provide financial relief to RINL as a special case by rationalizing the taxes, etc. till the completion of expansion plan i.e. 2012. The Committee desire that the Road-Map for Business Promotion should be implemented in a time-bound manner so that the desired results can be achieved.
10.	4.18	The Committee need not emphasise that an access to raw material in right quantities/quality and at right time is critical for profitability and growth of steel companies. The Committee note that RINL has no captive mines and presently meeting out its requirement of iron ore fines and lumps from National Mineral Development Corporation (NMDC), medium coking coal from indigenous sources and soft coking coal from abroad. RINL has been taking measures like blending imported coking coal with indigenous medium coking coal, installation of Pulverized Coal Injection (PCI) system and using Natural Gas in blast furnaces to reduce the consumption of raw material. The Committee further note that RINL has also taken various steps to secure the availability of raw material and has since been allotted Mahal coal block whereas the allotment of Tenughat Jhirki

		coking coal block in Jharkhand and non-coking coal blocks in Andhra Pradesh is under consideration with the Ministry of Mines. In so far as securing the adequate availability of iron ore, the RINL has entered into MoU with NMDC to set up Pelletisation unit in Chhattisgarh and is planning to set up one more Pelletisation unit in Andhra Pradesh on joint venture basis. RINL has also applied for iron ore mining leases in Orissa, Chhattisgarh and Jharkhand. The Committee also note that RINL is in the process of acquiring coking coal mines abroad. The Committee are dismayed to note that while State Government of Orissa has rejected two iron ore mining lease applications out of five leases applied by RINL on the ground that RINL has no plan or programme for establishment of mineral based industry in the State. The remaining three applications are still pending with them. The State Government of Chhattisgarh has also rejected one mining lease application of RINL since the prospecting licence has already been granted to a private company while no decision has been taken on its other applications. The State Government of Jharkhand has also rejected its lone application on technical grounds. The Committee are extremely concerned to note that problem of the availability of iron ore to RINL is a very grave one and needs to be addressed quite seriously as it is shelling out a major share of its profit for raw material and it is the only steel plant under the public sector undertaking which does not have a captive mine. The Committee also note that in pursuance of directions given by them in the meetings held on 16.10.2006 with the representatives of the Ministries of Steel, Mines and Railways, RINL, NMDC and representatives of the State Governments of Chhattisgarh, Jharkhand, Karnataka and Orissa to thrash out the issue of availability of raw material to Steel PSUs, the Secretary, Ministry of Mines has convened a meeting with all Ministry/State Government and PSUs concerned. The Committee are, however, concerned to note that no visible improvement has been noticed with regard to availability of raw material to Steel PSUs specially RINL as the applications for the allotment of mining lease to the PSUs are still pending with various State Governments. Keeping in view the capacity addition by steel companies across the world coupled with unprecedented rise in the prices of key inputs, the Committee feel that without having an assured supply of iron ore, a basic raw material for the steel plant, the expansion programme of RINL would not yield the desired results. The

		Committee are of the view that allotment of captive mines to RINL is extremely essential for its profitable sustenance. The Committee, therefore, recommend the Ministry of Steel to take up the issue of allotment of captive mines to RINL at the highest level with the Ministry of Mines in close coordination with the State Governments concerned. The Committee also recommend to bring necessary changes in Policy, etc. to accord priority to steel PSUs in allotment of captive mines. The Committee further desire the Ministry of Steel to ensure early commencement of mining works by RINL in Mahal coal blocks and the Ministry of Mines may be approached for expediting the applications of RINL for allotment of coking coal and non-coking coal blocks in Jharia Coalfields in Jharkhand and Khammam District in Andhra Pradesh respectively.
11.	4.19	The Committee understand that due to the financial crunch being faced by the State Governments, their insistence on value-addition is one of the pre-conditions for allotment of captive mines. The Committee, therefore, desire RINL to consider setting up of any mineral based industry involving value-addition in Orissa for early allotment of captive mines. The Committee also desire RINL to act on war footing for acquiring the coking coal mines abroad and getting supply of Natural Gas so as to ensure long-term availability of raw material required for meeting its current and future growth plans. The Company should also point out to the State Governments that the Company which already has a working plant can be a source of good revenue to the State than a new Company which has yet to set up the plant and exploit the mine and hence it should be given preference in allotment of mines, etc.
12.	4.32	The Committee have been informed that RINL has some outstanding issues with the Railways regarding availability of more rakes from Bailadilla, waiver of surcharge on Kinnadual-Kotavasala (K.K. Line) for iron ore, charging for actual distance from Visakhapatnam Port to Visakhapatnam Steel Plant (VSP) and cooperation for expansion of VSP. The Committee are of the strong view that besides commercial considerations, Railways have to be little more responsive to the social responsibilities and more open to the growing needs of the infrastructure and economy. The Committee, therefore, recommend the Ministry of Steel to convene a meeting at the highest level with the Ministry of Railways and other organisations to find immediate solution to the outstanding issues so that future

		expansion of the plant can be done as per schedule.
13.	5.13	The Committee note that as per projections made in the National Steel Policy, the production of steel in the country is expected to increase to 60 mt by 2011-12 and 110 mt by 2019-20. Keeping in view the National Steel Policy, RINL has also planned to expand the capacity in phases with a vision to become a continuously growing world-class steel plant. Initially, it is proposed to expand the capacity to 6.3 mt from the present level of 3.5 mt by 2008-09. It has also planned to raise the capacity to 8.5 mt by 2010-2011, 13 mt by 2014-15 and 16 mt by 2019-20. The Committee note that at present, RINL's products are 100 per cent long-bars, re-bars, wire-rods and structurals that are used in the construction industry. During the first-phase of expansion, RINL would continue to produce long-products in view of the company's brand image and to meet the envisaged demand for wire-rods. During second-phase of expansion, special coils would be produced to meet the demand of the automobile and oil & gas units. The Committee hope that expansion plan of RINL would strengthen its competitiveness and ignite further growth and development of steel sector. The Committee, therefore, desire RINL to gear up to complete the mammoth task of expansion within the scheduled period and attains world benchmarks in all parameters in its expansion programme and explore the possibilities for technological tie-ups with Steel Authority of India Limited(SAIL). The Committee further observe that as domestic economy is on the growth path, huge investment is pouring in for infrastructure development and global steel companies are entering in the domestic steel sector, RINL has to look beyond 2020. The Committee, therefore, recommend that RINL should devise a road-map for its growth and development beyond 2020 and start ground works for creating enabling infrastructures.
14.	6.6	The Committee note that R&D plays a vital role in the steel sector in designing and development of new technologies, development of new value-added products, improvement in productivity and quality, reduction in consumption of raw material and conservation of energy. RINL has been pursuing R&D projects through MoU with the Ministry of Steel and also in collaboration with technical institutions in the country focusing on process improvement, new products/grades development and waste utilisation, etc. RINL has proposed to spend an amount of Rs.85 crore by 2008-09, Rs.345 crore by 2014-15 and Rs.460 crore by 2019-20 in line with the objectives of the National Steel Policy (NSP) to spend 2 per cent of turnover under R&D.

		The Committee further note that though RINL has been taking up R&D projects every year on its own and jointly with the technical institutions, it could spend barely 0.15 per cent against Rs.33.71 crore allotted under R&D during 10th Five Year Plan. The Committee feel that had RINL taken up R&D projects in right spirit and spent the allocated funds, it would have reaped the benefits by reducing the cost of production. The Committee are apprehensive that unless RINL prune its R&D strategy by identifying new areas in R&D, estimating futuristic needs of special steel products and developing innovative technology ahead of markets and its rivals, RINL would be failing 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 as envisaged in NSP. The Committee, therefore, desire that RINL should adopt innovative approach for achievement in R&D and develop, adopt and absorb technology which leads to cost reduction, improve quality and save energy. The Committee also desire that RINL should take up a continuous improvement in different areas of steel plant operations so as to build its own strength in meeting the growing/changing demands of different sector and become a formidable competitor in the steel industry.
15.	6.19	The Committee note that RINL is marketing its products on long term contracts and giving due priority in supplies to the Government Departments, PSUs, Railways and Small Scale Sectors. RINL is taking marketing initiatives such as opening up of new sales branches and setting up of District Level Dealerships (DLDs) in all Districts of Southern States to expand their network and increase penetration into rural markets for steel promotion etc. The Committee desire that while allotting DLDs due representation should be given to SCs/STs and OBCs, etc. The Committee feel that though the market forces play an important role in determining demand and prices, RINL could have earned more by strengthening its marketing. The Committee, therefore, desire that in addition to completing the task of appointment of DLDs in Southern States, RINL should also expand its marketing network all over India. The Committee also desire that in order to promote steel consumption in rural areas, RINL should identify and produce steel items required in rural areas and organize Grameen Ispat Melas in villages in cooperation with Institute for Steel Development and Growth (INSDAG). The Committee further desire that RINL should try to increase its exports by opening marketing offices abroad also and examine

		whether the sale of by-products can also be done through its district offices to increase its revenue from by-products.
16.	6.23	The Committee note that the manpower strength of RINL is 16,522 as against the sanctioned strength of 17,800. RINL has planned to redeploy some of the existing manpower and add about 2000 employees for capacity expansion and fill up backlog vacancies under the reserved categories in the year 2007. The Committee feel that focusing on human resource, the most important factor for continuous development, especially on proper utilisation, multi-skill training, performance development workshop and enlisting skills would be of paramount importance in achieving the objectives of expansion programme focusing on production of wire-rods during the first phase and special steel during the second phase. The Committee, therefore, desire RINL to ensure that the skills of employees are continuously upgraded in the areas like process control, improvement of quality, new products for automotive industry, development of new steels and awareness of latest technology in order to improve the productivity further and training programmes are aligned with attainment of global benchmark as envisaged in National Steel Policy. The Committee also desire RINL to clear all backlog vacancies under reserved categories at the earliest and the Committee may be apprised in this regard. The Committee further desire that proper Grievance Redressal Procedure should be put in place which should work directly under Chairman-cum-Managing Director (CMD), RINL. The recommendations made by the Grievance handling machinery should be given due weightage and implemented.
17.	6.26	The Committee note that Visakhapatnam Steel Plant (VSP) has been providing employment to Displaced Persons (DPs) from VSP area. 6310 DPs are already appointed as regular employees, 2747 DPs are being engaged by the contractors. 141 DPs are likely to be given contractual employment in the near future. The Committee further note that RINL would employ remaining DPs, if any, into contractual jobs for which a list is being prepared at the District level. The Committee while appreciate that RINL has already employed 6310 DPs in regular posts based on their skills/qualifications and requirement, they are extremely concerned at the RINL's proposal to provide contractual jobs to other DPs instead of providing them employment on regular basis.

		The Committee feel that as the contractual jobs are temporary in nature and the future of such DPs employed on contractual basis is uncertain, they would be rendered jobless on the completion of such contractual jobs. The Committee, therefore, desire that RINL should arrange to impart institutional training to make the unskilled DPs into skilled ones and absorb them into the regular employment as far as possible while recruiting people for the ongoing expansion plan. The Committee also desire that RINL should take up the matter with the district authorities and to finalise a updated list of DPs at the earliest.
18.	6.30	The Committee note that in the year 2004 and 2005 fatal accident reported cases were 5 & 4 respectively involving mostly contract workers. The Committee further note that non-fatal accidents also increased from 69 in 2003 to 83 in 2004 and declined to 64 in 2005. The Ministry has stated that though the "Reportable"(non-fatal) accidents have been decreasing, fatal accidents have suddenly increased in respect of contract workers and to arrest this trend, RINL has strengthened its systems like "Safety Induction Training" etc. for ensuring the safety of regular employees and contract workers. The Committee are, however, dismayed to note that given the accident cases reported in VSP, the measures taken / being taken by RINL have not been found adequate. The Committee, therefore, recommend that since safety is a key priority area for steel industry, RINL should modernise the safety training programmes and provide safety appliances to the contract workers also. The Committee also recommend that RINL should devise a system whereby the responsibility of the contractors for the safety of their workers is ensured. The Committee desire that in case of non-fatal and fatal accidents, compensation to the affected workers and their families should be provided as per law and at the earliest. The Committee also desire that in case of contractor's workers, it should be ensured that timely payment is made by him to the affected workers. In case of his failure, payment should be made by the Company as per law and the amount should be deducted from the payments to be made to the contractor concerned.
19.	6.32	The Committee note that in the wake of buoyancy in the steel market and huge profits of SAIL and RINL, the Ministry of Steel has constituted an Expert Group to study the requests of small PSUs to merge either with SAIL or RINL. Keeping in view that the major

		steel producers across the world are strengthening their operation and competitive edge through planned mergers and acquisitions, the Committee are of the opinion that RINL should also venture into merger and acquisition for not only to remain strong but also to gain access to captive mines and more resources. The Committee, therefore, recommend that RINL should look at the merger and acquisition opportunities in India and abroad to consolidate its position. The Committee also recommend the Ministry to expedite the task of Expert Group constituted for studying the merger and acquisition of small PSUs either with SAIL or RINL and implement its recommendations in order to sharpen the competitive edge of Steel PSUs. The Committee would like to be apprised in this regard.
20.	6.38	The Committee note that RINL is discharging its Corporate Social Responsibility (CSR) with a focus on education, health, peripheral development and adoption of steel villages. The Committee further note that RINL is implementing CSR activities on its own, partnering with voluntary bodies and State and Central Government agencies, facilitating socially beneficial projects and extending technical and managerial assistance to such projects. The Committee are, however, concerned to note that expenditure incurred by RINL for implementing CSR activities which was less than 2 per cent of profit earned during 10th Five Year Plan has not been very encouraging. The Secretary, Ministry of Steel has admitted during the oral evidence that expenditure incurred under CSR has been much less and now 2 per cent of the profit made in the year 2005-06 is likely to be spent in the year 2006-07 and there would be big take off of utilisation of funds and the Ministry is also monitoring the expenditure under CSR. The Committee feel that while PSUs have to ensure profit, they should not forget their social responsibilities and it should be one of the parameters in their policies. The Committee, therefore, desire that in addition to taking up of traditional CSR activities like Health care, etc. the steel PSUs should also take up promotional schemes in diverse areas for improvement of the standards of living of local people. The Committee also desire the Ministry to ensure that all the PSUs under its jurisdiction spend 2 per cent of profit under CSR every year.

ANNEXURE-I

MINUTES OF THE FIRST SITTING OF SUB-COMMITTEE ON STEEL OF THE STANDING COMMITTEE ON COAL AND STEEL (2005-2006) HELD ON 14.12.2005 IN COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee met from 1500 hours to 1620 hours.

PRESENT

Shri Chandrakant B. Khaire - In the Chair

MEMBERS

2. Shri Chandra Shekhar Dubey
3. Shri Sunil Khan
4. Shri Bhubneshwar Prasad Mehta
5. Shri Hemlal Murmu
6. Shri E. Ponnuswamy
7. Shri Ramadhar Kashyap
8. Capt. Jai Narayan Prasad Nishad
9. Shri Vidya Sagar 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, Joint Secretary	-do-
4.	Shri J.P.Singh, Joint Secretary	-do-
5.	Shri Ajoy Kumar, Joint Secretary	-do-
6.	Ms. Vijaya Lakshmi, Deputy Secretary	-do-
7.	Shri Navin Soi, Deputy Secretary	-do-
8.	Shri Y.S.S.Rao, CMD	RINL

9.	Shri P.K.Bishnoi, Director (Finance)	-do-
10.	Shri A.S.Chhatwal, Director (Commercial)	-do-

2. At the outset, the Convenor welcomed the Members and the representatives of the Ministry of Steel to the sitting of the Committee.

3. Thereafter, the Secretary, Ministry of Steel briefed the Committee on the subject “Review of Performance of Rashtriya Ispat Nigam Ltd. (RINL)”. The following important points were discussed by the Committee:

(i) Expansion plan of RINL;
(ii) Production of new steel product like blue steel;
(iii) Allocation of captive coal mines and supply of iron ore/natural gas to RINL;
(iv) Merger of RINL with SAIL and Sponge Iron India Ltd. with RINL;
(v) Preference to small scale industry in supply of steel;
(vi) Corporate social responsibility of RINL; and
(vii) Employment to displaced persons/ minimum wage to contract workers.

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

The Committee then adjourned.

ANNEXURE-II

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2006-07) HELD ON 4.10.2006 IN COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee met from 1500 hours to 1700 hours.

PRESENT

Shri Ananth Kumar - Chairman

MEMBERS

2. Shri Hansraj G.Ahir
3. Shri Hiten Barman
4. Shri Chandra Shekhar Dubey
5. Shri Chandrakant B.Khaire
6. Dr. Rameshwar Oraon
7. Shri Dalpat Singh Paraste
8. Shri Brajesh Pathak
9. Shri Raghuraj Singh Shakya
10. Shri Rewati Raman Singh
11. Shri Sugrib Singh
12. Maulana Obaidullah Khan Azmi
13. Shri Surendra Lath
14. Shri Ajay Maroo
15. Shri B.J. Panda
16. Shri Jesudas Seelam
17. Shri Bashistha Narain Singh

SECRETARIAT

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

LIST OF WITNESSES

MINISTRY OF STEEL

Sl.No.	Name and Designation	Ministry/PSUs
1.	Shri R.S.Pandey, Secretary	Ministry of Steel
2.	Shri G.Elias, Joint Secretary	-do-
3.	Shri Arvind Kumar Singh Deo, Joint Secretary	-do-
4.	Shri Ajoy Kumar, Joint Secretary	-do-
5.	Ms. Chandralekha Malviya, Economic Advisor	-do-
6.	Shri Navin Soi, Deputy Secretary	-do-
7.	Shri Y.S.S.Rao, CMD	RINL
8.	Shri P.K.Bishnoi, Director(F)	-do-
9.	Shri H.S.Chhatwal, Director(c)	-do-
10.	Shri S.K.Roongta, Chairman	SAIL
11.	Shri K.K.Khanna, Director	-do-

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

3. Thereafter, the Secretary, Ministry of Steel gave a visual presentation on the subject “Review of Performance of Rashtriya Ispat Nigam Ltd. (RINL)”. The following important points were discussed during the sitting-

(i) Competitiveness of RINL;
(ii) Acquisition of captive mines;
(iii) Performance under research and development;
(iv) Expansion and Perspective Plan of RINL;
(v) Marketing network of RINL;
(vi) Safety measures in Visakhapatnam Steel Plant; and
(vii) Corporate social responsibilities of RINL.

4. During the meeting it was brought to the notice of the Chairman that many applications for the grant of iron ore mining leases from various Steel PSUs, i.e. Steel Authority of India Limited (SAIL), Rashtriya Ispat Nigam Limited(RINL) and National

Mineral Development Corporation (NMDC) are pending with the State Governments of Chhattisgarh, Karnataka, Jharkhand and Orissa.

5. Hon'ble Chairman has, therefore, decided that the next meeting of the Committee would be held on 16th October 2006 with the representatives of the Ministries of Mines and Steel and the Chief Secretaries to the above State Governments in connection with "Policies and Procedures for the Grant of Mining Lease".

The Committee then adjourned.

ANNEXURE-III

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2006-07) HELD ON 16.10.2006 IN COMMITTEE ROOM No. '62', PARLIAMENT HOUSE , NEW DELHI.

The Committee met from 1500 hours to 1750 hours.

PRESENT

Shri Ananth Kumar - Chairman

MEMBERS

2. Shri Hansraj G.Ahir
3. Shri Chandra Shekhar Dubey
4. Shri Chandrakant B.Khaire
5. Shri Faggan Singh Kulaste
6. Dr. Rameshwar Oraon
7. Shri Brajesh Pathak
8. Shri Raghuraj Singh Shakya
9. Smt. Karuna Shukla
10. Shri Sugrib Singh
11. Shri Ramadhar Kashyap
12. Shri Ajay Maroo
13. Shri B.J. Panda
14. Shri Swapan Sadhan Bose
15. Shri Jesudas Seelam
16. Shri Bashistha Narain Singh

SECRETARIAT

1. Shri P.K.Bhandari - 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.	Shri R.S.Pandey, Secretary	Ministry of Steel
2.	Shri Arvind Kumar Singh Deo, Joint Secretary	-do-
3.	Shri Ajoy Kumar, Joint Secretary	-do-
4.	Shri S.K.Roongta, Chairman	SAIL
5.	Shri Y.S.S.Rao, CMD	RINL
6.	Shri B.Ramesh Kumar, CMD	NMDC
7.	Shri K.L.Mehrotra, CMD	MOIL
8.	Shri P.Ganesan, CMD	KIOCL
9.	Shri Champak Banerjee, ED(Fin.)	Bird Group

MINISTRY OF RAILWAYS (RAILWAY BOARD)

Sl.No.	Name and Designation	Ministry
1.	Shri S.B.Ghosh Dastidar, Member Traffic & Ex-Officio Secretary	Ministry of Railways

MINISTRY OF MINES

Sl.No.	Name and Designation	Ministry
1.	Shri A.K.D.Jadhav, Secretary	Ministry of Mines

REPRESENTATIVES OF STATE GOVERNMENTS

Sl.No.	Name and Designation	State
1.	Shri Shivraj Singh, Addl. Chief Secretary Deptt. of Commerce & Industry	Chhattisgarh
2.	Shri Mahendra Jain, Secretary (Mines) Deptt. of Commerce & Industry	Karnataka
3.	Dr. Subas Pani, Chief Secretary	Orissa

4.	Shri L.N.Gupta, Commissioner-cum-Secretary Deptt. of Steel and Mines	Orissa
5	Shri S.K.Satyapati, Secretary(Mines& Geology)	Jharkhand

2. At the outset, the Chairman, Standing Committee on Coal and Steel welcomed the Members of the Committee and the representatives of the Ministries of Steel, Mines, Railways and State Governments of Chhattisgarh, Jharkhand, Karnataka and Orissa.

3. Thereafter, during the first part of the sitting, the Chairman requested the Secretary, Ministry of Steel and CMD of RINL to brief the Committee on the outstanding issues of RINL with the Railways. The following important points were discussed:-

(i) Availability of more rakes from Bailadila;
(ii) Cooperation of Railways for expansion of Visakhapatnam Steel Plant;
(iii) Waival of surcharge on KK line by Railways for iron ore; and
(iv) Charges for actual distance from Visakhapatnam port to Visakhapatnam Steel Plant.

4. The Committee desired that the representatives of Railways and RINL should sit together within 15 days and discuss the above issues and inform the Committee of the outcome of the same.

[The representatives of the Ministry of Railways then withdrew].

5. During the next part of the sitting, the Chairman requested the representatives of the Ministries of Steel and Mines and State Government of Chhattisgarh, Jharkhand, Karnataka and Orissa to brief the Committee on “Policies and Procedures for the Grant of Mining Lease” and “Status on the Grant of Mining Lease to Steel PSUs”. The following important points were discussed:-

(i) Reasons for delay in granting mining leases to the Steel PSUs;
(ii) Assessment of requirement of iron ore/coal requirement of Steel Companies at the Centre and State Level and monitor the progress of mining as well as utilisation;
(iii) Possibilities for allocations of captive mines to RINL;
(iv) Grant of mining lease to Kudremukh Iron Ore Company Limited; and
(v) Preferential grant of mining leases to Steel PSUs.

6. After hearing the Secretary, Ministry of Mines and the representatives of the State Government of Jharkhand and SAIL, the Committee desired that the implementation schedule of the decisions taken in the meeting held in Prime Minister

Office should be presented to the Committee within one month. The Committee also desired the Ministry of Mines to submit a status report on RINL application for Rowghat deposits in Chhattisgarh and to know the rules governing the matter of taking all alumina outside the mining State, within 15 days.

7. The Committee then considered the case of SAIL / Bhilai Steel Plant for mining leases in Chhattisgarh. After listening to the representative of the State Government, the Committee desired that the outstanding issues pending between SAIL and Chhattisgarh, may be sorted out within one month.

8. The Committee while considering the issue of availability of iron ore to Kudremukh Iron Ore Company Ltd(KIOCL), desired that National Mineral Development Corporation(NMDC), KIOCL and the Government of Karnataka will meet under the Chairmanship of Secretary(Mines) to find ways and means to persuade NMDC to withdraw its petition from the High Court of Karnataka or to go in for out of court settlement.

9. A verbatim record of the proceedings was kept.

The Committee then adjourned.

ANNEXURE- IV

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2006-07) HELD ON 9.5.2007 IN COMMITTEE ROOM "B", PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 1500 hrs. to 1530 hrs.

PRESENT

Dr. Satyanarayan Jatiya - **Chairman**

MEMBERS

2. Shri Hansraj G.Ahir
3. Shri Hiten Barman
4. Shri Chandra Shekhar Dubey
5. Shri Vikrambhai Arjanbhai Maadam
6. Dr. Rameshwar Oraon
7. Smt Ranjeet Ranjan
8. Smt. Karuna Shukla
9. Shri Rewati Raman Singh
10. Shri Sugrib Singh
11. Shri Ramadhar Kashyap
12. Shri Surendra Lath
13. Shri Ajay Maroo
14. Shri B.J. Panda
15. Shri Jesudas Seelam

SECRETARIAT

1.	Shri P.K. Bhandari	-	Joint Secretary
2.	Shri A.K.Singh	-	Director
3.	Shri Shiv Singh	-	Deputy 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 Draft Report on the Subject "Review of Performance of Rashtriya Ispat Nigam Ltd. (RINL)" relating to the Ministry of Steel with some additions/deletions/modifications.

4. The Committee then authorised the Chairman to finalise the Report after making consequential changes arising out of factual verification by the Ministry of Steel and to present the above-mentioned Report to the House on date and time convenient to him.

The Committee then adjourned.