3

STANDING COMMITTEE ON COAL AND STEEL (2004-2005)

(FOURTEENTH LOK SABHA)

MINISTRY OF STEEL

DEMANDS FOR GRANTS (2004-2005)

THIRD REPORT

LOK SABHA SECRETARIAT
NEW DELHI

August, 2004/ Bhadrapada, 1926(Saka)

THIRD REPORT

STANDING COMMITTEE ON
COAL AND STEEL (2004-2005)

(FOURTEENTH LOK SABHA)

MINISTRY OF STEEL

DEMANDS FOR GRANTS
(2004-2005)

Presented to Lok Sabha on 25.8. **2004**

Laid in Rajya Sabha on 25.8. **2004**

LOK SABHA SECRETARIAT
NEW DELHI

August, 2004/ Bhadrapada, 1926(Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2004-05)

Shri Ananth Kumar - **Chairman**

MEMBERS

Lok Sabha

2. Shri Prasanna Acharya
3. Shri Hansraj G. Ahir
4. Shri Harishchandra Chavan
5. Shri Bikash Chowdhury
6. Shri Chandra Sekhar Dubey
7. Shri Chandrakant Khaire
8. Shri Faggan Singh Kulaste
9. Shri Nitish Kumar
10. Shri Vikrambhai Arjanbhai Madam
11. Shri Bhubneshwar Prasad Mehta
12. Shri Hemlal Murmu
13. Shri Anirudh Prasad Alias Sadhu Yadav
14. Shri Dalpat Singh Paraste
15. Shri E. Ponnuswamy
16. Shri Tarachand Sahu
17. Smt. Karuna Shukla
18. Shri Prabhunath Singh
19. Shri Rewati Raman Singh
20. Shri Ramsevak Singh (Babuji)
21. Shri M.Anjan Kumar Yadav*

---

*	Nominated w.e.f. 20.8.2004

Rajya Sabha

22. Shri Devdas Apte
23. Shri Ramadhar Kashyap
24. Shri Jai Narayan Prasad Nishad
25. Shri Vidya Sagar Nishad
26. Shri B.J. Panda
27. Shri Jibon Roy
28. Shri G.K. Vasan
29. Vacant
30. Vacant
31. Vacant

SECRETARIAT

1.	Shri John Joseph	- Additional Secretary
2.	Shri Anand B.Kulkarni	- Joint Secretary
3.	Shri P.K.Bhandari	- Director
4.	Shri Shiv Singh	- Under Secretary
5.	Dr. Ram Raj Rai	- Assistant Director
6.	Shri R.K.Sharma	- Committee Officer

INTRODUCTION

I, the Chairman, Standing Committee on Coal & Steel having been authorised by the Committee to present the Report on their behalf, present this 3rd Report (Fourteenth Lok Sabha) on Demands for Grants (2004-2005) relating to the Ministry of Steel.

2. The Committee took evidence of the representatives of the Ministry of Steel on 12th August, 2004.

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

4. The Report was considered and adopted by the Committee at their sitting held on 18th August, 2004.

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

NEW DELHI;
20 August, 2004
29 Sravana,1926 (Saka)

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

REPORT

CHAPTER-I

Introductory

Steel is crucial to the development of any modern economy and is considered to be the backbone of the human civilization. Since steel industry is technologically a complex industry having strong forward and backward linkages in terms of material flow and income generation, all major economies are not only invariably characterized by the existence of a strong steel industry, but also the growth of many of these economies have been largely shaped by the strength of their steel industry during their early stages of development. Some of the newly industrialized countries like South Korea, China and Brazil among others have built up substantial capacities not only to support their rapidly growing domestic economies, but also to export significantly to mark their presence in the international market. India, after independence, embarked on a massive industrialization programme wherein need was felt for self-reliance in steel. Accordingly, large plants were set up and capacities were created, mostly in the public sector. The liberalization of the economy since 1991-1992 has witnessed a spate of new capacity additions in the private sector because a quantum change took place in the steel industry. Steel Plants in private sector are coming up and producing two-third of the total finished products.

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

(a) co-ordination of the growth of the Iron and Steel Industry (including Re-rolling Mills, Alloy Steel and Ferro Alloy industries, Refractories) both in the Public and Private Sector;

(b) formulation of policies in respect of production, pricing, distribution, import and export of iron and steel and Ferro Alloys;

(c) planning, development and control of and assistance to the entire iron and steel industry in the country; and

(d) development of input industries relating to iron ore, manganese ore, refractories etc., required mainly by the steel industry.

1.3 Besides the Secretariat, the Ministry of Steel had an attached office ***viz.*** the office of the Development Commissioner for Iron and Steel (DC I & S) located at Calcutta and its four Regional Offices located in New Delhi, Calcutta, Chennai and Mumbai. The office of DCI&S including its 4 regional offices have now been closed w.e.f. 23.5.2003. Under the administrative control of Ministry of Steel the following Public Sector Undertakings are functioning:-

(i) Steel Authority of India Ltd. (SAIL).
(ii) Kudremukh Iron Ore Company Ltd. (KIOCL), Bangalore.
(iii) National Mineral Development Corporation Ltd. (NMDC), Hyderabad.
(iv) Hindustan Steel Works Construction Ltd. (HSCL), Calcutta.
(v) MECON Ltd., Ranchi.
(vi) Manganese Ore (India) Ltd. (MOIL), Nagpur.
(vii) Sponge Iron India Ltd. (SIIL), Hyderabad.
(viii) Bharat Refractories Ltd. (BRL), Bokaro.
(ix) Rashtriya Ispat Nigam Ltd. (RINL), Visakhapatnam.
(x) MSTC Ltd., Calcutta.
(xi) Ferro Scrap Nigam Ltd. (FSNL), (A subsidiary of MSTC Ltd.).
(xii) Kudremukh Iron and Steel Company Ltd., (KISCO), Bangalore (A Joint Venture Company of KIOCL, MECON and MSTC Ltd.
(xiii) Bird Group of Companies, Calcutta, (a Government managed Company).

1.4 Consequent on acquisition of the shares of the Bird Group of Companies Ltd., 8 Companies of the Bird Group related to the steel industry came under the administrative control of the Ministry of Steel which *inter-alia* include Eastern Investment Ltd. (EIL); Orissa Mineral Development Co. Ltd. (OMDC); Birsa Stone Lime Co. Ltd. (BSLC); Karanpura Development Co. Ltd. (KDCL); Scot & Saxby Ltd. (SSL), (a subsidiary of KDCL); Kumardhubi Fireclay & Silica Works Ltd. (KFSW); Borea Coal Co. Ltd.; and Burraur Coal Co. Ltd. out of which only four Companies (OMDC, BSLC, KDCL and SSL) are now operational.

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

1.6 During the pre-liberalization phase, there was only one integrated steel plant in the private sector in the country **i.e.** Tata Iron and Steel company Ltd. which is in existence since 1907. In addition, there were a large number of mini steel plants (electric arc furnace units) and steel processing units (**i.e.** stand hot/cold rolling mills, galvanizing and colour coating units, etc.) a few sponge iron units and one pig iron unit. In the post – liberalization phase, the scenario changed with the setting up of several new/green field iron/steel plants. This was associated with structural changes in the sector while steel plants based on world class capacity and state-of-the-art capacity and state-of-the-art technologies were commissioned, the inefficient and uncompetitive units continued to close down. The major private sector steel producers are:-

(i) Tata Iron and Steel Company Ltd. (TISCO)
(ii) Essar Steel Limited
(iii) Ispat Industries Limited (IIL)
(iv) Jindal Vijayanagar Steel Limited
(v) Jindal Steel and Power Limited

1.7 The Committee observe that the steel is the basic raw material for infrastructure. The consumption of steel has been identified as an indicator of economic well being of the country. It reflects growth in infrastructure and the maturity of the manufacturing industry of a nation. This industry has shown an impressive turn around during the last two years. The Committee, therefore, desire that the Government should take all initiatives to strengthen all the wings of iron and steel industry to enable them to face international competition in steel sector. The Government should ensure that all the constituents of this sector carry out their allocated duties and responsibilities with desired coordination and inter-PSUs cooperation and contribute to economic well being of the country significantly.

CHAPTER – II

TENTH FIVE YEAR PLAN : TARGETS AND ACHIEVEMENTS

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

(Rs. in crore)

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

2.2 The Ministry of Steel have informed that the above targets have not yet been revised. However, Mid-Term Appraisal of the 10th Five Year Plan (2002-07) exercise is underway, as a part of which some of the above targets are likely to be revised.

2.3 When asked about the achievements made during the first two years of the 10th Plan **viz.** 2002-03 and 2003-04, as compared to the targets, the facts submitted by the Ministry are given in the table below:-

(Rs. in crore)

Name of PSUs/ Organisations	2002-2003 Plan Outlay		2003 – 2004 Plan Outlay	
	Approved Outlay	**Actual Expediture**	**Approved Outlay**	**Actual Expenditure**
1. SAIL	500.00	224.33	600.00	391.10
2. RINL	55.00	35.54	227.00	24.89*
3. MSTC Ltd.	20.00	14.85	5.00	0.00
4. MECON	4.00	2.00	1.00	1.00
5. FSNL	12.00	14.91	11.50	8.35*
6. HSCL	9.00	4.00	4.00	4.00
7.BRL	13.00	5.00	7.00	12.00#
8. SIIL	5.00	2.00	5.00	2.69
9. Research & Technology Mission	95.00	0.41	60.00	60.00#
10. KIOCL	133.00	10.07	30.00	9.22
11. NMDC	527.05	113.05	481.55	65.05
12. MOIL	32.50	13.00	26.75	7.78
13. Bird Group of Companies	3.45	3.74	2.50	20.32*
Total	**1409.00**	**442.90**	**1461.30**	**606.40**

* Provisional

\# Revised Estimates

2.4 While analysing the expenditure pattern of PSUs of Steel sector during first two years of the current Five Year Plan, the Ministry of Steel submitted as under:-

"Except for few exceptions like FSNL and Bird Group, in respect of the remaining PSUs there is a significant shortfall in the actual expenditure on Plan schemes **vis-a-vis** the approved outlays during 2002-03 and 2003-04. The primary reason for the shortfall has been the depressed market conditions and the persistent slowdown in the Iron & Steel sector over the last several years, resulting in the PSUs being forced to cut down on capital expenditure and defer or altogether abandon certain schemes. Other reasons for the shortfall include delay in obtaining of forest/ environmental clearance, acquisition of land, finalisation of agreements and preparation of DPR, proposed joint ventures not materializing, uncertainty over disinvestments, etc. In the case of KIOCL, the shortfall in actual expenditure is because of Hon'ble Supreme Court's directive permitting the company to mine at Kudremukh till 31st December, 2005, and the resultant uncertainty over mining lease. However, the market has turned buoyant for iron and steel sector from 2003-04 and it is expected that after reprioritization of schemes and revised investment planning, the PSUs under Ministry of Steel will be able to achieve their respective targets in 2004-2005".

2.5 The Committee have taken note of the approved plan outlay and actual expenditure made during the first two years of current Five Year Plan and express their concern that as against the approved outlay of 1409 crore only 442.90 crore were spent during 2002-2003 and during 2003-2004 against an approved outlay of Rs.1461.30 crore only 606.40 crore has been spent. This shows only 36.51% of fund utilization during the first two years. The reasons given by the Ministry of Steel for not utilizing the budgeted amount like depressed market conditions, delay in obtaining forest/environmental clearances, acquisition of land and preparation of DPR etc. are more in administrative in nature and show poor execution of project etc. by the different wings of the Ministry and are not acceptable to the Committee. The current trend shows that the Ministry has not taken any lesson from the similar failures during the 9th Five

Year Plan and the same trend is continuing during the current plan also. The Committee note that the mid-term appraisal of 10^{th} Five Year Plan (2002-2007) exercise is underway. The Committee, therefore, strongly recommend that the Government should take all the possible initiatives for full utilisation of plan outlay during the remaining years of current Five year Plan so that the projects and programmes of the PSUs do not suffer and the current turn around in the steel sector is maintained during the current year and in the remaining period of current plan.

CHAPTER III

ANALYSIS OF DEMANDS FOR GRANTS (2004-05) OF MINISTRY OF STEEL

The Ministry of Steel have presented the Demand No.91 to the Parliament as Demands for Grants for the year 2004-2005. The Demand includes provision for Plan and Non-Plan expenditure under Revenue and capital sections of Ministry proper, attached/subordinate offices and Public sector undertakings under the administrative control of Ministry of Steel. The details of Ministry's demands under revenue section and details relating to capital section with reference to public enterprises are shown in **Annexure-I**. The various points arising out of the scrutiny of Demands for Grants of the Ministry are discussed in the succeeding paragraphs:-

3.2 The following table shows the Actuals for 2002-03, Budget Estimates, Revised Estimates for 2003-04 and Budget Estimates for 2004-05:-

(Rs. in crore)

	Actuals 2002-03			**Budget Estimate 2003-04**			**Revised Estimates 2003-04**			**Budget Estimates 2004-05**		
Major Head	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
Revenue	--	30.57	30.57	--	68.31	68.31	--	1055.97*	1055.97*	--	91.65	91.65
Capital	--	20.81	20.81	11.00	2.00	13.00	18.00	2.00	20.00	15.00	73.89	88.89
Total	**--**	**51.38**	**51.38**	**11.00**	**70.31**	**81.31**	**18.00**	**1057.97* (105.87)**	**1075.97* (123.87)**	**15.00**	**165.54**	**180.54**

*[The receipts of 952.10 crores are netted for the purpose of exhibition in the expenditure budget (figures in brackets show the expenditure provisions, net of the above receipts)]

A. Demand, Projection and Actual Allocation

3.3 As against the total Plan Outlay of Rs.1658.36 crores, including Budgetary Support of Rs.23.00 crores, proposed by Ministry of Steel, the Planning Commission has approved an Outlay of Rs.1461.40 crores with a Budgetary Support of Rs.15.00 crores.

3.4 The Demand projected by the Ministry of Steel for the Financial Year 2004-05, the actual amount approved by the Planning Commission is in the following Table summarized:

I. PLAN PROPOSAL – 2004-05(BE)

(Rs. in crores)

No	Name of PSUs/ Organisations	BE 2004-05 - Proposed by Ministry of Steel			BE Approved by Planning Commission		2004-05
		I&EBR	B S	Total Outlay	I&EBR	B S	Total Outlay
1.	Steel Authority of India Limited (SAIL)	650.00	0.00	650.00	650.00	0.00	650.00
2.	Rastriya Ispat Nigam Ltd (RINL)	300.00	0.00	300.00	300.00	0.00	300.00
3.	MSTC Ltd.	5.00	0.00	5.00	5.00	0.00	5.00
4.	MECON Ltd.	0.00	5.00	5.00	0.00	1.00	1.00
5.	Ferro Scrap Nigam Ltd (FSNL)	11.50	0.00	11.50	11.50	0.00	11.50
6.	Hindustan Steel Construction Ltd. (HSCL)	0.00	5.00	5.00	0.00	3.00	3.00

7.	Bharart Refractories Ltd (BRL)	0.00	12.00	12.00 *	0.00	10.00	10.00 *
8.	Sponge Iron India Ltd. (SIIL)	9.00	0.00	9.00	9.00	0.00	9.00
9.	Research & Technology Mission	60.00	0.00	60.00	60.00	0.00	60.00
10.	Kudremukh Iron Ore India Ltd. (KIOCL)	132.50	0.00	132.50	54.00	0.00	54.00
11.	National Mineral Development Corp. (NMDC)	419.06	0.00	419.06	321.90	0.00	321.90
12.	Manganese Ore India Ltd. (MOIL)	27.67	0.00	27.67	20.00	0.00	20.00
13.	Bird Group of Companies	20.63	1.00	21.63	15.00	1.00	16.00
	Total	**1635.36**	**23.00**	**1658.36**	**1446.40**	**15.00**	**1461.40**

* Includes Rs.7.00 crores as equity and the balance amount as Plan loan

II. NON-PLAN PROPOSAL – 2004-05(BE)

(Rs. in crores)

Sl. No.	Item of Expenditure	BE 2004-05 Proposed by M/o Steel (Regular Budget)	BE 2004-05 Approved by M/o Finance (Regular Budget)
1	2	3	4
1.	Secretariat of the Ministry	8.04	8.04
2.	Office of DCI&S	3.79	3.79
3.	Awards to Distinguished Metallurgists	0.07	0.07

4.	Non-Plan Loans to PSUs		
i)	Bird Group of Companies	2.00	2.00
ii)	Hindustan Steelworks Construction Ltd.	71.89	71.89
5.	Subsidies		
i)	Interest Subsidy for loans raised from Banks for VRS for HSCL	111.83	56.66
ii)	Subsidy for waiver of guarantee fee to HSCL for Govt. Bank Guarantee	0.92	0.92
iii)	50% interest subsidy to SAIL for loans raised from banks for VRS	69.16	18.60
iv)	Interest subsidy to MECON Ltd. for loans raised from banks for VRS	3.33	3.33
v)	Subsidy to BRL for waiver of guarantee fee	0.24	0.24
	Total (Non-Plan)	**271.27**	**165.54**

3.5 When asked about the schemes likely to be affected due to reduced allocation, the Ministry submitted as under:-

> "The PSUs and Plan schemes likely to be affected due to allocation of lower Plan Budgetary Support (BS) than that proposed is as follows:
>
> (a) **MECON Ltd.:** Purchase of computers (hardware and software) and Mechanical and Electrical testing equipments
>
> (b) **HSCL :** Procurement of equipment and machinery for projects
>
> (c) **BRL** : AMR Schemes. .

3.6 The PSUs and Plan schemes likely to be affected due to allocation of lower I&EBR than that proposed is as follows:

(a) NMDC : New Schemes (i.e. schemes to be taken up during the Plan period) like Bailadila Deposit 11-B and 13 and Kumaraswamy Iron Ore Project and R&D Schemes.

(b) KIOCL : Continuing Schemes like Coke Oven Project and equity participation in Hassan – Mangalore railway line, New Schemes like development of railway siding and infrastructure facilities for receipt of iron ore at Mangalore and AMR Schemes.

(c) MOIL : New Schemes like Electrolytic Manganese Dioxide Plant and Ferro/Silico Manganese Plant and AMR Schemes.

3.6.A) About the Non-Plan allocation, the Ministry have submitted following reply:-

> "Ministry of Finance has agreed for Non-Plan allocation amounting to Rs.165.54 crores in BE 2004-2005 against this Ministry's projection of Rs.271.27 crores. All the Non-Plan Schemes likely to be affected due to allocation of insufficient funds in BE 2004-05 pertain to implementation of Voluntary Retirement Scheme in HSCL and SAIL".

3.6.B) The Committee note that as against the proposed total Plan outlay of Rs.1658.36 crore including Budgetary Support of Rs.23.00 crores, the Planning Commission has approved an outlay of Rs.1461.40 crores with a Budgetary Support of Rs.15.00 crores. The Committee find that several plan schemes of MECON Ltd., HSL and BRL are going to be affected due to lower plan Budgetary Support than the proposed and similarly many important schemes of NMDC, MOIL and KIOCL are going to suffer due to allocation of lower Internal and Extra Budgetary Resources than the proposed. All these schemes may contribute significantly in improving the performance of these undertakings. The Committee, therefore, desire that sincere efforts should be made by the Ministry of Steel for getting allocation of additional funds at the Supplementary/Revised Estimates stage with Planning Commission and Ministry of Finance as per requirement of those public sector undertakings.

B. Allocation of funds under Revenue Section for 2004-05

3.7 The brief description, in tabular form, explaining the appropriation of funds under Revenue Section for 2004-2005 is given below :-

(Rs. in crores)

Sl. No.	Description	BE 2004-05
1.	Secretariat - Economic Services	8.04
2.	Development Commissioner for Iron & Steel, Kolkata	3.79
3.	Interest Subsidy to Hindustan Steelworks Construction Ltd. (HSCL) for payment of interest on loans raised from Banks for implementation of VRS	56.66
4.	Subsidy to HSCL for waiver of Guarantee Fee for the Guarantee given by GOI for cash credit and bank guarantee	0.92
5.	Subsidy to BRL for waiver of guarantee fee	0.24
6.	Interest subsidy to SAIL for loans raised from banks for implementation of VRS	18.60
7.	Interest subsidy of MECON Ltd. for loans raised from banks for implementation of VRS	3.33
8.	Awards to Distinguished Metallurgists.	0.07

Total : Non-Plan Expenditure	91.65

3.8 Explaining the reasons for increase in the Non-Plan outlay of Rs.68.31 crores in BE 2003-04 to Rs.1055.97 crores in RE 2003-04, the Ministry of Steel forwarded the following plea :-

"(i) Provision of Rs.952.10 crores obtained in the Second Batch of Supplementary Demands for Grants, 2003-04, for write-off of Govt. of India loans (Rs.250.38 crores) and waiver of interest, including penal interest, (Rs.701.72 crores) in respect of Indian Iron & Steel Company (IISCO), a subsidiary of SAIL, consequent upon restructuring of IISCO. However, the total amount involved of Rs.952.10 crores was only an accounting adjustment and did not involve any cash outgo of equivalent amount.

(ii) Additional provision of Rs.35.56 crores obtained in the First Batch of Supplementary Demands for Grants, 2003-04, towards interest subsidy to SAIL. This was over and above the existing interest subsidy provision of Rs.18.60 crores for SAIL in BE 2003-04. Thus, the total interest subsidy provision for SAIL went up to Rs.54.16 crores in RE 2003-04.

Since the loan write-off and interest waiver provision of Rs.952.10 crores for IISCO in 2003-04 was a one time provision only, the same is not reflected in Non-Plan outlay for BE 2004-05. Hence, the reduction in Non-Plan outlay to Rs.91.65 crores in BE 2004-05.

The actual expenditure under Revenue Section during 2003-04 was Rs.102.07 crores, which does not include the subsidy of Rs.952.10 crores towards write off of Government loans and waiver of interest, including penal interest, thereon in respect of IISCO, a subsidiary of SAIL. This was only an accounting adjustment and did not involve any cash outgo."

3.9 When asked about the status of redeployment of surplus staff attached with this office, the Ministry replied as under:-

> "Subsequent to the closure of the office of the Development Commissioner for Iron and Steel (DCI&S),Department of Personnel and Training (DoPT) has accepted 215 staff out of a total of 226 on its surplus rolls for the purpose of redeployment. Accordingly, all 215 staff have been declared surplus and their posts have been abolished with simultaneous creation of an equal number of supernumerary posts. The eleven staff yet to be declared surplus include those who are on deputation to other Departments of the Government or in whose cases the vigilance clearance has not been received.
>
> Out of 215 staff declared surplus Special VRS has been approved in 8 cases and 82 persons have been redeployed /nominated by the DoPT, leaving 125 surplus staff awaiting redeployment orders".

3.10 The Committee noted that the office of Development Commissioner for Iron and Steel, Kolkata including the 4 regional offices have been closed **w.e.f.** 23.5.2003 and wanted to know the justification for an allocation of Rs.3.79 crores in the BE of 2004-05, the Ministry of Steel submitted the following justification:-

> "The office of the Development Commissioner for Iron & Steel (DCI&S), including its 4 regional offices, was closed w.e.f. 23.5.2003.
> As per the guidelines of DoPT the permanent posts of all surplus employees have been abolished and supernumerary posts have been created in lieu of the permanent posts. All surplus employees continue to draw their salaries till such time they get redeployed to other Govt. Departments or superannuate or resign or take special voluntary retirement or upon death. Apart from Pay & Allowances, provision of some

amount has been made for Office Expenses. Travel Expenses, Medical Treatment and Professional Services, etc. which are essentially required".

3.11 In same context, when the Committee wanted to know whether the functions which were being handled by that office are being handled successfully by the Ministry of Steel and Joint Plant Committee or; there is any difficulty, the Ministry of Steel submitted the following categorized reply:-

"On implementation of the ERC recommendation for closure of the office of DCI&S, all residual work of the erstwhile DCI&S Organization have been taken over by the Ministry of Steel except the task of data collection from the secondary steel sector which has been entrusted to the Joint Plant Committee (JPC). Ministry of Steel and the JPC have not been facing any problem in handling the residuary work and the arrangement is functioning smoothly".

3.12 The Committee do not find any justification for the allocation of an amount of Rs.3.79 crores in the name of the office of Development Commissioner for Iron and Steel, Kolkata when it was closed w.e.f. 23.5.2003 based upon the recommendations of the Expenditure Reforms Commission constituted by the Ministry of Finance. These functions have been transferred to the Ministry of Steel and Joint Plant Committee and they are doing it without any problem. The Committee note that there were 226 employees of DCI&S at the time of closure. Out of 215 staff declared surplus by Department of Personnel and Training (DoPT), special VRS has been declared in case of 8 persons and 82 persons have been redeployed/nominated by DoPT leaving 125 surplus staff, awaiting redeployment. The Ministry of Steel has made financial provisions for all 226 employees in the budget of 2004-2005 and they are making payments to them without any assignment. The Committee, therefore, desire that the Ministry of Steel should undertake the matter with DoPT for an earliest completion of the redeployment process and save the expenditure allocated for the purpose.

C. Allocation of funds under Capital Section

3.13 The details, in tabular form, of Plan and Non-Plan Capital Expenditure projected for the financial year 2004-2005 are given below.

(Rs. in crores)

	Name of PSU	Capital Expenditure BE 2004 – 2005					
		Plan			Non-Plan		
		Equity	**Loan**	**Total**	**Equity**	**Loan**	**Total**
1.	Bird Group of Companies	0.00	1.00	1.00	0.00	2.00	2.00
2.	Bharat Refractories Ltd	7.00	3.00	10.00	0.00	0.00	0.00
3.	Hindustan Steelworks Construction Ltd.	0.00	3.00	3.00	0.00	71.89	71.89
4.	MECON	0.00	1.00	1.00	0.00	0.00	0.00
	Total	**7.00**	**8.00**	**15.00**	**0.00**	**73.89**	**73.89**

3.14 When asked about the justification for enhancing the Budget Estimates to the tune of Rs.73.89 crores for 2004-05 against the Revised Estimates of Rs. 2 crores under the head, the Ministry submitted the following reply:-

> "The increase in Non-Plan BE 2004-05 provision to Rs.73.89 crores under Capital Section, as against the provision of Rs.2.00 crores in RE 2003-04, is due to the Non-Plan loan assistance of Rs.71.89 crores in BE 2004-05 to Hindustan Steelworks Construction Ltd. for payment of outstanding salaries, wages and other statutory dues to the employees of the company."

3.15 About the steps being taken for optimal utilization of funds earmarked for specific purposes under the head, the Ministry furnished the following plea:-

> "Budgetary Provisions under the Capital Section have been made for some of the financially weak PSUs under the Ministry of Steel for meeting

capital expenditure for AMR Schemes to keep their plant and machinery in working condition, purchase of computer hardware and software, and for payment of outstanding statutory dues. While releasing the budgeted amounts to the PSUs, it is ensured that the companies have proper justification for seeking the release and the sanction orders contain provision to the effect that the amount released should be utilized for the approved schemes/purpose only and that no diversion of funds is allowed. Further, the PSUs are also required to submit utilization certificates in respect of the budgeted amounts already released to them before processing their requests for further releases. "

3.16 The Committee appreciate the financial loan assistance being given by the Government to Hindustan Steel Works Construction Limited for payment of outstanding salaries, wages and other statutory dues to the employees of a company passing through tough phase of regular loss. The Committee, however, desire that the Ministry should ensure that the amount is utilized only for the assigned purpose and there should not be any diversion of funds, delay in payment of salary etc. to the employees of the company. The Committee also desire that the Ministry should ensure that if there is any gap in financial requirement and loan assistance being given, this should be taken up with the Ministry of Finance at RE stage to ensure the regular payment to remaining employees of the company.

D. Secretariat – Economic Services

Major Head 3451	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	-	8.04	8.04	-	8.04	8.04	-	8.04	8.04

3.17 The actual expenditure under the Major Head '3451' during the last three years is as follows:

Year	Actual Expenditure (Rs. in crores)
2001-2002	5.78
2002-2003	5.85
2003-2004	7.02

3.18 When the Committee sought the justification for keeping the allocation under this head as 8.04 crores for the year 2004-05 particularly when there was a revision in pay of Government servants during 2003-04, the Ministry of Steel submitted as under :-

> "At the RE 2003-04/Interim Budget (2004-05) stage, when Ministry of Finance also called for BE 2004-05 Non-Plan proposals, an amount of Rs.183.42 crores was proposed by Ministry of Steel in Non-Plan BE 2004-05, which inter-alia included an amount of Rs.8.92 crores under the Major Head '3451'. However, Finance Ministry fixed a ceiling of Rs.70.11 crores only in BE 2004-05 (Non-Plan). Not only was this ceiling significantly lower than Rs.183.42 crores proposed by this Ministry, it was even less than the ceiling of Rs.70.31 crores approved in BE 2003-04 (Non-Plan). Hence, there was no option but to freeze the Non-Plan BE 2004-05 outlay of the Ministry at the Non-Plan BE 2003-04 level. Among other things, this meant retaining the allocation under the Major Head '3451' at BE 2003-04 level **i.e.** at Rs.8.04 crores.
>
> It may be pointed out that in 2003-04, out of the provision of Rs.8.04 crores under the Major Head '3451' an amount of Rs.79.31 lakhs was surrendered, entirely from the head 'Salaries'. Therefore, even after taking into account the revision in pay of Govt. servants during 2003-04, it is felt that the existing provision of Rs.8.04 crores under MH '3451' in BE 2004-05 would be sufficient. This was also the reason why no increased

allocation under MH '3451' was proposed at the Regular Budget, 2004-05 stage. "

3.19 When the Committee enquired whether the Ministry has been following the economy measures to cut administrative expenditure by 10% to observe the guidelines, the Ministry of Steel replied as under:-

> "During the financial year 2003-04 guidelines of the Ministry of Finance to observe economy measures were followed. Accordingly, under Major Head '3451', Secretariat of the Ministry of Steel, the allocations for Non-Plan, Non-salary items such as OTA, Office Expenses, Hospitality Expenses, Minor Works, Information & Technology etc., which had initially been projected at Rs.2.60 crores in BE 2003-2004, were revised to Rs.2.34 crores at the RE stage. Similarly, under Major Head – 2852, in respect of Office of DCI&S, Kolkata, saving of Rs.4.20 lakhs out of the allocation of Rs.42.00 lakhs has been made under Non-Plan, Non-Salary items. Thus, total saving of Rs.30.20 lakhs, amounting to 10% of Non-Plan, Non-salary provisions for the Ministry of Steel as a whole, was made in 2003-2004."

3.20 The details of expenditure on domestic travels, foreign tour and OTA in respect of Secretariat of the Ministry and DCI&S, Kolkata, is given in the table below :-

(Rs. in lakhs)

No.	Item of Expenditure	2001-02 (Actual)	2002-03 (Actual)	2003-04 (Actual)	2004-05 BE
	MAJOR HEAD '3451' - SECRETARIAT (PROPER)				
1.	Domestic Travels Expenses	22.98	23.03	25.00	30.00

2.	Foreign Travel Expenses	19.01	21.73	22.50	24.00
3.	Over Time Allowance	4.48	4.50	4.50	5.00
	MAJOR HEAD '2852' -DCI&S, KOLKATA				
1.	Domestic Travels Expenses	6.74	5.45	2.70	8.00
2.	Foreign Travel Expenses	0.00	0.00	0.00	0.00
3.	Over Time Allowance	0.50	0.30	0.40	0.60

3.21 The Committee are happy to note that during the year 2003-04 guidelines of the Ministry of Finance to effect 10% mandatory cut on non-Plan, non-salary expenditure in respect of the administrative expenditure of the Ministry of Steel and its attached office viz. the office of Development Commissioner for Iron and Steel was adhered to by the Ministry of Steel during 2003-2004. The Committee desire that Ministry should continue to undertake overall exercise to rationalize the expenditure under Revenue Section to effect the same economy during the year 2004-05 also.

E. Non-Plan Loans to Public Enterprises

3.22 Under the Major Head 6852 details of Non-Plan Loans provided to PSUs under Ministry of Steel in 2003-04 and 2004-05 (BE) are as follows.

(Rs. in crores)

HSCL	2003-04		2004-05
	BE	RE	
Non-plan loan for payment of outstanding salaries wages and others statutory dues.	0.00	0.00	71.89
Total – Non-Plan loan under MH " 6852"	**0.00**	**0.00**	**71.89**

I. Hindustan Steel Works Construction Ltd.(HSCL)

(Rs. in crores)

Major Head	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
6852	--	--	--	--	--	--	--	71.89	71.89

3.23 When asked about the Non-Plan earmarked to HSCL during the last three years and the benefits accrued through such loans the Ministry submitted the following details:-

Year	Amount (Rs. in Crore)	Utilisation
1999-2000	79.33	Amount utilised for payment of outstanding Statutory dues
2001-2002	89.44	Amount utilised for payment of outstanding Statutory dues and salaries & wages to the separated employees
2002-2003	61.11	Amount utilised for payment of outstanding Statutory dues and salaries & wages to the employees

3.24 With the assistance of non-plan loans, the company has been able to reduce its liability on account of statutory dues and wages/salaries of its employees. This has benefited the company in the following ways :

(a) Clearance of statutory dues and arrears of wages/salaries has motivated employees to opt for VRS which has helped the company substantially reduce its manpower and manpower costs.

(b) It has improved employees morale and reduced litigation on this count."

3.25 When the Committee enquired about the total outstanding dues/payments to be made by HSCL, the Ministry submitted the following details:-

"The liability on account of outstanding Statutory dues and Salaries/ Wages as on 1.7.2004 is as follows :

Statutory dues	: NIL
Salaries & Wages	
To the separated employees	: Rs.47.38 Cr
To the employees on roll	: Rs.41.99 Cr
Total	**: Rs.89.37 Cr**

To pay these dues, a provision of Rs.71.89 crores has been made in the BE of 2004-05. The remaining liability will be borne by the company through its own generation of funds."

3.26 The Committee are happy to note that through the loan assistance from the Government, HSCL has been able to reduce liability on account of statutory dues and wages/salaries of its employees. This has helped a lot in reducing the manpower and manpower costs of the company and ultimately resulting into minimizing loss. The Committee note that the total dues at present are 89.37 crore and HSCL has got 71.89 crores as loan assistance from the Government for this purpose. The Committee, therefore, desire that the company should take all possible initiatives to generate funds through their own means and if they fail to do so, they should take up the matter with the Ministry of Finance at Revised Estimates stage to obtain the remaining amount for payment of salaries/wages of employees to boost the morale and avoid any possibility of litigation on this account.

3.27 In response to the specific query of the Committee about outstanding claims of HSCL against steel PSUs, the Ministry of Steel submitted the following details:-

"Details of outstanding claims of HSCL against steel PSUs is as follows:

(Rs. in crore)

Sl.No.	Name of PSU	Pending Since	Claim by HSCL
1	2	3	4
1.	SAIL/Durgapur Steel Plant	May 99	132.82

2.	SAIL/Bokaro Steel Plant	Since 1997	20.95
1	2	3	4
3.	SAIL/Bhilai Steel Plant	Since 1988	45.36
4.	SAIL/RSP	6-7 years	3.82
5.	SAIL/Salem Steel Plant	27.3.97	0.07
6.	Braithwait/SAIL/RSP	Since 1999	0.93
7.	RINL/Vizag Steel Plant	27.1.98	11.21
8.	IISCO/Burnpur	Since 1988	0.35
9.	MECON	Since 1995	3.23
		Total	218.74

The disputed claims/issues have been referred to the Dispute Settlement Committee of the Ministry of Steel, formed for settlement of disputes, for early resolution of its disputes."

3.28 The Committee are surprised to note that a huge amount of Rs.218.74 crores is pending with steel sector PSUs since last several years. It is very painful that steel sector PSUs have kept the payments pending/under dispute for such longer periods particularly under the condition when the HSCL is trying to revive with Government's assistance. The Committee have no hesitation in saying that the Ministry of steel has not played its desired role of facilitator and regulator. The Committee strongly recommend that the Dispute Settlement Committee of the Ministry should undertake the matter on top priority with a view to decide the matter at the earliest and direct PSUs to settle the accounts immediately. The Committee strongly recommend that the Ministry of Steel should now prepare a time bound schedule for an earliest settlement of issues and the matter should not be delayed any more.

3.29 The Committee went into the details of the performance of HSCL after implementation of revival package and specifically wanted to know about improvement in performance after the implementation of revival package. The Ministry of Steel submitted the following categorically:-

"The revival package sanctioned to HSCL in 1999 has improved the performance of the company which is evident from the following:

(Rs. in cr.)

Performance parameter	2000-01 (Audited)	2001-02 (Audited)	2002-03 (Audited)	2003-04 (Audited)
Turnover	257	256	277	307
Order Booking	201	233	305	513
Operational Margin (PBIDT)	(-)79.76	(-)32.57	3.9	18.40
Net Profit	(-)172.55	(-)142.08	(-)135.54	(-)88.50

The following improvements are highlighted :

(i) Turnover has increased from Rs.257 crores in 2000-01 to Rs.307 crores in 2003-04.

(ii) Order booking has improved from Rs.201 crores in 2000-01 to Rs.513 crores in 2003-04.

(iii) Operational margin has improved from (-) Rs.79.76 crores in 2000-01 to Rs.18.40 crores.

(iv) Net losses of the company has come down from (-) Rs.172 crores in 2000-01 to (-)Rs.88.50 crores in 2003-04.

(v) 11047 employees have been separated since implementation of restructuring package which has reduced manpower costs from Rs.143 crores in 1999-2000 to Rs.31.32 crores in 2003-04".

The manpower position of the company as on 1.7.2004 is as follows:

Category	
Executive	314
Non-executive Worker	672

	1221
Total	
	2207

Status of VRS after restructuring is as follows:

2000-01	2001-02	2002-03	2003-04	2004-05 till 30.6.04	Total
6134	1239	3153	346	175	11047

Manpower is to be brought down to the level of 1000 employees to make the company viable. To achieve this, the company has access to Rs.100 crores of loan fund raised/to be raised against Govt. of India guarantees".

3.30 During the course of discussion when the Committee specifically enquired about the steps being taken by HSCL to reduce the loss of the company, the acting CMD of HSCL submitted as under :-

"HSCL company was definitely a loss-making company about three years back. The Government of India gave concession of giving a Government guarantee for borrowing from banks to reduce excess manpower. The main reason for HSCL for going into losses was a huge manpower which it was having with it. The manpower became about 25,000 construction workers somewhere in 1977-78 which with the help of the Renewal Fund which was available from the Government, got reduced to about 14,000 somewhere in 2000. In 2000, when the Company was given the clearance for VRS, in the next three years, the company was in a position to reduce the manpower from 14,000 to the present level of 2200. This has saved over the last three years about Rs.100 crore in the form of payments to the employees which was in excess and it was becoming a burden for the profit of the company. The company has been able to come down from net loss position of about Rs.136 crore about three years back today to a net loss position of about Rs.88 crore. But this also is on account of the expenditure of the VRS which is going as a charge in the profit loss account. In the last two years, the company has been able to make a cash profit in the operation stage from Rs.80 crore loss at the operational level and today in the operation level about Rs.17 crore of profit we are making.

All this we have been able to achieve only because of mainly a reduction in the manpower cost and also associated reduction in the administrative cost of having large offices and other expenditure of movement and travel and other things.”

3.31 On the issue of more and more use of contractual labourers in HSCL, when the Committee specifically asked the reasons for under-utilisation of regular labourers in the company, the acting CMD clarified the position as under:-

“Today the manpower in HSCL is on an average more than 54 years. In the last 12 years, there has been no recruitment in this company because of Government policy and because of the manpower cost. Today these labourers who are more than 54 years are not able to give so much of an output. Then there is a tremendous pressure on the company for delivering the product for which they have been assigned the contract. So, we need to somewhere take some labour at the younger generation which we are outsourcing and inducting from the company. There is a mix of the outsourcing of labour and also with our labour who are able to perform.”

3.32 When the Committee further enquired that how many employees in HSCL are not given jobs and they are under-employed and for the same employees you have outsourced the jobs, the acting CMD stated as under:-

“There is no situation like that. The situation is because of the age factor of these employees. We are not able to get so much of an output from the existing employees because we have pressure of delivering the good within the contractual period. We need to have the balance between our own people and also outsourcing of the employees.”

3.33 The Committee are happy to note that the HSCL have separated 11047 employees since implementation of restructuring package and manpower has been brought to the level of 2207 employees. They have a target of bringing the number of employees to the level of 1000. The Committee find that reduction in number of employees has contributed significantly and company has moved on the path of recovery after the implementation of revival package. The Committee, therefore, desire that the Ministry of Steel would facilitate HSCL by providing required assistance so that there is no hurdle in the path of recovery.

3.34 The Committee note that HSCL is outsourcing labour of younger generation who are able to perform. The Committee do not support this approach of the company for the reasons that they are paying high salary to the regular employees without proper utilization of their services. In addition, they are spending money by engaging young contractual labour. The Committee, therefore, desire that such regular workers of the company should not be paid for sitting idle. HSCL should identify such workers who have attained an age of 54 years and above and prepare a scheme to provide multi-skill training suitable to them with a view to utilize their services to an optimum level. The company should also analyse the expenditure being made by engaging contractual labourers and should minimize it.

II. Non Plan Loans to Bird Group of Companies

3.35 There are four operating companies under the Bird Group of Companies. The provision of non-plan loan of Rs. 2.00 crores was made in 2003-04 in order to liquidate the outstanding statutory due and implementing VRS. Similar amount has been allocated this year. The following table shows the details:-

(Rs. in crores)

Major Head	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
6852	--	2.00	2.00	--	2.00	2.00	--	2.00	2.00

3.36 Appropriation of non plan expenditure of Rs 2 crores for 2004-05 will be as below:-

Employees related statutory dues	Rs. 1.25 crores
Royalty	Rs. 0.45 crores
VRS	Rs. 0.30 crores

3.37 Total number of manpower (excluding contractor employees) in Bird Group of Companies category-wise, as on 30.6.2004, is given below:-

					Manpower at Mines	
Company	MP	PRW	DRMP	Agreemental	Consolidated	Total
OMDC mines and its Sponge Iron Plant	554	287	--	79	---	920
BSLC	582	675	114	38	7	1416
KDCL	50	--	--	7	--	57
SSL	96	--	--	--	--	96
EIL	--	--	--	--	--	--
Burrakur	--	--	--	--	--	--

MP—Monthly paid, PRW—Piece rated worker, DRMP-Daily Rated Monthly paid

		Manpower at Head Quarter		
Company	Officer	Staff	S. Staff	Total
OMDC	14	9	7	30
BSLC	10	3	4	17
KDCL	4	1	1	6
SSL	11	1	--	12
EIL	2	1	1	4
Burrakur	1	--	--	1

Rationalisation of manpower

3.38 The details of Rationalisation of manpower during the last three years in Bird Group of Companies is as below:-

				Employees separated	
YEAR	OMDC	BSLC	KDCL	SSL	TOTAL
2001-02	23	66	0	3	92
2002-03	8	1	0	0	9

2003-04	---	10*	--	--	10

* separated by utilizing non plan loan

3.39 About the status of rationalization on manpower in BSLC and SSL, the Ministry of Steel has expressed the following views:-

> "For survival of BSLC further rationalization of manpower is essential. About 235 nos are surplus and required to be separated. The company will be in need of grant for meeting the requirement of fund for separation of the targeted employees. However, non plan loan for the purpose will add to the interest burden.
>
> Performance of SSL is not up to the expected level and as a consequence financial condition of the company is in a bad shape. About 40 nos. are surplus in SSL and are required to be separated under VRS. For separation employees in SSL, a one time grant will be required."

3.40 The Committee find that at the time when the Bird Group of Companies came under the administrative control of the Ministry of Steel, Government of India. they were financially sick and overburdened with various problems. With the financial support of the Government of India, problems mainly relating to excessive manpower, erosion of working capital and outstanding liabilities have been settled to some extent. With the support from the Ministry in the form of grant in aid, the operating companies implemented Voluntary Retirement Schemes (VRS) for rationalization of manpower and separated a large number of employees from 1992-93 till date. The Committee note that for survival of BSLC and SSL, further rationalization of manpower is essential and for this purpose they require grant because they are not in a position to pay interest on Plan loan. The Committee, therefore, desire that the Ministry of Steel should take up the matter with Ministry of Finance so that the company may get financial assistance in the form of grants required for the implementation of VRS in these companies.

3.41 When asked about the outstanding dues of BSLC, the Ministry of Steel informed as under:-

"The outstanding dues of BSLC as on date stand at Rs. 344.49 crores. The break-up is as given below :

Loan …	Rs. 82.79 crores
Interest …	Rs. 261.70crores
	Rs. 344.49 crores

The restructuring proposal of BSLC is under finalisation wherein mechanism for recovering loan is mentioned."

3.42 Financial performance of Bird Group of Companies for the last three years is given below:-

Company	2001-02			2002-03			2003-04		
	Income	Gross Margin	Net Profit	Income	Gross Margin	Net Profit	Income	Gross Margin	Net Profit
OMDC	28.5	3.74	(-)5.05	51.03	13.11	3.14	226.05	158.49	104.24
BSLC	23.64	0.21	(-)34.45	25.86	0.79	(-)39.32	23.01	(-)2.56	(-)48.74
KDCL	2.12	0.20	(-)0.70	2.03	0.05	(-)0.88	1.71	0.03	(-)1.08
SSL	2.07	0.14	(-)3.86	1.66	(-)0.03	(-)4.88	1.63	(-)0.03	(-)5.85

3.43 When asked about the status of restructuring proposal, the Ministry of Steel stated that the matter regarding restructuring of BSLC, KDCL and SSL had been placed before the respective Boards for approval. Based on the guidance given by the Board, revised restructuring proposal will be forwarded to the Ministry shortly. In view of turnaround by OMDC the restructuring proposal for OMDC has been dropped.

3.44 The Committee note that BSLC, KDCL and SSL are in the process of considering the revised restructuring proposals. The Committee, therefore, desire that these proposals should be finalized immediately and the Ministry of Steel should consider these proposals seriously on receipt so that these undertakings may be able to come out of red like OMDC.

F. Subsidies

I. Hindustan Steel works construction Limited

3.45 Interest subsidy to Hindustan Steel Works Construction Limited (HSCL) for loans raised for implementation of VRS.

(Rs. in crores)

	Budget 2003-04			Revised 2003-04			Budget 2004-05		
Major Head	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
2852	--	33.12	33.12	--	33.12	33.12	--	56.66	56.66

3.46 The Committee noted that the Budget Estimates (BE) for 2004-2005 as interest subsidy to Hindustan Steel works construction Limited (HSCL) for loans raised for implementation of VRS is Rs.55.66 crores. The Committee wanted to know the status of surplus man power and the amount required to separate the surplus manpower. The Ministry of Steel submitted the following reply:-

"The status of surplus manpower is as follows :

Category	As on 1.7.2004	Plan	Surplus
1	2	3	4
Executive	314	275	39
1	2	3	4
Non-executive	672	225	447
Worker	1221	500	721
Total	2207	1000	1207

The separation of surplus manpower is critical for the viability of the company and hence should be effected at the earliest. However, since separation has to be achieved only through VRS much depends on the response of employees to VRS. The company plans to achieve optimum level of manpower of 1000 by 2005-06.

Estimated amount required for separation of 1207 employees is Rs.100 crores".

3.47 When the Committee wanted to know the the details of employees opted for VRS and the number of employees separated, amount spent for VRS during 2003-2004 and the also interest accrued thereon, the Ministry of Steel submitted the following information:-

> "Amount required for funding VRS during 2003-04 was raised from Commercial Banks earlier. The total loan secured is Rs.518.36 crores.
>
> No additional fund was required for funding VRS during 2003-04 and as such, no loan was raised from banks during 2003-04.
>
> Interest accrued, on VRS loan, during 2003-04 is Rs.72.87 crores".
>
> 436 Employees opted for VRS during 2003-04 against which 346 employees were separated during 2003-04.
>
> Amount expected to be spent on VRS during 2004-05 is Rs.40 crore.
>
> A provision of Rs.56.66 crores towards Interest Subsidy has been made for the loans already secured by the company from the Banks for VRS and no further amount of money is required to be raised for VRS.
>
> About 775 employees are planned to be separated through VRS during 2004-05".

II. Subsidy to HSCL for waiver of guarantee fee

(Rs. in crores)

	Budget 2003-04			Revised 2003-04			Budget 2004-05		
Major Head	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Tota l
2852	--	0.92	0.92	--	0.92	0.92	--	0.92	0.92

3.48 A provision of Rs.0.92 crores has been made since 2000-01 which has been continued in the year 2004-05.

3.49 When asked about the proposed subsidy for waiver guarantee fee and approved amount for 2004-2005, the Ministry stated as under:-

"The status of proposed subsidy for waiver of guarantee and actual provision made is as follows :

Rs. in Crore)

	Proposed	Provision made
Revised 2003-04	6.60	0.92
Budget 2004-05	6.60	0.92

The proposal for balance subsidy was for waiver of guarantee fee on loans raised for VRS. This proposal was not accepted by Ministry of Finance as such the actual provision was reduced".

The revival package has been of tremendous help to the company. The following are highlighted in this regard.

3.50 In the same context, when the Committee wanted to know about the impact of revival package, the Ministry of Steel replied as under:-

"(i) Turnover has increased from Rs.257 crores in 2000-01 to Rs.307 crores in 2003-04.

(ii) Order booking has improved from Rs.201 crores in 2000-01 to Rs.513 crores in 2003-04.

(iii) Operational margin has improved from (-) Rs.172.55 crores in 2000-01 to Rs.18.40 crores.

(iv) Net losses of the company has come down from (-)Rs.172 crores in 2000-01 to (-)Rs.88.50 crores in 2003-04.

(v) 11047 employees have been separated since implementation of restructuring package which has reduced manpower costs from Rs.143 crores in 1999-2000 to Rs.31.32 crores in 2003-04".

3.51 **The Committee hope and that this effort had helped the company in coming out of bad financial conditions and desire that they must take all initiatives to bring this reduction to the optimum level of 1000 by 2005-06 so that the health of the company may improve further. The Committee expect that this step may provide a strong base for success of revival package of the company. The Committee note that HSCL had proposed**

6.60 crores subsidy for waiver of guarantee in the Revised Estimates of 2003-2004 and Budget Estimates of 2004-2005. But in both cases they have got outlay of 0.92 crores each time. The Committee, therefore, desire that the Ministry should pursue vigorously to obtain the required subsidy for waiver of guarantee at Revised Estimates stage.

II. Subsidy to Bharat Refractories Limited(BRL)

Major Head	Budget 2003-04			Revised 2003-04			Budget 2004-05		
		Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
2852	--	0.30	0.30	--	0.30	0.30	--	0.24	0.24

3.52 As against the proposed amount of 0.54 crores in RE 2003-04 and BE 2004-05 for BRL towards subsidy of waiver of guarantee fee only 0.30 crores was approved in RE 2003-04 and Rs. 0.24 crores in BE 2004-05.

3.53 The proposed subsidy of Rs.0.24 crores during 2004-05 (BE) relates to guarantee fee for Government of India guarantee provided to BRL for cash credit and Letter of Credit Limit of Rs.24 crores. Once BRL uses the Govt. of India guarantee for raising another Rs.30 crores for working capital, in terms of the revival plan, proposal will be made to provide subsidy to the extent of Rs.0.30 crores.

Financial Performance of the Company

3.54 During 2003-04 on full implementation of revival scheme, the company made a turnaround and earned a net profit of Rs.1.79 crores (as per provisional unaudited figures) without considering interest on Government loan of Rs.55 crores. The table below shows the improvement in both the physical and financial performance of BRL after the provision of the above subsidies.

(Rs. in lakhs)

Sl.	Item	2000-01	2001-02	2002-03	2003-04

					(Prov.)
1.	Production (MT)	33114	29422	35160	62174
2.	Turnover	6038.17	6077.82	7268.53	13633.96
3.	Gross Margin	(-)4389.80	(-)5366.12	(-)1993.00	681.57
4.	Interest	301.25	368.73	824.99	279
5.	Cash Profit/Loss	(-)4691.11	(-) 5734.85	(-)2817.99	402.57
6.	Depreciation	326.76	312.15	307.60	301
7.	Net Profit/Loss	(-)5017.87	(-)6047.00	(-)3125.59	179.00
8.	Prior Period Adjustment	(-)317.85	(-)287.77	(-)186.75	
9.	Net Profit/Loss after PPA	(-)5335.72	(-)6334.77	(-)7449.85	

3.55 When the Committee specifically enquired about the sustainability of BRL in changing scenario, the Ministry of Steel submitted the following justification :-

> "Bharat Refractories Limited (BRL) is the only refractory manufacturer in the public sector. The company has for the major part of its existence served as a captive source of refractories for the steel plants of Steel Authority of India Limited (SAIL). The sustainability of BRL's operations is based both on the inherent strengths that the company possesses as also

on the benefits that the company is poised to derive from the revival package sanctioned to it by the Government in June, 2002.

The inherent strengths available with the company are as follows ;-

(a) Market leadership in the refractories areas.

(b) Availability of skilled manpower in the company.

(c) Proven quality of the products manufactured by BRL.

(d) Locational advantage derived from being situated close to all the steel plants of SAIL.

(e) Technological tie-up with refractory majors of Japan, which has invested the company with a technological edge over other refractory manufactures."

3.56 They further explained negative factors affecting the viability of the company as under:-

"In the past, the company has been handicapped on account of several factors, which has adversely affected its viability and its physical and financial performance. They were as follows :-

(a) Low labour productivity on account of excessive manpower.

(b) High manpower and administrative costs making its products uncompetitive.

(c) Shortage of working capital and funds for executing AMR Schemes which led to low capacity utilisation.

(d) High raw material costs and low price for finished products on account of adverse import duty structure.

(e) General over capacity in the refractory sector combined with reduction in demand for refractories on account of improvement in refractory life etc. This led to intense competition amongst refractory manufacturers leading to decline in prices of finished refractory products."

3.57 Describing the main elements of revival package of the company, the Ministry of Steel submitted as under :-

"As BRL was under reference to BIFR, a Techno-Economic Viability (TEV) study was conducted by MECON Limited on the orders of BIFR. This study has concluded that the company could be revived if certain measures were undertaken by the company and the Government for the revival of company. Accordingly, Government has approved a package for the revival of the company in June, 2002. The main elements of the revival package are as follows :-

(i) Rs.55.00 Crores as Non-Plan loan Assistance to liquidate statutory dues in respect of employees who have either already accepted VR/Superannuated or are likely to accept VRS with normal rate of interest.

(ii) Rs.90.00 Crores as Non-Plan loan for implementation of Voluntary Retirement Scheme to bring down the manpower of the company from 2766 to 1311 with required interest subsidy.

(iii) Govt. Guarantee (without any guarantee fee) for raising Rs.30.00 Crores for meeting working Capital Requirement of the Company**.**

(iv) Rs.35.00 Crores (Rs.7.00 crores every year during the next five years) for AMR Scheme as equity to replace obsolete machinery.

(vi) Conversion of Existing Plan & Non-Plan loans as on 2000-01 amounting to Rs. 97.89 Crores into equity.

(vi) Moratorium on the repayment of loans and interest up to 2010-2011.

(vii) Exemption from payment of guarantee fees in respect of Rs.24.00 Crores cash credit limit.

In addition to the above, the TEV study prescribed a production plan for the company and its units for the period in which the company has to be revived. This production plan envisaged production of only value added and special refractory items which command a good price in the market. The production and sales targets envisaged for turning around the company are not unduly ambitious. In fact, these targets are achievable and assume the company will turn around and earn positive margins even if it is able to procure 20% on the annual orders placed by public sector steel plants. Further, revival package will have the following positive impact on the company :-

(a) The reduction of manpower and the full implementation of austerity measures will considerably reduce the cost of production in the company thereby enabling it to competitively price its finished products. This will also help it to accept orders, which it had hitherto not accepted on account of low prices being offered.

(b) Infusion of funds for working capital and AMR will improve capacity utilisation and enable it to execute orders which it had up till now been unable to execute on account of shortage of working capital and lack of funds for AMR. (c) The adoption of a product mix as suggested in the TEV study will reduce cost of production and also enable it to specialize in the production of value added and special refractories which yield higher margins.

(d) Revival measures such as conversion of loan into equity, holiday from interest payments and moratorium on loan repayments will promote the financial stability of the company and improve cash flows in the company.

(e) Fulfillment of critical assumptions such as implementation of plans for diversification, plans for starting project for continuous casting refractories, strict implementation of MOU signed with SAIL plants will lead to increase in turnover and profit margins.

(f) The revival of the steel sector will spur the demand for refractories especially for new projects and will firm up the market for refractories.

On the negative side the high interest rates on government loans (though not payable upto 2010-11) is a big charge on the books of the company and is responsible for wiping out the operational profits of the company. A proposal has been made to Ministry of Finance to review the high rates of interest on govt. loans. Further, in one of the units i.e. Bhilai Refractories Plant there has been inadequate response to VRS.

The results of the company during 2003-04 has underscored its ability to achieve a turnaround provided some of the negative aspects are addressed adequately".

3.58 The status of implementation of main elements of revival package to BRL is as follows :-

Sr. No.	Main elements	Status
1	2	3
(i)	Non-Plan loan assistance of Rs.55 crores.	Govt. has provided non plan assistance of Rs.55 crores to the company for clearing the statutory dues of separated employees.

1	2	3
(ii)	Non-Plan loan of Rs.90 crores	Govt. has provided non-plan assistance of Rs.90 crores to the company for effecting VRS.
(iii)	Government guarantee for raising Rs.30.00 crores for meeting working capital requirement.	Government has provided guarantee for Rs.30 crores in favour of BRL for raising working capital loans from banks. However, BRL is not able to raise the money for want of clearance the revival scheme by BIFR.
(iv)	Rs.35 crores for AMR.	Government has to give Rs.7 crores every year for five years. During 2002-03 and 2003-04 Govt. has released Rs.7 crores each year. Rs.7 crores will be released during the current year.
(v)	Moratorium on the repayment of loans and interest.	Moratorium on repayment of loans and interest has been granted by the Govt.
(vi)	Exemption from payment of guarantee fees in respect of Rs.24 crores.	Govt. has provided waiver of guarantee fees in respect of Rs.24 crores from 2002-03.

3.59 When the Committee requested that how far the adoption of a product mix as suggested in TEV study has helped in reduction in cost of production of BRL, Ministry of Steel stated as under:-

> “The envisaged reduction of cost of production on account of adoption of the product mix suggested in TEV study could not be achieved due to substantial increase in cost of raw materials. However, manpower costs and other administrative costs have come down due to reduction in manpower and adoption of austerity measures. Further, the revised product mix has improved sales realization as the company has concentrated on value added and specialized products. The net impact on the company’s operations has been positive which is evident from the fact that the company was able to earn a profit of Rs.1.01 crores during 2003-04 (before interest on the loan of Rs.55 crores) compared to a net loss of Rs.74.49 crores in 2002-03”.

3.60 The Committee noted that BRL was supposed to reach the optimum manpower level by 2003-2004 and wanted to know the present status and the reasons for delay, Ministry of Steel submitted the following reply:-

"The manpower of BRL has been reduced from 2766 on 31.3.2002 to 1711 as on 31.3.2004. As per the revival package, BRL is required to bring its manpower to a level of 1311. The company has largely achieved manpower reduction targets in all the units except Bhilai Refractories Plant, Bhilai. BRP still has a surplus manpower of 400 employees who are required to be separated through VRS. VRS is essentially a voluntary process for separating manpower and response to it has been low in BRP unit leading to delay in achieving manpower reduction target".

3.61 **The Committee are very happy to note that Bharat Refractories Limited has made a turnaround and earned a net profit of Rs.1.79 crores without considering interest on Government loan of Rs.55 crores during 2003-04. When during 2002-03 company incurred a net loss of Rs.74.50 crores. The recovery is impressive and they have overcome the main hurdles in the way of physical and financial performance particularly the excessive manpower. The government subsidies have helped a lot in the turnaround of the company. The Committee strongly recommend that the Ministry of Steel should undertake the matter seriously with the Ministry of Finance to review the high rates of interest on government loans particularly for the companies who are suffering losses for a long period and are recovering with the help of these loans. The Committee also recommend that the Ministry should make adequate arrangements for timely and proper implementation of revival package so that BRL may be able to get more strength in recovery process.**

IV. Interest subsidy to Steel Authority of India for loans raised from banks for implementation of VRS.

(Rs. in crores)

Major Head	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
2852	--	18.6	18.6	--	54.1	54.16	--	18.6	18.6

	0	0	6	0	0

3.62 When asked about the initiatives taken to rationalize the manpower in SAIL, the Ministry of Steel submitted the following details:

> "As per the Finance & Business Restructuring Plan approved by Government of India in February, 2000, an MoU was signed between SAIL and the Ministry of Steel in March, 2000 which inter-alia included manpower target of 100000 to be achieved by March, 2005. The said rationalisation was to be achieved through voluntary retirements and divestment of some of the units in addition to the separation of manpower on account of natural superannuation".

3.63 The year-wise manpower position of SAIL (excluding subsidiaries) is given below:

Year	**Manpower**		
	Exe,	**Non-Exe.**	**Total**
2000-01	**16775**	**139944**	**156719**
2001-02	**16011**	**131590**	**147601**
2002-03	**15078**	**122418**	**137496**
2003-04	**14870**	**117040**	**131910**
2004-05 (ason 1.7.04)	**14695**	**116159**	**130854**

3.64 SAIL has launched Voluntary Retirement Schemes regularly in order to bring reduction in manpower. Category-wise details of employees who availed VRS is given below:

VR SCHEME	Exe.	Non-Exe.	Total
2001	1189	5321	6510
2002-2003	769	5046	5815
2003-2004	230	1770	2000

3.65 The Committee noted that as per the MoU signed between Government of India and SAIL in March, 2003 rationalization of manpower to the limit of one lakh by 2004-2005 the present strength of employees is 1,30,854. The Committee specifically asked whether the target has been revised and whether

SAIL would be able to downsize the manpower and the proposed level during the current year, the Ministry of Steel submitted the following explanation:-

> "The target for achieving manpower strength of one lakh by 31/03/2005, as approved under the Financial & Business Restructuring Plan of SAIL, remains the same. However, SAIL has been finding it difficult to reach this target as separation of manpower can be done only through natural separation and VRS. The response to VRS has been lukewarm recently due to the following reasons:-
>
> (a) Company's performance is improving
>
> (b) Falling rate of interest on savings
>
> (c) Bleak job opportunities for VR optees
>
> SAIL proposes to launch another VRS shortly".
>
> The Ministry of Steel submitted the following details:
>
> "Recruitment in SAIL have been restricted to bare minimum. The recruitments have been done to meet the critical requirement of the Company. The fresh recruitments aid in improving the age mix as well as to meet the skill requirements of the Company. Actual recruitment w.e.f. March, 2000 till 30th June, 2004 is 3562 (against reduction of 29086 from April, 2000 – 30th June, 2004)".

3.66 In response to specific query of the Committee about the amount required for proposed VRS in SAIL, the Ministry of Steel stated as under :

> "In the business and financial restructuring package approved by the government included provision of Government guarantee with 50% interest subsidy for loan and interest thereon of Rs1500 crore which were to be raised by SAIL from the market to finance reduction in manpower through VRS in SAIL. As on 31st March, 2004, SAIL raised an amount of Rs.1000 crores. The requirement of fund has now gone up because of increase in salary & wages which will be met through internal resources by SAIL".

3.67 The Committee specifically noted the provision of interest subsidy and wanted to know whether this amount would be sufficient to raise the required loans from banks. The Ministry clarified the positions as under:-

> "As against the provision of interest subsidy of Rs.18.60 crore in Budget Estimates 2004-2005, SAIL projected requirement of Rs.54.65 crores during the year. For enhancement of this provision, the matter will be taken up with Ministry of Finance in Revised Estimates, 2004-2005"

3.68 The Committee note that Steel Authority of India Limited(SAIL) have made an appreciable turnaround during 2003-2004 by making a profit of Rs.2512 crore. The Committee, however, find that as against the target of downsizing the manpower to the level of 1 lakh, at present 130,854 employees are there in SAIL. The company is facing difficulty in achieving the target since now there is lukewarm response due to better performance of the company, falling rate of interest on savings and bleak job opportunities for VR optees. The Committee hope that SAIL would be able to adhere to its time frame as set in the MoU signed with the Ministry for rationalization of manpower. The committee also observe that as against the subsidy requirement of 54.65 crore as interest subsidy to SAIL for loans raised from banks for implementation of VRS only 18.60 crore has been allocated in budget estimates. The Committee, therefore, desire that the matter should be taken up seriously with the Ministry of Finance at the Revised Estimates stage so that the work relating to downsizing of manpower may not suffer due to paucity of funds.

V. Interest subsidy to MECON Ltd., for loans raised from banks for implementation of VRS

(Rs. in crores)

Major Head	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
2852	-	3.47	3.47	-	3.47	3.47	-	3.33	3.33

3.69 In response to specific query of the Committee whether the budgetary allocation of 3.33 crores is sufficient to meet financial liability of MECON, the

Ministry of Steel clarified the position as under:-

> "The budgetary allocation of Rs.3.33 crores is for payment of interest subsidy for loans of Rs.50 crores raised from banks for implementation of VRS and is sufficient to meet the financial liability of MECON on this account. However, MECON, on the basis of Govt. of India guarantee, has also raised a loan of Rs.142 crores during 2003-04 for implementation of VRS and payment of statutory dues. A proposal for providing 50% interest subsidy on the loan of Rs.142 crores has been sent to Ministry of Finance for their approval. After receipt of approval from Ministry of Finance provision will be made for 50% interest subsidy to MECON at the earliest."

3.70 When asked about status of surplus employees in MECON, the Ministry submitted the following details:-

> "After granting VRS to 506 employees in 2003-04 and 29 employees in 2004-05, the present manpower strength of MECON is 1569. As per Price Waterhouse Coopers (PWC), Consultants, 1596 manning has been recommended. Hence, there is no overall surplus of employees though there is some scope for further reduction in the number of non-technical employees".

The category-wise position of employees is as follows :

Sl. No.	Category	2002-03	2003-04	2004-05 (as on 30.06.2004)
1.	Engineers	1174	958	942
2.	Executive (Technical)	258	150	147
3.	Executive (Non-Technical)	351	220	216
4.	Non-Executive (Technical)	91	69	69
5.	Non-Executive (Non-Technical)	276	196	195
	Total	2150	1593	1569

Year-wise detail of employees opted and granted VRS is as follows:-

Year	Nos. opted for VRS	Nos. sanctioned VRS
2001-02	160	149
2002-03	285	254
2003-04	562	506
2004-05	52	29

The Committee noted that after consistent negative gross margin since 1998-99, MECON had earned positive gross margin of Rs.2.30 crores during 2003-04.

3.71 In the same context, when the Committee wanted to know about the factors which contributed in taking a positive turnaround, the Ministry submitted following facts:-

> "As per the provisional account for 2003-04, the gross margin earned by the company is Rs.25.85 crores (against projected gross margin of Rs.2.3 crores).
>
> The following factors have contributed to MECON making a positive turnaround:
>
> a) Vigorous implementation of VRS by raising loans against Govt. of India guarantees helped the company to separate surplus manpower and reduce manpower costs.
>
> b) The order booking by the company has improved tremendously due to the resurgence in the steel industry and the growth in infrastructure spending and the economy in general.
>
> c) The company was also able to control costs by taking recourse to outsourcing of low end jobs at cheaper costs.
>
> d) The company has focused on order booking and turnover position of consultancy and engineering services which yield much higher margins.
>
> To maintain positive growth the following steps are being taken:
>
> i) Focus on engineering and consultancy segment of business.
>
> ii) Renewed focus on steel sector on account of resurgence of this sector where the company has core competence.
>
> iii) Continued stress on cost reduction through outsourcing and austerity measures.
>
> iv) Implementation of a strategic restructuring plan based on recommendation of Price waterhouse Coopers."

3.72 The Committee are very happy to note that after a consistent negative gross margin since 1998-99, MECON has earned gross margin of 25.85 crores during 2003-2004. In this positive turnaround of the company, there is a significant contribution of vigorous implementation of VRS in the company. Due to this approach, now there is no surplus manpower in the company. At this point of time there is a need to maintain the same type of performance in future. The Committee, therefore, desire that MECON should now focus on cost reduction through outsourcing and adopt austerity measures and timely implementation of restructuring plan based on recommendation of consultants appointed by them. The Committee also desire that MECON should also pay specific attention in diversified services like power, environmental engineering, roads and highways, oil and gas pipelines, information technology, defence projects, etc. in addition to their traditional expertise in providing engineering and consultancy services for establishment of steel plants in the country. The Committee hope that the substantial jobs contracted during the year 2003-04 would also contribute significantly in improving the financial performance of the company.

G. Investment in Public Enterprises

3.73 In order to implement various capital schemes by the public sector enterprises under the administrative control of Ministry of Steel, budgetary support by way of equity investment and loans is extended to these enterprises.

I. Investment in Steel Authority of India Limited(SAIL)

(Rs. in crores)

Major Head	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
12852	600.00	-	600.00	425.00	-	425.00	650.00	-	650.00

3.74 An outlay of Rs.600 crores was planned in Budget Estimate (BE) 2003-04 for completion of ongoing schemes and few new schemes but the same was revised at Revised Estimates (RE) stage to the level of Rs.425 crores and the actual expenditure during 2003-2004 was Rs.454.32 crore. The details of expenditure is given below:-

3.75 Out of Rs 454.32 crore actually spent on capital expenditure, Rs 411 crore has been raised from internal resources of SAIL and Rs 43 crore (for IISCO) has been spent out of Rehabilitation package of Rs.341 crore granted to IISCO by BIFR. The details of Scheme wise/plant wise expenditure is given below:

SAIL – SCHEME /PLAN WISE EXPENDITURE-2003-04

(Rs. in crore)

Scheme	**Plant**	**Expenditure 2003-04**
Longer Rail Facilities	BSP/SAIL	168.0 4
Mining Rights Lease	BSP/SAIL	46.24
Upgradation of ERWPP	RSP/SAIL	2.4
Rebuilding of Coke Oven Battery No.1	RSP/SAIL	8.68
Replacement of Turbo Alternator at CPP 1	RSP/SAIL	8.14
Rep of B-200 Aircraft	BSL/SAIL	22.35
Rehabilitation of IISCO	IISCO	42.65
Other Schemes		155.82
Total		454.32

3.76 While going into the details of mode of raising IEBR to the tune of Rs.650 crores during 2004-05, the Committee wanted to know the appropriation company-wise. Ministry of Steel submitted following details :-

3.77 Out of Rs 650 Crores, Rs 492 crores will be raised through internal resources & Rs 158 crore (for IISCO) through Government guaranteed bonds for IISCO rehabilitation schemes. Plant wise allocation is given below:-

STEEL AUTHORITY OF INDIA LTD.

(Rs. in crore)

Sl. No.	Name of the Plant/Unit	2004-05/BE

1	2	3
A.	**SAIL Plants/Units**	
	1. Bhilai Steel Plant	174.00
	2. Durgapur Steel Plant	50.00
	3. Rourkela Steel Plant	178.00

1	2	3
	4. Bokaro Steel Plant	60.00
	5. Alloy Steel Plant	2.00
	6. Salem Steel Plant	200
	7. VISL	1.50
	8. Central Mkg. Org.	1.00
	9. Raw Materials Divn.	15.00
	10. RDCI&S Ranchi	3.00
	11. Centre for Engg. & Tech.	0.50
	12. Corporate Office	3.00
	Total: A	490.00
B.	**Subsidiaries**	
	1. IISCO	158.00
	2. Maharashtra Electro Smelt Ltd.	2.00
	Total: B	160.00
C.	**Grand Total (A+B)**	650.00

3.78 **The Committee find that SAIL had lowered the target of investments during 2003-04 from Rs. 600 crores to Rs.425 crores and actual amount spent through Internal and Extra Budgetary resources was Rs.454.32 crores only. This was done due to reprioritization of schemes. Similarly, during the year 2004-05, this target has been kept at Rs.650 crores. The**

Committee have analyzed the plant/unit-wise allocation and find that most of the schemes are essential for the concerned plants. The Committee, therefore, desire that the government should ensure that there is no downward revision in the targets and all the schemes are completed in time with the help of Internal and Extra Budgetary Resources allocated for specific purpose. The Committees would appreciate if there is better internal resources availability during 2004-2005 and more and more schemes for upgradation / modernization are undertaken during this period.

3.79 When asked about the factor responsible for lowering the targets at RE stage and the schemes affected due to lowering of target, the Ministry of Steel clarified the position in following words :

> "None of the ongoing schemes got affected due to lowering of target at RE stage. Target in RE 2003-04 was revised downward due to reprioritisation of schemes. Only most essential schemes were given preference for sanction. The actual amount spent through IEBR during 2003-04 was Rs.454 Cr (including Rs.47 crs. for subsidiaries)."

3.80 The details of total outstanding liability/dues, loans of Government on SAIL against its total asset is given below:

Assets of the Company	**2001-02**	**2002-03**	**2003-04**
Net Fixed Assets *	15354.09	14397.11	13536.05
Current Assets, Loans & Advances	7129.92	7290.70	8201.33
Current Liabilities & Provisions	6751.17	7314.11	8932.62
Net Current Assets	378.75	-23.41	-731.29
Investments	538.62	543.17	543.17
Outstanding Liabilities			
Secured Loans	7051.38	5511.59	3378.48
Unsecured Loans	6967.98	7416.35	5310.28

Govt. of India Loans ** (included in Unsecured Loans shown above)	0.62	0.69	0.77

* Net Fixed Assets include capital WIP
** Govt. of India Loan is for IISCO, Ujjain

3.81 Financial Performance of SAIL for the period 2001-02 to 2003-04 is as follows:

(Rs/crores)

Year	Turnover	Gross Margin	Interest	Cash Profit/loss	Depreciation	Net Profit/(-)Loss (PBT)	Net Profit/(-)Loss (PAT)
2001-02	15502	1011	1562	(-) 551	1156	(-) 1707	(-) 1707
2002-03	19207	2165	1334	831	1147	(-) 316	(-) 304
2003-04	24178	4650	899	3751	1123	2628	2512

3.82 The Physical and Financial performance of Steel Authority of India Limited (SAIL) which constitutes the major parameters of MoU documents, is given below:

	Production of Salaeable Steel 000 T			Net Profit / Loss (PAT) Rs. Crores		
	MoU Plan	Actual	Variation	MoU Plan	Actual (PAT)	Variation
2001-02	10000	9697	- 303	*	- 1707	-
2002-03	10480	10353	- 127	- 800	- 304	496
2003-04	10580	11026	446	77	2512	2435

* Not a parameter in MoU for the year.

With above performance level, the MoU scores / ratings during the last three years is as given below:

Year	MoU Score	Rating
2001-02	3.82	Fair
2002-03	1.48	Excellent
2003-04	1.33	Excellent

3.83 SAIL's MoU performance bas been Excellent, except in 2001-02 when it incurred a loss of about Rs.1707 crores due to severe downturn in the steel market.

The main reasons for losses during 2001-02 and 2002-03 were:

1. Falling prices of products - domestic and international.
2. High cost of debt raised for modernization.
3. General slow down in economy.
4. Over supply of products due to increased capacities.
5. High manpower cost.

Financial Restructuring of SAIL

3.84 In response to specific query of the Committee about the performance of financial restructuring package of SAIL, the Ministry submitted the following critical analysis:-

"Government of India approved the Financial and Business-restructuring proposal of SAIL in February 2000. The measures in Financial restructuring comprised of:

- Waiver of loans advanced to SAIL from SDF to the tune of about Rs 5073 Cr.
- Waiver of loan advanced to SAIL from GoI to the tune of about Rs 381 Cr. (IISCO)
- Government guarantee to raise loan of Rs. 1500 Cr to finance VRS scheme.
- Government guarantee to raise loan of Rs. 1500 Cr to fulfill repayment obligation.

As a part of financial restructuring, waiver of loans advanced from SDF and from Government of India –totaling Rs.5454 crores, were adjusted as – (a) Rs.3001 crores towards write down of fixed asset value relating to capitalization of interest on modernization schemes which were primarily funded out of borrowings; (b) Rs.2453 crores write off of loans/advances relating to IISCO operations. Necessary assets adjustments based on waiver of loans have been completed in FY 2000. **There was no cash infusion in the Financial Restructuring of SAIL.** There was also no financial assistance package given by Govt. of India to SAIL.

Against the Government guarantee to raise loan of Rs.1500 cr to fulfill repayment obligation, Rs.1500 crores was raised from the market with GoI guarantee and utilised for repayment of the past loans.

Against the Government guarantee to raise loan of Rs.1500 cr to finance VRS Schemes, Rs.1000 cr. have so far been raised with GoI guarantee for funding the VRS in 2001-02, 2002-03 and VRS 2003-04.

An MoU was signed in March 2000, by SAIL with Ministry of Steel giving the milestones for implementation of the various business restructuring tasks. In this MOU, 17 tasks were identified for time bound implementation. Further, the Cabinet Committee on Economic Affairs, in March 2001, approved the divestment of Captive Power Plant-2 of Bhilai Steel Plant."

3.85 About the tasks which have already been completed, the Ministry submitted the following details :-

"The following tasks have been completed:

- **Divestment of Power Plants at DSP, RSP, BSP & BSL**

- Power Plants at RSP, BSP & DSP have been divested with NTPC as joint venture partner. Power plant at BSL was divested with Damodar Valley Corporation (DVC) as joint venture partner.

- All the power plant's joint venture are operating successfully.

- NTPC-SAIL Power Company Ltd. (NSPCL) has declared a dividend of Rs.16 crore/per year for the last 3 consecutive years.

- Sale value of divestment of power plants was Rs.1061 crore with capital gains of Rs.777 crore to SAIL.

- **Redesigning of incentive systems**

- New incentive scheme is being implemented from June 2001.

- **Re-Designing Key Corporate Processes**

- New formats for business performance review has been redesigned. Strategic planning and budgeting processes have been redesigned. Promotion Policy has also been redesigned.

- **Improving Sales Force Effectiveness in CMO**

- Improvement in sales force effectiveness has been effected through re-organising CMO into flat and long groups, training of sales force executives and strengthening sales force by inducting executives from plants/units.

- **Key Account Management (KAM) Process**

- KAM Process has been strengthened in all the branches. 66 National Key Accounts (NKA - based on contribution potential of more than Rs.15 crores per year) and 185 Branch Key Accounts (BKA - with contribution potential Rs.5 crores or more) have been identified. Order Management System has been introduced.

- **Operating Cost Reduction**
- Against a targeted Operating Cost Reduction of Rs.1050 crore in three years [2000 to 2003], a cumulative savings of Rs.1645 crore has been achieved since 2001 till 31.3.2004.

- **Purchase Cost Reduction**

- Against the projected savings of Rs. 350 crore in Purchase Cost Reduction (PCR) during 2000-01, a savings of Rs.112.6 crore has been achieved upto March 2004. Due to steep increase in prices of all major inputs, no further savings could be achieved in this area. As an effort to contain the procurement prices, SAIL is continuously implementing reverse auction and centralised procurement. However, it needs to be mentioned that the overall cost reduction target has been achieved by SAIL.

- **Sale of Idle Assets**

- Against the target of Rs.100 crore, Rs.251 crores has been realised through sale of idle assets till 31st March, 2004.

- **Effective Project Management Process**

- Redesigning of Project Management System, Preparation of revised Project Management Manuals, Audit Manual and Post Completion report completed. The capital expenditure has been restricted as shown below:

1999-2000	Rs. 777 Cr
2000-2001	Rs. 450 Cr
2001-2002	Rs. 326 Cr
2002-2003	Rs. 224 Cr
2003-2004	Rs. 391 Cr (Provisional)

- Divestment of Oxygen Plant-2 at BSP (closed)

- Implementation of SBU concept in SAIL (closed)"

3.86 About the ongoing tasks relating to reorgnisation and restructuring the submitted the following information:

"Ongoing tasks pertaining to organisation restructuring are:

- Manpower reduction

SAIL raised an amount of Rs.1000 crore from the capital market during the year 2000-01 to 2002-03 for meeting expenditure on VRS.

As per the Finance & Business Restructuring Plan approved by Government of India in February, 2000, an MoU was signed which inter-alia included manpower target of 100000 to be achieved by March, 2005. The said rationalization was to be achieved through voluntary retirements and divestment of some of the units in addition to the separations of manpower on account of natural superannuation

The manpower of SAIL which was 176147 as on 31st March, 1998 has come down to a level of 130854 as on 1st July, 2004, thereby achieving a reduction of 45293 inspite of absorption of around 5000 VISL manpower on its merger with SAIL in the year 1999.

3.87 Number of employees who availed VRS category-wise during each year is given below :

VR Scheme	**Executive**	**Non-Exe.**	**Total**
1998	658	5317	5975
1999	2011	11606	13617
2001	1189	5321	6510
2002-03	769	5046	5814
2003-04	230	1770	2000

"SAIL is aware of the importance of optimizing manpower and thrust/efforts in this direction will continue. SAIL plans to reach a level of 120000 by September, 2005 and further reduction thereafter to 100000.

In its endeavor to right size manpower, SAIL has reduced manpower by around 45000 since March 1998. In the year 2003-04, reduction in manpower achieved was 5586. Labour Productivity has been enhanced from 105 T/man/year in 00-01 to 137 T/man/year in 03-04.

The response to the VR Schemes is becoming lukewarm due to improved financial performance of the company, reduction in interest rate scenario and lack of earning potential for separated employees. A new VR Scheme based on monthly deferred payment basis has been developed and will be introduced at an appropriate time."

3.88 They have candidly accepted that in the task relating to investment of Units of SAIL, they anticipate the difficulties of following type :-

Tasks where difficulties are anticipated

"In pursuance of the decision of CCEA, cases for divestment of various units of SAIL i.e. Salem Steel Plant [Salem], Rourkela Fertiliser Plant [Rourkela], Indian Iron & Steel Company (IISCO), Alloy Steel Plant [Durgapur] & Visvesvaraya Iron & Steel Plant [Bhadrawati], that had already been approved for divestment by CCEA, were forwarded to Ministry of Disinvestment".

When the Committee specifically enquired about the factors helping in good financial performance of SAIL, the Ministry of Steel described as under:-

"Consistent efforts of SAIL collective coupled with buoyancy in the steel market helped SAIL to turnaround and in the year 2003-04, SAIL registered all round improvement in its performance. Turnover vaulted to all-time high of Rs.24178 crores with the highest ever net profit of Rs.2512 crores, thus, registering an improvement of Rs.2816 crores. With this improved profitability the company was able to wipe out its accumulated losses as on 31.03.04.

Major factors contributing to improved performance in 2003-04 are as under:

- Record saleable steel production of over 11 million tones (growth of 6.5%)

- Improved product-mix and techno-economic factors
- Highest- ever sales volume (growth 7%) over last year
- Highest turnover (26% growth) over last year
- Reduction in debt by about Rs.4239 crores w.r.t. 31.03.03 resulting in substantial savings in interest (Rs.435 crores on operation account)
- Intensive cost control measures resulted into savings in cost amounting to Rs.171 crores (excluding Revenue Maximisation and Optimisation Purchase of Rs.158 crores) which could partly neutralise the effect of cost escalations in major inputs like coking coal, Ferro-alloys, iron & steel scraps, purchased power (grid) , Boiler Coal etc.

- Improvement in Avg. NSR by about 19% over 02-03.

It is expected that buoyant demand conditions are likely to continue in the 2004-05 too. The Government has also laid a new road map envisaging substantial investment in infrastructure such as housing, road, seaport, airport development, etc. After a long gap number of industrial projects (expansion of capacity & green field projects) are taking off. All these measures will help in maintaining the buoyancy in domestic demand.

Internationally, steel market is expected to retain the current level. Demand from Asia (particularly China) increased substantially and it is expected to affect the global market in a positive way".

3.89 When the Committee asked about the steps being taken to maintain the present performance in future the Ministry stated as under:-

"SAIL has taken various initiatives in the recent past which include Marketing Efforts, Cost Control Measures, Fund Management, Capital Expenditure etc. with which it will continue in the future also to maintain the present performance".

3.90 When enquired about the present debt on SAIL, the amount repaid during the last three years and the future plan for repayment during the current financial year and later on, the Ministry of Steel submitted the following details:-

3.91 The status of debt as on 30/06/2004 and repayment made during the last three years as well as repayment schedule for current year and next two years is given below:

(Rs. in crores)

Sl. No.	Particulars	As on 30/06/2004	Repayments made during			Scheduled Repayment during		
			2001-02	2002-03	2003-04	2004-05 July'04 to March' 05	2005-06	2006-07
1.	Outstanding Borrowings	7728	-	-	-	-	-	-
2.	Total repayment	-	2064	2711	4434	666	1558	525
3.	Less raisings during the period	-	1825	1661	195			
	Total/Net Reduction	-	239	1050	4239	666	1558	525

3.92 The Committee appreciate the achievements of SAIL in the financial performance and reduction in borrowings. The Committee note that such significant improvement in the turnover and financial performance was due to improved production and sales volume, market oriented product mix, intensive cost control measures, rationalization of manpower, reduction in borrowings supposed by external factors like growth in steel demand and firming up of international and domestic prices. The Ministry has expressed their hope that buoyant demand conditions are likely to continue in 2004-2005 also on the basis of substantial investment in infrastructure and industrial projects in domestic front and stability in global demand. The company has now put thrust on debt reduction and fund management. Outstanding borrowings as on 30.6.2004 is Rs. 7728 crores and they propose to make the repayment by 2006-2007. The Committee, therefore, desire that SAIL should work as per the road map proposed with specific short term and long term targets to maintain the present performance and further strengthening of financial status of the company so that the sudden changes in national and international scenario may not affect them adversely.

3.93 The Committee find that after implementation of the financial and restructuring proposal for SAIL, majority of the tasks have been completed successfully. A few tasks like downsizing of manpower are still under implementation and they are also anticipating difficulties in decision of disinvestments of SAIL units. The Committee would like to draw the attention towards the announced Government policy that profit making PSUs will not be considered for disinvestments. Now, SAIL is a profit making company in all terms and any disinvestments at this stage may create great difficulty on the path of recovery. The Committee, therefore, strongly recommend that the issue of disinvestments of SAIL units should be reconsidered in view of changed situation and final decision should be taken as per the present policy.

II. *Rashtriya Ispat Nigam Ltd.(RINL)*

(Rs. in crore)

Major Head	Budget 2003-2004			Revised 2003-2004			Budget 2004-2005		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
12852	227.00	-	227.00	99.00	-	99.00	300.00	-	300.00

3.94 The appropriation of fund to the tune of Rs. 300 crores during 2004-05 is as under:

Name of Schemes	**Approved Outlay** (Rs. in crores)
3 MT (including mines)	10.00
Schemes aimed at maximizing existing capacity (AMR)	90.00
New Schemes	
Coke Oven Battery IV	
Phase I	110.00
Phase II	-
Fuel Injection System	30.00
Expansion (Ph.I)	1.00
Degassing in SMS	29.00

Acquisition of iron ore mines	30.00
	=====
	300.00
	=====

3.95 Non-Plan Budget Estimates for 2003-2004 was Rs.227 crores which was revised to 99 crores and ultimately the final expenditure during the year 2003-2004 was Rs.24.28 crores only.

3.96 When the Committee asked about the reasons for very poor expenditure of the allocated fund, the Ministry of Steel submitted the following reasons:-

> "Against the Budget Estimates for plan outlay for the year 2003-2004 for Rs.227 crores, the outlay had to be revised to Rs.99 crores during 2003-2004. This downward revision of estimates was on account of the fact that the major item on which plan outlay was envisaged **i.e.** 'Construction of Coke Over Battery –4' was not expect to take place within the year as Government's approval for the 4th Coke Oven Battery Project was received only in December, 2003. As such estimates on this account had to be revised downwards from Rs.122 crores to Rs.19 crores. The estimates for Additions, Modifications & Replacements (AMR) schemes was, however maintained at Rs.75 crores both in the Budget Estimates and Revised Estimates for the year. Further, against the Revised Estimates for plan outlay of Rs.99 crores, the company could spend only Rs.24.89 crores during 2003-2004. The shortfall is on account of lower expenditure on AMR schemes and 4th Coke Oven Battery Project in comparison with the Revised Estimates.. As explained, expenditure on 4th Coke Oven Battery was lower than Revised Estimates as Government's approval for the project was received only in December, 2003. With regard to the AMR schemes the actual expenditure was only Rs.18.57 crores as against Revised Estimates of Rs.75 crores . This shortfall was on account of the following:-
>
> **(i)** The AMR schemes approved by the Board of Directors of RINL (VSP) were aimed at maximizing existing capacity, achievement of high level of automation & instrumentation and improvement of techno-economics and quality parameters, etc. This requires detailed working from concept to implementation leading to unavoidable delays in taking up these schemes.

(ii) During the year some funds were also required to be used for providing funds to the Government of Andhra Pradesh for implementing Godavari Water Pumping Scheme which had assumed over riding priority.

(iii) Prepayments of loans from financial institutions and others also led to funds constraints for implementation of AMR schemes.

The company informed that all the schemes approved for 2003-2004 are committed for final implementation which will be taken up in the current year. In fact during 2003-2004, expenditure of Rs.53.63 crores were approved for placement of orders but actual expenditure and cash flows on this account could not take place during the year".

3.97 The Committee are surprised to note that RINL has spent Rs.24.28 crores only as against the Budget Estimates of Rs.227 crores and Revised Estimates of Rs. 99 crores. The Committee do not favour this type of under utilization of funds because this directly affects the implementation of important schemes and ultimately the performance of the company. The Committee note that for the year 2004-2005, there is an allocation of Rs.300 crores. The Committee strongly recommend that the Government should ensure that RINL utilized the full allocation made for the year 2004-2005 so that the schemes for which the allocations have been made do not suffer due to poor utilization of funds.

3.98 The Committee noted the improvement in Financial performance of RINL during 2003-2004 and wanted to know about the factors which helped in improving the financial performance of the company. Ministry of Steel submitted the following details:-

"The factors which helped improve the financial performance of RINL are:

1. Favourable market conditions
2. Optimum utilization of the existing capacity
3. Successful cost reduction measures
4. Expansion of product mix

5. Improving techno economic parameters
6. Better management of capital charges".

3.99 When asked about the long term proposals to improve the performance of RINL, the Ministry of Steel enumerated the following details .

> "The long term proposals for better performance of RINL are aimed at expanding its production of liquid steel upto 10.2 million tonnes by the year 2020. This plan is to be implemented in 3 phases. During the first phase the company plans expansion of 3.0mt to 5.0 mt of liquid steel by 2007-08. It also aims at realizing full potential of the existing units and enriching the product mix is planned. Natural gas Injection and Oxygen enrichment to be commissioned by December, 2007. A new Steel Melt shop with two LD converters, Secondary steel making facilities and three six strand billet casters have been proposed. A second wire rod mill and seamless pipe plant is also planned during this phase. The total investment during this phase is Rs.2275 crores, which the company plans to make it through internal resource generation.
>
> During phase II expansion from 5.0 mt to 6.8 mt of liquid steel by 2012-13 is planned. A 6.2 metres tall coke oven battery with 54 ovens with a capacity of 0.71 mt per year is proposed. Two sinter machines of 312 square metre area each with a total capacity of 5.0 mt per year will also be taken up. One blast furnace of 3200 cum/volume with natural gas injection at the rate of 150 Nm3.tHM and 10% oxygen enrichment with a capacity to produce 2.5 Mt/year are planned to be set up. The total investment during this phase will be Rs.6165 crores which again the Company plans to make it from its own internal resources.
>
> During the third phase the expansion from 6.8 mt to 10.2 mt of liquid steel by 2018-19 is planned. During this phase the Company envisages diversification to flat products. Two more coke oven batteries 6.2 metres tall with 54 ovens each' with a total capacity to produce 1.42 mt of metcoke per year will be taken up. One blast furnace of 4250 cum.volume with pulverized coal injection and 3% oxygen enrichment with a capacity to produce 3 mt of hot metal per annum has been planned. On sinter machine of 312 square metres area with a capacity of 2.5 mt of sinter per year has also been planned. The third steel melting shop with three 150 tonne LD converters with secondary steel making facilities and annual capacity of 3.4 mt of liquid steel has been planned to be set up. The total investment under this phase would be around 11400 crores which the company proposes to meet from its internal sources.

The Company will obtain the approval of the Government after the detailed plan on its expansion is worked out.

The Company plans to firmly tie up its raw material requirements if required by acquiring captive iron ore and coal mines".

3.100 The Committee express their happiness to note that Rashtriya Ispat Nigam Limited (Visakhapatnam Steel Plant) has improved their financial performance and net profit of the company soared to Rs.15.47 in 2003-2004 crores from Rs. 521 crores in 2002-2003. This increase in profit of 192% from the last year is supposed to be very impressive. The Committee hope that RINL would maintain this performance in future also. The Committee also welcome the long term policy being prepared by the company for expansion. The Committee desire that RINL should undertake the work relating to expansion on priority and start the work in this direction after getting the approval of the Government without any delay. The Committee also strongly desire that the Government should work as facilitator in the task of implementation of the prosperous expansion plan of RINL.

III. National Mineral Development Corporation Ltd., (NMDC)

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

(Rs. in crores)

Major Head	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
12852	481.55	-	481.55	212.43	-	212.43	321.90	-	321.90

3.102 The following statement shows the scheme-wise details of approved BE 2003-04, Revised Estimate 2003-04, Actual expenditure 2003-04 and approved

Outlay for 2004-05. When the Committee asked about the reasons for downward revision of allocation at RE stage, the Ministry of Steel replied as under:-

Capital Budget and Expenditure

(Rs. in crores)

SL NO	NAME OF THE SCHEME	BE 2003-04	RE 2003-04	ACTUAL 2003-04	BE 2004-05
1	2	3	4		3
A	CONTINUING SCHEMES:				
1	BAILADILA DEPOSIT 10/11A	24.77	65.00	21.11	24.09
2	NMDC IRON & STEEL PLANT	193.87	49.24	6.74	159.11
3	ULTRA PURE FERRIC OXIDE PLANT	0.00	10.27	3.45	3.00
4	UNI-FLOW SYSTEM	4.10	1.50	0.00	3.50
5	DEVELOPMENT OF LIMESTONE IN HP(SS)	30.00	2.60	0.00	2.00
	TOTAL (A)	252.74	128.61	31.30	191.70
B	NEW SCHEMES:				
1	BAILADILA DEPOSIT - 11B	10.00	4.00	0.00	50.00
2	KUMARASWAMY IRON ORE PROJECT	100.00	7.00	0.00	25.00
3	BAILADILA DEPOSIT - 13	40.00	10.00	0.00	5.00
	TOTAL (B)	150.00	21.00	0.00	80.00
C	A.M.R. SCHEMES	25.00	25.00	16.33	25.00
D	TOWNSHIP	5.00	5.00	0.93	5.00
E	RESEARCH & DEVELOPMENT	1.10	1.35	0.27	1.25
	OTHER NEW PRODUCTS/VALUE ADDED	1.00	5.76	0.00	10.00
F	FEASIBILITY STUDIES				
	(I) IN INDIA				
1	BAILADILA DEPOSIT -3	0.60	0.60	0.00	0.00
2	GOLD DEPOSITS KARNATAKA	0.52	1.60	0.14	0.50
3	DIAMOND PROJECT IN A.P./MP/ORISSA	2.00	4.23	1.52	1.50
4	OTHER MINERALS	0.50	0.50	0.00	0.50
5	OTHER FEASIBILITIES	0.50	0.60	0.00	0.50
	TOTAL IN INDIA(I)	4.12	7.53	1.66	3.00
	(II) IN ABROAD				
1	GOLD IN TANZANIA	4.90	2.45	0.01	2.45
2	DIAMONDS IN NAMIBIA	10.00	0.16	0.29	1.50
	TOTAL IN ABROAD(II)	14.90	2.61	0.30	3.95
	TOTAL FEASIBILITIES	19.02	10.14	1.96	6.95

G	<u>INVESTMENTS:</u>				
	JKMDC	0.00	0.00	0.18	0.00
1	JV WITH AP GOVT/IRE	3.18	1.32	0.00	1.00
2	RAJASTHAN LIGNITE	10.00	0.25	0.00	1.00
3	KONARK METCOKE LTD	10.00	14.00	14.00	0.00
4	AP DIAMONDS	4.51	0.00	0.00	0.00
5	MADAGASKAR	0.00	0.00	0.08	0.00
	TOTAL – G	27.69	15.57	14.26	2.00
	TOTAL CAPITAL OUTLAY	481.55	212.43	65.05	321.90

3.103 The Budget estimate 2003-04 of Rs. 481.55 crores was revised to Rs.212.43 crores mainly on account of :

- Delay in acquisition of private land and finalisation of agreement for Romelt Plant in respect of NMDC Iron and Steel Plant.
- Absence of economical market tie up for Lime Stone Project in Arki, Himachal Pradesh is put on hold.
- Delay in getting environmental and forest clearance for setting up of Kumaraswamy Iron Ore Project project.

The actual capital expenditure for the year 2003-04 of Rs.65.05 crores was met out of the internal resources of 2003-04.

3.104 Details of Financial performance of NMDC during 2000-01 to 2003-04 and Budget estimates 2004-05 is given below:-

Financial Performance of Corporation:

(Rs. in crores)

SL. NO.	ITEM	2000-01 Actuals	2001-02 Actuals	2002-03 Actuals	2003-04 Actuals	2004-05 BE
1	INCOME	1087.86	1268.11	1293.43	1532.70	1366.59
2	OPERATING COST	735.64	884.19	830.72	859.75	872.66
3	GROSS MARGIN(1-2)	352.22	383.92	462.71	672.95	493.93
4	INTEREST	0.00	0.00	0.00	0.00	0.00
5	CASH PROFIT/LOSS(3-4)	352.22	383.92	462.71	672.95	493.93
6	DEPRECIATION INCLUDING DRE & WRITE OFFS	36.18	39.98	42.53	56.93	74.33
7	PROFIT/LOSS BEFORE TAX(5-6)	316.04	343.94	420.18	616.02	419.60
8	INCOME-TAX	81.06	87.40	107.98	183.39	151.00
9	PROFIT/LOSS AFTER TAX(7-8)	234.98	256.54	312.20	432.63	268.60
10	DIVIDEND PAID/TO BE PAID (EXCL. TAX)	33.04	33.04	39.64	46.25	39.64
11	TAX ON DIVIDEND	3.47	0.00	5.08	5.93	5.08
12	DIVIDEND INCLUDING TAX	36.51	33.04	44.72	52.18	44.72
13	OPERATING PROFIT	316.04	343.94	420.18	616.02	419.60
14	GROSS INTERNAL RESOURCES	234.65	263.48	310.01	437.38	298.21

3.105 When asked about the source of earmarked fund, the Ministry stated that the outlay of Rs.321.90 crores approved for 2004-05 is being met out of the internal resources of the Corporation and no external borrowings from Bank or Govt. is contemplated.

3.106 When specifically asked about the amount earmarked for additions, modifications and replacements and downship development, the Ministry submitted following details.

> **"Additions, Modifications & Replacements: -** Rs.25 crores has been earmarked for AMR Schemes. In order to replace the ageing heavy mobile equipments, modifications in Ore Crushing Screening and Loading plant (OCSL Plant) in Iron Ore Mines. Rs16.33 crores was spent during 2003-2004.
>
> **Township: –** Provision of Rs.5 crores each was proposed in RE 2003-04 and BE 2004-05, to meet the additional requirement of quarters on account of replacements as well as for improvement of infrastructural facilities such as Roads, Water supply, Street lights, School building etc. in the Township of the units".

3.107 **The Committee note that as against the allocation of Rs.481.55 crores at Budget stage, the allocation was revised to Rs.212.43 crores and actual expenditure was Rs.65.05 crores only during 2003-2004. The Committee are surprised to note that as against, the allocation 150 crores for new schemes not a single penny was spent during the whole year. Similarly, in continuing schemes also only 31.30 crores were spent aginst the allocation of 252.74 crores. The Committee strongly disapprove this type of under utilization of funds allocated for investments and direct that they should adopt more practical approach at the budget stage in allocation of funds and later on at implementation stage also so that this type of under utilization of fund may not take place during 2004-2005. The Ministry should also ensure that the company may adhere to the projected estimates strictly so that the implementation of schemes do not suffer more.**

IV. Kudremukh Iron Ore Company Ltd.

(Rs. in crores)

Major Head	Budget 2003-04	Revised 2003-04	Budget 2004-05

	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
12852	30.00	-	30.00	30.00	-	30.00	54.00	-	54.00

3.108 In response to the Committee's query about the reasons for significant increase in the target to raise from Rs.30 crores to Rs.54 crores in the 2004-2005, the Ministry submitted the following facts:-

> "The Hon'ble Supreme Court has permitted mining at Kudremukh only upto 31st December 2005. In view of this, it is imperative for KIOCL look for alternative mines, etc. Keeping this in view various investments are envisaged. The increase in the target from Rs.30 crores in BE and RE of 2003-04 to Rs.54 crores in BE 2004-05 are mainly on account of additional investments which are accounted for by the following projects:-
>
> **(a) Equity participation in Hassan & Mangalore Railway line.**
>
> An outlay of Rs.4 crores has been made with regard to the equity contribution of KIOCL in the ensuing Hassan and Mangalore railway line project, which would help transportation of iron ore etc to Mangalore.
>
> **(b) Development of Railway siding & Infrastructure facilities for receipt of iron ore at Mangalore :-**
>
> Magnetite iron ore concentrate not being available in the country, alternatively, use of high grade hematite iron ore fines from Bellary/Hospet area, available in large quantity and for economic reasons was considered as one of the alternative sources for a possible long term linkage of raw material operation of the pellet plant. The sources identified for obtaining iron ore for both the pellet plant and KISCO being the same and since this is to be transported through the railway, it is proposed to have a common new private railway siding facility for bringing ore consignment of KIOCL/KISCO. An outlay of Rs. 20 crores have been earmarked for this project.
>
> **(c) Other Mine Development and formation of Jt Venture for other than mining activity: -**
>
> In order to expand its area of operation, KIOCL has been examining possibility of sourcing and exploiting the iron deposits at various locations like Ramandurg in Karnataka, Iron Ore Mining at Taldih near Barsua, Chiria Iron Ore Deposits etc. An outlay of Rs. 12 crores have been earmarked for this purpose".

3.109 Rs.54 crores would be met out of the internal resources of the Company. The amount would be appropriated as under :-

Sl No	Description	Rs. in Crores
1.	Scheme	
	a) Coke Oven Plant	1.00
	b) Ductile Iron Spun Pipe (Jt Venture)	1.00
	c) Equity participation in Hassan & M'lore railway Line	4.00
	d) Development of railway siding & infrastructure facilities for receipt of Iron Ore at Mangalore.	20.00
	e) Other Mine Development & formation of Jt Venture for other than Mining activity.	12.00
	Total (1)	38.00
2	Addition, Modification & Replacements	15.00
3	R & D & Feasibility studies	1.00
	Grand Total (1+2+3)	54.00

3.110 The Committee note that in view of order of Hon'ble Supreme Court has permitted mining at Kudremukh upto 31st December, 2005 only, KIOCL has started looking for alternative mines and on account of additional investments, the allocation has been enhanced to the extent of 54 crores. The Committee welcome the impressive performance of the company during 2003-2004 and hope that it will continue during 2004-2005 and in coming years. The Committee desire that KIOCL should undertake the work vigorously to explore the possibility to identify and develop new mines to prepare themselves for continuance of the operation of the company beyond December, 2005 on the similar pattern.

V. Bird Group of Companies

(Rs. in crores)

Major Head	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan B.S.	Plan IEBR	Total Plan	Plan B.S.	Plan IEBR	Total Plan	Plan B.S.	Plan IEBR	Total Plan

12852	1.00	1.50	2.50	1.00	19.32	20.32	1.00	15.00	16.00

3.111 The Committee observed that Plan outlay in BE was Rs.1.80 crores only, which was revised to 19.32 crores at RE stage and wanted to know about the reasons for this upward revision in outlay:-

> "When the outlay for the Annual Plan 2003-04 was estimated there had been demand constraints for iron ore and manganese ore in respect of the Orissa Minerals Development Co. Ltd under the Group. It could not be anticipated that demand of iron ore will go up so rapidly within course of a few months. Demand position started showing improvement from October 2002 onwards. Alongwith the rise in demand during the year 2003-04, prices of different grades of iron ore also increased manifold.
>
> In view of the spurt in demand of iron ore OMDC has taken up various projects for augmenting the capacity of production and screening and crushing facilities. A diversified project for setting up of a Mineral based industry was also proposed to be taken up. This included a 30,000 TPA Sponge Iron Plant to be built up at Thakurani within the financial year 2003-04 with a total project cost of Rs 14.56 crores. Consequently, OMDC had to revise its plan outlay for the year 2003-04 from Rs 1.40 to 18.30 crores which had an increasing effect on target".

3.112 For the year 2003-04, IEBR has been considered from internal generations to be achieved by OMDC and from other companies based on positive gross margin. The projection in BE and RE are shown as below:

(Rs. in crores)

	Budget Estimate			Revised Estimate		
	Internal Resources	Others	Total	Internal Resources	Others	Total
2003-04	---	1.50	1.50	10.30	8.02	18.32

3.113 Actual amount raised through IEBR during 2003-04 was Rs.16.78 crores comprising Rs.15.90 crores out of Internal generation by OMDC and Rs.0.88 crore from 'Other source' in respect of KDCL.

3.114 While showing the appropriation of Plan outlay, the Ministry of Steel submitted the following details:-

"During the year 2003-04 against plan outlay of Rs. 2.50 crores in respect of Bird Group of Companies, budgetary support was sanctioned to the tune of Rs.1 crore for AMR schemes in respect of The Bisra Stone Lime Co Ltd (BSLC) under the Group. The details of appropriation of the budgetary support of Rs.1 crore is given as under:

(Rs. in crore)

Scheme	Amount (BSLC)
Engineering & Mining, Survey & Main Lab	0.54
Electrical Civil & Water supply	0.11
Railway Siding	0.32
Others	0.03
	1.00

3.115 When asked whether an amount of one crores was sufficient for additions, modifications and replacement schemes of the company, Ministry of Steel replied as under:-

"This budgetary support, though not sufficient for the AMR Schemes has been utilised to meet the requirements of replacement/modification of the old plant/machinery of the company in phased manner in order to attain better operational efficiency".

3.116 When the Committee sought the detailed information about the appropriation of Budget Estimates of Rs.15 crores for the year 2004-2005, the Ministry of Steel submitted as under:-

"In case of the Bird Group, generation of IEBR has been envisaged to the extent of Rs.15 crores for Group as a whole during the year 2004-05. IEBR has been considered from internal generation of Rs.14.93 crores in respect of The Orissa Minerals Development Co Ltd (OMDC) and from 'other source' in consideration of the positive gross margin before charging interest on Government loan and depreciation expected to be achieved by The Karanpura Development Co Ltd (KDCL) during 2004-05. Company wise break-up of IEBR is as given below :

	Internal Generation	Other source	Total
OMDC	**14.93**	**-**	**14.93**
KDCL	-	0.07	0.07
	14.93	**0.07**	**15.00**

3.117 The amount of Rs.15 crores towards IEBR proposed to be raised is to be appropriated to meet the capital expenditure under the following schemes :

	OMDC	KDCL
A M R	7.16	0.07
Afforestation	0.38	
<u>Ore based</u>		
i) Detailed exploration	0.02	
ii) Mineral Based Industry	7.37	
	---------	-------
	14.93	0.07
	---------	-------

3.118 The Committee note that during the year 2003-2004, the Bird Group of companies raised Rs.16.78 crores through IEBR as against the non-plan Budget Estimates of 1.50 crores during 2003-2004. on the other side, the Plan budgetary support was only Rs.1 crore which was not found adequate for additions/modifications and replacement schemes. The Committee also note that for the year 2004-2005 an amount of 7.23 crores have been proposed to be appropriated for the AMR schemes. The Committee expect that this budgetary support should be utilized appropriately so that through replacement/modifications of old plant machinery, the company may be able to obtain better operational efficiency.

CHAPTER IV

General Topics Relating to Steel Sector

I. Research and Technology Mission

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

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

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

(Rs. in crores)

Major Head	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
12852	60.00	-	60.00	9.00	-	9.00	60.00	-	60.00

4.3 The Committee specifically noted that the Budget allocation of Rs.60.00 crores could now be utilized properly and it was revised to Rs.9.00 crores at RE stage. When the Committee wanted to know the reasons for under-utilisation of allocations, the Ministry of Steel submitted as under :-

"The budget of Rs.60.00 crore for the year 2003-04 was envisaged for the on going projects, proposals pending at different stages of procuring and also the expected new proposals. However, the total budgeted amount could not be utilized due to delay in procurement of research equipments, change in research Programme of the approved projects and due to lack of clarity in ideas by the new project proposers to the satisfaction of the Empowered Committee. Moreover, good research proposals were also not forthcoming."

4.4 When asked about the actual amount disbursed for Research & Technology Mission during the year 2003-04 and the appropriation of each project, the Ministry of Steel submitted the following details :-

4.5 The actual amount of Rs.13.928 crore was disbursed from the Steel Development Fund (SDF) during 2003-04 for the following approved research projects:-

(Rs. in crore)

S.No.	Name of the Project	Amount released
1.	Simulation of Thermo-mechanical Processing of steels and Hot Workability studies of High strength steels: by RDCIS, SAIL, Ranchi.	1.2103
2.	To study various tolerable Indian non-coking coal sources with the aim of maximizing the usage of domestic non-coking coal in the COREX process: by Jindal Vijayanagar Steel Ltd.	0.2542
3.	Maximisation of blast furnace productivity with Indian iron ore: by National Metallurgical Laboratory (N), Jamshedpur, Tata Iron & Steel Co. Ltd (T) and RDCIS, Steel Authority of India Ltd. (S), Ranchi.	7.7665
4.	Design and development of TRIP aided ferrite-bainite steel for structural application: by B.E. College, Shibpur.	0.0038
5.	Development of ultra high strength steel in as rolled condition through thermo mechanical controlled processing: byB.E. College, Howrah	0.0395
6.	Mixing and mass transfer in steel making ladles stirred with dual porous plug: a physical and mathematical model investigation: by IIT, Kanpur	0.02178
7.	Development of process for advanced hot dip coated products: by RDCIS, SAIL.	4.5256
8.	Smelting reduction of chromite for ferro chrome/charge chrome making.	0.1854
9.	Development of Micro Alloyed Steel Structural products in Secondary steel sector through Induction Furnace and	0.0200

Controlled Rolling Route: by National Institute of Secondary Steel Technology (NISST) and All India Induction Furnace Association (AIIFA).	
Total	**13.928**

4.6 While going into the details of Budget Estimates for this purpose during 2004-05, the source of fund to the tune of Rs. 60.00 crore for the year 2004-05 will be raised from Steel Development Fund (SDF).

4.7 It has already been decided that R&T Mission would not be formed and the Technical Wing of the Ministry of Steel (MoS) is handling the Research and Development work at present. The MoS has evaluated 14 research project proposals during 2003-04 and also evaluated partially some more research proposal wherein clarifications were sought. Out of these the following 3 proposals were forwarded for funding from Steel Development Fund (SDF) and 11 proposals were placed for rejection:

S. No.	Name of the Proposal for funding
1.	Development of Micro Alloyed Steel Structural products in Secondary steel sector through Induction Furnace and Control Rolling Route: by National Institute of Secondary Steel Technology (NISST) and All India Induction Furnace Association (AIIFA).
2.*	Development and Application of High Speed Steel as high efficiency roll material for improving energy efficiency in the steel re-rolling sector: by Gonterman Peipers (India) Ltd. and B.E.Collage, Howrah.
3.	Development of intelligent mill set up model for dynamic and adaptive control of plate mill: by RDCIS, SAIL, Ranchi.

* This was also ultimately rejected by EC.

4.8 When the Committee specifically asked about the R & D Project completed so far under this scheme, they also wanted to know that how the R&D results have helped in resolving the problems of steel industry. The Ministry of Steel submitted the following details :-

> "Research & Development in iron and steel sector is normally being carried out by the steel plants, academic institution, national research laboratories themselves. However, to supplement and encourage

research activities in iron and steel sector, Govt. of India is providing financial assistance from the Steel Development Fund (SDF) for some of the R&D projects in the areas of Iron & Steel making processes, up gradation of raw materials, product development, increase in productivity, reduction in refractory consumption, reduction in energy consumption etc., received from public and private sector steel plants, national laboratories, academic institutions etc.

Since 1998-99, the Empowered Committee has approved 33 research projects of which 17 research projects have been completed."

4.9 The Committee specifically wanted to know the justification for reducing the fund allocation from 95.00 crores during 2002-03 to 60 crores during 2003-04 and 2004-05, the Ministry submitted the following justification :-

"As already mentioned earlier, the steel plants/institutions are to initiate R&D work, depending on the need. Sufficient number of Research and Development proposals requiring higher investment are not being received from research institutions, which has resulted in reduction in fund allocation."

4.10 The investment made in Research and Development in Public /Private sector Steel Plants during the last three years is given below:

(Rs. in crore)

	2001-02	2002-03	2003-04
(a) Public Sector Steel Plants			
(i) Steel Authority of India Limited	49.85	54.82	70.00 (P)
(ii) Rashtriya Ispat Nigam Limited	2.50	2.50	2.50
(iii) National Mineral Development Corporation (NMDC)	5.64	6.93	4.06 (P)
(iv) Kudremuckh Iron Ore Company Ltd. (KIOCL)	6.50	14.50	1.60
(v) Manganese Ore (India) Ltd. (MOIL)	0.90	0.97	0.90 (P)
(vi) Sponge Iron India Ltd. (SIIL)	0.04	0.06	0.06
(vii) MECON Ltd.	0.39	0.41	0.27
(viii) Bharat Refractory Ltd. (BRL)	0.33	0.15	0.30
Sub-Total (A)	**66.15**	**79.80**	**79.69**

(b) Private Sector Steel Plants

(i) Tata Iron & Steel Company	07.52	16.33	24.25
(ii) Mukand Limited	00.25	00.21	00.22
(iii) Jindal Vijaynagar Steel Limited	00.39	01.35	02.40
(iv) Jindal Steel Power Ltd.	00.82	01.27	00.02
(V) Mahindra Ugine Limited	00.99	00.50	00.40
Sub-Total (B)	09.97	19.66	29.29
Total (A) & (B)	**76.12**	**99.46**	**108.98**

4.11 **The Committee are surprised to note that the Empowered Committee under the Chairmanship of Secretary, Ministry of Steel have approved only 33 R&D projects since 1998 and only 17 projects have been completed so far. The Government have reduced the allocation for R &D purpose from Rs.95 crores during 2002-03 to Rs.60 crores during 2003-04 and 2004-05. During 2003-2004 only an amount of 13.426 crores was disbursed. The Committee are not convinced with the justification given by the Government that they are not receiving the sufficient number of R & D projects requiring high investments particularly when steel PSUs and private sector has been making good investments for this purpose. The Committee strongly criticize the neglecting approach of the Government towards such an important activity of steel sector. The Committee feel that there is a lot of scope of R &D in this sector but the Government is not paying desired attention to facilitate the important and good projects which may be useful for the welfare of the steel sector. The Committee, therefore, desire that the Government should take up the matter seriously in consultation with all the public and private sector players and invite projects which can benefit the industry in improving the cost of production and efficiency.**

II. Demand and supply position in Steel Sector

4.12 India is the 8th largest steel producing country in the world and the larger producer of sponge iron in the world. Total production of finished steel during 2003-04 has been at 36.2% million tones as against the 33.67 million tones during 2002-03 registering an increase of 7.5%. Total production of Pig Iron has been provisionally estimated to be 5.222 million tones against the production of 5.285 million tones during 2002-03. Apparent consumption of finished steel has been 30 million tones during 2003-2004. This is 5.2% higher than the apparent consumption during 2002-03. 68% of steel production comes from private sector and 32% only from the public sector. The following table shown the growth of finished steel in India:-

Period	Consumption(Million Tonnes)
1995-96	21.3
1997-98	22.6
1999-2000	25.1
2000-01	26.5
2001-02	27.4
2002-03	29.0
2003-04	30.0

4.13 During the course of evidence, the Ministry of Steel informed that our per capita steel consumption is 29 Kg. This is the lowest in the world probably. The world average is 150 kg.

Major Sector of Steel Consumption

4.14 In the Indian context, domestic steel consumption (depending upon the category, long or flat) is reflected in activities in key segments like manufacturing, construction (both housing and infrastructure), railways, defence, automobiles, agriculture and rural items in addition to consumption of steel by downstream manufacturing for value added steel products.

4.15 Over the last decade, trends in domestic finished carbon steel consumption have varied depending upon a host of factors including economic situation and growth in the concerned end-use industries. The fortunes of the Indian steel industry too have varied significantly during this time period – a trend noticed globally also. Major changes that have marked domestic finished carbon steel consumption trends include:

* Overall domestic consumption of finished carbon steel has witnessed a steady growth in absolute terms.

* However, in relative or percentage terms, the growth figures have varied depending upon the state of economic growth and of the industry as well.

* Both the two major components of finished carbon steel – flat and non-flat steel – have displayed similar growth trends – more in line with the pattern of economic growth in the country.

* In contrast to the immediate post-1992 period, from late-90's, the share of non-flat steel consumption in total steel consumption has seen a steady rise as compared to same of flat steel, which has seen a steady drop. Table 3 shows the domestic steel consumption data from 1995-96 onwards.

4.16 The following table shows the growth of finished Steel in India

Unit: '000 tonnes

Finished carbon steel consumption					
Year	Flat steel	Non-flat steel	Finished Steel	Flat steel: % Share in total	Non Flat steel: % Share in total
1995-96	11024	10270	21294	51.7	48.2
1996-97	11425	10703	22128	51.6	48.3
1997-98	11793	10841	22634	52.1	47.8
1998-99	12239	11307	23546	51.9	48.0
1999-00	13584	11508	25092	54.1	45.8
2000-01	14330	12196	26526	54.0	45.9
2001-02	14712	12726	27438	53.6	46.4
2002-03	15258	13639	28897	52.8	47.2
2003-04 (prov.)	15740	14588	30328	51.8	48.2

(source JPC)

4.17 The strong trends in recovery in the domestic steel market and the consolidated bottomlines have encouraged leading domestic steel companies to undertake significant expansion/modernization plans to develop their facilities, imbibing state-of-the-art technologies. Moreover, India today is capable of producing steel of almost all grades and varieties and that too of international standards. All these imply that for the domestic consumers, the product basket has widened significantly and has further potential to do so in the near future. In addition, steel consumers are also free to import steel.

4.18 The Committee specifically referred the Budge speech of Finance Minister confirming his stress on thrust on development of infrastructure like road, railways, airport and sea port and wanted to know that how far the domestic steel industry in general and steel PSUs in particular would be able to reap the benefit from this continued policy of the Central Government. The Ministry of Steel submitted the following reply :-

> "SAIL's Corporate Plan 2012, envisages growth in hot metal production to a level of about 20 mt of hot metal, from the present level of 12.75 million tonnes. The enhanced production would require a quantum jump in the requirement of infrastructure facilities, especially in the logistics system to support the inflow of enhanced requirements of input materials, like coal, iron ore & fluxes from the mines/ports to the plants and outflow of finished steel from the plants to the stockyards and customers.
>
> Additional movement of coal, iron ore, fluxes and finished steel will call for augmentation of the Railway network and the rolling stock. As a part of the plan, finished steel is also targeted to be despatched by road, thus facilities for road despatches also need to be augmented. A major support will be required in the area of Port facilities for higher quantum of coal imports.
>
> Continued policy of thrust on infrastructure development is very important and will help in the growth of Indian Steel Industry.
>
> The development projects of the government as also in the private sector will boost the demand for steel, especially if these are related to general construction and infrastructure. Investments in Railways, ports, airports in particular are highly steel intensive. The new technologies adopted in road construction (with inclusion of crash barriers, guard rails, road dividers etc.) have also increased steel intensity in road construction. The benefits of these projects will be available to all steel producers. RINL is a fully

long product based plant and SAIL has a large long product capacity. Both the companies are likely to benefit. Bhilai Steel Plant of SAIL has large capacity to produce rails and increased demand for rails will help the company."

4.19 In the same context, when the Committee specifically wanted to know whether the steel industry has taken some specific initiatives with a view to compete with the internationally changing situation in this section and to catch up the global growth rate, the Ministry of Steel submitted the following categorical reply :-

> "Globally steel output trends remained on a firm upward path. The rising demand has primarily been fueled by the increased demand from China. The favourable trends in the international markets promise to continue for some more time as the US and some of the leading European economies are showing early signs of recovery. In May 2004 ten new nations joined the European Union (EU), making it the world's largest trading block. For the global steel industry, this is an important development since the new member countries are expected to add about 15% to the enlarged EU's total crude steel output. The per capita consumption level is low in most of the new member countries, leaving much room for growth. Steel demand in EU therefore has good likelihood of recording growth in the days to come and may very well spruce up global steel demand in a world reliant on China to show the way.
>
> Domestic demand too looks to be set for a faster growth with the significant improvement in the GDP in the current year and the expectations of further improvement in all sectors of the economy. More significantly, the recent improved performance of the industrial sector and accelerated spending in infrastructure is likely to add to steel demand in a major way. For the economy to achieve the stipulated 8% growth rate, the country will need much larger steel supplies.
>
> Buoyed by the recent upturn, the existing major steel producers have shown their intent to add incremental capacities to meet the rising domestic and international demand over the immediate short run. It has been estimated that in the coming 18 months, about 5 million tonnes of brown-field capacities will come up in different regions of India. Additionally, in the recent months the Financial/ Term-lending Institutions have cleared funds for several medium-scale new green-field capacities.
>
> Apart from these envisaged near-term additions to capacity, the country is expected to add substantially to domestic capacity over the medium term to meet rising domestic demand and also to cater to the expanding export

possibilities in a dynamic global market. These envisaged additions to existing capacity currently under different stages of planning and implementation, underscores the express need to debottleneck the availability of infrastructure and raw materials over a foreseeable time horizon."

4.20 The Committee note that our per capita steel consumption is only 29 kg which is perhaps the lowest in the world. The consumption in developed nations is about 400 kg with a world average of 150 kg. The Committee also note that the apparent consumption of Finished steel crossed 30 million tones in 2003-04 and there was a growth of 5.2% over the year 2002-2003. The Committee also note that the Government have a target of enhancing the use to 65 million tones by 2011 and 100 million tones by 2020. The Committee, however, find that there is a wide scope for triggering the domestic demand. The Committee find that the Ministry of Steel has to play a role catalyst in triggering demand and as facilitator for removing supply side constraints. The Committee are not satisfied with the present growth trend of steel consumption which was 21.3 million tones in 1995-96 and during 2003-04 it has reached to 30 million tones only. The Committee find that the target set to enhance the consumption to 65 million tones by 2011 requires many assertive efforts on all fronts. The Committee, therefore, desire that the Ministry of Steel should prepare a time bound programme along-with year-wise targets to tap the tremendous domestic market. They must play a role of effective facilitator in resolving the supply side constraints like raw material, iron ore, coal wagon availability, etc. The Committee express their hope that these targets would be achieved because the steel industry is doing well during these years when several loss making steel sector companies have made a positive turnaround. Moreover, the Government have promised a lot of investments in infrastructure in coming years and there is upward trend in international market also.

III. Pricing of Steel

Historical Background

4.21 Almost a decade has passed after the deregulation of the Indian iron and steel sector. The basic features of the new policy regime were as follows:-

- Removal of price and distribution control on the Main Steel Plants (SAIL, TISCO and RINL). It is to be noted that even before deregulation came into effect, the private producers were free to set their own prices and decide on their distribution strategy.
- Removal of import licensing and decanalization of imports.
- Initiation of a process of progressive reduction in import tariffs.
- Removal of quantitative restrictions on imports and exports.
- Delicensing of capacity and de-reservation of large scale integrated BE-BOF capacity, an area so far earmarked for public sector, and opening it up for private capital participation.
- Liberalizing the provisions of entry of private foreign capital into the sector.

4.22 The major objectives were two fold: firstly, to bring in fresh investment into the sector and expand capacity to meet the additional requirements of an expanding economy; secondly, to infuse an element of competition - both domestic and overseas- to enhance the efficiency of this sector.

4.23 On the supply side, the Indian steel industry witnessed unprecedented growth in terms of capacity build-up under the aegis of the private sector, technological upgradation, expansion of product-mix up the value chain, improvement in techno-economic efficiency parameters and greater global outreach through exports. On the demand side, growth of the Indian economy also led to growth in total consumption of steel.

4.24 About the initiatives being taken to control of prices of steel, the Ministry submitted as under:-

“In a liberalized and deregulated environment the Government does not intervene directly to influence prices. Prices are determined by free interplay of market forces of demand and supply. The domestic prices of steel generally move in tandem with prices of steel in the international market. The Government, through its policy initiatives, has taken several steps to ensure availability of steel and stabilise the price in the domestic market which inter-alia include the following:-

(i) reduction in customs duty on non alloy steel from 25% to 10%.

(ii) reduction in customs duty on alloy steel from 25% to 15%.

(iii) abolition of 4% Special Additional Duty (SAD) on imports.

(iv) lowering of excise duty on steel items from 16% to 12%.

(v) substantial increase in the allocation of steel items, during 2004-05, for supply to the SSI units under the Small Scale Industries Corporations (SSIC) scheme.

It has been observed that steel price movement follows a cyclical pattern. Post liberalisation steel prices reached a peak during 1996-97. The downturn started in mid 1998 and continued till the end of 2001. Steel prices once again started observing an upward trend since the beginning of 2002.

International as well as domestic steel prices are market driven and are governed by the market forces of demand and supply. Domestic prices of steel in a globalized economy usually follow the trends set in international prices.

A strong foreign demand for Indian steel, from China and other nations along with remunerative prices, have led to a steady growth in Indian exports of finished carbon steel in recent years. The trend however has seen fluctuations depending upon the status of economic growth of global economy, supply-demand factors and state of world steel industry.

India today is a net exporter of finished carbon steel with imports of same being always at a modest level. Table 2 gives the trends in India’s production, export and import of finished carbon steel over the last three years.” (source: JPC)

4.25 The details of production, exports and imports of steel during the last three years is as under:-

(unit: million tonnes)

Finished Carbon Steel			
Year	Production	Exports	Imports
2001-02	29.26	2.704	1.27
2002-03	33.67	4.506	1.51
2003-04 (Prov.)	36.19	5.221	1.65

(Source: JPC)

4.26 Trends in domestic open market prices (Mumbai market) in key categories of steel are reported quarter wise from April 2001-02 to July 2004 in the Table given below:-

(Unit: Rs/tonne)

Period	Wire Rods 6mm	Rounds 12mm	HR Coils 2.00mm	C R Coils 0.63mm	G P Sheets 0.63mm
Apr ‘01	15800	15300	17500	20800	27500
Jul ‘01	15800	15500	16800	20800	27500
Oct ‘01	15200	14800	15800	19500	25000
Jan ‘02	15000	14500	15500	19500	25000
Apr‘02	15200	14800	15800	19000	25000
Jul ‘02	17750	15900	20500	23500	27000
Oct ‘02	17750	15600	21500	23000	28500
Jan‘03	17100	16400	23500	26000	29000
Apr‘03	18000	17500	24200	26500	31000
Jul ‘03	20000	18600	22500	27500	30000
Oct‘03	20900	20000	23500	27500	29750
Jan‘04	22400	21700	28250	31000	32000
Apr‘04	25500	24000	31000	34000	36000
Jul ‘04	27250	26000	31000	33250	34250

4.27 Movement of International & Domestic Prices of Flat Products is shown in the table given below:-

Product	Period	FOB Price (US $/T) EC	Domestic Prices (Rs./T) Mumbai market
HR Coils	June 2000	325	19,500
	March 2002	207	15,500

	% change during June 2000 & March 02	(-) 36.3	(-)20.5
	August 2004	570	30,650
	% change during March 2002 & August 2004	(+) 175.00	(+)97.7
CR Coils	June 2000	425	23,500
	March 2002	265	18,500
	% change during June 2000 & March 02	(-)37.6	(-)21.3
	August 2004	660	33,250
	% change during March 2002 & August 2004	(+)149.0	(+)79.7

4.28 Movement of Price Indices of HR Coils Global Vs Domestic (1998=100) is mentioned below:-

Month April'01	**Global**	**DOMESTIC**
Oct'01	70	84
April'02	84	84
Oct'02	102	114
April'03	98	129
Oct'03	100	123
April'04	168	162
July, 04	196	163
%age increase during 01 to July, 04	180%	75%

4.29 Explaining the global and domestic trend of steel prices, Joint Secretary in the Ministry of Steel submitted the following details during evidence:-

> "The indices has increased to 196 from 70 in April, 2001. That is an increase of 180 per cent, whereas in India from 84, it increased to 163, that is rise of 75 per cent. We have also gone up. In fact, as I said, we move up in tandem, but not as much as internationally. Now let me come to the input cost. If you remember, I had mentioned that one of the reasons which determine the price rise, is the global rise in cost of input. The major inputs are given here. Met coke is used in the blast furnace for

making hot metals. It has gone up from 80 dollars per tonne in 2002, it went up to 120 dollars in September, 2003. This is all FOB. Then it went up to 460 dollars in April, 2004. This is a massive rise. This is where the rise has been the maximum. Now as you see, it is stablishing. In fact, after March, the market not only internationally but also domestically is stablishing. It has gone down to 300 dollars in July, 2004. If you compare July 2004 with 2002, the price rise in this important product of Met Coke is 275 per cent. For every one tonne of hot metal, we require .5 tonne of Met Coke Melting scrap is used for electric arc furnace to produce steel. Hot rolled coil is the major flat product which is used in car making and evening white goods. If you look at the global price, in June 2000, it was 325 dollars. This is all FOB. Now, in March 2002, it went down because the steel market, as you know, was not doing well as the demand was less. The percentage change was minus. Then in August, 2004, it shot up to 570 dollars. If you compare 2002 and 2004, the rate of increase is 175 per cent in price, but on the domestic side-this is important- our producers have not increased the prices. As we said earlier, we normally follow them. The prices do rise in tandem with the international prices, but the extent of increase has not been to the extent in the international market. It was 97 per cent. Similarly, CR coil is also an important flat product".

4.30 When the Committee enquired about the impact of price increase of coal on steel prices, the Ministry of Steel stated as under:-

"Production cost of saleable steel is likely to go up as a result of the recent hike in the prices of both domestic `and imported coal. SAIL sources its washed coking coal and boiler coal requirements from Coal India Ltd and imported coal mainly from Australia, USA, China, New Zealand, etc. Coal India Ltd supplies nearly 30% of SAIL's coal requirements whereas the balance requirements are met through imports. The expected hike in cost of production of saleable steel due to indigenous and imported coal price increase alone will be around Rs. 1500/T in SAIL. In order to ensure sustained supplies of coking coal, SAIL is currently exploring the possibilities of forging strategic alliances with overseas coal mining companies. Several proposals are currently under examination for their suitability.

For ensuring sustained availability of coking coal from domestic sources, SAIL is considering Strategic Alliance with Coal India Ltd. to exploit existing or new blocks".

4.31 The Committee observe that steel prices have started increasing from the beginning of 2002 primarily due to increase in global demand for steel. Since then, the prices have been growing continuously and during 3 years of time span the prices have almost doubled. Very surprisingly, despite various steps taken by the Government, these steps have not controlled the domestic prices of steel. These steps have affected the imported steel prices but not the domestic prices at all. The Committee do not agree with the justification given by the Ministry that the national price have been increasing in tandem with the international steel prices because the factors which govern the international steel prices are different than those prevailing in the country. The Committee, therefore, desire that the Government should make a detailed study of factors responsible for continuous price increase of steel items and also analyse the impact of various duty exemptions being given from time to time to contain the steel prices.. The Committee have also an apprehension that there may be cartelisation of private sector steel companies in enhancing the prices continuously for profiteering. The Government should seriously consider this while taking measure to contain prices. The Committee also desire that the Government should take up the matter with private as well as public sector undertakings of steel sector and play a positive role of facilitator in stabilizing steel prices in the country and if necessary, they should also consider to establish specific type of regulatory mechanism to control steel prices in future.

V. Disinvestment of Steel sector PSUs

4.32 The Committee noted that recent announcements made by the Government about disinvestments policy and wanted to know the status of the Government, the Ministry of Steel submitted the following details:-

> "MOIL was under the active consideration of Department of Disinvestment. The policy of the Government as enunciated in the National Common Minimum Programme and as reiterated in the Budget Speech 2004-05 is that profit making companies will generally not be privatized. Since MOIL is a profit making company, strategy for the implementation of the policy is being worked out by Department of Disinvestment. Government may not pursue the disinvestment through strategic sale in MOIL in view of its present policy.
>
> MSTC and FSNL were also being considered for disinvestments. Subsequently when the private sector showed no interest in purchasing equity of MSTC, the Ministry of Disinvestment recommended closure of these companies.
>
> The Ministry has come to the conclusion that in view of the excellent performance of MSTC and FSNL in a generally competitive market where MSTC has emerged as a premier trading house while FSNL is providing irreplaceable service in the area of scrap recovery to the Integrated Steel Plants in the Public and Private sector, there is really no justification to close down these profitable companies. Accordingly, Steel Ministry is of the considered opinion that these profit making PSUs may not be closed. This has been considered at the level of Steel Minister. Accordingly, Department of Disinvestment has been informed vide O.M. No. 3(8)/98-MF dated 14.7.2004.
>
> In October 2001, Govt. took a decision to allow disinvestment of 51% equity in MECON. On the advice of Ministry of Disinvestment, M/s Price Water House Coopers (PWC) were appointed as consultant to prepare a strategic and financial restructuring plan for the company. The report of the consultant is under consideration of the company
>
> The Disinvestment Commission earlier recommended disinvestment of RINL after its accumulated losses are written off. The Commission recommended initiation of process for disinvestment to a strategic buyer. Based on the above recommendations the then Ministry of Disinvestment floated a restructuring-cum-disinvestment proposal. This could not be taken forward due to lack of consensus between Govt. of India and State Govt. of A.P. in the matter. One of the objectives of this proposal was to

enable the Company to achieve a turn around. RINL has already achieved a turn around in the last two years and continues to perform well during the current year thereby reducing the immediate relevance of any Government supported disinvestment centric revival plan. However, final decision with regard to the disinvestment has to be taken by the Deptt of Disinvestment.

There is no proposal, at present to disinvest Govt. equity in SAIL.

The Financial-cum-Business Restructuring package of SAIL that was approved by the Govt. in February 2000 included inter–alia to initiate the process of divestment of the following non-core assets, while protecting jobs of the existing employees:

(a) Power Plants at Bokaro, Durgapur and Rourkela *
(b) Oxygen Plant-2 of Bhilai Steel Plant
(c) Salem Steel Plant (SSP), Salem
(d) Alloy Steel Plant (ASP), Durgapur
(e) Visvesvaraya Iron and Steel Plant. (VISP), Bhadrawati
(f) Fertilizer Plant at Rourkela.
(g) Allowing SAIL to have a minority shareholding in any joint venture contemplated for revival of Indian Iron and Steel Company (IISCO).

{* Divestment of CPP-II at Bhilai was subsequently added by CCEA on 12.3.2001}"

4.33 About the divestment of power plants they submitted the following details:-

"Power plants at RSP, DSP & BSP have been divested with NTPC as joint venture partner. All the Power Plant Joint Ventures are operating successfully. NTPC-SAIL Power Company Pvt. Ltd (NSPCL), with CPP-II of RSP and DSP under its operations, declared a dividend of Rs.16 crore/year for the last three consecutive years ie., 2001-02, 2002-03 and 2003-04. NSPCL is thinking of capacity addition of CPP-II by 2X500 MW outside RSP boundary, but within the acquired land of RSP, during11th /12th five year plan. NSPCL is also thinking of capacity addition at CPP, Durgapur by about 1500 MW.

Bhilai Electric Supply Company (Pvt.) Ltd. (BESCL) with CPP-II, BSP is operating for the past one year satisfactorily. BESCL is planning to expand the capacity of CPP-II by about 500 MW which would meet the requirement of BSP & also enable BESCL to sell power to other consumers. BESCL has requested SAIL for in-principle approval of the proposal.

Power plant at BSL was divested with Damodar Valley Corporation (DVC) as joint venture partner. Sale value of divestment of power plants was Rs.1061 crore with capital gains of Rs.777 crore to SAIL".

4.34 In regard to divestment of oxygen Plant-II of BSP, Ministry submitted as under:-

"SAIL Board approved the closure of divestment process of OP-II of BSP, on the recommendations of the Apex Committee, as the bid submitted by the only party in the fray was not found suitable and also as the divestment of Oxygen Plant 2, BSP is not in the interest of BSP/SAIL. CCEA was also apprised in this regard in its meeting held on 2.12.2003".

4.35 About the divestment of units of SAIL, the Ministry of Steel stated as under:-

"In pursuance of the decision of CCEA, cases for divestment of various units of SAIL i.e. Salem Steel Plant [Salem], Rourkela Fertiliser Plant [Rourkela], Indian Iron & Steel Company (IISCO), Alloy Steel Plant [Durgapur] & Visvesvaraya Iron & Steel Plant [Bhadrawati], that had already been approved for divestment by CCEA, were forwarded to Ministry of Disinvestment.

In order to ensure sustained supplies of Coking Coal to these plants in future, both SAIL and RINL are exploring the possibility of forging strategic alliances with overseas Coal Mining Companies. For augmenting supplies of Coking Coal to SAIL from domestic sources, Ministry of Steel as requested Ministry of Coal to consider a Joint Venture between Coal India Limited and SAIL to exploit existing or new blocks".

4.36 The Committee have been apprised of the opinion of the Disinvestment Commission on the various steel PSUs status of disinvestment process undertaken by the Department of Disinvestment on the basis of Disinvestments Commission . The Committee have noted significant change in the view of the Government pronouncement that profit making PSUs would not be disinvested. The Committee have a view that India has marched ahead with its economic reforms and

disinvestments being constituent of these reforms. At this point of time, policy makers should evaluate the policy of disinvesment by having a close examination and observation of the PSUs in their post divested phase and accordingly decide the future of course of action. The Committee observe the performance of steel sector PSUs and find that the companies like SAIL, MOIL, MSTC, FSML and RINL have made a positive turnaround and they have again moved on a path of very good recovery. Under these circumstances, there is a need to reconsider the disinvestment proposals of steel sector.

VI. National Steel Policy

4.37 In pursuance of the recommendations contained in the 30th and 34th Report of the Departmentally Parliamentary Standing Committee on Industry, Ministry of Steel is formulating a National Steel Policy. When the Committee asked about the state of Steel Policy, the Ministry of Steel submitted the following reply:-

> "The Committee set up for drafting the National Steel Policy submitted its first draft in April 2001. Thereafter a meeting in was convened under the Chairmanship of Secretary (Steel) on 25.05. 2001 to discuss the draft with all major steel producers, their associations, consultancy firms in the field of metallurgy and representatives of FICCI, Ministries of Commerce and Finance. The participants suggested certain changes to be incorporated in the policy document and accordingly it was decided that the draft would be modified in light of the suggestions so given and the revised policy document would again be circulated to all concerned before giving it a final shape.
>
> While further consultations with industry were in progress, it was observed that the industry in general showed signs of revival. In addition, concerted activity was observed on the trade front. Several developed and developing countries have started adopting various tariff and non-tariff barriers to protect their domestic steel industry. In addition to the increasing number of anti-dumping and countervailing duty cases, the Section 201 safeguard action announced by the US, the strict surveillance mechanism put in place at the EU and the cumbersome packing and

quality standards imposed by Australia and Thailand had affected markets that were of interest to India. It was felt that the imperatives of the changing scenario should be incorporated in the Steel Policy.

Accordingly the steel policy was redrafted and a section of our vision for the steel sector was incorporated. Thereupon a Core Task Group (CTG) comprising of economists and professionals from different fields like metallurgy, banking and management was constituted on 23.07.2003 for considering the redrafted policy.

A series of meetings were held by the CTG and the policy was discussed threadbare. The redrafted steel policy was further modified in consonance with the inputs given by the CTG and then circulated, along with an action plan for its implementation, to various ministries and departments on 8.03.2004. Comments from most of the ministries/departments have been received and are being examined. The draft policy is also required to be circulated amongst the various associations representing the domestic steel industry. Thereafter it is further proposed to circulate the final draft for Inter-Ministerial Consultations and after considering the comments thereto, move a Cabinet Note for obtaining the final approval from the Government."

4.38 During the course of evidence, when the Committee specifically asked about the time by which the Steel Policy could be ready, the Secretary in Ministry of Steel informed that the Policy is in the final stage and the Ministry would be able to bring it out latest by October, 2004.

4.39 When the Committee specifically asked about the main points being considered in preparation of new Steel Policy at redrafting stage, the Ministry of Steel informed as under:-

"The following are some of the salient features of the draft National Steel Policy(NSP):

The NSP recognizes the importance of steel, as the universal intermediate required in building up the material base of an economy, especially for industrialization and construction of physical infrastructure.

The NSP acknowledges the low per capita consumption of steel in the country, especially in the rural areas and the need to boost steel consumption to improve quality of life and help in meeting the growing aspirations of masses.

The draft Policy takes note of the suitability of steel for a wide range of applications for reasons of durability, strength, safety, economy and conservation of environment and aims at encouraging eco-friendly operating processes/technologies to reduce environmental degradation.

The NSP acknowledges that India has the required natural resources, an acquired skill base and the demonstrated capability for producing quality steel to become a leading supplier of steel to the world and aims to facilitate enlargement of its export presence.

The Policy aims at removing the external constraints to the growth of the domestic steel industry especially in the areas of infrastructure and availability of critical inputs including bulk raw-materials, financial resources and technology and create conditions conducive to its cost-competitiveness.

The NSP aims at strengthening the Management Information System for efficient decision- making through involvement of all stakeholders.

The NSP targets 100 million tons annual consumption to be met principally through domestic production by 2020, as against the historical trend of reaching the same level by 2025.

4.40 The Committee strongly criticize the lethargic approach of the Ministry of Steel in finalizing the Steel Policy for the country. This policy was to be prepared essentially during the period when the steel industry was passing through very tough phase of recession. The Committee are happy to note that the steel sector has passed that phase and it has taken a positive turnaround during the last two years. Now in the changed situation there is an urgent need of a policy which can bring a stability in this sector and strengthened to fight with the national and international situations in future. The Committee, therefore, desire that Government should adhere to their promise and bring out a National Steel Policy with an objective to prepare a road map for Indian Steel industry in the context if ongoing reforms, restructuring and globalization.

NEW DELHI

20 August, 2004 — **ANANTH KUMAR**
29 Sravana,1926(Saka) — **Chairman**
Standing Committee on Coal & Steel

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

Sl. No.	Reference Para No. of the Report	Conclusions/Recommendations
1	2	3
1.	1.7	The Committee observe that the steel is the basic raw material for infrastructure. The consumption of steel has been identified as an indicator of economic well being of the country. It reflects growth in infrastructure and the maturity of the manufacturing industry of a nation. This industry has shown an impressive turn around during the last two years. The Committee, therefore, desire that the Government should take all initiatives to strengthen all the wings of iron and steel industry to enable them to face international competition in steel sector. The Government should ensure that all the constituents of this sector carry out their allocated duties and responsibilities with desired coordination and inter-PSUs cooperation and contribute to economic well being of the country significantly.
2.	2.5	The Committee have taken note of the approved plan outlay and actual expenditure made during the first two years of current Five Year Plan and express their concern that as against the approved outlay of 1409 crore only 442.90 crore were spent during 2002-2003 and during 2003-2004 against an approved outlay of Rs.1461.30 crore only 606.40 crore has been spent. This shows only 36.51% of fund utilization during the first two years. The reasons given by the Ministry of Steel for not utilizing the budgeted amount like depressed market conditions, delay in obtaining forest/environmental clearances, acquisition of land and preparation of DPR etc. are more in administrative in nature and show poor execution of project etc. by the different wings of the Ministry and are not acceptable to the Committee. The current trend shows that the Ministry has not taken any lesson from the similar failures during the 9th Five Year Plan and the same trend is continuing during the current plan also. The Committee note that the mid-term appraisal of 10th Five Year Plan (2002-2007) exercise is underway. The Committee, therefore, strongly recommend that the Government should take all the possible initiatives for full utilisation of plan outlay during the remaining years of current Five year Plan so that the projects and

programmes of the PSUs do not suffer and the current turn around in the steel sector is maintained during the current year and in the remaining period of current plan.

1.	2.	3
3.	3.6 B	The Committee note that as against the proposed total Plan outlay of Rs.1658.36 crore including Budgetary Support of Rs.23.00 crores, the Planning Commission has approved an outlay of Rs.1461.40 crores with a Budgetary Support of Rs.15.00 crores. The Committee find that several plan schemes of MECON Ltd., HSL and BRL are going to be affected due to lower plan Budgetary Support than the proposed and similarly many important schemes of NMDC, MOIL and KIOCL are going to suffer due to allocation of lower Internal and Extra Budgetary Resources than the proposed. All these schemes may contribute significantly in improving the performance of these undertakings. The Committee, therefore, desire that sincere efforts should be made by the Ministry of Steel for getting allocation of additional funds at the Supplementary/Revised Estimates stage with Planning Commission and Ministry of Finance as per requirement of those public sector undertakings.
4.	3.12	The Committee do not find any justification for the allocation of an amount of Rs.3.79 crores in the name of the office of Development Commissioner for Iron and Steel, Kolkata when it was closed w.e.f. 23.5.2003 based upon the recommendations of the Expenditure Reforms Commission constituted by the Ministry of Finance, These functions have been transferred to the Ministry of Steel and Joint Plant Committee and they are doing it without any problem. The Committee note that there were 226 employees of DCI&S at the time of closure. Out of 215 staff declared surplus by Department of Personnel and Training (DoPT), special VRS has been declared in case of 8 persons and 82 persons have been redeployed/nominated by DoPT leaving 125 surplus staff, awaiting redeployment. The Ministry of Steel has made financial provisions for all 226 employees

		in the budget of 2004-2005 and they are making payments to them without any assignment. The Committee, therefore, desire that the Ministry of Steel should undertake the matter with DoPT for an earliest completion of the redeployment process and save the expenditure allocated for the purpose.
5.	3.16	The Committee appreciate the financial loan assistance being given by the Government to Hindustan Steel Works Construction Limited for payment of outstanding salaries, wages and other statutory dues to the employees of a company passing through tough phase of regular loss. The Committee, however, desire that the Ministry should ensure that the amount is utilized only for the assigned purpose and there should not be any diversion of funds, delay in payment of salary etc. to the employees of the
1.	2.	3.
		company. The Committee also desire that the Ministry should ensure that if there is any gap in financial requirement and loan assistance being given, this should be taken up with the Ministry of Finance at RE stage to ensure the regular payment to remaining employees of the company.
6	3.21	The Committee are happy to note that during the year 2003-04 guidelines of the Ministry of Finance to effect 10% mandatory cut on non-Plan, non-salary expenditure in respect of the administrative expenditure of the Ministry of Steel and its attached office viz. the office of Development Commissioner for Iron and Steel was adhered to by the Ministry of Steel during 2003-2004. The Committee desire that Ministry should continue to undertake overall exercise to rationalize the expenditure under Revenue Section to effect the same economy during the year 2004-05 also.
7.	3.26	The Committee are happy to note that through the loan assistance from the Government, HSCL has been able to reduce liability on account of statutory dues and wages/salaries of its employees. This has helped a lot in reducing the manpower and manpower costs of the company and ultimately resulting into minimizing loss. The

		Committee note that the total dues at present are 89.37 crore and HSCL has got 71.89 crores as loan assistance from the Government for this purpose. The Committee, therefore, desire that the company should take all possible initiatives to generate funds through their own means and if they fail to do so, they should take up the matter with the Ministry of Finance at Revised Estimates stage to obtain the remaining amount for payment of salaries/wages of employees to boost the morale and avoid any possibility of litigation on this account.
8.	3.28	The Committee are surprised to note that a huge amount of Rs.218.74 crores is pending with steel sector PSUs since last several years. It is very painful that steel sector PSUs have kept the payments pending/under dispute for such longer periods particularly under the condition when the HSCL is trying to revive with Government's assistance. The Committee have no hesitation in saying that the Ministry of steel has not played its desired role of facilitator and regulator. The Committee strongly recommend that the Dispute Settlement Committee of the Ministry should undertake the matter on top priority with a view to decide the matter at the earliest and direct PSUs to settle the accounts immediately. The Committee strongly recommend that the Ministry of Steel should now prepare a time bound schedule for an earliest settlement of issues and the matter should not be delayed any more.
1.	2.	3.
9.	3.33	**The Committee are happy to note that the HSCL have separated 11047 employees since implementation of restructuring package and manpower has been brought to the level of 2207 employees. They have a target of bringing the number of employees to the level of 1000. The Committee find that reduction in number of employees has contributed significantly and company has moved on the path of recovery after the implementation of revival package. The Committee, therefore, desire that the Ministry of Steel would facilitate HSCL by providing required assistance so that there is no hurdle in the path of recovery.**

10.	3.34	**The Committee note that HSCL is outsourcing labour of younger generation who are able to perform. The Committee do not support this approach of the company for the reasons that they are paying high salary to the regular employees without proper utilization of their services. In addition, they are spending money by engaging young contractual labour. The Committee, therefore, desire that such regular workers of the company should not be paid for sitting idle. HSCL should identify such workers who have attained an age of 54 years and above and prepare a scheme to provide multi-skill training suitable to them with a view to utilize their services to an optimum level. The company should also analyse the expenditure being made by engaging contractual labourers and should minimize it.**
11.	3.40	**The Committee find that at the time when the Bird Group of Companies came under the administrative control of the Ministry of Steel, Government of India. they were financially sick and overburdened with various problems. With the financial support of the Government of India, problems mainly relating to excessive manpower, erosion of working capital and outstanding liabilities have been settled to some extent. With the support from the Ministry in the form of grant in aid, the operating companies implemented Voluntary Retirement Schemes (VRS) for rationalization of manpower and separated a large number of employees from 1992-93 till date. The Committee note that for survival of BSLC and SSL, further rationalization of manpower is essential and for this purpose they require grant because they are not in a position to pay interest on Plan loan. The Committee, therefore, desire that the Ministry of Steel should take up the matter with Ministry of Finance so that the company may get financial assistance in the form of grants required for the implementation of VRS in these companies.**
12.	3.44	The Committee note that BSLC, KDCL and SSL are in the process of considering the revised restructuring proposals. The Committee, therefore, desire that these proposals

		should be finalized immediately and the Ministry of Steel should consider these proposals seriously on receipt so that these undertakings may be able to come out of red like OMDC.

1.	2.	3.
13.	3.51	The Committee hope and that this effort had helped the company in coming out of bad financial conditions and desire that they must take all initiatives to bring this reduction to the optimum level of 1000 by 2005-06 so that the health of the company may improve further. The Committee expect that this step may provide a strong base for success of revival package of the company. The Committee note that HSCL had proposed 6.60 crores subsidy for waiver of guarantee in the Revised Estimates of 2003-2004 and Budget Estimates of 2004-2005. But in both cases they have got outlay of 0.92 crores each time. The Committee, therefore, desire that the Ministry should pursue vigorously to obtain the required subsidy for waiver of guarantee at Revised Estimates stage.
14.	3.61	The Committee are very happy to note that Bharat Refractories Limited has made a turnaround and earned a net profit of Rs.1.79 crores without considering interest on Government loan of Rs.55 crores during 2003-04. When during 2002-03 company incurred a net loss of Rs.74.50 crores. The recovery is impressive and they have overcome the main hurdles in the way of physical and financial performance particularly the excessive manpower. The government subsidies have helped a lot in the turnaround of the company. The Committee strongly recommend that the Ministry of Steel should undertake the matter seriously with the Ministry of Finance to review the high rates of interest on government loans particularly for the companies who are suffering losses for a long period and are recovering with the help of these loans. The Committee also recommend that the Ministry should make adequate arrangements for timely and proper implementation of revival package so that BRL may be able to get more strength in recovery process.
15	3.68	The Committee note that Steel Authority of India Limited(SAIL) have made an appreciable turnaround during 2003-2004 by making a profit of Rs.2512 crore. The Committee, however, find that as against the target of downsizing the manpower to the level of 1 lakh, at present

		130,854 employees are there in SAIL. The company is facing difficulty in achieving the target since now there is lukewarm response due to better performance of the company, falling rate of interest on savings and bleak job opportunities for VR optees. The Committee hope that SAIL would be able to adhere to its time frame as set in the MoU signed with the Ministry for rationalization of manpower. The committee also observe that as against the subsidy requirement of 54.65 crore as interest subsidy to SAIL for loans raised from banks for implementation of VRS only 18.60 crore has been allocated in budget estimates. The Committee, therefore, desire that the matter should be taken up seriously with the Ministry of Finance at the Revised Estimates stage so that the work relating to downsizing of manpower may not suffer due to paucity of funds.

1.	2.	3.
16.	3.72	The Committee are very happy to note that after a consistant negative gross margin since 1998-99, MECON has earned gross margin of 25.85 crores during 2003-2004. In this positive turnaround of the company, there is a significant contribution of vigorous implementation of VRS in the company. Due to this approach, now there is no surplus manpower in the company. At this point of time there is a need to maintain the same type of performance in future. The Committee, therefore, desire that MECON should now focus on cost reduction through outsourcing and adopt austerity measures and timely implementation of restructuring plan based on recommendation of consultants appointed by them. The Committee also desire that MECON should also pay specific attention in diversified services like power, environmental engineering, roads and highways, oil and gas pipelines, information technology, defence projects, etc. in addition to their traditional expertise in providing engineering and consultancy services for establishment of steel plants in the country. The Committee hope that the substantial jobs contracted during the year 2003-04 would also contribute significantly in improving the financial performance of the company.
17.	3.78	The Committee find that SAIL had lowered the target of investments during 2003-04 from Rs. 600 crores to Rs.425 crores and actual amount spent through Internal and Extra Budgetary resources was Rs.454.32 crores only. This was done due to reprioritization of schemes. Similarly, during the year 2004-05, this target has been kept at Rs.650

		crores. The Committee have analyzed the plant/unit-wise allocation and find that most of the schemes are essential for the concerned plants. The Committee, therefore, desire that the government should ensure that there is no downward revision in the targets and all the schemes are completed in time with the help of Internal and Extra Budgetary Resources allocated for specific purpose. The Committees would appreciate if there is better internal resources availability during 2004-2005 and more and more schemes for upgradation / modernization are undertaken during this period.
18.	3.92	The Committee appreciate the achievements of SAIL in the financial performance and reduction in borrowings. The Committee note that such significant improvement in the turnover and financial performance was due to improved production and sales volume, market oriented product mix, intensive cost control measures, rationalization of manpower, reduction in borrowings supposed by external factors like growth in steel demand and firming up of international and domestic prices. The Ministry has expressed their hope that buoyant demand conditions are likely to continue in 2004-2005 also on the basis of substantial investment in infrastructure and industrial projects in domestic front and stability in global demand. The company has now put
1.	2.	3.
		thrust on debt reduction and fund management. Outstanding borrowings as on 30.6.2004 is Rs. 7728 crores and they propose to make the repayment by 2006-2007. The Committee, therefore, desire that SAIL should work as per the road map proposed with specific short term and long term targets to maintain the present performance and further strengthening of financial status of the company so that the sudden changes in national and international scenario may not affect them adversely.
19.	3.93	The Committee find that after implementation of the financial and restructuring proposal for SAIL, majority of the tasks have been completed successfully. A few tasks like downsizing of manpower are still under implementation and they are also anticipating difficulties in decision of disinvestments of SAIL units. The Committee would like to draw the attention towards the announced Government policy that profit making PSUs will not be considered for disinvestments. Now, SAIL is a profit making company in

		all terms and any disinvestments at this stage may create great difficulty on the path of recovery. The Committee, therefore, strongly recommend that the issue of disinvestments of SAIL units should be reconsidered in view of changed situation and final decision should be taken as per the present policy.
20.	3.97	The Committee are surprised to note that RINL has spent Rs.24.28 crores only as against the Budget Estimates of Rs.227 crores and Revised Estimates of Rs. 99 crores. The Committee do not favour this type of under utilization of funds because this directly affects the implementation of important schemes and ultimately the performance of the company. The Committee note that for the year 2004-2005, there is an allocation of Rs.300 crores. The Committee strongly recommend that the Government should ensure that RINL utilized the full allocation made for the year 2004-2005 so that the schemes for which the allocations have been made do not suffer due to poor utilization of funds.
21.	3.100	The Committee express their happiness to note that Rashtriya Ispat Nigam Limited (Visakhapatnam Steel Plant) has improved their financial performance and net profit of the company soared to Rs.15.47 in 2003-2004 crores from Rs. 521 crores in 2002-2003. This increase in profit of 192% from the last year is supposed to be very impressive. The Committee hope that RINL would maintain this performance in future also. The Committee also welcome the long term policy being prepared by the company for expansion. The Committee desire that RINL should undertake the work relating to expansion on priority and start the work in this direction after getting the approval of the Government without any delay. The Committee also strongly desire that the Government should work as facilitator in the task of implementation of the prosperous expansion plan of RINL.
1.	2.	3.
22.	3.107	The Committee note that as against the allocation of Rs.481.55 crores at Budget stage, the allocation was revised to Rs.212.43 crores and actual expenditure was Rs.65.05 crores only during 2003-2004. The Committee are surprised to note that as against, the allocation 150 crores for new schemes not a single penny was spent during the whole year. Similarly, in continuing schemes also only 31.30 crores were spent aginst the allocation of 252.74

		crores. The Committee strongly disapprove this type of under utilization of funds allocated for investments and direct that they should adopt more practical approach at the budget stage in allocation of funds and later on at implementation stage also so that this type of under utilization of fund may not take place during 2004-2005. The Ministry should also ensure that the company may adhere to the projected estimates strictly so that the implementation of schemes do not suffer more.
23.	3.110	The Committee note that in view of order of Hon'ble Supreme Court has permitted mining at Kudremukh upto 31st December, 2005 only, KIOCL has started looking for alternative mines and on account of additional investments, the allocation has been enhanced to the extent of 54 crores. The Committee welcome the impressive performance of the company during 2003-2004 and hope that it will continue during 2004-2005 and in coming years. The Committee desire that KIOCL should undertake the work vigorously to explore the possibility to identify and develop new mines to prepare themselves for continuance of the operation of the company beyond December, 2005 on the similar pattern.
24.	3.118	The Committee note that during the year 2003-2004, the Bird Group of companies raised Rs.16.78 crores through IEBR as against the non-plan Budget Estimates of 1.50 crores during 2003-2004. on the other side, the Plan budgetary support was only Rs.1 crore which was not found adequate for additions/modifications and replacement schemes. The Committee also note that for the year 2004-2005 an amount of 7.23 crores have been proposed to be appropriated for the AMR schemes. The Committee expect that this budgetary support should be utilized appropriately so that through replacement/modifications of old plant machinery, the company may be able to obtain better operational efficiency.
25.	4.11	The Committee are surprised to note that the Empowered Committee under the Chairmanship of Secretary, Ministry of Steel have approved only 33 R&D projects since 1998 and only 17 projects have been completed so far. The Government have reduced the allocation for R &D purpose from Rs.95 crores during 2002-03 to Rs.60 crores during 2003-04 and 2004-05. During 2003-2004 only an amount of 13.426 crores was disbursed. The Committee are not

		convinced with the justification given by the Government that they are not receiving the sufficient number of R & D projects requiring high investments particularly

1.	2.	3.
		when steel PSUs and private sector has been making good investments for this purpose. The Committee strongly criticize the neglecting approach of the Government towards such an important activity of steel sector. The Committee feel that there is a lot of scope of R &D in this sector but the Government is not paying desired attention to facilitate the important and good projects which may be useful for the welfare of the steel sector. The Committee, therefore, desire that the Government should take up the matter seriously in consultation with all the public and private sector players and invite projects which can benefit the industry in improving the cost of production and efficiency.
26.	4.20	The Committee note that our per capita steel consumption is only 29 kg which is perhaps the lowest in the world. The consumption in developed nations is about 400 kg with a world average of 150 kg. The Committee also note that the apparent consumption of Finished steel crossed 30 million tones in 2003-04 and there was a growth of 5.2% over the year 2002-2003. The Committee also note that the Government have a target of enhancing the use to 65 million tones by 2011 and 100 million tones by 2020. The Committee, however, find that there is a wide scope for triggering the domestic demand. The Committee find that the Ministry of Steel has to play a role catalyst in triggering demand and as facilitator for removing supply side constraints. The Committee are not satisfied with the present growth trend of steel consumption which was 21.3 million tones in 1995-96 and during 2003-04 it has reached to 30 million tones only. The Committee find that the target set to enhance the consumption to 65 million tones by 2011 requires many assertive efforts on all fronts. The Committee, therefore, desire that the Ministry of Steel should prepare a time bound programme along-with year-wise targets to tap the tremendous domestic market. They must play a role of effective facilitator in resolving the supply side constraints like raw material, iron ore, coal wagon availability, etc. The Committee express their hope that these targets would be achieved because the steel industry is doing well during these years when several loss making steel sector companies have made a positive

		turnaround. Moreover, the Government have promised a lot of investments in infrastructure in coming years and there is upward trend in international market also.
27.	4.31	The Committee observe that steel prices have started increasing from the beginning of 2002 primarily due to increase in global demand for steel. Since then, the prices have been growing continuously and during 3 years of time span the prices have almost doubled. Very surprisingly, despite various steps taken by the Government, these steps have not controlled the domestic prices of steel. These steps have affected the imported steel prices but not the domestic prices at all. The Committee do not agree with

1.	2.	3.
		the justification given by the Ministry that the national price have been increasing in tandem with the international steel prices because the factors which govern the international steel prices are different than those prevailing in the country. The Committee, therefore, desire that the Government should make a detailed study of factors responsible for continuous price increase of steel items and also analyse the impact of various duty exemptions being given from time to time to contain the steel prices.. The Committee have also an apprehension that there may be cartelisation of private sector steel companies in enhancing the prices continuously for profiteering. The Government should seriously consider this while taking measure to contain prices. The Committee also desire that the Government should take up the matter with private as well as public sector undertakings of steel sector and play a positive role of facilitator in stabilizing steel prices in the country and if necessary, they should also consider to establish specific type of regulatory mechanism to control steel prices in future.
28.	4.36	The Committee have been apprised of the opinion of the Disinvestment Commission on the various steel PSUs status of disinvestment process undertaken by the Department of Disinvestment on the basis of Disinvestments Commission . The Committee have noted significant change in the view of the Government pronouncement that profit making PSUs would not be disinvested. The Committee have a view that India has marched ahead with its economic reforms and disinvestments being constituent of these reforms. At this point of time, policy makers should evaluate the policy of

disinvesment by having a close examination and observation of the PSUs in their post divested phase and accordingly decide the future of course of action. The Committee observe the performance of steel sector PSUs and find that the companies like SAIL, MOIL, MSTC, FSML and RINL have made a positive turnaround and they have again moved on a path of very good recovery. Under these circumstances, there is a need to reconsider the disinvestment proposals of steel sector.

1.	2.	3.
29.	4.40	The Committee strongly criticize the lethargic approach of the Ministry of Steel in finalizing the Steel Policy for the country. This policy was to be prepared essentially during the period when the steel industry was passing through very tough phase of recession. The Committee are happy to note that the steel sector has passed that phase and it has taken a positive turnaround during the last two years. Now in the changed situation there is an urgent need of a policy which can bring a stability in this sector and strengthened to fight with the national and international situations in future. The Committee, therefore, desire that Government should adhere to their promise and bring out a National Steel Policy with an objective to prepare a road map for Indian Steel industry in the context if ongoing reforms, restructuring and globalization.

ANNEXURE-I

(Vide Para 3.1 of the Report)

BUDGET AT A GLANCE

	Major Head	2003-2204 BE			2003-2004 RE			
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan
1	2	3	4	5	6	7	8	9
Revenue Section 1. Secretariat economic Services	3451	-	8.04	8.04	-	8.04	8.04	-
2. Non-Plan loans to public enterprises 2.01 Hindustan Steelworks Construction Ltd. 2.02 Bird Group of Companies	6852	- - -	- 2.00 2.00	- 2.00 2.00	- - -	- 2.00 2.00	- 2.00 2.00	- - -
3. Subsidies 3.01 Interest Subsidy to Hindustan Steel works Construction Limited for loans raised for implementation of VRS 3.02 Subsidy to Hindustan Steelworks Construction Limited for waiver of guarantee fee 3.03 Subsidy to BRL for waiver of guarantee fee 3.04 Interest Subsidy to Steel Authority of India for loans raised from Banks for implementation of VRS 3.05 Interest Subsidy to MECON Ltd. for loans raised from Banks for implementation of VRS	2852	- - - - - -	33.12 0.92 0.30 18.60 3.47 56.41	33.12 0.92 0.30 18.60 3.47 56.41	- - - - - -	33.12 0.92 0.30 54.16 3.47 91.97	33.12 0.92 0.30 54.16 3.47 91.97	- - - - - -

Total								
Write off of loan 4.01 Indian Iron and Steel Company Ltd.	2852	-	-	-	-	250.38	250.38	-
4.02 Less Receipts netted	0852 -	- -	- -	- -	- -	-250.38 -	-250.38 -	- -

n public Enterprises	Head of Division	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Bu Su
6.01 Steel Authority of India Ltd.	12852	-	600.00	600.00	-	425.00	425.00	-
6.02 Rashtriya Ispat Nigam Ltd.	12852	-	227.00	227.00	-	99.00	99.00	-
6.03 Sponge Iron India Nigam Ltd.	12852	-	5.00	5.00	-	5.00	5.00	-
6.04 Hindustan Steel Works Construction Ltd.	12852	4.00	-	4.00	4.00	-	4.00	3.0
6.05 Bharat Refractories Ltd.	12852	5.00	2.00	7.00	12.00	-	12.00	10
6.06 National Mineral Development Corporation Ltd.	12852	-	481.55	481.55	-	212.43	212.43	-
6.07 Kudremukh Iron Ore Company Ltd.	12852	-	30.00	30.00	-	30.00	30.00	-
6.08 Manganese Ore India Ltd.	12852	-	26.75	326.75	-	20.41	20.41	-
6.09 Bird Group of Companies	12852	1.00	1.50	2.50	1.00	19.32	20.32	1.0
6.10 MECON Ltd.	12852	1.00	-	1.00	1.00	-	1.00	1.0
6.11 MSTC Ltd.	12852	-	5.00	5.00	-	5.00	5.00	-
6.12 Ferro Scrap Nigam Ltd.	12852	-	11.50	11.50	-	11.50	11.50	-
6.13 Research & Technology Mission	12852	-	60.00	60.00	-	9.00	9.00	-
Total		**11.00**	**1450.30**	**1461.30**	**18.00**	**836.66**	**854.66**	**15**
C. Plan Outlay 1. Iron & Steel	12852	11.00	1450.30	1461.30	18.00	836.66	854.66	15

ANNEXURE-II

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2004-05) HELD ON 12TH AUGUST, 2004 IN COMMITTEE ROOM 'C', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 10.00 hours to 12.00 hours

PRESENT

Shri Ananth Kumar - Chairman

MEMBERS

2. Shri Prasanna Acharya
3. Shri Chandrakant Khaire
4. **Shri Nitish Kumar**
5. Shri Bhubneshwar Prasad Mehta
6. Shri Anirudh Prasad Alias Sadhu Yadav
7. Shri E. Ponnuswamy
8. Shri Prabhunath Singh
9. Shri Ramsevak Singh (Babuji)
10. Shri Devdas Apte
11. Shri Jai Narayan Prasad Nishad
12. Shri Vidya Sagar Nishad

SECRETARIAT

1.	Shri John Joseph	-	Additional Secretary
2.	Shri P.K.Bhandari	-	Director
3.	Shri Shiv Singh	-	Under Secretary

WITNESSES

1.	Ms. Binoo Sen	Secretary, Ministry of Steel
2.	Shri Naresh Chaturvedi	AS&FA Ministry of Steel
3.	Dr. S.N.Dash	JS Ministry of Steel
4.	Shri J.P.Singh	JS Ministry of Steel
5.	Dr. D.N.Pathak	CCA Ministry of Steel
6.	Shri V.S. Jain	Chairman,SAIL
7.	Shri R.K.Zaroo	CMD,MECON
8.	Shri K.J.Singh	CMD, BRL
9.	Shri K.Parthasarthy,	Acting CMD, HSCL
10.	Shri M.Sengupta	CMD, MSTC

2. At the outset, the Chairman, Standing Committee on Coal and Steel welcomed the representatives of the Ministry of Steel to the sitting of the Committee and apprised them of the provision of Direction 58 of the Directions by the Speaker.

3. The discussion started with a detailed presentation relating to steel sector. The following important points were discussed by the Committee:-

i) Financial performance of MECON
ii) Physical and financial performance of Steel Authority of India Ltd.
iii) Failure of the Government in controlling the steel prices.
iv) Revision in duty structure on steel.
v) Issues relating to surplus employees in Hindustan Steel Works Construction Ltd. and utilization of manpower in the Company.
vi) Allotment of land to educational institutions in Bokaro Steel City.
vii) Delay in formulation of National Steel Policy.

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

The Committee then adjourned.

ANNEXURE-III

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2004) HELD ON 18TH AUGUST, 2004 IN COMMITTEE ROOM No.139, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee met from 15.00 hours to 17.30 hours to examine and adopt Reports on Demands for Grants (2004-2005) pertaining to the Ministry of Steel and Department of Coal and Mines.

PRESENT

Shri Ananth Kumar - Chairman

MEMBERS

Lok Sabha

2. Shri Prasanna Acharya
3. Shri Hansraj G.Ahir
4. Shri Bikash Chowdhury
5. Shri Chandra Sekhar Dubey
6. Shri Chandrakant Khaire
7. Shri Faggan Singh Kulaste
8. **Shri Nitish Kumar**
9. Shri Vikrambhai Arjanbhai Madam
10. Shri Bhubneshwar Prasad Mehta
11. Shri Hemlal Murmu
12. Shri Dalpat Singh Paraste
13. Shri E. Ponnuswamy
14. Smt. Karuna Shukla
15. Shri Ramsevak Singh (Babuji)

Rajya Sabha

16. Shri Devdas Apte
17. Shri Ramadhar Kashyap
18. Shri Jai Narayan Prasad Nishad
19. Shri Vidya Sagar Nishad
20. Shri Jibon Roy

21. Shri G.K. Vasan

SECRETARIAT

1. Shri P.K.Bhandari - Director
2. Shri Shiv Singh - Under Secretary

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

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

(i) * * * * * *

(ii) * * * * * *

(iii) Draft Report on Demands for Grants (2004-2005) of the Ministry of Steel.

4. The Committee authorized the Chairman to finalise the Reports after making consequential changes arising out to factual verification by the concerned Departments/Ministry and to present these Reports to both the Houses of Parliament during the current Session.

The Committee then adjourned.

* Does not relate to this Report.