18

STANDING COMMITTEE ON COAL AND STEEL (2010-2011)

FIFTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS

(2011-12)

EIGHTEENTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

August, 2011/ Bhadra, 1933 (Saka)

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Presented to Lok Sabha on 29.08.2011

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*Ceased to be Member of the Committee w.e.f. 18.08.2011

SECRETARIAT

1.	Shri Ashok Sarin	-	Joint Secretary
2.	Shri Shiv Singh	-	Director
3.	Md. Aftab Alam	-	Deputy Secretary

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorized by the Committee to present the Report on their behalf, present this Eighteenth Report (Fifteenth Lok Sabha) on Demands for Grants (2011-12) relating to the Ministry of Steel.

2. The Demands for Grants of the Ministry of Steel were laid on the Table of the House on 14.03.2011. Under rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Coal and Steel are required to consider the Demands for Grants of Ministries under their jurisdiction and make Report on the same to both the Houses of Parliament.

3. The Committee took evidence of the representatives of the Ministry of Steel on 6th April, 2011.

4. The Report was considered and adopted by the Committee at their sitting held on 19.08.2011.

5. The Committee wish to express their thanks to the officials of the Ministry of Steel for the cooperation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

6. 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;	**KALYAN BANERJEE**
26 August, 2011	**Chairman,**
04 Bhadra, 1933 (Saka)	**Standing Committee on Coal and Steel**

CHAPTER I

INTRODUCTORY

Steel is the most common metal alloy in the world. It is well known for its strength, which is given to it precisely by the alloying elements. The modern steel industry produces steel through the basic oxygen furnace. This process speeds up the production of high quality steel. The steel industry is often considered to be an indicator of economic progress because of the critical role played by steel in infrastructure and overall economic development.

1.2 The progress of the steel industry has a critical influence on the pace of India's development and as such great importance is attached to capacity expansion in line with expected demand at cost and price which make Indian steel internationally competitive. The existing regime of liberalization, decontrol and deregulation of industry in the country has opened up new opportunities for the expansion of the steel industry. Resultantly, Steel PSUs such as Steel Authority of India (SAIL) and Rashtriya Ispat Nigam Ltd. (RINL) and National Mineral Development Corporation(NMDC) have undertaken the exercise Modernisation and Expansion of their Plants. The National Steel Policy (NSP) was announced in November 2005 as a basic blueprint for the growth of a self-reliant and globally competitive steel sector. The long-term objective of the National Steel Policy is to ensure that India has a modern and efficient steel industry of world standards, catering to diversified steel demand. The focus of the policy is to attain levels of global competitiveness in terms of global benchmarks of efficiency and productivity. The National Steel Policy seeks to facilitate removal of procedural and policy bottlenecks that affect the availability of production inputs, increased investment in research and development, and creation of road, railway and port infrastructure. The Policy focuses on the domestic sector, but also envisages a steel industry growing faster than domestic consumption, which will enable export opportunities to be realised.

1.3 The Ministry of Steel is under charge of the Minister of Steel. The Ministry is responsible for planning and development of iron and steel industry, development of essential inputs such as iron ore, limestone, dolomite, manganese ore, chromites, ferro-alloys, sponge iron etc. and other related functions.

Key functions of the Ministry of Steel are:-

a) Development of Steel Plants in Public and Private Sectors, the re-rolling industry and ferro-alloys

b) Policy formulation regarding production, distribution, pricing of iron & steel and ferro alloys

c) Development of iron ore mines in the public sector and other ore mines like manganese ore, chrome ore, limestone and other minerals used in the iron and steel industry (but excluding mining lease or matters related thereto)

d) Providing a platform for interaction of all producers and consumers of steel in the country

e) Identification of infrastructural and related facilities required by steel industry

f) Overseeing the performance of 10 PSUs and their subsidiaries.

1.4 Under the administrative control of the Ministry of Steel, the following Public Sector Undertakings are functioning: -

(i) Steel Authority of India Ltd.(SAIL), New Delhi.

(ii) Kudremukh Iron Ore Company Ltd.(KIOCL), Bengaluru.

(iii) NMDC Ltd., Hyderabad.

(iv) Hindustan Steelworks Construction Ltd.(HSCL), Kolkata.

(v) MECON Ltd., Ranchi.

(vi) MOIL Ltd., Nagpur.

(vii) Rashtriya Ispat Nigam Ltd.(RINL), Visakhapatnam.

(viii) Bird Group of Companies, Kolkata (a subsidiary of RINL).

(ix) MSTC Ltd., Kolkata.

(x) Ferro Scrap Nigam Ltd.(FSNL) – (a subsidiary of MSTC Ltd.), Bhilai.

(xi) International Coal Venture Ltd.(ICVL), New Delhi

*Sponge Iron India Ltd.(SIIL) has been merged with NMDC Ltd. with effect from 01.07.2010. Bharat Refractories Ltd. (BRL) has been merged with SAIL w.e.f. 01.04.2007.

The detailed Demands for Grants(2011-12) of the Ministry of Steel were presented to the Lok Sabha on 14.03.2011. Since this year the Demands for Grants (2011-12) have already been passed by Parliament, the Committee's observations/recommendations as detailed in the succeeding paragraphs relate to implementation of the plans/projects of the PSUs/Organisations under its administrative control. The Ministry should ensure proper utilization of allotted funds and observations/recommendations of the Committee should be taken into consideration while implementing plans/projects.

CHAPTER II

ANALYSIS OF DEMANDS FOR GRANTS (2011-12)

The Ministry of Steel has presented the Demands for Grants No.92 for the year 2011-12 to the Lok Sabha on 14.03.2011. The Demand includes provisions for Non-Plan expenditure for the Ministry proper and its attached/subordinate offices, and Plan and Non-Plan expenditure of the Public Sector Undertakings (PSUs) under its administrative control. Budgetary Support (BS) is being provided to some of the financially weak and loss making PSUs under the Ministry. Internal and Extra Budgetary Resources (I&EBR) are being raised by the profit making PSUs to implement various schemes. Various points arising out of the scrutiny of Demands for Grants of the Ministry are discussed in the following paragraphs:

ANNUAL PLAN OUTLAY FOR 2011-12

2.2 Based on the Annual Plan (2011-12) proposals of the PSUs under the administrative control of Ministry and the discussions held with the Planning Commission, and within the overall context of the 11th Five Year Plan (2007-2012), the following plan outlay for 2011-12 (BE) of Ministry of Steel has been approved by the Planning Commission:

(Rs. in crore)

(a)	Gross Budgetary Support(BS) EAP component of GBS	40.00 0.00
(b)	Internal & Extra Budgetary Resources (IEBR)	21062.71
(c)	**Total Outlay (a+b) of Ministry of Steel**	**21102.71**

2.3 The PSU/Scheme - wise break up of plan outlay (Budgetary Support Portion) and actual expenditure during 2008-09 and 2009-10 is as below:

(₹ In crore)

No.	Name of Scheme	2008-09			2009-10		
		BE	RE	Actual	BE	RE	Actual
1	HSCL- Capital repair and procurement of construction equipments & machinery	6.50	6.50	0.00	7.00	3.00	3.00
2	Bird Group- AMR Schemes	1.00	1.00	0.00	1.00	0.01	0.00
3	Bharat Refractories Ltd.- AMR Schemes	8.00	0.00	0.00	0.00	0.00	0.0
4	Scheme for Promotion of R&D in the iron & steel sector	18.50	18.49	0.00	26.00	13.00	4.14
5.	BRL	0.00	0.01*	0.00	0.00	0.00	0.00
	Total	**34.00**	**26.00**	**0.00**	**34.00**	**16.01**	**7.14**

* ₹ 0.01 crore, a token provision was kept in RE for BRL in connection with its merger with SAIL.

2.4 When asked about the reasons for scaling down the BE (Plan) of 2008-09 and 2009-10 of ₹ 34 crore each to ₹ 26 crore and ₹16.01 crore respectively at RE stage and the reasons for non-utilisation of Plan fund in 2008-09 and less 50% utilisation of Plan Fund in 2009-10, the Ministry of Steel replied as under:-

> "During 2008-09, a reduction was made at RE stage from ₹ 34.00 crore (BS) in BE to ₹ 26.00 crore in RE by Ministry of Finance. BRL to whom ₹ 8.00 crore was allocated at BE stage was merged with SAIL and therefore no BS was kept for BRL at the RE stage.
>
> There was no expenditure because of the following reasons:-
>
> (i) ₹ 6.50 crore plan loan to HSCL could not be released because Ministry of Finance did not agree to grant special dispensation to HSCL, which had defaulted in repayment of loans/interest.
>
> (ii) As a proposal for restructuring of Bird Group of Companies (Govt. managed company) could not be finalized, the plan loan of ₹ 1.00 crore could not be utilized/released.
>
> (iii) As mentioned above, budgetary provision of ₹ 8.00 crore for AMR scheme of BRL was not released due to its financial restructuring and merger with SAIL approved by the Govt. on 24.4.2008.
>
> (iv) The budgetary provision of ₹ 18.50 crore for 'Scheme for promotion of Research & Development in Iron & Steel Sector' could not be utilized, as Ministry of Finance had advised this Ministry at the time of approval of scheme to initiate this scheme in the financial year 2009-10 (w.e.f. 1.4.2009).
>
> During 2009-10, a reduction was made at RE stage from ₹ 34.00 crore (BS) in BE to ₹ 16.01 crore, by Ministry of Finance. The total reduction was ₹ 17.99 crore (₹ 4.00 crore for HSCL, ₹ 0.99 crore for Bird Group and ₹ 13.00 crore for HSCL).
>
> The reasons for less expenditure are given below:
>
> (i) The allocation of ₹ 7.00 crore, Plan loan for HSCL was reduced to ₹ 3.00 crore at the RE stage by Ministry of Finance. The amount of ₹ 3.00 crore was released to HSCL after obtaining special dispensation from Ministry of Finance.
>
> (ii) Four R&D projects were approved and an amount of ₹ 4.1350 crore was released as the first installment of grant-in-aid for the projects."

2.5 Details of PSU-wise Annual plan outlays proposed by the Ministry and approved by Planning Commission for the year 2010-11 and 2011-12 is given in the tables below:

Annual Plan, 2010-11 BE

(Rs. in crore)

No.	Scheme/ Programmes	Proposed			Approved			Actual expenditure (Upto March, 2011)*		
		GBS	IEBR	Total	GBS	IEBR	Total	GBS	IEBR	Total
A.	Schemes of PSUs									
1.	SAIL	0.00	12254.00	12254.00	0.00	12254.00	12254.00	0.00	11280.00	11280.00
2.	RINL	0.00	4049.00	4049.00	0.00	4049.00	4049.00	0.00	2901.99	2901.99
3.	SIIL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	HSCL	15.00	0.00	15.00	1.00	0.00	1.00	0.00	0.00	0.00
5.	MECON	0.00	2.00	2.00	0.00	2.00	2.00	0.00	1.79	1.79
6.	BRL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7.	MSTC	0.00	5.00	5.00	0.00	5.00	5.00	0.00	0.00	0.00
8.	FSNL	0.00	12.00	12.00	0.00	12.00	12.00	0.00	10.58	10.58
9.	NMDC	0.00	611.00	611.00	0.00	611.00	611.00	0.00	700.29	700.29
10	KIOCL	0.00	75.00	75.00	0.00	75.00	75.00	0.00	60.83	60.83
11	MOIL Ltd.	0.00	115.82	115.82	0.00	115.82	115.82	0.00	37.20	37.20
12	Bird Group	0.00	40.00	40.00	0.00	40.00	40.00	0.00	74.86	74.86
	Total – A	**15.00**	**17163.82**	**17178.82**	**1.00**	**17163.82**	**17164.82**	**0.00**	**15067.54**	**15067.54**
B.	Scheme of M/o Steel									
1.	Scheme for promotion of R&D in Iron & Steel Sector	43.00	0.00	43.00	35.00	0.00	35.00	27.05	0.00	27.05
	Total – B	43.00	0.00	43.00	35.00	0.00	35.00	27.05	0.00	27.05
	Grand Total – A + B	***58.00***	***17163.82***	***17221.82***	***36.00***	***17163.82***	***17199.82***	***27.05***	**15067.54**	**15094.59**

*Provisional

Note:-

(i) Total variation of Rs. 22.00 crore between proposed and approved allocation on account of GBS reduction (Rs. 8.00 crore and Rs. 14.00 crore in case of R&D Scheme and HSCL respectively).

(ii) As may be seen above the table, utilization of plan funds during 2010-11 is 87.76%.

Annual Plan Outlay 2011-12 BE

(Rs. In crore)

No.	Name of the PSU	Proposed			Approved		
		IEBR	GBS	Total	IEBR	GBS	Total
A.	Scheme of PSUs						
1.	SAIL	14337.00	0.00	14337.00	14337.00	0.00	14337.00
2.	RINL	3046.00	0.00	3046.00	3046.00	0.00	3046.00
3.	SIIL.#	0.00	0.00	0.00	0.00	0.00	0.00
4.	HSCL	0.00	31.00	31.00	0.00	1.00	1.00
5.	MECON Ltd.	2.00	0.00	2.00	2.00	0.00	2.00
6.	BRL#	0.00	0.00	0.00	0.00	0.00	0.00
7.	MSTC Ltd.	15.00	0.00	15.00	15.00	0.00	15.00
8.	FSNL.	12.00	0.00	12.00	12.00	0.00	12.00
9.	NMDC Ltd.	3309.00	0.00	3309.00	3309.00	0.00	3309.00
10.	KIOCL Ltd.	98.00	0.00	98.00	98.00	0.00	98.00
11.	MOIL Ltd.	107.71	0.00	107.71	107.71	0.00	107.71
12.	Bird Group	136.00	0.00	136.00	136.00	0.00	136.00
Total-A		21062.71	31.00	21093.71	21062.71	1.00	21063.71
B.	Schemes of the Ministry						
1.	Scheme for promotion of R&D in Iron & Steel Sector	0.00	84.86	84.86	0.00	39.00	39.00
Total-B		0.00	84.86	84.86	0.00	40.00	39.00
Grand Total- A+B		**21062.71**	***115.86***	***21178.57***	**21062.71**	***40.00***	***21102.71***

SIIL and BRL have been merged with NMDC Ltd. and SAIL respectively.

Note:-

As may be seen from the above table, there is no reduction in IEBR outlay of PSUs. The total variation of Rs.75.86 crore is on account of GBS reduction of Rs.45.86 crore and Rs.30.00 crore in case of R&D Scheme and HSCL respectively.

PLAN EXPENDITURE

2.6 The total Plan budgetary support of ₹ 36.00 crore in BE 2010-11 was reduced to 30.00 crore in RE 2010-11. A total plan budgetary support of ₹ 40.00 crore has been provided in BE 2011-12. The break-up of plan provision during 2010-11 to 2011-12 is given in the following table:-

(₹ in crore)

No	Name of Organisation/ PSU	Scheme	Plan BS 2010-11 (BE)	Plan BS 2010-11 (RE)	Plan BS 2011-12 (BE)	%age increase over BE 2010-11 in BE 2011-12
1.	HSCL	Plan loan for capital repair and procurement of construction equipments & machinery	1.00*	1.00	1.00*	*0.00%*
2.	Ministry of Steel	Grants-in-aid for the scheme for promotion of R&D in the Iron & Steel sector	35.00	29.00	39.00	*11.42%*
	Total		**36.00**	**30.00**	**40.00**	**11.11%**

* Token provision for restructuring of HSCL under consideration of the Govt.

R&D SCHEME

2.7 Based on the recommendation of the Working Group on Steel Industry for 11th Plan (2007-12), a new scheme i.e. 'Scheme for Promotion of R&D in Iron and Steel Sector' was included in the 11th Five Year Plan with an outlay of ₹ 118.00 crore. The scheme was approved on 23.1.2009 for implementation during FY 2009-10 (w.e.f. 1.4.2009). Upto the end of January, 2011, a total of eight R&D Project proposals has been approved. The duration of these projects is from two years to three years. The year wise fund allocation and the amount released under the scheme is given below:

(₹ in crore)

Period	B.E	RE	Actual	Remarks
2007-08	1.00	1.00	nil	nil
2008-09	18.50	18.50	nil	The Scheme was approved by EFC on 21/11/2008. Thereafter, action initiated for initiating/processing of R&D proposals.
2009-10	26.00	13.00	4.14	The amount was released as the first installment of grant-in-aid.
2010-11	35.00	29.00	20.72	₹ 20.72 released till Dec 2010.
2011-12	39.00			To be spent on eight approved projects and also on new projects to be approved.

2.8 When the Ministry was asked to furnish the reasons for reduced allocation in RE 2010-11 as compared to BE 2010-11 and again increased allocation of BS in BE 2011-12, they have replied as under:-

> "According to the decision of Planning Commission, the budget allocation for R&D scheme under Ministry of Steel for BE 2010-11 was ₹ 35 crore. However, the Department of Expenditure while taking pre budget meeting on 29.10.2010 for RE 2010-11, decided to allocate ₹ 29 crore for 2010-11."

2.9 The objective of the R&D scheme was to promote and accelerate R&D activities in development of innovative/path breaking technologies utilizing Indian iron ore fines and non-coking coal, improvement of quality of steel produced through induction furnace route and beneficiation of raw materials like iron ore, coal etc. and agglomeration (e.g. pelletization).

2.10 When the Ministry was asked as to how far the aforesaid objective has been achieved and how many projects are likely to be completed by the end of current Five Year Plan, the Ministry of Steel have stated as follows:-

> "The R&D projects have been approved by Project Approval and Monitoring Committee (PAMC) in its 1st and 2nd meeting held 11.02.2010 and 23.11.2010. The duration of these projects is 2 to 3½ years. The work on the projects is in progress. One project namely "production of low phosphorous steel using Direct Reduced Iron (DRI) through Induction Furnace route adopting innovative fluxes and on design (refractory) changes" is likely to be completed by the end of current five year plan."

NON-PLAN EXPENDITURE

2.11 The Non-Plan provision of Ministry of Steel, including Secretariat Proper, PAO (Steel), Development Commissioner for Iron & Steel (DCI&S), Kolkata and the PSUs under this Ministry, in 2010-11 (BE & RE) and requirement of fund in 2011-12 (BE) are given in the following table :-

(₹ in crore)

No.	Major Head & Item of Expenditure	BE 2010-11	RE 2010-11	% age increase in RE over BE 2010-11	BE 2011-12	% age increase over BE 2010-11
I.	MH – 3451					
1.	Secretariat - Economic Services	18.05	19.49	*7.98%*	20.37	*12.85%*

II.	MH – 2852					
2.	Development Commissioner for Iron & Steel, Kolkata	0.70	0.58	*-17.14%*	0.52	*-25.71%*
3.	Awards to Distinguished Metallurgists.	0.14	0.14	*0.00%*	0.14	*0.00%*
4.	Interest Subsidy :					
(i)	Subsidy to Hindustan Steelworks Construction Ltd. (HSCL) for payment of interest on loans raised from Banks for implementation of VRS	48.69	48.69	*0.00%*	46.90	*-3.68%*
(ii)	Subsidy to MECON Ltd. for payment of interest on loans raised from banks for implementation of VRS	4.04	4.04	*0.00%*	2.83	*-29.95%*
5.	Waiver of guarantee fee (Non-cash transaction) :					
(i)	HSCL – Waiver of guarantee fee in respect of Govt. guarantee for cash credit (CC) limit, bank guarantee (BG) and VRS loans	6.10	6.10	*0.00%*	6.10	*0.00%*
(ii)	MECON Ltd. – Waiver of guarantee fee in respect of Govt. guarantee for VRS loans/ bonds	1.20	1.20	*0.00%*	0.85	*-29.17%*
	Less – Receipts netted [5(i) to (ii)]	*-7.30*	*-7.30*	-	*-6.95*	-
	Total : Non- Plan Expenditure(Net of receipts)	**71.62**	**72.94**	**1.84%**	**70.76**	**-1.20%**
	Total : Non- Plan Expenditure(Gross)	**78.92**	**80.24**	**1.67%**	**77.71**	**-1.53%**

As per the advice of Ministry of Finance, in cases where there are no cash transactions, the provisions are to be netted.

(₹ in crore)

PSUs-wise outlay during 11th Plan (2007-12) and utilisation (upto March, 2011)
IEBR

PSUs	11th Plan Outlay	2007-08		2008-09		2009-10		2010-11		2011-12	Total of 5 Annual Plan outlays and expenditure (upto March'2011)	
		Outlay	Actual	Outlay	Actual	Outlay	Actual	Outlay	Actual	Outlay	Outlay	Actual
1	2	3	4	5	6	7	8	9	10	11	12 (3+5+7+9+11)	13 (4+6+8+10)
SAIL	27409.00	2641.00	2181.00	4674.00	5233.00	10356.00	10606.00	12254.00	11280.00	14337.00	44262.00	29300.00
RINL	9569.18	3056.70	1309.18	4166.00	2886.02	2437.00	2278.20	4049.00	2901.99	3046.00	16754.70	9375.39
SIIL*	25.00	5.00	3.32	5.00	1.04	0.00	0.00	0.00	0.00	0.00	10.00	4.36
HSCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MECON Ltd.	9.00	3.00	63.00	0.00	0.00	2.00	4.73	2.00	1.79	2.00	9.00	69.52
BRL*	0.00	0.00	7.00	0.00	3.33	8.00	0.00	0.00	0.00	0.00	8.00	10.33
MSTC Ltd.	30.00	5.00	6.54	5.00	5.91	5.00	2.05	5.00	0.00	15.00	35.00	14.50

FSNL	60.00	12.00	13.20	11.80	11.06	11.80	10.14	12.00	10.58	12.00	59.60	44.98
NMDC	7147.00	250.00	134.34	400.00	335.66	700.00	378.88	611.00	700.29	3309.00	5270.00	1549.17
KIOCL	650.00	75.00	7.25	100.00	2.70	85.00	6.15	75.00	60.83	98.00	433.00	76.93
MOIL	342.90	65.00	90.85	117.20	50.27	102.25	26.04	115.82	37.20	107.71	507.98	204.36
Bird Group	148.00	25.00	15.35	30.00	0.34	15.61	3.49	40.00	74.86	136.00	246.61	94.04
Total	***45390.08***	***6137.70***	***3831.03***	***9509.00***	***8529.33***	***13722.66***	***13315.68***	***17163.82***	***15067.54***	***21062.71***	***67595.89***	***40743.58***

* BRL and SIIL are merged with SAIL and NMDC Ltd. respectively.

CHAPTER- III

INVESTMENT IN PUBLIC SECTOR ENTERPRISES (PSEs)

Most of the PSEs meet the capital expenditure on the schemes from their Internal and Extra Budgetary Resources (I&EBR).

1. Steel Authority of India Ltd (SAIL):-

3.2 It has five major steel plants at Bhilai (Chhattisgarh), Rourkela (Orissa), Durgapur (West Bengal), Bokaro (Jharkhand) and Burnpur (West Bengal). SAIL has three special and alloy steels plants viz. Alloy Steels Plant at Durgapur (West Bengal), Salem Steel Plant at Salem (Tamil Nadu) and Visveswaraya Iron and Steel Plant at Bhadravati (Karnataka). In addition to these, a Ferro Alloy producing plant at Chandrapur is owned by Maharashtra Elektrosmelt Ltd. (MEL) which is a subsidiary of SAIL. SAIL has eleven units viz. Research and Development Centre for Iron and Steel (RDCIS), Centre for Engineering and Technology (CET) and Management Training Institute (MTI), all located at Ranchi, Central Coal Supply Organisation (CCSO) located at Dhanbad and Raw Materials Division (RMD), Environment Management Division (EMD), Growth Division (GD) and SAIL Safety Organisation (SSO) all located at Kolkata. The plan outlay of SAIL plants/units and its subsidiaries is being met from the IEBR of SAIL.

(₹ in crore)

Major Head	**Budget Estimate 2010-11**			**Revised Estimates 2010-11**			**Budget Estimate 2011-12**		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	--	12254.00	12254.00	--	12254.00	12254.00	--	14337.00	14337.00

3.3 When enquired about the reasons for increased allocation of IEBR at BE 2011-12 as compared to 2010-11, the Committee have been informed as under:-

"The Budget estimates for the financial years are prepared after detailed discussions at Plant & Corporate level based on the physical progress of capital projects including modernization & expansion plan under implementation in SAIL. These estimates are further reviewed and Revised Estimates are prepared while finalizing the Budget Estimates for the next financial year.

In the initial period of modernization & expansion plan of SAIL, the budget provision had been kept for expenditure on enabling work and initial milestone payments. In the subsequent years, the expenditure increases with the progress of design engg, civil & structural works and supplies & erection jobs etc. Now expansion of Salem Steel Plant has been completed in Sep'10. In the other Plants at ISP, BSP, DSP, RSP & BSL, all major orders have been placed and civil & structural, supply and erection jobs etc are in progress. Hence based on the physical progress, higher budget estimate has been provided for 2011-12."

3.4 When the Ministry was asked to furnish present status of modernisation and expansion plants/units of SAIL, the Ministry have furnished the following information:-

"Expansion of Salem Steel Plant has been completed and the facilities are in regular operation. For other plants viz. Iisco Steel Plant, Bhilai Steel Plant, Durgapur Steel Plant, Rourkela Steel Plant and Bokaro Steel Plant, major packages have been ordered and design engg, civil & structural works and supply & erections jobs are in progress. SAIL is putting in all efforts to complete current phase of modernisation & expansion plan by 2012-2013."

3.5 The Ministry were also asked to furnish the details of BE, RE and Actual of 2009-10 & 2010-11 in respect of modernisation and expansion SAIL. The information supplied by the Ministry may be seen in the following table:-

"The BE, RE and Actual of 2009–10 & 2010–11 in respect of modernization and expansion of SAIL are given below:

(₹in crore)

	2009-10			2010-11		
	BE	**RE**	**ACTUAL**	**BE**	**RE**	**ACTUAL**
SAIL	9733	9563	9495	10937	10968	10210

3.6 On being asked about the present status of Steel Processing Units at Srinagar and Kangra and the original target date of its becoming functional has been adhered to. If not, the reasons therefor, the Ministry have stated as under:-

"Steel Processing Unit (SPU) at Srinagar

During the soil investigation/topographical survey, it was found that the plot offered to SAIL has a level difference of approx. 17 metres from one end to another. The issue was brought to the notice of the Government of J&K and the re-allocation of the fresh land by SIDCO was done in October 2009. The fresh soil investigation was to be initiated in January 2010. However, it could not be undertaken due to prevailing unrest/social environment in the region.

SAIL had undertaken a fresh financial review of the project on account of changed market scenario and the viability of the project without the concessions and benefits from Govt .of J&K has come out to be uneconomical. The decision of implementation of the project is dependent on improved market scenario, availability of various concessions and benefits from Govt .of J&K and improvement of social environment in the region.

Steel Processing Unit (SPU) at Kangra

Work is in progress at site for the SPU at Kangra. The boundary wall is nearing completion and work is in progress for the office cum welfare building and the security building. The foundation work for the building shed has been completed and fabrication and erection of structures is in progress. Order has been placed for the cranes package and the power package. Foundation work for the TMT bar mill is in progress.

The SPU at Kangra is expected to be completed in January 2012 as scheduled."

3.7 When the Ministry was asked to furnish the details of the allocation and utilisation of fund in respect of Training Institutes of SAIL during 2009-10 and 2010-11 alongwith the reasons of shortfall, they have replied as under:-

Details of the allocation and utilisation of fund in respect of Training in SAIL during 2009-10 & 2010-11 is given below:

(Rs. crore)

	Mgt.Training Institute		Training Exp.		Total	
Year	Budget	Utilisation	Budget	Utilisation	Budget	Utilisation
2009-10	12.20	12.13	24.76	16.19	36.96	28.32
2010-11	16.65	12.40	26.48	17.60	43.13	30.00

Shortfall in expenditure of Management Training Institute (MTI) during 2010-11 with respect to Budget was due to :

i) Write back of higher provision for Performance Related Pay (PRP) made for the financial year 2007-08 & 08-09
ii) Salary & Wage was considered for 5 new senior faculty members who were expected to join MTI during 2010-11.
iii) Actual expenditure on Repair & Maintenance was low as compared to Budget on account of cost control measures.

Reasons for shortfall in training expenses:

1) Activity of upgradation of the infrastructure at training institutes in Plants could not be undertaken, the same is under finalization.
2) Expenses on account of training of new recruits has been less due to lower intake than planned.
3) Repair and Maintenance expenses were kept low as cost control measures"

3.8 SAIL is setting up a Joint Venture with MOIL Ltd.at Bhilai (Chhattisgarh) which will be producing Ferro Manganese/Silico Manganese to cater to the needs of SAIL.

3.9 On being asked what the original target was for completion of the project and also furnish the reasons for delay and corrective measures taken in this regard. During the pendency of the project, further, the Ministry was also asked how SAIL met/will meet its requirement of Ferro Manganese/Silico Manganese till the unit becomes operational, they have furnished the following details:-

> "Joint Venture between SAIL and MOIL was signed in February' 2008 and the JV company SMFAPL (SAIL MOIL Ferro Alloys Pvt. Ltd.) was incorporated in June' 2008. As per the JV Agreement, it was planned to install and commission 1x16.5 MVA and 2x27 MVA furnace to produce Ferro Manganese and Silico Manganese in and around Bhilai by 2010.
>
> **Reasons for delay :**
>
> The main reason for the delay is the non-finalization of the party for the supply of Main Furnace Package for the project.
>
> M/s MECON is project consultant for this project.
>
> During the first attempt, bids for the Main Furnace Package were invited on Global open tender basis on 8th May'2010 after taking approval from the sub-committee constituted by SMFAPL Board. Last date for receipt of bids was 16th June'2010. Upon request by the bidders, last date was extended upto 30th July'2010. The bids were received from the four domestic and international bidders by the due date. However, there were technical as well as commercial deviations in the offers submitted by the four parties. Protracted techno-commercial discussions with the four parties were held by MECON alongwith officials from SAIL, MOIL and SMFAPL. However despite this, none of the parties could meet the Pre Qualification Criteria.
>
> **Corrective measures :**
>
> Based on the decision of SMFAPL Board on 27.12.10, an Expression of Interest (EoI) with relaxed technical eligibility criteria was prepared and circulated on 9th February' 2011. The last date for submission of revised bids was 02.03.11. The latest status of the bidding process is as follows :
>
> - One of the four parties has indicated that it is not interested in the project and has withdrawn its offer.
> - Two of the parties have agreed for all techno-commercial conditions along with Performance Guarantee parameters.
> - Another party has submitted the conditional bid.
>
> These parties have been advised to submit their price bids by 31.03.11.
>
> Board meeting of SMFAPL has been fixed for 29.03.11 in which permission of the Board will be sought for opening the price bids.

After the L-1 bidder is selected and orders are placed for the supply of Main Furnace, it will take another 22 months for the supply and erection of the equipments.

2. Rashtriya Ispat Nigam Ltd. (RINL):-

3.10 This is the first shore-based Integrated Steel Plant set up in India away from major raw materials resources with technical and financial cooperation from the erstwhile USSR. The outlay is being met from the internal resources of the company.

(₹ in crore)

Major Head	**Budget Estimate 2010-11**			**Revised Estimates 2010-11**			**Budget Estimate 2011-12**		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	--	4049.00	4049.00	--	2895.00	2895.00	--	3046.00	3046.00

3.11 The amount earmarked for the schemes through IEBR at BE 2010-11 of ₹ 4049.00 crore was revised to ₹ 2895.00 crore at RE stage. It has further been increased to ₹ 3046.00 crore at BE 2011-12.

3.12 When the Ministry was asked to furnish the reasons for reduction of funds at RE 2010-11 and to furnish the details of actual utilisation of fund during 2010-11 along with reasons for shortfall, if any and also furnish reasons for increased allocation of IEBR at BE 2011-12 as compared to 2010-11 and further the Ministry was asked whether RINL would be able to utilize the IEBR 2011-12 without any reduction at RE stage, they have replied as follows:-

"The budget estimate ₹ 4049Cr. for the year 2010-11 was reviewed based on expenditure towards expansion projects and major modernisation and revamping projects of existing units and they got revised to ₹ 2895 Cr. RINL is all set to achieve 100% RE target of ₹ 2895 Cr. The major reason for revision in expenditure plan was due to revised plan given by BHEL for major projects being carried out by them, delay in placement of order for revamping of BF -1, BF -2, Converters and Sinter Plant due to various reasons including poor response of bidders. In expansion, about expenditure of ₹ 530 Cr. was reduced in RE in line with progress, which partly got shifted due to delay in supplies and partly due to heavy monsoon affecting work at site and also partly due to deferment of last payments towards PAC, FAC, PG tests etc. However, it is to be mentioned that RINL will fulfil over 100% target of 11th Five Year Plan though there has been shifting of expenditure on annual basis in between.

IEBR of ₹ 3046Cr. for the year 2011-12 is higher by only ₹ 151Cr i.e. 5%. This has been planned based on last contractual payment towards PAC, FAC, PG tests for expansion and to meet the expenditure of modernization and up gradation packages of existing units like Blast Furnaces, Converter Shop, Sinter Plant and other planned schemes."

3.13 RINL, MoS and Ministry of Finance signed MoU with New Energy and Industrial Technology Development Organisation (NEDO) of Japan for installation of 20.6 MW waste heat recovery system on sinter straight line cooler at sinter Machine 1 & 2 on 25th May, 2009. This project is first of its kind in Indian Steel Industry. This project is being implemented under Japan Green Aid Plan.

3.14 When the Ministry of Steel was asked to furnish the details of source of funds, time-schedule and the current status of the aforesaid project, they have stated as given below:-

> "The total estimated cost of the project is ₹ 299.14 crores. New Energy and Industrial Technology Development Organisation (NEDO) Japan is supplying the major equipment i.e Boiler, Turbine, Generator including detailed engineering under the Green Aid valuing ₹ 148.94 crores.
>
> The Indian scope of supply including civil, structural, electrics etc from Indian agencies with an estimated cost of ₹ 150.2 crores, will be borne by RINL, through internal resources. The project is to be commissioned by June, 2012.
>
> **Current Status:**
>
> First shipment of Japanese scope of equipments is expected to be dispatched, exact status of which would depend on effect of tsunami in Japan. The Indian portion of Civil and Structural work has already been awarded and is under progress."

3.15 When asked about the current status of joint ventures with MOIL Ltd. for setting up of Ferro Alloys manufacturing unit at Bobbili near Visakhapatnam and asked whether the envisaged target of the project has been achieved. If there is delay, also asked to furnish the reasons therefor and the projected time and cost over-run and fresh target date, the Ministry replied as under:-

> "RINMOIL Ferro Alloys Private limited, a Joint Venture Company of Rashtriya Ispat Nigam Limited (RINL) and Manganese Ore (India) limited was incorporated on 29th July,2009 for the Ferro Alloy manufacturing plant at Bobbili, Vizianagaram district , Andhra Pradesh with a capacity to produce 37,500 tonnes of Silico Manganese and 20,000 tonnes of Ferro manganese per annum.
>
> **Current status of the project:**
>
> 1. Environment impact Assessment has been completed.
> 2. Soil investigation work has been completed

3. Application for power connection has been submitted and is under consideration by AP Electricity Board and will be done as per requirement.
4. Global tender for main package has been issued and is under process.

Target date for completion of the project is March'2013."

3. NMDC LTD.

3.16 NMDC is the single largest producer of iron ore and diamond in the country. It is engaged in exploration, development and exploitation of various other minerals such as Dolomite, Limestone, Magnetite etc. The outlay is being met from IEBR of the company.

(₹ in crore)

Major Head	Budget Estimate 2010-11			Revised Estimates 2010-11			Budget Estimate 2011-12		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
12852	--	611.00	611.00	--	720.00	720.00	--	3309.00	3309.00

3.17 When the Ministry was asked to furnish the reasons for increasing allocation at RE 2010-11 and asked to what was the actual utilisation of funds during the year 2010-11 and further also asked to furnish the reasons for increased allocation of funds at BE 2011-12, they have replied as under:-

"The actual utilization of funds during the year 2010-11and the reasons for increasing allocation at RE 2010-11 have been enclosed in **Annexure-I.**

The reasons for increased allocation of funds at BE 2011-12 have been furnished in **Annexure- II.**"

3.18 NMDC is contemplating for major expansion to meet the demand of iron ore. Deposit-11B mine at Kirandul, Bailadila and Kumaraswamy Mine at Donimalai in Karnataka are the projects in progress. The company is also planning diversification activities into high value minerals such as Gold, eliminate from beach sand, platinum group elements etc and also vertical integration projects like Pellet Plant & Steel making plant.

3.19 NMDC was asked to furnish the details of source of funds, time-schedule and steps taken so far to expand its operations to meet the growing requirements of the domestic steel producers and what action has been taken in the last five years to diversify its activities. The Ministry in its reply have stated as under:-

"NMDC is presently having a production capacity of about 30 MT of Iron Ore. It is envisaged to enhance the production capacity to 50 MTPA through various corporate plans by 2014-15.

Funds for the expansion programme will be mostly available from internal generation. However, funds may also be availed from external sources if required.

As a part of the Greenfield Expansion / diversification Programme, NMDC is setting up an Integrated Steel Plant of 3MTPA capacity at Nagarnar, Chhattisgarh. The project is estimated to cost about ₹ 15, 525 Cr.

NMDC is planning to expand its business through forward integration in both Green Field and Brown Field (a) 2.0 MTPA Pellet Plant at Bacheli, Chhattisgarh; (b) 1.2 MTPA Pellet Plant at Donimalai, Karnataka; (c) Merger of SIIL and its expansion.

NMDC has planned to expand its business through horizontal integration as well in the fields of Coal, Rock Phosphate, Lime Stone, Gold and Diamond.

NMDC has already diversified its activities in the field of renewable energy by setting up wind mills in Karnataka and is exploring the possibilities in solar energy."

4. MOIL Limited (MOIL) [formerly Manganese Ore (India) Limited]:-

3.20 MOIL is jointly owned by Government of India and the Governments of Madhya Pradesh and Maharashtra. It is the largest indigenous producer of high-grade manganese ore which is a raw material for manufacturing of alloys, an essential inputs for steel making and dioxide ore for manufacturing of dry batteries. Plan Outlay is being met from IEBR of the company.

(₹ in crore)

PSUs	2008-09				2009-10				2010-11				2011-12
	BE	RE	Actual	Reasons for shortfall	BE	RE	Actual	Reasons for shortfall	BE	RE	Actual	Reasons for shortfall	BE
2	3	4	5	6	7	8	9	10	11	12	13	14	15
MOIL	117.20	84.90	50.27	Shortfall is mainly due to deferment of investment in the proposed MOIL-SAIL Jt. Venture.	102.25	65.36	26.04	Plan provision includes investments of Rs. 50 crore in JV with SAIL for setting up of a ferro manganese plant at Nandini, Bhilai which is in progress.	115.82	83.98	37.20	Land has been acquired for the project and tender for procuring equipment are under process.	107.71

RE for the year 2010-11 of MOIL decreased to ₹85 crore from BE of ₹115.82 crore. It is again increased to ₹107.71 crore in BE 2011-12.

3.21 When asked to furnish details of actual expenditure in 2010-11 and the reasons for decreased allocation in RE 2010-11 and also asked to what are the reasons for increasing allocation at BE 2011-12 as compared to RE 2010-11, the Ministry have stated as follows:-

> "The details of actual Plan expenditure on 2010-11 up to February, 2011 are at **Annexure-III**. During 2010-11, MOIL projected an investment of ₹ 55 crores for setting up of Ferro/Silico Manganese Plant under Joint Venture with SAIL and RINL. However, due to delay in implementation of the project, MOIL' s share of Investment in the Joint venture has been revised to ₹ 25 crores in RE 2010-11 and corresponding amount has been shifted to BE 2011-12.
>
> Due to delay in implementation of the Joint Venture the projects, MOIL's share of Investment in the Joint Venture with SAIL and RINL has been shifted from 2010-11 to BE 2011-12, which has resulted in increased allocation at BE 2011-12 as compared to RE 2010-11."

5. KIOCL Ltd. (formerly known as Kudremukh Iron Ore Company Limited):-

3.22 KIOCL Ltd. is a fully owned Government Company with registered office in Bangalore, was formed in April, 1976 for development of the Iron Ore deposits in Karnataka State for sale of iron ore concentrates produced therefrom.

(₹ in crore)

2008-09				2009-10				2010-11				2011-12
BE	**RE**	**Actual**	**Reasons for shortfall**	**BE**	**RE**	**Actual**	**Reasons for shortfall**	**BE**	**RE**	**Actual**	**Reasons for shortfall**	**BE**
100.00	40.00	2.70	Major projects could not be taken up due to land disputes. However, the same are being taken up in 2009-10.	85.00	10.00	6.15	Expenditure is lower due to global market recession and fall in prices of pellets.	75.00	85.00	60.83	Due to non-materialisation of various projects envisaged in the outlay, the amount could not be utilised.	98.00

The outlay of KIOCL has been increased from ₹ 75 crore in BE 2010-11 to ₹ 85 crore in RE 2010-11 and increased to ₹ 98 crore in BE 2011-12.

3.23 When asked about the reasons for increase in allocation of funds in RE 2010-11 and also asked whether the company would be able to utilize the allocated funds in BE 2011-12, the Ministry have furnished the information as given below:-

"KIOCL has allocated a plan outlay of ₹ 75 crores at BE 2010-11 stage. Subsequently at RE 2010-11 the same has revised to Rs 85 crores on account of following reasons:

a) In the 11th plan outlay (2007-2012) KIOCL is envisaging for **"Development of Permanent Railway Siding and Bulk Material Handling System at Mangalore"** at an estimated project cost of ₹ 303 crores for transporting & handling of raw material and finished goods. For executing the above projects KIOCL allotted around 52.86 acres of land by acquisition through Karnataka Area Industrial Development Board (KAIDB). However, due to technical problem and safety grounds Railway Department is not permitting the diamond crossing. Therefore, KIOCL requires some additional land by acquiring new piece of land and also through swapping. Since, acquiring of new land is under litigation, this has delayed the projects. Now, part of the land dispute is resolved and KIOCKL has acquired and registered in its names. For the balance land, negotiations with the parties are still going on. KIOCL have made a token provision of ₹1 crore at RE-2010-11 stage. Due to the development taken place in the intervening period, the allocation was revised to ₹ 8 crores towards purchase of land for the project.

b) Under "**Addition, Modifications & Replacements",** plan outlay of ₹38 crores was envisaged which has revised to ₹77 crores towards following items :

i. Installation of 3 nos. of Horizontal Pressure Filters at Pellet Plant, Mangalore for which civil structure has been completed. Orders were placed for supply of pressure filters and the shipment is likely to arrive by 31st March, 2011.This has resulted in increase in the outlay for 2010-11.

ii. Further to reduce recirculation of finer particles going back to ball mill and to reduce the generation of ultra fines, 4 (Four) additional Secondary Screens have been procured and installed at the Pellet Plant, Mangalore at a cost of ₹ 4 crores.

Utilisation of funds :

i. In BE 2011-12, Plan out lay of ₹ 98 crores has been allocated. Out of which ₹ 25 crores provided for setting up 3 lakh tonne capacity Coke Oven Plant with 25 MW Captive Power Plant at Blast Furnace unit at Mangalore. The proposal along with DPR and financial appraisal report prepared by the Consultants was put up to the Board of KIOCL on 25.3.2011 and the Board has approved the project with an estimated cost of ₹ 452.22 crore..

ii. Under Addition, Modification & Replacements, ₹ 43 crores have been allocated. As mentioned above Installation of 3 nos. of Horizontal Pressure Filters and 8000 tonne Silo at the Pellet Plant are under progress. The remaining expenditure on these items will be borne during 2011-12. For the 8000 tonne Silo, pile foundation work is completed. Tendering process for construction of Silo is in progress.

Therefore, KIOCL is confident of spending the allocated funds during 2011-12."

3.24 During the study tour on 6 June, 2011, the Committee held informal discussion with the representatives of KIOCL Limited at Bangalore. The Committee were informed about the major challenges facing the company such as procurement of iron ore from NMDC on prices prevailing in the international market, its pallet plant facing the threat of stopping of water flow from Lakya Dam in Kudremukh. The Committee was further informed that 6.83 acres of Blast Furnace (BF) Unit of KIOCL at Mangalore is being taken over by Karnataka Industrial Areas Development Board (KIADB) for Mangalore Special Economic Zone (MSEZ) which will lead to stoppage of existing activities, expansions and diversifications of projects at Blast Furnace (BF) Unit

MAJOR SCHEMES OF STEEL PSUs RUNNING BEHIND SCHEDULE

3.25 The Ministry of Steel has furnished the details of schemes/projects of SAIL of more than ₹ 50.00 crore which are running behind the schedule with delays over 1 year along with the reasons for delay in implementation of the schemes/projects. Also the details of both time and cost overruns alongwith original approved cost have also been received which are given below:-

SAIL-Projects costing ₹ 50 Cr and above running behind schedule by more than one year

Sl. No	*Scheme*	Approved cost	Approved schedule	Now scheduled	Reasons for delay
	Bhilai Steel Plant				
i)	700tpd ASU at Oxygen Plant-II	258.18	Jul'09	Jul'11	For the Main Package, the initial contract with M/s JSC Cryogenmash, Russia had to be terminated in Jul'08 and the package retendered because the Party was insisting for change in terms & conditions after signing of the contract. Fresh Contract was signed with M/s Air Liquide in Feb'09 with completion schedule of 27 months i.e. May'11.
ii)	Rebuilding of COB-6	191.20	Jan'10	Jul'11	Non-availability of Fireclay bricks by M/s IFICO and silica bricks by M/s TRL. Short supply was taken care by utilizing spare bricks from running batteries Non-availability of reversing valves by M/s East India, Kolkata. The battery has been lighted up on 22.3.11. Likely by July'11.
	Rourkela Steel Plant				
i)	*Coal Dust Injection System in BF-4*	70.71	Oct'08	Oct'11	Initial delay in design & engineering by M/s Sino Steel, China. Delay in civil & structural work and supply of equipment by M/s Sino Steel. Delay in arrival of china experts due to change in visa policy. Commercial disputes between Sino Steel & sub agencies.

Sl. No	*Scheme*	Approved cost	Approved schedule	Now scheduled	Reasons for delay
	Bokaro Steel Plant				
i)	*Repl of Battery Cyclones with ESPs in Sinter Plant*	80.60	Aug10	Aug'12	Out of six Electro Static Precipitators (ESP-6), one has been completed in Jun'10. For erection of ESP-5, non-availability of Sinter Plant shutdown and arrangement of tower crane by SREPC has adversely affected the progress.
ii)	*Installation of new Turbo Blower No.8*	125.92	Aug09	June'11	Contract with M/s Roselectropom Russia had to be terminated and package retendered because the Party was not coming forward for execution of project even after repeated follow up and indicated their inability to fulfill the contractual obligation. Fresh contract was signed with M/s NICCO/SBW, China/MES, Japan in Aug'09 with completion schedule of June'11.
iii)	*Rebuilding of COB-1 & 2*	500.90	Apr'10	Sep'11	Initial delay in handing over the site by 5 months. Initial delay in design & engg. by the main contractor, M/s MECON. Slow resource mobilization by M/s MECON. Delay in supply of fireclay bricks by M/s OCL. Delay in supply of oven machines by M/s BEC. Heating of COB-1 is in progress since Dec'10 and the Battery is likely to be commissioned by May'11
	RMD				
i)	Enhancement of loading capacity of Bolani Iron Ore Mine	124.88	Dec'09	Dec'11	Slow progress of design engg, civil & structural work by M/s tecpro Due to delay in civil work, mechanical & electrical erection work has got delayed. Delay in approval of modified drawings by Railways Unauthorized occupancy of railway land.
	IISCO Steel Plant				
i)	*Expansion of ISP*	16408	Dec'10	Dec'11 (partial commissioning) Mar'12 (Commencement of Trial run for integrated commissioning)	There has been increase in Civil & Structural Work in BOF, CCP, LDCP & Mills area after detail engineering by MECON Delay due to adverse soils conditions and removal of Underground Boulders and Hillocks in the major areas of BOF, CCP and partly Mills Delay due to inadequate mobilization of resources by Contractors viz. BEC, BHEL, NCC and SPCL Delay in Power Supply by DVC (commitment – Dec'10, now likely – Jun'11) Delay in according clearances by Railway Authorities Delays by MECON, the Consultant-cum-Project Manager due to delay in design engineering, repeated revisions in layout, inadequate site management, inadequate executive strength at site, inadequate follow–up with vendors & delay in inspection etc.

It may be noted that there is no cost over-run for any scheme except expansion of IISCO Steel Plant for which cost has increased from Rs.14,443 crore to Rs.16,408 crore due to increase in scope of work and volume of civil & structural work."

RASHTRIYA ISPAT NIGAM LIMITED (RINL)

3.26 When enquired about the details of schemes of RINL (above ₹100.00 crores) which are running behind the original schedule alongwith the approved outlay, utilisation of fund in last 2 years and the reasons of delay, if any and there is any time and cost overrun of these projects, the Ministry have furnished the details in table given below:-

Sl.No	Name of the Scheme	Estimated/ Approved Cost	Amount Spent till Feb'2011	Schedule & Status of the Scheme	Remarks
1	Coke Oven Battery IV - Phase- II	355.30	93.96	**Coal Handling Side:** Additional facilities are likely to be completed progressively by Sept'11 in line with requirement of higher production of coke. **By-Product side:** Benzol recovery plant package also ordered on MECON in July'10 after several round of re-tendering due to poor response of bidders and now scheduled to be completed by Oct'12 as per contract.	**By-Product side** **Time Over run** Not likely w.r.t. contractual schedule. However there has been delays w.r.t. original schedule mainly due to: - Delay in finalization of consultant due to poor response from bidders. **Cost Over run:** No cost over run is anticipated with respect to the likely ordered cost ` 216.68 Crores except contractual escalations
2	Expansion 6.3 Mt	8692.00	7958.93	The installation of various units under **Stage-I** are at various stages i.e. some of them are already commissioned, some units are under test & trail runs and erection of balance units are also under advance stage of completion. The integrated commissioning of the entire **Stage-I** expansion & related units is planned to be carried out progressively by Jun/ Jul '12. Stage-II: Basic Engineering completed, over 80 % of Detailed Engineering also completed. Physical erection is progressing and planned for completion by Mar '12.	Cost has been updated to `12499Cr. The increase in cost is mainly due to statutory variations during project cycle like exchange rate, taxes, WPI index changes etc., except for 11% increase on account of increase in volume of work. The cost overrun on account of escalation is likely to be small w.r.t ordered value as most of the contracts are on firm price basis except escalation towards labour, cement, steel etc. However, the exact escalation will known on completion of the project. **Time over run** -The net impact of intermediate delay of auxiliary packages are likely to get nullified and various inputs has been / will be made available on time as per requirement of major packages like Blast Furnace, Steel Melting Shop, Mills etc.
3	Pulverised Coal	133.00	72.26	Detailed engineering , civil and Structural works	The package has been delayed by Chinese firm M/s CERI. Equipment

	Injection			almost done. It is planned to be commissioned by Sep’11	from China have been received at site and erection is in progress under supervision of foreign experts
4	Air Separation Plant-IV	170.00	94.86	Installation of the unit completed. Commissioning commenced in Oct.'10 and is under stabilisation.. Expected to start prod’in Apr’11	**Time over run**: 04 months w.r. to contractual schedule. Job has been progressing as per schedule however due to failure of one of the contractor working at site, M/s Air Liquide had to terminate the contractor and engage another agency. This has resulted in IR problem as well. However, jobs completed in Oct’ 10 by augmenting resources **Cost Over run:** No cost over run is anticipated with respect to final approved cost of `170 crs. except contractual escalations. However, there was an increase in order value with respect to initial approved cost of `96 crs. mainly due to additional features for operational convenience and integration with existing units.
5	Facilities for Iron Ore Storage	481.00	67.07	Major packages ordered. Engineering is in advanced stage of completion. Construction work commenced and planned to be completed by end of 2011-12.	Project re-scheduled due to cancellation and re-tendering of major packages. Augmentation of Iron Ore Storage project, though delayed, would not have impact on operation of the plant as this is required only for building up of stock. **Time over run**: Nil w.r.t to contractual schedule **Cost Over run: Nil** Nil (saving expected)

6	330 TPH (6th) Boiler with Auxiliaries	350.00	203.24	Hydraulic test of Boiler-6 completed and erection of Main Steam piping in progress However, there is delay by M/s BHEL and they are being pursued for commissioning. Now commissioning is expected by Aug'11.	**Time Overrun:** There is likely time over run in completion of the project by M/s BHEL mainly due to delay in supply and also poor erection activity at site in spite of monitoring at highest level including ministry. However, there has been improvement in pace of work recently but project is yet behind the schedule. **Cost Overrun**: No cost over run is anticipated over ordered value on M/s BHEL except for statutory variations. However, there was increase in ordering value based on quoted price by M/s BHEL who were the lone bidder.
7	67.5MW TG-5 Power Evacuation systems	358.00	210.57	Major Civil and Structural works Completed. Supply of equipment Commenced. There is delay by M/s BHEL and now unit is expected to be commissioned by Nov'11.	Same as above
8	BF-1&2 Cat-1 repair	1760.00	-	**BF-1** Orders of main package placed and scheduled to be completed by Dec'12. **BF-2** Technical specification is under finalization & tender is planned to be issued by May'11.	-
9	Sinter Plant productivity enhancements	343.00	-	Contract for appointment of consultancy has been finalised and work for preparation of tender document to start in Apr'11.	-

10	SMS Converter Revamp	180.00	-	Global tender opened and is under Process. Price bid opening is planned in Apr'11.	-
11	Augmentation of Water Storage facility	220.00	-	Survey and soil testing done. Further jobs awaiting clearance of Ministry of Forests for Shifting of green belt.	
12	3rd Converter and 4th Caster	884.00	-	Order for Consultancy service of Converter-3 and Caster -4 placed on MECON. Tender for converter already issued. The package is planned to be completed by 2013-14.	-

3.27 During the course of oral evidence, when the Committee pointed out the reasons given for delay of schemes with sanctioned cost more than Rs.50 crores, from the original outcomes are of routine nature and do not reflect seriousness for completing the jobs in time, the Ministry in their written reply have stated as under: -

> "The problems encountered during the implementation of these schemes, whether it was on account of the contractor or SAIL, were given as the reasons for the delays from the original outcome. In most of the cases, the projects have been delayed by the Contractors due to non achievement of targets for contractual milestones. SAIL has made all efforts like issuance of engineer's and risk purchase notices. In some of the critical cases even termination of contracts was resorted to. Continuous efforts are being made to arrest further delays in the on-going projects."

3.28 When the Ministry was asked to furnish a copy of the last review/evaluation of the schemes of the PSUs made by the Planning Commission or by any other agency also furnish a brief note on the steps taken/proposed to be taken and suggestions, if any, for improvement in the implementation of the schemes/projects, they have replied as follows:-

> "Review/evaluation of the schemes of Steel PSUs is an going process. The Ministry of Steel has been strengthening its monitoring and control system to monitor the output of the PSUs. Quarterly Performance Review (QPR) meetings are held at various level in the Ministry in respect of each PSU. The Outcome Budget of the

Ministry also reviews the performance of PSU-wise schemes/projects. Various steps taken by SAIL to improve the implementation of projects are given below:

- Pre-bid conferences and consultation with technology suppliers & their partners were organised for ensuring wider participation and increased response in the tenders. Based on their suggestions and due diligence within the organization, revision/streamlining of project manuals, Standard Bidding Document and procurement procedure etc. was carried out.
- Repackaging by breaking into supply, civil, structural & auxiliary packages for wider participation being done as per requirement.
- Issue of steel by SAIL for civil & structural work.
- Issue of Letter of Award within a week of final approval. Signing of contract within a month by preparing the Draft Contract by SAIL itself instead of the practice of getting the draft contract from the contractor which was taking a couple of months earlier.
- SAIL has simplified its purchase and contract procedures. The new procedure aims at meeting the expectations of internal and external customers, transparency requirements, improving the speed of decision making, instilling confidence amongst the decision taking authorities, etc. for timely implementation of ensuing projects.
- Enhancing delegation of powers at various levels for faster decision making
- Integrated Project Management and on-line project monitoring system
- Strengthening of project management team by recruiting/redeploying fresh/ experienced project managers
- Standing Committee of Directors constituted to address the issue of co-ordination across plants in implementation of Expansion Plans of SAIL.

In order to expedite the projects implementation, the projects are monitored on day-to-day basis by the respective Project Managers of the Plants and the Project Heads. The Project In-charges and various monitoring committees, both at plant and corporate level, analyse the progress of respective packages w.r.t. delays and suggest corrective actions to be taken from time to time. Further, the project is monitored by the Plant Level Standing Committee comprising of Head of Projects, Head of Works and Head of Finance on a monthly basis. This Plant Level Standing Committee submits its action plan to the Managing Director/ Chief Executive of the Plant for remedial actions, if any, to be taken to ensure that the projects are completed in time. Managing Director/Chief Executive of the Plant reviews the projects every month for timely action to complete the projects on schedule. The physical and financial progress on projects is also reviewed by SAIL Board in the Board meeting on regular basis.

A Board Sub-Committee, comprising of two independent Directors, Director (Technical) and Managing Director of the Plant, has been constituted to review the major projects (`50 Crore & above).

Similarly, in RINL, in order to improve the implementation of schemes, the progress of work on all fronts in various units of expansion / modernization is being reviewed regularly at the highest management level at RINL-VSP. Also, on a day-to-day basis, various activities are closely monitored in the Projects /Works divisions at the levels of Executive Director, General Managers etc

RINL-VSP has taken all the necessary steps / actions to expedite the critical activities of projects in expansion. In Stage-I expansion plan of RINL, several units got commissioned which includes Power Supply System, Water Supply Units, High Capacity Cranes, part of Raw Material Handling System, light up of Reheating Furnace of WRM and several others. The major portion of site activities in terms of volume has either already been completed or in advance stage of completion. Equipment erection has been completed except few areas. Trial run of individual equipments of major units also commenced. Integrated commissioning is planned by Jun'11 to start trial production from July'11."

NMDC LIMITED

3.29 When asked about the status of Bailadila deposit 11 B, Kumaraswamy Iron Ore Project and pelletisation plants Donimalai and t he deposits of allocated fund, the Ministry of Steel have furnished the following information:-

							(Rs in Crores)
No	**Name of Scheme**	**Project Cost**	**Actual Exp. Up to 31.03.2010**	**2010-11 RE**	**Actual Apr'10 to Feb'11**	**Cummulative Exp. Up to Feb'11**	**Status**
1	BAILADILA DEPOSIT - 11B	607.18	220.61	55.00	38.71	259.32	Total project is being executed through seven packages. Work is in progress. All the major works of package-3 has been completed. Substation work has been completed and about 75% of the packages 1 & 2 is completed. Package 5B is also ordered. Frequent "Bandh" calls by Maoists affected the progress at site. Action has been taken to improve the security to facilitate the work. All efforts are being made to complete construction work by Oct'2011.
2	KUMARASWAMY IRON ORE PROJECT	898.55	4.52	40.00	18.83	23.35	All the statutory clearances were obtained. Total project is split up into 6 (Six) packages. M/S Mecon has been appointed as EPCM consultant. Work awarded for Package-1 and 3. Preparatory works started for package-1. Package-2 is in final stage of awarding. Tender documents for packages for approach road and service centre are finalised. Package-5A tender issued for water supply. Design & engineering is in progress in respect of Package - 1 and 3.
3	PELLETISATION PLANT AT DONIMALAI	572.00	1.92	10.00	1.90	3.82	TEFR completed and "due diligence" report received. M/S M.N. Dastur has been appointed as EPCM consultant. Environmental clearance obtained. Soil investigation work has been completed. The project is being executed through six packages. Packages have been tendered out. Consent for establishment received on 15.09.2010 from KSPCB. Tree cutting completed in Pellet plant area. Site leveling work (package- 3) is in progress. Power sanction obtained from KPTCL for 12 MVA on 29.01.2011.Pelletisation package has already been awarded in Jan'11 and Benificiation package is in final stages of award of contract.

3.30 Further in reply to a query relating to original target and revised target, time and cost overrun on these projects , the Ministry have furnished the following information:-

NMDC Limited, Hyderabad									
The year-wise expenditure along with the Approved Capital Cost are as under:-									
								(Rs in Crs.)	
SL NO	**Particulars**	**Project Cost**	**Year-wise Expenditure**						
			1999-2000	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**Total**
1	Bailadila Deposit-11B	607.18	6.49	3.23	39.04	115.58	56.27	40.99	261.60
2	Kumaraswamy Iron ore Proj	898.55			0.96	3.03	0.53	21.23	25.75
3	Pellet plant- Donimalai	572.00				0.35	1.57	3.03	4.95

CHAPTER-IV

ISSUES RELATING TO STEEL SECTOR

Steel industry development cannot take place in isolation and for that there will have to be creation of supportive infrastructure and also development of a sound and efficient raw material base. Since the competitive strength of the Indian steel industry is derived to a large extent from its raw materials base, unless there is integrated development of all the related sectors, the competitive position of the industry will be vastly eroded. Ensuring control over raw material is becoming an important part of the overall business strategy and a necessity for sustainable growth. The extremely tight supply conditions and skyrocketing of prices of iron ore and coking coal created by the entry of China in the global bulk material market has made the producers realize the importance of assured sources of raw material.

SAIL has fulfilled the requirement of iron ore from its captive mines of its steel plants by producing about 23.44 million tonnes during 2009-10. The production of fluxes from captive mines was 2.31 million tonnes. During 2009-10, continued thrust on production of Coal from SAIL's captive collieries resulted in record annual production of over 1.36 million tonnes, registering a growth of 34% During year 2010 (April-December, 2010) production of iron ore fluxes and Coal from SAIL's captive collieries was 18.2 million tonnes, 1.74 million tonnes and 0.86 million tonnes respectively. Prudent utilisation of critical raw materials viz. coking coal and iron ore is of fundamental importance as they play a very important role in sustained development of steel industries.

5.2 When asked about the action taken by the Government to encourage beneficiation and agglomeration of iron ore and the steps taken by the PSUs under the Ministry to utilize fines and concentrates, the Ministry have stated as under:-

> "To encourage beneficiation and agglomeration of iron ore in the country, Government of India is taking a two pronged approach. On the one hand, Government is discouraging export of iron ore from the country through fiscal measures and in this regard, Government of India has recently increased export duty on all varieties of iron ore (excluding pellets) to 20% ad-valorem. Secondly, Government is encouraging pelletisation of iron ore for increasing utilization of iron ore fines within the country. For this, the Government has recently exempted iron ore pellets from export duty. Besides, Ministry of Steel has also recommended to Ministry of Coal for including the iron ore pellet making within the ambit of New Coal Distribution Policy for grant of non-coking coal linkage.

SAIL already has beneficiation facility at Kiriburu, Meghahatuburu, Bolani, Barsua and Dalli Iron Ore mines. The beneficiation facilities in mines are being upgraded with state-of the-art technology using Jigs and WHIMS. In addition, a new beneficiation plant is also planned to be installed at Gua. New iron ore mines being developed at Chiria and Rowghat will also have its beneficiation facility.

In order to ensure gainful utilization of low grade iron ore fines and slimes from tailing ponds, SAIL is also taking action for installation of 6-8 Mtpa capacity pellet making facilities at mines and plant locations. Installation of a 4 Mtpa Pellet plant at Gua Iron Ore mine is in progress and for balance capacity, selection of suitable location is being finalized.

SAIL already has sintering facility having around 21 Mtpa capacity. As part of expansion plan being implemented by SAIL, sinter capacity is also being augmented to the level of around 29 Mtpa

NMDC has planned for two Pelletisation Plants, one in the State of Karnataka with a capacity of 1.2 MTPA and other in the State of Chhattisgarh with a capacity of 2.0 MTPA to utilize the fines/slimes.

Besides, one benificiation Plant of 0.3 MTPA capacity is also planned in Karnataka to beneficiate BHJ/BHQ materials, which is presently being considered as waste.

As mentioned above, SAIL has sintering facility in its plants to utilize fines in the form of sinter. Sintering facility is also being added at IISCO Steel Plant, Burnpur. Total sintering capacity is planned to be augmented to around 29 Mtpa against present level of 21 Mtpa.

In order to utilize low grade iron ore fines and slimes from tailing ponds, SAIL is also taking action for installation of 6-8 Mtpa capacity pellet making facilities at mines and plant locations. Installation of a 4 Mtpa Pellet plant at Gua Iron Ore mine is in progress and for balance cap8acity, selection of suitable location is being finalized.

At RINL, Iron input to the Blast Furnace primarily is through Sinter. Sinter is produced by an agglomeration process where the main raw material is Iron ore fines. Currently, RINL has already two Sinter Plants for usage of iron ore fines of around 65- 75% in its total consumption of iron ore.

The company has planned higher usage of fines in its existing plants as well as new plants by enhancing the sinter and pellet usage for which the new Sinter Plants, Pellet Plant and up-gradation of existing Sinter Plants are planned as part of the current expansion plan / revamping and modernization/ next phase of expansion. Additional new sinter plant for production of sinter using about 3Mt of iron ore fines is already under installation in the on-going expansion.

RINL has proposal for installation of 4 to 6 MT capacity pelletisation plant. For this utlisation of iron ore fines in the form of concentrates after beneficiation at mines and transportation through pipeline (NMDC) has been contemplated alongwith NMDC."

5.3 When asked as to whether the Ministry has any monitoring system to augment and ensure best utilization of coal and iron ore by the PSUs, the Ministry have replied as under:-

> "The performance of PSUs under administrative control of Ministry of Steel on various parameters is periodically reviewed by the Ministry."

5.4 According to Economic Survey 2010-11, the Indian steel industry has diversified its product mix to include sophisticated value-added steel used in the automotive sector, heavy machinery, and physical infrastructure. It, however, suffers from the high ash content of locally available metallurgical coal and a marked dependence on imported coal. The issues regarding raw material security (e.g. getting iron ore mining lease), infrastructure (affecting logistics and transport), and uncertainties in land acquisition have emerged as bottlenecks to Greenfield expansion.

5.5 In the light of the above, when asked as to what action has been taken by the Ministry of Steel to deal with the problems of high ash content of locally available metallurgical coal and dependence on imported coal causing impediment in diversification of the product mix of Indian steel industry, the Ministry have furnished the details as under:-

> "Domestically available metallurgical coal has high ash content and therefore, there are constraints regarding domestic availability of quality metallurgical coal for Indian Steel industry. The domestic steel industry has to depend on the import of coking coal to fulfill its requirement. However, to improve long-term security of coal for the domestic steel industry, the Government is encouraging the formation of joint ventures between steel companies to acquire coking coal assets abroad. A Special Purpose Vehicle namely International Coal Ventures Limited(ICVL) with participation of Coal India Limited, Steel Authority of India Limited(SAIL), National Thermal Power Corporation(NTPC), Rashtriya Ispat Nigam Limited(RINL) and NMDC Limited has been formed for acquisition of coal assets abroad."

5.6 An export duty of 5% on Iron Ore fines and 15% on Iron Ore lumps has been imposed by the Government to assist the domestic steel industry. When asked as to whether the export duty on iron ore is sufficient to restrict the export, the Ministry have replied as under:-

> "The Government of India recently increased export duty on iron ore of all sorts (except pellets) to 20% ad-valorem. The effect of this increase on the quantity of iron ore export has to be observed for some time, before it can be concluded as to whether this export duty is sufficient to restrict the export of iron ore from the country or further measures are required for restricting export of iron ore."

5.7 In the aftermath of the Japan earthquake, when asked as to whether NMDC is considering reduction in the prices of iron ore and whether this will benefit the domestic steel industries and affect the financial performance of NMDC, the Ministry have furnished the following information.

> "Export prices of iron ore of NMDC are guided by the International Bench Mark Settlements reached between major importers (Japan) and major exporters (Australia). It may be noted that NMDC exports constitute only about10% of its overall production.
>
> NMDC has informed that though domestic prices of iron ore of NMDC are linked with long term export prices settled with Japan, in case of any extraordinary market development after the Tsunami in Japan, suitable pricing strategies will be adopted for the domestic market depending on the market scenario."

5.8 When asked as to whether the decision of Ministry of Coal rejecting RINL's request to swap two coking blocks in Jharkhand with other reserve in the region, will adversely affect the requirement of coking coal to Visakhapatnam Steel Plant and any action plan has been prepared by the Ministry of Steel/RINL to deal with the above development. Further, the Ministry was asked as to how RINL will fulfill the enhanced requirement of Coking coal in the aftermath of modernisation and expansion of VSP, they have furnished the following details:-

> "In view of the decision of Coal Ministry for not agreeing to swap the two coking coal blocks with viable reserves (open cast mines), RINL's strategic plan of reducing dependence on the external sources will be affected. It will affect the techno-economic aspect, even though to a limited extent. RINL will apply for captive coking coal blocks under government dispensation route, as and when it is notified.
>
> Regarding imported coking coal RINL would need to continue to import about 90% requirement. To facilitate meeting its requirement through its own sources, the Govt. of India has approved the formation of a Special Purpose Vehicle i.e. International Coal Ventures Private Ltd (ICVL), for acquisition of Coal assets overseas. ICVL is a Joint Venture Company with equity participation of SAIL, CIL, RINL, NMDC & NTPC. At present RINL for its future requirement of Imported Coking Coal is exploring assets through ICVL.
>
> The issue of allocation of suitable captive coal blocks to RINL was discussed in the Inter Ministerial Group (IMG) meeting held on 20.12.2010, with Ministry of Coal. It has been stated by Ministry of Coal that the application of RINL will be considered suitably when the captive coal block under government dispensation route have been finalized in the Ministry of Coal.
>
> RINL has, at present, linkages for domestic coking coal from Coal India Limited upto the present capacity expansion. RINL had applied for allocation of coking coal

blocks from Ministry of Coal to cater to its future requirement of domestic coal beyond the present expansion. Even if coking coal blocks are allocated to RINL, due to quality consideration of domestic coking coal a substantial quantity of coking coal has to be met through imports.

Regarding coking coal, RINL is dependent on imports for about 90% of the requirement. The imports would be mainly through the Empowered Joint Committee (EJC) and to a lesser extent through spot purchase. To facilitate meeting its requirement through its own sources, the Govt. of India has approved the formation of a Special Purpose Vehicle i.e. International Coal Ventures Private Ltd (ICVL), for acquisition of Coal assets overseas. ICVL is a Joint Venture Company with equity participation of SAIL, CIL, RINL, NMDC & NTPC. At present RINL for its future requirement of Imported Coking Coal is exploring assets through ICVL."

PART II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

1. The Committee note that out of the total outlay of ₹ 45390.08 approved by the Planning Commission for the 11th Five Year Plan, the cumulative expenditure made at the end of 4th year of the plan was only ₹ 40743.58 crores which comes to about 90% only. During 2010-11 they could spend only ₹ 15067.54 crore (87.76%) of the allotted fund as against an outlay of ₹ 17163.82 crore. Most of the Steel PSUs could not fully utilise the fund allotted to them. The Committee are apprehensive whether the steel PSUs would be able to utilize the remaining outlay during the terminal year of 11th Plan i.e. 2011-12. The Committee would like the Ministry/Steel PSUs to identify the reasons/constraints affecting the timely implementation of projects which ultimately lead to underutilization of funds and take timely suitable corrective measures to ensure that funds are fully and properly utilized and requisite projects/programmes envisaged during the year are also completed during the current plan period.

2. The Committee understand that Budgetary Support is being provided to some of the financially weak and loss making PSUs and Internal and Extra Budgetary Resource (I&EBR) are being raised by profit making PSUs for implementing these schemes. For 2011-12 as against the plan outlay of ₹ 21178.57 crore including Budgetary Support (BS) of ₹ 33 crore proposed by the Ministry, the Planning Commission has approved an outlay of ₹ 21102.71 crore with Budgetary Support of ₹ 40 crore. During 2010-11 an outlay of ₹ 17199.82 including Budgetary support of ₹ 36 crore was approved by the Planning Commission which was reduced to ₹ 16159.25 at RE stage and the actual expenditure was ₹ 15094.59 crore (87.76%). The main reasons for reduced allocation at RE 2010-11 were reported to be non utilisation of funds by HSCL

and delay in taking up R&D Schemes. Keeping in view the pace of utilisation of funds by HSCL, the Planning Commission approved only ₹ 1 crore as against the proposed outlay of ₹ 15 crore. The Committee would like the ministry to review the progress of schemes/projects of Steel PSUs on fast track basis to ensure full utilization of allotted funds during this year.

3. The Committee regret to point out that restructuring proposal of Hindustan Steel Construction Ltd. (HSCL) has been pending since long. While adversely commenting upon the inordinate delay in approving the restructuring proposal of the company, the Committee in their earlier Report had asked the Ministry to do the needful quickly. The fact that Committee's recommendations have not been given the seriousness that they deserved is nothing but regrettable. The pattern of non-utilization of funds in 2008-09 and 2010-11 and less than 50% utilization of allocation in 2009-10 by HSCL indicate that both HSCL and the Ministry have utterly failed to take expeditious requisite measures to revive this sick company. At this stage, the Committee can not but over emphasise the need to complete the restructuring process of HSCL without any further loss of time so that expected benefits could accrue to the steel industry.

4. The Committee view with concern the tardy progress of implementation of R&D schemes in steel sector despite a new scheme i.e. "Scheme for Promotion of R&D in Iron and Steel Sector" was included in 11th five Year Plan with an outlay of ₹ 118 crore. At the end of 4th year of the 11th Plan, only about 25% of the funds could be utilized and none of the schemes has been completed. According to the Ministry, out of 8 approved R&D projects, only one project namely "Production of low phosphorous steel using Direct reduced Iron through induction Furnace route adopting innovative fluxes and on design (refractory) change" is likely to be completed by the end of the current Five Year Plan.

Consequently, most of the R&D schemes are likely to spill over to the 12th Plan. The Committee are inclined to conclude that approval, execution and monitoring of the projects is taking unduly long time resulting in cost & time overrun. The Committee would like the Project approval and Monitoring Committee to meet frequently to ensure timely completion of the R&D project so that iron & steel sector is able to compete effectively in International Market.

5. The Committee note that Annual Plan Outlay of Steel Authority of India (SAIL) for the year 2011-12 has been increased to ₹ 14337 crore from ₹ 12254 crore in 2010-11 considering the physical progress of its various modernisation and expansion plans. The Committee hope that SAIL would make all out efforts to utilize earmarked funds and complete the ongoing schemes/projects to avoid the time and cost overrun.

As regards modernisation and expansion plans of SAIL, the Committee note that in 2009-10 there was an expenditure of ₹ 9495 (99%) out of allocated funds of ₹ 9563 crore and in 2010-11, ₹ 10210 crore (93%) was utilised out of the allocated funds of ₹ 10968 crore. Whereas funds earmarked during last two years have been substantially utilized for modernisation of Salem Steel Plant, the Committee regret to note that the pace of work regarding delivery of major packages and civil and engineering norms in other plants of SAIL viz. IISCO Steel Plant Bhilai Steel Plant, Durgapur Steel Plant, Rourkela Steel Plant and Bokaro Steel Plant is slow and needs to be accelerated to derive the benefits of modernisation.

6. The Committee note that the Steel Processing Unit (SPU) at Kangra is likely to be completed by year 2012, but uncertainty looms large over setting up of another Steel Processing Unit(SPU) in Srinagar. SAIL is stated to be wary of its viability and is not sure of getting concessions and benefit from the

Government of J&K and has therefore, initiated financial review of the project. The Committee feel that review by SAIL at this stage is surprising as all apprehensions and doubts would not have been ignored when this project was conceived and ultimately approved. The Committee would like to be apprised of the precise reasons for undertaking fresh review. All bottlenecks/difficulties being faced/likely to be faced in this project need to be removed by having close co-ordination and consultation at appropriate level with the Government of J&K.

7. The Committee note that training institute of SAIL was allocated ₹ 36.96 crore and ₹ 43.96 crore in 2009-10 and 2010-11 respectively. However, SAIL could utilise only ₹ 28.32 crore (76.62%) and ₹ 30 crore (69.55%) in 2009-10 and 2010-11 respectively. The reasons for underutilization of fund are stated to be non-finalisation of upgradation of the infrastructure at training institute, low intake of fresh recruits and lowering the cost of repair and management. The Committee deplore the inability of SAIL in taking timely suitable steps leading to underutilization of scarce funds. The infrastructure in the training institute needs to be augmented with a view to impart training not only to fresh recruits but also initiate refresher training courses to its existing personnel so as to keep them abreast of the latest modern techniques.

8. The Committee note that SAIL had signed a joint venture with MOIL viz. SAIL MOIL Ferro Alloys Pvt. Ltd. (SMFAPL) in February, 2008 for producing Ferro Manganese and Silico Manganese in Bhilai by July, 2010. The main reason for delay in commencement of the project is stated to be non-finalisation of the party for the supply of Main Furnace Package. The Committee have been informed that SMFAPL Board has taken corrective measure by issuing an Expression of Interest (EoI) with relaxed technical eligibility criteria and after the L-1 bidder is selected and orders have been placed for the supply of Main

Furnace, it will take another 22 months thereafter for the supply and erection of the equipments. Obviously, the formation for the joint venture have taken unduly long time which could have been avoided by anticipating the problem encountered and by taking suitable remedial timely action. The Committee hope that joint venture between SAIL & MOIL would be commissioned as per the revised schedule and there will not be any further time and cost overrun on the project.

9. The Committee note that RINL had been allocated ₹ 4049 crore in BE 2010-11 which was reduced to ₹ 2895 at RE stage. In BE 2011-12, the amount has been slightly increased to ₹ 3046 crore. The reason for reduction in allocation at RE 2010-11 is stated to be submission of revised plan by BHEL in respect of projects being carried out by them, delay in placement of order for revamping of BF -1, BF -2, poor response from bidders. Further, expenditure of ₹ 530 crore was reduced in RE in line with progress in respect of expansion. The Committee deprecate the failure of RINL to take timely steps leading to reduction in allocation in 2010-11 for modernisation and expansion projects and for revamping projects of existing units. Needless to say that delay in implementation of important schemes would ultimately affect the performance of the company. The Committee impress upon the Ministry and RINL to take all necessary steps to utilise the full allocation made for 2011-12 so that timely execution of the schemes/projects is not affected. The Committee urge upon the Ministry to address the problems of RINL with a sense of seriousness and sincerity lest the perennial underutilization of fund by the Company should be highly detrimental to the growth of production and improvement in productivity of steel sector.

10. The Committee note that RINL, Ministry of Steel and Ministry of Finance signed MoU with New Energy and Industrial Technology Development Organisation (NEDO) of Japan for installation of 20.6 MW waste heat recovery system at sinter Machine 1 & 2. The total cost of the project ₹ 299.14 crore would be shared 50% each by NEDO, Japan and RINL. They also note that RINL has also formed a joint venture company with MOIL viz. RINMOIL Ferro Alloy Private Limited for production of Silico Manganese and Ferro Manganese at Bobbili near Vishakhapatnam. Noting with satisfaction the formation of these Joint Ventures towards diversification activities of RINL and MOIL, the Committee desire that completion schedule of these JVs should strictly be adhered to. The Committee would like to be informed of the progress made in this direction.

11. The Committee note that National Mineral Development Corporation (NMDC) had been allocated ₹ 611.00 crore in BE 2010-11 which was increased to ₹ 720.00 crore in BE 2011-12. Now, a substantial outlay of Rs. 3309.00 has been earmarked at BE 2011-12 for setting up 3 MT steel plant in Chhattisgarh, Bailadila Deposit – 11B project, Kumaraswamy Iron Ore Project, Pelletisation Plant at Donimalai, AMR/townships and R&D schemes etc. The Committee observe that NMDC have been preparing unrealistic estimates. For example, no budgetary allocation was proposed for Steel Plant in Karnataka in BE 2010-11. Subsequently a provision of ₹ 1.10 crore was made at RE stage. However, upto February, 2011 an amount of ₹ 55 crore has been spent. Similarly, allocation was drastically reduced at RE in case of Bailadila deposit – 11B, Pelletisation Plant at Donimalai and Bacheli. The reduced allocation for these projects could not be fully utilized. The Committee are distressed to point out NMDC could not explain the reasons for variation in BE, RE and Actual expenditure of 2010-11. Since there has been considerable enhancement of allocation for 2011-12, the

Committee expect NMDC to take all possible steps to ensure its full utilization and timely completion of the envisaged schemes/projects.

12. The Committee find that NMDC aims to enhance its production capacity of iron ore to 50 MTPA from its present capacity of 30MTPA by expanding its business through green field and brown field. The Committee are hopeful that setting up of Pellet Plants in Bacheli, Chhattisgarh and in Karnataka, merger of SIIL and further diversification of its business in the fields of rock phosphate, lime stone, gold and diamond and these projects would certainly help NMDC achieve the envisaged target. The Committee, however, emphasise that proposed schemes/projects of NMDC need to be effectively monitored to ensure that amount earmarked for these projects are gainfully utilized and projects/schemes are delivered as per the time schedule fixed by NMDC.

13. The Committee note that MOIL Limited which produce manganese ore, an essential input for steel making, has not been utilizing the allocated funds. This is evident from the fact that it was allocated ₹ 102.25 crore and ₹ 115.82 crore in BE 2009-10 & BE 2010-11 respectively which was reduced to ₹ 65.36 crore & ₹ 83.98 crore respectively at RE stage and the actual utilization was ₹ 26.04 crore & ₹ 32.20 crore in 2009-10 & 2010-11 and again at BE 2011-12, the allocation has increased to ₹ 107.71 crore. The reasons for underutilization of funds in 2009-10 & 2010-11 and increased allocation in 2011-12 are stated to be delay in implementation of Joint Venture projects with SAIL and RINL due to which the share of MOIL in JV projects has been shifted to BE 2011-12 which has resulted in increased allocation at BE 2011-12 as compared to RE 2010-11. The Committee would like to point out that Ministry of Steel have failed to play a pro-active role in ensuring timely execution of such Joint Ventures leading to underutilization of funds of MOIL. While deprecating the oft repeated reasons by

the concerned PSU/Ministry for underutilization of allocation, the Committee feel the proper advance planning and timely placement of orders etc. should invariably be resorted to particularly when sufficient funds are provided at BE stage.

14. In respect of KIOCL Ltd. allocation of plan outlay of Rs. 75 crore at BE 2010-11 has been revised to ₹ 85 crore mainly for development of permanent Railway Siding and Bulk Material Handling System at Mangalore for transporting and handling of raw material and finished goods. Allocation in respect of Addition, Modification and Replacement (AMR) has also been increased for installation of 3 Nos. of Horizontal Pressure Filters at Pallet Plant. The Committee are of the view that these projects are vital for survival of the KIOCL and thus the timely completion of the same may be accorded top priority.

The Committee understand that KIOCL has gone through a turbulent phase and suffered physically & financially subsequent to closure of Kudremukh mines as per the directions of Hon'ble Supreme Court. However, the company has made tremendous turnaround during 2010-11 in its financial performance which is evident from the record production of its pellet plant. The Committee desire that Ministry of Steel to render necessary assistance to KIOCL for allotment of Chikkanayakanahalli & Ramanadurga iron ore deposits by Government of Karnataka and for sustained supply of iron ore to its pellet plant. The Committee would also like the Ministry to take up the matter with the Ministry of Railway at the highest level for priority allotment of rakes and with Visakhapatnam Port Trust (VPT) & New Mangalore Port Trust (NPT) for priority berthing of KIOCL vessels at these ports.

15. The Committee note that 8 major schemes of SAIL are running behind schedule and one project of SAIL particularly the expansion of IISCO Steel Plant

is witnessing the cost overrun of above ₹ 2000 crore. The reason attributed for delay of these projects are termination of contract for not adhering to contractual obligation, delay in design and engineering and supply of equipment by the contractors. In the case of RINL, 12 of their major projects are running behind schedule on account of delay in finalization of consultant, cancellation and retendering of major packages. The Committee feel that due to inaction of the concerned authority the time overrun of these projects would ultimately result in cost overrun which is not desirable and should be avoided. The Committee are anguished to note that NMDC could not furnish the details before the Committee relating to original target, revised target and time & cost overrun of its projects viz. Bailadila Deposit – 11B, Kumaraswamy Iron Ore project and pellet plant at Donimalai. The Committee urge upon Ministry of Steel to ensure that its PSUs supply detailed information to the Committee.

16. The Committee have been given to understand that monitoring and control mechanism is available in the Ministry of Steel to review/evaluate the schemes of Steel PSUs. Obviously the existing monitoring and control system have failed to avoid perceptible delays in completion of the projects/schemes of Steel PSUs and has merely remained a formality. The Committee would like the Ministry of Steel to analyse the reasons for the failure of this mechanism and take appropriate steps to strengthen it. The Committee would like to be apprised about the action taken in this regard.

17. The Committee note that availability of coking coal, iron ore and manganese is key to sustainable growth and development of steel industry. However, they are also aware of the limited availability of these scarce raw materials and the long drawn process involved in development of iron ore/coking coal blocks which involves acquisition of land, forest and environmental

clearance. The Committee further note that though requirement of iron ore is being met from domestic reserve, Indian Steel Industry continue to depend on imported coal due to inferior quality of indigenous coking coal.

The Committee have been informed that in order to encourage beneficiation and agglomeration of iron ore in the country, the Government has initiated fiscal measures by increasing export duty on iron ore of all sorts (excluding Pellet) to 20% ad-valorem. Besides, pelletisation of iron ore fines within the country is also being encouraged. The Committee also note that SAIL has beneficiation facility for increased utilization of iron ore mines. Similarly, RINL has also sinter plants for usage of iron ore mines. The Committee desire that these two premier Steel PSUs should further augment sintering and pelletisation facility in their respective mines to cope with the demand of additional iron ore in the wake of modernisation and expansion of their plants.

18. The Committee are surprised to find that Ministry of Steel have no monitoring system to augment and ensure prudent utilization of critical raw materials such as coking coal & iron ore. Needless to say that optimum utilization of these raw material is of fundamental importance as they play a very important role in physical & financial performance of the steel companies. The Committee recommend that Ministry of Steel should examine the feasibility of creating a monitoring mechanism to oversee the optimum utilization of critical raw materials by these PSUs.

19. The Committee find that although Indian Steel Industry has diversified its product mix, yet the problem of high ash content of locally available metallurgical coal and dependence on import of coal is causing impediments in its foray in the area of value added steel used in automotive Sector, heavy machinery and physical infrastructure. The Committee are, however, constrained

to point out that Ministry of steel could not come out with the concrete action to deal with this problem. The Committee would therefore, like the Ministry of Steel to chalk out an action plan to deal with the problem of high ash content of indigenous metallurgical coal which would also help reduce the dependence of Indian Steel Industry on imported coal.

20. The Committee note that decision of Ministry of Coal in rejecting RINL's request to swap the coking blocks in Jharkhand with other reserve in the region would adversely affect its requirement of coking coal to Visakhapatnam Steel Plant (VSP) as also its techno-economic aspect. Now since RINL has been left with no option but to apply for captive coking coal blocks under Government dispensation route, the Committee would like the Ministry of Steel to take up with the Ministry of Coal to consider the application of RINL as a special case for allotment of suitable coal blocks from Government dispensation on priority basis.

New Delhi;
26 August2011
04 Bhadra 1933 (Saka)

KALYAN BANERJEE
Chairman,
Standing Committee on Coal and Steel

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL (2010-11) HELD ON 19.08.2011 IN COMMITTEE ROOM 'D',

PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1500 hrs. to 1515 hrs.

PRESENT

Shri R.C. Singh – In the Chair

MEMBERS

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Jaywant Gangaram Awale
4. Shri Yashbant N.S. Laguri
5. Shri Govind Prasad Mishra
6. Shri Rakesh Sachan
7. Smt. Rajesh Nandini Singh
8. Sardar Sukhdev Singh Libra

RAJYA SABHA

9. Shri Kishore Kumar Mohanty
10. Shri Nand Kumar Sai
11. Shri Jai Prakash Narayan Singh

SECRETARIAT

1.	Shri Shiv Singh	-	Director
2.	Md. Aftab Alam	-	Deputy Secretary

2. In the absence of the Chairman, the Committee chose Shri R.C. Singh to chair the sitting under Rule 258(3) of the Rules of Procedure. Thereafter, the chairman welcomed the Members to the sitting of the Committee.

3. The Committee thereafter took up for consideration the following Draft Reports:-

(i) ** ** ** **

(ii) ** ** ** **

(iii) Report on Demands for Grants (2011-12) of the Ministry of Steel; and

(iv) ** ** ** **

4. The Committee adopted the draft reports without any changes/modifications and authorized the Chairman to present these Reports to both the Houses of Parliament.

The Committee then adjourned.

**Do not pertain to this Report.