

STANDING COMMITTEE ON
COAL AND STEEL (2010-2011)
FIFTEENTH LOK SABHA

MINISTRY OF STEEL

"MODERNISATION AND EXPANSION OF STEEL SECTOR"

[Action Taken by the Government on the Observations/
Recommendations contained in the Twelfth Report of the
Standing Committee on Coal and Steel (Fifteenth Lok Sabha)
on "Modernisation and Expansion of Steel Sector" of the Ministry of Steel]

NINETEENTH REPORT



LOK SABHA SECRETARIAT
NEW DELHI
August, 2011 / Bhadra, 1933(Saka)

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Presented to Lok Sabha on 29.08.2011

Laid in Rajya Sabha on 29.08.2011



**LOK SABHA SECRETARIAT
NEW DELHI
August, 2011/Bhadra, 1933(Saka)**

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COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2010-11)

Shri Kalyan Banerjee - Chairman

MEMBERS

Lok Sabha

2. Shri Hansraj G. Ahir
3. Shri Jaywant Gangaram Awale
4. Shri Sanjay Bhoi
5. Shri Abu Hasem Khan Choudhury
6. Shri Ismail Hussain
7. Shri Yashbant Laguri
8. Shri Narahari Mahato
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11. Kumari Saroj Pandey
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14. Shri Adhi Sankar
15. Shri Pashupati Nath Singh
16. Smt. Rajesh Nandini Singh
17. Shri Rajiv Ranjan Singh (Lalan)
18. Sardar Sukhdev Singh Libra
19. Shri Shibu Soren
20. Dr. G. Vivekanand
21. Vacant

Rajya Sabha

22. Mohd. Amin*
23. Shri Ali Anwar Ansari
24. Shri Jugul Kishore
25. Shri Kishore Kumar Mohanty
26. Dr. Dasari Narayana Rao
27. Ms. Mabel Rebello
28. Shri Dhiraj Prasad Sahu
29. Shri Nand Kumar Sai
30. Shri Jai Prakash Narayan Singh
31. Shri R.C. Singh

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

(iii)

SECRETARIAT

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

(iv)

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Nineteenth Report (Fifteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Twelfth Report of the Standing Committee on Coal and Steel(Fifteenth Lok Sabha) on "Modernisation and Expansion of Steel Sector' of the Ministry of Steel.

2. The Twelfth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 24th February, 2011. Replies of the Government to all the observations/recommendations contained in the Report were received on 23rd May, 2011.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 19.08.2011.

4. An analysis on the Action Taken by the Government on the observations/recommendation contained in the Twelfth Report (Fifteenth Lok Sabha) of the Committee is given at Annexure-IV.

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

**NEW DELHI;
26 August, 2011
04 Bhadra, 1933(Saka)**

**KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel**

REPORT

CHAPTER - I

This Report of the Standing Committee on Coal and Steel deals with Action Taken by the Government on the Observations/Recommendations contained in the Twelfth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel on Modernisation and Expansion of Steel Sector of the Ministry of Steel which was presented to Lok Sabha/laid in Rajya Sabha on 24th February, 2011.

2. The Report contained 15 Observations/Recommendations. Action Taken Notes have been received from the Ministry of Steel in respect of all the Observations/Recommendations contained in the Report. These have been categorised as follows:

- (i) Observations/Recommendations that have been accepted by the Government:
Sl. Nos.1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 14 and 15.

Total – 13
(Chapter II)

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

Total – 00
(Chapter III)

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee:
Sl. No. nil.

Total – 00
(Chapter IV)

- (iv) Observations/Recommendations in respect of which final replies of the Government are still awaited:
Sl. Nos. 9 & 13.

Total – 02
(Chapter V)

3. The Committee hope that utmost importance would be given for expeditious implementation of their recommendations. The Committee also desire that the replies to Observations/Recommendations contained in Chapter-I and final reply in respect of Observations/Recommendations given in Chapter-V should be furnished to them expeditiously.

4. The Committee will now deal with the action taken by the Ministry on some of their Observations/Recommendations made in the Twelfth Report.

Recommendation (Serial No.4)

5. As regards, progress of the modernization and expansion programme of SAIL and RINL, the Committee regretted to note that major packages such as Coke Oven battery, Blast Furnace, Basic Oxygen Furnace (BOF), Bloom Caster, Continuous Casting facilities, Steel Melting Shop (SMS-II) etc. were yet to be received. Due to delay in receipt of requisite packages, the installation of aforesaid facilities was likely to miss the laid down targets. Further, the design, engineering, civil and structural works were also likely to take considerable time for their completion which would further hamper timely installation of various facilities which had been ordered. The Committee needed hardly emphasise that phasing out of obsolete technology and introduction of energy efficiency and environment friendly technology would assume critical importance in the modernization of steel PSUs. They expected that with the introduction of state of the art technology in units/plants of Steel Authority of India Ltd. (SAIL) and Rashtriya Ispat Nigam Ltd. (RINL), their techno-economic parameters such as Coke Oven rate and energy consumption would substantially improve. Accordingly, it was essential that immediate remedial steps need to be taken to ensure early delivery of packages, orders for which have been placed. Further, to facilitate the erection / installation of technological facilities, civil and engineering works of the plants should be completed well before the receipt of packages. During the course of their study visit to IISCO Steel Plant (ISP), Burnpur in June, 2010, the Committee found that civil engineering works relating to modernization and expansion of the ISP had been undertaken by SAIL. The Committee were given to understand that both management and the workers were putting in their best efforts for making the modernization programme of ISP successful. The Committee were satisfied with the performance of all labourers/ employees / officers of ISP for building up such a big project relating to modernization and expansion of the plant. However, the Committee were surprised to note that boundary wall of certain stretches of the new plant area had not been erected due to protests by the local residents of the area and boundary wall of the old plant area was too low. The Committee desired that the matter might be sorted out with the help of local administration and the boundary wall of the entire plant might be constructed/ height of the boundary wall be raised appropriately within a reasonable time frame. The Committee would like to be informed of the action taken in the matter. The Committee also trusted that units of SAIL and RINL would make optimum utilization of the facilities as result of implementation of modernization programme.

6. The Ministry in their in their written reply have stated as under:

"STEEL AUTHORITY OF INDIA LTD. (SAIL)

In SAIL, various packages under Modernisation & Expansion plan of its plants/ units have been ordered in phased manner due to prevailing market conditions. Accordingly, commissioning of various packages has been synchronized. The supplies from the vendors/contractors are being received in sequential manner matching with the commissioning schedule.

Further, all efforts are being made to ensure completion of engineering and civil & structural works well before the receipt of supplies under various packages for their timely installation.

Expansion of Salem Steel Plant has been completed and the facilities are in regular operation. For other plants, major packages have been ordered and design engg, civil & structural works and supply & erection jobs are in progress.

Construction of boundary wall in ISP:

SAIL-ISP is continuously following up with the local administration as well as concerned authorities of Govt. of West Bengal for their help and support to complete the boundary wall of the new plant.

A) For Modernization and Expansion site :

<u>Area</u>	<u>Job done (Boundary wall)</u>
-------------	---------------------------------

Dharampur	90 mtrs.
-----------	----------

The height of newly constructed boundary wall of modernization / expansion area is 4.2 metre (including concertina wire).

As regards completing the boundary wall at Purusottampur area, Govt. of West Bengal has been requested to allot 10.66 acres of Govt. vested land to ISP to enable SAIL to create alternate water body on this land before the equivalent water bodies can be filled up inside the plant area. Addl. District Magistrate, Asansol and District Land & Land Reforms Officer, Asansol-Durgapur Zone, after causing an enquiry, has recommended to OSD and ex-Officio, Special Secretary, L&LR Deptt. Govt. of West Bengal for long term settlement of 10.66 acres Govt. vested land at Purusottampur mouza in favour of ISP on 4.1.2011.

Immediately upon allotment of the said land to ISP, work for creating the water body shall start. After this, the boundary wall at Purusottampur area can be completed with the support of local administration.

Regarding closing of the boundary wall at Muri ghar at Purusottampur, the notice to vacate the premises has been served by Estate Officer on 3.2.2011 under PP (Eviction of unauthorized occupants) Act, 1971 to the unauthorized occupant. Hirapur Police Station has been intimated about this. The part of the boundary wall at this area can be closed after eviction with the support of local administration.

(B) For Existing Plant

- (i) Some of the portion of boundary wall in the existing plant, where level was low because of damage to the boundary wall, have been repaired.
- (ii) Besides, there was provision of barbed wire over the boundary wall. This got broken at places which have been repaired.
- (iii) Other measures taken to strengthen the security are:

- (a) 16 (Sixteen) nos. of High Mast Towers have been installed and commissioned.
- (b) 7 (Seven) nos. of Revolving security lights were provided at different strategic locations.
- (c) Watch Towers have been erected at vulnerable places.
- (d) Two QRT (Quick Response Team) of CISF have been organized.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

Under the ongoing expansion programme of RINL upto 6.3 Mtpa liquid steel, RINL has adopted newer technologies which are environment friendly, energy efficient with higher productivity and yield. As far as the receipt of equipment is concerned, most of the equipment covered under the scope of major technological packages i.e. Sinter Plant-3, Blast Furnace-3, Converter Shop and Continuous Casting Department of SMS-2, WRM-2 units coming under Stage-1 of the expansion, have already been received at VSP site and the erection works are under steady progress.

The supply of equipment for the 2 rolling mills i.e. Special Bar Mill and Structural Mill coming under Stage-2 of expansion from the equipment suppliers is in steady progress.

RINL is putting forth all out efforts in following up with the equipment suppliers for completion of the balance supplies.

To meet the future needs of coke, a consultant is being appointed for installation of Coke Oven Battery No.5 with its associated facilities in addition to the 4 batteries under operation.

With respect to Design & Engineering, the design part is complete and the engineering portion is also completed by and large for all major expansion units. Efforts are on to follow up with the consultants as well as equipment suppliers towards completion of left out portion of engineering and the same may not hamper the progress of ongoing site activities.

The civil and other allied works are progressing in full swing to facilitate erection of the equipment received at site.

Modernization of operating units

The modernization programmes envisaged in the operating units of 3.0 Mtpa stage i.e. revamping & up-gradation of sinter machines, capital repairs of blast furnaces, revamping & up-gradation of LD converter of Steel Melt Shop are under different stages of progress status of which is brought out at reply to Recommendation No. 2 above.

Under the modernization programme, the state of the art technologies, which are energy efficient and environmental friendly, have been introduced and the obsolete technologies will be phased out so as to improve the techno-economic

parameters such as coke rate in blast furnaces and substantial improvement in energy consumption.

7. While reviewing the modernisation and expansion programme of SAIL and RINL, the Committee had recommended that immediate remedial steps be taken for introduction of energy efficiency and environment friendly technology and ensuring early delivery of packages for which orders have been placed. The Committee had desired that for construction of boundary wall of ISP, the matter should be taken up with local administration owing to protest from local residents. The Ministry in their action taken reply have informed that modernisation and expansion of only Salem Steel Plant has been completed. In respect of rest of the Plants of SAIL, major packages have been ordered and design engineering, civil and structural works and supply and erection jobs are in progress. It has further been informed that SAIL-ISP is following up with local administration as well as concerned authorities of Government of West Bengal for their help and support to complete the boundary wall of the new plant. The Committee expect that SAIL and RINL will act fast for the early delivery of packages for which orders have been placed for ensuring timely modernisation and expansion. The Committee hope that the issue of construction of boundary wall of ISP would be amicably sorted out with local residents with the help of local administration.

Recommendation (Serial No.5)

8. The Committee had been given to understand that during the course of implementation of modernization and expansion plan, SAIL had faced certain problems/constraints such as inadequate response to tenders, price bids submitted by the bidders being higher than the consultant's estimates, etc. The Committee were of the considered opinion that had SAIL adhered to the timeline of 2010 for completion of modernization programme, despite the then meltdown, its financial performance would have been far better given the present stability in the steel market. In this connection, it was pertinent to note that SAIL had also resorted to retendering due to high price quoted by the vendors. The Committee were of the view that what SAIL saved financially on account of retendering would be much less than the profit it

could have earned on account of completion of modernization programme in 2010 itself.

9. The Ministry in their written reply have stated as under:

"While the main packages of SAIL expansion plan were being finalised, due to buoyant steel market & seller's market conditions, for major facilities viz. Blast Furnace, BOF, CCP etc, most of the globally reputed parties were willing to accept only plant & equipment portion involving technological jobs but not the civil & structural jobs. In view of this, SAIL had to re-tender some packages after splitting which took longer time for finalising the tenders thereby resulting in shifting of the timelines for completion of Modernisation & Expansion programme. The high prices offered by the bidders therefore were not the only reason for re-tendering of the packages."

10. The Ministry have informed that SAIL had to undertake retendering for some packages after splitting some jobs as certain global parties were willing to accept only plant and equipment portion involving technological jobs but not civil and structural jobs due to buoyant steel market and sellers market conditions. Consequently, it has taken longer time for finalising the tenders resulting in shifting of deadlines for completion of the modernisation and expansion programme. The Committee feel that considerable time had already elapsed on account of retendering process thereby delaying the expansion plans. The Committee would like that the matter be accorded top priority and they may be apprised of the present position in this matter.

Recommendation (Serial No.6)

11. The Committee regretted to point out that SAIL having compressed the target for modernisation and expansion from 2013 to 2010 to encash the buoyancy in the steel industry failed to meet the revised target. However, SAIL was stated to have taken several corrective steps such as strengthening project monitoring and project management organization, convening pre bid conferences and consultations with technology suppliers and their partners for ensuring wider participation/response in the tenders, streamlining project manuals etc. With these measure, the Committee expected the SAIL to complete its modernization and expansion within the revised target (August 2010 to December, 2012). The Committee would like to be informed of the present position in this regard.

12. The Ministry in their in their written reply have stated as under:

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

13. The Committee had noted that consequent upon buoyancy in the steel industry, SAIL had compressed the target for modernisation and expansion from 2013 to 2010. However, this revised target could not be achieved. The Committee had expressed the hope that after taking corrective measures like project monitoring and streamlining project manuals etc. SAIL would be able to complete the said programme by 2012. The Committee have been informed that while expansion of Salem Steel Plant has been completed and for rest of the plants certain civil and structural works, supply and erection jobs are in progress and the current phase of modernisation and expansion will be completed by 2012-13. The Committee regret to find that the completion schedule of modernisation and expansion of SAIL has been further revised from 2012 to 2013 which would ultimately result in cost overrun. The Committee strongly feel that had SAIL adhered to earlier target, its financial performance would have been far better. Obviously, there have been shortcomings in Planning, execution and monitoring of the projects which needed to be identified and overcome. The Committee would like the precise reasons and justifications for frequently revising the completion schedule of modernisation and expansion of SAIL. The Committee desire that quarterly progress of all the plants should be reviewed at the highest level so that there should be no further revision in completion target.

Recommendation (Serial No.7)

14. The Committee found that the pre-tendering delay in completion of schedule of RINL against the original schedule had been mainly attributed to delay in appointment of consultants, tender process and order placement. The post ordering delays include engineering and supply and erections of equipment by BHEL and MECON, structural work by HSCL, structural and equipment erections by Bridge and Roof, supply of equipments from Chinese sources etc. The Committee felt that the pre and post ordering delays could have been avoided had there been stringent monitoring

mechanism in place. The Committee recommended that Ministry of Steel/ RINL should chalk out a strategy to make up for the loss due to time over-run and ensure that the modernization and expansion programme of RINL was monitored at highest level so as to ensure there was no further time and cost overrun.

15. The Ministry in their in their written reply have stated as under:

"The status/ progress of work the packages of engineering and supply & erection of equipment by BHEL and MECON, structural work by HSCL, structural and equipment erections by Bridge and Roof, supply of equipments from Chinese sources etc. are given below:

- a) **M/s BHEL** – Four projects are being implemented by M/s BHEL namely TB-4, TG-5, Boiler-6 and Electrics for SMS-2. There has been improvement by M/s BHEL in supplies and site activities for all the above packages during last 2 months on continuous follow up by RINL and also on taking up the matter by JS (Steel). However, BHEL is yet to complete supplies from their Hyderabad Unit which has now been committed to complete by Mar'11 and commission the unit by early May'11. Any delay will affect commencement of production from BF-3 and the matter is being followed up. Commissioning of SMS-2 is dependent on completion of electrics by BHEL, Bangalore. Continuous persuasion is being made with BHEL to ensure balance supplies and erection of electrical systems so that first heat is taken in June'11/ July'11. To integrate entire expansion of Stage-I and to commence production, it is required to commission this unit as per target; otherwise overall schedule will get affected.
- b) **M/s MECON** – New Wire Rod Mill is being installed by MECON as a consortium member along with M/s Siemens VAI – Morgan, USA. There has been overall improvement in progress of the package and Commissioning has already commenced. With persuasion, MECON has advanced completion of electrics up to intermediate stage but still behind schedule in other areas which is also being pursued. MECON has agreed to deploy additional man power for electrical and piping works which is must to maintain the schedule for integrated commissioning of WRM.
- c) **M/s HSCL** - Jobs being executed by M/s HSCL has picked up and are now no more critical.
- d) **M/s Bridge & Roof** – Four major packages are being executed by M/s Bridge & Roof for VSP namely structural and equipment erection for SMS-2, civil work for RMHP, Structural work for SBM and civil work for iron ore storage augmentation. Their performance has improved, but in some of the areas progress is behind and being pursued.
- e) **Supply of equipments from Chinese sources** – After rigorous follow up, for Stage-1 units, equipment is already supplied & received at site and for Stage- 2 units, part equipment is under transit and the balance is under inspection.

In order to make up for the loss due to time over run, the progress of work on all fronts in various units of expansion 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 division at the levels of Executive Director, General Managers etc. Ministry of Steel has also held review meetings on the capex programmes of SAIL and RINL regularly."

16. Keeping in view the pre-tendering and post ordering delays the Committee had desired Ministry of Steel/RINL to chalkout strategy to make up for loss due to time overrun and to ensure there is no further time and cost over run and this be monitored at the highest level to avoid further delay. The Ministry have informed that progress of work is being reviewed regularly at highest management level and on day to day basis in the projects division. The Committee regret to note despite the progress being monitored at the highest level and also on day today basis, the supply of packages/equipments from different agencies is till awaited. This is evident from the fact that commissioning of SMS-2 is dependent on completion of electrics by BHEL, MECON and Bridge & Roof are still behind in some areas. The Committee are inclined to conclude that the existing mechanism for monitoring is not effective. The Committee desire that the concerned agencies who are responsible for supply of engineering packages and erection of equipments and structural work should be made accountable if further delay takes place in honouring their commitment. The Committee would like a status report in the matter.

Recommendation (Serial No.12)

17. The Committee recommended that the thermal coal mines identified by SAIL should be allotted to it for captive use from the Government dispensation besides according top priority to the renewal of Chiria mines. The Ministry of Steel should also take up the matter with Government of Jharkhand with regard to renewal of leases viz. Budhaburu, Dhobil and Ankua keeping in view the fact that Government of Jharkhand had already given its in-principle approval. With regard to other leases which were pending for want of forest and environment clearances, the concerns of the Ministry of Environment and Forest/ State Government might be addressed to enable them to grant necessary statutory clearances expeditiously. The Committee further recommended that Ministry of steel should provide all possible help to Visvesvaraya Iron & Steel Plant (VISL) and Salem Steel Plant (SSP) in grant of iron

ore leases keeping in view that they had already applied for grant of leases as they do not have their own iron ore mines. They also recommended that coal blocks identified by SAIL viz. Tentuloi, Ghogharpalli & extension, Bankhui, Gand Bahera, Ujheni, Puta Parogia and Pindrakhi should be allotted to it to ensure raw material security in respect of thermal coal.

18. The Ministry in their in their written reply have stated as under:

"Renewal of Chiria & Gua lease after grant of in-principle approval by Jharkhand State Government for renewal of Budhaburu lease of Chiria on 23.10.09:

- On 28.10.09, Chairman SAIL, during his meeting with Hon'ble Governor, Advisor to the Governor and Chief Secy, Jharkhand requested for renewal of other leases of Chiria & Gua.
- On 18.11.09, SAIL informed Jharkhand Govt. to renew leases corresponding to 1000 million tonnes keeping all four leases of Gua & Ajitaburu of Chiria in the present form and redefining Budhaburu lease.
- Secretary (Steel) held meeting with Chief Secretary, Govt. of Jharkhand on 17.2.10 on the issue of renewal of mining leases including Chiria & Gua mines of SAIL.
- Secretary Steel vide letter dated 14.7.10 requested Advisor to His Excellency, Governor of Jharkhand for his intervention for renewal of under deemed extension leases of Chiria & Gua in view of Rule 24 B of MCR 1960.
- Chairman SAIL met His Excellency Governor of Jharkhand and Chief Secretary Jharkhand on 20.7.10 and requested for early renewal of Chiria & Gua leases.
- SAIL vide letter dated 22.7.10 requested Secretary Mines & Geology, Jharkhand for renewal of under deemed extension leases of Chiria & Gua.
- Chairman, SAIL vide letter dated 28.7.10, requested His Excellency, Governor of Jharkhand for early renewal of five under deemed extension leases of Chiria & Gua.
- For early renewal of pending Chiria leases, MD, BSL met Advisor to the Hon'ble Governor of Jharkhand on 10.8.10. As discussed in the meeting, MD, BSL vide letter dated 28.8.10, communicated the available iron ore reserves vis-à-vis iron ore requirement for next 50 years in view of ongoing and future expansion plans of SAIL.
- Hon'ble Minister of Steel, vide letter dated 5.10.10 solicited Chief Minister, Jharkhand's intervention for early action by State Govt. for formally renewing the mining leases at Dhobil and Ankua of Chiria and Duargaiburu, Topailore and Jhillingburu-II of Gua and also for computing one billion tonne of deposits to be immediately allocated to SAIL from Chiria-Gua belt.
- Chairman, SAIL during his meeting with Chief Minister, Jharkhand on 20.12.10 requested for expediting renewal of mining leases of Chiria & Gua mines.

- Chairman, SAIL vide letter dated 23.12.10 requested Hon'ble Chief Minister Jharkhand for his intervention for immediate renewal of the five mining leases, namely Dhobil & Ankua at Chiria and Duargaiburu, Topailore & Jhillingburu-II at Gua and also requested for initiation of subsequent discussion on renewal of balance four leases namely Ajitaburu, Sukri-Latur & Tatiburu at Chiria & Jhillingburu-I at Gua.
- Vide letter dated 26.1.11, Hon'ble Chief Minister, Jharkhand assured SAIL that State Govt. will take necessary actions to ensure that SAIL does not suffer from deficiency of any raw materials required in the State.
- Chairman, SAIL during his meeting with Chief Minister, Jharkhand on 10.3.11 requested for expediting renewal of mining leases of Chiria & Gua mines.

Concerning pending forest & environment clearances proposals with Ministry of Environment & Forests:

- Chairman, SAIL met Minister Environment & Forests, GoI in June'10, August'10, November'10 & January'11 and requested for early grant of pending forest & environment clearance proposals of SAIL.
- Secretary (Steel) vide letter dated 30.6.10 requested Secretary MoEF for consideration of forest clearance proposal of Budhaburu lease of Chiria in next FAC meeting and also to consider the grant of environment clearance proposal of Budhaburu lease.
- In the context of ongoing capex programme of SAIL, Secretary (Steel) vide letter dated 9.8.10 requested Secretary (MoEF) for early grant of forest & environment clearance proposals of Chiria Iron Ore mines.
- Secretary (Steel) vide letter dated 23.9.10 requested Secretary (MoEF) to favourably consider the forest clearance proposals of Budhaburu, Ajiataburu & Sukri-Latur lease of Chiria iron ore mines in the forthcoming FAC meetings.
- Secretary (Steel), vide letter dated 22.12.10 requested Chief Secretary Jharkhand for his personal intervention for expediting the comprehensive report of the State Government so that SAIL proposals for forest clearance of Chiria leases can be considered in the forthcoming FAC meetings.
- Hon'ble Minister of Steel, vide letter dated 3.2.11 requested Minister (MoEF) for his personal intervention for consideration of forest clearance proposals for Ajitaburu, Budhaburu & Sukri-Latur leases of Chiria iron ore mine in favour of SAIL.
- As a sequel to above actions, Forest and Environment clearances have been granted to SAIL mines by MoEF as given below :

a) Grant of stage-I forest clearance by MoEF:

- i) For diversion of 644.25 ha of forest land in Lease-I of Kiriburu-Meghahatuburu Mines in Jharkhand on 29.3.10.
- ii) For diversion of 247.50 ha of forest land for development of South-Central Blocks in Lease-I of Kiriburu-Meghahatuburu Mines in Jharkhand on 18.10.10.
- iii) For diversion of 1152.80 ha of forest land in 5.1 Sq. Mile Lease-I of Bolani Mines in Orissa on 12.11.10.

- iv) For diversion of 379.228 ha of forest land in Budhaburu lease of Chiria Mines in Jharkhand on 7.3.11.
 - v) For diversion of 153.04 ha of forest land in Ajitaburu lease of Chiria Mines in Jharkhand on 7.3.11.
 - vi) For diversion of 33.40 ha of forest land in Sukri-Latur lease of Chiria Mines in Jharkhand on 7.3.11.
 - vii) For diversion of 2341.931 ha of forest land in ML-130 lease of Barsua-Taldih-Kalta Mines in Orissa on 8.3.11.
- b) Beside above MoEF also granted working permission for Duargaiburu leases of Gua iron ore mine for continuation of mining for one year in already broken area on 15.6.10.
- c) Grant of environment clearance by MoEF:

MoEF, vide order dated 29.10.10, granted environment clearance for integrated Barsua-Taldih-Kalta iron ore mining (ML-130 lease) & Beneficiation and Pelletisation plant for 8.05 MTPA (ROM) capacity.

- Regarding grant of environment clearance proposals of Chiria mines, Expert Appraisal Committee (EAC) of MoEF has already considered the environment clearance proposals pertaining to Budhaburu, Ajitaburu, Dhobil & Sukri-Latur leases of Chiria. MOEF has since accorded environment clearance for Budhaburu lease on 23.3.2011.

Status with regard to grant of mining lease in favour of VISP/SAIL :

1. Government of Karnataka forwarded its recommendations vide its letter dated 30.07.07 to Government of India *to reserve the NEB (140 ha) area as requested by VISP* for a period of 30 years.
2. Against the Karnataka Govt. decision dated 30.7.07, four applicants filed Revision Application before the Director, Ministry of Mines, GoI.
3. Revision applications of three of them were dismissed for default by Mining Tribunal vide Order dated 06.11.08. Revision Application of fourth i.e. M/s B. Kumar Gowda was dismissed by majority judgment vide order dated 15.09.09. Accordingly impugned order dated 30.7.07 of the State Government was upheld for reserving the area in favour of VISP.
4. In the meantime, vide letter dated 06.01.10, Government of Karnataka forwarded the proposal to Ministry of Mines, GOI, *for approval to grant of mining lease in favour of M/s VISP (SAIL)* over an area of 140Ha at NEB Range in Bellary district for mining iron ore for a period of 30 years.
5. Against the Mining Tribunal order dated 15.9.09, one of the party, M/s B. Kumar Gowda filed writ petition in High Court at New Delhi. Vide order dated 28.10.10 Hon'ble High Court stated that the "Court is not inclined to interfere with the impugned final order dated 15.9.09 of the Mines Tribunal. Accordingly, the writ petition of M/s B. Kumar Gowda is dismissed". Against the State Govt. decision dated 6.1.10, Court stated that the order dated 6.1.10 does not create equity in favour of any party, much less VISP.
6. In light of High Court order dated 28.10.10, Ministry of Mines, GoI is not considering the State Govt. proposal for grant of ML over an area of 140 Ha at NEB in favour of VISP but considering reservation of area in favour of VISP/SAIL.

7. Minister of Steel vide letter dated 15.2.11 requested Minister of Mines for his intervention in grant of mining leases to VISP/SAIL.
8. Minister of Mines vide his letter dated 21.2.11 has informed Minister of Steel that the proposal is being sent to concerned department for appropriate action.

Status with regard to grant of mining lease in favour of SSP/SAIL:

1. SSP submitted an application for grant of mining lease over an area of 1000 ha in Kanjamalai Iron Ore deposit to the State Government on 13.6.08. The recommendation on the State Government for approval of Central Government is awaited.
2. In the mean time, Industry Department of Govt. of Tamilnadu has informed that a case pertaining to felling of trees in the reserves forests in India is pending in the Hon'ble Supreme Court (Writ Petition (Civil) No. 202 of 1995) and unless a decision comes out in the matter, State Govt. would not consider any proposal of grant of mining leases in the reserved forest area. Judgment of Supreme Court is awaited.

Status with regard to allocation of thermal coal blocks to SAIL for captive use

Presently, major requirement of thermal coal is being met by supplies from Coal India Limited. In order to ensure security of thermal coal availability, SAIL has identified six thermal coal blocks namely Tentuloi, Ghogharpalli & Extension, Bankhui, Gand Bahera Ujheni, Puta Parogia and Pindrakhi and requested Ministry of Steel & Ministry of Coal for allocation of at least 2-3 blocks. Hon'ble Minister of Steel has also requested Hon'ble Minister of State for Coal in February'2010 to allocate these thermal coal blocks to SAIL through Govt. dispensation route."

19. The Committee had recommended that the matter regarding allotment of thermal coal mines to SAIL and renewal of Chiria Mines should be accorded top priority. The Committee have been informed that the Jharkhand Government had accorded in principal approval of Budhaburu lease of Chiria on 23.10.2009. The Ministry in their reply have further stated that the Ministry of Steel/SAIL have had several meetings with the Government of Jharkhand at different level to sort out the impending issue. The Committee are dismayed to note that despite the in-principal approval by Government of Jharkhand on 23.10.2009, no tangible result has been made in this matter even after a passage of nearly two years. The Committee had also desired Ministry of Steel/SAIL to obtain environmental clearances of proposals pending with Ministry of Environment and Forests. The Ministry have also informed that stage-I forest clearance has been obtained for 7 proposals. Besides, working permission for Duargaiburu

leases of Gua iron ore mine, environmental clearance for integrated Barsua-Taldih Kalta iron ore mining and budhaburu have been obtained. The Committee understand that with the completion of modernisation and expansion programme of SAIL, the requirement of critical raw material like iron ore and coking coal would increase manifold. It is, therefore, imperative that advance action plan is initiated to accomplish this task. The mining leases of SAIL are reported to be pending with the State Governments and the Ministry of Forest and Environment for want of various statutory clearances for one reason or other. Needless to say that non availability of these critical inputs are essential and will not only erode the profitability of SAIL but also affect the end users. What is needed is to take up the issue of mining leases of SAIL at the highest level and if needed the matter should be referred to the Group of Ministers (GOM) as is being done in the case of allotment of coal mines to different end users.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No.1)

In the aftermath of liberalization and globalization, steel PSUs witnessed a strong competition from the private steel producers who started building up their capacities by setting up new steel plants. Steel PSUs thus faced the challenge of retaining their predominant position in steel sector. This necessitated them to draw up a modernization and expansion plan of their steel plants not only in terms of capacity building but also technological upgradation, introduction of energy efficient and environment friendly technology. Availability of proper infrastructure, land, critical inputs and skilled workforce would undoubtedly play a major role in success of modernization and expansion of steel PSUs.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

SAIL is implementing modernization & expansion plan at its five integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and special steel plant at Salem to enhance its crude steel production capacity from 12.8 Mtpa to 21.4 Mtpa in the current phase.

Besides capacity enhancement, the growth plan adequately addresses the need of SAIL Plants towards eliminating technological obsolescence, energy saving, enriching product mix, pollution control, developing mines & collieries to meet higher requirement of key inputs, introduce customer centric processes and have matching infrastructure facilities in the Plant to support higher production volumes and to lower the cost of production.

All major facilities at Salem Steel Plant have been completed by Sep'10 and are in use for production and supply of stainless steel to the customers. Work for Modernisation & Expansion plans of other steel plants viz. IISCO, Bhilai, Durgapur, Rourkela and Bokaro is in progress and are scheduled to be completed progressively by 2012-2013.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

RINL has excellent layout and land suitable to expand capacity upto 20 million tonnes per annum. The plant has well connected logistic infrastructure facilities like two main ports at close proximity, National highway and railway lines adjacent to the plant and skilled workforce. Based on this advantageous position including fund availability then, RINL has encashed on the growth opportunity in the country and has undertaken expansion to almost double it's capacity to 6.3 Mt of liquid steel.

In the current expansion to 6.3 mt of liquid steel, latest technologies are being adopted include pulverised coal injection, combined blowing for converters etc. which will further improve the techno-economic indices. In addition to this, upgradation of the existing equipment / technology is being undertaken / planned through modernisation programme to further enhance efficiency & productivity and also the

quality of its products. Projects have already been identified, which are at various stages of implementation and commissioning. However, VSP doesn't have captive mines for major raw materials like iron ore and coal mines and in spite of continuous efforts being made by VSP for allotment of captive iron ore mines, no State Government has proposed for allotment of such mines.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Recommendation (Serial No. 2)

The Committee note that the modernization and expansion programme of plants of Steel Authority of India Ltd. (SAIL) viz IISCO Steel Plant (ISP), Salem Steel Plant (SSP), Bokaro Steel Plant (BSL), Bhilai Steel Plant (BSP) and Rourkela Steel Plant (RSP) was approved 'in principle' by SAIL Board between June, 2006 to July, 2007. The Committee have been informed that the modernization and expansion plan of the plants of SAIL envisaged installation of major facilities such as a new Coke Oven Battery, Sinter Machines, installation of new/upgradation of Blast Furnace, Basic Oxygen Furnace Converter, Bloom Casters, continuous casting facilities, New Cold Rolling Mill Complex, phasing out of low yield and energy intensive units, new steel melting shop and New Billet Casters/Billet-cum-Bloom Casters etc. In the case of Rashtriya Ispat Nigam Limited (RINL), the Committee have been informed that modernization and expansion was necessitated in view of consistently operating at high levels of capacity utilization, critical equipments like Blast Furnace, Basic Oxygen Furnace (BOF), Sinter Plant and Coke Oven etc. required major revamp/ capital repairs to bring them back to earlier reliability and efficiency levels.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

SAIL is implementing modernization & expansion plan at its five integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and special steel plant at Salem to enhance its crude steel production capacity from 12.8 Mtpa to 21.4 Mtpa in the current phase.

Besides capacity enhancement, the growth plan adequately addresses the need of SAIL Plants towards eliminating technological obsolescence, energy saving, enriching product mix, pollution control, developing mines & collieries to meet higher requirement of key inputs, introduce customer centric processes and have matching infrastructure facilities in the Plant to support higher production volumes and to lower the cost of production.

All major facilities at Salem Steel Plant have been completed by Sep'10 and are in use for production and supply of stainless steel to the customers. Work for Modernisation & Expansion plans of other steel plants viz. IISCO, Bhilai, Durgapur, Rourkela and Bokaro is in progress and are scheduled to be completed progressively by 2012-2013.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

In order to cater to the growing domestic market for steel, enhance economies of scale and also utilise advantageous position with respect to land, infrastructure & then available funds, RINL formulated its long term directional plan to expand the capacity upto 16/20 million tonnes, of which expansion to 6.3 mtpa of liquid steel is currently under progress.

In addition, as a result of consistently operating at high levels of capacity utilization and, critical equipment in the plant requiring major revamps / capital repairs to bring them back to earlier reliability and efficiency levels, RINL has also initiated various steps for modernisation & major revamp/ capital repairs of critical equipments like Blast Furnace, Basic Oxygen Furnace (BOF), Sinter Plant and Coke Oven.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Recommendation (Serial No. 3)

According to the Ministry, the original target for completion of modernization and expansion of plants of SAIL was between June, 2010 to March, 2013. Owing to buoyancy in the steel industry, the timeline for implementation of different packages was initially compressed to 2010. However, as per the further revised targets, the plants of SAIL are to be commissioned between August, 2010 to December, 2012. Similarly in the case of RINL, the original schedule for completion of stage-1 of modernization and expansion was between October, 2008 to February, 2010 which has been subsequently revised to March 2011.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

SAIL is implementing modernization & expansion plan at its five integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and special steel plant at Salem to enhance its crude steel production capacity from 12.8 Mtpa to 21.4 Mtpa in the current phase.

Besides capacity enhancement, the growth plan adequately addresses the need of SAIL Plants towards eliminating technological obsolescence, energy saving, enriching product mix, pollution control, developing mines & collieries to meet higher requirement of key inputs, introduce customer centric processes and have matching infrastructure facilities in the Plant to support higher production volumes and to lower the cost of production.

All major facilities at Salem Steel Plant have been completed by Sep'10 and are in use for production and supply of stainless steel to the customers. Work for Modernisation & Expansion plans of other steel plants viz. IISCO, Bhilai, Durgapur, Rourkela and Bokaro is in progress and are scheduled to be completed progressively by 2012-2013.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

The initial delay in expansion was due to poor response of the bidders, inadequate & delayed response, extensions sought by bidders, non-submission of bids

in line with specification seeking deviations, delay in response to freeze techno-commercial bids & opening of price bids etc., asking for changes in contract terms/ asking for longer time for execution than stipulated etc. by major process package suppliers arising out of the then prevailing buoyant global market mainly due to simultaneous expansion of steel industry undertaken globally.

However, RINL-VSP has taken all the necessary steps / actions to expedite the critical activities of expansion and since then delays have been made up with which in Stage-I of 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 and under operation to supply inputs. 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 planned by Jun'11 to start trial production from July'11.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Recommendation (Serial No. 4)

As regards, progress of the modernization and expansion programme of SAIL and RINL, the Committee regret to note that major packages such as Coke Oven battery, Blast Furnace, Basic Oxygen Furnace (BOF), Bloom Caster, Continuous Casting facilities, Steel Melting Shop (SMS-II) etc. are yet to be received. Due to delay in receipt of requisite packages, the installation of aforesaid facilities is likely to miss the laid down targets. Further, the design, engineering, civil and structural works are also likely to take considerable time for their completion which would further hamper timely installation of various facilities which have been ordered. The Committee need hardly emphasise that phasing out of obsolete technology and introduction of energy efficiency and environment friendly technology would assume critical importance in the modernization of steel PSUs. They expect that with the introduction of state of the art technology in units/plants of Steel Authority of India Ltd. (SAIL) and Rashtriya Ispat Nigam Ltd. (RINL), their techno-economic parameters such as Coke Oven rate and energy consumption would substantially improve. Accordingly, it is essential that immediate remedial steps need to be taken to ensure early delivery of packages, orders for which have been placed. Further, to facilitate the erection / installation of technological facilities, civil and engineering works of the plants should be completed well before the receipt of packages. During the course of their study visit to IISCO Steel Plant (ISP), Burnpur in June, 2010, the Committee found that civil engineering works relating to modernization and expansion of the ISP have been undertaken by SAIL. The Committee were given to understand that both management and the workers were putting in their best efforts for making the modernization programme of ISP successful. The Committee are satisfied with the performance of all labourers/ employees / officers of ISP for building up such a big project relating to modernization and expansion of the plant. However, the Committee are surprised to note that boundary wall of certain stretches of the new plant area has not been erected due to protests by the local residents of the area and boundary wall of the old plant area is too low. The Committee desire that the matter may be sorted out with the help of local administration and the boundary wall of the entire plant may be constructed/ height of the boundary wall be raised appropriately within a reasonable time frame. The Committee would like to be informed of the

action taken in the matter. The Committee also trust that units of SAIL and RINL would make optimum utilization of the facilities as result of implementation of modernization programme.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

In SAIL, various packages under Modernisation & Expansion plan of its plants/ units have been ordered in phased manner due to prevailing market conditions. Accordingly, commissioning of various packages has been synchronized. The supplies from the vendors/contractors are being received in sequential manner matching with the commissioning schedule.

Further, all efforts are being made to ensure completion of engineering and civil & structural works well before the receipt of supplies under various packages for their timely installation.

Expansion of Salem Steel Plant has been completed and the facilities are in regular operation. For other plants, major packages have been ordered and design engg, civil & structural works and supply & erection jobs are in progress.

Construction of boundary wall in ISP:

SAIL-ISP is continuously following up with the local administration as well as concerned authorities of Govt. of West Bengal for their help and support to complete the boundary wall of the new plant.

A) For Modernization and Expansion site :

<u>Area</u>	<u>Job done (Boundary wall)</u>
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Dharampur	90 mtrs.
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The height of newly constructed boundary wall of modernization / expansion area is 4.2 metre (including concertina wire).

As regards completing the boundary wall at Purusottampur area, Govt. of West Bengal has been requested to allot 10.66 acres of Govt. vested land to ISP to enable SAIL to create alternate water body on this land before the equivalent water bodies can be filled up inside the plant area. Addl. District Magistrate, Asansol and District Land & Land Reforms Officer, Asansol-Durgapur Zone, after causing an enquiry, has recommended to OSD and ex-Officio, Special Secretary, L&LR Deptt. Govt. of West Bengal for long term settlement of 10.66 acres Govt. vested land at Purusottampur mouza in favour of ISP on 4.1.2011.

Immediately upon allotment of the said land to ISP, work for creating the water body shall start. After this, the boundary wall at Purusottampur area can be completed with the support of local administration.

Regarding closing of the boundary wall at Muri ghar at Purusottampur, the notice to vacate the premises has been served by Estate Officer on 3.2.2011 under PP (Eviction of unauthorized occupants) Act, 1971 to the unauthorized occupant. Hirapur

Police Station has been intimated about this. The part of the boundary wall at this area can be closed after eviction with the support of local administration.

(B) For Existing Plant

- (i) Some of the portion of boundary wall in the existing plant, where level was low because of damage to the boundary wall, have been repaired.
- (ii) Besides, there was provision of barbed wire over the boundary wall. This got broken at places which have been repaired.
- (iii) Other measures taken to strengthen the security are:
 - (a) 16 (Sixteen) nos. of High Mast Towers have been installed and commissioned.
 - (b) 7 (Seven) nos. of Revolving security lights were provided at different strategic locations.
 - (c) Watch Towers have been erected at vulnerable places.
 - (d) Two QRT (Quick Response Team) of CISF have been organized.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

Under the ongoing expansion programme of RINL upto 6.3 Mtpa liquid steel, RINL has adopted newer technologies which are environment friendly, energy efficient with higher productivity and yield. As far as the receipt of equipment is concerned, most of the equipment covered under the scope of major technological packages i.e. Sinter Plant-3, Blast Furnace-3, Converter Shop and Continuous Casting Department of SMS-2, WRM-2 units coming under Stage-1 of the expansion, have already been received at VSP site and the erection works are under steady progress.

The supply of equipment for the 2 rolling mills i.e. Special Bar Mill and Structural Mill coming under Stage-2 of expansion from the equipment suppliers is in steady progress.

RINL is putting forth all out efforts in following up with the equipment suppliers for completion of the balance supplies.

To meet the future needs of coke, a consultant is being appointed for installation of Coke Oven Battery No.5 with its associated facilities in addition to the 4 batteries under operation.

With respect to Design & Engineering, the design part is complete and the engineering portion is also completed by and large for all major expansion units. Efforts are on to follow up with the consultants as well as equipment suppliers towards completion of left out portion of engineering and the same may not hamper the progress of ongoing site activities.

The civil and other allied works are progressing in full swing to facilitate erection of the equipment received at site.

Modernization of operating units

The modernization programmes envisaged in the operating units of 3.0 Mtpa stage i.e. revamping & up-gradation of sinter machines, capital repairs of blast furnaces, revamping & up-gradation of LD converter of Steel Melt Shop are under different stages of progress status of which is brought out at reply to Recommendation No. 2 above.

Under the modernization programme, the state of the art technologies, which are energy efficient and environmental friendly, have been introduced and the obsolete technologies will be phased out so as to improve the techno-economic parameters such as coke rate in blast furnaces and substantial improvement in energy consumption.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Comments of the Committee

Please see Para no. 5 of Chapter-I of the Report)

Recommendation (Serial No. 5)

The Committee have been given to understand that during the course of implementation of modernization and expansion plan, SAIL had faced certain problems/constraints such as inadequate response to tenders, price bids submitted by the bidders being higher than the consultant's estimates, etc. The Committee are of the considered opinion that had SAIL adhered to the timeline of 2010 for completion of modernization programme, despite the then meltdown, its financial performance would now have been far better given the present stability in the steel market. In this connection, it is pertinent to note that SAIL had also resorted to retendering due to high price quoted by the vendors. The Committee are of the view that what SAIL saved financially on account of retendering would be much less than the profit it could have earned on account of completion of modernization programme in 2010 itself.

Action Taken

While the main packages of SAIL expansion plan were being finalised, due to buoyant steel market & seller's market conditions, for major facilities viz. Blast Furnace, BOF, CCP etc, most of the globally reputed parties were willing to accept only plant & equipment portion involving technological jobs but not the civil & structural jobs. In view of this, SAIL had to re-tender some packages after splitting which took longer time for finalising the tenders thereby resulting in shifting of the timelines for completion of Modernisation & Expansion programme. The high prices offered by the bidders therefore were not the only reason for re-tendering of the packages.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Comments of the Committee

Please see Para no. 7 of Chapter-I of the Report)

Recommendation (Serial No. 6)

The Committee regret to point out that SAIL having compressed the target for modernisation and expansion from 2013 to 2010 to encash the buoyancy in the steel industry failed to meet the revised target. However, SAIL is stated to have taken several corrective steps such as strengthening project monitoring and project management organization, convening pre bid conferences and consultations with technology suppliers and their partners for ensuring wider participation/response in the tenders, streamlining project manuals etc. With these measure, the Committee expect the SAIL to complete its modernization and expansion within the revised target (August 2010 to December, 2012). The Committee would like to be informed of the present position in this regard.

Action Taken

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

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Comments of the Committee

Please see Para no. 9 of Chapter-I of the Report)

Recommendation (Serial No. 7)

The Committee find that the pre-tendering delay in completion of schedule of RINL against the original schedule has been mainly attributed to delay in appointment of consultants, tender process and order placement. The post ordering delays include engineering and supply and erections of equipment by BHEL and MECON, structural work by HSCL, structural and equipment erections by Bridge and Roof, supply of equipments from Chinese sources etc. The Committee feel that the pre and post ordering delays could have been avoided had there been stringent monitoring mechanism in place. The Committee recommend that Ministry of Steel/ RINL should chalk out a strategy to make up for the loss due to time over-run and ensure that the modernization and expansion programme of RINL is monitored at highest level so as to ensure there is no further time and cost overrun.

Action Taken

The status/ progress of work the packages of engineering and supply & erection of equipment by BHEL and MECON, structural work by HSCL, structural and equipment erections by Bridge and Roof, supply of equipments from Chinese sources etc. are given below:

- a) M/s BHEL** – Four projects are being implemented by M/s BHEL namely TB-4, TG-5, Boiler-6 and Electrics for SMS-2. There has been improvement by M/s BHEL in supplies and site activities for all the above packages during last 2 months on continuous follow up by RINL and also on taking up the matter by JS (Steel). However, BHEL is yet to complete supplies from their Hyderabad Unit which has now been committed to complete by Mar'11 and commission

the unit by early May'11. Any delay will affect commencement of production from BF-3 and the matter is being followed up. Commissioning of SMS-2 is dependent on completion of electrics by BHEL, Bangalore. Continuous persuasion is being made with BHEL to ensure balance supplies and erection of electrical systems so that first heat is taken in June'11/ July'11. To integrate entire expansion of Stage-I and to commence production, it is required to commission this unit as per target; otherwise overall schedule will get affected.

- b) **M/s MECON** – New Wire Rod Mill is being installed by MECON as a consortium member along with M/s Siemens VAI – Morgan, USA. There has been overall improvement in progress of the package and Commissioning has already commenced. With persuasion, MECON has advanced completion of electrics up to intermediate stage but still behind schedule in other areas which is also being pursued. MECON has agreed to deploy additional man power for electrical and piping works which is must to maintain the schedule for integrated commissioning of WRM.
- c) **M/s HSCL** - Jobs being executed by M/s HSCL has picked up and are now no more critical.
- d) **M/s Bridge & Roof** – Four major packages are being executed by M/s Bridge & Roof for VSP namely structural and equipment erection for SMS-2, civil work for RMHP, Structural work for SBM and civil work for iron ore storage augmentation. Their performance has improved, but in some of the areas progress is behind and being pursued.
- e) **Supply of equipments from Chinese sources** – After rigorous follow up, for Stage-1 units, equipment is already supplied & received at site and for Stage-2 units, part equipment is under transit and the balance is under inspection.

In order to make up for the loss due to time over run, the progress of work on all fronts in various units of expansion 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 division at the levels of Executive Director, General Managers etc. Ministry of Steel has also held review meetings on the capex programmes of SAIL and RINL regularly.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Comments of the Committee

Please see Para no. 11 of Chapter-I of the Report)

Recommendation (Serial No. 8)

The Committee find that current installed capacity of Hot Metal, Crude Steel and saleable Steel in respect of SAIL is 13.8, 12.8 and 11.1 million tonnes respectively which is stated to go up to 23.46, 21.20 and 20.23 million tonnes respectively after implementation of modernization and expansion programme. Similarly, in the case of RINL their current installed capacity of Hot Metal, Liquid Steel and saleable Steel which is presently 3.4, 3.0 and 2.656 million tonnes respectively is stated to go up to 6.5, 6.3 and 5.72 million tonnes respectively after the ongoing expansion programme. The Committee are surprised to find that though SAIL and

RINL have currently undertaken Brownfield projects to expand the capacities of their existing plants during 2008-09, Bokaro Steel Plant and IISCO Steel Plant could not fully utilize their installed capacity as their capacity utilization was only 82% and 83% in 2008-09 respectively. The Ministry attributed the reason for underutilization of these capacities to the snags in the blast furnaces. The Committee are not convinced with the reason put forth by the Ministry as the problem should have been envisaged well in advance and fixed without much delay. The Committee urge upon the Ministry of Steel/SAIL to undertake capital repair/ replacement of the worn out equipment as a part of their current modernization programme so that the bottlenecks in the full capacity utilization of these plants are removed. It should be endeavour of the SAIL/RINL to fully utilize the existing capacities as only then the increase in the capacities could be justified.

Action taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

Capacity utilisation in 2008-09 at BSL was lower as one Blast furnace was under shutdown since Dec'2008. At ISP, one Blast Furnace was shutdown in October 2008. This was mainly due to depressed market conditions.

Further, the Modernisation & Expansion plan of SAIL apart from capacity enhancement, adequately addresses the need of SAIL Plants towards eliminating technological obsolescence, energy saving, enriching product mix, pollution control, developing mines & collieries to meet higher requirement of key inputs, introducing customer centric processes and have matching infrastructure facilities in the Plant to support higher production volumes, lowering the cost of production and removing bottlenecks for full capacity utilization of SAIL plants.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

RINL has been surpassing rated capacities of its production units since 2001-02. Capacity Utilization for the last three years is given below:

Item	2007-08	2008-09*	2009-10
Liquid Steel (Mt)	3.322	3.145	3.399
Capacity Utilization (%)	111	105	113
Saleable Steel (Mt)	3.074	2.701	3.167
Capacity Utilization (%)	116	102	119

* Despite production cuts in 2008-09 due to global meltdown, the capacity utilization was above 100%.

Capacity utilization is expected to improve from existing levels, once major revamp and capital repairs are completed.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Recommendation (Serial No. 10)

The Committee note that steel PSUs would meet the expenditure on their modernization and expansion from out of their internal accruals and external borrowings without seeking budgetary support from, Government of India. A sum of ₹ 70,169 crore and ₹ 15005 crore respectively have been sanctioned on account of various schemes of modernization and expansion of – SAIL & and RINL. SAIL could utilize only ₹ 17,352 crore upto June, 2010 on various schemes of its plant which works out to about 25% of the approved cost. Expenditure trend of RINL in respect of its modernization is relatively better as they have spent ₹ 7,508 crore up to June, 2010 which is about 50% of the approved cost of the project. The Committee is not satisfied with the progress of utilization of funds earmarked for the purpose of modernization and expansion. The Committee recommend that SAIL and RINL should take suitable steps so as to fully utilize the allocated fund for timely completion of the projects / schemes related to modernization and expansion of their respective units/plants.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

An expenditure of ₹ 23,848 crore has been incurred by SAIL on its Modernisation & Expansion plan till Feb'11. Capital Expenditure requirement in SAIL is worked out on the basis of projected progress and schedule vis-à-vis actual achievements for identified milestones. All efforts are being made to fully utilize the allocated funds for timely completion of the projects related to modernization and expansion of plants/units.

The utilization vis-à-vis allocation of funds by SAIL for last three years is given below:

(` Crore)						
	2007-08		2008-09		2009-10	
	RE	Actuals	RE	Actuals	RE	Actuals
SAIL	2007	2181	4674	5233	10356	10606

RASHTRIYA ISPAT NIGAM LTD. (RINL)

RINL has undertaken several initiatives for augmentation/modernization/up gradation and Expansion of operating capacities besides total revamp of certain key units like Blast Furnaces, Converter Shop, Sinter Plant and other auxiliaries which have outlived their economic lives. These projects are at various stages of implementation and are planned to be completed progressively by 2013. As on 28.02.11, nearly 60% of the expenditure has already been met out of the total outlay of ₹ 15096.20 crs. The table next shows scheme-wise details of Project cost and the expenditure incurred till 28.02.2011.

(₹ Crs.)

S. No	Scheme	Project cost	Expenditure upto Feb '11
1	Coke Oven Battery – IV , (Phase – I)	380.46	365.10
2	Pulverized coal injection	133.0	72.26
3	Expansion to 6.3 Mtpa	12499(#)	7958.58
4	Air Separation unit -IV & V	299.00	94.87
5	20.6 MW Waste heat recovery – Sinter straight line cooler of Sinter Machine 1&2	96.00	0.50
6	Battery-4 (Ph-II) Coal	138.44	93.96
7	Battery-4 (Ph-II) BP	216.86	
8	Supply & Erection of Plant, Machinery for one 330 tph Boiler System	350	203.24
9	Supply & Erection of Plant, Machinery for one 67.5 MW Turbo Generator.	358	210.57
10	Iron ore Storage Capacity Augmentation	481	67.07
11	220 KV Switching station & MRS Augmentation	86.34	30.87
12	Augmentation of 220KV power system for receiving 400MVA power	58.10	0.00
	Total	15096.20	9097.02

Original approved cost – ` 8692. Crs. (Base Jun 2005), Revised Cost Estimate of ` 12499 crs (Base: Dec. 2009) excluding the cost towards 3rd converter & 4th caster and power plant, duly approved by RINL Board, was submitted to GoI for approval. However, consequent to grant of Navratna status to RINL, GoI approval is not required now. The project cost is being updated considering current price level.

RINL has adequately utilized the funds against the total approved outlay for the XI Five Year Plan and has already incurred expenditure to the tune of 95% and will be fulfilling 100% of the target by the end of 2011-2012.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Recommendation (Serial No. 11)

Availability of critical inputs such as iron ore and coking coal is one of the pre-requisites of modernization and expansion of Indian Steel Industry. The Committee observes that although India has total coking coal reserves of 33.413 billion tones, it is difficult to mine most of the reserves. The Committee find that except BCCL Collieries, coking coal reserves in India are having high ash content. Thus, the domestic steel industry is highly dependent upon import of coking coal to fulfill its requirement. The Committee observe that post modernization and expansion, raw material requirement of Indian Steel Industry would increase substantially. Thus, there is an urgent need for having raw material security. The Committee desire that SAIL should step up efforts to expand the mining capacity of their existing iron ore mines and develop captive coking coal blocks namely Tasra and Sitanala. The Ministry of Steel/ SAIL should make all out efforts and take up the matter with the Ministry of

Coal at the highest level for acquisition of coal blocks of Jhirki, Jhirki West OC and Rhone-Routpara west.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

SAIL is implementing its growth plan to raise hot metal production capacity to 23.46 million tons per annum by 2012-13 against present production of around 14.6 million tons. With above expansion, requirement of major raw materials is estimated to increase as below:

	2009-10 (Actual)	2012-13 (After Expansion)
Hot Metal	14.6	23.46
Iron Ore	23.2	39.00
Coking Coal	13.6	21.00
Thermal Coal	7.0	12.00

Presently almost entire requirement of iron ore is being met from captive mines. In order to meet iron ore requirement for the expanded capacity of its steel plants, SAIL is in the process of expanding the production capacity of its existing mines and upgrading beneficiation plants. Moreover, development of new mines at Chiria, Rowghat, Taldih & Thakurani, installation of beneficiation plant at Gua and installation of pelletisation plants at mines/ plant locations are also planned.

In order to augment captive coking coal production, development of Tasra and Sitanala coking coal blocks is in progress. Status is as given below :

i) Tasra Coking Coal Block:

All statutory clearances for mine development have been obtained. Planned mine capacity is 4 MTPA (ROM) to produce about 2 MTPA of clean coal. Approval of Terms of Reference (TOR) in connection with Environmental Clearance for new washery is under consideration at MoEF. Against the previous NIT issued in August'2010 for selection of Mine Developer cum Operator (MDO), nine offers were received, however, none of the bidders qualified on financial eligibility criteria. Issue of fresh NIT with modified eligibility criteria is in process. In the meantime, small scale production has been started from November'2009 and around 77,000 tons of coal has been produced till March'2011.

ii) Sitanala Coking Coal Block:

All statutory clearances for mine development have been obtained. Mine planned for production of 0.3 MTPA (ROM). Issue of revised NIT in process for selection of Mine Developer cum Operator (MDO).

In order to further augment captive coking coal production, SAIL has identified three potential coking coal blocks namely, Jhirki/ Jhirki West OC block, Routpara block and Routpara along with Rohne-Routpara (West) block in Jharkhand and requested Ministry of Steel & Ministry of Coal for allocation of the blocks. Coal blocks are yet to

be allocated to SAIL. Ministry of Steel has already requested to Ministry of Coal to allocate these coking coal blocks to SAIL through Govt. dispensation route.

NMDC Limited

To conserve iron ore resources for long term utilization of domestic steel industry, the 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.

As regards coking coal, 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 (CIL), 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.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Recommendation (Serial No. 12)

The Committee recommend that the thermal coal mines identified by SAIL should be allotted to it for captive use from the Government dispensation besides according top priority to the renewal of Chiria mines. The Ministry of Steel should also take up the matter with Government of Jharkhand with regard to renewal of leases viz. Budhaburu, Dhobil and Ankua keeping in view the fact that Government of Jharkhand has already given its in-principle approval. With regard to other leases which are pending for want of forest and environment clearances, the concerns of the Ministry of Environment and Forest/ State Government may be addressed to enable them to grant necessary statutory clearances expeditiously. The Committee further recommend that Ministry of steel should provide all possible help to Visvesvaraya Iron & Steel Plant (VISL) and Salem Steel Plant (SSP) in grant of iron ore leases keeping in view that they have already applied for grant of leases as they do not have their own iron ore mines. They also recommend that coal blocks identified by SAIL viz. Tentuloi, Ghogharpalli & extension, Bankhui, Gand Bahera, Ujheni, Puta Parogia and Pindrakhi should be allotted to it to ensure raw material security in respect of thermal coal.

Action Taken

Renewal of Chiria & Gua lease after grant of in-principle approval by Jharkhand State Government for renewal of Budhaburu lease of Chiria on 23.10.09:

- On 28.10.09, Chairman SAIL, during his meeting with Hon'ble Governor, Advisor to the Governor and Chief Secy, Jharkhand requested for renewal of other leases of Chiria & Gua.

- On 18.11.09, SAIL informed Jharkhand Govt. to renew leases corresponding to 1000 million tonnes keeping all four leases of Gua & Ajitaburu of Chiria in the present form and redefining Budhaburu lease.
- Secretary (Steel) held meeting with Chief Secretary, Govt. of Jharkhand on 17.2.10 on the issue of renewal of mining leases including Chiria & Gua mines of SAIL.
- Secretary Steel vide letter dated 14.7.10 requested Advisor to His Excellency, Governor of Jharkhand for his intervention for renewal of under deemed extension leases of Chiria & Gua in view of Rule 24 B of MCR 1960.
- Chairman SAIL met His Excellency Governor of Jharkhand and Chief Secretary Jharkhand on 20.7.10 and requested for early renewal of Chiria & Gua leases.
- SAIL vide letter dated 22.7.10 requested Secretary Mines & Geology, Jharkhand for renewal of under deemed extension leases of Chiria & Gua.
- Chairman, SAIL vide letter dated 28.7.10, requested His Excellency, Governor of Jharkhand for early renewal of five under deemed extension leases of Chiria & Gua.
- For early renewal of pending Chiria leases, MD, BSL met Advisor to the Hon'ble Governor of Jharkhand on 10.8.10. As discussed in the meeting, MD, BSL vide letter dated 28.8.10, communicated the available iron ore reserves vis-à-vis iron ore requirement for next 50 years in view of ongoing and future expansion plans of SAIL.
- Hon'ble Minister of Steel, vide letter dated 5.10.10 solicited Chief Minister, Jharkhand's intervention for early action by State Govt. for formally renewing the mining leases at Dhobil and Ankua of Chiria and Duargaiburu, Topailore and Jhillingburu-II of Gua and also for computing one billion tonne of deposits to be immediately allocated to SAIL from Chiria-Gua belt.
- Chairman, SAIL during his meeting with Chief Minister, Jharkhand on 20.12.10 requested for expediting renewal of mining leases of Chiria & Gua mines.
- Chairman, SAIL vide letter dated 23.12.10 requested Hon'ble Chief Minister Jharkhand for his intervention for immediate renewal of the five mining leases, namely Dhobil & Ankua at Chiria and Duargaiburu, Topailore & Jhillingburu-II at Gua and also requested for initiation of subsequent discussion on renewal of balance four leases namely Ajitaburu, Sukri-Latur & Tatiburu at Chiria & Jhillingburu-I at Gua.
- **Vide letter dated 26.1.11, Hon'ble Chief Minister, Jharkhand assured SAIL that State Govt. will take necessary actions to ensure that SAIL does not suffer from deficiency of any raw materials required in the State.**
- Chairman, SAIL during his meeting with Chief Minister, Jharkhand on 10.3.11 requested for expediting renewal of mining leases of Chiria & Gua mines.

Concerning pending forest & environment clearances proposals with Ministry of Environment & Forests:

- Chairman, SAIL met Minister Environment & Forests, GoI in June'10, August'10, November'10 & January'11 and requested for early grant of pending forest & environment clearance proposals of SAIL.

- Secretary (Steel) vide letter dated 30.6.10 requested Secretary MoEF for consideration of forest clearance proposal of Budhaburu lease of Chiria in next FAC meeting and also to consider the grant of environment clearance proposal of Budhaburu lease.
- In the context of ongoing capex programme of SAIL, Secretary (Steel) vide letter dated 9.8.10 requested Secretary (MoEF) for early grant of forest & environment clearance proposals of Chiria Iron Ore mines.
- Secretary (Steel) vide letter dated 23.9.10 requested Secretary (MoEF) to favourably consider the forest clearance proposals of Budhaburu, Ajiataburu & Sukri-Latur lease of Chiria iron ore mines in the forthcoming FAC meetings.
- Secretary (Steel), vide letter dated 22.12.10 requested Chief Secretary Jharkhand for his personal intervention for expediting the comprehensive report of the State Government so that SAIL proposals for forest clearance of Chiria leases can be considered in the forthcoming FAC meetings.
- Hon'ble Minister of Steel, vide letter dated 3.2.11 requested Minister (MoEF) for his personal intervention for consideration of forest clearance proposals for Ajiataburu, Budhaburu & Sukri-Latur leases of Chiria iron ore mine in favour of SAIL.
- **As a sequel to above actions, Forest and Environment clearances have been granted to SAIL mines by MoEF as given below :**

a) **Grant of stage-I forest clearance by MoEF:**

- viii) For diversion of 644.25 ha of forest land in Lease-I of Kiriburu-Meghahatuburu Mines in Jharkhand on 29.3.10.
- ix) For diversion of 247.50 ha of forest land for development of South-Central Blocks in Lease-I of Kiriburu-Meghahatuburu Mines in Jharkhand on 18.10.10.
- x) For diversion of 1152.80 ha of forest land in 5.1 Sq. Mile Lease-I of Bolani Mines in Orissa on 12.11.10.
- xi) For diversion of 379.228 ha of forest land in Budhaburu lease of Chiria Mines in Jharkhand on 7.3.11.
- xii) For diversion of 153.04 ha of forest land in Ajiataburu lease of Chiria Mines in Jharkhand on 7.3.11.
- xiii) For diversion of 33.40 ha of forest land in Sukri-Latur lease of Chiria Mines in Jharkhand on 7.3.11.
- xiv) For diversion of 2341.931 ha of forest land in ML-130 lease of Barsua-Taldih-Kalta Mines in Orissa on 8.3.11.

- b) Beside above MoEF also granted working permission for Duargaiburu leases of Gua iron ore mine for continuation of mining for one year in already broken area on 15.6.10.

c) **Grant of environment clearance by MoEF:**

MoEF, vide order dated 29.10.10, granted environment clearance for integrated Barsua-Taldih-Kalta iron ore mining (ML-130 lease) & Beneficiation and Pelletisation plant for 8.05 MTPA (ROM) capacity.

- Regarding grant of environment clearance proposals of Chiria mines, Expert Appraisal Committee (EAC) of MoEF has already considered the environment clearance proposals pertaining to Budhaburu, Ajiataburu, Dhobil & Sukri-Latur

leases of Chiria. **MOEF has since accorded environment clearance for Budhaburu lease on 23.3.2011.**

d) **Status with regard to grant of mining lease in favour of VISP/SAIL :**

- Government of Karnataka forwarded its recommendations vide its letter dated 30.07.07 to Government of India *to reserve the NEB (140 ha) area as requested by VISP* for a period of 30 years.
- Against the Karnataka Govt. decision dated 30.7.07, four applicants filed Revision Application before the Director, Ministry of Mines, GoI.
- Revision applications of three of them were dismissed for default by Mining Tribunal vide Order dated 06.11.08. Revision Application of fourth i.e. M/s B. Kumar Gowda was dismissed by majority judgment vide order dated 15.09.09. Accordingly impugned order dated 30.7.07 of the State Government was upheld for reserving the area in favour of VISP.
- In the meantime, vide letter dated 06.01.10, Government of Karnataka forwarded the proposal to Ministry of Mines, GOI, *for approval to grant of mining lease in favour of M/s VISP (SAIL)* over an area of 140Ha at NEB Range in Bellary district for mining iron ore for a period of 30 years.
- Against the Mining Tribunal order dated 15.9.09, one of the party, M/s B. Kumar Gowda filed writ petition in High Court at New Delhi. Vide order dated 28.10.10 Hon'ble High Court stated that the "Court is not inclined to interfere with the impugned final order dated 15.9.09 of the Mines Tribunal. Accordingly, the writ petition of M/s B. Kumar Gowda is dismissed". Against the State Govt. decision dated 6.1.10, Court stated that the order dated 6.1.10 does not create equity in favour of any party, much less VISP.
- In light of High Court order dated 28.10.10, Ministry of Mines, GoI is not considering the State Govt. proposal for grant of ML over an area of 140 Ha at NEB in favour of VISP but considering reservation of area in favour of VISP/SAIL.
- Minister of Steel vide letter dated 15.2.11 requested Minister of Mines for his intervention in grant of mining leases to VISP/SAIL.
- Minister of Mines vide his letter dated 21.2.11 has informed Minister of Steel that the proposal is being sent to concerned department for appropriate action.

e) **Status with regard to grant of mining lease in favour of SSP/SAIL:**

- SSP submitted an application for grant of mining lease over an area of 1000 ha in Kanjamalai Iron Ore deposit to the State Government on 13.6.08. The recommendation on the State Government for approval of Central Government is awaited.
- In the mean time, Industry Department of Govt. of Tamilnadu has informed that a case pertaining to felling of trees in the reserves forests in India is pending in the Hon'ble Supreme Court (Writ Petition (Civil) No. 202 of 1995) and unless a decision comes out in the matter, State Govt. would not consider any proposal of grant of mining leases in the reserved forest area. Judgment of Supreme Court is awaited.

f) **Status with regard to allocation of thermal coal blocks to SAIL for captive use**

Presently, major requirement of thermal coal is being met by supplies from Coal India Limited. In order to ensure security of thermal coal availability, SAIL has identified six thermal coal blocks namely Tentuloi, Ghogharpalli & Extension, Bankhui, Gand Bahera Ujheni, Puta Parogia and Pindrakhi and requested Ministry of Steel & Ministry of Coal for allocation of at least 2-3 blocks. Hon'ble Minister of Steel has also requested Hon'ble Minister of State for Coal in February 2010 to allocate these thermal coal blocks to SAIL through Govt. dispensation route.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Comments of the Committee

Please see Para no. 13 of Chapter-I of the Report)

Recommendation (Serial No. 14)

The Committee note that critical infrastructure projects such as new rail links, augmentation of important existing routes, ports and road connectivity projects etc. are vital for growth of the country and are dependent to a certain extent on the steel sector. Keeping in view the critical importance of development of infrastructure, the Committee desire that the Ministry of Steel expeditiously complete their modernisation and expansion programme so that such projects do not feel shortage of good quality of steel.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

Considering the potential growth of Infrastructure sector in India and projected increase in steel requirement, SAIL is implementing modernization & expansion plan at its five integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and special steel plant at Salem to enhance its crude steel production capacity from 12.8 Mtpa to 21.4 Mtpa in the current phase.

All major facilities at Salem Steel Plant have been completed by Sep'10 and are in use for production and supply of stainless steel to the customers. Work for Modernisation & Expansion plans of other steel plants viz. IISCO, Bhilai, Durgapur, Rourkela and Bokaro is in progress and are scheduled to be completed progressively by 2012-2013.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

Current Expansion of RINL is already in advanced stage of implementation of Stage-I costing around ` 12500 crores to almost double its capacity to 6.3 Million Tonnes of Liquid Steel by 2011-12. With this, RINL will be able to make higher volume of steel available in the country for use by critical infrastructure projects such as new rail links, augmentation of important existing routes, ports and road connectivity projects etc. which are vital for growth of the country. Also, RINL is in

the process of upgrading the existing facilities along with the addition of Converter & Caster and thereby increasing its capacity further to 7.3 mtpa.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Recommendation (Serial No. 15)

The Committee note that in the current economic scenario, there is huge growth potential for Indian steel Industry. The Committee have been given to understand that steel consumption in the country will grow at an average rate of more than 10% for the next 5 years. On the basis of this projection of consumption growth, steel demand in the country would be approximately 68 million tonnes for the year 2011-12 and it may rise to approximately 100 million tonnes by 2015-16. The Committee agree with the View of the Ministry of Steel that a fresh examination of production, consumption, export and import projections for the next 10 years is required for which Ministry propose to constitute a committee. The Committee desire that since various Greenfield and Brownfield projects are going to be commissioned in next 2-3 years, the proposed committee may be constituted on priority basis to look into the projections of steel consumption etc. on year-by-year basis for the next 10 years so as to plan and suggest measures to boost the requisite output of steel. As regards consumption of steel in India, the Committee find that per capita consumption of steel was 47 kg in 2008-09 which was much less compared to global average of 190.4 kg. The Committee, therefore, recommend that Government should take initiative to focus on increasing the consumption of steel in the rural areas given the growth potential of consumption of steel in the rural area for purposes like rural housing, rural infrastructure etc.

Action Taken

It has been decided in the Ministry of Steel to formulate a New National Steel Policy which should taken into account the dynamic shift in the steel sector over the past few years and formulate new set of projections, policy guidelines and action plans, so as to make India an important steel producer in the world, not only to meet the domestic needs but also to supply value added quality steel in the international market. As apex Committee, consisting of representatives of Planning Commission, Ministries/Departments of Central Government and concerned State Governments has been already constituted. Various Task Forces will be further constituted to formulate detailed policy documents. SAIL, RINL and other steel producers are expanding their sales networks with a particular emphasis on tapping the rising demand for steel in the rural sector as a result of rising rural incomes. INSDAG is also promoting the usage of steel in rural/semi-urban areas.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

CHAPTER III

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

-NIL-

CHAPTER IV

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

-NIL-

CHAPTER V

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

Recommendation (Serial No. 9)

According to the Ministry of Steel, post completion of current modernization and expansion programme, the capacity of hot metal, crude steel and saleable steel in respect of SAIL will go up to about 75% of the present installed capacity. Similarly, in case of RINL, after completion of the ongoing expansion, their capacity will be twice of the existing installed capacity. The Committee find that private steel players have proposed huge investments for setting up Greenfield projects in order to enhance their production capacities. Major private players such as Tata Steel, Essar Steel, Jindal Steel & Power Ltd., Electro Steel Casting Ltd., POSCO, Arcelor Mittal India, JSW Steel have embarked upon major Greenfield projects in Orissa, Jharkhand, West Bengal and Chhattisgarh for which process of land acquisition is already in progress. Some of these projects are likely to be completed by 2011-12. The Committee desire that as in the case of private sector, public sector steel companies should also consider the feasibility of setting up of Greenfield projects after completion of first phase of current modernization and expansion programme so as to remain competitive and keep pace with the private sector steel companies.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

SAIL had earlier planned to set up a 12 MTpa Greenfield steel plant in the State of Jharkhand subject to land allocation, allocation of iron ore leases and other clearances. The viability report on the project was submitted to the Jharkhand State Govt. on 8th October'2007 for allocation of land and signing of MoU. The Government response is still awaited.

In its pursuit of setting up greenfield steel plant in the State of Jharkhand, SAIL approached Ministry of Fertilisers (MoF) in January' 2010, for setting up a steel plant at the site of M/s Fertiliser Corporation of India Ltd.'s (FCIL) closed unit at Sindri. This unit is closed since March' 2002 and has 6653 acres of land available on freehold basis. Sindri is very close to Bokaro. It has the requisite industrial infrastructure and the proposed Haldia-Jagdishpur Gas pipeline will also be passing through this area.

SAIL intimated to MoF that it is willing to setup a greenfield steel plant of 5.6 MTpa capacity at Sindri if the land is allotted to SAIL on nomination basis. SAIL has also agreed to set up a 1.15 MTpa Urea plant at Sindri which is a precondition by MoF for allocation of land.

Ministry of Fertilisers (MoF) has prepared a draft CCEA Note dated January 19' 2011 on the revival of closed units of Hindustan Fertiliser Corporation Limited and Fertiliser Corporation of India Ltd. including Sindri unit. The note has taken cognizance of SAIL's proposal.

Vide this Note MoF has sought approval of the CCEA to authorize/ empower ECOS to consider and approve any proposal received from PSUs Consortium, for revival of any of the units, with fully tied up proposal.

The Note is still under discussion stage and will be submitted to Cabinet after finalization.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

RINL has plans for setting up steel capacity at Neelachal Ispat Nigam Ltd. (NINL), which has potential to become a 5 mtpa. Discussions are on with Ministry of Commerce in this regard.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

Recommendation (Serial No. 13)

The Committee find that SAIL and Bharat Coking Coal Ltd. (BCCL) intend to form a Joint Venture Company for development of captive coking coal block for which Coal India Ltd. is not giving its nod. The Committee urge upon Ministry of Steel to persuade Ministry of Coal/CIL to give their approval for development of captive coking coal block. The Committee also recommend that more such JVCs may be formed with CIL and its subsidiaries mutually agreed to by them as the same would be beneficial to both of them.

Action Taken

Kapurja Block of BCCL has a mineable reserve of about 37 MT, which can be developed into a modern mine of about 2 MTPA capacity. After long persuasion by SAIL, the Board of BCCL had cleared the proposal in June'2008 for formation of a joint venture company of SAIL & BCCL for development of Kapurja block. Before signing MOU, BCCL sought clearance of Coal India Ltd. (CIL). However, CIL is not in favour of formation of Joint Venture Company of SAIL & BCCL for development of Kapurja Block. The matter shall be again pursued with CIL.

[O.M. No.H-11014(2)/2011-Parl. dated 23 May, 2011 of the Ministry of Steel]

**NEW DELHI;
26 August, 2011
04 Bhadra, 1933 (Saka)**

**KALYAN BANERJEE
Chairman
Standing Committee on Coal and Steel**

ANNEXURE- I

**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) | ** | ** | ** | ** |

(iv) Action Taken Report on observations/recommendations contained in the 12th Report on 'Modernisation and Expansion of Steel Sector of the Ministry of Steel

The Committee then adjourned.

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ANNEXURE- II
(Vide Para IV of Introduction)

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE
RECOMMENDATIONS CONTAINED IN THE TWELFTH REPORT
OF THE STANDING COMMITTEE ON COAL AND STEEL**

I.	Total No. of Recommendations made	15
II.	Recommendations that have been accepted by the Government (vide recommendation at S1. Nos. 1,2,3,4,5,6,7,8,10,11,12,14 and 15)	13
	Percentage of total	86.7%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (vide recommendation at S1. No.nil)	00
	Percentage of total	Nil
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (vide recommendation at S1. No.nil)	00
	Percentage of total	Nil
V.	Recommendations in respect of which final replies of the Government are still awaited (vide recommendation at S1. Nos. 9 and 13)	2
	Percentage of total	13.3%