

STANDING COMMITTEE ON
COAL AND STEEL (2011-2012)
FIFTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS (2011-12)

[Action Taken by the Government on the Observations/
Recommendations contained in the Eighteenth Report of the
Standing Committee on Coal and Steel (Fifteenth Lok Sabha)]

TWENTY-THIRD REPORT



LOK SABHA SECRETARIAT
NEW DELHI
APRIL, 2012 /VAISAKHA, 1934(SAKA)

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**[Action Taken by the Government on the Observations/
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Presented to Lok Sabha on 25.04.2012

Laid in Rajya Sabha on 26.04.2012



**LOK SABHA SECRETARIAT
NEW DELHI
April, 2012/Vaisakha, 1934(Saka)**

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COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2011-12)

Shri Kalyan Banerjee - Chairman

MEMBERS

Lok Sabha

2. Shri Hansaraj Gangaram Ahir
3. Shri Jaywant Gangaram Awale#
4. Shri Sanjay Bhoi
5. Shri Udyanraje Bhonsle
6. Shri A.H. Khan Choudhury
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11. Shri Vishwa Mohan Kumar
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17. Smt. Rajesh Nandini Singh
18. Shri K. Sugumar
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20. Dr. G. Vivekanand
21. Shri Pakauri Lal@

Rajya Sabha

22. Shri Ali Anwar Ansari \$
23. Shri Jugul Kishore
24. Shri Kishore Kumar Mohanty ^
25. Dr. Dasari Narayana Rao \$
26. Ms. Mabel Rebello \$
27. Shri Dhiraj Prasad Sahu
28. Shri Nand Kumar Sai

29. Shri Jai Prakash Narayan Singh
30. Shri R.C. Singh \$
31. Smt. Smriti Zubin Irani*

* Nominated to the Committee *w.e.f.* 17.09.2011

@ Nominated to the Committee *w.e.f.* 03.01.2012

Ceased to be the Member of the Committee *w.e.f.* 3.01.2012

\$ Retired *w.e.f.* 02.04.2012

^ Retired *w.e.f.* 03.04.2012

SECRETARIAT

- | | | | |
|----|-------------------------------|---|----------------------|
| 1. | Shri P. Sreedharan | - | Additional Secretary |
| 2. | Shri Shiv Singh | - | Director |
| 3. | Shri Arvind Sharma | - | Deputy Secretary |
| 4. | Smt. Vandana Pathania Guleria | - | Sr. Exe. Asstt. |

INTRODUCTION

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Twenty-Third Report (Fifteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Eighteenth Report of the Standing Committee on Coal and Steel(Fifteenth Lok Sabha) on "Demands for Grants (2011-12)" of the Ministry of Steel.

2. The Eighteenth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 29th August, 2011. Replies of the Government to all the observations/recommendations contained in the Report were received on 8th February, 2012.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 17.04.2012.

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

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;
20 April, 2012
31 Chaitra, 1934(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 Eighteenth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel on Demands for Grants (2011-12) of the Ministry of Steel which was presented to Lok Sabha/laid in Rajya Sabha on 29.08.2011.

2. The Report contained 20 Observations/Recommendations. Action taken replies 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, 4, 7, 9, 11, 12,13 and 19.

Total – 09
(Chapter II)

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government:

Sl. No. 5.

Total – 01
(Chapter III)

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee:

Sl. Nos. 6, 8, 15, 16 and 20

Total – 05
(Chapter IV)

- (iv) Observations/Recommendations in respect of which final replies of the Government are still awaited:

Sl. Nos. 3, 10, 14, 17 and 18

Total – 05
(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 Eighteenth Report.

STEEL PRODUCING UNIT AT SRINGAR (J&K)

Recommendation (Serial No.6)

5. The Committee noted that the Steel Processing Unit (SPU) at Kangra was likely to be completed by year 2012, but uncertainty looms large over setting up of another Steel Processing Unit (SPU) in Srinagar. SAIL was stated to be wary of its viability and was not sure of getting concessions and benefit from the Government of J&K and had therefore, initiated financial review of the project. The Committee felt that review by SAIL at this stage was surprising as all apprehensions and doubts would not have been ignored when this project was conceived and ultimately approved. The Committee would like to be apprised of the precise reasons for undertaking fresh review. All bottlenecks/difficulties being faced/likely to be faced in this project need to be removed by having close co-ordination and consultation at appropriate level with the Government of J&K.

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

"A Steel Processing Unit is proposed to be set up by SAIL at Srinagar in Jammu & Kashmir. SAIL Board has approved the proposal in principle in April, 2008.

While formulating the project proposal concession / benefits have been considered to be available from the State Government. The issue regarding Concessions and Benefits considered at the time of approval of the project was taken up with the General Manager, Directorate of Industries, District Pulwama, Govt. of J&K, in April, 2009, wherein it was requested that availability of the Concessions and Benefits for the project be confirmed.

In 361st Board meeting held on 19.07.2010, Board decided to review the decision taken to set up SPUs on the basis of financial viability considering market scenario of the steel. The Financial Viability of the SPUs were accordingly reviewed. SPU projects at five nos. of location including Srinagar

were found financially unviable. For the SPU at Srinagar the Concessions and Benefits were not considered as the same was yet to be confirmed.

Hon'ble Minister of Steel has written to Govt. of J&K on 22.09.2011 for getting necessary clearances for the Concessions and Benefits from the concerned Ministry of the Govt. of India.

The issue related to concession and benefits as per J&K Industrial Policy were discussed with Hon'ble Minister of Commerce & Industries at Srinagar on 22nd October 2011 and it has been agreed to extend the available concession & Benefits to this Steel Processing Unit. After establishing financial viability considering concession and Benefits along with change of product mix & capacities, the project implementation will be considered on Joint Venture basis."

7. The Committee are constrained to note that though SAIL Board had approved the proposal to set up Steel Processing Unit (SPU) at Srinagar (J & K) in April, 2008, no progress has been made to set up the unit even after lapse of about 4 years. The Ministry in their action taken reply have stated that the SAIL Board at their 361st meeting held in July, 2010 had decided to review the decision for setting up of SPU on the basis of financial viability and have stated that SPU project at five locations including Srinagar were found to be financially unviable. The Ministry have further stated that Hon'ble Minister of Steel has written to the Government of J&K on 22.9.2011 for getting necessary clearances for the concessions and benefits and accordingly it has been agreed to extend the available concessions and benefits to the SPU at Srinagar. Based on the financial viability, the project will be considered for implementation on Joint venture basis. The committee fail to understand that when the project has been found financially unviable the same is being considered for implementation on Joint Venture basis. The only inference the Committee can draw is that the project report prepared earlier lacked farsightedness forcing SAIL to give up setting up SPU by itself rather than going in for Joint Venture. The Committee would like to know reasons which compelled SAIL to set up SPU on JV basis and the strategic partners that have been shortlisted for the Joint Venture.

DELAY IN SETTING UP OF SAIL MOIL FERRO ALLOYS PVT. LTD.

Recommendation (Serial No.8)

8. The Committee noted that SAIL had signed a joint venture with MOIL viz. SAIL MOIL Ferro Alloys Pvt. Ltd. (SMFAPL) in February, 2008 for producing Ferro Manganese and Silico Manganese in Bhilai by July, 2010. The main reason for delay in commencement of the project was stated to be non-finalisation of the party for the supply of Main Furnace Package. The Committee had been informed that SMFAPL Board has taken corrective measure by issuing an Expression of Interest (EoI) with relaxed technical eligibility criteria and after the L-1 bidder was selected and orders had been placed for the supply of Main Furnace, it would take another 22 months thereafter for the supply and erection of the equipments. Obviously, the formation for the joint venture had taken unduly long time which could have been avoided by anticipating the problem encountered and by taking suitable remedial timely action. The Committee hoped that joint venture between SAIL & MOIL would be commissioned as per the revised schedule and there would not be any further time and cost overrun on the project.

9. The Ministry in their action taken reply stated as follows:-

"STEEL AUTHORITY OF INDIA LTD. (SAIL)"

Efforts are being made to ascertain the most appropriate equipments for the project in order to ensure the visibility of the project. At present, there is surplus capacity for Ferro Alloys production in the country. To be competitive in this power intensive industry, it is very vital to select the proper size furnace as well as other equipments which would have an impact on the costs of the project. Accordingly, viability with respect to the cost of the production is being reviewed. The business model needs to be reworked for a sustainable and profitable operation before placing the order. The JV Board is considering the issues.

MOIL LIMITED

The recommendations/observations of the Committee has been noted for compliance. The price bid for main package has been opened on 21.05.2011. First round of negotiation has been held on 14.06.2011 and considering the high cost, two more rounds of negotiations have been held by Board Sub-Committee. After second round for negotiation, the price quoted by the tenderer the quotation price is still higher by 4.72% as compared to the estimated cost prepared by MECON. The validity of the offer has been extended upto 31.12.2011. In the meantime, environment clearance has been received from Ministry of Environment and Forest and Chattishgarh Transmission Power Company Ltd. has approved double circuit 220 KV transmission line Bhilai Steel Plant has accorded approval for long term use of water."

10. The Committee observe that there has been an inordinate delay in commencement of Joint Venture project between Steel Authority of India Ltd. (SAIL) and Manganese Ore India Ltd.(MOIL) for producing Ferro Manganese & Silico Manganese which was signed during 2008 and was to be implemented by July, 2010. The Committee have been given to understand that efforts are being made to ascertain the most appropriate equipments for the project and the procurement needs to be reworked for a sustainable and profitable operation before placing the order. While lamenting the time overrun of the project, the Committee apprehend that retendering process may also result in cost escalation. The Committee have also been informed that environment clearance for the project has been received from the Ministry of Environment and Forest. While observing that the reply of the Ministry is silent on the recommendation of the Committee for a revised schedule of commissioning of the Joint Venture without any further time and cost overrun, the Committee reiterate their earlier recommendation and desire that a revised schedule be prepared under intimation to the Committee and the Ministry should make all necessary efforts to ensure implementation of the project as per the revised schedule.

IMPLEMENTATION OF MAJOR PROJECTS BY STEEL PSUs

Recommendation (Serial No.15)

11. The Committee noted that 8 major schemes of SAIL were running behind schedule and one project of SAIL particularly the expansion of IISCO Steel Plant was witnessing the cost overrun of above ₹ 2000 crore. The reasons attributed for delay of these projects were termination of contract for not adhering to contractual obligation, delay in design and engineering and supply of equipment by the contractors. In the case of RINL, 12 of their major projects were running behind

schedule on account of delay in finalization of consultant, cancellation and re-tendering of major packages. The Committee felt that due to inaction of the concerned authority the time overrun of these projects would ultimately result in cost overrun which was not desirable and should be avoided. The Committee were anguished to note that NMDC could not furnish the details before the Committee relating to original target, revised target and time & cost overrun of its projects viz. Bailadila Deposit – 11B, Kumaraswamy Iron Ore project and pellet plant at Donimalai. The Committee urged upon Ministry of Steel to ensure that its PSUs supply detailed information to the Committee.

12. The Ministry in their action taken reply have stated as follows:-

"STEEL AUTHORITY OF INDIA LTD. (SAIL)"

SAIL has been taking measures on continuous basis for expediting the completion of the various projects. Some of the measures taken are given below:

- Enhanced delegation of powers at various levels for faster decision making
- Implementation of Integrated Project Management System and on-line project monitoring system.
- Strengthening of project management organisation by recruiting/redeploying fresh/ experienced project managers.
- Issue of steel by SAIL for civil & structural work.
- Drawings submission and approval through electronic mode
- Providing space for fabrication yard inside the plant to reduce transportation delays and expediting erection of structures
- Unit level committees have been constituted for monitoring the progress
- Two Board Sub Committees (BSC) have been constituted for
 - Consideration of large value projects/packages and give its recommendations to SAIL Board.
 - Reviewing the progress of implementation of Expansion Plan of SAIL.
- Evaluation of performance of contractors and actions like issuance of Risk Purchase notices against the erring contractors to arrest further delays and getting the jobs done through alternate agency.

Further, SAIL is taking utmost care in providing the detailed information to the committee.

RASHTRIYA ISPAT NIGAM LTD. (RINL)"

Regarding RINL, the current status and details of the ongoing major projects are given below:

Sl. No .	Name of the Scheme	Approved / Revised Cost	Amount Spent till Sept'2011	Schedule & Status of the Scheme	Remarks
1	Coke Oven Battery IV - Phase- II	355.30Cr.	117.77Cr	<p>Coal Handling Side: Additional facilities are likely to be completed progressively by Dec '11 in line with requirement of higher production of coke.</p> <p>By-Product side: Benzol recovery plant package ordered on MECON in July'10 after several rounds of re-tendering due to poor response of bidders and now scheduled to be completed by Oct '12 as per contract.</p>	<p>By-Product side Time Over run: Not likely w.r.t. contractual schedule. However there has been delays w.r.t. original schedule.</p> <p>Cost Over run: No cost over run is anticipated with respect to ordered cost ` 216.68 Crores except contractual escalations.</p>
2	Expansion 6.3 Mt	12291 Cr (RCE) 8692 Cr (Original)	8855.52Cr.	<p>The installation of various units under Stage-I are at various stages i.e. some of them are already commissioned, some units are under test & trail runs and erection of balance units are also under advance stage of completion. The integrated commissioning of the entire Stage-I expansion & related units is planned to be carried out progressively by Jan '12.</p> <p>Stage-II: Basic Engineering completed, over 98 % of Detailed Engineering also completed. Physical erection is in progress and planned for completion by July '12.</p>	<p>The increase in cost is mainly due to statutory variations during project cycle like exchange rate, taxes, WPI index changes etc., except for 11% increase on account of increase in volume of work. The cost overrun on account of escalation is likely to be small w.r.t ordered value as most of the contracts are on firm price basis except escalation towards labour, cement, steel etc. However, the exact escalation will be known on completion of the project.</p> <p>Time over run -The net impact of intermediate delay of auxiliary packages</p>

					are likely to get nullified and various inputs has been / will be made available on time as per requirement of major packages like Blast Furnace, Steel Melting Shop, Mills etc.
3	Pulverised Coal Injection	133.00Crs	82.31Crs	Detailed engineering, civil and Structural works almost done. It is expected to be commissioned by Dec'11	Equipment from China have been received at site and erection is in progress. Electrical sub Stations are ready for charging. Supply of some of the indigenous valves is pending and follow up is being done.
4	Air Separation Plant-IV	170.00Crs	100.32Crs	Unit commissioned & production started and achieved 100% rated capacity.	No cost over run is anticipated with respect to approved cost of ` 170 crs. except contractual escalations.
5	Facilities for Iron Ore Storage	450.00Crs	130.64Crs	Construction work commenced and scheduled to be completed by end of May'12.	Time over run: Nil w.r.to contractual schedule Cost Overrun: Nil Nil (saving expected)
6	330 TPH (6th) Boiler with Auxiliaries	350.00Crs	221.73Crs	Hydraulic test of Boiler-6 completed and erection of Main Steam piping in progress. However, there is delay by M/s BHEL and they are being pursued for commissioning. Now commissioning is expected by Jan'12.	Time Overrun: There has been time over run in completion of the project by M/s BHEL mainly due to delay in supply and also poor erection activity at site in spite of monitoring at highest level including ministry. However, there has been improvement in pace of work recently but project is yet behind the schedule. Cost Overrun: No

					cost overrun is anticipated over ordered value on M/s BHEL except for statutory variations. However, there was increase in ordering value based on quoted price by M/s BHEL who were the lone bidder.
7	67.5MW TG-5 Power Evacuation systems	358.00Crs	234.15Crs	Major Civil and Structural works Completed. Supply of equipment Commenced. There is delay by M/s BHEL and now unit is expected to be commissioned by Jan'12.	Same as above
8	BF-1&2 Cat-1 repair	1760.00	1.5	Order for consultant for Cat- 1 repairs of BF-1 & 2 placed on M/s Dastur & Co.	BF-1: The order for the main package is placed on M/s Siemens, VAI, U.K. Basic Engineering has been completed & detailed engineering is in progress. The other packages are in tendering stage. All the packages tendered out and are under finalization. BF-2: Technical requirements are finalized, Tender specifications are being finalized for issue of NIT.
9	Sinter Plant productivity enhancements	343.00	-	Order for Consultant for Sinter machines- 1&2 upgradation is placed on M/s Dasturco. For main package (Sinter machines), EOI (Expression of Interest) is under process. For other packages (Raw materials & ESP) technical specifications	---

				are under finalization	
10	SMS Converter Revamp	180.00	-	Global tender issued and bids were received. Technical and commercial discussions with Tenderers are completed. Bidders have to submit the revised price bids. Process for finalization of contract is under progress. The repairs/ up-gradation will be taken up along with the BF shutdowns	---
11	Augmentation of Water Storage facility	220.00Cr\$	-	Schedule is 3 years duration after obtaining clearance of Ministry of Environment & Forests. Survey and soil testing done. Further jobs awaiting clearance of MOEF/GoI.	---
12	3rd Converter and 4th Caster	976.00Cr\$	-	3rd Converter: Tender opened and in process. 4th Caster: Expression of Interest (EOI) issued and bids received, are under process.	---

NMDC LIMITED

Original/ revised target dates of different projects of NMDC are as given below:

i. Kumaraswamy Iron Ore Project

- Original target of Completion : May 2013
- Revised target of Completion : May 2013

ii. Pellet Plant at Donimalai

- Original target of Completion : April 2013
- Revised target of Completion : April 2013

iii. Bailadila Iron Ore Deposit 11-B

- Original target of Completion : September 2009
 - Revised target of Completion : March 2012
 - Time Overrun
- There is a time overrun of Thirty months for Bailadila 11 B Project, up to revised target of project completion i.e. March 2012.
 - Cost Overrun
 - Being controlled / minimized by judiciously holding up/deferring the procurement of mining machinery and expenditure on housing. The overall expenditure is not expected to increase beyond the present approved amount of ₹ 607 crores."

13. Regarding current status and details of ongoing projects of Rashtriya Ispat Nigam Ltd. (RINL), the Committee observe that for implementation of Coke Oven Battery IV-Phase II, it has been mentioned that additional facilities are likely to be completed by December, 2011. Similarly for Pulverised Coal Injection and 330TPH(6th) Boiler with Auxiliaries and 67.5 MWTG-5 Power Evacuation Systems, the status of implementation as given in the action taken replies is "expected/likely to be commissioned by January, 2012." The Committee further observe that at times information supplied to them is not in proper format and very often latest information is not provided. The Committee feel that as the replies were furnished to them in February, 2012, the Ministry should have provided latest and updated information to the Committee. While deprecating the casual approach of the Ministry in furnishing information to the Parliamentary Committee, the Committee strongly urge the Ministry to be more careful in future and desire that latest status of implementation of the Schemes of RINL referred to above be furnished to them.

The Committee also note that RINL could spend only Rs.1.5 crores as against Rs.1760 crores approved for BF 1&2 Cat-1 repair till September, 2011. Similarly, against the approved cost of Rs.343.00 crore for Sinter Plant productivity enhancements, no funds have been utilized till September, 2011. The Committee are anguished to observe that the utilization of funds by RINL for various ongoing schemes has not been satisfactory and would like RINL to accelerate pace of implementation of the projects by removing bottlenecks, if any. The Committee would like RINL to apprise the Committee the actual utilization of funds vis-à-vis approved cost for various ongoing projects.

MECHANISM TO REVIEW PROJECTS OF STEEL PSUs

Recommendation (Serial No.16)

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

15. The Ministry in their action taken reply have stated as under:-

"In this connection it is stated that the schemes of Steel PSUs are reviewed in their respective Quarterly Performance Review (QPR) meetings, Internal & Extra Budgetary Resources (I&EBR) utilization quarterly review meetings for the schemes costing more than ₹ 20.00 cr. for bigger PSUs and ₹ 5.00 cr. for smaller PSUs. The Outcome Budget of this Ministry contains a review of schemes/projects of PSUs costing more than ₹ 50.00 crore. Planning Commission also reviews the schemes of PSUs during the formulation of Annual Plans, Half Yearly Performance Review Meetings and Mid Term Appraisal (MTA) of Five Year Plans. For monitoring and evaluation of performance of PSUs, the Government has evolved a Result Frame Document (RFD) for Ministries/Departments. As per the document, time lines

and milestones have been fixed to monitor the progress of the important schemes of Steel PSUs like SAIL, RINL, NMDC Ltd., MOIL, Bird Group, KIOCL & MSTC Ltd."

16. As the existing mechanism has failed to avoid perceptible delays in completion of many projects/schemes of Steel PSUs, the Committee had desired the Ministry to analyse the reasons for failure of the existing monitoring and control mechanism and to review/evaluate the schemes and take appropriate steps to strengthen it. Sadly, the reply of the Government is silent in this regard. As the Government in their reply have simply repeated the existing monitoring mechanism at the level of Ministry and Planning Commission rather than making it more effective, the Committee reiterate their earlier recommendation.

ALLOCATION OF COAL BLOCKS TO RINL

Recommendation (Serial No.20)

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

18. The Ministry in their written replies have furnished as follows:-
"Secretary Steel has taken up the matter with Coal Ministry in Oct'11 for allocation."

19. The Committee in their earlier recommendation had impressed upon the Ministry of Steel to take up the matter of allotment of suitable coal blocks to Rashtriya Ispat Nigam Ltd. (RINL) from Government dispensation on priority basis. The Committee note with dismay that reply furnished by

the Ministry of Steel merely states that the matter was taken by Secretary, Ministry of Steel with the Ministry of Coal during October, 2011 without any tangible result. The Committee fail to understand that even after a lapse of 5 months of the action initiated by Ministry of Steel in the matter, the Government have neither apprised them about the outcome of the said request nor about its present status. As non-availability of coking coal is bound to hamper the expansion plan of RINL, the Committee strongly urge the Ministry of Steel to act promptly in the matter and apprise the Committee of the reasons for the delay alongwith latest position in the matter.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No.1)

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

Action Taken

Against the total 11th Plan (2007-12) outlay of ₹45390.08 crore, the cumulative actual expenditure upto end of November, 2011 is ₹ 49140.42 crore i.e. 108.26%. However, all PSUs have not been able to fully utilize their I&EBR outlays due to difficulty in implementation of projects. The implementation of projects by PSUs is being reviewed from time to time in the Ministry. PSU-wise expenditure upto November, 2011 is stated in the table below: -

(Rs. In Crore)

No.	Name of PSUs	Approved outlay for 11th Plan (2007-12) (I&EBR)	Expenditure upto November, 2011	%age
1	SAIL	27409.00	35768.00	130.50
2	RINL	9569.18	10518.28	109.92
3	SIIL*	25.00	4.36	17.44
4	HSCL	0.00	3.00	--
5	MECON Ltd.	72.00#	69.80	96.94
6	BRL*	0.00	10.33	--
7	MSTC Ltd.	30.00	15.97	53.23
8	FSNL	60.00	47.07	78.45
9	NMDC	7147.00	2259.70	31.62
10	KIOCL	650.00	117.17	18.03
11	MOIL	342.90	228.59	66.66
12	Bird Group	148.00	98.15	66.32
Total		45453.08	49140.42	108.11

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

I&EBR Rs.9.00 crore + GBS Rs.63.00 crore = Rs.72.00 crore

2. As may be seen from the table, SAIL, RINL and MECON have exceeded in utilization of their I&EBR outlays. SIIL and BRL have since been merged with NMDC Ltd. and SAIL respectively. HSCL has no I&EBR outlay during 11th Plan and is presently under restructuring. Government has approved the restructuring plan of M/s Bird Group of Companies and the companies under M/s Bird Group of Companies i.e. M/s Eastern Investments Limited (EIL), M/s The Bisra Stone Lime Co. Ltd (BSLC) and M/s Orissa Minerals Development Co. Ltd. (OMDC) have become subsidiary companies of RINL. Among the major PSUs, NMDC has not been able to utilize its I&EBR outlay. Some schemes of NMDC Ltd. have been hampered because of environmental clearance, hindrance in expansion of green and brown fields, power sanction and frequent Bundh by the insurgents at the plant site (Bailadila deposit 11B). KIOCL has gone through a turbulent phase and has been affected due to closure of Kudremukh Mines as per the directions of Hon'ble Supreme Court. FSNL has informed that the company has commissioned equipments worth ₹ 6.50 cr. in December, 2011.

[O.M. No. H-11014(8)2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No.2)

The Committee understand that Budgetary Support is being provided to some of the financially weak and loss making PSUs and Internal and Extra Budgetary Resource (I&EBR) are being raised by profit making PSUs for implementing these schemes. For 2011-12 as against the plan outlay of ₹ 21178.57 crore including Budgetary Support (BS) of ₹ 33 crore proposed by the Ministry, the Planning Commission has approved an outlay of ₹21102.71 crore with Budgetary Support of ₹ 40 crore. During 2010-11 an outlay of ₹ 17199.82 including Budgetary support of ₹ 36 crore was approved by the Planning Commission which was reduced to ₹ 16159.25 at RE stage and the actual expenditure was ₹ 15094.59 crore (87.76%). The main reasons for reduced allocation at RE 2010-11 were reported to be non utilisation of funds by HSCL and delay in taking up R&D Schemes. Keeping in view the pace of utilisation of funds by HSCL, the Planning Commission approved only ₹ 1 crore as against the proposed outlay of ₹15 crore. The Committee would like the ministry to review the progress of schemes/projects of Steel PSUs on fast track basis to ensure full utilization of allotted funds during this year.

Action Taken

Out of Budgetary Support of ₹ 36.00 crore in BE 2010-11, ₹ 35.00 crore was allocated for the scheme for R&D in Iron & Steel Sector and Rs. 1.00 crore was allocated as token provision for restructuring of HSCL. As the restructuring proposal of HSCL could not be finalized during 2010-11, the token provision could not be utilized. The allocation of ₹ 35.00 crore was reduced to ₹ 29.00 crore for the scheme of R&D in Iron & Steel Sector in RE 2010-11. Out of RE 2010-11 provision of ₹ 29.00 crore, ₹ 27.05 crore has been utilized.

[O.M. No. H-11014(8)2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No.4)

The Committee view with concern the tardy progress of implementation of R&D schemes in steel sector despite a new scheme i.e. "Scheme for Promotion of R&D in Iron and Steel Sector" was included in 11th five Year Plan with an outlay of ₹ 118 crore. At the end of 4th year of the 11th Plan, only about 25% of the funds could be utilized and none of the schemes has been completed. According to the Ministry, out of 8 approved R&D projects, only one project namely "Production of low phosphorous steel using Direct reduced Iron through induction Furnace route adopting innovative fluxes and on design (refractory) change" is likely to be completed by the end of the current Five Year Plan. Consequently, most of the R&D schemes are likely to spill over to the 12th Plan. The Committee are inclined to conclude that approval, execution and monitoring of the projects is taking unduly long time resulting in cost & time overrun. The Committee would like the Project approval and Monitoring Committee to meet frequently to ensure timely completion of the R&D project so that iron & steel sector is able to compete effectively in International Market.

Action Taken

The new Scheme for Promotion of R&D in Iron & Steel Sector was approved by Department of Expenditure (DOE), Ministry of Finance on 23. 01.2009 and directed that the scheme may be operated in the year 2009-10. Therefore, approval of the R&D projects & disbursement of grant started in the year 2010-11. The duration of the seven approved projects is 3-3½ Years except one project namely "Production of low phosphorous steel using Direct reduced Iron through induction Furnace route adopting innovative fluxes and on design (refractory) change" duration of which is 2 years. Therefore, the seven projects will be completed in the 12th Five Year Plan as per the approved time schedule.

It is submitted that the projects will spill over to the 12th Five Year Plan period because they started only in 2010-11. There is no cost and time over run. However, Ministry of Steel has constituted Project Review Committee (PRC) as decided by the Expenditure Finance Committee (EFC) for close monitoring of the implementation of the projects.

[O.M. No. H-11014(8)2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No.7)

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

Action Taken

Steel Authority of India Limited (erstwhile HSL) since its inception has set up full fledged training centers well equipped with modern laboratories, workshops and Management Development Centers at the integrated as well as at other production facilities to build the technical competencies as well as managerial capabilities to meet the requirements of the respective plants/units. An Apex Corporate HRD set up i.e. Management Training Institute (MTI) has been established in the year 1962 at Ranchi.

These institutes have been working as captive bodies, dedicated to meet both the technical as well as managerial requirements of SAIL. The logistics, facilities and the infrastructure has been supplemented and upgraded from time to time with the help of leading domain experts like British Steel, world Bank etc. MTI and most of the Plant HRD centers are ISO: 9001-2008 certified bodies.

HRD Centers/Institutes have largely focused on following broad areas of competence building:

Technical Skill Development	Managerial Skill Development
Unit training	Management programs at plant HRD centres
Basic Engineering Skills.	Management programs at MTI
Simulation training	Learning thru Quiz competitions/ debates.
Equipment training	Advanced Management Programs
Multi-skill Training	Specialized Management Programs
Project based training	Joint programs with management Institutes.
Sponsorship to premier institutes for Technical Training (IITs)	Sponsorships to management institutes like IIM-Indore etc.

SAIL's training centers are also imparting training to trade apprentices under the Apprentice Act'1961.

Annual Training Plans are drawn by the respective units in terms of the broad guidelines flowing from Training Advisory Committee (TAC)/Training Advisory board (TAB) at Board level as also from MoU with Government of India. Details of fulfillment against MoU Targets for 2009-10 and 2010-11 are as under:

Year	Year opening Manpower	No. of employees to be trained	Actual number of employees trained	% fulfillment
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2009-10	121295	46702	50358	107.8
2010-11	116950	46877	53137	113.4
2011-12 (H1)	110794	23242	26118	112.4

With the introduction of new technology, both in existing and modernized facilities, and depletion of skills on account of considerable superannuations over the years, specific initiatives have been taken both at Corporate as well as unit level for Multi-skilling, Redeployment training and planned Transfer of Skills and Knowledge. Critical skill training requirements have also been identified and specific programmes in collaboration with domain experts, organized to meet the requirements. A number of tie-up arrangements and collaborative initiatives have been undertaken with reputed organizations like M/s Siemens Ltd., M/s SKF Ltd. and M/s Rexroth, M/s POSCO, M/s Kobe Steel. MoUs with IITs/IIMs/MDI-Gurgaon/BITS-Pilani etc. for better industry-academia interface have been entered into.

With massive Modernization and expansion projects underway, as a part of the Project contract, employees are extensively being imparted training on advance technology in their respective areas by the equipment suppliers. These are being provided through the project contracts and separately not reflected in the HRD budget utilization.

Detailed plans have been drawn for training of identified employees for redeployment to new facilities as well as for project based training for stabilization of modernization facilities.

Number of special initiatives have been taken at plant/corporate level in the form of Performance Improvements Workshops (PIWs), Learning from Each Other (LEOs) for accessing and improving upon the best practices being followed in different plants/units within the SAIL as also other Steel makers, both in private and public like TISCO, Jindal and RINL 1450 Steel re-rolling Mills of SMEs in the country, SAIL has been entrusted the job of preparation of Training Manuals and providing training. The job of preparation of 68 training etc.

Under UNDP/GEF Project (Steel) by the Ministry of Steel, for improving energy efficiency of over manuals has been successfully completed as also organizing 71 training programs. The prestigious assignment, involving a budget of over ₹ 5 Crores, was initially upto December 2011 and has been extended upto December 2012 for organizing the 19 Performance Improvement Trainings in the 2nd phase.

As a strategic initiative, over the years, instead of sending people to various outside training programmes, customized training programs are being organized in collaboration with leading Training Institutes/agencies, at premises of SAIL only, benefitting in terms of programme utility as also economy.

SAIL has already initiated action for up gradation of some of its facilities, review of programme modules, and designing of new programmes to build on the existing systems/facilities for meeting the future requirements in the ensuing years in line

with the suggestions in the 18th Report of the Standing Committee on Coal and Steel on Demands of Grants (2011-12).

Recommendation (Serial No.9)

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

Action Taken

The details of expenditure made by RINL are given below:

Year	Remarks
2010-11	100% Target fulfilled with respect to RE.
2011-12	Against BE of ₹ 3046 Crores, already ₹ 940 Crores was spent till Sep'11

In Apr- Sep'11 work worth ₹ 1400 Crs has been completed in line with plan. However, payment is not released as balance amount mainly pertains to PAC, Pr AC, FAC (Payable after Commissioning and demonstration of Performance Guarantee Parameters etc.) In a number of cases, there are delays by vendors in submission of bills, documents etc. and in some cases payments are less due to shortfall in performance of agencies like BHEL, Bridge & Roof, MECON, HSCL etc. as mentioned in previous paras.

[O.M. No. H-11014(8)2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No.11)

The Committee note that National Mineral Development Corporation (NMDC) had been allocated ₹ 611.00 crore in BE 2010-11 which was increased to ₹ 720.00 crore

in BE 2011-12. Now, a substantial outlay of ₹ 3309.00 has been earmarked at BE 2011-12 for setting up 3 MT steel plant in Chhattisgarh, Bailadila Deposit – 11B project, Kumaraswamy Iron Ore Project, Pelletisation Plant at Donimalai, AMR/townships and R&D schemes etc. The Committee observe that NMDC have been preparing unrealistic estimates. For example, no budgetary allocation was proposed for Steel Plant in Karnataka in BE 2010-11. Subsequently a provision of ₹ 1.10 crore was made at RE stage. However, upto February, 2011 an amount of ₹ 55 crore has been spent. Similarly, allocation was drastically reduced at RE in case of Bailadila deposit – 11B, Pelletisation Plant at Donimalai and Bachel. The reduced allocation for these projects could not be fully utilized. The Committee are distressed to point out NMDC could not explain the reasons for variation in BE, RE and Actual expenditure of 2010-11. Since there has been considerable enhancement of allocation for 2011-12, the Committee expect NMDC to take all possible steps to ensure its full utilization and timely completion of the envisaged schemes/projects.

Action Taken

All efforts are being made by the NMDC for full utilisation of funds and timely completion of schemes/ projects undertaken by NMDC.

The Budget Estimate of 2010-11 of ₹ 611 Crore in respect of NMDC was revised to ₹ 720 Crore in RE 2010-11. The actual expenditure against this was ₹ 700.29 Crore.

The status of important schemes undertaken by NMDC are as under:

3.0 MTPA ISP at Nagarnar :

The Capital Budget RE 2010-11 for 3.0 MTPA ISP at Nagarnar was ₹ 198 Crore and the expenditure incurred by NMDC was ₹ 216.24 Crore.

The Capital Budget BE 2011-12 was prepared in the month of July, 2010 with an estimate of ₹ 2615 Crore as of that time, Expression of Interest for major technological packages was completed and bidders were short listed and the tendering process was scheduled to be completed by March, 2011. However, in spite of elaborate discussions in the Expression of Interest (EOI) stage and pre-bid meetings, bidders repeated time extensions for submitting the bids. Subsequently, bidders came up with substantial deviations on technical and commercial deviations which took considerable time to resolve. In case of one of the packages i.e. Lime and Dolomite plant one of the bidders withdrew at the tender submission stage which resulted in a single technology supplier situation. This package had to be re-tendered. Thus the process of award of works in these packages was delayed. In addition to the above, the factors given below also delayed the project activities further:

The land acquisition was completed in August, 2010, but the physical possession of the land was done only in February, 2011 due to the completion of harvesting by the farmers in January/February, 2011 in the acquired land. Due to this the soil investigation work in that acquired area took time and thereafter the inputs were

given to the bidders of various packages to enable them to submit price offer. This delayed the opening of price offers and subsequently took more time.

Even though the Environment clearance from MoEF was received on 15.09.2009 second (final) stage clearance for diversion of Forest Land of 25.72 Hectares (63.56 acres) received from MoEF on 06.05.2011.

In view of the above, the Capital Budget BE 2011-12 for the 3.0 MTPA Integrated Steel Plant at Nagarnar, has been revised in the RE 2011-12 to ₹ 1351 Crore.

Presently, out of the total nine major packages, tenders have been floated for all the packages and orders have been placed for five of the major technological packages and orders are expected to be placed for the remaining packages by March 2012. Works for the enabling works packages viz. site leveling, plant entrance road, plant road network, construction power, construction water are in progress. Project Monitoring and Construction contract has been awarded.

Bailadila Deposit - 11B project

In respect of Bailadila Deposit 11 B Project, BE of ₹ 200 Crores necessitated revision to ₹ 55 Crores at R.E stage in the FY 2010-11, in view of continued Maoist activities leading to delays in execution of works at site. Due to implementation delay, procurement of mining machinery had to be deferred. In BE of ₹ 200 Crores, the major part of expenditure was expected in procurement of mining machinery only. The expenditure incurred during FY 2010-11 was ₹ 53.43 Crores against the RE of ₹ 55 Crores.

Pelletisation Plant at Donimalai

In respect of Pellet Plant at Donimalai, BE of ₹ 20 Crores was revised to ₹ 10 Crores at the R.E. stage in the FY 2010-11, as statutory clearances were delayed. The Consent for establishment was received in the month of September 2010 and work orders for different packages were placed from October 2010 onwards. Hence, expenditure incurred during this FY was ₹ 3.21 Crores against the RE of ₹ 10 Crores.

Regarding Pellet Plant at Bacheli, BE of ₹ 20 Crores was reduced to ₹ 1 Crore at the R.E stage in the FY 2010-11 as project was kept on hold in view of NMDC's plans to shift it to Nagarnar and integrate it with slurry pipeline project.

[O.M. No. H-11014(8)2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No.12)

The Committee find that NMDC aims to enhance its production capacity of iron ore to 50 MTPA from its present capacity of 30MTPA by expanding its business through green field and brown field. The Committee are hopeful that setting up of Pellet Plants in Bacheli, Chhattisgarh and in Karnataka, merger of SIIL and further

diversification of its business in the fields of rock phosphate, lime stone, gold and diamond and these projects would certainly help NMDC achieve the envisaged target. The Committee, however, emphasise that proposed schemes/projects of NMDC need to be effectively monitored to ensure that amount earmarked for these projects are gainfully utilized and projects/schemes are delivered as per the time schedule fixed by NMDC.

Action Taken

All Projects are being monitored considering the time of completion and expenditure as the most important factor. In this direction the following systems are in place in NMDC apart from the monitoring being done by the Engineering Procurement and Construction Management (EPCM) consultant:

Daily reporting and follow up by site office and by the Project co-ordination team at H.O Hyderabad.

Weekly review by Director / periodic video conferences.

Progress review meetings with suppliers, contractors and consultants and video conferences with site officials.

Quarterly progress review of ongoing projects by Sub-Committee of the Board of Directors.

In the above review, expenditure is also one of the main area which is monitored. Besides, the status of implementation of various projects of NMDC is also reviewed in detail in Ministry of Steel regularly.

[O.M. No. H-11014(8)2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No.13)

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

Action Taken

The observations/recommendations of the Committee has been noted for compliance. As per BE 2011-12, total outlay of ₹ 107.71 crores is anticipated on Plan Expenditure and appropriate actions are being taken to utilize the fund.

[O.M. No. H-11014(8)2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No.19)

The Committee find that although Indian Steel Industry has diversified its product mix, yet the problem of high ash content of locally available metallurgical coal and dependence on import of coal is causing impediments in its foray in the area of value added steel used in automotive Sector, heavy machinery and physical infrastructure. The Committee are, however, constrained to point out that Ministry of steel could not come out with the concrete action to deal with this problem. The Committee would therefore, like the Ministry of Steel to chalk out an action plan to deal with the problem of high ash content of indigenous metallurgical coal which would also help reduce the dependence of Indian Steel Industry on imported coal.

Action Taken

SAIL has been facing problem of not only high ash content in indigenous coking coal but also reducing supplies of washed coking coal from CIL companies, leading to dependence on imports. Since most of the coking coal resources are controlled by CIL, action plan needs to be primarily formulated by CIL for augmenting coking coal supplies, keeping in view the requirement of low ash and rising quantities from steel plants.

Inadequate investment by CIL in coking coal washeries has led to their poor health and consequent deterioration in quality & reduced output of coal from the washeries. It has also led to non linked washery (NLW) coking coal diversion to power plants. SAIL has expressed interest in reviving its washery at Durgapur Steel Plant and also setting up a Greenfield washery through S&T Mining Company (A 50:50 JV between SAIL and Tata Steel Limited). However, investment in revival/setting up of washing capacity will critically depend on long term linkage of raw coking coal from CIL/BCCL, which has not been forthcoming.

Development of new coking coal mines and augmentation of coking coal washing capacity by CIL can improve quality and quantity of coking coal for steel industry.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 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

Recommendation (Serial No. 5)

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

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

Action Taken

The annual outlay for the year 2011-12 was kept as ₹14,337 crore based on the envisaged progress in Modernisation & Expansion plan. However, in view of the actual progress of projects, the fund requirement for the year 2011-12 has been rationalized and Revised outlay (RE) has been kept at ₹ 12,630 crore. The major reasons for keeping lower outlay in RE are given below:-

ANNUAL PLAN FOR CAPITAL EXPENDITURE

(₹ in Crore)

Sl. No.	Name of the Plant/Unit	2011-12		Variance	Remarks
		BE	RE		
1.	Bhilai Steel Plant	6042	3600	-2442	Due to poor performance of M/s Ratna Infra, the civil work package under expansion plan had to be retendered and reawarded in Feb'11 on M/s HSCL at risk & cost of M/s Ratna Infra. This has adversely affected the progress of all associated packages under SMS-III viz. BOF, CCP, Structural pkg etc. Poor performance of HEC in Coal Handling & OHP Part-A and M/s EPI in OHP Part-B & Fuel & Flux

					Crushing Plant has affected the site progress.
2.	Durgapur Steel Plant	950	645	-305	Delay in completion of enabling packages has affected the progress of associated main packages viz. Bloom cum Round Caster.
3.	Rourkela Steel Plant	2950	3500	550	Allocation increased based on actual progress of work.
4.	Bokaro Steel Plant	1700	1600	-100	Slow progress of structural work by M/s Era Infra has adversely affected the erection work of New CRM Package.
5.	IISCO Steel Plant	2100	2188	88	Allocation increased based on actual progress of work.
6.	Alloy Steels Plant	25	20	-5	
7.	Salem Steel Plant	100	375	275	Major facilities of SSP Expansion have been completed and provision has been made in the revised outlay for payments towards final contractual obligations.
8.	VISP	10	9	-1	
9.	Raw Materials Division	350	580	230	Statutory NPV payments of ₹ 295 crore made towards development of Chiria and Barsua, Kalta & Taldih Mines.
10.	Central Units	100	103	3	
11.	Chandrapur Ferro Alloy Plant	10	10	0	
	Total	14337	12630	-1707	

SAIL is making all efforts to complete the ongoing Moderisation & Expansion plan within the targeted schedule. Expansion of Salem Steel Plant has already been completed in Sep'10 almost as per schedule. In case of IISCO Steel Plant (ISP), difficult & unforeseen soil conditions led to slow progress of work and increase in civil & structural work substantially. Further, removal of underground boulders and hillocks in certain areas took extra time leading to some time over-run. Some of the facilities like Raw Material Handling Plant, Sinter Plant, Blast Furnace and Oxygen Plant etc are almost complete and for other facilities work is in progress. For other plants viz. BSP, DSP, RSP and BSL, implementation of expansion projects is progressing generally as per schedule.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

CHAPTER IV

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

Recommendation (Serial No.6)

The Committee note that the Steel Processing Unit (SPU) at Kangra is likely to be completed by year 2012, but uncertainty looms large over setting up of another Steel Processing Unit (SPU) in Srinagar. SAIL is stated to be wary of its viability and is not sure of getting concessions and benefit from the Government of J&K and has therefore, initiated financial review of the project. The Committee feel that review by SAIL at this stage is surprising as all apprehensions and doubts would not have been ignored when this project was conceived and ultimately approved. The Committee would like to be apprised of the precise reasons for undertaking fresh review. All bottlenecks/difficulties being faced/likely to be faced in this project need to be removed by having close co-ordination and consultation at appropriate level with the Government of J&K.

Action Taken

A Steel Processing Unit is proposed to be set up by SAIL at Srinagar in Jammu & Kashmir. SAIL Board has approved the proposal in principle in April, 2008.

While formulating the project proposal concession / benefits have been considered to be available from the State Government. The issue regarding Concessions and Benefits considered at the time of approval of the project was taken up with the General Manager, Directorate of Industries, District Pulwama, Govt. of J&K, in April, 2009, wherein it was requested that availability of the Concessions and Benefits for the project be confirmed.

In 361st Board meeting held on 19.07.2010, Board decided to review the decision taken to set up SPUs on the basis of financial viability considering market scenario of the steel. The Financial Viability of the SPUs were accordingly reviewed. SPU projects at five nos. of location including Srinagar were found financially unviable. For the SPU at Srinagar the Concessions and Benefits were not considered as the same was yet to be confirmed.

Hon'ble Minister of Steel has written to Govt. of J&K on 22.09.2011 for getting necessary clearances for the Concessions and Benefits from the concerned Ministry of the Govt. of India.

The issue related to concession and benefits as per J&K Industrial Policy were discussed with Hon'ble Minister of Commerce & Industries at Srinagar on 22nd October 2011 and it has been agreed to extend the available concession & Benefits to this Steel Processing Unit. After establishing financial viability considering concession and Benefits along with change of product mix & capacities, the project implementation will be considered on Joint Venture basis.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Comments of the Committee

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

Recommendation (Serial No.8)

The Committee note that SAIL had signed a joint venture with MOIL viz. SAIL MOIL Ferro Alloys Pvt. Ltd. (SMFAPL) in February, 2008 for producing Ferro Manganese and Silico Manganese in Bhilai by July, 2010. The main reason for delay in commencement of the project is stated to be non-finalisation of the party for the supply of Main Furnace Package. The Committee have been informed that SMFAPL Board has taken corrective measure by issuing an Expression of Interest (EoI) with relaxed technical eligibility criteria and after the L-1 bidder is selected and orders have been placed for the supply of Main Furnace, it will take another 22 months thereafter for the supply and erection of the equipments. Obviously, the formation for the joint venture have taken unduly long time which could have been avoided by anticipating the problem encountered and by taking suitable remedial timely action. The Committee hope that joint venture between SAIL & MOIL would be commissioned as per the revised schedule and there will not be any further time and cost overrun on the project.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

Efforts are being made to ascertain the most appropriate equipments for the project in order to ensure the visibility of the project. At present, there is surplus capacity for Ferro Alloys production in the country. To be competitive in this power intensive industry, it is very vital to select the proper size furnace as well as other equipments which would have an impact on the costs of the project. Accordingly, viability with respect to the cost of the production is being reviewed. The business model needs to be reworked for a sustainable and profitable operation before placing the order. The JV Board is considering the issues.

MOIL LIMITED

The recommendations/observations of the Committee has been noted for compliance. The price bid for main package has been opened on 21.05.2011. First round of negotiation has been held on 14.06.2011 and considering the high cost, two more rounds of negotiations have been held by Board Sub-Committee. After second round for negotiation, the price quoted by the tenderer the quotation price is still higher by 4.72% as compared to the estimated cost prepared by MECON. The validity of the offer has been extended upto 31.12.2011. In the meantime, environment clearance has been received from Ministry of Environment and Forest and Chattishgarh Transmission Power Company Ltd. has approved double circuit 220 KV transmission line Bhilai Steel Plant has accorded approval for long term use of water.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Comments of the Committee

(Please see Para No.10 of Chapter-I of the Report)

Recommendation (Serial No. 15)

The Committee note that 8 major schemes of SAIL are running behind schedule and one project of SAIL particularly the expansion of IISCO Steel Plant is witnessing the cost overrun of above ` 2000 crore. The reason attributed for delay of these projects are termination of contract for not adhering to contractual obligation, delay in design and engineering and supply of equipment by the contractors. In the case of RINL, 12 of their major projects are running behind schedule on account of delay in finalization of consultant, cancellation and re-tendering of major packages. The Committee feel that due to inaction of the concerned authority the time overrun of these projects would ultimately result in cost overrun which is not desirable and should be avoided. The Committee are anguished to note that NMDC could not furnish the details before the Committee relating to original target, revised target and time & cost overrun of its projects viz. Bailadila Deposit – 11B, Kumaraswamy Iron Ore project and pellet plant at Donimalai. The Committee urge upon Ministry of Steel to ensure that its PSUs supply detailed information to the Committee.

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

SAIL has been taking measures on continuous basis for expediting the completion of the various projects. Some of the measures taken are given below:

- Enhanced delegation of powers at various levels for faster decision making
- Implementation of Integrated Project Management System and on-line project monitoring system.
- Strengthening of project management organisation by recruiting/ redeploying fresh/ experienced project managers.
- Issue of steel by SAIL for civil & structural work.
- Drawings submission and approval through electronic mode
- Providing space for fabrication yard inside the plant to reduce transportation delays and expediting erection of structures
- Unit level committees have been constituted for monitoring the progress
- Two Board Sub Committees (BSC) have been constituted for
 - Consideration of large value projects/packages and give its recommendations to SAIL Board.
 - Reviewing the progress of implementation of Expansion Plan of SAIL.
- Evaluation of performance of contractors and actions like issuance of Risk Purchase notices against the erring contractors to arrest further delays and getting the jobs done through alternate agency.

Further, SAIL is taking utmost care in providing the detailed information to the committee.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

Regarding RINL, the current status and details of the ongoing major projects are given below:

Sl. No	Name of the Scheme	Approved / Revised Cost	Amount Spent till Sept'2011	Schedule & Status of the Scheme	Remarks
1	Coke Oven Battery IV - Phase- II	355.30Cr.	117.77Cr.	<p>Coal Handling Side: Additional facilities are likely to be completed progressively by Dec '11 in line with requirement of higher production of coke.</p> <p>By-Product side: Benzol recovery plant package ordered on MECON in July'10 after several rounds of re-tendering due to poor response of bidders and now scheduled to be completed by Oct '12 as per contract.</p>	<p>By-Product side Time Over run: Not likely w.r.t. contractual schedule. However there has been delays w.r.t. original schedule.</p> <p>Cost Over run: No cost over run is anticipated with respect to ordered cost ` 216.68 Crores except contractual escalations.</p>
2	Expansion 6.3 Mt	12291 Cr (RCE) 8692 Cr (Original)	8855.52Cr.	<p>The installation of various units under Stage-I are at various stages i.e. some of them are already commissioned, some units are under test & trial runs and erection of balance units are also under advance stage of completion. The integrated commissioning of the entire Stage-I expansion & related units is planned to be carried out progressively by Jan '12.</p> <p>Stage-II: Basic Engineering completed, over 98 % of Detailed Engineering also completed. Physical erection is in progress and planned for completion by July '12.</p>	<p>The increase in cost is mainly due to statutory variations during project cycle like exchange rate, taxes, WPI index changes etc., except for 11% increase on account of increase in volume of work. The cost overrun on account of escalation is likely to be small w.r.t ordered value as most of the contracts are on firm price basis except escalation towards labour, cement, steel etc. However, the exact escalation will be known on completion of the project.</p> <p>Time over run -The net impact of intermediate delay of auxiliary packages are likely to get nullified and various inputs has been / will be made available on time as per requirement of major packages like</p>

					Blast Furnace, Steel Melting Shop, Mills etc.
3	Pulverised Coal Injection	133.00Crs	82.31Crs	Detailed engineering, civil and Structural works almost done. It is expected to be commissioned by Dec'11	Equipment from China have been received at site and erection is in progress. Electrical sub Stations are ready for charging. Supply of some of the indigenous valves is pending and follow up is being done.
4	Air Separation Plant-IV	170.00Crs	100.32Crs	Unit commissioned & production started and achieved 100% rated capacity.	No cost over run is anticipated with respect to approved cost of ` 170 crs. except contractual escalations.
5	Facilities for Iron Ore Storage	450.00Crs	130.64Crs	Construction work commenced and scheduled to be completed by end of May'12.	Time over run: Nil w.r.to contractual schedule Cost Overrun: Nil Nil (saving expected)
6	330 TPH (6th) Boiler with Auxiliaries	350.00Crs	221.73Crs	Hydraulic test of Boiler-6 completed and erection of Main Steam piping in progress However, there is delay by M/s BHEL and they are being pursued for commissioning. Now commissioning is expected by Jan'12.	Time Overrun: There has been time over run in completion of the project by M/s BHEL mainly due to delay in supply and also poor erection activity at site in spite of monitoring at highest level including ministry. However, there has been improvement in pace of work recently but project is yet behind the schedule. Cost Overrun: No cost overrun is anticipated over ordered value on M/s BHEL except for statutory variations. However, there was increase in ordering value based on quoted price by M/s BHEL who were the lone bidder.
7	67.5MW TG-5 Power Evacuation systems	358.00Crs	234.15Crs	Major Civil and Structural works Completed. Supply of equipment	Same as above

				Commenced. There is delay by M/s BHEL and now unit is expected to be commissioned by Jan'12.	
8	BF-1&2 Cat-1 repair	1760.00	1.5	Order for consultant for Cat- 1 repairs of BF-1 & 2 placed on M/s Dastur & Co.	<p>BF-1: The order for the main package is placed on M/s Siemens, VAI, U.K. Basic Engineering has been completed & detailed engineering is in progress. The other packages are in tendering stage. All the packages tendered out and are under finalization.</p> <p>BF-2: Technical requirements are finalized, Tender specifications are being finalized for issue of NIT.</p>
9	Sinter Plant productivity enhancements	343.00	-	Order for Consultant for Sinter machines-1&2 upgradation is placed on M/s Dasturco. For main package (Sinter machines), EOI (Expression of Interest) is under process. For other packages (Raw materials & ESP) technical specifications are under finalization	---
10	SMS Converter Revamp	180.00	-	Global tender issued and bids were received. Technical and commercial discussions with Tenderers are completed. Bidders have to submit the revised price bids. Process for finalization of contract is under progress. The repairs/up-gradation will be taken up along with the BF shutdowns	---

11	Augmentation of Water Storage facility	220.00Crs	-	Schedule is 3 years duration after obtaining clearance of Ministry of Environment & Forests. Survey and soil testing done. Further jobs awaiting clearance of MOEF/GoI.	---
12	3rd Converter and 4th Caster	976.00Crs	-	3rd Converter: Tender opened and in process. 4th Caster: Expression of Interest (EOI) issued and bids received, are under process.	---

NMDC LIMITED

Original/ revised target dates of different projects of NMDC are as given below:

iv. Kumaraswamy Iron Ore Project

- Original target of Completion : May 2013
- Revised target of Completion : May 2013

v. Pellet Plant at Donimalai

- Original target of Completion : April 2013
- Revised target of Completion : April 2013

vi. Bailadila Iron Ore Deposit 11-B

- Original target of Completion : September 2009
- Revised target of Completion : March 2012
- Time Overrun

- There is a time overrun of Thirty months for Bailadila 11 B Project, up to revised target of project completion i.e. March 2012.

➤ Cost Overrun

- Being controlled / minimized by judiciously holding up/deferring the procurement of mining machinery and expenditure on housing. The overall expenditure is not expected to increase beyond the present approved amount of ` 607 crores.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Comments of the Committee

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

Recommendation (Serial No. 16)

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

Action Taken

In this connection it is stated that the schemes of Steel PSUs are reviewed in their respective Quarterly Performance Review (QPR) meetings, Internal & Extra Budgetary Resources (I&EBR) utilization quarterly review meetings for the schemes costing more than 20.00 cr. for bigger PSUs and Rs. 5.00 cr. for smaller PSUs. The Outcome Budget of this Ministry contains a review of schemes/projects of PSUs costing more than Rs. 50.00 crore Planning Commission also reviews the schemes of PSUs during the formulation of Annual Plans, Half Yearly Performance Review Meetings and Mid Term Appraisal (MTA) of Five Year Plans. For monitoring and evaluation of performance of PSUs, the Government has evolved a Result Frame Document (RFD) for Ministries/Departments. As per the document, time lines and milestones have been fixed to monitor the progress of the important schemes of Steel PSUs like SAIL, RINL, NMDC Ltd., MOIL, Bird Group, KIOCL & MSTC Ltd.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Comments of the Committee

(Please see Para No.16 of Chapter-I of the Report)

Recommendation (Serial No. 20)

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

Action Taken

Secretary Steel has taken up the matter with Coal Ministry in Oct'11 for allocation.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Comments of the Committee

(Please see Para No.19 of Chapter-I of the Report)

CHAPTER V

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

Recommendation (Serial No. 3)

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

Action Taken

The BRPSE had recommended the revival package for HSCL envisaging, inter alia, cash assistance and non-cash assistance in the form of waiver of Government of India (GoI) loans and interest thereon, conversion of GoI loan interest, Government bank guarantee, cash credit limits etc. Based on the recommendations of BRPSE, draft Note for Cabinet Committee on Economic Affairs (CCEA) was circulated among the concerned Ministries/Departments and after incorporating their comments, the revised CCEA Note was sent to Cabinet Secretariat on 29.06.2011. Thereafter, Prime Minister's Office advised this Ministry to take the matter to an appropriate Committee of Secretaries (COS) for developing an agreed position with the Ministry of Finance and the Planning Commission. In pursuance to the above, this Ministry submitted Note for Committee of Secretaries (COS) on 22.07.2011. The meeting of COS on restructuring of HSCL has taken by Cabinet Secretary on 19.10.2011 in which differences with Planning Commission and Ministry of Finance have been sorted out. The formal approval of COS (minutes of the meeting) is awaited. Immediately after receipt of formal approval of COS, the issue will be placed before the Cabinet Committee on Economic Affairs (CCEA) for consideration.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No. 10)

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

Action Taken

RASHTRIYA ISPAT NIGAM LTD. (RINL)

A. NEDO

New Energy and Industrial Technology and Development Organization (NEDO) project for waste heat recovery system at Sinter coolers of Machine 1 & 2 in Sinter Plant is in progress as per schedule except minor delays in some of the areas.

It is to be mentioned that in spite of earth quake in Japan, with persuasion material could be supplied by immediate action with which some of delays got avoided.

Unit is under execution and commissioning activities will start in first Quarter of next fiscal and likely in operation by second Quarter end.

B. RINMOIL

RINMOIL Ferro Alloys Private limited, a Joint Venture Company of Rashtriya Ispat Nigam Limited (RINL) and Manganese Ore (India) limited was incorporated for the Ferro Alloy manufacturing plant at Bobbili, Vizianagaram district, Andhra Pradesh with a capacity to produce 37,500 tonnes of Silico-Manganese and 20,000 tonnes of Ferro manganese per annum. Current status of the project is given in next page:

- Soil investigation has been completed.
- Environment Impact Assessment report submitted to MOEF and presented before expert appraisal committee.
- Inspection for power connection by Electricity Board has been completed.
- Construction of stores building is under progress.
- Water supply connection for construction has been completed by APIIC
- Global Tender for supply of SAF package is under finalization.
- M/s MECON submitted the tender specifications for some other packages viz Power & Water required for construction and Raw-material handling.

Target date for completion of the project is June, 2013.

However, the quoted price for the furnace (main package) is very high with respect to estimates. The entire proposal is being reviewed for its viability considering the high quoted price and fluctuating Ferro alloys market.

MOIL LIMITED

Various works for RINMOIL JV like land survey/geotechnical investigation, inspection of power connection by Electricity Board and water supply connection for construction have been completed. Environmental Impact Assessment Report has been submitted before Expert Approval Committee and has been recommended for clearance. Price bids in received in respect of Global tender for main furnace package have been sent to MECON for evaluation and the recommendations received from MECON are under finalization. Tender specifications for other packages such as construction of power/water supply, raw material handling have been received from MECON Ltd. and are under scrutiny.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No. 14)

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

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

Action Taken

1. Regarding construction of railway siding, Konkan Railway Corporation Limited has submitted the revised DPR. 2.945 Acres of private land has already been procured from private land owners and the balance land procurement is under process.
2. Three Numbers of Horizontal Pressure Filters along with Auxiliary equipments were received and Pressure Filters are commissioned on 28.09.2011. For the Bulk Material Handling Project, M/s. MECON has furnished the detailed project report with the revised estimate of ` 173 Crores.
3. With regard to allotment of captive mines, Ministry of Steel has been taking continuous efforts for addressing and resolving these issues with State Government of Karnataka. In the case of Chikkanayakanahalli Mining Lease, the matter is pending with Director (Mines & Geology), Government of Karnataka for issue of fresh sketch. Thereafter, the ML site demarcation sketch will be submitted to state forest department for forest clearance from MOEF at state and central level. The issue of release of Mining Lease sketch for mining at Chikkanayakanahalli and Mining Lease at Ramandurga deposits was discussed in the meeting between Secretary (Steel) with the Chief Secretary, Government of Karnataka on 12.05.2011 and follow up meeting taken by Chief Secretary, Government of Karnataka with the officials of KIOCL on 25.05.2011. The Chief Secretary, Government of Karnataka stated in the meeting on 25.05.2011 that Government of Karnataka is fully aware of the stand of KIOCL for allotment of an alternative mines in place of Kudremukh mine. However, during the meeting on 23.08.2011, Director, Mines and Geology, Government of Karnataka mentioned that the process of Chikkanayakanahalli mining lease as well as process of the allocation of Ramandurga iron ore deposit are likely to take time, as there is total ban on iron ore mining in the districts of Bellary, Tumkur, Chitradurga in Karnataka state as per the verdict of Hon'ble Supreme Court.

4. In addition to above Mining Leases in Karnataka, this Ministry has taken up the issue of allotment of captive mines for KIOCL with the State Government of Rajasthan and Odisha. In respect of Khandadhar Iron Ore Deposit of Odisha, Mines Tribunal, New Delhi on 23.08.2011 has allowed the revision petitions filed by KIOCL. KIOCL has filed additional affidavit in Hon'ble Supreme Court in this regard. Recently during the Quarterly Performance Review by Hon'ble Steel Minister on 29.09.2011, KIOCL was suggested that it should explore the possibilities of getting iron ore as well as mines from other states and abroad as the Company is having requisite expertise in mining and equipments are available for mining and beneficiation. A team of Senior level Officers of M/o Steel and KIOCL has visited Mozambique to explore the possibility of iron ore mining.

5. Ministry of Steel has already taken up the issue with the Ministry of Shipping for priority berthing of KIOCL vessels at Visakhapatnam Port Trust (VPT) & New Mangalore Port Trust (NPT). The response of Ministry of Shipping is awaited.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No. 17)

The Committee note that availability of coking coal, iron ore and manganese is key to sustainable growth and development of steel industry. However, they are also aware of the limited availability of these scarce raw materials and the long drawn process involved in development of iron ore/coking coal blocks which involves acquisition of land, forest and environmental clearance. The Committee further note that though requirement of iron ore is being met from domestic reserve, Indian Steel Industry continue to depend on imported coal due to inferior quality of indigenous coking coal.

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

Action Taken

STEEL AUTHORITY OF INDIA LTD. (SAIL)

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

In order to ensure gainful utilization of low grade iron ore fines and slimes from tailing ponds, SAIL has planned to install pelletisation plants. In this regard, NIT has been issued for installation of 4 mtpa pellet plant at Gua. Installation of pellet plants at other mines and plant locations is also under consideration.

RASHTRIYA ISPAT NIGAM LTD. (RINL)

- RINL is adding new Sinter Plant to produce 3.611 Mtpa of sinter using iron ore fines.
- RINL has no captive mines hence pellet plant is not installed. However, installation of Pellet Plant at Visakhapatnam can be taken up if NMDC agrees to supply iron ore slurry. This is still under discussion.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

Recommendation (Serial No. 18)

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

Action Taken

As regards monitoring mechanism to oversee the optimum utilisation of critical raw materials by PSUs under Ministry of Steel, the performance of PSUs including their physical, financial and efficiency parameters are monitored and reviewed regularly by the project divisions in the Ministry dealing with the matters of the concerned PSU. Based on the various technical parameters evolved by Technical Wing of the Ministry, the performance of PSUs are also being monitored on a monthly basis.

In order to ensure gainful utilization of low grade iron ore fines and slimes from tailing ponds, SAIL has planned to install pelletisation plants. In this regard, NIT has been issued for installation of 4 mtpa pellet plant at Gua. Installation of pellet plants at other mines and plant locations is also under consideration.

In order to rationalize the procurement procedure for coking coal, acquisition of coking coal mines abroad and optimizing the use of coking coal by the steel PSUs and to address issues connected therewith a committee was constituted by the Ministry of Steel of 14th October, 2011 under the Chairmanship of AS&FA. The report is under finalization.

[O.M. No.H-11014(8)/2011-Parl. dated 8th February, 2012 of the Ministry of Steel]

**NEW DELHI;
20 April, 2012
31 Chaitra, 1934 (Saka)**

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

ANNEXURE- I

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND
STEEL (2011-12) HELD ON 17.04.2012 IN COMMITTEE ROOM D,
PARLIAMENT HOUSE ANNEXE, NEW DELHI**

The Committee sat from 1400 hrs. to 1645 hrs.

PRESENT

Shri Kalyan Banerjee- **Chairman**

MEMBERS

LOK SABHA

2. Shri Hansraj G. Ahir
3. Shri Abu Hasem Khan Choudhury
4. Smt. Jyoti Dhurve
5. Adv. Ganeshrao Nagorao Dudhgaonkar
6. Shri Ismail Hussain
7. Sardar Sukhdev Singh Libra
8. Shri Govind Prasad Mishra
9. Shri Deoraj Singh Patel
10. Shri Pashupati Nath Singh
11. Shri K. Sugumar
12. Dr. G. Vivekanand

RAJYA SABHA

13. Shri Jugul Kishore
14. Shri Nand Kumar Sai
15. Shri Jai Prakash Narayan Singh
16. Smt. Smriti Zubin Irani

SECRETARIAT

- | | | | |
|----|--------------------|---|----------------------|
| 1. | Shri P. Sreedharan | - | Additional Secretary |
| 2. | Shri Shiv Singh | - | Director |
| 3. | Shri Arvind Sharma | - | Deputy Secretary |

** ** ** ** **

2. At the outset, Chairman, welcomed the Members to the sitting of the Committee.

3. The Committee thereafter took up for consideration the following Draft Report and Action Taken Reports:-

- | | | | | |
|-------|----|----|----|----|
| (i) | ** | ** | ** | ** |
| (ii) | ** | ** | ** | ** |
| (iii) | ** | ** | ** | ** |
| (iv) | ** | ** | ** | ** |
- (v) Action Taken Report on observations/recommendations contained in the 18th Report on Demands for Grants(2011-12) of the Ministry of Steel

4. The Committee adopted the above Reports without any changes/modifications and authorized the Chairman to finalise the Report(s) on the basis of factual verification from the concerned Ministry and present the same to both the Houses of Parliament.

- | | | | | |
|----|----|----|----|----|
| 5. | ** | ** | ** | ** |
| 6. | ** | ** | ** | ** |
| 7. | ** | ** | ** | ** |

A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

**Do not pertain to this Report.

ANNEXURE- II
(Vide Para IV of Introduction)

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

I.	Total No. of Recommendations made	20
II.	Recommendations that have been accepted by the Government (<i>vide</i> recommendation at S1. Nos. 1,2,4,7,9,11,12,13 and 19)	9
	Percentage of total	45%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (<i>vide</i> recommendation at S1. No. 5)	1
	Percentage of total	5%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (<i>vide</i> recommendation at S1. Nos. 6, 8, 15, 16 and 20)	00
	Percentage of total	25%
V.	Recommendations in respect of which final replies of the Government are still awaited (<i>vide</i> recommendation at S1. No. 3, 10, 14, 17 and 18)	5
	Percentage of total	25%