20

STANDING COMMITTEE ON COAL AND STEEL

(2015-2016)

SIXTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS

(2016-17)

TWENTIETH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

MAY, 2016 / VAISAKHA, 1938 (SAKA)

TWENTIETH REPORT

STANDING COMMITTEE ON

COAL AND STEEL

(2015-16)

SIXTEENTH LOK SABHA

MINISTRY OF STEEL

DEMANDS FOR GRANTS

(2016-17)

Presented to Lok Sabha on 03.05.2016

Laid in Rajya Sabha on 03.05.2016

LOK SABHA SECRETARIAT

NEW DELHI

MAY, 2016/VAISAKHA, 1938 (SAKA)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2015-16)

Shri Rakesh Singh - Chairperson

Name of the Member

Lok Sabha

2. Shri A Arunmozhithevan
3. Shri Kalyan Banerjee
4. Shrimati Jyoti Dhurve
5. Shri Godam Nagesh
6. Shri Faggan Singh Kulaste
7. Shri Shailesh Kumar
8. Dr. Banshilal Mahato
9. Shri Devji Mansingram Patel
10. Shrimati Riti Pathak
11. Shrimati Ranjit Ranjan
12. Dr. Ravindra Kumar Ray
13. Shri Neiphiu Rio
14. Shri Tamradhwaj Sahu
15. Shri Tathagata Satpathy
16. Shri Janardan Singh "Sigriwal"
17. Shri Pashupati Nath Singh
18. Shri Rama Kishore Singh
19. Shri Sunil Kumar Singh
20. Shri Sushil Kumar Singh
21. Shri Krupal Balaji Tumane

Rajya Sabha

22. Shri M.J. Akbar
23. Shri Ali Anwar Ansari
24. Dr. Pradeep Kumar Balmuchu
25. Shri Md. Nadimul Haque
26. Shri B.K Hariprasad
27. Dr. Satyanarayan Jatiya
28. Shri Jugul Kishore
29. Shri Avinash Pande
30. Shri Sanjay Raut
31. Shri Dilip Kumar Tirkey

SECRETARIAT

1.	Shri U.B.S. Negi	-	Joint Secretary
2.	Shri Ajay Kumar Garg	-	Director
3.	Shri Arvind Sharma	-	Additional Director
4.	Smt.Vandana P. Guleria	-	Sr. Committee Assistant

(iii)

INTRODUCTION

I, the Chairperson, Standing Committee on Coal and Steel having been authorized by the Committee to present the Report on their behalf, present this Twentieth Report (Sixteenth Lok Sabha) on Demands for Grants (2016-17) relating to the Ministry of Steel.

2. The Demands for Grants of the Ministry of Steel were laid on the Table of the House on 16.03.2016. Under rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Coal and Steel are required to consider the Demands for Grants of Ministries under their jurisdiction and make Report on the same to both the Houses of Parliament.

3. The Committee took evidence of the representatives of the Ministry of Steel on 28th March, 2016.

4. The Report was considered and adopted by the Committee at their sitting held on 28.04.2016.

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

6. The Committee place on record their profound appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

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

NEW DELHI;	**RAKESH SINGH**
28 April, 2016	**Chairperson,**
08 Vaisakha, 1938 (Saka)	**Standing Committee on Coal and Steel**

REPORT

PART-I

CHAPTER I

INTRODUCTORY

Growth of steel consumption in India has taken place mostly at the urban segment where lots of developmental activities are taking place. On the other hand despite rapid increase in agricultural production in India, coupled with developments in the quality of rural life, the level of rural steel consumption has not been significant. The average per capita consumption of finished steel in rural India was assessed at 9.78 kg. during the period 2007 to 2009, which is estimated to increase to around 12 kg. in 2020 based on increased penetration of steel products. This growth would be powered mainly by construction activities, largely at the household level but also by purchase of items for professional use, furniture and vehicles. It is also expected that the demand for household items would decrease over the years. The major reason for the same is increasing replacement of steel by plastic for some of the major contributing items of that category. various means for enhancing the consumption of steel in rural India include shift in type of housing structure, re-looking steel design for various applications, investment in community structures, small and medium steel products manufacturing, highlighting advantages of steel, increasing aesthetics of steel, improving logistics & supply chain for steel and addressing steel quality issues.

1.2 The Ministry of Steel is responsible for planning and development of iron and steel industry, development of essential inputs such as iron ore, limestone, dolomite, manganese ore, chromites, ferro-alloys, sponge iron etc. and other related functions. Accredited with ISO 9001:2008 certification, Joint Plant Committee (JPC) is the only institution in the country which is officially empowered by the Ministry of Steel / Government of India to collect data on the Indian iron and steel industry, resulting in the creation and maintenance of a complete databank on this industry. JPC is headquartered at Kolkata with four regional offices in New Delhi, Kolkata, Mumbai and Chennai, engaged in data collection while the Economic Research Unit (ERU) at New Delhi serves as a wing of JPC to carry out techno-economic studies and policy analysis.

1.3 The main functions of the Ministry of Steel are:

(a) Development of Steel Plants in Public and Private Sectors, the re-rolling industry and ferro-alloys.
(b) Policy formulation regarding production, distribution, pricing of iron & steel and Ferro alloys.
(c) Development of iron ore mines in the public sector and other ore mines like manganese ore, chrome ore, limestone and other minerals used in the iron and steel industry (but excluding mining lease or matters related thereto).
(d) Providing a platform for interaction of all producers and consumers of steel in the country.
(e) Identification of infrastructural and related facilities required by steel industry.
(f) Overseeing the performance of 8 PSUs, their subsidiaries and one Special Purpose Vehicle (Joint Venture Company) called International Coal Ventures Pvt. Ltd. (ICVL).

1.4 The following Public Sector Undertakings are under the administrative control of Ministry of Steel:

(a) Steel Authority of India Limited, (SAIL), New Delhi
(b) Rashtriya Ispat Nigam Limited, (RINL), Visakhapatnam
(c) NMDC Limited, Hyderabad
(d) MOIL Ltd.(Formerly Manganese Ore (India) Limited), Nagpur
(e) KIOCL Ltd. (formerly known as Kudremukh Iron Ore Company Limited), Bangalore
(f) Hindustan Steelworks Construction Limited (HSCL), Kolkata
(g) MECON (formerly known as Metallurgical & Engineering Consultants (India) Ltd.) Ranchi
(h) MSTC (formerly known as Metal Scrap Trade Corporation Limited), Kolkata

1.5 The detailed Demands for Grants(2016-17) of the Ministry of Steel were presented to the Lok Sabha on 16.03.2016. In their Outcome Budget (2016-17), the Ministry have highlighted the policy initiatives, and plan investments in the schemes proposed to be undertaken by the Ministry and PSUs during the year. Various points arising out of the scrutiny of Demands for Grants(2016-17) and performance of the Ministry and PSUs are discussed in the subsequent chapters.

CHAPTER II
ANALYSIS OF DEMANDS FOR GRANTS (2016-17)

For the year 2016-2017, Demand No. 86 is presented to the Parliament by Ministry of Finance on behalf of the Ministry of Steel during the Budget Session. The Demand includes provisions for Plan/Non-Plan expenditure for the Ministry and Plan expenditure of the Public Sector Undertakings (PSUs) under its administrative control.

TOTAL REQUIREMENT OF FUNDS FOR 2016-17

2.2 The total financial requirements covered in Demand No. 86 for BE 2016-17, are summarized in the following Table:-

(Rs. in crore)

Demand No. 86 for 2016-2017	BE 2016-17		
	Plan	**Non-Plan**	**Total**
REVENUE SECTION	15.00	70.62	*85.62*
CAPITAL SECTION	0.00	0.00	*0.00*
Total (Gross)	**15.00**	**70.62**	***85.62***

PLAN EXPENDITURE

2.3 The Gross Budgetary Support for plan outlay in BE 2016-17 is Rs. 15.00 crore for the scheme for promotion of R&D in iron & steel sector. Upto Financial Year 2015-16, the plan provision was kept under three sub-heads, but from FY 2016-17 onwards the scheme has been rationalized on advice of Ministry of Finance and the whole amount has been kept under one sub-head. The total Plan budgetary support of Rs. 15.00 crore in BE 2015-16 was kept unchanged in RE 2015-16. The break-up of Plan provision during 2014-15 and 2015-16 is as under:

(Rs. in crore)

No	Name of Scheme	2014-15 (Actual)	2015-16 (BE)	2015-16 (RE)	%age increase/decrease over RE 2015-16 in BE 2015-16	2016-17 BE
1.						
1(i)	Scheme for Promotion of Research & Development in Iron & Steel sector On-going R&D projects	0.00	0.00	0.00	0.00%	--
1(ii)	Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products (new component)	0.25	1.00	1.00	0.00%	--
1(iii)	Development of innovative iron/steel making process/ technology (new project under the existing scheme)	1.78	14.00	14.00	0.00%	--
	Total	**2.03**	**15.00**	**15.00**	**0.00%**	**--**
After Rationalization in 2016-17*						
1	Scheme for Promotion of Research & Development in Iron & Steel sector	--	--	--		15.00

* in the year 2016-17 the scheme having three components is rationalized as one scheme i.e. Scheme for Promotion of R&D in Iron and Steel Sector.

2.4 During the Oral Evidence, the representative of the Ministry of Steel stated that this rationalization of R&D Scheme would be helpful in ensuring flexibility in spending of funds unlike the earlier system whereby allocation for funds to 3 different sub heads had cause under-utilization of funds.

R&D SCHEME

2.5 Based on the recommend ation of the Working Group on Steel Industry for 11th Plan (2007-12), a new scheme i.e. 'Scheme for Promotion of R&D in Iron and Steel Sector was included in the 11th Five Year Plan with an outlay of Rs. 118.00 crore. The objective of the scheme is to promote and accelerate R&D activities in development of innovative/path breaking technologies utilizing Indian iron ore fines and non-coking coal, improvement of quality of steel produced through induction furnace route and beneficiation of raw materials like iron ore, coal etc. and agglomeration (e.g. pelletization). The Scheme was approved on 23.01.2009 for implementation from Financial Year 2009-10 (w.e.f. 01.04.2009). The Scheme has been continued in the 12th Five Year Plan. In 12th Five Year Plan a provision of Rs. 200.00 crore has been made for the R&D Scheme. In BE 2016-17 a provision of Rs. 15.00 crore has been kept under the plan scheme of the Ministry. The year wise fund allocation and the amount released under the scheme during 12th five year Plan is given below:

(Rs. in crore)

Period	BE	RE	Actual	Remarks
2012-13	46.00	26.49	24.90	Utilization is 94% of RE
2013-14	46.00	8.00	8.00	Utilization is 100% of RE
2014-15	20.00	7.00	2.03	Utilization is 29.00% of RE
2015-16	15.00	15.00	8.55	Utilization is 57.00% of RE upto Dec'15
Total	**127.00**	**56.49**	**43.48**	Utilisation is 76.97% of RE

2.6 On the matter of R&D, Secretary, Steel during the oral evidence stated as under:-

"In terms of remedial measures, we are now, focusing on R&D and increasing it from roughly 0.3 per cent to 1 per cent of the total turnover going forward. To complete all the ongoing projects within the next 18 to 24 months, we are focusing on cost reduction, I am happy to share with the Members that SAIL alone has reduced the production cost by Rs.1500 per tonne."

2.7 The representative of Ministry of Steel further elaborated as under:-

"Earlier there was stagnation in R&D activities for the steel sector as there were only 2 fully equipped laboratories with Council of Scientific and Industrial Research (CSIR). Now the Ministry have opened centres of excellence in IIT Kharagpur, IIT Mumbai and there is a talk to open the same in Banaras Hindu University (BHU) as well."

NON-PLAN EXPENDITURE

2.8 The Non-Plan provision of Ministry of Steel, including Secretariat Proper, Development Commissioner for Iron & Steel (DCI&S), Kolkata and the PSUs under this Ministry, in 2014-15 (BE & RE); 2015-16 (BE & RE); and requirement of fund in 2016-17 (BE) are given in the following table :-

(Rs. in crore)

No.	Major Head & Item of Expenditure	BE 2014-15	RE 2014-15	% age increase/ decrease in RE over BE 2014-15	BE 2015-16	% age increase/ Decrease in BE-2015-16 over BE 2014-16	RE 2015-16	%age increase/ decrease in RE 2015-16 over BE 2015-16	BE 2016-17	% age increase/ decrease over BE 2015-16
I.	MH – 3451									
1.	Secretariat - Economic Services	23.26	21.37	*-8.13%*	23.35	*0.39%*	22.99	*-1.54%*	26.06	*11.61%*
II.	MH – 2852									
2.	Development Commissioner for Iron & Steel, Kolkata	0.14	0.19	*35.71%*	0.23	*64.29%*	0.23	*0.00%*	0.25	*8.70%*
3.	Awards to Distinguished Metallurgists.	0.23	0.25	*8.70%*	0.26	*13.04%*	0.26	*0.00%*	0.26	*0.00%*
4.	Interest Subsidy :									
(i)	Subsidy to Hindustan Steelworks Construction Ltd. (HSCL) for payment of interest on loans raised from Banks for implementation of VRS	44.11	44.11	*0.00%*	44.11	*0.00%*	0.00	*-100%*	44.05	*-0.14%*
5.	Waiver of guarantee fee (Non-cash transaction) :									
(i)	HSCL – Waiver of guarantee fee in respect of Govt. guarantee for cash credit (CC) limit, bank guarantee (BG) and VRS loans	5.18	5.18	*0%*	5.18	*0.00%*	0.00	*-100%*	0.00	*-100%*
	Less – Receipts netted [5(i)]#	*-5.18*	*-5.18*	*0%*	*-5.18*	*0.00%*	*0.00*	*-100%*	*0.00*	*-100%*
	Total : Non- Plan Expenditure(Gross)	**72.92**	**71.10**	**-2.50%**	**73.13**	**0.29%**	**23.48**	**-67.89%**	**70.62**	**-3.43%**
	Total : Non- Plan Expenditure(Net of receipts)	**67.74**	**65.92**	**-2.69%**	**67.95**	**0.31%**	**23.48**	**-65.45%**	**70.62**	**3.93%**

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

CHAPTER-III

ANNUAL PLAN INVESTMENT OF PSUs

PHYSICAL TARGETS DURING 2015-2016 (RE) AND 2016-2017 (BE)

The physical targets for 2015-16 (RE) and 2016-17 (BE) in respect of the PSUs under the Ministry of Steel are given below:

No.	Name of PSU	Physical Parameters	2015-16 (RE) Target	2016-17 (BE) Target
1.	SAIL	Production - Saleable Steel *(in million tonnes)*	12.78	14.60
2.	RINL	Production - Saleable Steel *(in million tonnes)*	3.60	4.50
3.	NMDC	(i) Iron Ore production *(in Lakh Tonnes)*	275.00	257.00
		(ii) Diamonds (Carats) (Prov.)	33000.00	28500.00
		(iii) Sponge Iron *(in Metric Tonnes) (Prov.)*	9000.00	5700.00
4.	KIOCL	Production *(in million tonnes)*		
		(i) Pellet	0.70	1.30
5.	MOIL	Production (*in Metric Tonnes)*		
		i) Manganese Ore	1150000.00	1175000.00
		ii) Electrolytic Manganese Dioxide	1000.00	610.00
		iii) Ferro Manganese	10000.00	10000.00
6.	MSTC	(i) e-Commerce *(Rs. in crore)*	20500.00	26000.00
		(ii) Trading *(Rs. in crore)*	5950.00	3850.00
7.	FSNL*	Recovery of Scrap *(in Lakh Metric Tonne)*	30.25	31.16
8.	MECON	Business procurement *(value in Rs. crore)*	815.00	535.00
9.	HSCL	Order Booking *(value in Rs.crore)*	1500.00	1200.00
10.	Bird Group	Production		
	(i) OMDC	(i) Iron Ore *(in lakh Tonnes)*	0.00	0.00
		(ii) Sponge Iron	0.00	0.00
		(iii) Manganese Ore *(in lakh Tonnes)*	0.00	0.00
	(ii) BSLC	(iv) Limestone *(in Lakh Tonnes)*	0.00	2.40
		(v) Dolomite *(in Lakh Tonnes)*	5.25	7.20

* FSNL is a subsidiary of MSTC Ltd.

3.3 The total Plan outlay of the Ministry of Steel for BE 2016-17 is Rs. 12323.53 crore, which will be financed through approved gross budgetary support of Rs. 15.00 crore and IEBR of Rs. 12308.53 crore. Brief description of the PSU-wise outlays provided in BE 2016-2017 for various schemes of the PSUs are given below:-

(i) Out of the total outlay of **Rs.12308.53 crore** in Annual Plan 2016-17 (BE), an amount of ***Rs. 6000.00 crore*** has been provided for **Steel Authority of India Limited (SAIL)**, for various ongoing and new schemes/ projects and research work.

(ii) Outlay of ***Rs. 1678.00 crore*** has been provided for **Rashtriya Ispat Nigam Ltd**. Major portion is earmarked for expansion of RINL's production capacity. Balance outlay is for AMR schemes. RINL's outlay includes the outlay of subsidiary PSUs viz., OMDC Ltd., which is a constituent of erstwhile Bird Group of Companies.

(iii) Outlay of ***Rs. 3964 crore***, has been provided for **NMDC Ltd.** for 3 MTPA Steel Plant at Nagarnar in Chhattisgarh. Balance outlay is for AMR/Township and R&D activities.

(iv) Outlay of ***Rs. 500.00 crore*** has been provided for **KIOCL Ltd.,** for (i) development of Devadari Iron ore deposit in the state of Karnataka & forwarding integration project at Blast Furnace unit etc; (ii) Equity participation with NMDC & RINL for setting up slurry pipeline & Pellet Plant project Development of iron ore deposit joint with APMDC, a State owned PSU under Government of Andhra Pradesh; and (iii) Setting up of 1.5 MTPA Pellet plant at Bokaro Steel Plant, SAIL on Built, Own & Operate (BOO) bassis.

(v) Outlay of ***Rs. 139.52 crore*** has been provided for **MOIL Ltd**. for sinking/deepening of vertical shaft at Balaghat Chikla, Kandri, Ukwa, Munsar and Gumgaon Mine, investment in joint for Ferro/Silico Manganese manufacturing with SAIL and RINL, development of new areas and acquisition of land, forest and environment clearance including prospecting and exploration and AMR schemes, township, R&D/feasibility studies etc. Entire outlay will be met from IEBR of the Company.

(vi) Outlay of ***Rs. 5.00 crore*** has been provided for **MECON Ltd.** for expansion, modification & augmentation of office space/guest house at various locations.

(vii) Outlay of ***Rs. 10.00 crore,*** to be met out of I&EBR of the company has been provided for **MSTC Ltd.** for setting up of Shredding Plant.

(viii) Outlay of ***Rs. 12.00 crore*** has been provided for **Ferro Scrap Nigam Ltd.,** for AMR schemes.

(ix) Provision of ***Rs. 15.00 crore*** has been made for **Scheme for Promotion of Research & Development in Iron & Steel Sector**.

12TH FIVE YEAR PLAN 2012-17 (APPROVED) & AMOUNT ACTUALLY SPENT, TARGET FIXED VIS-À-VIS ACTUAL EXPENDITURE.

3.4 For the 12th five year plan (2012-17), Planning Commission had approved total outlay of Rs. 91174.64 *crore* (i.e. I&EBR of Rs. 90974.64 *crore and Gross Budgetary Support* (GBS) *of Rs. 200.00 crore)*. Asked about the outlay for 12th plan (approved) and the cumulative actual expenditure, the Ministry of Steel in a note furnished to the Committee have informed as under:-

(Rs. in crore)

No	Name of the PSUs	12th Plan (2012-17) Approved Outlay			Actual expenditure (upto December, 2015)		
		IEBR	BS	Total	IEBR	BS	Total
A.	**Schemes of PSUs**						
1	Steel Authority of India Ltd.	45000.00	0.00	45000.00	30969.00	0.00	30969.00
2	Rashtriya Ispat Nigam Ltd.^	13373.00	0.00	13373.00	5488.59	0.00	5488.59
3	Hindustan Steelworks Con. Ltd.	0.00	0.00	0.00	0.00	0.00	0.00
4	MECON Ltd.	25.00	0.00	25.00	24.42	0.00	24.42
5	MSTC Ltd.	105.00	0.00	105.00	0.00	0.00	0.00
6	Ferro Scrap Nigam Ltd.*	60.00	0.00	60.00	40.50	0.00	40.50
7	NMDC Ltd.	27872.17	0.00	27872.17	9997.85	0.00	9997.85
8	KIOCL Ltd.	3080.00	0.00	3080.00	33.96	0.00	33.96
9	MOIL Ltd.	1459.47	0.00	1459.47	324.98	0.00	324.98
	Total (A)	**90974.64**	**0.00**	**90974.64**	**46879.30**	**0.00**	**46879.30**
B.	**Scheme for Promotion of R&D in Iron & Steel sector**						
10(i)	On-going R&D projects	0.00	48.00	48.00	0.00	32.90	32.90
10(ii)	Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products (new component under the existing scheme)	0.00	150.00	150.00	0.00	0.25	0.25
10(iii)	Development of innovative iron/steel making process/ technology (new project under the existing scheme)	0.00	2.00	2.00	0.00	10.03	10.03
	Total (B)	**0.00**	**200.00**	**200.00**	**0.00**	**43.18**	**43.18**
C.	**Centrally Sponsored Schemes**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total (C)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Grand Total (A+B+C)	**90974.64**	**200.00**	**91174.64**	**46879.30**	**43.18**	**46922.48**

^OMDC Ltd. and BSLC Ltd. were constituents of erstwhile Bird Group of Companies, which have become subsidiary PSUs of RINL and their figures have been clubbed with RINL. .(Actual upto Dec’15: RINL: 5470.49+OMDC: 17.84+BSLC: 0.26=5488.59)

* FSNL is a subsidiary of MSTC Ltd.

3.5 On being asked to furnish PSU wise reasons for lower expenditure during the first 4 years of the 12th plan period, the Ministry of Steel in their written reply have informed the Committee as under:-

> "**SAIL:** During last three years (2012-13 to 2014-15) of the 12th Plan five year plan, the actual expenditure of SAIL was Rs 26486 crore. The expenditure was mainly towards modernisation & expansion plan of SAIL including final contractual payments for completed facilities. The utilisation was affected by poor performance of contracting agencies including PSU contractors like HSCL, HEC, EPI etc even after support by SAIL in the form of interim advances on revolving credit basis, direct payments to sub-contractors, steel on credit basis etc. In the current financial year, against Revised Outlay (RE) of Rs 6500 crore, actual expenditure is Rs 5340 crore till Feb’16.

RINL: For 12th Plan period, a target of Rs.11,183 Cr has been envisaged. RINL has since completed its expansion to 6.3 mtpa capacity. However, for the next phase of Expansion to 11 Mtpa as envisaged, RINL's efforts for raw material security in the form of Captive Iron Ore mines have not as yet been successful and it is continuing to experience higher expenditure on raw materials.

NMDC:

Year	Plan	Actual Exp.	Shortfall	Major reasons for shortfall
2012-13	4,655*	1,607	3,048	**1.** Delay in forest clearances for steel plant at Nagarnar (Rs. 1,092 cr. spent as against target if Rs. 3,513 cr.) resulted in shortfall of Rs. 2,421 cr. **2.** Global acquisitions could not be done due to non viability of the project – shortfall Rs. 200 cr. **3.** BHJ beneficiation plant at Donimalai not taken off due to non-receipt of forest clearance for change in land use pattern – resulting shortfall Rs. 96 cr.

* Board approved Capex: BE 2012-13 Rs. 4,656 cr. and RE 2012-13 Rs. 2,814 cr.

Year	Plan	Actual Exp.	Shortfall	Major reasons for shortfall
2013-14	7,727*	2,518	5,209	**1.** Delay in allotment of land towards 3MTPA Steel plant at Karnataka – resulted shortfall Rs. 400 cr. **2.** In view of change in capacity from 10 MTPA to 15 MTPA towards slurry pipe line and pellet plant at Nagarnar – Rs. 799 cr. **3.** For Steel plant Nagarnar, Rs. 2,050 cr. was spent against the target approved by Board Rs. 1,990 cr. (RE) against the plan outlay of Rs. 4,783 cr. **4.** Non receipt of Stage II forest clearance towards 3rd screening plant at Kirandul resulted in a shortfall of Rs. 362 cr. **5.** Global acquisitions could not be done due to non viability of the project – shortfall Rs. 100 cr. **6.** SP II at Donimalai – Rs. 60 cr.

* Board approved Capex: BE 2013-14 Rs. 2,720 cr. and RE 2013-14 Rs. 2,720 cr.

Year	Plan	Actual Exp.	Shortfall	Major reasons for shortfall
2014-15	6,725*	3,136	3,589	**1.** Delay in allotment of land towards 3MTPA Steel plant at Karnataka – shortfall Rs. 650 cr. **2.** Delay in obtaining necessary statutory clearance from railways, NHAI and forest department towards slurry pipe line and pellet plant at Nagarnar – Rs. 546 cr. **3.** For Steel plant Nagarnar, Rs. 2,425 cr. was spent against the target approved by Board Rs. 2,280 cr. (RE) against the plan outlay of Rs. 3,593 cr. **4.** Non receipt of Stage II forest clearance towards 3rd screening plant at Kirandul resulted in a shortfall of Rs. 176 cr. **5.** Pending forest clearances, towards development of Dep-13 through JV with CMDC – Rs. 266 cr. **6.** Slow progress of work by railways towards doubling of KK Lines – Rs. 125 cr. **7.** Railway line from Rowghat to Jagdalpur – Rs. 300 cr.

* Board approved Capex: BE 2014-15 Rs. 3,495 cr. and RE 2014-15 Rs.3,555 cr.

Year	Plan	Actual Exp.	Shortfall	Major reasons for shortfall
2015-16	5,736*	3,202 **(up to Feb'16)**	2,534	**1.** Delay in allotment of land towards 3MTPA Steel plant at Karnataka – shortfall Rs. 471 cr. **2.** Pending forest clearances, towards development of Dep-13 through JV with CMDC – Rs. 300 cr. **3.** Slow progress of work by railways towards doubling of KK Lines – Rs. 100 cr. **4.** Railway line from Rowghat to Jagdalpur – Rs. 800 cr. **5.** For Steel plant Nagarnar, Rs. 2,073 cr. was spent up to Feb'16 against the plan outlay of Rs. 2,329 cr. Anticipated exp in Mar'16 – Rs. 300 cr.

* Board approved Capex: BE 2015-16 Rs. 3,588 cr. and RE 2015-16 Rs.3,641 cr.

MOIL: The lower utilisation is mainly on account of (a) delays in grant of leases leading to delayed taking-up or deferring shaft sinking/deepening projects, (b) increase in rates of power all over India and shortage of power in Andhra Pradesh (which has necessitated exploring various other options of sourcing power - the main ingredient for production of ferro alloys - through captive power generation or long term power purchase agreement with an IPP at cheaper rates) leading to not taking up the JV projects for exploring other viable options, (c) delay in grant of final orders in respect of new area development. The cumulative effect of these factors has resulted in deferral/delayed commencement of some projects and some projects are still not taken up. Value of the same works out to Rs. 754.00 crores.

KIOCL:

Name of Project	Plan Outlay (Rs. in crores)	Reason for Non achievement
Development Iron ore deposit in Chikkanayakanahalli&Ramanadurga	1100.00	Mining Lease application pending with Govt. of Karnataka
Forward & Backward Integration project at Blast Furnace unit like DISP, Coke Oven etc.	791.00	Due to uneconomical reason the proposal has been dropped.
Setting up Integrated Steel Plant on JV basis	483.00	During the due diligence process, the JV partner identified through tender processes not found suitable, hence, the proposal was dropped.
Permanent Railway siding & Bulk Material Handling System	303.00	Due to prolonged litigation over the acquisition of land required for the project
Eco Tourism project at Kudremukh	100.00	Non renewal of lease period of the revenue land by govt. of Karnataka.

MSTC: Scrapage Policy is being worked out and is in the advanced stage of finalization. MSTC decided to set up the shredding plant through JV route. The proposed JV partner, a Steel plant backed out. MSTC is now looking forward for another suitable partner. As the project did not take off no expenditure has been made till date."

CHAPTER-IV

IMPORTANT POLICY INITIATIVES

According to Ministry of Steel, certain important policy measures have been taken in 2015-16 for the growth and development of the Indian iron and steel sector. These are as under:-

i) In an attempt to control the surge in imports, the government hiked the import duty on key steel products twice in 2015 – in June and in August - each time by 2.5%. As a result, after the last hike in August 2015, import duty on semi finished products has been raised to 10% while duty on non-alloy flat products and some specified alloy steel products have been raised to 12.5%.

ii) In September 2015, the government also imposed a provisional safeguard duty of 20% for 200 days on import of certain categories of hot rolled flat steel with a view to protect domestic producers from recent surge in imports from China specially. The safeguard duty would cover import from all countries including those with which India currently has FTAs like Japan and South Korea.

iii) In order to safeguard domestic steelmakers from rising imports, the Indian government has imposed anti-dumping duty on cold-rolled flat products of stainless steel. The duty has been levied in the range of 5-57% on major countries such as China, US, South Africa, Thailand and Taiwan. The highest duty of 57.39% has been imposed on steel from China.

iv) In a move to curb steel imports, Indian government banned the production and sale of steel products that does not meet Bureau of Indian Standard (BIS) approval. In a Steel and Steel products (Quality Control) order dated 16 Dec'15 issued by Steel Ministry, BIS is made mandatory for all the steel products that are manufactured and traded in India. The government has issued a list of 15 steel products for which BIS certification are mandatory. These 15 products which constitute a large part of steel imports will impact the imports of HRC, CRC, bars, wire rods, billets and HR plates.

v) There is no export duty on any steel item. In recent times, the government has raised duty drawback rates on a host of items, including iron and steel with a view to boosting exports.

4.2 The Ministry of Steel informed the Committee that on February 5, the government levied a minimum import price ranging from $341 to $752 a tonne on 173 steel products to protect the domestic manufacturers. This MIP will be valid for a period of 6 months from the date of notification i.e. from 5/2/16 on 173 steel Products under Chapter 72 of ITC(HS) 2012-schedule I.

4.3 When enquired on the matter regarding crisis faced by the India Steel Industry, the Secretary, Steel elaborated as under:-

> "Of all the major steel producing countries, today probably India is the only country which is actually not closing down steel units and this is because of the package of support that the Government is providing. These encompass trade, security of raw materials, expediting clearances, R&D technology, making costs even more competitive than the existing, financial measures and manpower and Skilling. Even this is not enough because there is so much over capacity that we may have to still come up with new measures. We will have to improve marketing; we will have to reduce costs; we will have to look at new measures of bringing in technology. The Government has constituted an on-going Review Committee with Finance, Revenue, Commerce and Steel to keep a constant vigil and monitor the movement trade and prices. This Government has enacted the new MMDR Act. For the first time we are moving away from arbitrary allocations of raw materials and iron ore mines to a transparent methodology of auctions. Similarly, in terms of expediting forest and environment clearances, this Government has set up a Committee chaired by Shri Vijay Shankar, a senior retired IAS officer, to look at how all the clearances can be expedited for Make in India. We expect that the Steel Ministry and several of the Mines etc. will get clearances based on the recommendations once Government reviews and accepts them. On bringing down costs, this Government has, as you all know, launched a huge initiative for solar power. We are losing out on cost of transportation. To address that this Government is working on a Sagarmala Policy where we are trying to see how we can bring in coastal shipping and riverine shipping to bring down the cost. In the Railway Budget a new scheme has been introduced whereby the Railways will look at as to who are their key customers and work out separate packages. One of the big issues is, the cost of interest in India is much higher, compared to countries like China. But here, because of the intervention of the RBI, the banks and the Department of Financial Services, we are moving towards a regime whereby the loans given to these companies can move towards longer term loans with low rates of interest. So, corporate debt restructuring and strategic debt restructuring are two frameworks which will see that the costs are coming down for steel. National Skill Development campaign is working with the PSUs to see how we can improve labour productivity and bring up the state of skills. The Planning Commission has asked the Steel Ministry to prepare a comprehensive paper on how India can deal with this. We are already working on it. We are already in the process of identifying a consultant who will help SAIL craft its turn around strategy and so, we expect that in the coming few months, we will have a completely holistic policy response as well as an operational response to the current problems which SAIL is facing. Consequent to the new budget, we expect that India's steel demand will certainly go up. Consequent to all these measures that the Government has already initiated, it is early day yet for the results and fruits of all these measures to come in but we do expect that in the coming months and years, we will be able to bring Indian steel back to a healthy stage."

4.4 On being asked about the steps the Government should contemplate in ensuring a level playing field for the domestic steel industry keeping in view the fact that almost 2 lakh crores of debt is outstanding with the Indian Steel Companies, the Ministry of Steel in a written reply informed the Committee as follows:-

> "(1) The cost of funding to the Indian Steel Sector is high as compared to Steel producers in foreign countries. The funding is available to steel producers in major steel producing countries at rate of interest ranging from 1.15% to 6% (Japan 1.15%, Korea 3.7% and China 5.6%) as compared to India's 12%, which is a significant disadvantage. Hence interest rate in the country need to be brought down.
>
> (2) Concessional rate of duty available to Japan & Korea, in the case of Comprehensive Economic Partnership Agreement (CEPA), has resulted in huge jump in imports from these countries and the situation is likely to worsen in the coming years. There is need to review the CEPA with Japan & Korea by the Ministry of Commerce so that imports from these countries are contained within reasonable limits. Also, steel products should be kept in the negative list while entering the proposed Regional Comprehensive Economic Partnership Agreement (RCEP).
>
> (3) Railways have kept lower classification of input material (Coal, Limestone, Dolomite and Manganese Ore – Class 145) and charge lower transportation cost compared to Steel, which has been kept at higher class (Class 165). Further, despite having lower value, Iron Ore transportation cost has been kept at par with steel in Class-165. Therefore there is need for classifying Iron Ore in freight Class 145 to bring it at par with other input materials."

4.5 The Committee were apprised that there has been a demand from the steel industry for inclusion of iron ore in freight class (145) as of coal as against the freight class (165) as on date. On being asked about the benefits that would accrue if this demand is acceded to and the basis of this demand, the Ministry in their written reply informed the Committee as follows:-

> "Railway freight is about 13.8 % less in case iron ore is included in freight class(145) compared to existing freight class (165). Thus, if the demand is agreed to benefit that would accrue is 13.8 % less freight charge in transportation of iron ore by Railways. Coal, Iron ore, limestone dolomite are major input raw materials which are processed in steel plants to generate output(Iron & Steel Product), which has higher value than the input raw materials.
>
> Railways have kept lower Classification of input material (Coal, limestone, Dolomite & Manganese Ore – Class 145) and charging lower transportation cost compared to Steel, which has been kept at higher class (Class -165). However, despite having lower value, iron ore transportation cost is at par with steel and kept in same Class – 165."

4.6 To a query that whether this demand/matter was taken up with the Ministry of Railways and what has been the response of Ministry of Railways in this regard, the Ministry in a written reply informed the Committee as under:-

> "The matter has been taken up with Ministry of Railways at Railway Board level on 24th August, 2015, 16th January, 2016 and 24th February, 2016. Response is still awaited."

CHAPTER- V

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS (PSUs)

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS UNDER THE MINISTRY OF STEEL

A. STEEL AUTHORITY OF INDIA LTD. (SAIL)

SAIL has the following Units under its overall control:

a) Bokaro Steel Plant, Bokaro (Jharkhand)
b) Bhilai Steel Plant, Bhilai (Chhattisgarh)
c) Durgapur Steel Plant, Durgapur (West Bengal)
d) Rourkela Steel Plant, Rourkela (Orissa)
e) Alloy Steel Plant, Durgapur (West Bengal)
f) Salem Steel Plant, Salem (Tamilnadu)
g) IISCO Steel Plant, Burnpur
h) Visvesvaraya Iron & Steel Plant, Bhadravati (Karnataka)
i) Central Marketing Organisation, Kolkata (West Bengal)
j) Research and Development Centre for Iron & Steel, Ranchi (Jharkhand)
k) Raw Materials Division, Kolkata (West Bengal)
l) Centre for Engineering & Technology, Ranchi (Jharkhand),
m) Corporate Office, New Delhi
n) SAIL Refractory Unit
o) Chandrapur Ferro Alloy Plant

5.2 In addition, SAIL has incorporated a new subsidiary company, namely "SAIL Refractory Co. Ltd." (SRCL) for absorbing Salem Refractory Unit of M/s. Burn Standard Co. Ltd. SAIL is in the process of enhancing its hot metal production capacity from the level of 13.82 million tonnes per annum to 23.46 million tonnes under its current phase of expansion and modernization which is expected to be completed by financial year 2016-17. It has further plans to take up its capacity to 50 million tonnes by 2025.

PHYSICAL PERFORMANCE *(in million tonnes)*

No	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2015)	BE
(i)	Hot Metal	14.45	15.41	16.61	15.86	11.76	15.97
(ii)	Crude Steel	13.58	13.91	15.49	14.61	10.60	14.98
(iii)	Saleable Steel	12.88	12.84	14.38	12.78	8.79	14.60
(iv)	Pig Iron	0.22	0.63	0.44	0.47	0.50	0.33

FINANCIAL PERFORMANCE *(Rs. in crore)*

No	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	**(Actual)**	**BE**	**RE**	**Actual (upto Dec 2015)**	**BE**
(i)	Income	52513	53470	59105	44697	32985	44044
(ii)	Operating Cost	47660	47884	52699	48207	35087	47460
(iii)	Gross Margin	4853	5586	6406	-3511	-2102	-3416
(iv)	Profit (Loss) before Tax	3225	2359	2639	-7461	-4858	-8315
(v)	Profit (Loss) after Tax	2616	2093	2178	-4477	-2906	-8315
(vi)	Dividend proposed*	834	826	826	0	0	0
	of which:						
	Dividend paid/proposed to the Govt. of India**	799.64	542.11	631.06	77.45	77.45	0

* Excluding dividend tax. ** on cash basis.

5.3 The Profit Before Tax (PBT) and Profit After Tax (PAT) in 2015-16 (upto Dec'2015) were Rs. -4858.00 crore and Rs. -2906.00 crore respectively. Total income has increased by 1.82% from Rs. 52513.00 crore to Rs. 53470.00 crore in 2014-15. The profit before tax has decreased by 26.85% from Rs. 3225.00 crore to Rs 2359.00 crore. The profit after tax had decreased by 19.99% from Rs 2616.00 crore to Rs 2093.00 crore.

5.4 On being asked about the major factors contributing to loss posted by SAIL in each quarter of the fiscal 2015-16, the Ministry of Steel in a written reply informed the Committee as under:-

"Quarter-wise Profitability

(Rs./Crore)

Particulars	Q1 2015-16	Q2 2015-16	Q3 2015-16	9M 2014-15	9M 2015-16
Profit (+) / Loss (-) after Tax	-322	-1056	-1529	1758	-2906

Major reasons for Loss are as under:

(i) Lower production and sale of saleable steel due to sluggish market conditions arising out of unprecedented imports and reduction in prices.

(ii) Lower net Sales Realization of 5 Integrated Steel Plants

(iii) Additional financial impact of Mines & Minerals (Development and Regulation) Amendment Act, 2015 (MMDR) w.e.f. 12th January, 2015 due to contribution of 30% towards District Mineral Fund (DMF) and 2% towards National Mineral Exploration Trust on Royalty of Iron Ore (` 342 crore).

(iv) Higher usage of imported coal in the blend due to lower availability of indigenous coal.

(v) Higher interest charges and reduction in interest earning on term deposits.

(vi) Higher depreciation due to capitalization of new facilities."

B. RASHTRIYA ISPAT NIGAM LIMITED (RINL)

5.5 RINL is the first shore based Integrated Steel Plant set up in India. The company is a port based integrated Steel Plant commissioned in 1992 with capacity of 3 Million Tonnes Liquid Steel per annum. The plant has been built to match international standards with state -of-the-art technology, incorporating extensive energy saving and pollution control measures. The company has completed its first phase of expansion of liquid steel production to 6.3 Million tonnes from 3.0 Million tonnes. The entire cost of the project has been met from the internal resources and borrowings. As approved by Government, three operational companies under the erstwhile Bird Group of Companies, namely Eastern Investments Ltd. (EIL) (subsidiary of RINL) and Bisra Stone Lime Company Ltd. (BSLC) and Orissa Minerals Development Company (OMDC) (subsidiary of EIL) have become Public Sector Undertakings with effect from 19.03.2010.

5.6 The company's capital structure as on 31st March, 2015 comprises of Rs. 4889.85 crore of Equity Capital and Rs. 300.00 crore of 7% Non-Cumulative redeemable preference share capital. The entire shares are held by the Govt. of India.

PHYSICAL PERFORMANCE *(in '000 tonnes)*

No	Item	2013-14	2014-15	2015-16*			2016-17
		(Actual)	(Actual)	BE	RE@	Actual (upto Dec 2015)	BE @
(i)	Hot Metal	3769	3780	5000	4070	2991	5400
(ii)	Crude Steel	3201	3201	4210	3708	2742	4687
(iii)	Saleable Steel	3016	3017	4000	3565	2528	4474
(iv)	Pig Iron	327	239	424	130	86	370

** Performance in 2015-16 severely impacted due to very sluggish market conditions*

FINANCIAL PERFORMANCE *(Rs. in crore)*

No	Item	2013-14	2014-15	2015-16*			2016-17
		(Actual)	**(Actual)**	**BE**	**RE@**	**Actual (upto Dec 2015) (Prov.)**	**BE @**
(i)	Income	13842.72	10770.23	18468.34	10232.14	7172.13	13519.94
(ii)	Operating Cost	12676.99	9962.96	16869.47	10842.36	7505.67	14454.81
(iii)	Gross Margin	1167.81	809.02	1598.88	-608.47	-333.54	-934.87
(iv)	Profit (Loss) before Tax	547.12	84.21	455.04	-1668.30	-1077.76	-2436.17
(v)	Profit (Loss) after Tax	353.94	52.81	300.60	-1589.60	-1014.67	-2441.97
(vi)	Dividend paid*	101.68	60.00	60.00	0	0	0

@ As per the Draft MoU 2016-17 submitted to Ministry

*on cash basis

Reasons for shortfall

5.7 The Committee were informed that financial performance of the Company during the current year is lesser than budgeted and shortfall in Profit After Tax (PAT) with regard to previous year is due to unfavorable conditions. Some of them are as mentioned below:

- Reduction in Net Sales Realization due to very sluggish market condition owing to lack of demand and cheaper imports from China.
- Even though there is a reduction in imported coal prices, it was offset partly by rupee depreciation against US Dollar. With respect to Iron Ore, though Iron Ore prices have reduced but effect of reduction has stated only from the month of September 2015 onwards. However, DMF (District Mineral Fund) @30% on Royalty has been imposed w.e.f. 12.01.2016 as per MMDR Act, which has partly offset the benefit of reduction in Iron Ore Prices.
- Increase in finance costs due to availment of higher supplier's credit and short-term & long – term loans to meet the working capital and expansion need and resort higher borrowings due to sluggish market conditions.
- Reduction in interest income due to the redemption of Preference share capital and outflows towards on-going expansion plan, which were met from the cash surplus deposit earlier.
- Increase in deprecation due to capitalization of new expansion units.
- Increase in power tariff by State Power Distribution Companies.

C. NMDC Ltd.

5.8 The company was established on 15th November, 1958 as a Public Sector Undertaking and is the single largest producer of iron ore and diamonds in the country and is engaged in exploration, development and exploitation of various other minerals such as Dolomite, Lime stone, Magnesite etc. NMDC's large mechanized Iron ore mines are being operated at Bailadila Iron ore Mines, Kirandul Complex which operates Dep-14 & Dep-11C mines, Bacheli Complex which operates Dep-5 & Dep-10&11A mines in Chhattisgarh state and Donimalai Iron ore Mines in Karnataka state. NMDC has got India's only mechanized Diamond mine at Panna, Madhya Pradesh. NMDC is contemplating a major expansion to meet the demand of Iron ore. Deposit-11B mine at Kirandul, Bailadila and Kumaraswamy Mine at Donimalai in Kartnataka are the projects in progress. The total iron ore production of NMDC in FY 2015 was 30.44 MT. NMDC plans to produce 75 MTPA by 2018-19 and 100 MTPA by 2021-22. The company can produce about 78 MTPA from existing mines and it needs to acquire new mines to enhance its production to 100 MTPA. NMDC has diversified its activities in the field of renewable energy by setting up Wind Mill in Karnataka and is exploring the possibilities in solar energy. The company has planned to expand its business through horizontal integration in the field of Coal, Rock Phosphate, Lime stone, Gold and Diamond. The Company has 78.56% shareholding in Legacy Iron Limited, an ASX listed entity based in Perth, Australia. Legacy has 60% interest in Mt. Bevan Iron Ore Project from Hawthorn Resources Ltd. in Western Australia.

PHYSICAL PERFORMANCE

No.	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE (Prov.)	Actual (Dec. 2015)	BE (Prov.)
(i)	**PRODUCTION:**						
	IRON ORE (LAC Tonnes)	300.25	304.41	330.00	275.00	197.91	257.00
	DIAMONDS (CARATS)	37082	35085	37000	33000	24640	28500
	SPONGE IRON (Tonnes)	29734	28994	32000	9000	4480	5700
(II)	**SALES**						
	IRON ORE (LAC Tonnes)	305.00	305.16	359.00	280.00	203.26	276.00
	DIAMONDS (CARATS)	43488	38789	37000	33000	13375	28500

	SPONGE IRON (Metric Tonnes)	30572	25191	32000	9000	7136	5700

FINANCIAL PERFORMANCE *(Rs. in crore)*

No.	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE (Prov)	Actual (Dec, 2015)	BE (Prov.)
(i)	Income	14153.00	14622.00	14422.00	8212.00	6262.00	4714.00
(ii)	Operating Cost	4215.00	4694	5945.00	3340.00	2294.00	3275.00
(iii)	Gross Margin (1-2)	9938.00	9928.00	8477.00	4872.00	3968.00	1439.00
(iv)	Depreciation/DRE	179.00	160.00	181.00	205.00	143.00	315.00
(v)	Profit (Loss) before Tax	9759.00	9768.00	8296.00	4667.00	3825.00	1124.00
(vi)	Profit (Loss) after Tax	6420.00	6422.00	5746.00	2952.00	2475.00	645.00
(vii)	Dividend paid/ Proposed	3370.00	3390.00	--	--	--	--
	Of which :						
	Dividend paid/ proposed to the GOI*	3964.93	2299.66	2220.00	1315.02	412.35	634.39

*on cash basis

5.9 When asked about details of the total mining capacity vis-à-vis actual production of minerals by NMDC during the last 3 years, the Ministry stated as under:-

Iron Ore (Qty in Lakh Tonnes)

Year	Mining Capacity	Target	Actual	Achieved Vs. Target (%)
2012-13	320	264	271.84	103%
2013-14	320	260	300.25	115%
2014-15	320	290	304.41	105%

Giving details of major project complemented by NMDC during last year, the Ministry apprised the Committee as under:-

- "7.0 MTPA Bailadila Iron Ore Deposit11-B Project Chhattisgarh
  Capital out lay: Rs. 607 Cr.
  Capacity: 7.0 MTPA
  Integrated load trial for the project was taken in Mar’15 and the project was commissioned in Aug’15.
- 7.0 MTPA Kumaraswamy Iron Ore Project, Karnataka
  Capital Out lay: Rs. 899 Cr.

Capacity: 7.0 MTPA
Load trials for the project conducted in Aug’15. The project is under stabilization

- 1.2.MTPA Pellet Plant, Donimalai, Karnataka
  Capital Outlay: Rs. 572 Cr.
  Capacity: 1.2 MTPA
  Load trials conducted in Jun’15 and plant stabilisation is in progress."

D. HINDUSTAN STEELWORKS CONSTRUCTION LIMITED (HSCL)

5.10 Hindustan Steelworks Construction Limited (HSCL) is one of the major construction agencies in the Public Sector established in 1964 under the administrative control of Ministry of Steel. The mandate for its incorporation was to mobilize indigenous capability for putting up integrated steel plants in the country. The organization rose to the occasion and successfully met the challenge by bringing together competent human resources and mobilizing a fleet of updated construction equipment. HSCL has diversified its activities. As an example, in the construction of rural roads, the Company has a proud privilege of participating in the Bharat Nirman Programme of Govt. of India in the North Eastern State of Tripura under PMGSY, HSCL has been working as a Project Implementation Unit there with the responsibility starting from preparation of DPR to the maintenance of the roads for five years after construction.

PHYSICAL PERFORMANCE

(Rs. in crore)

No	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2015) unaudited	BE
(i)	**Order Booking**	2649.00	1844.00	1800.00	1500.00	1654.46	1200.00

FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2015)	BE
(i)	Income	1410.21	1528.70	1400.00	1751.00	918.88	1450.00
(ii)	Operating Cost	1310.41	1411.94	1316.00	1636.00	848.49	1363.00
(iii)	Gross Margin (PBIDT)	99.80	116.76	84.00	115.00	70.39	87.00
(iv)	Profit (Loss) before Tax	-18.67	-8.10	-23.00	1.00	-12.51	-23.00
(v)	Profit (Loss) after Tax	-18.67	-8.10	-23.00	1.00	-12.51	-23.00
(vi)	Dividend paid/ proposed	Nil	Nil	Nil	Nil	Nil	Nil
	of which:						
	Dividend paid /proposed to the Govt. of India	Nil	Nil	Nil	Nil	Nil	Nil

The company is taking various initiatives to improve all round efficiency in business operations. Presently, a proposal for restructuring of HSCL is under consideration of the Government.

5.11 Regarding the restructuring proposal of HSCL, the Committee were informed that a draft note for Cabinet Committee on Economic Affairs (CCEA) had been prepared and circulated to the concerned ministries/ departments for comments. Comments have been received from various ministries and the draft note is being prepared accordingly. On being asked to furnish the latest position on the matter and whether any deadline has been set in this regard as the matter has been pending for long, the Ministry in their written reply informed the Committee as under:-

"A note for the Cabinet on the financial restructuring of HSCL and its takeover by National Buildings Construction Corporation Limited (NBCC) is being prepared for placing before the Union Cabinet. No specific dead line has been fixed as the finalization of restructuring proposal depends upon the decision of the Union Cabinet."

5.12 The Committee had desired that HSCL should be given an opportunity to utilize its potential in construction of integrated steel plants in the country and PSUs should place orders for their Modernization and Expansion Programmes to HSCL to help it overcome this situation. In this regard, the Ministry in their reply informed the Committee as under:-

"PSUs have awarded construction works to HSCL in the past. Ministry's view is that all PSUs should continue to support HSCL by awarding construction works following due process. But being independent commercial organizations, the Steel PSUs are free to take decisions in the matter based on their commercial considerations."

E. MECON LTD.

5.13 MECON Ltd. is the first consultancy and engineering organisation in the country to be accredited with ISO:9001-2008 and registered with the World Bank, Asian Development Bank, European Bank of Reconstruction and Development, African Development Bank (AFDB) and United Nations Industrial Development Organisation. The company is one of the leading multi disciplinary design, engineering, consultancy and contracting organization in the field of Metal, Power, Oil & Gas and infrastructure sectors. The company's mission is to provide technical consultancy-design and engineering, design and supply of plant, equipment and systems, implementation of new industrial ventures from concept to commissioning. Presently MECON is involved in almost all the mega steel projects in India both in public and private sectors. The Company is also deeply entrenched in other fields of diversification being Power, Oil & Gas and Infrastructure and is involved in large number of assignments in public and private sectors. MECON has also spread its wings in International market providing quality design, engineering & consultancy services for about 130 projects in different countries like Indonesia, Qatar, Saudi Arabia, Oman, UAE, Vietnam, USA etc. MECON has an overseas office in Nigeria to effectively cater to the opportunities in African states.

FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2015) (Prov)	BE
(i)	Income	486.92	539.15	536.50	425.31	238.63	420.00
(ii)	Operating Cost	410.16	493.36	516.65	499.90	375.82	549.51
(iii)	Gross Margin	76.76	45.79	19.85	-74.59	-137.19	-129.51
(iv)	Profit (Loss) before Tax	68.69	33.01	12.55	-85.26	144.13	-139.83
(v)	Profit (Loss) after Tax	49.48	20.27	8.28	-85.26	-144.13	-139.83
(vi)	Dividend paid/ proposed	9.72	9.09	0.43	--	--	--
	Of which :						

	Dividend paid/ proposed to the Govt. of India*	10.35	9.72	1.06	9.09	9.09	--

*on cash basis

5.14 On being asked about the details of the new projects/schemes targeted and implemented by MECON during the last 3 years, the Ministry submitted as under:-

(Rs. In crore)

Name of major project	2013-14		2014-15		2015-16		Remarks
	Plan Outlay	Actual utilisation	Plan Outlay	Actual utilisation	Plan Outlay	Prov. Utilisation upto 31.12.2015	
Expansion, Modification & Augmentation of Office Space at Ranchi / Guest House etc. at various Locations	5.00	6.10	5.00	6.12	5.00	7.19	

MECON is undertaking small value schemes for augmentation, modification / renovation of facilities at company's guest house/ township/ office premises at different locations as and when required."

F. <u>MSTC LTD.</u>

5.15 MSTC Ltd. is a trading concern previously designated as the canalising agency of the Government for import of carbon steel melting scrap for distribution to mini-steel plants. The company lost its status as a canalising agency with effect from February, 1992, and is now operating in a totally free and competitive environment like any other private trader. The company undertakes trading activities, e-commerce, disposal of ferrous and non-ferrous scrap and surplus stores mostly from Public Sector Undertakings and Govt. Departments, including Ministry of Defence. MSTC is the Holding Company of Ferro Scrap Nigam Ltd. (FSNL) whose 100% paid up equity shares are held by MSTC.

PHYSICAL PERFORMANCE

5.16 Since MSTC is not a manufacturing concern, its physical performance in terms of value of business under Marketing and Selling Agency is given below:

(Rs. in crore)

No	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2015)	BE
(i)	Trading	7488.00	6945.00	4100.00	5950.00	2987.00	3850.00
(ii)	e-Commerce	19395.00	22977.00	16360.00	20500.00	19289.00	26000.00

FINANCIAL PERFORMANCE *(Rs. in crore)*

No	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2015)	BE
(i)	Income	5330.27	5506.48	3714.65	5498.00	2174.84	4050.00
(ii)	Operating Cost	5208.91	5376.29	3644.65	4956.00	2136.65	3644.65
(iii)	Gross Margin	121.36	130.19	70.00	98.20	38.19	98.49
(iv)	Profit (Loss) before Tax	-107.37	131.47	67.50	95.70	36.99	97.49
(v)	Profit (Loss) after Tax	-70.03	90.99	44.55	63.16	24.19	63.75
(vi)	Dividend paid/ proposed	0.00	18.22	--	--	--	--
	Of which :						
	Dividend paid/ proposed to the Govt. of India*	23.72	0.00	13.58	16.36	16.36	13.46

*on cash basis

Note: The loss before tax for F.Y. 2013-14 has been arrived after the exceptional item of Rs. 226.78 which pertains to provision towards normalization of outstanding on account export of gold jewellary during 2008-09

5.17 Regarding setting up of auto shredding plant by MSTC Ltd., in a written reply, Ministry of Steel informed the Committee as under:-

"During 12th Plan MSTC Ltd. had planned to set up an auto shredding plant. It was supposed to be India's first mechanized automatic shredding plant which is a state of the art technology of segregating and processing of scrap for scientific recycling in the country. Sourcing of raw Material was a major concern for this plant. The material sourcing potential for the shredding plant was analysed and it was found that there is a potential for domestic as well as international sourcing for shreddable goods. Shreddable goods are defined as the End of Life Vehicles (vehicles like two-wheelers, cars, buses and others, which after being used for around 15 years or so reach the end of their useful life) and other white goods like air-conditioners, refrigerators, which after usage for a long period of 10-15 years become un-viable for further operation. World over vehicle scrappage and fleet modernization is regulated through 'cash for clunker' policy which is implemented through robust Inspection and Certification system. MSTC has been continuously working with Ministry of Road Transport and Highways, Ministry of Heavy Industries, Society of Indian Automobile Manufacturers (SIAM) etc. for formulation of a law for compulsory shredding of End of Life Vehicles in the country."

5.18 The Ministry further informed the Committee as under:-

"The Board of MSTC has adopted the proposal for setting up of an auto shredding plant at Dahej in Gujarat. Essar Steel has backed out from the project of Joint Venture with MSTC for setting up the Shredding Plant. MSTC is pursuing Ministry of Road Transport and Highways, Ministry of Heavy Industries, SIAM and other such bodies for enactment of a Law for incentivizing compulsory scrapping of End of Life Vehicles which are the raw material for the project. Also Kerala Government has approached MSTC for setting up the First Auto Shredding Plant in Kerala. The talks are underway and a final decision in this regard may be expected in due course of time."

5.19 On the matter of diversification activities for MSTC, the Ministry of Steel in their Action Taken Reply informed as under:-

"MSTC has also diversified its e-Commerce activities in various domains like Coal Block Auctions, Red Sander wood auctions, Sandal Wood Auctions and Human Hair, various minerals etc. In addition MSTC is further looking forward to expand its e-Commerce presence into various other arenas like e- Retail business (B2B) along with India Post, initial discussion for the same has begun. Also a plan to float a portal for e-shopping mall is underway."

G. <u>KIOCL Ltd.</u>

5.20 KIOCL Ltd. is a fully owned Government Company was established in 1976 as a 100% Export Oriented Unit (EOU) with mining operations at Kudremukh. In 1980, a beneficiation plant at Kudremukh was established with a capacity of 7.50 mtpa iron ore. In 1987, a Pellet Plant at Mangalore was set up with a capacity of 3 mtpa which was subsequently increased to 3.5 mtpa. In 2001 Pig Iron Plant at Mangalore was set up under a JV namely KISCO which has since been merged with KIOCL w.e.f. 01.04.2007. The Blast Furnace operation was stopped w.e.f. 05.08.2009 due to economically unviable conditions. The mining activity at KIOCL Ltd. was stopped as per the Hon'ble Supreme Court verdict w.e.f. 01.01.2006. At present KIOCL is mainly operating the pellet plant at Mangalore by sourcing iron ore from the market.

PHYSICAL PERFORMANCE

(In million tonnes)

No.	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2015)	BE
(i)	Production (Pellets)	1.710	0.785	1.800	0.700	0.100	1.300
(ii)	Dispatches (Pellets)	1.615	0.680	1.800	0.796	0.206	1.300

FINANCIAL PERFORMANCE

(Rs. in crore)

No.	Item	2013-14	2014-15	2015-16			2016-17
		(Actual)	(Actual)	BE	RE	Actual (upto Dec 2015)	BE
(i)	Income	1529.22	899.82	1804.91	545.16	174.95	561.02
(ii)	Operating Cost	1416.14	836.47	1693.23	621.98	288.53	516.13
(iii)	Gross Margin	113.08	63.35	111.68	-76.82	-113.58	44.89
(iv)	Profit (Loss) before Tax	61.40	31.26	70.76	-111.29	-139.48	10.27
(v)	Profit (Loss) after Tax	39.94	30.82	46.77	-111.29	-139.48	6.72
(vi)	Dividend paid/ proposed	--	--	--	--	--	--
	Of which :						
	Dividend paid/proposed to the Govt. of India*	6.28	8.16	8.72	6.28	6.28	--

*on cash basis

5.21 The Committee came to know that KIOCL Ltd. had made a shipment of iron ore pellets to Iran under the Government's Make in India'concept. KIOCL Ltd. is bringing high grade iron ore (with 'Fe' content of 67%) from Brazil and converting it into pellets at KIOCL's pellet Plant at New Mangalore. In this context the Ministry was asked to furnish the production and export targets fixed by KIOCL during the year 2015-16 and their achievement. The Ministry in their written reply informed the Committee as under:-

Production			**Actual Achieved upto February-2016**		**Remarks**
MoU	1.80 Million Tonnes		0.100 Million Tonnes		Not achieved the Target
Despatch			**Actual Achieved upto February-2016**		
	Export	DTA Market	Export	DTA Market	
MoU	1.00 Million Tonnes	0.800 Million Tonnes	0.164 Million Tonnes	0.229 Million Tonnes	Not achieved the Target

5.22 On being asked about the reasons as to why the iron ore used to make these pellets is being sourced from Brazil instead of using the raw material available in the country, the Ministry in their written reply informed the Committee as under:

> "The requirement from Iran was for high grade iron oxide pellets with Fe content above 67% for production of steel through gas based DRI route. For undertaking above order, KIOCL signed a back to back contract for import of high grade iron ore concentrate of 67% Fe from Brazil and export of pellets after conversion to M/s Mobarakeh Steel Company (MSCO) under Government of Iran. The iron ore fines available in India are up to 64% Fe only which will not meet the above requirement. It has been further informed that customers in Turkey and Vietnam also have shown interest in procuring High Grade Pellets from KIOCL.

PART II
OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

PLAN EXPENDITURE - R&D IN STEEL SECTOR

1. The Committee note that based on the recommendation of the Working Group on Steel Industry for 11th Plan (2007-12), a new scheme on R&D was included in the 11th Five Year Plan with an outlay of Rs. 118.00 crore. The objective of the scheme was to promote and accelerate R&D activities in development of innovative/path breaking technologies utilizing Indian iron ore fines and non-coking coal, improvement of quality of steel produced beneficiation and agglomeration (e.g. pelletization) of raw materials. In 12th Five Year Plan, a provision of Rs. 200.00 crore has been made for the R&D Scheme. The Committee note that despite there being only a single planned scheme under the purview of Ministry of Steel, its actual utilization has been quite low. Also, there has been a trend to drastically reduce the funds allocated at RE stage especially during the first 3 years of the 12th Plan Period i.e. in 2012-13, 2013-14 and 2014-15. The Committee find that during the year 2012-13 and 2013-14 Rs. 46 crore were allocated at BE stage. These were reduced to Rs. 26.49 crore and Rs. 8.00 crore during the years 2012-13 and 2013-14 respectively at RE stage. The actuals during 2012-13 and 2013-14 were Rs. 24.90 crore and Rs. 8.00 crore respectively. Similarly RS. 20 crore allocated for BE (2014-15) were reduced to Rs.7 crore at RE stage. As regards cumulative expenditure during the first 4 years of the Plan i.e. from 2012-13 to 2015-16, out of total provision of Rs. 200 crore for the scheme, Rs. 127 crore have been allocated at BE stage which were later reduced to Rs. 56.49 crore at RE stage and only Rs. 43.48 crore have been actually utilized. The Committee also note that upto the financial year 2015-16, the plan provision of the Ministry of

Steel was kept under three components of the R&D Schemes viz. (i) Scheme for Promotion of Research and Development in Iron and Steel Sector – ongoing R&D Projects; (ii) Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products; and (iii) Development of innovative Iron/Steel making process/Technology. The Committee have been informed that on the advice of Ministry of Finance, from Financial Year 2016-17, the scheme has been rationalized and with their approval it has been decided to keep entire provision under one sub-head i.e. Scheme for Promotion of Research and Development in Iron and Steel Sector. According to the Ministry of Steel, this rationalization of R&D Scheme would be helpful in ensuring flexibility in spending of funds unlike the earlier system whereby allocation for funds to 3 different sub heads had caused under-utilization of funds. The Committee have also been apprised that earlier there was stagnation in R&D activities for the steel sector as there were only 2 fully equipped laboratories with Council of Scientific and Industrial Research (CSIR). Now, the Ministry have opened centres of excellence in IIT Kharagpur, IIT Mumbai and there is a talk to open the same in Banaras Hindu University (BHU) as well. The Committee feel that R&D is a very important component for any sector to succeed and produce quality goods and given the current situation of the Indian Steel Industry, due emphasis should be given on this aspect. As already admitted by Secretary, Ministry of Steel that Steel PSUs are focusing on increasing investment in R&D from 0.3% to 1% of their total turnover, the Committee desire that the Ministry should also look into the causes of low utilization in this scheme during the previous years and take stringent measures so that the funds allocated for the scheme are fully utilized.

UTILIZATION OF OUTLAYS DURING 12TH FIVE YEAR PLAN

2. The Committee note that for the 12th Five Year Plan (2012-17), the Planning Commission had approved a total IEBR of Rs. 90974.64 crore for all PSUs. Out of this approved outlays, only 51% of the outlay i.e. Rs. 46879.30 crore had been expended upto December, 2015. The Committee note that except for MECON, expenditure by most of the PSUs is much below the approved outlays. Against the plan approved outlays for the 12th Plan Period for PSUs like SAIL, RINL, NMDC and FSNL which were Rs.45000 crore, Rs.13373 crore, Rs.27872 crore and Rs.60 crore, the actuals were Rs. 30969 crore, Rs.5488.59 crore, Rs.9997.85 crore and Rs.40.50 crore respectively. The expenditure by SAIL, RINL, NMDC and FSNL amounts to 68.8%, 41%, 35.8% and 67.5% respectively of the approved outlays. The Committee are further concerned to note that MOIL has spent only Rs. 324.98 crore against the approved outlay of Rs. 1459.47 crore which amounts to 22.26% of its IEBR. Similarly, KIOCL has spent a mere 1.10% of its IEBR i.e. Rs. 33.96 crore spent against the approved outlay of Rs. 3080 crore. The reasons for low utilization of plan outlays given by the Ministry are poor performance of contracting agencies (SAIL), lack of raw material security(RINL), delay in land allotment, pending forest clearances, slow progress of work by Railways (NMDC), delay in grant of leases, shortage of power in Andhra Pradesh (MOIL), pending of mining lease and non renewal of lease period (KIOCL), project for shredding plant did not take off (MSTC), etc. The Committee are concerned to note the underutilization of approved outlays by Steel PSUs and emphasize the need for taking corrective measures by identifying the constraints affecting the implementation of projects and schemes by the Steel PSUs. The Committee

expect that this being the penultimate year of the 12th Plan, the approved annual outlays of Rs. 12323.55 crore for steel PSUs should be fully utilized. The Committee, therefore, desire that advance action plan should be prepared by each PSU for the year 2016-17 keeping its objectives, vision and targets for the year in mind to ensure full utilization of approved outlays for 2016-17.

<u>IMPORTANT POLICY INITIATIVES</u>

3. The Committee note that several measures have been taken by the Government to control the surge in imports to protect the domestic steel industry. These measures include hiking of import duty, imposition of provisional safeguard duty on certain items, imposition of antidumping duty, invoking the Steel and Steel products (Quality Control Order) etc. The Committee have also been apprised that the Government has constituted a Review Committee with members from Ministries of Finance, Revenue, Commerce and Steel to keep a constant vigil and monitor the movement of trade and prices of steel. According to the Ministry of Steel, there is a proposal for corporate debt restructuring whereby the loans given to steel companies can be converted into longer term loans with low rates of interest. The Committee have also been given to understand that as per the demand of Steel Ministry certain other measures like review of Comprehensive Economic Partnership Agreement (CEPA) with Japan & Korea is required as this agreement has resulted in huge jump in imports from these countries. The Ministry of Steel have also apprised the Committee that there has been ongoing demand from the steel industry for inclusion of iron ore in freight class (145) as is for coal, limestone, dolomite and manganese ore as against the freight class (165) for steel as on date. If

this demand of steel industry is accepted by Railways, the benefit that would accrue is 13.8 % less freight charge in transportation of iron ore by Railways. The Committee note that the matter has been taken up with Ministry of Railways at Railway Board level on 24th August, 2015, 16th January, 2016 and 24th February, 2016. While appreciating the measures taken by the Government to bail out the beleaguered steel industry reeling under an unprecedented crisis, the Committee recommend that the matter regarding review of CEPA with Japan and Korea should be taken at the highest level to check rising imports from these countries. The Committee also recommend that the Ministry of Railways should be impressed upon to include iron ore in same freight class as coal and if felt necessary the matter may be taken up with the Ministry at the highest level to advocate their case for the same. The Committee would also like to be apprised of the present status on the proposal for corporate debt restructuring whereby the loans given to steel companies can move towards longer term loans with low rates of interest.

4. The Committee further desire that all out efforts be made in bringing down the cost of production. Such steps may include development of coastal shipping and riverine shipping and tailor made packages with Railways etc. to cut down the transportation costs, giving boost to National Skill Development Campaign for improving labour productivity, etc. The Committee would like to be apprised of the specific measures taken in this regard.

<u>SAIL</u>

5. The Committee are concerned about the losses incurred by SAIL due to a major crisis in the steel industry due to cheap imports from the countries

having excess capacity. The Committee note that though the profit of SAIL had been dwindling during last 2-3 years, but this is the first time when SAIL is incurring losses. Profit After Tax(PAT) of SAIL was Rs. 2616 crore in 2013-14 which got reduced to Rs. 2093 crore in 2014-15. In 2015-16 (upto Dec'2015), the company incurred losses of Rs.2906.00 crore. The Committee find that total income has increased from Rs. 52513.00 crore in 2013-14 to Rs. 53470.00 crore in 2014-15. But in 2015-16, the income generated upto December, 2015 is Rs. 32985 crore only. In this regard, the Committee express their satisfaction at the assurance given by the Secretary, Ministry of Steel during the oral evidence that the Ministry and SAIL are focusing on cost reduction measures and SAIL had already reduced its production cost by Rs. 1500 per tonne. While appreciating these concerted efforts of Ministry of Steel and SAIL, the Committee also note that the Government has taken certain measures to protect the interest of domestic steel manufactures. The Ministry of Steel had also informed the Committee that they are in the process of identifying a consultant who will help SAIL craft its turnaround strategy. The Committee desire that till a turnaround strategy is crafted out, SAIL should take immediate short term measures to curb losses to the minimum by opting for cost saving measures. The Committee hope to see a positive impact of such measures on the domestic steel market in the near future. The Committee would like to be apprised of the steps initiated by SAIL in this regard.

6. The Committee note that for the year 2015-16, a production target of 14.38 million tonne of saleable steel was set for SAIL which was later reduced to 12.78 million tonne at RE stage. Out of the given target, 8.79

million tonne steel was produced upto December, 2016. For the year 2016-17, the target of production of saleable steel has been increased to 14.60 million tonne. Similarly, for RINL the Committee note that for the year 2015-16, the target for saleable steel which was 4 million tonne, was reduced to 3.6 million tonne at RE stage. The Committee note that about 2.5 million tonne saleable steel production was achieved by RINL upto December, 2015. An increased target of production of 4.5 million tonne of saleable steel has been set for the year 2016-17 by RINL. The Committee note that although steel industry is going through a major crisis and there is a glut in the market due to import of cheap steel, they desire that given the prevailing market conditions, SAIL and RINL should focus to improve production and efficiency at various levels and lay emphasis on improving profit by developing and marketing new products.

DECLINING PROFIT OF RINL

7. The Committee note that over the years, income of RINL has seen a sharp decline. From Rs.13842.72 crore in 2013-14 , income of the company reduced to Rs. 10770.23 crore in 2014-15 and during 2015-16, Rs.7172.13 crore income could be generated upto December, 2015. Similarly, Profit After Tax (PAT) of RINL which was Rs. 353.94 crore in 2013-14 plummeted to Rs. 52.81 crore in 2014-15. During 2015-16, the loss of RINL stood at Rs. 1014.67 crore. Regarding the reasons for shortfall in Profit After Tax (PAT) with respect to previous years, RINL has informed the Committee that reduction in Net Sales Realization due to sluggish market conditions owing to lack of demand and cheaper imports from China; imposition of DMF (District Mineral Fund) @30% on Royalty w.e.f. 12.01.2016 as per MMDR

Act, has partly offset the benefit of reduction in Iron Ore Prices; increase in finance costs due to availment of higher supplier's credit and short-term & long term loans to meet the working capital; reduction in interest income due to the redemption of preference share capital and outflows towards on-going expansion plan; increase in deprecation due to capitalization of new expansion units; and increase in power tariff by State Power Distribution Companies are major reasons for shortfall. While acknowledging these factors, the Committee feel that the same are also being faced by other steel plants including private sector steel plants. The Committee, therefore, recommend that declining performance of entire steel industry be taken seriously and the utmost efforts be made by the Ministry by incentivizing this sector through various interventions.

NMDC Ltd.

8. The Committee are happy to note that 7.0 MTPA Bailadila Iron Ore Deposit 11-B Project of NMDC Ltd. at Chhattisgarh has been commissioned in August, 2015. Besides this, the work on two other projects viz. 7.0 MTPA Kumaraswamy Project and 1.2 MTPA Pellet Plant at Donimalai, is reported to be under stabilization. As regards the physical performance of NMDC Ltd. the Committee note that NMDC has been exceeding its mining capacity target during the last 3 years and its achievement was 103%, 115% and 105% during 2012-13, 2013-14 and 2014-15 respectively. The Committee are, however, concerned to note though iron ore production by NMDC Ltd.was 300.25 lakh tonne and 304.41 lakh tonne during 2013-14 & 2014-15 respectively, the production upto December 2015 was only 197.91 lakh tonnes of iron ore as against a reduced target of 275 lakh tonnes.

Moreover, the target for iron ore production for NMDC Ltd. has been further reduced to 257 lakh tonne for BE 2016-17. The Committee would like to be apprised of the reasons for keeping low target for iron ore production during the year 2016-17 despite the fact that mining capacity utilization has exceeded 100 % for last three years and two new mines of 7.0 MTPA each at Bailadila, Chhattisgarh and Kumaraswamy, Karnataka have been commissioned/ under stabilization. The Committee would also like to know the prospective plan of NMDC Ltd. to produce 75 MTPA of iron ore by 2018-19 and 100 MTPA by 2021-22.

9. The Committee note that total income of NMDC Ltd. increased from Rs. 14153.00 crore in 2013-14 to Rs. 14622.00 crore in 2014-15. During 2015-16, an income of Rs. 6262 crore was generated upto December, 2015. As regards the Profit After Tax (PAT), it increased from Rs. 6420.00 crore in 2013-14 to Rs. 6422.00 crore in 2014-15. During 2015-16, PAT of Rs. 2475 crore had been generated upto December 2015. Despite all this, for 2016-17, a target for PAT has been kept very low at Rs. 645 crore only. The Committee fail to understand the logic of reducing the profit target so drastically for 2016-17 by NMDC Ltd. The Committee would, therefore, like to be apprised of the reasons for such drastic reduction in PAT targets and steps taken by the company to improve its financial performance.

HSCL

10. The Committee note that HSCL, whose mandate is to mobilize indigenous capability for putting up integrated steel plants in the country has diversified and is participating in the 'Bharat Nirman Programme' of the Government in the North East State of Tripura under Prime Minister Gramin

Sadak Yojana(PMGSY). The Committee have also stressed in their 9th Report (16th Lok Sabha) on the need to provide sufficient opportunities to HSCL by awarding them work contracts by Steel PSUs to overcome its liabilities and utilize its potential to the maximum. The Committee note that HSCL had achieved an order booking of Rs. 2649 crore in 2013-14 and Rs. 1844 crore in 2014-15. During the year 2015-16 orders amounting to Rs. 1654 crore(unaudited) were booked by HSCL upto December, 2015. The Committee are, however, unhappy to note that for 2016-17, HSCL has kept a lower order booking target of Rs. 1200 crore only. The Committee would like to be apprised of the reasons for decreasing the target for the year 2016-17. The Committee also note that HSCL had incurred a loss of Rs. 18.67 crore during 2013-14. Though during 2014-15 this loss was curbed to Rs. 8.10 crore, yet for 2015-16 HSCL has again incurred a loss of Rs. 12.51 crore upto December, 2015. In view of the continuous losses being incurred by HSCL, the Committee would like the Ministry/HSCL to take intensive measures to reduce its expenses and concentrate on acquiring more business prospects to keep itself relevant in the business.

11. The Committee have been time and again emphasizing on the matter of finalizing the restructuring proposal for HSCL at the earliest. In this regard, the Committee have been informed that a note for the Cabinet on the financial restructuring of HSCL and its takeover by National Buildings Construction Corporation Limited (NBCC) is being prepared for placing before the Union Cabinet. The Committee would like to be apprised of a final decision taken by the Government in this regard.

MECON Ltd.

12. The Committee note that MECON Ltd.'s mission is to provide technical consultancy-design and engineering, design and supply of plant, equipment and systems, implementation of new industrial ventures from concept to commissioning. The Committee observe that during 2013-14, MECON's income was Rs. 486.92 crore and PAT was Rs. 49.48 crore. For the year 2014-15, the income of the company increased to Rs. 539.15 crore but the Committee are surprised to note that PAT for the year decreased and was Rs. 20.27 crore. The Committee are concerned to note that during the year 2015-16, against the target for PAT of Rs. 8.28 crore, the company incurred a loss of Rs. 144.13 crore upto December, 2015. The Committee in their 9th Report (16th Lok Sabha) on Demands for Grants(2015-16) had desired that MECON should take steps to bag more orders in the field of design, engineering, and consultancy and contracting projects in view of passing of Mines and Mineral (Development & Regulation) Amendment Act, 2015. In their action taken reply, MECON had also assured the Committee on taking steps in that direction. Taking note of the fact that the company is incurring losses, the Committee feel that MECON has not taken the desired advantage of bagging orders for more projects. The Committee would like to be apprised of the new projects, if any, bagged by MECON during 2015-16 and would recommend that continuous and concerted efforts be made by MECON in this direction.

13. The Committee also note that an outlay of Rs. 5 crore is regularly being made by MECON for the same component of Expansion, Modification & Augmentation of Office Space at Ranchi / Guest House etc. at various

locations during 2013-14, 2014-15 and 2015-16. The Committee observe that the actual utilization in these years has always exceeded the allocation i.e. Rs. 6.10 crore in 2013-14, Rs. 6.12 crore in 2014-15 and Rs. 7.19 crore in 2015-16(upto December, 2015). As such, against an allocation of Rs. 15 crore, a sum of Rs. 19.41 crore has been spent on Expansion, Modification & Augmentation of Office Space at Ranchi/Guest House etc. at various locations during the last 3 years. The Committee would like to know the reasons for such a substantial sum being allocated for the same purpose year after year and the details of the works undertaken under this Head.

<u>MSTC Ltd.</u>

14. The Committee observe that MSTC Ltd. has taken a decision to concentrate on e-commerce business instead of trading as the latter is more profitable but very risky. The Committee also note that as against a Profit After Tax (PAT) of Rs. 90.99 crore in 2014-15 for MSTC the PAT for 2015-16 upto December, 2015 is only Rs. 24.19 crore. The Committee feel that given the fact that the rate of service charge on e-commerce is very low compared to trading business, the Company needs to strive hard to attain profitability. The Committee have been informed that MSTC has also diversified its e-Commerce activities in various domains like Coal Block Auctions, Red Sander wood auctions, Sandal Wood Auctions and Human Hair, various minerals etc. In addition MSTC is further looking forward to expand its e-Commerce presence into various other arenas like e- Retail business (B2B) along with India Post. Also a plan to float a portal for e-shopping mall is underway. The Committee would like to be apprised of the latest status of these two new ventures of MSTC i.e. e-retail with India Post and floating of

e-shopping mall. Regarding trimming of its trading portfolio as it is very risky, the Committee would like to be apprised whether MSTC has fixed any target for generating business/income from trading.

15. The Committee also recall that during 12th Plan, MSTC Ltd. had planned to set up on auto shredding plant at Dhaej in Gujarat in Joint Venture with ESSAR Steel Plant. The Committee have been informed that Essar Steel has backed out from this project. According to the Ministry, sourcing of raw material for the project had been an area of major concern and MSTC is now pursuing this issue with the Ministry of Road Transport and Highways, Ministry of Heavy Industries, SIAM etc. for enactment of a Law incentivizing compulsory scrapping of End of Life Vehicles which are the raw material for the project. The Committee have been further informed that the Kerala Government has approached MSTC Ltd. for setting up the First Auto Shredding Plant in Kerala. The Committee would like to be apprised of the progress made in the matter. The Committee also desire MSTC Ltd. to expedite the setting up of the auto shredding plant as there is no other ongoing project in hand for MSTC Ltd. currently except e-commerce activities.

KIOCL

16. The Committee note that the mining activity at KIOCL Ltd. was stopped as per the Hon'ble Supreme Court verdict w.e.f. 01.01.2006. At present KIOCL is mainly operating the pellet plant at Mangalore by sourcing iron ore from the market. The Profit After Tax (PAT) of KIOCL in 2013-14 was Rs. 39.94 crore and it was Rs. 31.26 crore in 2014-15. During 2015-16, KIOCL had suffered a loss of Rs. 139.48 crore upto December, 2015. The

Committee further note that KIOCL produced 1.710 million tonne of pellets in 2013-14 and 0.785 million tonne pellets in 2014-15. Pellet Production target for BE(2015-16) was 1.800 million tonne which was reduced to 0.700 million tonne at RE stage and actual achievement upto December, 2015 was only 0.100 million tonne. The Committee, therefore, note that the target was reduced by more than half at RE stage. Yet again, Pellet Production target for BE(2016-17) is set at 1.300 million tonne. The Committee feel that KIOCL should focus on projecting realistic targets keeping in view the achievement of the previous years and viability and marketability of produced material. The Committee also note that in a recent development KIOCL Ltd. has sent a shipment of iron ore pellets to Iran under the Government's Make in India' concept. The Committee have been informed that KIOCL Ltd. is bringing high grade iron ore (with 'Fe' content of 67%) from Brazil and converting it into pellets at KIOCL's pellet Plant at New Mangalore. For undertaking the above order, KIOCL signed a back to back contract for import of high grade iron ore concentrate of 67% Fe from Brazil and export of pellets after conversion to M/s Mobarakeh Steel Company (MSCO) under Government of Iran. It has been further informed that customers in Turkey and Vietnam also have shown interest in procuring High Grade Pellets from KIOCL. The Committee desire that KIOCL should actively pursue the interest shown by the overseas customers and explore similar opportunities elsewhere in the world to obtain business which in turn would help KIOCL to curb the mounting losses. The Committee also note that an outlay of Rs. 500.00 crore has been provided for KIOCL Ltd., for (i) development of Devadari Iron ore deposit in the state of Karnataka & forwarding integration project at Blast Furnace unit etc; (ii) Equity

participation with NMDC & RINL for setting up slurry pipeline & Pellet Plant project Development of iron ore deposit joint with APMDC, a State owned PSU under Government of Andhra Pradesh; and (iii) Setting up of 1.5 MTPA Pellet plant at Bokaro Steel Plant, SAIL on Built, Own & Operate (BOO) basis. The Committee recommend that Ministry of Steel should monitor the investment plan of KIOCL during 2016-17 and ensure that outlays of Rs. 500 crore are fully utilized as targeted as these new mining and pellet plants will definitely help the company in improving its financial performance.

New Delhi;
28 April, 2016
08 Vaisakha, 1938 (Saka)

RAKESH SINGH
Chairperson,
Standing Committee on Coal and Steel

Annexure-I

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 28 MARCH, 2016 IN COMMITTEE ROOM 'B', GROUND FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1130 hrs. to 1430 hrs.

PRESENT

Shri Rakesh Singh- Chairperson

Lok Sabha

2. Shri A. Arunmozhithevan
3. Shrimati Jyoti Dhurve
4. Shri Shailesh Kumar
5. Dr. Banshilal Mahato
6. Shri Devji Mansingram Patel
7. Shrimati Riti Pathak
8. Shrimati Ranjit Ranjan
9. Dr. Ravindra Kumar Ray
10. Shri Tamradhwaj Sahu
11. Shri Tathagata Satpathy
12. Shri Janardan Singh "Sigriwal"
13. Shri Pashupati Nath Singh
14. Shri Rama Kishore Singh
15. Shri Sunil Kumar Singh
16. Shri Sushil Kumar Singh
17. Shri Krupal Balaji Tumane

Rajya Sabha

32. Shri Ali Anwar Ansari
33. Dr. Pradeep Kumar Balmuchu
34. Shri B.K Hariprasad
35. Dr. Satyanarayan Jatiya
36. Shri Avinash Pande
37. Shri Sanjay Raut

SECRETARIAT

1. Shri U.B.S. Negi - Joint Secretary
2. Shri Ajay Kumar Garg - Director
3. Shri Arvind Sharma - Additional Director
4. Ms. Miranda Ingudam - Deputy Secretary

WITNESSES

MINISTRY OF STEEL

1. Ms. Aruna Sundararajan , Secretary
2. Ms. Bharathi S. Sihag, AS&FA
3. Shri Sunil Bharthwal, Joint Secretary
4. Shri Syedain Abbasi, Joint Secretary
5. Ms. Urvila Khati, Joint Secretary
6. Shri T. Srinivas, Joint Secretary

7. Shri Suraj Bhan, Economic Adviser

STEEL PSUs

8. Shri P.K. Singh, CMD , SAIL
9. Shri Anil Chaudhary, Director (Fin.), SAIL
10. Shri S.S. Mohanty, Director(Tech.), SAIL
11. Shri G. Vishwakarma, Director(Proj), SAIL
12. Shri P. Madhusudan, CMD, RINL
13. Shri P.C. Mohapatra, Director(Proj.), RINL
14. Shri T.V.S. Krishna Kumar, Director(Fin.), RINL
15. Shri A.K. Makhija, Executive Director(Proj.), RINL
16. Shri Narendra Kumar Nanda, Director(Tech.), NMDC Ltd.
17. Shri D.S. Ahluwalia, Director(Fin.), NMDC Ltd.
18. Shri A.K. Tyagi, CMD, MECON
19. Shri Malay Chatterjee, CMD, KIOCL
20. Shri Laxminarayana, Director(Fin.), KIOCL
21. Shri M.P. Chaudhari, Director(Fin.), MOIL
22. Shri P.K. Sinha, MD, Bird Group of Companies
23. Shri P.S. Mishra, Director(P&P), Bird Group of Companies
24. Shri Moyukh Bhaduri, CMD, -HSCL
25. Shri S.K. Tripathi, CMD, MSTC
26. Shri Rajib Bhattacharya, MD, FSNL

2. At the outset, the Chairperson welcomed the Secretary and other representatives of the Ministry of Steel and Public Sector Undertakings to the sitting of Committee convened in connection with the examination of Demands for Grants (2016-17) of the Ministry of Steel. The Chairperson then drew their attention to Direction 58 of the Directions by the Speaker, Lok Sabha.

3. Thereafter, the Secretary, Ministry of Steel briefed the Committee about the Plan Outlays *vis-a-vis* actually utilization by the Ministry and PSUs under its administrative control. In a visual presentation, the Committee were explained about the financial and physical targets set and achieved by the Ministry and Steel PSUs during 2015-16 and the major thrust areas envisaged for the development of Steel Sector during XIIth Plan.

4. The Committee then discussed the issues relating to the targets and achievements of Steel Industry during 12th Plan period, utilization of plan outlays and expenditure by Steel PSUs, the current crisis being faced by the Indian Steel Industry due to increased import and reasons for decline in profits of all Steel PSUs, measures taken by the Government like levying of anti dumping duty, safeguard duty on imports, etc., steps being taken by various PSUs to tide over this crisis by reducing cost of production, modernization and expansion programme of steel plants, and constraints faced by PSUs like increased cost of transportation, loans with higher rates of interest, etc.

5. The Members raised their concerns on the above issues and sought clarifications from the representatives of the Ministry of Steel. The Chairperson directed the representatives of the Ministry of Steel to furnish written replies to the queries raised by the Members which could not be responded to.

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

The Committee then adjourned.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 28 APRIL, 2016 IN ROOM NO. '112', FIRST FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI.

The Committee sat from 1500 hrs. to 1600 hrs.

PRESENT

Shri Rakesh Singh - Chairperson

Lok Sabha

2. Shrimati Jyoti Dhurve
3. Shri Shailesh Kumar
4. Dr. Banshilal Mahato
5. Shri Devji Mansingram Patel
6. Shrimati Riti Pathak
7. Shrimati Ranjit Ranjan
8. Shri Neiphiu Rio
9. Shri Janardan Singh "Sigriwal"
10. Shri Pashupati Nath Singh
11. Shri Sushil Kumar Singh
12. Shri Krupal Balaji Tumane

Rajya Sabha

13. Shri Ali Anwar Ansari
14. Dr. Pradeep Kumar Balmuchu
15. Shri B.K Hariprasad
16. Dr. Satyanarayan Jatiya
17. Shri Avinash Pande
18. Shri Sanjay Raut

SECRETARIAT

1.	Shri U.B.S. Negi	-	Joint Secretary
2.	Shri Ajay Kumar Garg	-	Director
3.	Shri Arvind Sharma	-	Additional Director
4.	Ms. Miranda Ingudam	-	Deputy Secretary

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

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

(i) ** ** ** **
(ii) ** ** ** **
(iii) Draft Report on “Demands for Grants(2016-17)” of the Ministry of Steel.

4. The Committee adopted the Reports without any changes/modifications. The Committee then authorized the Chairperson to finalise the Reports on the basis of factual verification from the concerned Ministries and present the same to both the Houses of Parliament. The Committee also decided to undertake an on the spot study visit during the forthcoming inter-session period.

The Committee then adjourned.

____.

** Do not pertain to this Report.