NINTH REPORT

STANDING COMMITTEE ON COAL AND STEEL (2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF STEEL

DEMANDS FOR GRANTS (2015-2016)

Presented to Lok Sabha on 24.04.2015
Laid in Rajya Sabha on 24.04.2015

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 2015/*Vaisakha*, 1937 (*Saka*)

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COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL (2014-15)

Shri Rakesh Singh* — *Chairperson*

MEMBERS

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2. Shri A. Arunmozhithevan
3. Shri Kalyan Banerjee
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16. Shri Janardan Singh "Sigriwal"
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19. Shri Sushil Kumar Singh
20. Shri Rama Kishore Singh
21. Shri Krupal Balaji Tumane

Rajya Sabha

22. Shri Ali Anwar Ansari
23. Dr. Pradeep Kumar Balmuchu

*Shri Rakesh Singh appointed *w.e.f.* 27.11.2014 *vice* Shri Hansraj G. Ahir appointed Minister.

24. Shri Md. Nadimul Haque[@]
25. Shri B.K. Hariprasad
26. Shri Jugul Kishore
27. Shri Avinash Pande
28. Dr. Satyanarayan Jatiya[#]
29. Shri Sanjay Raut
30. Shri Nand Kumar Sai
31. Shri Dilip Kumar Tirkey

SECRETARIAT

1. Shri Shiv Singh — *Joint Secretary*
2. Shri Ajay Kumar Garg — *Director*
3. Shri Arvind Sharma — *Additional Director*
4. Smt. Vandana P. Guleria — *Sr. Committee Assistant*

[@]Shri Md. Nadimul Haque nominated *w.e.f.* 08.01.2015 *vice* Shri Srinjoy Bose.
[#]Dr. Satyanarayan Jatiya nominated *w.e.f.* 25.09.2014 *vice* Shri Basawaraj Patil.

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 Ninth Report (Sixteenth Lok Sabha) on Demands for Grants (2015-16) 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 18.03.2015. 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 13th April, 2015.

4. The Report was considered and adopted by the Committee at their sitting held on 22.04.2015.

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;
23 *April*, 2015
03 *Vaisakha*, 1937 *(Saka)*

RAKESH SINGH,
Chairperson,
Standing Committee on
Coal and Steel.

REPORT

PART I

CHAPTER I

INTRODUCTORY

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

1.2 The progress of the steel industry has a critical influence on the pace of India's development and as such great importance is attached to capacity expansion in line with expected demand at cost and price which make Indian steel internationally competitive. The existing regime of liberalization, decontrol and deregulation of industry in the country has opened up new opportunities for the expansion of the steel industry. Resultantly, Steel PSUs such as Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Ltd. (RINL) have undertaken the exercise of Modernisation and Expansion of their Plants. NMDC Ltd. is also setting up a 3 MT new Steel Plant in Chhattisgarh.

1.3 The Ministry of Steel is expected to play a crucial role in ensuring harmonious and integrated growth of the steel sector. Being a core sector, its sustained growth is a prerequisite for attaining the high growth level of Gross Domestic Product (GDP). The industry has strong forward and backward linkages with other sectors of the economy and therefore, its own growth pattern is also influenced by other sectors of the economy specially infrastructure development, real estate, auto mobiles/auto components etc. The environment in which the domestic steel sector operates calls for a greater promotional role by the Ministry of Steel specially as a facilitator to remove sectoral bottlenecks/constraints like availability of raw materials, development of infrastructure and also interaction with other concerned Ministries/ Departments of the Government for appropriate policy formulation and implementation.

1.4 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).

1.5 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

1.6 The detailed Demands for Grants (2015-16) of the Ministry of Steel were presented to the Lok Sabha on 18.03.2015. In their Outcome Budget (2015-16), 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 (2015-16) and performance of the Ministry and PSUs are discussed in the subsequent chapters.

CHAPTER II

ANALYSIS OF DEMANDS FOR GRANTS (2015-16)

For the year 2015-2016, Demand No. 95 was presented to the Parliament 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 2015-16

2.2 The total financial requirements covered in Demand No. 95 for BE 2015-16, are summarized in the following Table:—

(Rs. in crore)

Demand No. 95 for 2015-2016	BE 2015-16		
	Plan	Non-Plan	Total
Revenue Section	15.00	73.13	88.13
Capital Section	0.00	0.00	0.00
Total (Gross)	15.00	73.13#	88.13

#Includes provision of Rs. 5.18 crore for accounting adjustments relating to waiver of guarantee fee for HSCL.

Plan Outlays

2.3 The Gross Budgetary Support for plan outlay in BE 2015-16 is Rs. 15.00 crore for the scheme for promotion of R&D in iron & steel sector to cover the following:

(i) Rs. 1.00 crore for Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products.

(ii) Rs. 14.00 crore for new projects under existing objectives of the R&D scheme.

2.4 The total Plan budgetary support of Rs. 20.00 crore in BE 2014-15 was reduced to Rs. 7.00 crore at RE stage. The break-up of

Plan provision during 2013-14, 2014-15 and 2015-16 are given in the following table:

(Rs. in crore)

No	Name of Scheme	2013-14 (Actual)	2014-15 (BE)	2014-15 (RE)	2015-16 (BE)	%age increase/ decrease over BE 2014-15 in BE 2015-16
1.	Scheme of the Ministry: Promotion of R&D in iron & steel sector					
(i)	Scheme for Promotion of Research & Development in Iron & Steel sector On-going R&D projects	8.00	6.00	0.00	0.00	-100.00%
(ii)	Development of Technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products (new component)	0.00	12.00	0.50	1.00	-91.67%
(iii)	Development of innovative iron/steel making process/technology (new project under the existing scheme)	0.00	2.00	6.50	14.00	+600.00%
	Total	8.00	20.00	7.00	15.00	-25.00%

R&D Scheme

Plan Expenditure

2.5 Based on the recommendation of the Working Group on Steel Industry for 11th Plan (2007-12), a new scheme *i.e.* 'Scheme for Promotion of R&D in Iron and Steel Sector' was included in the 11th Five Year Plan with an outlay of 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 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.

2.6 When asked about the success of “Scheme for Promotion of R&D in Iron and Steel Sector” that has been continuing for last 6 years and whether any study has been conducted to assess the overall impact of the scheme especially on the quality of steel produced in the country or any other achievement, the Committee were informed as under:—

“An independent evaluation of the scheme has been carried out by the Indian Institute of Public Administration (IIPA), New Delhi. IIPA, in its report, has noted/concluded that:

- All the R&D projects pursued under the scheme adhere to the objectives of the scheme and are highly relevant.
- The scheme needs to be continued in the 12th Five Year Plan as it is the only support to R&D in the iron and steel sector.

Through this scheme, 5 projects have been completed so far wherein processes/technologies have been developed in laboratory/pilot scale for beneficiation & agglomeration of iron ore & coal for the benefit of the iron & steel sector. Process has also been developed in laboratory scale for production of quality steel (low Phosphorus steel) in laboratory scale Induction Furnace, for which industrial trials are being carried out. If successful, this will go a long way in finding technology to produce quality steel in Induction Furnace for the first time in the country.”

2.7 In 12th Five Year Plan a provision of Rs. 200.00 crore has been made for the R&D Scheme. In BE 2015-16 out of Rs. 15.00 crore, no provision has been allocated for on-going R&D projects, while a provision of Rs. 1.00 crore for Development of technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products (new component); and Rs. 14.00 crore for Development of Innovative Iron/Steel making Process/Technology (new projects under the existing R&D scheme) has been made.

2.8 As to why no provision has been made for on-going R&D projects in BE for 2015-16, the Committee were informed by the Ministry in a written reply as under:—

“Out of the 8 ongoing R&D projects, 5 projects have been completed and funds are already released. 1 project is scheduled to be completed in March 2015 for which the fund has also been released. There is no requirement of further funds in the 2 remaining R&D projects. Therefore, no provision has been made in BE 2015-16 since no fund is required for the ongoing projects.”

2.9 The year-wise fund allocation and the amount released under the R&D 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% of RE upto December, 2014
Total	112.00	41.49	34.63	Utilisation is 83.46% of RE

2.10 When asked to furnish reasons for drastic reduction in RE during the last 3 years, the Ministry informed the Committee in a written reply as under:—

"The reasons for reduction in RE *vis-a-vis* BE in last three years is given below year-wise:

- In 2012-13, RE was reduced from Rs. 44 crore to Rs. 26.49 crore in view of the anticipated less disbursement of fund because of the delay in procurement of capital goods in 2 high value R&D projects granted to Research & Development Centre for Iron and Steel (RDCIS), Steel Authority of India Limited.
- In 2013-14 & 2014-15, substantial part of the BE was earmarked for the proposed CRGO project. However, funds for this project could not be released for want of getting necessary approvals as per the laid down procedure. The approval of the project is linked with the preparation of DPR which is in process."

2.11 Moreover, during 2014-15, despite reducing Plan outlays from Rs. 20 crore to Rs. 7 crore at RE Stage *i.e.* by more than 65%, the actual utilization (upto December, 2014) is only upto 24.71%. Asked about the reasons for lower utilization of funds, the Ministry have replied in written as under:—

"In 2014-15, out of RE of Rs. 7 crore, Rs. 2.03 crore was released (March end). The balance amount could not be released because of the ceiling of 15% in March, 2015 by the Ministry of Finance."

Steel Research & Technology Mission of India

2.12 Ministry of Steel is facilitating setting up of an innovative institutional mechanism, namely, Steel Research & Technology Mission of India (SRTMI), to spearhead R&D activities of national importance through joint collaborative research programmes in steel sector. SRTMI will be an industry led initiative and will be set up as a registered society in close cooperation amongst the steel companies, Ministry of Steel, academia and relevant R&D institutions in the country. Ministry of Steel has taken follow up action and interacting with the steel companies for participation & financial contribution in the initiative for which a Memorandum of Agreement has been signed by the CEO's of the steel companies and Ministry of Steel on 6th April, 2015 in the presence of Hon'ble Steel Minister. Regarding facilitating R&D in Steel Sector, Secretary, Ministry of Steel during evidence stated as under:—

> "I am happy to share with the Committee that recently a decision has been taken to constitute a society under the leadership of Hon'ble Minister. The name of the Society is Steel Research and Technology Mission of India. It has been started with the initial amount of Rs. 200 crores out which Rs. 100 crore will be contributed by the Government and remaining Rs. 100 crore will be contributed by big industries, integrated steel plants in ratio of their production. All have agreed on this issue. A Memorandum of Agreement has been signed just a week ago between the Government and the producers. We are registering the society. This society will be an industry led society. We would certainly want the government to supervise its working. For this, our major steel producers, say 7 or 8, have shown keen interest and they are cooperating fully in this regrd. We would like to increase our R&D work in this sector."

Non-Plan Expenditure

2.13 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 2013-14 (BE & RE); 2014-15 (BE & RE); and requirement of fund in 2015-16 (BE) are given in the following table:—

No.	Major Head & Item of Expenditure	BE 2012-13	RE 2012-13	%age increase/ decrease in RE over BE 2012-13	BE 2013-14	%age increase/ decrease over BE 2012-13	RE 2013-14	%age increase/ decrease in RE over BE 2013-14	BE 2014-15	%age increase/ decrease over BE 2013-14
1	2	3	4	5	6	7	8	9	10	11
I.	MH-3451									
1.	Secretariat — Economic Services	20.00	20.22	1.1%	22.02	10.10%	20.45	-7.12%	23.26	5.63%
II.	MH-2852									
2.	Development Commissioner for Iron & Steel, Kolkata	0.61	0.576	-5.57%	0.60	-1.64%	0.50	-16.66%	0.14	-76.66%
3.	Awards to Distinguished Metallurgists	0.14	0.12	-14.28%	0.14	0.00%	0.22	57.14%	0.23	64.28%
4.	Interest Subsidy:									
(i)	Subsidy to Hindustan Steelworks Construction Ltd. (HSCL) for payment of interest on loans raised from Banks for implementation of VRS	46.90	44.11	-5.95%	44.11	-5.95%	44.11	0.00%	44.11	0.00%

1	2	3	4	5	6	7	8	9	10	11
(ii)	Subsidy to MECON Ltd. for payment of interest on loans raised from commercial banks for implementation of VRS	1.64	0.00	-100%	—	—	—	—	—	—
(iii)	Subsidy to MECON Ltd. for waiver of guarantee fees for the guarantee given by Government of India	0.50	0.00	-100%	—	—	—	—	—	—
(iv)	Bisra Stone Lime Company Limited	0.00	149.45	—	—	—	—	—	—	—
5.	Waiver of guarantee fee (Non-cash transaction) :									
(i)	HSCL - Waiver of guarantee fee in respect of Government guarantee for cash credit (CC) limit, bank guarantee (BG) and VRS loans	6.10	6.10	0.00%	6.10	0.00%	5.18	-15.08%	5.18	-15.08%
	Less - Receipts netted (5(i)]#	-6.10	-6.10	0.00%	-6.10	0.00%	~5.18	-15.08%	-5.18	-15.08%
	Total: Non-Plan Expenditure (Net of receipts)	69.79	214.476	207.31%	66.87	-4.18%	65.28	-2.37%	67.74	1.30%
	Total: Non-Plan Expenditure (Gross)	75.89	220.576	190.65%	72.97	-3.85%	70.46	-3.43%	72.92	-0.06%

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

As against Non-Plan provision of Rs. 72.97 crore in BE 2013-14, a provision of Rs. 72.92 crore has been made in BE 2014-15.

CHAPTER III

ANNUAL PLAN INVESTMENT OF PSUs

Details of PSU-wise plan outlays for Annual Plan, 2014-15 (BE, RE & Actual) Annual Plan 2015-16 (BE) is given in the table below:—

(Rs. in crore)

Sl. No.	Name of the PSU/ Organisation	BE 2014-15			RE 2014-15			Actual Expenditure 2014-15 (upto Dec., 14)			BE 2015-16		
		IEBR	B.S.	Outlay	IEBR	B.S.	Outlay	IEBR	B.S.	Total	IEBR	B.S.	Outlay
	A. Schemes of PSUs												
1.	SAIL	9000.00	0.00	9000.00	7800.00	0.00	7800.00	5133.00	0.00	5133.00	7500.00	0.00	7500.00
2.	RINL*	1724.17	0.00	1724.17	1722.24	0.00	1722.24	989.06	0.00	989.06	1801.00	0.00	1801.00
3.	HSCL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	MECON Ltd.	5.00	0.00	5.00	5.00	0.00	5.00	3.74	0.00	3.74	5.00	0.00	5.00
5.	MSTC Ltd.	45.00	0.00	45.00	5.00	0.00	5.00	0.00	0.00	0.00	10.00	0.00	10.00
6.	FSNL**	12.00	0.00	12.00	12.00	0.00	12.00	6.00	0.00	6.00	12.00	0.00	12.00
7.	NMDC Ltd.	4345.00	0.00	4345.00	3555.00	0.00	3555.00	2224.80	0.00	2224.80	3588.00	0.00	3588.00
8.	KIOCL Ltd.	50.00	0.00	50.00	13.00	0.00	13.00	7.94	0.00	7.94	27.00	0.00	27.00
9.	MOIL Ltd.	192.05	0.00	192.05	153.04	0.00	153.04	73.45	0.00	73.45	127.47	0.00	127.47
	TOTAL - A	15373.22	0.00	15373.22	13265.28	0.00	13265.28	8437.99	0.00	8437.99	13070.47	0.00	13070.47

* 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.

** FSNL is a subsidiary of MSTC Ltd.

3.2 The total Plan outlay of the Ministry of Steel for BE 2015-16 is Rs. 13085.47 crore, which will be financed through approved gross budgetary support of Rs. 15.00 crore (promotional R&D in Iron and Steel Sector) and IEBR of Rs. 13070.47 crore. The Ministry of Steel have provided the following information regarding PSU-wise outlays at BE 2015-16 for various schemes of the PSUs are given below:-

(i) Out of the total outlay of Rs. 13070.47 crore in Annual Plan 2015-16 (BE), an amount of Rs. 7500.00 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. 1801.00 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 outlays of two subsidiary PSUs *viz.*, OMDC Ltd. and BSLC Ltd., which were constituents of erstwhile Bird Group of Companies.

(iii) Outlay of Rs. 3588.00 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 scheme.

(iv) Outlay of Rs. 27.00 crore has been provided for KIOCL Ltd., for AMR schemes and for Development of Ananthapuramu Mine and setting up of pelletisation and beneficiation plant at Ananthapuramu. Remaining outlay is for various ongoing scheme and R&D/feasibility studies.

(v) Outlay of Rs. 127.47 crore has been provided for MOIL Ltd. for investment in joint venture for Ferro Manganese/Silico Manganese Plant with RINL and SAIL and AMR schemes, township, R&D/feasibility studies etc.

(vi) Outlay of Rs. 5.00 crore has been provided for MECON Ltd. for expansion, modification and 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.

3.3 The physical targets for 2014-15 (RE) and 2015-16 (BE) in respect of the PSUs under the Ministry of Steel are given in Table below:—

Sl. No.	Name of PSU	Physical Parameters	2014-15 (RE) Target	2015-16 (BE) Target
1	2	3	4	5
1.	SAIL	Production - Saleable Steel (in million tonne)	13.68	14.95
2.	RINL	Production - Saleable Steel (in million tonne)	3.20	4.00
3.	NMDC	(i) Iron Ore production (in Lakh metric Tonne)	300.00	310.00
		(ii) Diamonds (Carats)	35000.00	37000.00
		(iii) Sponge Iron (in Metric Tonne)	30000.00	32000.00

1	2	3	4	5
4.	KIOCL	Production (in million tonne)		
		(i) Pellet	1.000	1.800
5.	MOIL	Production (in Metric Tonne)		
		(i) Manganese Ore	1125000.00	1150000.00
		(ii) Electrolytic Manganese Dioxide	1100.00	1100.00
		(iii) Ferro Manganese	10000.00	10000.00
6.	MSTC	(i) e-Commerce (Rs. in crore)	15415.00	16360.00
		(ii) Trading (Rs. in crore)	6480.00	4100.00
7.	FSNL*	Recovery of Scrap (in Lakh Metric Tonne)	25.75	27.38
8.	MECON	Business procurement (value in Rs. crore)	450.00	815.00
9.	HSCL	Order Booking (value in Rs. crore)	1800.00	1900.00
10.	Bird Group	Production		
	(i) OMDC	(i) Iron Ore (in lakh Tonne)	3.45	0.00
		(ii) Sponge Iron	0.00	0.00
		(iii) Manganese Ore (in lakh Tonne)	0.11	0.00
	(ii) BSLC	(iv) Limestone (in Lakh Tonne)	0.02	0.00
		(v) Dolomite (in Lakh Tonne)	0.99	8.00

*FSNL is a subsidiary of MSTC Ltd.

12th Five Year Plan 2012-17 (Approved) and Amount Actually Spent, Target Fixed *vis-a-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). The outlay for 12th plan (approved) and the cumulative actual expenditure (upto December, 2014) are given in the table below:—

(Rs. in crore)

Sl. No.	Name of the PSUs	12th Plan (2012—17) Approved Outlay			Actual expenditure (upto December, 2014)		
		IEBR	BS	Total	IEBR	BS	Total
1	2	3	4	5	6	7	8
A.	**Schemes of PSUs**						
1.	Steel Authority of India Ltd.	45000.00	0.00	45000.00	24754.00	0.00	24754.00
2.	Rashtriya Ispat Nigam Ltd.^	13373.00	0.00	13373.00	3801.10	0.00	3801.10

1	2	3	4	5	6	7	8
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	14.73	0.00	14.73
5.	MSTC Ltd.	105.00	0.00	105.00	0.35	0.00	0.35
6.	Ferro Scrap Nigam Ltd.*	60.00	0.00	60.00	25.60	0.00	25.60
7.	NMDC Ltd.	27872.17	0.00	27872.17	6350.18	0.00	6350.18
8.	KIOCL Ltd.	3080.00	0.00	3080.00	25.21	0.00	25.21
9.	MOIL Ltd.	1459.47	0.00	1459.47	216.03	0.00	216.03
	Total (A)	90974.64	0.00	90974.64	35187.20	0.00	35187.20
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	1.48	1.48
	Total (B)	0.00	200.00	200.00	0.00	34.63	34.63
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	35187.20	34.63	35221.83

^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.
*FSNL is a subsidiary of MSTC Ltd.

Special Purpose Vehicle

3.5 A High Level Committee on Manufacturing (HLCM) headed by the Prime Minister has set a target of 300 million tonnes Steel Production by 2025. This is a very ambitious target and with a view to achieve the same, SAIL and RINL are preparing plans for their second phase of modernization/expansion. Further, efforts are being made to facilitate setting up of a large scale steel plants in the mineral rich States of Odisha, Jharkhand, Karnataka and Chhattisgarh. This would be done by having partnerships between SAIL, RINL and NMDC and State Government PSUs for setting up Special Purpose Vehicles (SPVs) which would be responsible for developing such projects.

3.6 In this regard, Secretary, Ministry of Steel while deposing before the Committee on 13.4.2015, stated as under:

> "300 million tonnes is a challenging figure because as you all know steel industry is a capital intensive industry. The cost for setting up a plant of 1 million tonne capacity is Rs. 600 crore. If we wish to set up an additional capacity of 200 million tonnes, then to reach 300 million tonne capacity we will need Rs. 12 lakh crore which is a challenge in itself because debt equity is 1:2. If the loan share is 2/3 then 1/3 share of the total amount will be shared by industrialists. Rs. 4 lakh crore will be arranged through industrialists and Rs. 8 lakh crore will have to be raised through loan. Thus we will be able to achieve the target capacity. I believe that the polices of the Government and the directions in which we are heading towards 'Make in India' on which the Government and Hon'ble Prime Minister is completely focusing and encouraging it, we will achieve the goal. Presently the main point is that the steel consumption in the country is at a minimum level which is only 59 kg per capita whereas global average is 220 kg per capita. Countries like Africa are also included in this global average. When we will progress in it, infrastructure will increase then we will need it. Another view under discussion is that how we can break it up to review in next 3-4 years instead of targeting and planning upto 2025. We should clearly establish the milestones as to from where the funds will come, or who will be the industrialists from our country or abroad to fund the projects."

Increase in Import Duty

3.7 The damp trend in the domestic steel industry was accentuated by significant dumping of cheaper steel from CIS (Commonwealth of Independent States) countries, with the prices of HR coil dropping to Rs. 375 per tonnes during March, 2015. Alarmed by dumping by China, the Steel Ministry has pressed for raising import duty to protect the domestic industry. According to the Ministry of Steel, Steel imports from China in April-January 2014-15 rose to 2.9 million tonnes (MT) against 1.08 MT for the entire 2013-14.

3.8 As regards Import and Export of Steel in India, the Committee are informed as under:—

Year	Import (MT)	Export (MT)
2009-10	7.38	3.25
2010-11	6.66	3.64
2011-12	6.86	4.59
2012-13	7.93	5.37
2013-14	5.45	5.99
2014-15 (Prov.)	9.32	5.50

- Major imports include HT Rolled (HR) Sheets and Coils, Plates, Bars etc.
- Major exports include Galvanized Coils (GC)/Galvanized plates (GP), Cold Rolled (CR) Sheets, Hot Rolled (HR) Sheets etc.

Major Initiatives taken by the Ministry of Steel

3.9 The Ministry of Steel have taken the following policy measures/ initiatives during the last year:-

(i) Steel and Steel Products (Quality Control) Order

The Government has issued the "Steel and Steel Products (Quality Control) Order" under the Bureau of Indian Standard Act 1986, to ensure that no manufacturer can manufacture, import, Store for sale or distribute steel and steel products which do not conform to the standards and which do not bear the standard mark (BIS or ISI mark).

The Steel and Steel Products (Quality Control) Orders, 2012 have come into effect from 1st October, 2014 on all 15 products having direct bearing on safety and security of human being and infrastructure.

(ii) Measures taken for reduction in Energy Consumption

All the CPSEs under the Ministry of Steel are working towards a cleaner environment. RINL has commissioned a recovery system to harness the waste heat from sinter cooler and generate 20.6 MW power, in a first of its kind project in collaboration with NEDO, Japan.

(iii) Indian Steel Association (ISA)

To address the long term issues of the steel sector, the Ministry of Steel facilitated the formation of Indian Steel Association to articulate the needs and aspirations of the steel sector of the country. (A.R. P103)

(iv) Biju Patnaik National Steel Institute (BPNSI)

Based on the concept plan developed by a task force set up by the Ministry of Steel, a decision was taken to set up a National Steel Institute (NSI) at Puri, as a training-cum-Service-cum-Research and Development centre. The Institute is registered under the Societies Registration Act and started functioning from 1st January, 2002. The Chairman of JPC is also the Chairman of BPNSI. BPNSI was established to help the domestic secondary steel industry to keep up with the rapid transformation which the global and Indian Steel Industries have been undergoing. The Cabinet had on 20th February, 2004 approved the setting up of BPNSI at Puri as a full-fledged institute with capital funding from JPC. As an initiative towards capacity building for the envisaged production capacity of 300 mtpa by 2025-26, the Ministry have constituted an Expert Committee to prepare a roadmap to upgrade it to National Centre of Excellence.

CHAPTER IV

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS (PSUs)

The PSUs under the administrative control of the Ministry formulate and implement various schemes/programmes related to their respective area of operations. The schemes of the PSUs are components of their respective Annual or long term plans. Each PSU has several schemes, most of which are related to the normal day to day functioning as well as MOU linked operations of the company. Most PSUs meet the capital expenditure on the schemes from their Internal and Extra Budgetary Resources (IEBR).

A. Steel Authority of India Ltd. (SAIL)

4.2 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 (Tamil Nadu)

(g) IISCO Steel Plant, Burnpur

(h) Visvesvaraya Iron and Steel Plant, Bhadravati (Karnataka)

(i) Central Marketing Organisation, Kolkata (West Bengal)

(j) Research and Development Centre for Iron and Steel, Ranchi (Jharkhand)

(k) Raw Materials Division, Kolkata (West Bengal)

(l) Centre for Engineering and Technology, Ranchi (Jharkhand)

(m) Corporate Office, New Delhi

(n) SAIL Refractory Unit

(o) Chandrapur Ferro Alloy Plant

4.3 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 2015-16. It has further plans to take up its capacity to 50 million tonnes by 2025.

4.4 I&EBR for BE (2014-15) for SAIL was Rs. 9000 crore, which got reduced to Rs. 7800 crore during RE (2014-15). Actual Expenditure (2014-15) by SAIL (upto December, 2014) was only Rs. 5133 crore. On being asked the reasons for downward revision of plan outlay and the actuals during the financial year, the Ministry of Steel informed the Committee in a written reply as under:-

> "The Revised Estimates (RE) are finalized in the mid of the same F.Y. considering the progress of the capital schemes and are more realistic. The actual expenditure during the current fiscal has mainly been affected due to poor performance of contractors including HEC under M&E Project at DSP and BSP."

Modernization and Expansion Programme of SAIL

4.5 When asked about the amount expended for Modernisation and Expansion of SAIL so far, the Ministry in a written reply have informed the Committee that an amount of Rs. 57,830 crore has been spent for Modernization and Expansion of SAIL so far.

4.6 Asked about the corrective measures that have been taken during last 2 years to remove the constraints/bottlenecks in successful completion of M&E Programme at various units of SAIL, the Committee were informed by the Ministry as under:-

> "SAIL has taken various corrective steps like review and updation of Project Manuals, enhancing delegation of powers at various levels for faster decision making, extensive use of video conferencing for review meetings, discussion and sharing of problems of various plants during heads of Projects meetings, establishing project control rooms at plants, assistance to contractors in the form of supply of steel, pipes and other SAIL products, provision of space for fabrication yard inside/outside the plant to facilitate the contractor in fabricating structures and reducing transportation delays, financial support to the contractors in way of direct payments to sub-vendors in the interest of the project, regular review of performance of

contractors including PSU contractors at the highest level etc. Also, action taken wherever required for engaging alternate agency after RPN in case of poor performing contractors."

4.7 When asked to give unit-wise information bringing out the gaps if any, between the targeted date and actual commissioning, the Ministry informed the Committee in a written reply as under:—

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

The expansion project at Salem Steel Plant has been completed and all under the integrated process route at Rourkela Steel Plant and IISCO Steel Plant are in operation, stabilization and ramp-up.

At Durgapur Steel Plant, operation has started from completed facilities *viz*. Rebuilding of Coke Oven Battery No. 2, Ladle Furnace and Bloom-cum-Round Caster.

At Bokaro Steel Plant, operation has started from completed facilities *viz*. Upgraded Blast Furnace No. 2, Rebuilt Coke Oven Batteries No. 1, Rebuilt Coke Oven Batteries No. 2 and New 1.2 MTPA Cold Rolling Mill.

At Bhilai Steel Plant, operation has started from completed facilities *viz*. New Coke Oven Battery, Sinter Machine in SP-3, Ore Handling Plant and Oxygen Plant on BOO basis.

The implementation of modernization and expansion plan has been affected mainly due to unforeseen soil conditions encountered during execution, under estimation of quantities by the consultant, Logistic problems due to Brownfield nature of project, inadequate mobilization of resources by the contracting agencies including PSU contractors."

Raw Material

4.8 The Committee were informed that Steel Authority of India Ltd. has challenged the conditions placed by Jharkhand Government before the court for renewal of one of its iron ore mining lease at Gua. Under the State Government's order, this mine's operation was stopped in the first week of September. In its petition, SAIL said that the State

Government did not have powers to ask the miner, which had been continuing with mining operations on 'deemed' renewal status to pay for the total value of the minerals extracted since the expiry of the leases. SAIL's lease had expired on February, 2009 and was due for second renewal. SAIL sources said the application of renewal was made within the timeframe, prescribed by law. However, the State Government failed to execute the lease renewal and let the public sector steelmaker to continue operations at its captive mine on 'deemed' renewal. Mines and Minerals (Development and Regulation) Act, 1957 and Mineral Concession Rules, 1960 permitted such 'deemed' renewals. However, a Supreme Court guided recent amendment ended deemed extensions.

4.9 When asked to furnish the latest status in this regard, the Ministry informed the Committee in a written reply as under:—

> "Jharkhand State Government issued an order dated 3rd September, 2014, directing to stop mining operations in all the leases running under 2nd and subsequent renewal with immediate effect (with reference to the notification dated 18th July, 2014 issued by Ministry of Mines, GoI). Accordingly, Chiria mine (Dhobil lease) and Tulsidamar dolomite mine got closed on 6th September, 2014 and 11th September, 2014 respectively while Gua (Duargaiburu lease) continued to remain closed since expiry of working permission from 14th August, 2014.
>
> Jharkhand Government while granting approval under section 8(3) of MMDR Act on 22.10.14 for Duargaiburu lease of Gua and Dhobil lease of Chiria imposed some conditions on second renewal of these leases which were beyond the ambit of statues governing renewal of mining lease. The conditions were challenged by SAIL. On the writs of SAIL, *vide* orders dated 13.11.2014 and 15.01.2015, reliefs were provided by Jharkhand High Court and subsequently Gua and Chiria mine became operational on 26.11.2014 and 16.1.2015 respectively. State of Jharkhand has filed Leave Petition Application (LPA) challenging the order dtd. 13.11.2014 of Jharkhand High Court for allowing mining operations at Gua, before the Division Bench of Hon'ble High Court of Jharkhand. The LPA of the State Government was rejected by Division Bench. Against this order State of Jharkhand filed a Special Leave Petition (SLP) before Hon'ble Supreme Court and the matter was listed on 16th January, 2015, 6th February, 2015 and 16th March, 2015. Now, next hearing in this regard is scheduled for 1st May, 2015.
>
> Matter regarding challenging imposition of conditions in respect of Duargaiburu leases was heard by Hon'ble Chief Justice of Jharkhand High Court on 29th January, 2015, 11th February, 2015 and 2nd March, 2015, further hearing is fixed for 31st March, 2015.

In view of promulgation of MMDR Ordinance, 2015 and subsequent order of Ministry of Mines, GoI dated 6.2.2015 regarding extension of leases period for Government companies till 31.03.2020, *vide* order dated 18.3.2015, Government of Jharkhand extended the lease period of SAIL's seven iron ore leases and four flux leases till 31.3.2020, except that of five iron ore leases where matter is sub-judice. The five sub-judice leases are Ajitaburu, Sukri-Latur & Dhobil of Manoharpur iron ore mine (Chiria) and Duargaiburu & Jhillingburu-I of Gua iron ore mine. Subsequently, mining operations at Tulsidamar dolomite mine resumed on 19.3.2015."

B. Rashtriya Ispat Nigam Ltd. (RINL)

4.10 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 Tonne 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 drawn its Corporate Plan aiming to reach 20 Million tonne by 2032-33 in phases, and has completed its first phase of expansion of liquid steel production to 6.3 Million tonne from 3.0 Million tonne. The entire cost of the project would be met from the internal resources and borrowings and there would be no budgetary support from the Government.

Financial Performance of RINL is as under:—

(Rs. in crore)

No.	Item	2012-13 (Actual)	2013-14 (Actual)	2014-15* BE	2014-15* RE	2014-15* Actual (upto Dec. 2014)	2015-16 BE
(i)	Income	14020.70	13738.47	18339.30	14416.76	7651.03	18046.08
(ii)	Operating Cost	12948.10	12579.72	16766.55	13614.18	7189.52	16465.12
(iii)	Gross Margin	1072.60	1158.75	1572.76	802.58	461.51	1580.96
(iv)	Profit (Loss) before Tax	526.47	549.15	442.76	111.84	123.25	460.30
(v)	Profit (Loss) after Tax	352.83	366.45	292.26	73.82	140.76	303.84
(vi)	Dividend paid/proposed**	270.79	101.65	91.00	60.00	34.65	60.00

*Performance in 2014-15 severely impacted by cyclone Hudhud that hit Visakhapatnam on 12.10.2014.

**on cash basis

4.11 There has been a constant decline in the Income and PAT (Profit After Tax) of RINL during the last 3 years. During 2011-12 the income of RINL was Rs. 14898.58 crore which got reduced to Rs. 14020.70 crore in 2012-13. Again during 2013-14 the Income was only Rs. 13739.34 crore. Similarly the PAT of RINL was Rs. 751.46 crore in 2011-12 and got reduced to Rs. 352.83 crore in 2012-13 which is even less than half of the earlier profit. During 2013-14, there was a slight increase and the profit was Rs. 366.45 crore. The financial performance during the year 2014-15 states that upto December, 2014 the income generated is only Rs. 7651.03 crore against a target of Rs. 18339.31 crore and PAT is only Rs. 140.76 crore against a target of Rs. 292.26 crore.

4.12 When asked to furnish the reasons alongwith the steps taken by the Ministry/RINL to curb this declining trend in income and profit of the company, the Committee were informed as under:—

"The major reasons for decline in income and profit of the company are:—

(i) Reduction in Net Sales Realization due to very sluggish market scenario with 237% increase in imports from China.

(ii) Plant operations suffered severely due to the Cyclone HudHud on 12.10.2014. As per the preliminary estimate, the impact of physical damage to property, loss of production and consequential loss of profits is about Rs. 400 crore.

(iii) Even though there is a reduction in imported coal prices the same was offset by rupee depreciation against US Dollar & Increase in Iron ore prices.

Due to the cyclone Hudhud the operations were severely affected and there is a considerable impact on profitability due to physical damage to property, loss of production and consequential loss of profits.

Steps taken to improve income and profit of the company are:—

(i) Enriching Product mix in line with Customers requirement.

(ii) Developing new products as per customer requests.

(iii) Market mix changes by increasing sales in Higher Net Sales Realization (NSR) regions like Andhra Pradesh, Telangana & Southern regions.

(iv) Thrust on Exports for reducing pressure in Domestic market etc."

Subsidiaries of RINL

4.13 As approved by Government, the three operational companies under the erstwhile Bird Group of Companies, namely Eastern Investments Ltd. (EIL), Bisra Stone Lime Company Ltd. (BSLC) and Orissa Minerals Development Company (OMDC) have become Public Sector Undertaking with effect from 19.03.2010 and are subsidiaries of RINL.

Odisha Minerals Development Company Limited (OMDC)

4.14 OMDC is a subsidiary company of Eastern Investments Limited (EIL). Further EIL is a subsidiary company of Rashtriya Ispat Nigam Limited (RINL). OMDC was incorporated in the year 1918 and became a PSU in March, 2010. The company is engaged in mining and marketing of iron ore and manganese ore. The company operates six mining lease of iron ore in the State of Odisha. The mines of the company are located around Barbil, Thakurani in the district of Keonjhar, Odisha. At present operations in all the six mines are closed due to non-renewal of mining leases and non-availability of Environment & Forest Clearance.

Physical Performance

(In lakh Tonne)

No.	Item	2012-13 (Actual)	2013-14 (Actual)	2014-15* BE	RE	Actual (upto Dec. 2014)	2015-16 BE
1.	**Production**						
	Iron Ore	0.00	0.00	3.45	3.45	0.00	0.00
	Manganese Ore	0.00	0.00	0.11	0.11	0.00	0.00
	Sponge Iron	0.00	0.00	0.00	0.00	0.00	0.00
2.	**Despatch**						
	Iron Ore	0.00	0.00	3.45	3.45	0.00	0.00
	Manganese Ore	0.00	0.00	0.11	0.11	0.00	0.00
	Sponge Iron	0.00	0.00	0.00	0.00	0.00	0.00

4.15 According to the Ministry of Mines, mining operation of OMDC mines are suspended due to non-renewal of mining leases and non-availablility of statutory clearances. Hence no target has been allocated during 2015-16 for production of Iron & Manganese ore. The renewal of mining leases are subjudice.

Bisra Stone Lime Company Limited (BSLC)

4.16 The BSLC was incorporated in the year 1910. BSLC became a PSU on 19.3.2010 and became a subsidiary company of the Eastern Investments Limited (EIL) which subsequently became subsidiary of RINL on 05.01.2011. The authorized and paid up capital of the company is Rs. 87.50 crore and Rs. 87.29 crore respectively. The mines are located in Birmitrapur in the district of Sundargarh, Odisha.

Physical Performance

(In lakh Tonne)

No.	Item	2012-13 (Actual)	2013-14 (Actual)	2014-15 BE	2014-15 RE	2014-15 Actual (upto Dec. 2014)	2015-16 BE
1.	**Production**						
(i)	Limestone	0.26	0.18	0.00	0.02	0.02	0.00
(ii)	Dolomite	3.68	3.78	8.00	0.99	0.99	8.00
2.	**Dispatch**						
(i)	Limestone	0.24	0.39	0.00	0.02	0.00	0.00
(ii)	Dolomite	4.33	4.28	8.00	0.99	0.92	8.00

4.17 The Plan Outlay amount in the first three years of 12th Five Year Plan could not be spent due to continuous losses of the company due to intermittent closure of mines. As of now mining operation is suspended since June, 2014. Recently the Government of Odisha has granted the permission (on 02.03.2015) for resumption of mining operation of BSLC.

4.18 BSLC has also not been allocated any target for Limestone production during 2015-16 compared to 0.02 lakh tonne targeted at RE stage during 2014-15. When asked the reason for the same, the Ministry informed the Committee as under:—

> "No target has been set for production of Limestone as the mining operations were suspended due to non-renewal of mining leases. BSLC has been granted permission to resume mining operations on 2nd March, 2015."

4.19 When asked about the reasons for increase in target for production of dolomite by about 8 times from 0.99 lakh tonne in

RE (2014-15) to about 8 lakh tonne for BE (2015-16), the Ministry of Steel informed the Committee in a written reply as under:—

> "The price of dolomite is much higher than that of limestone with almost same cost of production. BSLC has been granted permission for production of Limestone & Dolomite ore upto 9.60 Lakh tonnes. Hence the Budgetary Estimate has been taken about 80% of the approved production capacity *i.e.* 8 lakh tonnes for BE (2015-16)."

C. NMDC Ltd.

4.20 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 as such as Dolomite, Limestone, 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.

4.21 Details of Plan outlays for 2014-15 (BE, RE and Actual) and Annual plan 2015-16 (BE) is given in the table below:—

Name of the PSU	BE 2014-15			RE 2014-15			Actual Expenditure 2014-15 Upto Dec. 2014			BE 2015-16		
	IEBR	B.S.	Outlay	IEBR	B.S.	Outlay	IEBR	B.S.	Outlay	IEBR	B.S.	Outlay
NMDC Limited	4,345	—	4,345(*)	3,555	—	3,555	2,225	—	2,225	3,588	—	3,588

(*) Subsequently NMDC Board approved the BE 2014-15 for Rs. 3,495 crore.

Raw Material

4.22 NMDC is also contemplating a major expansion to meet the demand of Iron ore. In this regard, NMDC will commission its new iron ore mines-Deposit 11B in Bailadila sector of Chhattisgarh and Kumaraswamy in Donimalai sector of Karnataka.

4.23 When asked to furnish details of development of above mentioned mines by NMDC including the production targets of iron ore and by when production will be started, the Committee were informed by the Ministry as under:—

> "With the commissioning of 7 MTPA Dep-11 B in March 2015 and 7 MTPA KIOM in August 2015 an additional capacity of 14 MTPA will

be added to the existing capacity of 32 MTPA. Approved cost of project of Bailadila Deposit 11 B is Rs. 607.17 crore and that of Kumaraswamy Iron ore project is Rs. 898.55 crore."

D. KIOCL Ltd.

4.24 A fully owned Government Company was established in 1976 as a 100% Export Oriented Unit (EOU) with mining operations at Kudremukh. The mining activity at KIOCL Ltd. was stopped as per the Hon'ble Supreme Court Verdict w.e.f. 1.1.2006. At present KIOCL is mainly operating the pellet plant at Mangalore by sourcing Iron Ore from the market.

4.25 KIOCL had earmarked plan outlay of Rs. 3,080 crore in 12th Five Year Plan (2012-17). Some of major projects envisaged for implementation during the plan period and their current status as on date is summarized as under:—

Name of Project	Plan Outlay (Rs. in crores)	Reason for Non-achievement
Development of Iron ore deposit in Chikkanayakanahalli & Ramanadurga	1100.00	Mining Lease application pending with Government 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 and 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 Government of Karnataka.

Since all the above projects are not likely to be materialised during ongoing plan period, KIOCL has revised the plan outlay to Rs. 288.03 crore and the actual expenditure till December, 2014 was Rs. 28.97 crores.

4.26 As Regards physical performance of the company, Committee are apprised as under:

Physical Performance

(In million tonne)

No.	Item	2012-13 (Actual)	2013-14 (Actual)	2014-15 BE	2014-15 RE	2014-15 Actual (upto Dec. 2014)	2015-16 BE
(i)	Production (Pellets)	1.265	1.710	1.800	1.000	0.657	1.800
(ii)	Dispatches (Pellets)	1.236	1.615	1.800	1.001	0.665	1.800

Financial Performance

(Rs. in crore)

No.	Item	2012-13 (Actual)	2013-14 (Actual)	2014-15 BE	2014-15 RE	2014-15 Actual (upto Dec. 2014)	2015-16 BE
(i)	Income	1181.47	1529.22	1712.00	1001.29	665.69	1638.57
(ii)	Operating Cost	1105.90	1416.14	1604.17	914.68	626.57	1526.89
(iii)	Gross Margin	75.56	113.08	107.83	86.61	39.12	111.68
(iv)	Profit (Loss) before Tax	32.34	61.40	65.25	45.68	8.73	70.76
(v)	Profit (Loss) after Tax	31.05	39.94	43.58	30.51	5.83	46.77
(vi)	Dividend paid/ proposed	6.34					
	Of which:						
	Dividend paid/proposed to the Govt. of India*	6.28	8.16	6.28	8.16	8.16	8.72

*on cash basis

The Committee were informed that the Pellet Production Capacity in the country is continuously on the rise whereas the demand is only 50% of Capacity, leading to low margin.

4.27 The Committee enquired about the logic behind a continuous increase in Pellet production target for KIOCL every year as compared with a production target of 1.000 Million Tonne pellets in (2014-15)

(RE), the target for (2015-16)(BE) is 1.800 Million Tonne Pellets. In this regard, the Ministry of Steel informed the Committee in a written reply as under:—

"In BE 2014-15, Pellet production & dispatch targets were 1.800 million tons, The low achievement was due to global recession wherein the demand for the steel and sponge iron had been badly hit. In addition to the above, the low trading price of iron ore lump and pellets were at five & half year low in the global market. KIOCL was also facing difficulty in liquidating the stock. Keeping in view of the above, KIOCL had revised the production & sales target to 1.000 million tons in RE 2014-15 stage. However, the Task Force on Steel, Lignite, other Mineral and Metals constituted by Department of Public Enterprises (DPE) for negotiating MoU 2015-16 after deliberations suggested to keep the target of 1.800 million tons. Accordingly, it was decided to retain the original target as of last year for production & sales of 1.800 million tons."

4.28 The Committee were informed that KIOCL Ltd. had been allotted a mine in Karnataka. The company was forced to source ore from mines from Chhattisgarh and was incurring huge logistic costs coupled with levy of Distance Based Charge (DBS) imposed by the Indian Railways. This led to the company's pellet prices not being competitive in the global market. The Ministry of Mines had sanctioned 30 years lease for iron and manganese ores in an area of 116.55 hectares in Hombalagatta and Hosahalli villages of CN Halli Taluk in Tumkur district of Karnataka.

4.29 When asked about the present status of development of these mines by KIOCL, the Ministry of Steel informed the Committee in a written reply as under:—

"Government of Karnataka/Government of India accorded in principle approval for grant of mining lease (Block No. 2) for an area of 116.55 hectares in Hombalghatta and Hosahalli villages of Chikkanayakanahalli Taluk, Tumkur Distt., Karnataka in 2008. The Company has obtained mine plan approval and environment clearance for the project. Forest clearance is pending with Karnataka State Forest Department due to overlapping of area with two other allottees. The issue was kept on hold for almost 03 years due to imposition of ban on iron ore mining by Hon'ble Supreme Court in the Tumkurdist in the state of Karnataka. The matter is being pursued with the State Government by the KIOCL as well as Ministry of Steel."

E. Hindustan Steelworks Construction Limited (HSCL)

4.30 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 Government 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. The Company has been engaged in implementation of 1073 Km of rural roads under PMGSY in the State of Tripura and 2543 Km in Jharkhand. The value of work under PMGSY is Rs. 2100 crore at present, which is likely to increase with a considerable number of DPRs awaiting approval of NRRDA. The physical and finance performance of the company is as under:

Sl. No.	Description	F.Y. 2012-13		F.Y. 2013-14		F.Y. 2014-15		F.Y. 2015-16	The reasons for variations/ shortfall, if any during 2012-13, 2013-14 & 2014-15
		Targets	Actual	Targets	Actual	Targets	Actual Apr. to Dec. 14	BE Plan	
1	2	3	4	5	6	7	8	9	10
I	**Physical Performance**								
(i)	Order Booking	2050.00	1348.00	1800.00	2648.98	1800.00	1574.76		During 2012-13 high value orders were under negotiation. No shortfall during 2013-14 & 14-15.
II	**Financial Performance**								
(i)	Income (Including other Income)	1345.00	1278.85	1300.00	1410.21	1450.00	1046.46	1400.00	Certain projects failed to pick up in 2012-13. No shortfall in 2013-14 & 2014-15.
(ii)	Operating Cost	1258.00	1188.77	1210.00	1310.41	1350.00	964.57	1316.00	
(iii)	Gross Margin (PBIDT)	87.00	90.08	90.00	99.80	100.00	81.89	84.00	No shortfall in any of the years

1	2	3	4	5	6	7	8	9	10
(iv)	Profit (Loss) Before Tax	(-)22.00	(-)19.81	(-)24.00	(-)18.67	(-)9.00	(-)0.60	(-)23.00	No shortfall in any of the years r.r.t. targets.
(v)	Profit (Loss) After Tax	(-)22.00	(-)19.81	(-)24.00	(-)18.67	(-)9.00	(-)0.60	(-)23.00	No shortfall in any of the years r.r.t. targets,
(vi)	Dividend Paid/Proposed	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
	Of which: Dividend Paid/ Proposed to the Government of India	Nil	Nil	Nil	Nil	Nil	Nil	Nil	

The operating cost of HSCL has increased from Rs.1188.77 crore in 2012-13 to Rs.1310.41 crore in 2013-14. The company is continuously in losses for the last 2 years and the losses during 2015-16 are pegged at Rs. 23 crore.

4.31 When asked about the reasons for continuous losses incurred by the company and efforts being made to reduce the operating cost to curb this trend, Ministry of Steel informed the Committee in a written reply as under:—

"The main contributing factor to the Net Loss is the Interest on Government Loan of Rs. 76.46 crore during 01.04.2014 to 31.12.2014, which is about 7.31% of Turn Over. Interest on GOI loans of Rs. 550 crore is being charged to P/L account every year on accrual basis @ 19% (Approx.) per annum. Interest Impact is thus about Rs. 105 crore every year. VRS expenditure charged to accounts is another contributing factor to accumulate loss. During 2014-15 VRS expenditure is nil.

Net loss has an impact of payment of differential interest to Banks on Term Loan, secured under Government Guarantee with full interest subsidy. In accordance with Government directive, HSCL paid Rs. 10.68 crore. Pertaining to the period 01.04.2011 to 31.03.2014 and Rs. 3.64 crore for April, 2014 to February, 2015 towards the differential interest between the Base Lending Rate of SBI and Vijaya Bank and the subsidy admitted by Government of India @ G.Sec + 60 bps. Net Loss is attributable to the interest on GOI Loan, which was Rs.93.45 crore (7.10% w.r.t. Turn Over) up to February, 2015. Overall NET LOSS REDUCED considerably after taking into account the updated other income and Guarantee Commission etc. Conversion of Non-Plan loan and accrued interest thereon into equity and setting off of accrued interest on Non-Plan Loan against accumulated loss and conversion of Plan Loan and accrued interest thereon to equity have been proposed in the present Restructuring Proposal. Major operational performance parameters have improved till February, 2015 over the corresponding period of 2013-14. Turnover and Operational Profit increased by 10.66% and 60.02% respectively. Net Loss till February, 2015 has come down by 75.35% due to increase in turnover and for taking into account the updated other income. The Turnover & Order Booking target for 2014-15 as per MOU will be achieved."

4.32 When enquired whether any restructuring proposal of HSCL is under consideration of the Government, the Ministry of Steel informed the Committee in a written reply as under:—

"A draft note for Cabinet Committee on Economic Affairs (CCEA) has 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."

F. MSTC

4.33 The company undertakes trading activities, e-commerce, disposal of ferrous and non-ferrous scrap and surplus stores mostly from Public Sector Undertakings and Government 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.

4.34 Asked about the physical and financial performance of the company, the Committee apprised as under:—

Physical Performance

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	2012-13 (Actual)	2013-14 (Actual)	2014-15			2015-16
				BE	RE	Actual (upto Dec. 2014)	BE
(i)	Trading	10024.00	7488.00	6480.00	6480.00	4615.09	4100.00
(ii)	e-Commerce	15483.00	19395.00	15415.00	15415.00	14142.77	16360.00

Financial Performance

(Rs. in crore)

No.	Item	2012-13 (Actual)	2013-14 (Actual)	2014-15 BE	2014-15 RE	2014-15 Actual (upto Dec. 2014)	2015-16 BE
(i)	Income	6455.25	5330.27	5074.50	5074.50	3413.49	3714.65
(ii)	Operating Cost	6259.40	5208.91	4956.00	4956.00	3338.36	3644.65
(iii)	Gross Margin	195.85	121.36	118.50	118.50	75.13	70.00
(iv)	Profit (Loss) before Tax	193.40	-107.37	114.50	114.50	73.63	67.50
(v)	Profit (Loss) after Tax	130.73	-70.03	75.57	75.57	48.60	44.55
(vi)	Dividend paid/proposed	26.40	0.00	0.00	0.00	0.00	0.00
	Of which:						
	Dividend paid/proposed to the Government of India*	5.48	23.72	17.55	Nil	Nil	13.58

*on cash basis

4.35 When asked to furnish the reasons for the target for Trading for MSTC during RE (2014-15) was Rs. 6480 crore. This has been reduced to Rs. 4100 crore for BE (2015-16), the Ministry of Steel informed that MSTC has decided to concentrate on e-Commerce business. It has also decided to trim down its trading portfolio which is more profitable but very risky. In line with the same lower target has been assigned for trading business in FY 2015-16.

4.36 Board of MSTC has adopted the proposal for setting of an auto shredding plant at Dahej in Gujarat through Joint Venture. Sourcing of raw material is one of the important issues for the shredding plant. The availability of raw material, such as condemned auto vehicle and white goods was explored but not much headway was made for sourcing domestically due to non-availability of regulations for condemnation of vehicle. MSTC has made attempt to source raw material from overseas. A global tender of shredable goods (raw materials) for auto shredding plant was floated and received a response which is presently under scrutiny for committed supply of baled cars and other scrap vehicles. In view of this there was no expenditure during the year (2014-15).

4.37 When asked to furnish the current position in this regard and the plan outlays for the project during 2015-16, the Ministry of Steel informed the Committee in a written reply as under:—

"A global tender for shredable goods (raw materials) for auto shredding plant was floated. One offer was received. However the decision on the same is yet to be taken. In view of this there was no expenditure during Financial Year (F.Y.) 2014-15, till date. MSTC has now switched over to Joint Venture (JV) for setting up of Auto Shredding Plant. The proposed JV partner is Essar Steel Ltd. with 50:50 partnership. Total Equity participation will be Rs. 15 crore from MSTC side. Accordingly the Plan Cost has been revised to Rs. 15 crore, out of which Rs. 5 crore had been allocated for F.Y. 2014-15, but no expenditure has been incurred till date. It is proposed to carry forward the plan outlay for 2014-15 of Rs. 5 crore to F.Y. 2015-16."

G. MOIL Ltd.

4.38 The company which was formed in 1962 is the largest domestic producer of high grade manganese ore, a basic raw material for manufacturing of Ferro-Alloys-an essential input for steel making and dioxide ore for manufacturing dry batteries. With the increase in the domestic demand for high grade manganese and dioxide ores, the Company embarked upon various capital schemes for development and modernization of its mines and increasing of its mines and increasing the production capacity from 1.1 Million Tons to 2.0 Million Tons by 2020-21.

4.39 As regards the physical and financial performance of the company, Ministry apprised the Committee as under:—

Physical Performance

(Production in Metric Tonne)

No.	Item	2012-13 (Actual)	2013-14 (Actual)	2014-15 BE	2014-15 RE	2014-15 Actual (upto Dec. 2014)	2015-16 BE
	PRODUCTION:						
(i)	Manganese Ore	1138895	1134508	1146382	1125000	822002	1150000
(ii)	Electrolytic Manganese Dioxide	786	923	900	1100	732	1100
(iii)	Ferro Manganese	9210	10042	10000	10000	7415	10000

Financial Performance

(Rs. in crore)

No.	Item	2012-13 (Actual)	2013-14 (Actual)	2014-15 BE	2014-15 RE	2014-15 Actual (upto Dec. 2014)	2015-16 BE
(i)	Income	1202.39	1324.60	1118.06	1162.84	880.60	1191.51
(ii)	Operating Cost	532.57	520.09	559.04	571.85	384.28	596.80
(iii)	Gross Margin	669.82	804.51	559.02	590.99	496.32	594.71
(iv)	Profit (Loss) Before Tax	636.78	769.33	522.22	555.71	469.32	559.43
(v)	Profit (Loss) After Tax	431.72	509.56	343.56	366.83	309.80	369.28
(vi)	Dividend Paid/Proposed	92.40	126.00	68.71	73.37	–	73.86
	Of which :						
	Dividend paid/proposed to the GOI	66.13	90.18	49.81	52.51	Nil	52.86

H. MECON

4.40 MECON is the first consultancy and engineering organisation in the country to be accredited with ISO: 9001 Quality Management System. It is 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 projects/schemes targeted and implemented by the company during the last 3 years includes Expansion, Modification and Augmentation of office space at Ranchi/ Guest House etc. at various locations.

4.41 The financial performance of the company during, the last 3 years and that targeted during 2015-16 is as under:—

Financial Performance

(Rs. in crore)

No.	Item	2012-13 (Actual)	2013-14 (Actual)	2014-15 BE	2014-15 RE	2014-15 Actual (upto Dec. 2014)	2015-16 BE
1	2	3	4	5	6	7	8
(i)	Income	648.86	486.92	497.00	419.60	231.83	536.50

1	2	3	4	5	6	7	8
(ii)	Operating Cost	486.85	410.16	471.20	456.59	293.09	516.65
(iii)	Gross Margin	162.01	76.76	25.80	-36.99	-61.26	19.85
(iv)	Profit (Loss) before Tax	150.72	68.69	20.10	-48.35	-70.12	12.55
(v)	Profit (Loss) after Tax	101.02	49.48	13.27	-48.35	-70.51	8.28
(vi)	Dividend paid/proposed of which :	10.35	9.72	9.09	1.06	0.91	0.43
	Dividend paid/proposed to the Government of India*	10.35	9.72	8.94	1.06	9.72	0.43

*on cash basis

4.42 Asked about the reasons for incurring losses during 2014-15 although the company had Profit After Tax (PAT) of Rs. 49.48 crore during 2013-14, the Ministry informed the Committee of the following reasons:—

(1) There is a general economic slowdown that affected the country as a whole which further contributed to the low order booking of MECON.

(2) The projects in hand are nearing the completion stage resulting in low contribution towards turnover.

(3) Further ban on iron ore mining resulted in either delay in implementation of projects or even non materializing of expected projects.

(4) Uncertainty in availability of coal in the country also had an adverse effect in MECON's order booking/project execution.

PART II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

Plan Expenditure - Promotion of R&D in Iron & Steel Sector

1. The 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 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 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). At the end of the 4th year of the 11th Plan, only about 25% of the funds could be utilized and none of the 8 schemes taken were completed. As of now, out of 8 approved R&D projects, 5 projects have been completed and funds have already been released. In the 12th Five Year Plan, a provision of Rs. 200.00 crore has been made for the R&D Scheme. In BE 2015-16, against the total outlays of Rs. 15.00 crore, a provision of Rs. 1.00 crore has been made for Development of technology for Cold Rolled Grain Oriented (CRGO) Steel Sheets and other value added innovative steel products (new component); and Rs. 14.00 crore for Development of Innovative Iron/Steel making Process/Technology (new projects under the existing R&D scheme). While examining the year-wise allocation and amount released under the scheme, the Committee find that during 2014-15, there was underutilization of funds under the Scheme as only Rs. 2.03 crore were utilized (upto December, 2014) against the BE of Rs. 20 crore and RE of Rs. 7 crore. The Committee also note that during first three years of the 12th Plan, there is huge reduction in allocation for R&D scheme at RE stage. The Committee feel that an assessment should be made whether the objectives of the schemes are being achieved especially in the area of improvement of quality of steel and beneficiation of raw materials. The Committee have also been given to understand that a few R&D proposals for development of innovative iron/steel making process/technology, received in response to the Ministry's earlier endeavour, are under consideration of the Project Approval & Monitoring Committee. The Committee desire

that the Project Approval & Monitoring Committee should look into the merits of the proposals received, expedite the matter and apprise them of the new R&D schemes taken with the budgetary support of Rs. 15 crore during 2015-16.

2. During the course of evidence on Demands for Grants (2015-16), the Committee were apprised that no R&D has been done within the country for use of steel in power and automotive industry and steel being used in such industry is still being imported. The Ministry, however, assured the Committee that they are seized of the matter and will make all out efforts so that such steel be produced in the country by establishing R&D facilities for the same. The Committee are constrained to note that steel for power and automotive sector is being imported involving outflow of foreign exchange owing to non-availability of such facilities in the country. The Committee strongly recommend that there is an imperative need to introduce R&D facilities for use of indigenous steel for the use of power and automotive sector. The Secretary, Ministry of Steel apprised the Committee that the Ministry is in the process of creating a society with Rs. 100 crore contribution from Government of India and Rs. 100 crore from participating Steel Industry Companies to give a boost to the R&D activities in steel sector. While appreciating the Government step to facilitate setting up of Steel Research & Technology Mission of India (SRTMI), an industry led initiative and setting up of registered society in close cooperation amongst the steel companies, Ministry of Steel, academia and relevant R&D institutions in the country, the Committee expect that immediate necessary steps be taken to setup such integrated joint collaborative research programmes in Steel Sector to spearhead R&D activities of national importance. The Committee would like to be apprised of the action taken in this regard.

Utilization of Approved Outlays for 12th Five Year Plan

3. For the 12th Five Year Plan (2012-17), an outlay of Rs. 91174.64 crore including I&BER of Rs. 90974.64 crore for PSUs and gross Budgetary Support (GBS) of Rs. 200.00 crore was approved for Ministry of Steel. The Committee note that cumulative actual expenditure (upto December, 2014) by PSUs was only Rs. 35187.20 crore against the total approved outlay of Rs. 90974.64 crore for steel PSUs even after the passage of three years of the Plan Period. The figures of expenditure are especially dismal for NMDC, RINL, MSTC, KIOCL and MOIL. Out of the total approved outlay of Rs. 27872.17 crore, 13373 crore, 105 crore, 3080 crore and

1459.47 crore for NMDC, RINL, MSTC, KIOCL and MOIL, the cumulative actual expenditure upto December, 2014 was only Rs. 6350.18 crore, 3801 crore, 0.35 crore, 25.21 crore and 216.03 crore respectively. The percentage of utilization of funds comes to NMDC (22.7%), RINL (28.4%), MSTC (0.33%), KIOCL (0.81%), MOIL (14.8%). The reasons put forward by the Ministry of Steel regarding lower utilization of plan outlays by steel PSUs during 12th Plan are Maoist activities, theft/pilferage, fire incident, delay in awarding of important packages. (NMDC), impact of cyclone Hudhud (RINL), delay in setting up of auto shredding plant (MSTC), non-renewal of mining lease, etc. (KIOCL) and delay in grant of leases (MOIL). Taking note of lower utilization of plan outlays by these PSUs, the Committee desire that the Ministry should take necessary steps to facilitate PSUs in overcoming the hurdles impending the implementation of the projects and putting in place an effective monitoring mechanism at Ministry level to ensure utilization of earmarked funds and timely completion of projects undertaken. The Committee feel that as still two years are left for the Plan Period, the Ministry and PSUs should gear up and make sincere efforts for full utilization of the approved outlays to derive the desired benefits.

Utilization of Approved Outlays for (2014-15) by Steel PSUs

4. While scrutinizing the details of plan outlays of PSUs for the year 2014-15 and Actual Expenditure (2014-15) incurred by them upto December, 2014, the Committee find that against the BE and RE of Rs. 9000 crore and Rs. 7800 crore of SAIL during 2014-15, the actuals upto December, 2014 were Rs. 5133 crore. Similarly, IEBR of Rs. 45 crore, Rs. 4345 crore, Rs. 50 crore and Rs. 192.05 crore at BE 2014-15 in respect of MSTC, NMDC, KIOCL and MOIL was reduced to Rs. 5 crore, Rs. 3555 crore, Rs. 13 crore and Rs. 153.04 crore respectively at RE stage. The Actual Expenditure (2014-15) upto December, 2014 for MSTC, NMDC, KIOCL and MOIL was, however, Rs. 0.00 crore, Rs. 2224.80 crore, Rs. 7.94 crore and Rs. 73.45 crore respectively. As regards, the reasons for lower utilization of plan outlays during 2014-15, the Ministry have informed the Committee about poor performance of contractors in execution of projects by SAIL, pending decision on global tender for shredable goods by MSTC, non-receipt of approval from the Ministry of Mines regarding Anantpuramu Mines for KIOCL and delay in grant of leases for MOIL. The Committee have time and again emphasized that due care should be given for timely and evenly spending of funds in each quarter so that there is no rush for expenditure at the end of the financial year. The Committee, therefore, recommend that

concerted efforts be made by the Ministry of Steel and PSUs to review periodically the projects being undertaken by them and take corrective measures to ensure their timely completion. The Committee would like to know the steps taken in this regard so that planned outlays are fully utilized.

Special Purpose Vehicle

5. The Committee note that a High Level Committee on Manufacturing headed by the Hon'ble Prime Minister has set a target of 300 million tonne steel production by 2025. According to the Ministry, efforts are being made to facilitate setting up of large scale steel plants in mineral rich States Odisha, Jharkhand, Karnataka and Chhattisgarh by having partnership between SAIL, RINL and NMDC and State Government PSUs for setting up SPV which would be responsible for developing such projects. Taking note of the fact that extra 200 MT capacity addition has to be made in steel sector requiring an investment of about Rs. 12 lakh crore, the Committee observe that the Ministry is reportedly exploring the funding for these projects both in public and private sector industries. Considering the importance of the project, the Committee recommend that an advance roadmap should be made for the next 10 years with yearly targets fixed and constant monitoring should be done to avoid delays in achieving the desired targets. The Committee would like to be apprised of the details of the road map made to achieve 300 MT production of steel by 2025.

Increase in Import Duty

6. The Committee note that the damp trend in the domestic steel industry was accentuated by significant dumping of cheaper steel from CIS (Commonwealth of Independent States) countries, with the prices of HR coil dropping to Rs. 375 per tonne during March, 2015. Similarly, steel import from China in April-January, 2014-15 rose to 2.9 million tonne against 1.08 million tonne for the year 2013-14. The year-wise figures of import and export of steel in India shows that there is an increase in steel import during 2014-15 (Prov.) at 9.32 MT against 7.932 MT and 5.45 MT in 2012-13 and 2013-14 respectively. It is understood that steel sector is facing serious challenges on account of excess steel capacity in the world leading to a huge surge in imports into India. Alarmed by this, the Steel Ministry has proposed to the Ministry of Finance for raising import duty to protect the domestic industry. The Committee fully agree with the proposal of the Steel Ministry and desire that

all possible steps including the matter of revising the import duty on imported steel goods should be taken by the Ministry of Steel with the Ministry of Finance at appropriate level.

Major initiatives in Steel Sector

7. The Committee are happy to note that several major initiatives have been taken in the Steel Sector during the last year. The Committee note that the Ministry of Steel has issued the Steel and Steel Products (Quality Control) Orders, 2012 with effect from 1st October, 2014 on all 15 products. The Committee appreciate the concern of the Ministry of Steel towards the safety and security of human beings and expect that the Government will ensure that all Steel PSUs and private steel plants will implement the same.

The Committee are also happy to note that all the CPSEs under the Ministry of Steel are working towards a cleaner environment and have taken measures to harness the waste heat from sinter cooler and generate 20.6 MW power, in a first of its kind project in collaboration with NEDO, Japan.

The Committee, further, welcome the proactive step of the Ministry of Steel to address the long term issues of the steel sector by way of facilitating setting up of the Indian Steel Association (ISA), so as to articulate the needs and aspirations of the industry.

The Committee note that the Ministry has identified Biju Patnaik National Steel Institute (BPNSI) as National Centre for Excellence. However, to achieve the objective, it would require quality trained manpower and professionals, etc. The Committee desire that the Ministry of Steel should take adequate steps in this regard so that the vision of establishing it as a premier institute is realized.

Modernization and Expansion Programme of SAIL

8. Steel Authority of India Ltd. (SAIL) has undertaken modernization and expansion of its five integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and special steel plant at Salem to enhance its crude steel production capacity from 12.8 Mtpa to 21.4 Mtpa in the current phase. The expansion project at Salem Steel Plant has been completed and all facilities under the integrated process route at Rourkela Steel Plant and IISCO Steel Plant are reported to be in operation, stabilization and ramp-up. The Committee note that an amount of Rs. 57,830 crore has been spent so far for Modernization and Expansion Plan of SAIL. The

Committee were apprised that the visit of the Prime Minister to Rourkela Steel Plant on 01.04.2015 has given a boost to the ongoing modernization and expansion programme of SAIL. The PM exhorted domestic steel industry to raise its production capacity which in turn would give a boost to the manufacturing sector, besides, being an important wheel for the 'Make in India' dream of the Hon'ble Prime Minister. The Committee are pleased to note that the pace of modernization and expansion has picked up since past few months. The Committee note that expansion of Rourkela Steel Plant will be adding about 2.5 million tonne of crude steel capacity and that expansion of IISCO Steel Plant at Burnpur is also ready to be dedicated to the nation and it would thus add a further of 2.2 million tonne of crude steel capacity. The Committee trust that the ongoing Modernization and Expansion plan of all the SAIL plants will be completed soon to achieve the targeted 21.4 MT Steel production.

The Committee also note that the implementation of modernization and expansion plan has been affected mainly due to unforeseen soil conditions encountered during execution, under estimation of quantities by the consultant, Logistic problems due to Brownfield nature of project, inadequate mobilization of resources by the contracting agencies including PSU contractors. The Committee also note that SAIL is set to launch its second and third phase of modernization to take its production capacity to 50 MT by 2025. SAIL will play a key role in meeting the goal of creating 300 MT per annum steel making capacity in the country. The Committee feel that in order to maintain the market leadership position and to enhance its competitiveness, it is important that the capabilities of the company are to be constantly upgraded by carrying out major capital investments, repairs/revamp of equipment for attaining high production level and productivity of plant. The Committee therefore, desire the Government/SAIL to make all out efforts to ensure that the current phase of Modernisation and Expansion Programme is completed at the earliest to avoid further time and cost over run. The Committee would also like to be apprised of the resultant enhancement of the crude steel production capacity from each of the five Integrated Steel Plants (ISP) from the ongoing Modernisation and Expansion Programme. The Committee would also like to be apprised of the action taken against the contractors including PSU contractors who have failed to achieve the milestone causing delay in the implementation of Modernisation and Expansion Programme of SAIL.

Renewal of Mining Lease of SAIL

9. The Committee note that regarding the matter of renewal of mining lease at Gua, Chiria and Tulsidamar, SAIL had challenged the conditions levied by the State Government of Jharkhand. Due to non-renewal of leases by State Government, Gua, Chiria and Tulsidamar mines were closed on 14th August, 6th and 11th September, 2014 respectively. The Committee are apprised that due to intervention of Jharkhand High Court, Gua & Chiria mines have been made operational *w.e.f.* 26.11.2014 & 16.1.2015. A SLP (Special Leave Petition) filed by State of Jharkhand challenging the order of Jharkhand High Court allowing mining operation at Gua is pending before Hon'ble Supreme Court and the matter is due to be heard on 0.1.05.2015. The Committee are, however, happy to note that after the passing of the Mines and Minerals (Development & Regulation) Amendment Act, 2015 and subsequent order of Ministry of Mines, Government of India dated 6.2.2015 regarding extension of leases period for Government companies till 31.03.2020, Government of Jharkhand *vide* order dated 18.3.2015 extended the lease period of SAIL's seven iron ore leases and four flux leases till 31.3.2020, except that of five iron ore leases where matter is sub-judice. The five sub-judice leases are Ajitaburu, Sukri-Latur & Dhobil of Manoharpur iron ore mine (Chiria) and Duargaiburu & Jhillingburu-I of Gua iron ore mine. Subsequently, mining operations at Tulsidamar dolomite mine also resumed on 19.3.2015. The Committee hope that with the extension of mining leases, the uncertainty with regard to adequate supply of raw material to SAIL will be over. The Committee also desire that the Ministry of Steel/ SAIL should also take up the matter of pending cases of leases at the highest level with the State Government of Jharkhand.

Decline in Profit of Rashtriya Ispat Nigam Limited (RINL)

10. The Committee note that the Profit After Tax (PAT) and Income of RINL has declined year after year. From an income of Rs. 14898.58 crore in 2011-12, Income of the company reduced to Rs. 14020.70 crore in 2012-13 and further gone down to Rs. 13738.47 crore in 2013-14. The Income for 2014-15 generated upto December, 2014 was only Rs. 7651.03 crore. Similarly the profit of the Company which was Rs. 751.46 crore (PAT) in 2011-12, got reduced to Rs. 352.83 crore in 2012-13. There was an increase in PAT during 2013-14 and this was Rs. 366.45 crore. But for the year 2014-15 the PAT (upto December, 2014) is only Rs. 140.76 crore. The Committee acknowledge that during the year

2014-15, RINL had to face a tough time as due to the Cyclone 'Hudhud' that hit Visakhapatnam on 12th October, 2014, the Plant operations were impacted. The Committee are informed that though all the major units were restarted progressively by 2nd November, 2014, normalcy in all major units was restored only by December, 2014. According to a preliminary estimate, the total impact of cyclone in monetary terms comes to about Rs. 400 crore. This impact was further added due to depreciation of the Rupee against US Dollar & increase in iron ore prices. The Committee feel that after recovering from losses due to 'Hudhud' cyclone, RINL should now focus on rebuilding strategy to improve production and efficiency at various levels. The Committee note that RINL has drawn its Corporate Plan aiming to reach 20 million tonne capacity by 2032-33 in phases and has completed its first phase of expansion of liquid steel production to 6.3 million tonne from 3.0 million tonne. The Committee recommend that the Company should lay emphasis on ways to improve profit by taking measures such as enriching product mix in line with Customers requirement, developing new products as per customer requests, increasing sales in Higher Net Sales Realization (NSR) regions like Andhra Pradesh, Telangana & Southern regions. The Committee expect that the projected outlays of Rs. 1801 crore for RINL will be fully utilized for expansion of RINL's production capacity, AMR Schemes and would like to be apprised of the steps taken by RINL to ensure full utilization of Plan Outlays.

Merger of OMDC & BSLC with RINL

11. The Committee note that Orissa Minerals Development Company Limited (OMDC), a subsidiary of RINL was engaged in the mining and marketing of Iron and Manganese Ore from six mines which are situated in the district Keonjhar, Odisha. But presently, all mines of OMDC are closed due to non-renewal of mining leases and the matter is sub-judice. The Committee are informed that OMDC was also allocated Brahmani Coal Block by the Ministry of Coal on 07.11.2013. Another subsidiary Company of RINL, Bisra Stone Lime Company Limited (BSLC) is engaged in the mining and marketing of Limestone and Dolomite from mines situated at Birmitrapur, district Sundargarh, Odisha. The mines of BSLC were closed since 03.06.2014 but recently the Government of Odisha has granted the permission for resumption of mining operation on 02.03.2015. The Committee note that no target has been set for OMDC in BE 2015-16 for production of Iron Ore and Manganese Ore. Similarly, BSLC has also not been allocated any target for limestone production in BE, 2015-16. While recommending Ministry of

Steel/RINL to pursue the matter of allocation of Brahmani Coal block to OMDC with the Ministry of Coal, the Committee expect that the matter of renewal of mining leases of OMDC will be resolved soon.

The Committee are happy to note that recently permission has been granted to BSLC for resuming its mining operations. The Committee, however, feel that for small entities like OMDC and BSLC, it is difficult for them to manage themselves as the companies brought with them unnecessary baggage of excess expenditure on infrastructure, management, etc. The Committee, therefore, recommend the Ministry of Steel to explore the possibility of merging these subsidiaries *i.e.* OMDC and BSLC with RINL.

NMDC Ltd.

12. The Committee note that NMDC is contemplating a major expansion to meet the demand of iron ore. The Committee have been informed that NMDC will commission its new iron ore mines — Deposit 11B in Bailadila sector of Chhattisgarh and Kumaraswamy in Donimalai sector of Karnataka both with a capacity of 7 MTPA each. The estimated cost of Bailadila Deposit 11B is Rs. 607.18 crore and that of Kumaraswamy Iron ore project is Rs. 898.55 crore. The original target dates of the said projects was March, 2012 and after being reviewed in 2014-15, these are now anticipated to be completed in March, 2015 and August 2015 respectively. Taking note of downsizing the plan outlays for Rs. 4345 crore to Rs. 3555 crore at RE stage and lower utilization of funds to the tune of Rs. 2225 crore during the first three quarters of the Financial Year, the Committee are apprehensive of the physical targets achieved by the Company. The Committee, therefore, recommend that NMDC should make all out efforts to ensure that both the projects are completed as per revised schedule.

13. The Committee observe that NMDC plan to produce 75 MTPA iron ore production by 2017-18 and 100 MTPA by 2021-22. According to the Ministry, the company can produce about 78 MTPA from the existing mines by introducing high level of mechanization and needs more mines to further enhance its production. Taking note of the ambitious plan of NMDC to aim for higher annual production of iron ore from present level of 32 MTPA to 75 MTPA by 2017-18, the Committee feel that higher production of iron ore will bridge the gap between the demand and supply of iron ore in the country and therefore keep the domestic iron ore prices stable. The Committee would, however, like to be apprised of the action plan of the NMDC

to obtain new mines, and obtaining of all requisite statutory clearances for them to attain the target of 100 MTPA production by 2021-22.

The Committee note that NMDC had in 2011 proposed to set up a steel plant of 3 MTPA (Million Tonne Per Annum) capacity in Nagarnar, Chhattisgarh at an approved cost of Rs. 15525 crore and the scheduled date of completion was May, 2015. The target has been reviewed in 2014-15 and now the anticipated date of its completion is December, 2016. The expenditure incurred on this project upto February, 2015 is reported to be Rs. 6217 crore. Necessary Statutory Clearances have since been obtained by the Company. The Committee are happy to note that with the commissioning of the Plant by December, 2016, the company will join the band of steel makers in the country making its diversification plan meaningful and beneficial. The Committee would like NMDC to ensure that the plant is commissioned by the anticipated date of completion without any cost and time overrun by reviewing the progress of the project periodically.

Hindustan Steelworks Construction Limited (HSCL)

14. The Committee note that income of HSCL was Rs. 1410.02 crore in 2013-14 against a target of Rs. 1450 crore (RE) in 2014-15 and it is targeted at Rs. 1400 crore in 2015-16. The Committee note that there is no shortfall in total income of HSCL during the last two years. The Committee also note that presently HSCL has a job order of Rs. 1574.76 crore (upto December, 2014) in hand. Even during 2013-14, HSCL had an order booking of Rs. 2648.98 crore against a target of Rs. 1800 crore. Further, major operational performance parameters of HSCL have improved during 2014-15 (till February, 2015) over the corresponding period of 2013-14. Moreover, turnover and operational profit of the Company increased by 10.66% and 60.02% respectively during 2014-15. However, despite increase in the turn over of the company, its profit after tax has been in minus during the last few years and one of the major reasons affecting its profitability is increasing operating cost. The Committee, therefore, would like HSCL to bring down its operating cost by adopting rigid fiscal measures.

15. The Committee further note that besides its indigenous capability for putting up integrated steel plants in the country, HSCL has also diversified its activities like construction of rural roads. The value of construction of roads in the States of Tripura

and Jharkhand under PMGSY (Prime Minister Gramin Sadak Yojana) is reported to be Rs. 2100 crore. The Committee would like to be apprised of the total work completed by HSCL in the States of Tripura and Jharkhand and the manpower and Infrastructure available with it to undertake works in rural areas.

16. According to the Ministry of Steel, no budgetary support has been provided to HSCL in the 12th Five Year Plan. The Committee note that despite increase in income, the major factor contributing to net loss of profit of HSCL is about 19% (appx.) per annum of interest impact of Government of India loans of Rs. 550 crore being charged every year, which amounts to Rs. 105 crore per year. The Committee feel that HSCL has immense potential and with a little support can overcome its liabilities and turn into a profit making organization. The Committee desire that HSCL should be given an opportunity to utilize its potential in construction of integrated steel plants in the country. In addition, the Committee have also time and again emphasized that PSUs like SAIL, RINL & NMDC should place orders for their Modernization and Expansion Programmes to HSCL to help it overcome this situation. The Committee would like to be apprised of the action taken by the Government in this regard.

Restructuring Proposal of HSCL

17. The Committee note that a draft note for restructuring proposal of HSCL Cabinet Committee on Economic Affairs (CCEA) has been prepared. This was circulated to the concerned ministries/ departments for obtaining their comments for the restructuring proposal of HSCL. The comments have been received from various ministries and the draft note is reportedly being prepared accordingly. The Committee would like the Government to take a final decision on the restructuring proposal of the company without any further loss of time since this issue has been pending for long.

MSTC

18. The Committee note that MSTC undertakes trading activities, e-commerce, disposal of ferrous and non-ferrous scrap and surplus stores mostly from Public Sector Undertakings and Government Departments, including Ministry of Defence. The Plan Outlays of the Company were Rs. 45 crore during 2014-15. These were reduced to Rs. 5 crore at RE stage and Actual Expenditure during 2014-15 by the company upto December, 2014 was NIL. Further, for the year 2013-14 the actual trading by MSTC was of Rs. 7488 crore. However,

the trading target for 2014-15 and 2015-16 are set at Rs. 6480 crore and Rs. 4100 crore respectively. The Committee were informed that a decision was taken by the company to concentrate on e-commerce business instead of trading as the latter is more profitable but very risky. According to the Ministry of Steel, the reasons for decline in profit of MSTC is due to significant reduction in trading business and reduction in service charge in e-Commerce business as a result of which income has not increased in proportionate volume. The Committee further note that there has been decline in PAT from Rs. 130.73 crore in 2012-13 to Rs. 48.60 crore (upto December, 2014) in 2014-15. The Target for Income and PAT during 2015-16 is only Rs. 3714.65 crore and Rs. 44.55 crore respectively. The Committee feel that although MSTC may have done extensive study on the matter of trimming down its trading portfolio, they recommend that MSTC should go for more e-commerce activity and diversification plan as both income and profits have come down heavily from Rs. 6455.25 crore and Rs. 130.73 crore in 2012-13 to Rs. 3413.49 crore (upto December, 2014) and Rs. 48.60 crore (upto December, 2014) in 2014-15.

19. The Committee note that Board of MSTC has adopted the proposal for setting of an auto shredding plant at Dahej in Gujarat through Joint Venture. According to the Ministry, sourcing of raw material is one of the important issues for the shredding plant. The availability of raw material, such as condemned auto vehicle and white goods was explored but not much headway was made for sourcing domestically due to non-availability of regulations for condemnation of vehicle. A global tender for shredable goods (raw materials) for auto shredding plant was floated and only one offer was received. However, the decision on the same is reportedly not taken so far. In view of this, there was no expenditure during Financial Year 2014-15. Since currently there is no other ongoing project in hand for the company except e-commerce activities, the Committee desire MSTC to concentrate on its joint venture with Essar steel and expedite the setting up of auto shredding plant by exploring avenues for sourcing of raw material during the current financial year.

KIOCL LTD.

20. The Committee note that a Plan Outlay of Rs. 3,080 crore was earmarked for KIOCL in the 12th Five Year plan (2012-17). But now the Plan Outlay has been revised to Rs. 288.03 crore and Actual Expenditure (till December, 2014) was Rs. 28.97 crore. The

Committee note that some major projects envisaged for implementation during the plan period are stuck due to various reasons such as the Forward & Backward Integration project at Blast Furnace unit like DISP, Coke Oven, etc. (plan outlays Rs. 791 crore) has been dropped being uneconomical, setting up of Integrated Steel Plant on JV basis (plan outlays Rs. 483 crore) was also dropped as during the diligence process, the JV partner identified through tender was not found suitable. The permanent Railway siding & Bulk Material Handling System (plan outlay Rs. 303 crore) is pending due to prolonged litigation over the acquisition of land required for the project and the Eco Tourism project (plan outlays Rs. 100 crore) at Kudremukh is awaiting renewal of lease period of the revenue land by Government of Karnataka. The Committee are concerned to note that all these projects have not materialized resulting in downward revision of the 12th Plan Outlays and feel that the Ministry/KIOCL should have carried out an extensive study before planning the investments in these projects. The Committee believe that the Company should strive hard and take up such projects that will increase the profitability of the Company.

21. The Committee observe that Pellet production capacity in the country is continuously on rise and is likely to exceed 80 million tonne, whereas demand is only 50% of the capacity, leading to low margin. The Committee also note that most of the pellet producers either possess captive mine or are located near mine head. Hence, these manufacturers are able to sell their pellets much below the price of KIOCL pellets. Despite being aware of the fact that supply of pellets is exceeding its supply, the Committee are appalled at the fact that the target for pellet production is on the rise and against the target for Pellet Production of 1 million tonne during 2014-15, it has been increased to 1.8 million tonne during 2015-16. The Committee do not find any logic in increasing the pellet production which may result in dumping of pellets. Rather, the Committee feel that focus should be more on ensuring availability of captive ore mines for KIOCL so that the company becomes self-sufficient and does not have to look out for sourcing of iron ore. The Committee also observe that in the absence of captive iron ore mines, KIOCL would be forced to source iron ore from NMDC incurring huge logistics costs which in turn cut into the profits of the company. Besides huge logistic costs incurred in sourcing iron ore, the Committee have been given to understand that KIOCL is also suffering due to levy of Distance Based Charge (DBC) imposed by the Indian Railways. The Committee are informed that in case of Development of Iron ore deposit in Chikkanayakanahalli & Ramanadurga, the mining lease

application is pending with the Government of Karnataka. The Committee are unhappy to note that although in principle approval for grant of mining lease (Block No. 2) for an area of 116.55 hectares in Hombalghatta and Hosahalli villages of Chikkanayakanahalli Taluk, Tumkur Distt., Karnataka was obtained way back in 2008 and the Company had also obtained mine Plan approval and environment clearance for the project, but the Forest clearance is pending with Karnataka State Forest Department due to overlapping of area with two other allottees. The issue has been kept on hold for almost three years due to imposition of ban on iron ore mining by Hon'ble Supreme Court in the Tumkur district in the State of Karnataka. The Committee are informed that the matter is being pursued with the State Government by the KIOCL as well as Ministry of Steel. The Committee acknowledge that such major delays are bound to affect the performance of any company as all mining operations have been stalled for the last 6-7 years. The Committee, therefore, recommend that the Ministry of Steel should make concerted efforts so that all the clearances are obtained and all bottlenecks be removed urgently as presently the Company is suffering due to lack of any mining assets with them.

MOIL LTD.

22. The Committee note that MOIL Ltd. is the largest domestic producer of high grade manganese ore, a basic raw material for manufacturing of Ferro—Alloys an essential input for steel making and dioxide ore for manufacturing dry batteries. Against the annual plan outlays of Rs. 192.05 crore of the company for 2014-15 at BE and RE of Rs. 153.04 crore, the actual expenditure upto December, 2014 was Rs. 73.45 crore. A provision of Rs. 127.47 crore has been made in the annual plan for 2015-16. The reasons cited by the company for lower utilization of outlays are delay in grant of lease, delay in grant of final orders in respect of new area development, etc. With the increase in the domestic demand for high grade manganese and dioxide ore, the company embarked upon various capital schemes for development and modernization of its mines and increasing its mines production capacity from 1.1 million tonne to 2.0 million tonne by 2020-21.

The Committee observe that the production target of MOIL Ltd. for producing 2.0 million tonne ore by 2020-21, will be affected due to non-availability of statutory clearances for its mines. The Committee, therefore, desire that the Ministry/MOIL should prepare an action plan in this direction and take up the matter with all

concerned agencies for obtaining statutory clearances on war footing. The Committee would like to be apprised of the action taken in this regard.

23. The Committee also note that considering the necessity of expanding the operation of the company, MOIL has entered into joint venture with SAIL and RINL for setting up Ferro Alloys manufacturing unit to cater to Ferro Alloys requirement of these companies as per initial estimate of Rs. 600 crore out of which MOIL's share of investment is estimated to be Rs. 150 crore. The investment has not materialized due to (a) getting higher offer for furnace package leading to decision to refloat the tenders; (b) increase in rates of power all over India and in Andhra Pradesh necessitating review of the project to relocate Andhra Project in Chhattisgarh. The Committee consider the setting up of joint venture for production of Ferro Alloys by MOIL, SAIL and RINL is a step in the right direction and would like all the three companies to chalk out a strategy for its materialization.

MECON

24. The Committee note that MECON Ltd. is one of the leading multi-disciplinary organization in the field of Metal, Power, Oil Gas and Infrastructure Sectors. MECON is presently involved in almost all the mega steel projects including both in public and private sectors. It has also spread up wings in International market providing quality design, engineering and consultancy services for about 130 projects in different countries. An outlay of Rs. 5 crore was made for the company during 2014-15 and the same outlay has been made for 2015-16 for expansion, modification and augmentation of the space for office/guest house at various locations. The actual expenditure made by the company during 2014-15 was Rs. 3.74 crore (upto December, 2014). The company made a profit of Rs. 49.48 crore during 2013-14 while it incurred losses during 2014-15. The reasons given by the company for the losses during 2014-15 was general economic slowdown; the projects which were in hand were nearing completion stage resulting in lower contribution towards turnover; further ban on iron ore mining resulting in delay in implementation of projects and uncertainty in availability of coal in the country affecting order booking/project execution by the company. The Committee hope that the projects which were nearing the completion stage would definitely contribute towards the turnover of the company bringing it out of economic crisis. The Committee also recommend that the Company should take advantage

of begging more design, engineering, consultancy and contracting projects with the conducive atmosphere that has been created in the country for mineral exploration with the passing of the Mines and Mineral (Development and Regulation) Amendment Act, 2015 and the Coal Mines (Special Provisions) Act, 2015.

NEW DELHI;
23 *April*, 2015
03 *Vaisakha*, 1937 *(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 13th APRIL, 2015 IN COMMITTEE ROOM 'B', PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1100 hrs. to 1500 hrs.

PRESENT

Shri Rakesh Singh — *Chairperson*

MEMBERS

Lok Sabha

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

Rajya Sabha

17. Dr. Pradeep Kumar Balmuchu
18. Shri B.K. Hariprasad
19. Shri Jugul Kishore
20. Shri Avinash Pande
21. Dr. Satyanarayan Jatiya
22. Shri Dilip Kumar Tirkey

SECRETARIAT

1. Shri Shiv Singh	—	*Joint Secretary*
2. Shri Arvind Sharma	—	*Additional Director*
3. Ms. Miranda Ingudam	—	*Under Secretary*

WITNESSES

MINISTRY OF STEEL AND ITS PSU's

1.	Shri Rakesh Singh	Secretary, Ministry of Steel
2.	Smt. Bharathi S. Sihag	AS & FA, Ministry of Steel
3.	Shri Sunil Barthwal	Joint Secretary, Ministry of Steel
4.	Mrs. Urvilla Khati	Joint Secretary, Ministry of Steel
5.	Shri C.S. Verma	Chairman, SAIL
6.	Shri S.S. Mohanty	Director (Tech.), SAIL
7.	Shri T.S. Suresh	Director (Proj.), SAIL
8.	Shri P. Madhusudan	CMD, RINL
9.	Shri P.C. Mohapatra	Director (Proj.), RINL
10.	Shri Narendra Kothari	CMD, NMDC
11.	Shri N.K. Nanda	Director (Tech.), NMDC
12.	Shri D.S. Ahluwalia	Director (Fin.), NMDC
13.	Shri S.K. Tripathi	CMD, MSTC
14.	Shri A.K. Basu	Director (F), MSTC
15.	Shri A.K. Tyagi	CMD, MECON
16.	Shri S. Chattopadhyay	Director (Proj.), MECON
17.	Shri G.P. Kundargi	CMD, MOIL
18.	Shri M.P. Chaudhari	Director, MOIL
19.	Shri M. Bhaduri	CMD, HSCL
20.	Shri Malay Chaterjee	CMD, KIOCL
21.	Shri Rajib Bhattacharya	MD, FSNL

2. At the outset, the Chairperson welcomed the Secretary and other representatives of the Ministry of Steel and Steel PSUs to the sitting of the Committee convened in connection with examination of "Demands for Grants (2015-16)" of the Ministry of Steel. The Chairperson then drew attention of the witnesses to Direction 55 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* actual 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 2014-15 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 utilization of plan outlays and expenditure by Steel PSUs, reasons for low investment in R&D Sector, roadmap made by the Ministry of Steel/ Steel PSUs to achieve the target of 300 MT steel production, major constraints faced during Modernization and expansion programmes of SAIL, RINL, exploration of new mines and setting up of Steel Plant by NMDC, restructuring proposal of HSCL, diversification plans of KIOCL, 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.

ANNEXURE II

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 22 APRIL, 2015 IN ROOM NO. '112', FIRST FLOOR, PARLIAMENT HOUSE ANNEXE, NEW DELHI

The Committee sat from 1600 hrs. to 1630 hrs.

PRESENT

Shri Rakesh Singh — *Chairperson*

MEMBERS

Lok Sabha

2. Shri A Arunmozhithevan
3. Shrimati Jyoti Dhurve
4. Shri Faggan Singh Kulaste
5. Dr. Banshilal Mahato
6. Shrimati Ranjit Ranjan
7. Shri Neiphiu Rio
8. Shri Tathagata Satpathy
9. Shri Janardan Singh "Sigriwal"
10. Shri Pashupati Nath Singh
11. Shri Sunil Kumar Singh

Rajya Sabha

12. Shri Ali Anwar Ansari
13. Dr. Pradeep Kumar Balmuchu
14. Dr. Satyanarayan Jatiya
15. Shri Sanjay Raut
16. Shri Dilip Kumar Tirkey

SECRETARIAT

1. Shri Shiv Singh — *Joint Secretary*
2. Shri Ajay Kumar Garg — *Director*
3. Shri Arvind Sharma — *Additional Director*
4. Ms. Miranda Ingudam — *Under Secretary*

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

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

(i) ** ** ** **

(i) ** ** ** **

(iii) Draft Report on "Demands for Grants(2015-16)" of the Ministry of Steel; and

(iv) ** ** ** **

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

The Committee then adjourned.

**Do not pertain to this Report.