PARLIAMENT OF INDIA
RAJYA SABHA
DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE ON INDUSTRY
THIRTY-FOURTH REPORT
ON
PROBLEMS BEING FACED BY STEEL INDUSTRY
(BOTH IN PUBLIC AND PRIVATE SECTORS)
(PRESENTED TO RAJYA SABHA ON THE 2ND MAY, 2000)
(LAIRED IN LOK SABHA ON THE 2ND MAY, 2000)

RAJYA SABHA SECRETARIAT
NEW DELHI
MAY, 2000/VAISAKHA, 1922 (SAKA)

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Shri Ramdas Agarwal —Chairman

RAJYA SABHA

2. Shri Khan Ghufran Zahidi
3. Shri Jibon Roy
4. Shri Somappa R. Bommai
5. Smt. Saroj Dubey
6. Sardar Balwinder Singh Bhundar
7. Shri S. Sivasubramanian
8. Shri Nagendra Nath Ojha
9. Shri Shibu Soren

LOK SABHA

10. Shri Pon Radhakrishnan
11. Shri Chumnilal Thakur
12. Shri Ramnand Singh
13. Shri R. Basanagouda Patil
14. Smt. G. Mallikarjunappa
15. Shri Tarachand Sahu
16. Shri Anant Nayak
17. Shri Ram Singh Kaawan
18. Shri A. Narendra
19. Shri A.C. Jose
20. Shri Uttamnaras Deoras Patil
21. Shri K.P. Singh Deo
22. Shri Thomas Hansda
23. Shri R. Basanagouda Patil
24. Shri R. Balawinder Singh Bhundar
25. Shri Sivasubramanian
26. Shri P. Rajendra
27. Shri R. Ramnath
28. Shri M. Rajah
29. Kunwar Sivraj Singh
30. Shri Deepak Kumar
31. Shri Manjoy Lal
32. Shri A. Narendra
33. Shri G. Mallikarjunappa
34. Shri A. Narendra
35. Shri Nagmani
MEMBERS

1. Shri Rajubhai A. Parmar
2. Shri P.C. Paikray
3. Shri Tapas Das Gupta
4. Shri Satish Kumar

SECRETARIAT

Shri Satish Kumar, Additional Secretary
Shri Tapas Das Gupta, Director
Shri P.C. Paikray, Under Secretary
Shri Mom Raj Singh, Committee Officer

PREFACE

I, the Chairman of the Department - related Parliamentary Standing Committee on Industry hereby present this Thirty-fourth Report of Sub-Committee-I (of Department related Parliamentary Standing Committee on Industry) 1998-99 on problems being faced by Steel Industry (Both in Public and Private Sectors). The Committee on Industry at its meeting held on 14th August, 1998 inter-alia constituted Sub-Committee-I to examine the issues of problems of Steel Industry in Public as well as in Private sector. The Sub-Committee visited various Steel Plants and interacted with the workers and management of Steel units in both the sectors. Thereafter, the Report has been prepared on the basis of spot study.

2. The Committee's conclusions/observations/recommendations relating to short- term issues of steel industry were incorporated in Committee's 30th Report along with the report on the Demands for Grants (1999-2000) pertaining to Department of Steel.

3. Report pertaining to long term issues of the Steel Industry could not be considered and adopted by the Committee due to dissolution of the 12th Lok Sabha.

4. Newly constituted Department-related Parliamentary Standing Committee on Industry in its meeting held on 11th January, 2000 decided to consider, adopt and present the Report because the report contains long term issues of Steel Industry.

5. The Committee in its meeting held on 26th April, 2000 considered and adopted the Report.

NEW DELHI
May 2, 2000

RAMDAS AGARWAL
Chairman,
Department-related Parliamentary Standing Committee on Industry

INTRODUCTION

The Department -related Parliamentary Standing Committee on Industry at its meeting held on the 14th August, 1998 inter-alia constituted Sub-Committee-I for in-depth study of Problems being faced by Steel Industry (both in public and private sectors). As the steel industry was passing through a crisis-ridden phase. It was decided to have in-depth study of the problems faced by steel industry. Taking into consideration the on-going liberalization process and the consequent expanding role of private entrepreneurs in steel industry, decision was taken to cover the steel plants in the private sectors also.

Composition of the Sub-Committee

1. Raghavji — Chairman

MEMBERS

2. Shri Rajubhai A. Parmar
3. Shri Nagmani
4. Shri Sanjiv Ninpam
5. Shri Shibu Soren
6. Shri Gaya Singh
7. Shri Mani Lal
8. Shri Gyan Singh
9. Shri Tarachand Sahu
10. Shri Punnulal Mohale
11. Shri K.H. Muniyappa
12. Dr. Shakeel Ahmad
13. Shri Sunil Khan
14. Shri Shukmani Choudhury
15. Shri Prabhat Kumar Samantaray

The Ministry of Steel was requested to furnish detailed background note on problems being faced by Steel Industry. The Ministry in the background note have inter-alia stated that sluggish Steel demand, rising cost of inputs, high power tariff, lack of infrastructural facilities, lack of fund flow, dumping of steel by CIS and South East Asian Countries. import of Sub-Standard Steel materials are the general problems of Steel Industry.

The Ministry of Steel, while stating the specific problems faced by SAIL, informed the Sub-Committee that the growth of steel consumption has come down from 22% in 1994-95 to about 1% in 1997-98. A general recession in the economy, like decline in GDP growth rate and industrial growth has affected the prospects of SAIL. It was further informed that while there is a reduction in the international price of coal, there is an abnormal increase in coking coal prices in India (8% in 1994-95; 12% in 1995-96, 28% in 1996-97, 12% in 1997-98) impacting an additional burden of Rs.2,000 crore to SAIL. Moreover, SAIL has incurred capital expenditure of Rs. 16, 200 crore on modernization and other addition & modification schemes and had to borrow 77% of the amount.

The Ministry of Steel apprised that the current manpower in SAIL is 1,77,000. Consequently labour cost became substantially higher compared to domestic and international competitors. (SAIL has to incur 18% as labour cost in comparison to TISCO's 14.9%, RINL - 4.5% Essar Steel -10.3%, Jindal's -2.1%, Lloyd Steel - 1.2% Moreover Labour cost is rising faster then any other element of cost and has increased from 14. 1 % to 16.5% of SAIL's turnover during last five years. Not only this, SAIL has about 28,000 contract labour and expenditure on contractual labour stood about Rs.340 crore in 1997-98 (3% of total cost).

The Ministry of Steel further stated that all the subsidiaries of SAIL like TISCO, VISL, MEL etc. are permanently dependent on SAIL and SAIL has extended about Rs.3000 crore in these subsidiaries in the form of equity investment, loans, and advances and waiver of interest on loans up to 3 1% March, 1998.

As regards the tax-structure, the Ministry of Steel opined that Excise Duty - on Iron & Steel has increased over the year and at present, excise duty on steel is 15% ad-valorem as against 12.5% on flat products and 1000 per tonne on long products before 1994-95. Project increase in import duty on coking coal result in a substantial increase in the cost of production. Similarly frequent increase in railway freight affected the competitiveness of SAIL. The Ministry of Steel suggested that there is a need to consider reduction in freight specifically for the transportation of raw material like Iron Ore and coking coal, classification of steel may also be reduced 210 to 290 (T/L) and 230 to 210 9 (W/L) to reduce the freight on transportation of finished steel.

The Ministry of Steel also furnished the specific problem of Rashtriya Ispat Nigam Ltd. Which inter-alia included decrease in the turnover, high depreciation and interest burden, inflated freight charge by Railway for iron ore movement on K. K. line and fall in export
performance due to South-East Asian economic crisis.

The Sub-Committee also requested Federation of Indian Chambers of Commerce and Industry and Confederation of Indian Industry to furnish a detailed background note on its subject to study undertaken, FICCI and CII furnished the same which inter-alia included the general scenario of steel industry and suggestion to emancipate the recession ridden steel industry.

After taking into account the background material supplied by the Ministry of Steel and FICCI and CII on the subject matter, the Sub-Committee met on 29th August, 1998 and decided to visit (i) Bihar, Raigarh, Rourkela, Tata Nagaro, Bokaro, Durgapur and Calcutta from 13th to 21st September, 1998 to interact with the workers and management of Bhilai Steel Plant, Ferro Scrap

Nigam, Ltd., Dimand Mines, Jindal Strips Ltd., Rourkela Steel Plant, Tata Iron & Steel Company, Bokaro Steel Plants, Bharat Refractories Ltd., Indian Iron & Steel Company, Kulti Works, Alloy Steel Plant, Durgapur Steel Plant, Metal Scrap Trade Corporation Ltd., Hindustan Steel Construction Ltd., and officials of Central Marketing organization and Development Commission for iron and steel in the first phase of study visit and Chennai, Salem, Visakhamanandam Hyderabad from 5th to 13th October, 1998 to interact with Regional Development Commissioner for Iron & Steel and workers and management of Salem Steel Plant, Southern Iron & Steel Company Vizag Steel Plant, Sponge Iron India Ltd., National Mines Development Corporation in its second phase of study visit. The Sub-Committee in its meeting held on the 1st December, 1998 decided to visit Nagpur, Wardha, Chandrapur, Mumbai, Surat and Goa from 3rd to 12th January, 1999 to interact with the workers and management of Manganes ore India Ltd., Ipat Industries Ltd. (Cold Strip Mills), Essar Steel Ltd., Mandovi Pellets Ltd., and representative of financial Rolling Mills), Lloyds Steel Ltd, Maharashtra Electiro smelt Ltd., Ipat Industries Ltd. (Hot institutions and Regional Development Commission for Iron & Steel in the third phase of study visit and to Bangalore, Bellary, Bhadravati and Mangalore etc. to cover the visit to SAIL stockyard, interaction with private entrepreneurs and meeting with workers and management of Jindal Vijay Nagar Steel Ltd., Voivesvaraya Iron & Steel Ltd., Kudremukh Iron Ore Mines and Kudremukh Iron Steel Company, Ltd.

The Sub-Committee in its meeting held at Delhi on 12th February, 1999 interacted with representative of Ministry of steel and representatives of Regional Development Commissioner for Iron & Steel alongwith representatives of Cold rolled Manufacturers Association of India. Steel Furnace Association of India, All India Industries Furnace Association, Indian Refractory Members Association, All India Steel Re-Rollers Association, Sponge Iron Manufacturer Association, Pig Iron Manufacturer Association of India, M/s Rathi Ispat Ltd., M/s Suman Iron & Steel Ltd., Malviya Steel Products Ltd

REPORT

PHASE – I

BHILAI STEEL PLANT (BSP)

The Sub-Committee visited Bhilai Steel Plant on 14th September, 1998. Bhilai Steel Plant (BSP) was conceived as a joint venture of India and USSR on 2nd February, 1955. BSP reached its rated capacity originally conceived at one million tonne per annum ingot steel in 1962-63 which was expanded to 2.5 million tonne per annum of ingot steel in 1967-68 with matching facility for production of 19,6500 tonne of saleable steel. The plant's capacity was subsequently expanded from 2.5 MTPA to 4.0 MTPA in 1990-91 under continuous casting route for the first time in an integrated steel plant. At present the plant is equipped to produce annually 31,50000 tonne of saleable steel comprising of 5,08,000 tonne of rails; 2,50,000 tonne of heavy structural; 5,00,000 tonne of merchant products such as bars, rods medium beams, angles etc. and 4,00,000 tonne of wire rods; 9,50,000 tonne of plates and 5,53,000 tonne of semi for sale to be used by the re-rolling industry.

The Sub-Committee was acquainted with the structure and capacity of BSP in terms of Iron and Steel making and Rolling Mills:

### Iron & Steel Making

<table>
<thead>
<tr>
<th>Unit</th>
<th>Structure</th>
<th>Capacity in (tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coke ovens</td>
<td>8 Batteries, 4.3 m 65 enus 2 Batteries</td>
<td>3.3 MT BF coke</td>
</tr>
<tr>
<td>Blast Furnace</td>
<td>3 of 1033 CuM capacity</td>
<td>4.08 MT Hot metal</td>
</tr>
<tr>
<td>SMS-1</td>
<td>3 of 1719 CuM capacity</td>
<td>1.000 CuM capacity</td>
</tr>
<tr>
<td>SMS-2</td>
<td>3 of 900 T open hearth Furnace</td>
<td>2.5 MT Ingot Steel</td>
</tr>
<tr>
<td>SMS-3</td>
<td>3 of 110 130 T Converters, 1 VAD Unit, 4 Slab Casters, 1 Bloom Caster</td>
<td>1.425 MT Cast Steel</td>
</tr>
</tbody>
</table>

### Railway Mill

<table>
<thead>
<tr>
<th>Mill</th>
<th>Products</th>
<th>Capacity (in tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blooming Mill</td>
<td>Billets</td>
<td>249000</td>
</tr>
<tr>
<td>Billets Mill</td>
<td>Billets</td>
<td>150100</td>
</tr>
<tr>
<td>Rails Joints</td>
<td>Channels &amp; Angles</td>
<td>150100</td>
</tr>
<tr>
<td>Merchant Mill</td>
<td>Joints, Rounds</td>
<td>50,0000</td>
</tr>
<tr>
<td>WRM</td>
<td>Wire Rods (Plain &amp; TMT)</td>
<td>420000</td>
</tr>
<tr>
<td>Plate Mill</td>
<td>Plates Thickness 8-12 MM, Width 1500-3600 MM</td>
<td>950000</td>
</tr>
<tr>
<td></td>
<td>Length 5.5 - 12.5 M</td>
<td></td>
</tr>
</tbody>
</table>

Meeting with workers of BSP

The Sub-Committee met the representatives of workers and came across the problems being faced by Steel Industry in general and the Bhilai Steel Plant in particular. Some specific problems of the workers were also discussed. The workers representatives expressed their pleasure for being associated with BSP and the Sub-Committee noticed deeply rooted sense of belongingness of workers toward BSP as an Organisation.

Workers representative viewed that recent recession in steel industry has marred the prospect of steel industry as a whole as it is difficult to sale the steel products, resulting in amassing of inventories. Workers requested for grants to steel Industry in such adverse situation. The workers argued that as the global recession has crippled the sale of BSP 's products so the necessity is to sketch new marketing strategy. Dumping of steel products by international players in the domestic market is adding problems to the domestic market scenario hence there is need to pass some anti-dumping law in order to protect the domestic market. Moreover workers representatives expressed concern over “increasing operating cost” which pose as one of the major problems of BSP. They hoped that if some sort of financial motivation is provided to the workers it will smoothen the functioning of the plant, the workers representative argued that there is no point in giving fillip to the policy of isolation.

The worker's representative informed the Sub-Committee that the issue of pension to workers as third wage is pending in the Supreme Court and expects the early disposal of case in the better interest of workers. The general issue of welfare measures in BSP also cropped up during the meeting with workers representatives.

The issue of marginal efficiency of labour having a direct bearing on the performance of BSP was discussed. The Committee was apprised of the fact that the efficiency of labour is directly related to the performance of a steel plant and labour productivity is the Key index of labour efficiency & performance. It was informed that in the steel industry, the standard unit labour productivity in terms of crude steel production per man/year is denoted by :-

\[ LP = \frac{\text{Production of crude steel}}{1/4 \text{ production of pig iron}} \]
34th Report of Committee on Industry

Works manpower

The Sub-Committee was informed that the labour productivity in BSP has gone up from 195 TMY in 1991-92 to 131 TMY in 1997-98, the labour productivity is coupled with increase in production of that metal and crude steel over the years and reduction in manpower which has also shown a parallel and consistent upward trend.

Meeting with management

The Sub-Committee met the management of BSP and inquired the salient areas of activity in term of production/ manufacture of the plant and the capacity utilisation of during last three years. The management gave the details thereof:

Areas of activity | Capacity | Utilisation | In %
--- | --- | --- | ---
Hot Metal | 107.4 | 107.8 | 110.7
Crude steel | 103.8 | 106.5 | 107.6
Salable steel | 110.8 | 113.6 | 111.8

Specific production along with rated capacity

The Sub-Committee met the management of BSP and inquired the salient areas of activity in term of production/ manufacture of the plant and the capacity utilisation of during last three years. The management gave the details thereof:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>585(141.7)</td>
<td>691(156)</td>
<td>745(134.1)</td>
<td>250(39.8)</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>808(160.5)</td>
<td>1179(233)</td>
<td>1554(306.5)</td>
<td>437(17.9)</td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td>2712(1120.6)</td>
<td>2458(1073.5)</td>
<td>2447(1140.9)</td>
<td>376(237.99)</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>808(160.5)</td>
<td>1179(233)</td>
<td>1554(306.5)</td>
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<td>745(134.1)</td>
<td>250(39.8)</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>13318(819.4)</td>
<td>588(684)</td>
<td>144(701.3)</td>
<td>311(120.2)</td>
<td></td>
</tr>
</tbody>
</table>

The Sub-Committee wanted to know the reasons for low net profit in the 1st quarter of 1998 which stands at Rs. 120 crore. The management argued that during the said period if paid June. 1998 the net sales realisation for most of the products had declined due to sluggish market condition both in home & export fronts. Further the volume of sales also declined. The Sub-Committee was informed of the practice of using straight line methods in accounting depreciation which was found old method by the Sub-Committee and the Sub-Committee's observation was accepted by BSP's financial manager Shri C.S. Murthy.

As regards the product diversification at BSP, the management informed the Sub-Committee that various new products of high value is being developed which inter-alia include dead soft quality plates, ASTM A-537 class-I grade Boiler quality plates, ASTM A-204 grade A & B Boiler quality plates, NES 791(Pt-1), NCD 1431 plates for Naval vessels. IRS M41 corrosion resistant high tensile plates, thicker plates in boiler quality and high tensile grades. TMT wire roads, Ball bearing steel wire rods, low carbon micro alloy steel slab, High strength corrosive resistant (HCR-M) grade round wire rods and fillets, high tensile, structural for TLT manufacture.

As regards the marketing strategy, BSP management informed the Sub-Committee that steps are being intensified towards increasing market share, composition pricing entering into MOU with major customers to maximum sales; direct dispatches to customer to the tune of 50-60% of its sales, segment and niche marketing; improved customer satisfaction through customised products; faster redressel of customer's grievances; improvement in customer service through reduction in response time and simplification of procedures and improved documentation; development of new products and value addition through conversion of service into value added high corrosion resistance TMT bars and high tensile structural.

Furthermore, the Sub-Committee asked whether the existing infrastructure facilities are sufficient in the plant the Sub-Committee is informed that there is a need for doubling the railway line to Vizag and augmenting the port capacity. The issue has been taken up with the appropriate authorities.

As regards the status of the expansion plan the BSP management informed the sub-committee that the major schemes on modernisation/technological up gradation and addition of infrastructural facilities completed in BSP include Coke Over Battery No. IO, installation of Coal Dust Injection System in Blast Furnace No.6, installation of twin Hearth Furnace No.4 replacing open Hearth Furnace, installation of C&D strands in roll Rod Mill & expansion of Oxygen Plant-11. The Sub-Committee was informed that stage-I-Phase-I modernisation of R&S Mill is already completed in September, 1997 along with completion of stage-I, Phase-II: The balance Part i.e. replacement of I-D Motor along with the ventilation system is planned to be completed during next Mill shut down planned in the year 1998-99. As regards the achievement of power plant No.0, the Sub-Committee was informed that battery number No.10 was commissioned on 5th November, 1996 and all the ovens and the machines for services of the battery are in healthy condition. The quality of the Cake produced by the Battery is good and the techno-economical norms are being achieving.
Currently, Sinter Plant-III project for increasing the Capacity of sinter-making is ongoing and is likely to be completed by October, 1999. The BSP management informed the Sub-Committee that the need for Sinter Plant-III was felt due to erosion of RCC & Steel Structures of SP-1; no possibility of expansion of SP; requirement of additions sinter to production; and moreover increased Sinter in Blast Furnace burden not only increases furnace productivity with reduction in Coke/slag rate but also enables smoother operation of Blast Furnaces. The Sub-Committee was further informed that the delay in the Commissioning of Sinter Plant-III resulting into the escalation in the cost of the project are due to delay in the finalisation of basic Engineering drugs; delay in the finalisation of detailed Engineering drugs; six months delay in submission of Bank guarantee towards security deposits by M/s TPE resulting in delay in starting Engineering and site work; delay in submission of civil Engineering drugs and its execution by M/s TPE, NVs Simplex; poor performance of HSLC (Sub-Contractor of NVs TPE & TPI) in fabrication and erection of structures. Resources of the contracting agencies of site activities were generally short and were not able to meet the schedule of erection inspite of detailed discussion by BSP. The Sub-Committee asked as to what follow up action have been taken in connection with directives to the contracting Agencies is being undertaken to follow up the progress and speeding up of the work. Results of critical activities and contract management with the senior officials of M/s Mitsui; simplex and TPE/TPI are undertaken by BSP. Contracting agencies are being persuaded to augment the resources to channelise the preparation of drawings and sequence the erection strategy of equipment and structures.

In a reply to the Sub-Committee enquiry regarding the status of acid regeneration unit -in light of the observation of CAG report, the management revealed that Acid Regeneration unit was started on 19th August 1996 as a R&D Project where in house technology was developed by SAIL's Research and Development Centre (RDCIS). It was further informed that the Unit has already produced 1375 tonnes of acid during the normal operation of unit because of the unexpected high rate of corrosion of many equipment and pipes lines which were corrected. The unit was taken under repair and now it is ready for commissioning.

On the Sub-Committee's inquiry as to whether the plant is suffering from excessive inventory problems the management submitted that aggressive marketing efforts such as competitive pricing, entering into MOU with major customers, direct dispatches to customers etc have been taken up for plates and semis to reduce the inventory build up. As regard other products the inventory is on the decline. The total inventory of saleable steel has come down to 3,57,800 tonne on 1st August, 1998 from 3,74,600 tonne on 1st April, 1998.

One astonishing fact that came to the notice of the Sub-Committee is that rail transportation is costlier in comparison to road transportation for shorter distance due to minimum chargeable condition imposed by Railways. For longer distance also transportation by truck trailer is cheaper.

The Sub-Committee wanted to know the extent of peripheral development of BSP and wanted to know the specific reasons as to why not Raipur District have been covered for peripheral development activities especially in view of the fact that land in that district was submerged for building reserves for BSP. The management informed that the peripheral development efforts of SAIL plants are focussed upon helping the people in the areas surrounding the Steel plants, to improve their living condition by providing certain infrastructural and educational facilities. However, the peripheral development efforts of SAIL Plant are confined within an area of 8 kms but the peripheral development activities of BSP are being carried out within the radius of 16 kms of the plant. The main thrust of peripheral development is in augmenting water supply through sinking of tube wells, construction of roads, construction of class rooms and buildings in school buildings, construction of bridges and culverts for providing access, construction of cultural halls, etc. and also providing medical support through Free Health and Eye Camps, Cultural activities etc. And since Raipur district falls beyond the radius of 16 Kms from BSP, it is not possible to provide coverage of the said area in due peripheral development scheme of BSP.

The BSP management informed the Sub-Committee that adequate afforestation programme has been launched and more than, 1000 trees per day plantation are under way and the percentage of tree farms in the afforestation plan is about 30%. The Sub-Committee was also informed that BFS has 4 hospitals, 15 health centres, 234 doctors, 1000 beds, 479 nurses, 234 house surgeons backed with modern advanced facilities of ICU & ICCU units, CT scan, gama camera, 76 Mobile operating unit emergency care.

BSP management highlighted certain areas of concern which need immediate solution for the sake of improving in the prospect of Steel Industry:

(i) Lack of market Demand.
(ii) Input price escalation (Coal, Power freight etc.)
(iii) Excise duty vis-a-vis import duty.
(iv) Quality & Quantity of indigenous coalng coaling.
(v) Early development of Balaghat Mine Project.
(vi) Completion of double line for Raipur-Vizag route.
(vii) Need for road infrastructure for augmenting delivery of products by road.

FERRO SCRAP NIGAM LIMITED

The Sub-Committee met Ferro Scrap Nigam Limited (FSNL) management on 149.98 who informed that FSNL was incorporated as a joint Sector Company on 28.3.79 with a paid-up capital of Rs.200 lakhs of which 60% Equity share are held by MSTC Ltd. and the remaining 40% are held by HARS Co. Corporation. Besides its registered office at Biliah, Madhya Pradesh, FSNL has its six operating units at Rourkela, Bursal, Biliah, Bpuram, Vizag & Durgapur.

The management informed the Sub-Committee about the short-term objectives of FSNL which inter-alia include to maximise recovery of scrap; to ensure fair return on Capital employed, to meet the capital expenditure out of internal resources generation while long term objectives includes Modernisation and up gradation of technology, taking over complete scrap recovery and handling job of the Steel plants of public and private sectors; undertaking R & D activity and thereby converting the slag, flyash and other industrial wastes into cost effective and eco-friendly marketable products & manufacturing HBI/Iron sponge for meeting the shortage of melting shop.

Besides undertaking the job of recovery and processing of scrap from slag, FSNL offers specialised services to steel plant in the areas of : Dig and haul of SMS slag at SMS slag yards, Processing of Iron and Steel slags and mill rejects as per customer's requirement; scrapping of slab; crushing and screwing of L.D. slag to be used in Sinter Plant, Blast furnace etc.

The management stated that production of one tonne of crude steel scrap from steel (as compared to making it through the conventional steel making process) results in 74% saving in energy; 94% saving in Virgin Materials (i.e. 1.5 tonne of Iron Ore, O.9 to 1.0 tonne of coking Coal and 0.5 tonne of lime stone) 40% saving in industrial water requirements, 85% reduction in Air pollution & 97% of minerals and other industrial wastes are recycled in an integrated steel plant benefits in Cost reduction. Additional resource generation by secondary sales after undertaking R & D activity and thereby converting the slag, flyash and other industrial wastes into cost effective and eco-friendly marketable products & manufacturing HBI/Iron sponge for meeting the shortage of melting shop.

The management informed the Sub-Committee that FSNL has adopted Hackett's world class and world wide technology in scrap recovery operation utilising mechanised mobile process for carrying out the scrap recovery and processing operation. The company deploys heavy earthmoving equipments such as Multi-purpose Dragline Crane. Hydraulic excavation, Dozer, Dumper, Magnetic Separation etc. But old technology of M/s Hackett division of HARSco Corporation needs to be modernised to meet the total requirement of the customers both in quality and quantity.

As per the terms of agreement M/S HARSCO Corporation who hold 40% equity shares in FSNL, were supposed to provide the latest technology, free of cost but they have not provided the same despite repeated request since 1987. On the other hand they are demanding a lump sum amount of $ 5 million for the "technology transfer" and have linked the technology transfer with purchase of their 40% share at an additional sum of $ 3 million which is in violation of the original obligation. The management pin-pointed that the issue needs to be sorted out expeditiously, so that FSNL activities are modernised in order to fulfill the customer's requirement.

The management informed the Sub-Committee that FSNL, in a bid to enter into private sector for scrap recovery and processing job, discussions/negotiations have been held with Jindal Vijay Nagar Steel Ltd. On the basis of these discussions and on the spot assessment of the facilities available and the requirement of the customers, proposals have been submitted for their consideration. The management further informed that discussions/dialogues have also been started with M/s Neelachal Ispat Nigam Ltd., M/s Essar Steel Ltd. and Ispat Metallics India Ltd. for taking up scrap recovery operation and they have shown positive response.

As regards the Production & Financial Performance, the Sub-Committee was provided the following information:

<table>
<thead>
<tr>
<th>Financial Performance</th>
<th>(in 000 M tonne)</th>
<th>(in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Performance</td>
<td>910</td>
<td>1035</td>
</tr>
<tr>
<td>Turn over</td>
<td>35.26</td>
<td>52.13</td>
</tr>
<tr>
<td>Income</td>
<td>25.27</td>
<td>37.10</td>
</tr>
<tr>
<td>Gross margin</td>
<td>18.81</td>
<td>21.85</td>
</tr>
<tr>
<td>PBT</td>
<td>13.37</td>
<td>14.97</td>
</tr>
</tbody>
</table>

Talking about labour productivity, FSNL management informed the Sub-Committee that in 1993-94 it was 770.93 MT Per Man day which rose to 930.62 MT Per Man day.

Financial Performance

<table>
<thead>
<tr>
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Talking about labour productivity, FSNL management informed the Sub-Committee that in 1993-94 it was 770.93 MT Per Man day which rose to 930.62 MT Per Man day.
Due to huge outstanding amounting to Rs.60.5 lakhs with SAIL and RINL, FSNL is facing following problems:

(i) FSNL is not in a position to fulfill its plan towards capital expenditure.
(ii) It is affecting the modernisation plan of FSNL.
(iii) Relation with its foreign shareholders is also getting strained.

Bhilai Steel Plant, alone, denied to pay FSNL the outstanding amount to the tune of Rs.22 crore on the fake & flimsy ground of over consumption of BSIP's oxygen plant. Similarly, HISCO failed to pay Rs.7 crore & RINL declined to pay Rs.12 crore to FSNL.

The management further informed the Sub-Committee that despite clear-cut decision by the Government vide Minutes of performance Review Meeting held at Ministry of Steel on 21.12.1990 that “all scrap recovery operations in the integrated Steel Plants should be handed over to FSNL, some of Steel Plants are engaging private contractors in FSNL area of scrap-recycling and processing on the pretext of cost-reduction, though as per the Agreement with FSNL, all scrap rising in the Steel plants are to be handled by FSNL only. Not only this, even some of the job which are being carried out by FSNL are given to HSCL who in turn engage private contractors without any expertise in the field of scrap recovery and processing operations.

On the Sub-Committee's inquiry of Union-management relation, FSNL informed that the present strength of man power employees in its various units is 1347 which consist of 139 Executive and 1208 non-executives. To have harmonious & cordial relation among Union and management, a Joint Forum Committee (JFC) has been constituted consisting of Union and management of all units. Regular meeting of JFC are held whereupon issues of common concerns are discussed and sorted out, mutually. Besides a specific works procedure to redress the individual grievances of the employee, workers Committee, Safety Committee and Welfare Committee are at work at unit level consisting of workers and management.

As regards the specific measures of cost-reduction to increase profit in cost profit ratio, the management informed the Sub-Committee that FSNL has decided to reduce the cost by 10% of the approved budget and accordingly necessary direction have been given to the units to keep the cost as minimum as possible by keeping in view at least 10% saving from the budget-allocation.

The SWOT-Analysis of FSNL, as per management viewpoint, reveals, work-culture generated by 1400 efficient, skilled, expressive manpower, multi-disciplinary trade, consistent growth with established high market share, pioneer company in public sector engaged in business and collaboration with Hackett Multisery are the strength of FSNL while single business of scrap-processing Ltd. customer and outdated technology are the weaknesses of FSNL. Areas of opportunities are increased volume of existing business with regular customers; New business like solid-waste management; opening service centre for steel plants on contract basis.

However, FSNL has to be guarded against the possible threats from small parties entering in the business. As Modernisation of Steel Plants has resulted in lesser generation of scrap and slag, lower demand, for processed scrap so FSNL has to search new ground of business. Moreover due to recent recession in Steel industries and cash crunch, Steel plants are not in a position to make regular payments.

MEETING WITH OFFICIALS OF DIAMOND MINES

The Sub-Committee met the officials of Diamond Mines on the 14th September 1998 and came across the mining process and mining of diamond of process. Interestingly, the word diamond has been derived from Greek word 'adamas' meaning "the invincible" and denoting the quality of exceptional hardness. With the passage of time the word 'admas' slowly got converted into admatan, diamant and finally to diamond "a precious stone composed of crystallised carbon, usually colourless and of great brilliance hard substance known. Diamond is considered to be found at a great depth in the mantle of earth under high temperature and pressure and is believed to be carried up to the surface and is believed to be carried up as "kimberlite" magma, what is known as 'kimberlitie'.

The Sub-Committee was informed that diamond are mainly divided into three categories as per their uses viz-semi-gem, semi-gem and industrial diamond. Although there are more than 5000 thousand categories of diamond but from valuation point of view, it is mainly classified on the basis of four C's i.e. Cartage (weight); clarity, colour and cutting. The world famous diamonds like Kohimoor, Pitt or Regent, Orloff, Great Mogul, Aklbar Shah, Mahan Patz, Nizam, Nasik, Pigot & Hope, having the best of all four C's are the bench mark in the sparkling diamond heritage of India. The Dawn of 20th Century brought in focus the kimberlitie deposit in Vindhvas and mining activities of the dawn began in the Panna areas of Madhya Pradesh. Initially, mining was carried out by private companies but in early sixties, the basis of four Cs i.e. Cartage (weight); clarity, colour and cutting. The world famous diamonds like Kohimoor, Pitt or Regent, Orloff, Great Mogul, Aklbar Shah, Mahan Patz, Nizam, Nasik, Pigot & Hope, having the best of all four C's are the bench mark in the sparkling diamond heritage of India. The Dawn of 20th Century brought in focus the kimberlitie deposit in Vindhvas and mining activities of diamonds started in the first quarter of this century in Panna areas of Madhya Pradesh. Initially, mining was carried out by private companies but in early sixties, these mines were taken over by NMDC. The production in this area, though meagre but has distincting producing some important gem quality diamonds viz. Gir, Girija, Uma, Subhadra. Vasundhara, Vajralaxmi, Urvashi.

Although diamond finds have been reported from Madhya Pradesh, Andhira Pradesh and Orissa but Bundelkhand and Chhattisgarh regions are prominent in Madhya Pradesh. In Bundelkhand region, important deposits of diamond occur in Panna district and - Mines occurrences are reported from Satna and Chhatarpur districts. The diamondiferous area of Panna district runs in the form of a belt for about 70 kms. In ENE-WSW trend and the belt extends from Palanikakhera in the ENE to Majhgawan in the WSW direction. The diamondiferous deposit of this region is of various types. The details are as under:

Primary sources of rocks, Kimberlite & other rocks.

(i) Majhgawan Kimberlite Diatreme.
(ii) Henota Kimberlite Diatreme.

Secondary source of rocks

(a) Conglomerate

(i) Iwra conglomerate
(ii) Bhuri Conglomerate
(iii) Gahadra Conglomerate

(b) Quaternary Gravels

(i) Quaternary Alluvial Gravel
(ii) Super Fmln Laterite Gravel.

The Parma Diamond belt is the only Diamond producing field of the country. M/S National Mineral Development Corporation Ltd., Diamond Mining Project. Panna is engaged in the Mining of primary source, the Kimberlite pipe by holding mining lease over an area of 126.310 hectares. Mining is being done in benches. The company prospected the deposit under the guidance of Russian. Experts by sinking two shafts on both the sides of the pipe up to the depth of 300 in. The diamonds obtained by M/s NMDC Ltd. are auctioned at prominent places and royalty is paid to the Government of Madhya Pradesh.

In Chhattisgarh region diamond hearing Kimberlite pipes have been located in Mainpur area of Raipur district. In Bastar district the Kimberlite pipes have been located in Tokapal and Bherijapad areas. In Raigarh district, diamond crystals have been reported to be found along with gold flakes in the sands of rivers IB & Maini. The Directorate of Geology and Mining, M.P. has recently discovered for Kimberlite emplacements in Mainpur area of Raipur districts i.e. Behnadil, Pasurekhund, Jungra and Kodomai. The Sub-Committee was informed that the incipient modes of Kimberlite emplacement is developed on the basis of litho structural control, tectonomagmatic event andRemote sensing based on integrated survey, discovery of Kimberlite pipes in early 1990's of Mainpur Kimberlite Field (MKF) have instigated to look for favourable tectonic and lithological controls for Kimberlite emplacements in Bastar Craton. Tokpal Kimberlite (TK) near village Tokpal in Bastar district is an example in this regard.

The officials of the Directorate of Geology and Mining, Panna, informed the Sub-Committee that the result of survey work done, so far, (Shallow Diamond Mines deposits) are under Operation. Diamond office, Panna, issues temporary licence for diamond mining for one Calendar year. The licence is given for mining the area of 2MS feet.

The Sub-Committee was finished with the details of production received from shallow Diamond Mines:

<table>
<thead>
<tr>
<th>Year</th>
<th>Carat</th>
<th>Royalty</th>
<th>Rate of Royalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>19226.93</td>
<td>205</td>
<td>20</td>
</tr>
<tr>
<td>1994-95</td>
<td>704.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995-96</td>
<td>922.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996-97</td>
<td>440.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997-98</td>
<td>363.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998-99</td>
<td>413.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1999-00</td>
<td>138.51</td>
<td></td>
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</tr>
</tbody>
</table>
MEETING WITH PRIVATE ENTREPRENEURS IN STEEL SECTORS (BHILAI)

The Sub-Committee interacted with the private entrepreneurs in the Steel Sector to assess the problems being faced by them.

Meeting with Jayaswal Neco Limited

Jayaswal Neco Limited is an integrated Steel plant at Siltara industrial Growth Centre with all auxiliary facilities alongwith captive power plant raw-material handling plants Gas cleaning plant, etc. The project completed and commissioned on 15th November 1996 on a green field from grass-root level and now is in operation.

1. During the course of interaction the following specific problems being faced by the plant were brought to the notice of the Sub-Committee.
2. Sanction for 8 MGD of water to the plant accorded by MP water resources Department, has been awaiting renewal since long.
3. Clearance from the Cement Corporation of India (CCI) for diversion of the underground water pipe line belonging to the CCG which is crossing through steel plant area is yet to be received, consequently, leveling work for the second phase of steel plant got totally stuck.
4. Applications for prospecting licenses/mining leases for Iron Ore at Metabodeh; Chhotedsngar, Lian Dongri, Boriga etc., at through recommended by the state Government to the Central Government in the Ministry of Mines is awaiting clearances.
5. Application submitted for flux (i.e. limestone, dolomite, etc) are awaiting clearance from appropriate Government/authorities. Iron Ore and fluxes are being procured from far off places and transported partly by rail and partly -by road, resulting into high landed cost of inputs.
6. High landed cost of low ash metallurgical coke imported from China due to levy of anti-dumping duty.

The Sub-committee was suggested to recommend tax- holiday for seven years or new projects involving an investment of Rs.1000 crore and above be announced for steel industry.

B.S.P. Ancillary Land Association

Following issues were raised during the course of interaction with the representative of BSP Ancillary Land Association, Bhilai: -

1. Lack of capital ;
2. Issue of giving autonomy to Bhilai Steel Plant;
3. Lack of Infrastructure poor road condition;
4. Imposition of Heavy Sale tax; and
5. Entry tax in the form of Octrai i.e. tax for entry of products from even one block to other block at the rate of 1.5% a glaring imbalances in the so called globalisation era. Entry tax actually acts as a check against decentralisation of industry.

Chhattisgarh Steel Re-Rollers Association

The representatives of re-rollers Association informed the Sub-Committee that Chhattishgarh region has at present l6 re-rolling Mills whose per month production is about 80,00 million tonne. Following issues were raised during the course of interaction:-

1. Supply of defective scrap by Bhilai Steel plant- scrap be supplied to re-rolag mill at proper price;
2. Supply of prime raw-materials by SAIL's Branch sales office- adequate direction be given to branch sales office to supply prime raw-materials to the units re-rolling mills on priority basis.
3. Excessive rate of electricity for present rate at staggering high of Rs.4.20 per unit.
4. Continuation of Interest payments on Security Fund caused by consumption..
5. Discount in minimum charges in case of closure of Industrial unit due to economic reasons.
6. Fuel Overhead Adjustment
7. Rationalisation in tax structure entry tax to be reduced from 2% to 1%.
8. Inclusion of additional raw material in registration certificate of re-rolling Mills.
9. Lack of basic infrastructure & facilities.
10. High price of fuel oil & coal to be utilised in Iron Steel Industry.

Sponge-Iron Ore India, Rainur

Association's representative interacted with the Sub-Committee and the following issues were raised:-

1. Reduction in interest rate as the industry is capital intensive.
2. Increase in the price of inputs but the price of Sponge Iron product remains constant.
3. Procedure for awarding mining centre should be fast.

Mini Steel Plant

Following issues were raised during the course of interaction with the representative of Mini-Steel Plant: -

1. Anti-dumping duty should be imposed without delay.
2. National Institute of secondary product should be opened at Bhilai.

Meeting with representative of Nickel plant

The representative of Nickel plant raised the following issues:

1. Procedure problem relating to network of water channelisation in the plant.
The alarming increase in tariff for import of Power from Rs.2.20 per unit in 1994-95 to Rs.3.36 in 1998 caused Rs.94 per million ton.

To meet with meeting, JSL Raigarh

The management provided the Sub-Committee the break-up of comparative cost of production in 1994-95 and 1997-98 which reveals that the cost of production rose from Rs.4283 in 1994-95 to Rs.4875 while the sale price during the same period declined from Rs.5300 to Rs.4500.

The management informed the Sub-Committee that high rate of excise duty, i.e. to the tune of 15% ad-valorem on Sponge Iron and in fact Gold Star. Kumar Steel and Tamil Nadu Sponge have already closed their operation and three

The Sub-Committee was informed that the price of coal has come down all over world during last two years whereas in India the price of the coal has gone up. The supplier of coal is Coal India Ltd. which increased the price of various grades of coal thrice during the last two

The Sub-Committee was informed by the management that high rate of excise duty, i.e. to the tune of 15% ad-valorem on Sponge Iron & Steel, increase in the selling price of Sponge Iron has affected the purchasing capacity of the consumer and virtually, caused negative demand curve. Moreover, non-availability of MODVAT facilities to the Induction furnaces, the main consumer of Sponge Iron. Spoils the fortune curve. Of Sponge Iron. Government's Taxation system of custom duty is hampering the Sponge Industry on two ways with multiplying

The management appraised the Sub-Committee of the financial performance of JSL, Raigarh.

JSL Raigarh's Performance during last 5 years.

Jindal Strips Limited, is the Rs.1000 crore and ISO 9002 certified flagship company of the 'Jindal Organisation' which in visionary Shri O.P. Jindal in 1970. Over the last 28 years the Organisation has emerged as one of the leading industrial conglomerates in India with 13 plants at II pivotal location in India and 3 plants in Texas, USA. Jindal Organisation has emerged as a major player in the core sectors of the economy. Having interest in steel, stainless steel, carbon steel, galvanized steel, sponge iron, ferro chrome, Sub-merged Arc welded pipes, spiral pipes, seamless pipes & tubes and thermal power. Today Jindal is the largest Stainless Steel and GPGC sheets manufacturer in private sector Jindal Strips Limited has seven plants under the wings and is meeting over one-third of the total demand for stainless steel of the nation. With the recent expansion of the unit, the production capacity has increased from 100,000 to 250,000 tonne per annum.

The Sub-Committee was informed that due to encouragement received from Government in form of various incentives the Sponge Iron Industry in India has attained the distinction of being 2nd largest producer in the world. Currently, the Industry is passing through a rough weather due to sharp reduction in the sale price of Sponge Iron and increase in the prices of inputs like coal and Iron-Ore and thus affected the margin of profit to a considerable extent i.e. the reduction of margin by Rs. 1,640.00 P.M.T.

The composite analysis of JSL- Raigarh's submission reveals that the cost of Sponge Iron has increased by Rs.783 per MT over 5 years due to the reasons.

The alarming increase in tariff for import of Power from Rs.2.20 per unit in 1994-95 to Rs.3.36 in 1998 caused Rs.94 per million ton.

To give a new lease of life, the management wanted the Sub-Committee to advise the Government of India to take following measures-

(a) Reduction in the price of coal to per 96 level.
(b) Reduction in the price of Iron Ore to per 94 level.
(c) Reduction in excise Duty from 15% to 5%.
(d) Increase in custom Duty for Steel Scrap from 5% to 20%.

JINDAL STRIPS LIMITED, RAIGARH

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Raigarh Unit of Jindal Strips Limited is the largest plant in Asia based on non-cooking coal, with a capacity of 500,000 tonne. The plant uses indigenous but globally competitive technology developed at Jindal's R&D at Raigarh which has given the company an unbeatable competitive edge. The State of the art Argon Oxygen; de-carbonisation technology developed in House, has led to a dramatic improvement in the quality of steel. The management and workers at plant informed the Sub-Committee that the main reason for the success of Jindal Strips Limited is the fact that every, thing from the conversion of raw materials into billets/slabs and hot rolling of strips and plates and cold rolling is done in house. The inherent technical strength gives the company the ability of benefitting forecasting, effective and flawless planning, efficient control & harmonious co-ordination, ultimately leading to total integration of different stages in the manufacture of steel and stainless steel to build a world class Organisation.

At Raigarh, Iron-Ore for the production of Sponge Iron is obtained through a captive Iron Ore Mine at Tensa, Orissa. JSL Raigarh also has a 42,000 TPA capacity, plant to manufacture Ferro Chrome, an essential ingredient for Alloys and special steel. The Company has also set up a captive power plant of 80 MW to meet in house requirement of power. Generation capacity of existing captive power plant is being enhanced by addition of another 70 MW unit to meet additional in-house power-requirements for the envisaged expansion programme of Sponge Iron and Steel integrated plant at Raigarh. The surplus power is supplied to MP State Electricity Board.

The management with meeting, JSL Raigarh

The Sub-Committee met the management JSL, Raigarh who informed that due to encouragement received from Government in form of various incentives the Sponge Iron Industry in India has attained the distinction of being 2nd largest producer in the world. Currently, the Industry is passing through a rough weather due to sharp reduction in the sale price of Sponge Iron and increase in the prices of inputs like coal and Iron-Ore and thus affected the margin of profit to a considerable extent i.e. the reduction of margin by Rs. 1,640.00 P.M.T.

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JSL Raigarh's Performance during last 5 years.

(Rs.in crore)

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover Sales Income</td>
<td>6,451.58</td>
<td>13,602.05</td>
<td>23,290.33</td>
<td>29,803.87</td>
<td>34,664.13</td>
</tr>
<tr>
<td>Total</td>
<td>6,648.14</td>
<td>13,708.48</td>
<td>23,524</td>
<td>30,179.46</td>
<td>35,305.77</td>
</tr>
<tr>
<td>Profit before depreciation</td>
<td>1,692.67</td>
<td>1,835.28</td>
<td>4,373.71</td>
<td>3,706.72</td>
<td>5,645.17</td>
</tr>
<tr>
<td>Net profit before Taxes</td>
<td>662.04</td>
<td>400.50</td>
<td>2,339.16</td>
<td>966.61</td>
<td>2,652.45</td>
</tr>
</tbody>
</table>

The management with meeting, JSL Raigarh

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JSL Raigarh's Performance during last 5 years.

(Rs. per tonne)

<table>
<thead>
<tr>
<th>Item/Year</th>
<th>1994-95</th>
<th>1997-98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>1427</td>
<td>1075</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>833</td>
<td>1000</td>
</tr>
<tr>
<td>Interest &amp; depreciation</td>
<td>1400</td>
<td>1400</td>
</tr>
<tr>
<td>Other cost</td>
<td>600</td>
<td>600</td>
</tr>
</tbody>
</table>

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Rourkela Steel Plant

Rourkela Steel Plant, a major producer of diversified range of sophisticated Steel products is an integrated plant of SAIL - a hall-mark of excellence in the Steel-making process. Built in the late 50's with West German Collaboration, RSP has a pride of a modern and sophisticated Integrated Steel Plant of the world. RSP became the 3rd in the world and the 1st in Asia to install the sophisticated LD process to replace the Conventional Open Hearth System. Initially designated with a capacity of 1 million tonne, the Steel plant was expanded to 1.8 million tonne in late 60's. Subsequently few more facilities were added which inter-alia include - two half batteries of Coke even in (1 974 & 1983), a-Spiral Weld Pipe Plant (1976), and a unit to produce Cold. Rolled. Grain- Oriented Steel (1985).

The Sub-Committee visited the plant site where the workers and management at work gave details of the facilities available at RSP which is the first Public Sector steel plant in India. The facilities at RSP include 5 Coke Ovens Batteries, two sinter plant 4 Blast Furnaces, 2 Steel Melting Shops phasing out of Slabbing Mill; Plant Mill; Hot strip; Cold Rolling Mills, 2 Pipe Plants, Silicon Steel Mill etc. The Plant is also unique far in housing its own fertilizer plant which utilizes Nitrogen, available from the liquidation of air to ammonia by which is used as fertilizer. The RSP officials at Plant site informed the Sub-Committee that, on the submission of feasibility report of Nis M.N. Dastur & Co and after detailed discussion with plant engineers, SAIL Research & Development Centre for Iron and Steel and the Corporate official of SAIL, modernization programme RSP was envisaged at an investment of Rs.3954 crore including foreign exchange component of Rs.714 crore in two phases to improve quality, productivity, and yield through upgraded technology and to save in energy consumptions. The Packages consist of a new Oxygen Plant, up graduation Scheme for Blast Furnaces, Dolomite Brick Plant, Cast House Slag Granulation Plant, Raw-Material Handling system, Coal Handling Plant, Power Distribution System and combined Blowing facilities for LD 4 & 5. While second phase of the Programme included the new Sinter Plant, Basic Oxygen Furnaces, Slab Casting Shop in Steel Melting Shop-11, Modification of Plate Mill and Hot Strip Mill and Casting Shop in SMS-1.

Meeting with RSP's Executive Association

The Sub-Committee met the RSP's Executive Officers who viewed that RSP's continuous loss-incurring performance, having "Domino effect" demonstrated demoralising effects not only among top management, as the phenomena percolates down to core workers' which adversely affect the productivity and work-culture. The resultant is lack of confidence and genesis of phobia against the future prospects of the plant exerting adverse effect on the quality of the product. Governmental policies like Excise duty, Custom duty and absence of dumping duty leaves the plant at bay whereby the prospects of profitability is being threatened. The officials viewed that Government should come forward and play progressive role to save the dying Steel Industry. Lack of demand due to general slowdown in economy is adding to the problems of recession-hit Steel Industry. The management intentionally, reduces the production in order to avoid the problem of inventory, which itself is causing the production problem. The management comes forward with the proposals of Voluntarily Retirement Schemes whereupon there is real 'brain-drain'.

The RSP's officials provided the following solutions for the betterment of the plant
1. Further modernisation of the plant to improve the quality of products to the international level.
2. Introduction of various sets of incentives to the workers for regeneration of 'Work- culture', to achieve the much cherished goal of labour productivity.
3. Various schemes of motivation should be introduced so that optimal utilization of labour factor have the balanced relation with Machines & raw-materials.
5. Rationalization of tax-structures affecting Steel industry.
6. Rationalisation of human resources and long-term Human Resources Planning.
7. Elaborate and effective measures of cost reduction.
8. Governmental policies to boosts up Export of Indian Steel products.
9. Strategic Corporate Planning from top to management level to core-worker for integrated attempt in through participative management to improve the conditions of the Steel Industry.
10. Sketching of proper & profit-oriented marketing strategy to sell off the inventories.

The Sub-Committee wanted to know as to who is accountable for cost-escalation in Modernisation as the Modernisation of RSP was envisaged at an investment of Rs.3954 crore including foreign exchange component of Rs.714 crore was sanctioned by Government of India by October, 1 989. The Government have further approved the revised cost estimate of Rs.3954 crore inclusive of foreign exchange component of Rs.714 crore (base 1st Qtr. 1992) on 12.5.92 with a completion schedule of December, 1995. The anticipated cost of modernisation is now estimated at Rs.5112 crore base Date: 4th Qtr. 1997). The management pointed out that devaluation of Rupee is the reason for inflated cost escalation while RSP management & SAIL authorities are only marginally or negligibly responsible for cost escalation.

As to the benefits envisaged due to modernisation on 'Techno-Economic Parameters' the management informed the Sub-Committee:

<table>
<thead>
<tr>
<th>Item</th>
<th>Improved Productivity</th>
<th>Benefits envisaged</th>
<th>Status before</th>
<th>Modernisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BF Productivity (TMT 3/Pay)</td>
<td></td>
<td>1.13</td>
<td>0.69</td>
<td></td>
</tr>
<tr>
<td>LD Lining Life (No of Heats)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMS – I</td>
<td></td>
<td>250 (Min)</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>SMS – II</td>
<td></td>
<td>300 (Min)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour Productivity</td>
<td></td>
<td>97.4</td>
<td>45.8</td>
<td></td>
</tr>
<tr>
<td>(Crude Steel T/Mann-year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saving in Energy Consumption</td>
<td></td>
<td>9.0</td>
<td>12.75</td>
<td></td>
</tr>
</tbody>
</table>

Meeting with management

The Sub-Committee met the RSP management who highlighted that 100% production of steel in RSP through concast route and production of customised Steel items is done as per customers requirement. As to the Sub-Committee's enquiry of the use of underutilized installed capacity of the plant the management argued that quality assurance and the trend of demand are the reasons for the gap between installed capacity and actual capacity utilisation.

The Sub-Committee wanted to know as to who is accountable for cost-escalation in Modernisation as the Modernisation of RSP at an estimated cost of Rs.2461 crore inclusive of foreign exchange component of Rs.396 crore (Base date IV Qtr 1988) was sanctioned by Government of India by October, 1 989. The Government have further approved the revised cost estimate of Rs.3954 crore inclusive of foreign exchange component of Rs.714 crore (base 1st Qtr. 1992) on 12.5.92 with a completion schedule of December, 1995. The anticipated cost of modernisation is now estimated at Rs.5112 crore base Date: 4th Qtr. 1997). The management pointed out that devaluation of Rupee is the reason for inflated cost escalation while RSP management & SAIL authorities are only marginally or negligibly responsible for cost escalation.

As to the benefits envisaged due to modernisation on 'Techno-Economic Parameters' the management informed the Sub-Committee:

As a result of Modernisation Production Capacities increased-

<table>
<thead>
<tr>
<th>Item</th>
<th>Basics Capacity</th>
<th>Modernized Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hot Metal</td>
<td>0.945</td>
<td>1.6</td>
</tr>
<tr>
<td>Crude Steel</td>
<td>1.00</td>
<td>1.8</td>
</tr>
<tr>
<td>Saleable Steel</td>
<td>0.92</td>
<td>1.225</td>
</tr>
</tbody>
</table>

The RSP officials pin-pointed that stabilisation of modernisation takes its own time. Till now only 65% of fruits of modernisation has been stabilised and 100% stabilisation requires financial-restructuring.
Improvement in yield
Liquid Steel to Slab %
Steel Through Continuous Casting
Better Quality
Blast Furnace Coke Ash%
Misum (M-10)
Hot Metal Composition
SiS

<table>
<thead>
<tr>
<th>Performance of new units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>OBBP</td>
</tr>
<tr>
<td>Sinter-II</td>
</tr>
<tr>
<td>C.C.M-I</td>
</tr>
<tr>
<td>C.C.M-II</td>
</tr>
</tbody>
</table>

*CU stands for capacity utilization.

The management informed the Sub-Committee that to improve the performance of new units certain steps have been taken like modification of OBBP system, modification of sinter dispatch bell: improving lining life of LD converters by the use of Mag-carb bricks (in house manufacture) and installation of Ladle heating furnace and commissioning of slag splashing facility, commissioning of level 2&3 automation system for improving operational efficiency & installation of mould breakdown detection and prevention system.

The management made available details financial performance of RSP during last four years which is reproduced below:-

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin</td>
<td>238.1</td>
<td>85.2</td>
<td>85.7</td>
<td>65.0</td>
</tr>
<tr>
<td>Interest</td>
<td>200</td>
<td>281.5</td>
<td>332.5</td>
<td>99.5</td>
</tr>
<tr>
<td>Depreciation</td>
<td>94.7</td>
<td>120.1</td>
<td>127.3</td>
<td>45.2</td>
</tr>
<tr>
<td>Net Profit/Loss</td>
<td>(-)-56.6</td>
<td>-31.64</td>
<td>-374.1</td>
<td>-209.7</td>
</tr>
</tbody>
</table>

Steps like optimum utilization of modernized units, improvement in input Coal and other raw materials quality, upgradation of Blast Furnaces, improving the marketability of products & upgradation of CR Mills & Pipe Plants have been taken for improving the performance of RSP.

The management informed the Sub-Committee that optimization of logistics and services requires additional locomotives, Mechanical track maintenance, Gas/Steam line replacements, computerised controls for optimum distribution and strengthening the power distribution system.

The management revealed that under modernisation 41% of total saleable Steel is supposed to be from CRM but, unfortunately, upgradation of CRM was not envisaged under Modernisation programme, that is why the present returns from CRM is 35% only. Ti) fulfill the gap CET has formulated short term and medium term schemes which are to be implemented on top priority.

Moreover, department and cross functional Committees have been constituted and regular reviews are being done to achieve the desired results. As a result thereof cost has been reduced to the tune of Rs.46.5 crore during April, 1998 - August, 1998.

The management highlighted following constraints of RSP

1. Quality of power supply by M/s Gridco - high frequency.
2. Quality of indigenous coking Coal-ash 19%.
3. Quality of Boiler Coal.
4. Rising cost of Inputs.
5. Sluggish Market - stagnation in sales and high inventory.
6. Dumping of Steel by other countries.
7. High and unfair excise duty on Steel items.
8. Low man power productivity.
9. High Railway freight and cumbersome commercial rules.
10. Reluctance of Railways to modify raw-materials linkages.

Further, the management asked for following helps required to improve RSP:-

1. Improvement of power supply from Gridco.
2. Improvement in Boiler Quality of Coking and boiler coal from CIL.
3. Capital Restructuring.
4. Anti-dumping Regulations.
5. infrastructural growth to be accelerated
6. Reduction of Excise duty on Steel items.
7. Rationalisation of freight structure and simplification of Railway Commercial rules.
8. Protection of custom duty for Steel items.
9. Reduction of custom duty on imported Coal.

The management informed that the Supreme court's decision to regularise more than 3000 workers in RSP posed a great threat to RSP. The management also expressed the problems due to anomaly on railway freight.

The Sub-Committee asked why the viability of production of aluminium was denied on the part of management on ecological ground. Moreover, it also wanted to know the availability of Blast Furnace No.5 a detailed note on the topic is still awaited from RSP management.

TATA IRON & STEEL COMPANY LIMITED

The Sub-Committee met the management of TISCO on the 17th September, 1998. During the course of interaction, Managing Director, Dr. Jamshed J. Irani informed the Sub-Committee that TISCO established in 1907, expanded its initial capacity by 2 million tonne by 1958 and went for Modernisation programme in 1980 in four phases. In phase-1, the Duplex process was replaced by a modern LD Shop, Continuous Casting & Allied facilities whereas in Phase-4, modern high speed bar & rod mill of 3000,000 tpa capacity, raw material handling &
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Blending yard, a sinter plant and a 2x30 MW Power Plant were installed. Phase-III modernisation included Hot Strip NEII, two slab casters, a new LD shop, a coke oven battery, oxygen Plant, expansion/modernisation of raw-maternal facilities; transportation and infrastructure and a new captive power plant of 30 MW capacity. Phase IV projects of modernizations started in 1998-99 and facilities like hot Strip Mill complex is Rely to be completed ahead of schedule raising capacity for its Rolled coil to 2.08 Million tonne per annum, coke oven Battery went into production in June, 1998; raising stamp charged coke production to 75%, total concert production in 1998-99 will increase to 83% of total crude Steel capacity.

The Tisco management discussed the following points with the Sub-Committee.

1. The gestation period for civilising the Steel Industry due modernisation is at least three years to enable the Steel Industry to run in profits.
2. Foreign Steel Companies came in sharp competition to Indian Steel Industry but the latter are not ready to compete as Steel is being imported at cheaper rate.
3. Direction in the national economy by Central Government is also not very encouraging to Steel Industry.
4. Rising cost of production of steel in India is causing concern to Steel Industry.
5. High freight charge- a bottleneck to the prosperity of Steel Industry.
6. Recession in South-East Asian countries badly hit the Steel Industry in India.
7. Lack of investor's confidence is making the situation difficult in the procurement of capital.

The Sub-Committee wanted the management views over India's taxation system whereby opinion was expressed that 'taxation system is only a cosmetic thing and the only thing is to implement the existing policies in a planned way. Frequent changes in the policies creates hotchpotch situation and sends a wrong signals to the Industry.

The management put forward following solutions to the sickness in Steel Industry:

1. Modernisation of Steel plant is a must to achieve the competitive advantage.
2. "Modernise or perish" should be the motto of planning for Steel.
3. Stress should be given on specialisation functional specialisation set up at technological excellence.
4. Adoption of the techniques of Social Auditing. The management informed the Sub-Committee that TISCO is the only company where social auditing has been put into practice.
5. Enhancement on labour productivity in calculation of work-culture is a precondition for success of any company.
6. Marketisation of Steel Products

The management informed the Sub-Committee that after giving to 1,000 workers, the present strength of workers are 62,000 and 16% of cost of production consists of wage. The management further informed that in TISCO progress, Tata Workers Union played active and significant role.

On the Sub-Committee's inquiry it was informed that there is no inventory problem in TISCO and no contract is being employed in production process, replacing the worker and brand-management has been the secret of TISCO's success. The Sub-Committee was also informed that TISCO pays Rs. 700 crore as Excise duty Rs. 80 crore as sales tax and 64 crore as coal cess. The Sub-Committee was impressed on the excellent performance of TISCO and felt that and means of TISCO's success should be a lesson for the Steel plants in the Public sector.

Meeting with TISCO's workers

The Sub-Committee met the workers of Tisco and during the course of interaction following points were raised:

(i) Steel industry in India is not in a position to compete with global Steel Industry;
(ii) Due to adverse Government policies there has been low capital formation in India and henceforth low capital investment in Steel Industry;
(iii) Lack of demand of Steel products due to recession in Indian economy in general and South-Asian countries specifically.
(iv) Modernisation of Steel plants through heavy investment is essential for cropping up with the pace of time.
(v) Governmental Labour Welfare policies has not been helpful to working class and history of Industrial development speaks of labour exploitation since ages manifested in labour unrest. Moreover, social gains of Industrial development has been confined to few hands.

The workers revealed that although TISCO is not incurring loss but the workers of TISCO couldn't cherish their goals. VRS scheme is a threat to the survival of workers. The workers at NSCO demanded 2011/9 Bonus which was denied and even 16% was rejected by the management. The workers informed that there is no division of 'money-table' for Bonus and incentive Bonus is also not paid. Moreover, social gains of Industrial development has been confined to few hands. The workers request the Sub-Committee to recommend minimum wage determination set in Steel Industry and all Steel Plants. Should be direction to observe that Act.

The workers complained that the price of edible articles in the Canteen have been increased to unaffordable level.

BOKARO STEEL PLANT

Bokaro Steel Plant (BSL) was conceived 'm agreement with erstwhile USSR in January 1965 as the fourth integrated steel plant in public sector and was planned to be built in two stages. The first stages went into operation with installed capacity of 17,00,000 tonne ingot steel corresponding to 13,55,000 tonne of finished steel. In stage U of the consumption of steel plant, the ignot capacity has been expanded from 1.7 MT to 4.0 MT per annum compounding to finished steel availability of 31,56,000 tonne. BSL is designed to produce flat products like hot rolled coils, plates & sheets, cold rolled coils and sheets, tin mill block plates and corrugated steels. A Modernisation plan has just been completed to introduce continuous casting facilities and updating the hot strip mill, a major step towards providing state of the art technology for producing quality steels of international standard.

Meeting with workers of BSL

The Sub-Committee met the workers and the meeting commenced with Committee Chairman's observation that "in -today's world, if the health of Steel Industry is not good, India cannot progress with expected rate and consequently cannot face the challenges of modern age* and in this context emphasized the role of workers in nation building, BSL workers appreciated and a claimed Chairman's observations. The workers urged the Sub-Committee for reviewing the Industrial Policy in order to improve the health of Steel Industry. They argued that a prudent economic and trade diplomacy requires emphatic enforcement of anti dumping law check upon import, rationalisation of excise duty, infrastructural development projects for opening up of consumption of steel, proportionate participation in major decision making process, and taking up further Modernisation of plants.

While explaining the pathetic conditions of the plant, the workers informed the Sub-Committee that one coke oven is already closed and one other blast furnace is on the verge of closure. The workers pin pointed towards stiff international competition and urged for simplification of official procedure breaking bureaucratic shackles and evolution of marketing strategy based on pure business plan.

B. Bokaro Steel Rastriya Mazdoor Sangh

As the representation spells out that the country's largest union on the basis of number of Members is the Bhartiya Mazdoor Sangh and against whom the BSL's management have been adopting step-motherly attitude. An example in this regard may be cited that till date this Union has not been lawfully allotted any office-space while other unions having political protection have been given office-accommodation. The representation also submit that even now-a-days plundering and plundering of planes property is at the climax. It is noteworthy that the management manipulates the accounts to show multiplied costing in unprofitable projects. It has been the management practice to use low quality spare. There are several projects where investment has been made up to crore but these projects has not yet started and the management is sleeping over the things. The representation pleads that all projects since 1992 to till date requires high-level inquiry. It is being alleged in the representation that larger number of appointment on management posts since 1992 have been made violating the established rules and procedures which also requires an equity.

B. Bokaro Industries Association
This association is an asserted group of industrialist, businessmen, whose activities include generation of employment, opportunities produce Economic goods and services and create wealth for the nation and promote personal good and well being. Bokaro Steel Plant is the only patron and buyer in the region around and on whose support depends the very existence and survival of its members. Conceived originally is employment generation by the steel plant for 45,000 people and by the ancillary industry and business for 4,50,000 people. In actual practice, however, BSL has been adopting step-motherly attitude towards the traders/businessman/industrialist. The Committee was informed that the institutionalised competition, total lack of co-ordination between departments non-existence of machinery for grievance redressal and posting of wrong man in right position are damaging the vitals of the Organisation. One department awards certain terms and condition to supplier and the open allied departments violate and sabotage them. Suppliers are at the mercy of the officers who are there by default. Few knows mercantile law in the Materials Department and those who know also know how to circumvent it.

The Sub-Committee was informed that BSL registered local SSI units ostensibly to meet specific requirements. However, no purchase enquiries are issued to them rendering the units idle on representation to the Managing Director instructions are issued to the officers concerned who however ignore them and continue their wayward attitude.

In a few cases when the work is secured against odds, while inspection is the unit tried to supply materials in time inspection is not carried out on grounds of inventory control. After a lot of follow-up inspection is not carried out on grounds of inventory the supplies are penalized with liquidated damages. The further delivery is delayed because of inspection delays is never taken into consideration. Delivery extensions lead to rampant corruption and the suppliers usually end up losing everything at stake. Moreover, unplanned purchases are usually made, the material supplied is not stored properly, no presentation practices are in vogue and defeats develop in the material as a consequence. It follows that material is used long after the guarantee period is over, defects are noticed and such goods is deducted from any bill of supplier which is handy for the purchase accounts departments, without informing the supplier and without ascertaining whether supplier is at fault.

The Sub-Committee was informed that there are cases when the supplier is advised that his material is defective demanding immediate rectification. The worried supplier calls on the officer accompanied by technical personnel but the officer is unable to locate the defective material. The helpless supplier visits again and again the defective material is not in sight. Ultimately, the officer in Purchase Accounts makes deduction from some other bills of the supplier on the ground that the defects noticed have not been rectified.

C. Bokaro Steel Officer's Association

The Officers Association of BSL pointed out that Steel Industry is passing through a very critical period due to sluggish demand for steel in domestic market alongwith abnormal increase in input cost and import of Steel from European, C.I.S and other countries at cheaper rate. ‘Me manufacturer/supplier of inputs like coal, power, oil etc., (being purchased from) C.I.L., D.V.C. IOC etc. have monopoly business, increase their prices which adversely affect the profitability. Moreover the interest charges and higher depreciation is fastly eroding the profit. The Association through their representation requested the Sub-Committee to consider the following facts to save BSL from becoming loss making Organisation.

1. Considerable reduction in excise duty on steel products. It was pin-pointed that the custom duty on steel was reduced from 130% in 1992 to 25% in the last budget for major category of steel and on the other hand the excise duty has been raised to 15%. That would amount to mean that the domestic producer have to pay higher excise duty while importer have to pay less & less custom duty. Henceforth, the request was made to review the duty structure.

2. Implementation of Anti-dumping Act to protect the domestic market.

3. Introduction of Barter system with Railway i.e. issue of credit note to Indian Railway towards freight charges.

4. To avert financial burden of ailing public sectors like HSCL, BRL, FSNL etc. on Bokam Steel Plant.

5. Deteriorating law & order situation in BSL City, particularly increasing extremist activities in & around BSL city.

6. Modernisation of CRM-2 at the earliest.

7. Expeditation of pay Revision & release of monthly interim relief to cope up with the inflation.

Meeting with management

The Sub-Committee met the BSL management and came across the fact that BSL is designed to produce flat products like Hot Rolled Coils, Plates & sheets, Cold Rolled Coils & sheets, Tin Mill Black Plates and Galvanised Plain and Corrugated sheets. The Sub-Committee is happy to note that Bokaros' hot and cold-rolled products have been a claimed in both developed and developing countries and its Hot Dip Galvanising lines has ISO-9002 certification to its credit.

The BSL management informed the Sub-Committee regarding the physical performance of the plant during the last three years and 1998-99 (upto September, 1998).

As regards financial performance of the plant the management put forward the following information: -

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>3330</td>
<td>3040</td>
<td>2746</td>
<td>1021</td>
</tr>
<tr>
<td>Cost</td>
<td>3330</td>
<td>3040</td>
<td>2746</td>
<td>1021</td>
</tr>
<tr>
<td>Profit (Net)</td>
<td>0809.9</td>
<td>357.2</td>
<td>367.2</td>
<td>(-348.7)</td>
</tr>
</tbody>
</table>

The Sub-Committee was at pain to observe that the profits of BSL has been under:- tremendous stress during the last 2.3 financial years. It is a matter of concern that the profit during the financial year 1997-98 was only Rs.336.2 crore compared to Rs.805.95 crore during the year 1995-96 and the financial performance in the first quarter of 1998-99 further deteriorated as BSL posted a loss of Rs.48.72 crore.

The management attributed the reduction in profit to the stiff competition being faced by Steel industry, internally and externally and demand of steel not keeping pace with supply in the home market. It has been observed that the domestic demand of HR & CR products are near about constant from the past two years as given below:

<table>
<thead>
<tr>
<th>All India Consumption</th>
<th>1996-97</th>
<th>1997-98</th>
<th>1998-99 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR &amp; CR</td>
<td>11137</td>
<td>11770</td>
<td>11730</td>
</tr>
</tbody>
</table>

Thus the All India demand is varying in the range of 11.1 MT & 11.8 MT.

The management informed the Sub-Committee about the break-up of projected demand of HR & CR products which are produced by BSL for the year.
Prior to HSM modernisation, the plant faced the problem on quality front due to its supplies coming through ingot route without secondary refining facility and non-modernised mills, which affected the supplies to the value added segments of cold reducers, auto and white goods. In addition to the stagnant demand cheap imports from CIS countries, better quality of products from competitive their state of art equipment raising prices on input material, the distant and location of the plant from Southern and Western markets with high freight made competitive edge for BSL adverse.

The management submitted to the Sub-Committee that BSL has taken up modernisation with a view to introducing continuous casting facilities and updating the Hot Strip Mill (HSM); a major step toward providing the state-of-art technology for producing quality steel at international standards. The Sub-Committee was also informed the present status of modernisation plan as under:

<table>
<thead>
<tr>
<th>Unit</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel refining Unit</td>
<td>Hot trials performed September, 1997</td>
</tr>
<tr>
<td>CCM-I</td>
<td>Hot trials performed November, 1997</td>
</tr>
<tr>
<td>CCM-II</td>
<td>Hot trials performed March, 1998</td>
</tr>
<tr>
<td>HSM</td>
<td>Hot trials performed July, 1998</td>
</tr>
<tr>
<td>Coiler-4</td>
<td>Hot trials performed September, 1997</td>
</tr>
<tr>
<td>Coiler-3</td>
<td>Hot trials performed June, 1998</td>
</tr>
<tr>
<td>Coiler-2</td>
<td>Exp. Erection completed</td>
</tr>
<tr>
<td>Coiler-1</td>
<td>To be taken up after stabilisation of other.</td>
</tr>
<tr>
<td>Re-heating Furnace-4</td>
<td>Hot trials performed in March, 1997</td>
</tr>
<tr>
<td>Re-heating Furnace-3</td>
<td>Erection in progress</td>
</tr>
</tbody>
</table>

It is to be observed that Coiler-2, Coiler-1 and Re-heating Furnace-3 and the plans/projects are in progress.

The management informed the Sub-Committee regarding the product diversification from the existing facilities:

1. Extension of thickness Range of HR coils:
   - (a) On Lower side - Upto 1.6 mm from earlier 2 mm
   - (b) On Higher side - Upto 16 mm from earlier 10 mm
2. Silicon grade production for railways is to be done by BSL steel making facilities.
3. AB 9 grade are being developed for line pipe makers through BOF/CCD route.
4. SAE 1020 for propeller shaft producers have been developed and supplied.

As regards the marketing strategy of BSL product the management informed the Sub-Committee that 0 of BSL's prime products are marketed for domestic sales through SAIL'S Central Marketing Organisation (CMO). To ensure quality and prompt dispatch of product CMO keep in tune with the plant as well as with the transport and shipping agencies. It operates through extensive network of Stockyard, dockyards, branch sales office, consignment agents and extension counters. The management pin-pointed that during the year 1997-98 the policy has been to give impetus to the production of special steel and critical item fetching higher returns to increase profitability. Consumer satisfaction by providing right material in time schedule according to customer's need is the main thrust of marketing strategy. The main strategy is to identify specific needs of each customer segment and orient the production of dispatches accordingly. To meet the requirements of smaller customers the practice of nodal movement of material, has been stated, which comprise of moving bulk quantities to main consumption center. From these major stockyards, small quantity requirements of individuals consumers are serviced.

However, adverse marketing condition amounted to a loss of Rs.48.7 crore during the first quarter of 1998-99, although the accumulated profit of BSL upto the financial year 1997-98 is Rs.4304.75 crore. The management informed the Sub-Committee regarding plan to arrest the losses which inter-alia includes special emphasis or cost-reduction progress by bringing improvement in operating efficiency, maximise of steel products through continuous casting (CCS) route which is economically viable as well as of good quality; stabilisation of modernised units viz. CCS and HSM; enhancement in products dispatches of special quality steel; optimum utilisation of captive engineering shops for manufacture of value added products; demand oriented production; increasing sales through aggressive marketing and re-deployment of surplus manpower and introduction of VRS etc.

On the Sub-Committee's inquiring as to whether the existing infrastructural facilities are sufficient in BSL, the management elaborated that the other large steel plant BSL is critically dependent upon supportive infra-structure Re power, transportation and raw material sources. BSL's emergency requirement of power is met with its own captive generation & balance requirement is provided by Damodar Valley Corporation (DVC). Although DVC is having adequate generative capacity to feed BSL even then, BSL is facing frequent problems in frequency isolation due to mostly over frequency in DVC supply. The power supply from DVC lock the required degree of stability on many occasions, due to power facilities from DVC, sensitive units were exposed to severe damage. A few of them are indicated below:

<table>
<thead>
<tr>
<th>DVC Restriction</th>
<th>1997-98</th>
<th>1998-99 (till July, 98)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range (MVA)</td>
<td>40.150</td>
<td>25-150</td>
</tr>
<tr>
<td>Duration (Hrs):</td>
<td>696-05</td>
<td>252-40</td>
</tr>
<tr>
<td>Isolation Nos.</td>
<td>463</td>
<td>217</td>
</tr>
<tr>
<td>Duration (Hrs)</td>
<td>1211-03</td>
<td>848-40</td>
</tr>
<tr>
<td>Complete tripping No.</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Duration (Hrs.)</td>
<td>13-45</td>
<td>27-25</td>
</tr>
<tr>
<td>Over Frequency</td>
<td>Normal-47.51 Hz</td>
<td>Actual more than 51.5 Hz</td>
</tr>
</tbody>
</table>

Captive generation gets Isolated at 52.5 Hz for most part of duration. The Isolations are mainly due to (A) fault in out going line & 132 KV switchyard (B) Uncoordinated tripping of CT's a lines at CTPs end. The Sub-Committee has been informed that approximately 4% increase in input bills for every cycle increase above normal frequency and loss of captive generation during isolated period. Moreover, damage is caused to high tension motors, sophisticated electronic cards, H.T. cables and other equipments.

As BSL is located in the coal heartland of the country for movement of its products to customer there is a good deal of dependence on Indian Railways, still road movement of steel products is gradually becoming a necessity as the customers are increasingly demanding steel to be moved to than in small lots and just in time basic and also because some of the products like HR coil are not ideally suited for railway wagons. But the irony of the situation is that the low road infrastructural facilities is showing up severe limitations like:

1. Inadequate road network connecting Bokaro Steel City.
2. Bad condition and poor maintenance of existing road.
3. Poor condition and erratic availability of truck/Trailer fleets.
4. Extremely cumbersome traffic and toll procedures, which are different for different states.
5. State's discouraging law and order condition thus threatening the operators to spread their activities.

As regards the supply of coal the management informed the Sub-Committee that receipt during last two months has become irregular and uncertain due to low productions at washeries from Moonidih, Mahade, Dugda and Kathara. Irregular & uncertain supply led to time to time to timetabling of it as per customer's requirement, which is causing loss to not only BSL but also to other steel plants in the country. The management informed the Sub-Committee regarding plan to arrest the losses which inter-alia includes special emphasis or cost-reduction progress by bringing improvement in operating efficiency, maximise of steel products through continuous casting (CCS) route which is economically viable as well as of good quality; stabilisation of modernised units viz. CCS and HSM; enhancement in products dispatches of special quality steel; optimum utilisation of captive engineering shops for manufacture of value added products; demand oriented production; increasing sales through aggressive marketing and re-deployment of surplus manpower and introduction of VRS etc.
time blend out from the feed and effecting adversely on coke quality stock level for Moonidih Mahude and Kathara remained at maximum level for one/two days consumption only in July, 1998, there has been 3 times blend out and in August, 12 times has taken place. This indicates severity of the problem.

The management expressed its concern over high ash content in washed coal despite continuous interaction with CM. As agreed with CEL for also to remain within 20% max. frequent deviation disrupts the blend ash level to be maintained at 15% max level. The high ash is frequent from Kathara and Dugda.

Ash variance in Dugda & Jathara during 1998-99 is as under:

<table>
<thead>
<tr>
<th>Period</th>
<th>Dugda Average</th>
<th>Max</th>
<th>Kathara Average</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Qtr. 1998</td>
<td>21.5</td>
<td>29.0</td>
<td>20.0</td>
<td>24.8</td>
</tr>
<tr>
<td>July, 1998</td>
<td>23.8</td>
<td>32.6</td>
<td>20.26</td>
<td>22.6</td>
</tr>
<tr>
<td>August, 1998</td>
<td>21.3</td>
<td>26.0</td>
<td>22.7</td>
<td>24.5</td>
</tr>
</tbody>
</table>

The inadequate and inconsistent supply of coal adversely affects the coke quality and in turn the coke rate at blast furnaces.

The Sub-Committee was also informed that the quality of Manganese are available to BSL from Bare Jamde sector has been very poor adversely affecting techno economics of operative in terms of specific consumption.

% Maganes content (Noun 30% Min)

<table>
<thead>
<tr>
<th>OMDC</th>
<th>BJMD</th>
<th>BARBIL</th>
<th>TISSCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>21.4</td>
<td>25.2</td>
<td>20.4</td>
</tr>
<tr>
<td>1st Qtr. (1998-99)</td>
<td>15.00</td>
<td>27.39</td>
<td>19.4</td>
</tr>
<tr>
<td>July 1998</td>
<td>20.21</td>
<td>17.09</td>
<td>19.47</td>
</tr>
<tr>
<td>August 1998 Till Sept.</td>
<td>21.91</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

As regards to specific query relating to inventory problems the management revealed that due to persistent lack of buoyancy in the market, the stocks of various item have accumulated in various yard as indicated below: -

**Stocks at stock yards.**

<table>
<thead>
<tr>
<th>Item</th>
<th>1st April, 1997</th>
<th>1st April, 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Coil</td>
<td>103.0</td>
<td>141.0</td>
</tr>
<tr>
<td>HR Plate</td>
<td>68.5</td>
<td>37.2</td>
</tr>
<tr>
<td>HR Sheet</td>
<td>46.8</td>
<td>24.3</td>
</tr>
<tr>
<td>CR Coil/ sheet</td>
<td>165.4</td>
<td>86.8</td>
</tr>
<tr>
<td>Galvanised plain/ Galvanised corrugated</td>
<td>9.1</td>
<td>21.6</td>
</tr>
<tr>
<td>Others</td>
<td>0.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Defective</td>
<td>0</td>
<td>0.7</td>
</tr>
<tr>
<td>Total</td>
<td>3331.1</td>
<td>315.4</td>
</tr>
<tr>
<td>Pig Iron</td>
<td>21.3</td>
<td>18.4</td>
</tr>
</tbody>
</table>

As regards to specific query relating to inventory problems the management revealed that due to capital repair and modernization jobs of HSM from 10.6.98 to 18.7.98 large stocks of ingot and slab have accumulated. In order to liquidate the same BSL is requesting CMO to obtain orders for ingot & slab.

The Sub-Committee is constrained to express its concern over increasing input cost:

Strengths
Coal-Based plant; five Blast furnaces; part of SAIL, large product range, Modernisation on verge of completion, Extensive Marketing network with committed customer, Experienced trained, skilled, motivated and dedicated human resources standard quality producer: Delegation of power, Seniority Integrated Annual Performance Plan (APP); Resilience.

Opportunity
Mechanisation & automation; Ability to produce as per customers requirement and specification; consortium approach with trade union; Adherence to delegation; Concentration on core activities.

Weaknesses
Distant located Markets, Over production and stagnant Demand高等 High & rising input cost Excessive Manpower, High trade-Unionism, Role-over-lapping, slow to react against a new threat/decision/requirement.

Threats
A non-buoyant market; During by foreign supplies; Modernise & improve quality, cost & delivery mechanism or lose customer to other competitors; Lack working capital face liquidity problem; Become financially unviable unit if immediate corrosive steps are not taken.

BHARAT RE-FACTORIES LIMITED (BRL)
Bharat Refractories Limited was originally incorporated as a subsidiary company of Bokaro Steel Limited on 22nd July, 1974 to run the production unit of (BHRP) which was earlier acquired by Government of India in 1972 and placed under the management of Bokaro Steel Limited Consequent upon restructuring of the Public Sector and Steel Industries on 1st May, 1978, Ranchi Road Refractories Plant (RRRPL) at Ramgarh, which was under the control of erstwhile Hindustan Steel Limited and Bhilai Refractories Plant (BRP) which was under construction as a captive unit of Bhilai Steel Plant were also transferred to BRL. India Firebricks and Insulation Co. (IFICO) which was taken over by Steel Authority of India Ltd. with effect from December, 1976 was also transferred as a subsidiary of BRL with effect from the date of restructurings.

Meeting with workers of BRL
The Sub-Committee met the workers of BRL on 18th September, 1998 who informed the Sub-Committee that 0 units of BRL except BRP were sick at the time of take-over. The workers put forth following reasons for BRC & IFICO becoming sick.

1. Obsolescence of machinery technological indiscipline and underutilization of capacity.
2. Managerial inefficiency and low man-power utilization.
3. Shortage of working capital resulting into timely in the procurement raw-material in time.
4. Erratic power supply.
5. Changing demand pattern of refractories etc.
The BRLoding IFICO came under the purview of Sick Industrial Companies (Special Provision) Act, 1985 and was referred to BIFR in 1992 which appointed IDBI as the operating agency which IDBI prepared Scheme Report which was approved by BIFR in January, 1997.

As per BIFR's Scheme, the Government of India had to provide relief in concession in the form of waiving of entire amount of interest of Rs.61.64 lapsed on the loan as on 31.3.95; conversion of 50% of the plan loan of Rs.79.52 crore outstanding as on 31.3.95 into equity and the remaining 50% into 12% term loan with interest holiday for 3 years & moratorium on loan repayment for four years; conversion of non-plan loan of Rs.12.05 crore as on 31.3.95 into 7% non-cumulative preference share redeemable in 10 years. Although the effective date of the scheme was 1.4.95 but the sanction for relief and concession from the Government were issued during March, 1997.

The delayed and deficient plan and non-plan receipt from Government of India affected the physical and financial performance of the company.

### (Rs. in crores)

<table>
<thead>
<tr>
<th>Non Plan</th>
<th>Plan Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) 1995-96</td>
<td>2.00</td>
</tr>
<tr>
<td>(ii) 1996-97</td>
<td>2.00</td>
</tr>
<tr>
<td>(iii) 1997-98</td>
<td>2.00</td>
</tr>
<tr>
<td>Total</td>
<td>6.00</td>
</tr>
</tbody>
</table>

As per IDBI scheme Report, the Banks had to assess the working capital needs of the company and to extend Credit facilities at prescribed lending rate. The Revival Scheme, envisaged working capital requirement of Rs.21.00 crore on which profitability was projected. The SBI has assessed the company's working capital requirement at Rs. 14.00 crore which is yet to be disbursed. It is possible to procure critical raw material input and to dispatch finished product without working capital, which is considered as the life-blood of a company.

Furthermore, the workers extended full-co-operation to the management but due to non-revision of wages since 1995, the company's critical liquidity position, huge outstanding creditors and statutory dues have severely affected production and sales performance of the company.

### Meeting with management of BRL

The management informed the Sub-Committee that the financial performance of BRL during 1997-98 had been poor as compared to the budget estimation:

<table>
<thead>
<tr>
<th>(Qnty. in MT)</th>
<th>(Rs. in lakh)</th>
<th>Budgeted</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>79,596</td>
<td>46,866</td>
<td></td>
</tr>
<tr>
<td>Dispatch</td>
<td>79,596</td>
<td>48,897</td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>+336.00</td>
<td>(-)1558.03</td>
<td></td>
</tr>
<tr>
<td>Cash Margin</td>
<td>(-)498.86</td>
<td>(-)1737.63</td>
<td></td>
</tr>
<tr>
<td>Net Margin'</td>
<td>(-)795.96</td>
<td>(-)2096.89</td>
<td></td>
</tr>
</tbody>
</table>

Due to the critical financial conditions and non-availability of working capital, the company was not in a position to produce value added and profitable item for work of raw-material and other critical inputs. The huge outstanding of creditors and statutory dues, have eroded the credit worthiness of the company and as a result thereof inflow of material is erratic.

The management informed the Sub-Committee that the financial performance of BRL during 1997-98 had been poor as compared to the budget estimation:

- The Revival Scheme with effective date of implementation as 1.4.95 was finally approved in January, 1997, after two years the resulting was the targets envisaged in the revival scheme could not be achieved.
- Underestimation of the working capital by SBI and non-disbursement of even Rs.14.00 crore hindered the procurement of raw-materials and dispatch of finished products.
- As all units except BRP were sick at the time of takeover, AMR and Modernisation required substantial investment to cater to the changes in demand pattern of refractories due to change in technology in Steel Industry. A mere Rs.3 1.00 crore would hardly help the company in achieving the desired level of production envisaged in the revival plan.
- Since the company was regularly incurring losses right from inception, the payment of interest and repayment of loan was never made by the company. The continued cash loss eroded the liquidity base of the company and resulted into huge outstanding creditors and suppliers, thus, affecting the credit worthiness of the company and smooth flow of raw materials and other inputs.
- The Revival Scheme stipulated 12% interest p.a. for loan by the Government. However, the loan presently received by the company is carrying interest @ 15% p.a. with penal interest of 2.75%.

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- Underestimation of the working capital by SBI and non-disbursement of even Rs.14.00 crore hindered the procurement of raw-materials and dispatch of finished products.
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- The Revival Scheme stipulated 12% interest p.a. for loan by the Government. However, the loan presently received by the company is carrying interest @ 15% p.a. with penal interest of 2.75%.

The management revealed that the recent crunch situation in SAIL, RENL and other customers resulted in delayed release of the dues to the company which further aggravated the situation. Imposition of strict inventory control by the margin customer resulted in accumulation of finished good inventory further blocking working capital. The withdrawal of price-preference exposed the company to cut throat competition effecting the performance.

The management explained that the continued cash loss incurred by the company's critical liquidity position, huge accumulation of outstanding dues coupled with resentment of workers due to non-revision of wages have severely affected production and sales performance of the company. Due to paucity of fund and inadequate assistance from the Government, most of the plant & machinery have outlived their effective life and need immediate replacement.

The management informed that BRL is facing difficulties in realisation of outstanding payment from Visakhaupuram Steel Plant against supply bills-outing as on date is more dm Rs.1.5 crore. SAEL Units like DSP, RSP, TISCO are also not clearing the dues of BRL regularly.

Inordinate delay in releasing the payment against supply bills has created fund crisis and has crippled working of BRL's manufacturing units.

### Management's view point on BRL revival

1. The management informed the Sub-Committee that the financial performance of BRL during 1997-98 had been poor as compared to the budget estimation:

2. The management explained that the continued cash loss incurred by the company's critical liquidity position, huge accumulation of outstanding dues coupled with resentment of workers due to non-revision of wages have severely affected production and sales performance of the company. Due to paucity of fund and inadequate assistance from the Government, most of the plant & machinery have outlived their effective life and need immediate replacement.

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Inordinate delay in releasing the payment against supply bills has created fund crisis and has crippled working of BRL's manufacturing units.
4. The Company's MOU with other SAIL Steel plant, in line of BSL and DSP for supply of refractory-materials.
5. To achieve the target of the production and turnover, SBI may be advised to release cash credit of Rs.2.100 crore, immediately, as working Capital assistance.

Meeting with BRL’s workers at Bhilai
The Sub-Committee has also held a meeting with BRL's workers at Bhilai on 14th September, 1998 who demanded for a revival package for BRL, through representation:-

1. Immediate release of Rs.110 crore of Plan as well as Non-plan-Assistance from Government.
2. Revision of payment at par recommendation of the fifth pay Commission.
3. Release of fund from National Renewal Fund for VRS and retraining and re-employment facilities of voluntarily retired workers.
4. SAIL should provide 50% raw-materials and 50% of working capital to BRL.
5. Timely payment to workers and implementation of various motivational scheme to enrich worker's productivity.
6. Fulfillment of SC/ST vacancies and their promotion to executive levels.
7. Worker's participation to decision-making process.

INDIAN IRON & STEEL COMPANY LIMITED (ISISCO)

The Sub-Committee visited on 19th September, 1998, the Indian Iron & Steel Co. Ltd. (ISISCO), a wholly owned subsidiary of SAIL and consisting of an integrated Steel plant of one million tonne per annum designed capacity at Burnpur; conventional route and non-ferrous foundries and three spun plant at Kulti; canaries at Noon vedin-Jitpur, chasnall and Rammagar and a coal washeries at chasnall and Iron Ore mines at Gua and Manoharpur. USCO has become a sick industrial company in terms of the Sick Industrial Companies (Special Provision) Act, 1985 as amended from time to time and the Board of Directors of ISISCO made a reference to the BIFR in June, 1994 for determination of measures to be adopted with regard to the company. 'Me BIFR opted for winding up of the company on 21-06-96 and presently the company is under liquidation.

Meeting with unions representatives
The Sub-Committee met the representatives of the workers who visited as ISISCO is called the backbone of Indian Economy but USCO is languishing as the 'Turkey of Europe' in Indian Steel Industry and for the alarming situation of the plant, Government of India and SAIL are responsible, as Government's raison-de-doer of nationalisation of the plant to ensure renovation and modernisation of the works never put into practice and SAIL continued to neglect this aspects of ensuring proper maintenance of the plant after the takeover. The workers informed the Sub-Committee that ISISCO has got the best infrastructure due to strategic location of the plant where scores of Iron-Ore mines are lying. Chiria Iron-Ore Mines has the resume of Iron-Ore to the tune of 9590 Million tonne and Japan wanted to tap Chirias Mines which shows the degree of enrichment of Iron ore found in Chiria.

The workers informed the Sub-Committee that safety measures at USCO are not adequate & proper at USCO workers have to live in danger while working. The workers representatives complained that ISISCO still continue to operate though conventional method and with outdated and traditional machinery whereas all other steel plants in India has already got modernisation package so USCO, immediately, requires Governmental intervention for viable plan and Modernisation package. A complete modernisation of the plant is required for its survival & growth. Further it was stressed that adequate mechanism should be provide for positive- implementation of the modernisation package.

Ultimately, the worker's representatives wanted merger of ISISCO with SAIL on BSL line so that SAIL may devote adequate-fund for the survival and growth of the plant.

Meeting with ISISCO's officer's association
The Sub-Committee met with the representatives of ISISCO Officers' Association who informed the Sub-Committee that USCO's Modernisation has pushed the company into the sick bay as none of the efforts for its Modernisation through various agencies Re Mecon, Dasturco, Soviet Experts, Japanese Experts were implemented and the country's oldest integrated steel plant continues till today to operate with outdated technology, henceforth is unable to compare with other steel products.

The Sub-Committee was also informed that ISISCO has tremendous internal strength in the form of infrastructural facilities, skilled and committed work force captive source of Iron ore and coking coal, easy availability of power from DVC, good linkage through railway system and road connection, water supply as well as a wide marketing network, still with the passing of each day ISISCO slides downwards and alongwith it the fate of its 27 thousand employees, their family members and thousands of others whose life depends on this large Organisation incites towards darkness.

ISISCO Officers Association revealed the convincing facts that ISISCO has been adding value to the Government Ex-chequer to the tune of Rs.2237 crore under various heads like:-

<table>
<thead>
<tr>
<th>Items</th>
<th>Rs.(in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Excise duty</td>
<td>940.92</td>
</tr>
<tr>
<td>2. Railway Freight</td>
<td>826.42</td>
</tr>
<tr>
<td>3. Sales Taxes</td>
<td>320.24</td>
</tr>
<tr>
<td>4. Contribution of SDF</td>
<td>079.67</td>
</tr>
<tr>
<td>5. JPC Cess and others</td>
<td>69.41</td>
</tr>
<tr>
<td>Total</td>
<td>2236.66</td>
</tr>
</tbody>
</table>

Officers Association put forth the argument that if ISISCO is closed down the Government will not only loose the loans given to ISISCO but will also lose the above stated Income from ISISCO.

ISISCO Officers Association informed that in case the Government is not in a position to invest Rs.2107 crore after giving the relief sought by SAIL for ISISCO 's revival, the alternative interim proposals prepared by ISISCO in consultation with M/s M.N. Dastur Company, May kindly be given the green signal considering the point of survival of ISISCO.

Meeting with management
The Sub-Committee met the management who informed the Sub-Committee that ISISCO has played a historical tale in the areas of steel making but unfortunately, the current status is running under rough whether, due to technological obsolescence and consequent manual operation high labour cost and low productivity, absence of sinter plant, low productivity by open hearth furnace, Steel tearing by ingot casting, acute competition in the market and high cost of production - all constituting major areas of concern.

As to the Sub-Committee's inquiry of ISISCO's period in BIFR's net and managerial steps taken to come out from BIFR management the informed Sub-Committee that ISISCO was referred to BIFR on 22.6.94 under SICA. A revival/rehabilitation proposal was submitted by SAIL/ISISCO in November 1994, whereby budgetary support of Rs.1.1100 crore was sought from the Government of India. This proposal envisaged raising the crude steel production to 1.204 MTPA with an investment of Rs.3467 crore. The Government of India communicated to SAIL in November 1995 its inability to provide budgetary support of Rs.1.1100 crore and advised SAIL to explore joint venture for revival of ISISCO. Upon advertisement for joint venture, 15 parties purchased the information packages and only two parties viz. TPE of Russia and MTSU of Japan submitted their offers. Out of the two MTSU declined to participate in equity. TPE's submitted their technical proposal to SAIL in 1997, which was accepted by SAIL. TPE's proposal envisaged production of 1.0 MTPA of crude steel with a capital investment of Rs.210 crore. TPE's proposal envisaged joint venture with SAIL and utilisation of Rupert-Robine found from Ecorow account. Agreement at the levels of the two government has not been reached. Subsequently, SAIL had proposed to undertake the revival/modernisation of ISISCO mainly based on TPE's proposal by seeking waiver of loans from Steel Development Fund (SDF) alongwith a financial restructuring package. Final decision on this issue is still awaited. The management, viewed that either SAIL is restructured and USCO is merged with SAIL, otherwise the priority should be given to ISISCO to get grant from SDF fund. In this context, the management requested for joint meeting between SAIL, Department of Steel and ISISCO so that workable suggestion may emerge.

As regards the Sub-Committee's inquiry regarding USISCO-Ujjain Pipe and Foundry Company Ltd., the management informed that Ujjain Pipe & Foundry Company Ltd. is a wholly owned subsidiary of USISCO and become sick industrial company within the provision of section 3 (1) (0) of Sick Industrial Companies (Special Provision) Act, 1985, on its net worth becoming negative and was referred to the Board for Industrial and Finance Reconstruction (BIFR) on 25th, March, 1994. BIFR declared it as sick Industrial Company on 7th July, 1994 and appointed the Industrial Re-construction Bank of India (IRBI) as the operating agency for preparation of a rehabilitation proposal. In the absence of a viable proposal BIFR at its hearing held on 21st June, 1996 opined that it was just and equitable to wind up the Company. The opinion was finalized to the House of Calcutta High Court, which at its hearing on 16th July, 1997 directed that the Company be wound up and the official liquidation was directed to take possession of the assets of the company. The winding-up proceedings are in progress.
The Sub-Committee visited Kulti-works, which is a captive foundry, and Cast Iron Spun Pipe Plant complex located at Kulti have Cast Iron Spun Pipe Plants, Cast Iron foundries, Steel Foundries. Non-ferrous foundry and machine shop for producing value added Iron and Steel products, presently the unit is under the control of. Growth Division of SAIL with installed capacity of manufacturing Cash Iron Spun pipes of 165960 tonne, steel casting of 5300 tonne, non-ferrous castings of 530 tonne and other casting of 77916 tonne annually.

The Sub-Committee found the following support facilities available at Kulti works:-

1. A well equipped pattern shop with experienced personnel for making wooden and metallic patterns.
2. A versatile Machine shop having general purpose machine tools for turning, grinding, bevel, gear generation vertical and horizontal boring and tool, room facilities.
3. Metallurgical laboratory with physical testing section, sand-testing, Metallography, chemical tab, spectro lab, x-ray lab, ultrasonic testing, magna flux testing, D.P. testing, instrumentation and fuel technology sections.
4. Works inspection department for product inspection and testing.
5. Sand washing and grading plant, drier for silica sand, ball mill for coal dust and straw rope section.
6. Production planning and estimation department along with commercial section. materials, finance, personnel and training department.
7. Project design and drawing department.
8. Structural and smithy shop. Traffic and loco shop. Raw-material handing section, electrical repair shop, civil repair and mechanical main shops.

The following products are being manufactured as Kulti-Works.

1. C.I. spun pipes with diameter -200-1050 mm. N.B., Length.4 to 5.5 M.
2. C.I. fitting with diameter 80-1050 mm. NB. Ductile iron fittings can also be manufactured at L.C.D.
3. Iron and alloy casting (iron) as well as alloy steel casting as per national/international standards and as per customer's specifications.
5. High manganese steel castings as per IS-276.
6. Pure copper up to 350 kg piece weight.

The man at work at Kulti works informed the Sub-Committee that the unit possess the manufacturing facilities for all type of ferrous and non-ferrous casting and cast Iron span pipes and fittings. The unit has got the locational advantage like proximity to Bumpur Works, Steel plants, collieries and mines. It has got in house design and development of facilities.

Kulti Works has long-standing reputation in the market for its products - pipes, fittings and castings. It exports C.I. pipes & fittings to Nepal; dressing Kettles, Mill liners, grinding media balls, S.G. Iron grate bars & pellet France to Australia and pencil ingot mould to Philippines. The unit has got the distinction of getting ISO 9002 certified QAS for Steel foundry and light casting, department Steel foundry also registered as A ‘A’ class foundry by R. D.S. O. The unit has concern for customer - Standardised procedure available for early complaint redressal.

The unit has skilled and dedicated workforce willing to take up challenging jobs, that's why exists harmonious industrial relation.

Future Development on the Anvil

1. Revival of production of small diameter pipes, screw-flanged pipes and fittings.
2. Production of large sized Ni-hard grinding rings and alloys steel-balls, Ni-hard impellers and casings far thermal power plants of N.T.P.C.
3. Installation of chemically bonded continuous sand mixer system for production of quality castings with high degree of surface finish.
4. Production of Heavy S.G. Iron castings like-rolls, pellets, frames, etc. The Sub-Committee feels that a moderate modernisation at Kulti can be a great help to the productivity and quality of the products. Henceforth the Sub-Committee recommends that sufficient fund flow should be allotted to Kulti Works to undertake Modernisation programme so that a combination of work culture along with sophisticated technology would yield expected profits.

ALLOY STEEL PLANTS (ASP)

Alloys Steels Plants, Durgapur, Commissioned in 1967, was designed and engineered by M/S M.N. Dastur & Co. while the production know how was taken from M/s Atlas, Steel Canada. The integrated production in ASP started to produce alloys and special Steel with the intended capacity of 1 lack metric tonne of ingot per annum, to be further augmented by 60,000 tonne per year by utilising the second shift of blooming and billet Mill. The capacity was further expanded to 2,60,000 tpc & liquid Steel and 18,3000 tonne of saleable Steel.

Meeting with workers of Alloy Steel Plants

The Sub-Committee met with workers of ASP on 20th September, 1998. The workers informed the Sub-Committee regarding the mismanagement of the plant. The workers informed the Sub-Committee that the work-culture generated by the workers in the plant injected qualitative productivity and earned the plant IS0 9002 Standards accredited by RWTUV, Germany. Moreover, CIL has awarded the ASP the Productivity Award and HRD Award.

The workers informed the Sub-Committee that ASP enjoys the facilities of SMS, continuous casting shop, Blooming & Billet Mill, Forge Shop, Conditioning Shop, Ban Mill, Heat Treatment and Finishing Shop and Plate Mill. Continuous Cast products includes slabs, bloom, while Billet and Bar products are of rounds, RCS Billet; RCS Bloom., RD edge size; and for gains are that of RDNS & Sequences, Ring, Disc & Step range.

The wide range of products of ASP are used by defence, railways, automobile Industries, engineering industries, bearing manufactures, tube manufactures, Coal and power sector atomic energy establishment and aero space industry. The workers opined that despite elaborate facilities and wide range of product, ASP is facing a lot of problems:

1. Due to technological obsolescence and mismanagement of machinery there is high fixed cost.
2. Cheaper import of stainless steel causing concern to steel industry in general.
3. Sluggish Market conditions adding problems to the prosperity of the plant.
4. Lowers sales - causing inventory build up resulting in lower production.
5. Crashing of sales prices due to high internal capacity and competition from abroad.
6. High interest due to highest inventory.
7. Decline in Gross profit as well as in net profit.

The adverse trend of ASP's Balance-sheet have deep bearing as the welfare measures of ASP's workers. The workers requested the Sub-Committee to forward the case of ASP for its Modernisation and further technological up-gradation for better physical and financial performance.
Meeting with management of ASP

The Sub-Committee met the ASP's management and interactions included the general problems of Steel Industry and specific problems of ASP which accounted the views express by the workers. The management informed the Sub-Committee that ASP has won prestigious awards like National Quality Award from UM and National Energy Award from Ministry of Power.

The management informed the Sub-Committee about the performance of ASP:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (T)</td>
<td>187195</td>
<td>200682</td>
<td>153910</td>
<td>422410</td>
</tr>
<tr>
<td>Sales (T)</td>
<td>200552</td>
<td>177166</td>
<td>145615</td>
<td>50691</td>
</tr>
<tr>
<td>Gr. Profit Rs. In Lacks</td>
<td>-533</td>
<td>-2192</td>
<td>-1137</td>
<td>-1259</td>
</tr>
</tbody>
</table>

As regards the STN Steel Production; the management informed the Sub-Committee:

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>41200</td>
<td>30989</td>
</tr>
<tr>
<td>1996-97</td>
<td>18660</td>
<td>15745</td>
</tr>
<tr>
<td>1997-98</td>
<td>10621</td>
<td>9159</td>
</tr>
<tr>
<td>1998-99</td>
<td>6800</td>
<td>6670</td>
</tr>
</tbody>
</table>

The Sub-Committee was informed about ASP's inventory problems of finished products:

<table>
<thead>
<tr>
<th>Date</th>
<th>Tonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.4.96</td>
<td>30989</td>
</tr>
<tr>
<td>1.4.97</td>
<td>45405</td>
</tr>
<tr>
<td>1.4.98</td>
<td>62800</td>
</tr>
<tr>
<td>1.10.98</td>
<td>51500</td>
</tr>
</tbody>
</table>

The Inventory Status of ASP is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I.W. got (T)</td>
<td>1.4.98</td>
<td>1.9.98</td>
<td></td>
</tr>
<tr>
<td>Semis (T)</td>
<td>3898</td>
<td>4829</td>
<td></td>
</tr>
<tr>
<td>Saleable (T)</td>
<td>54505</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw Material (Rs. in lakhs)</td>
<td>62800</td>
<td>54600</td>
<td>2477</td>
</tr>
<tr>
<td>STR &amp; SPR (Rs. in lakhs)</td>
<td>3360</td>
<td>3116</td>
<td></td>
</tr>
</tbody>
</table>

The management informed the Sub-Committee that cost of inputs is rising to a substantial level:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Power (RS/KWH)</td>
<td>1.50</td>
<td>1.65</td>
<td>1.75</td>
</tr>
<tr>
<td>Fuel (RS/MKCI)</td>
<td>700</td>
<td>900</td>
<td>960</td>
</tr>
<tr>
<td>Electro code (RS/PMT)</td>
<td>78000</td>
<td>105000</td>
<td>100000</td>
</tr>
<tr>
<td>M.S. Scrap (RS/PMT)</td>
<td>5500</td>
<td>6200</td>
<td>6200</td>
</tr>
<tr>
<td>Cost/Man year (RS)</td>
<td>126786</td>
<td>142853</td>
<td>162000</td>
</tr>
</tbody>
</table>

While there is negative movement of price of Saleable Steel:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STN Steel Slab</td>
<td>64000</td>
<td>58000</td>
<td>56000</td>
</tr>
<tr>
<td>Creep Rost (RPS)</td>
<td>37000</td>
<td>32000</td>
<td>27000</td>
</tr>
<tr>
<td>Gracles (T11, T 22)</td>
<td>22500</td>
<td>22250</td>
<td>21000</td>
</tr>
<tr>
<td>Ball Bearings (RPS)</td>
<td>19500</td>
<td>18000</td>
<td>17000</td>
</tr>
<tr>
<td>Carbon Steel (RPS)</td>
<td>92000</td>
<td>85000</td>
<td>75000</td>
</tr>
<tr>
<td>DIE Block (Forging)</td>
<td>60500</td>
<td>58000</td>
<td>57500</td>
</tr>
</tbody>
</table>

The management informed the Sub-Committee that the rising cost of inputs and negative movements of prices of ASP's product resulted into increasing Gross loss as well as net realization.

The management apprised the Sub-Committee regarding ASP's strategies for 1998-99 for better performance:

1. Reduction of manpower through Voluntary Retirement Schemes.
2. Production as per market demand.
3. Reduction in inventory through strategic marketing.
4. Marketing of Low Nickel Stainless Steel through SSP.
5. Reducing cost of production and improving quality.
6. Marketing of Alloy Steel wire Rods through ASP.
7. Cost control of Rs.24 crore.
8. Building synergy with DSP for transfer of cost Billets and Hot Steel.
9. Improving Gross profit.

As regards the segment wise Market share, ASP's management informed the Sub-Committee with following facts & figures:

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
34th Report of Committee on Industry

The Sub-Committee visited the plant-site on 20th September, 1998. The Plant was set-up with British assistance in LATE 50s with an initial capacity of 1 million tonne of ingots per annum and was commissioned in stages between December, 1959 & January 1962. The plant launched expansion programme during 1967 to 1969 to 1.6 mt and the various units under its expansion were commissioned between June 1966 and August 1971 but actual performance remained low due to various problems being faced by the plant. The plant achieved its highest production of 1.092 mt. during only in 1977-78 and later performance became inconsistent and continued to decline in the 80s and early 90s due to obsolete and unreliable health of technology and equipments.

Henceforth, the modernisation plan was taken up in the year 1989 by the Government at an estimated cost of Rs.2668 crore against the sanctioned completion schedule of March, 1993 with the objectives of replacing old and obsolete equipment & technology, improve productivity of various units and quality of products, to improve yield, to conserve energy, to reduce the cost of production and to abate environmental pollution. Against the sanctioned completion of March, 1993, all production units were completed by April, 1996. Other facilities were completed progressively by March, 1998 at the total expenditure of Rs.4557.89 crore against the estimated cost of Rs.2668 crore.

After the commissioning of the modernised units, Durgapur Steel Plant is to produce 2.088 million tonne of hot-metal, 1.586 million tonne of saleable steel annually. The chart of production of saleable steel highlights the following facts

<table>
<thead>
<tr>
<th>Products</th>
<th>Mix</th>
<th>Tones/Annun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel Plant</td>
<td>71</td>
<td>65</td>
</tr>
<tr>
<td>Auto</td>
<td>03</td>
<td>07</td>
</tr>
<tr>
<td>Defence</td>
<td>58</td>
<td>39</td>
</tr>
<tr>
<td>Forging</td>
<td>01</td>
<td>04</td>
</tr>
<tr>
<td>Power</td>
<td>20</td>
<td>37</td>
</tr>
<tr>
<td>Tube</td>
<td>07</td>
<td>13</td>
</tr>
<tr>
<td>BRG/Ring</td>
<td>03</td>
<td>06</td>
</tr>
<tr>
<td>Engg.</td>
<td>08</td>
<td>13</td>
</tr>
<tr>
<td>Steel Plant</td>
<td>29</td>
<td>35</td>
</tr>
</tbody>
</table>

The management informed the Sub-Committee about the facilities that are likely to be undertaken for better physical and financial performance during 9th Five Year Plan: -

1. Cost Reduction of STN production and Billet Caster ; bars and rounds production.
2. Improvement in the Quality of concast bloom. Productivity improvement is also expected by revamping of forge shop.
3. Reduction of overall cost of production & meet the long-term scrap scarcity.
4. Furnace Transformer up gradation to increase productivity.
5. De-bottlenecking of concast bloom rolling through BBM.
6. Heat transmit facility for matching treatment facility & finishing for higher volume of production.

The management requested the Sub-committee to extend the case of ASP's requirement for the bright and prosperous future: -

1. Decrease in Excise duty;
2. Anti-dumping measures for Stainless Steel.
3. Investment on infrastructure to augment demand of Steel.
4. Special Fund from Ministry for Voluntary Retirement Scheme.
5. Purchase preference for order placement by Government department and PSUs.

DURGAPUR STEEL PLANT

The Sub-Committee visited the plant-site on 26th September, 1998. The Plant was set-up with British assistance in LATE 50s with an initial capacity of 1 million tonne of ingots per annum and was commissioned in stages between December, 1959 & January 1962. The plant launched expansion programme during 1967 to 1969 to 1.6 mt and the various units under its expansion were commissioned between June 1966 and August 1971 but actual performance remained low due to various problems being faced by the plant. The plant achieved its highest production of 1.092 mt. during only in 1977-78 and later performance became inconsistent and continued to decline in the 80s and early 90s due to obsolete and unreliable health of technology and equipments.

Henceforth, the modernisation plan was taken up in the year 1989 by the Government at an estimated cost of Rs.2668 crore against the sanctioned completion schedule of March, 1993 with the objectives of replacing old and obsolete equipment & technology, improve productivity of various units and quality of products, to improve yield, to conserve energy, to reduce the cost of production and to abate environmental pollution. Against the sanctioned completion of March, 1993, all production units were completed by April, 1996. Other facilities were completed progressively by March, 1998 at the total expenditure of Rs.4557.89 crore against the estimated cost of Rs.2668 crore.

Presently, the plant has the facilities of Sinter Plant, Coke Ovens Batteries, Pig Casting Machines, Blast Furnaces, Steel Melting Shop, continuous casting Plant, Billet Mill, Boom Mill, Wheel and Axle Plant, Sleeper Plant, Section Mill, Skip Mill and Merchant Mill.

Meeting with workers

The Sub-Committee met Worker's Association - H.S.E.U. and DSSU on 28th September, 1998, whereby major concern was shown towards the recession-ridden Steel Industry. The workers viewed that their breads of two times depends on the strength of funrtioning of the plant and that is possible if and only if the plant earns the profit but the physical and financial performance of the plant has arrested through the years due to increasing cost of production, massive increment in the numbers of workers slackened demand & obsolete equipment.

Meeting with management

The Sub-Committee met DSP management who accepted that cost and time over-run is a fact with the plant but with massive Modernisation programme DSP achieved State of the art-technology for quality Steel-making-stabilization of the modernised which has brought about improved productivity, substantial improvement in energy consumption and better quality products.

After the commissioning of the modernised units, Durgapur Steel Plant is to produce 2.088 million tonne of hot-metal, 1.876 million tonne of liquid Steel and 1.586 million tonne of saleable steel annually. The chart of production of saleable steel highlights the following facts and figures:-
Merchant Product 280,000
Structurals 207,000
Skelp 100,000
Sleeper 75,000
Wheels & Axies 58,000
Fish Plates 5,000
Semis 801,000
Total Saleable Steel 1,586,000

The actual production of Hot metal, Crude Steel & Saleable Steel are during last three years are: -
(in MT)

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hot Meal</td>
<td>1247.0</td>
<td>1487.0</td>
<td>1558.0</td>
<td>1734.0</td>
</tr>
<tr>
<td>Crude Steel</td>
<td>1023.7</td>
<td>1247.6</td>
<td>1365.1</td>
<td>1569.0</td>
</tr>
<tr>
<td>Saleable Steel</td>
<td>947.3</td>
<td>1093.4</td>
<td>1258.8</td>
<td>1348.0</td>
</tr>
</tbody>
</table>

The Sub-Committee expressed its concern over the marginal improvement in manpower-productivity despite modernisation: -

Plants TCS/MAN/Year
DSP Actual up to August is 74
DSP Envisaged after Modernisation 96
BSP 121
BSL 108
Asian Countries 300
Developed countries 400

The Sub-Committee was also not satisfied with the trend in profitability of DSP: -

<table>
<thead>
<tr>
<th>Year</th>
<th>NSR Cost of Production (Sal. Steel)</th>
<th>Fixed Dep &amp; Int</th>
<th>Total</th>
<th>Net Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994-95</td>
<td>10053</td>
<td>5880</td>
<td>3738</td>
<td>1817</td>
</tr>
<tr>
<td>1995-96</td>
<td>10453</td>
<td>6252</td>
<td>4525</td>
<td>2038</td>
</tr>
<tr>
<td>1996-97</td>
<td>10200</td>
<td>6441</td>
<td>4654</td>
<td>2381</td>
</tr>
<tr>
<td>1997-98</td>
<td>10293</td>
<td>6448</td>
<td>3918</td>
<td>4377</td>
</tr>
</tbody>
</table>

NSR - Net Saleable – Realisation

% Increase Over 94-95 2.4 9.7 4.8 140.9 28.9 222.5

The Management highlighted before the Sub-Committee regarding the major constraints being faced by the plant:-

1. Depressed Market
   i. Dumping of Steel
   ii. Low demand of Steel due to lower growth in infrastructural development activities.
   iii. Excess Capacity in Indigenous Steel-Making

2. Increase in Input cost over the years
   i. Raw-Material Cost (Coal) - Increase of 12% per year.
   iii. Manpower cost - cost at 17% of turnover is man than the SAIL average of about 15% & much higher than most domestic competitive.
   iv. Increase in import duty coal due to imposition of 4% special additional duty.
   v. Increase in freight charges by 10% each year.
   vi. Rise in cost of power by 10-12% by DVC each year.

3. Stagnation in Net Sales Realisation (NSR)
   i. Frequent Interruption in power supply from DVC due to frequency problem.
   ii. Condition of roads not conducive for higher increase in road dispatched.

DSP's Strategic-management to improve the condition includes:-
   i. Rationalisation of Manpower
   ii. Increase in Market share & NSR
   iii. Reduction in Cost.
   iv. Fullest Capacity utilization Of modernized units.
   v. Asset - Restructuring.
   vi. Profit & Liquidity optimisation
   vii. Full utilization of In - House Assets.

Help Required

1. Freight limit of Rs.1710/t for steel materials to be removed as traditional of DSP far away from Durgapur.
2. Reduction in Freight for input & output through proper classification.
3. Reduction in Excise Duty on long products to 10% from 15%
5. Fixing of reference price to check dumping of steel
6. Improvement in Road Transport facilities
7. Contractual Jobs - Choice to select contract labour in respect to numbers skill.
8. Growth in infrastructural development activities.

CENTRAL MARKETING ORGANISATION

The Sub-Committee met with officials of Central Marketing Organisation (CMO) SAIL on 21st September, 1998 and came across organisational structure and functional network for the physical distribution of SAIL’s product. CMO sells the products of the four major integrated steel plants, viz. BSP, DSP, BSL & RSP on direct dispatch basis and through stockyards. So CMO is playing a key role in distribution of material through the network of network.

The Sub-Committee was informed that CMO has undertaken the task of modernisation of stockyard for home sales. Export Stockyard and creating infrastructural branches and stockyards, although extension counters form the necessary infrastructure arrangement as distribution points. CMO arrange deliveries through the large and medium distribution points and by the end of this century, 11-12 million tonne are likely to be sold through the total distribution facilities like office building residential flats etc. This has become essential to prepare distribution network for accommodating increased production of Steel plants and for movement of material in rake road. Modern stockyard have already been developed at Mumbai, Chennai, Kanpur, Hyderabad, Calcutta. The existing export years at Haldia and Vizag have also been provided with railway siding, covered shed, hard stand etc. New plots have been selected for Nagpur, Chandigarh, Jaipur, Indore and Agra.

Established in 1963 to have the marketing operation for all the Steel plants of the SAIL with headquarters at Calcutta CMO has since grown into a vast distribution network of 42 Branch Sales -offices, 39 Department Stockyards, 12 consignment agency yards. The Committee has been informed that from a humble beginning of 2.2 Million tonne in the year 63-64, total house sales a handled by CMO have grown over 6.6 million tonne/annum by 97-98. From a modest level of 16,000 tonne in 64-65 the stock-yards sales have gone up to 3.5 Million tonne/annum during 97-98.

The officials of CMO informed the Sub-Committee that marketing of prime Iron Steel products of 4 integrated Steel plants (defective/ cuttings/ scrap etc. are done directly by plants. The major products for Home sales operations by the respective plants are:

**Bhilai Steel Plant**
- Long Products:
  - Round/TMT Bars
  - Wire Rod
- Structural (Light & Heavy)
- Rail & CS Bars

**Durgapur Steel Plant**
- Pig Iron
- Pig Castings

**Rourkela Steel Plant**
- HR Coils/Sheets
- CR Coils/Sheets
- Galvanised sheets (Plain & Corrugated)
- Electrical Steel Sheets
- Tin Plates, -Pipes (ERW & SW)

**Bokaro Steel Plant**
- HR Coils/Sheets
- CR Coils/Sheets
- Galvanised Sheets (Plan & corrugated), Pig Iron

CMO Sells the products of the four major integrated steel plant, viz BISP, DSP, BSL RSP on direct dispatch basis and through stockyards. Nearly 50% of total sales of saleable steel Organisation of in the form of direct dispatches from plants to customers against advance orders booked by CMO. Balance 50% are sold through the vast distribution network of CMO consisting of departmental stockyards. Consignment agency yards & conversion agents.

The officials of CMO acquainted the Sub-Committee with the prevailing market scenario characterized by:

i. Lower growth in important sectors like infrastructure and power. Mega projects are not taking off as planned.
ii. Cash crunch faced by major Government department like electricity Boards. Moreover thereto severe liquidity constraints faced by steel consuming private Sector.
iii. Availability of imported materials from cheaper sources.
iv. Increasing competition from new producers having freight and sales tax advantages.
v. Incidence of excise duty on freight and distribution margin..
vi. Problem of surplus production i.e. supply exceeding demand in major items.

The Sub-Committee's inquiries regarding projection of forecasting in demand the officials of CMO stated that an annual exercise is undertaken by Market Research Group of CMO in coordination with all the Branch Sales Offices for assessing the likely demand projections for the following year well before the commencement of the year. Such demands estimates are worked out taking into consideration new economic indicators as well as estimate by the different functional groups of CMO. Thereafter, following series of joint deliberation between CMO and the steel plants, an Annual Performance Plan (APP) is finalised. This APP inter-alia details sales plan for each of the four integrated steel plants covering quantities for home sales, export sales etc. Based on the monthly sales plan and charges in market scenario, the monthly product mix is finalised jointly by CMO and respective plants before the beginning of each month.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>ACTUALS 1997-98</th>
<th>PLAN 1998-99</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SEMIS</td>
<td>895.5</td>
<td>1156.0</td>
</tr>
<tr>
<td><strong>CMO: SALES AT A GLANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saleable steel</td>
<td>66654.3</td>
<td>8010.0</td>
</tr>
<tr>
<td>Home sale</td>
<td>1000.0</td>
<td>9010.0</td>
</tr>
<tr>
<td>Exports</td>
<td>3.5 Million</td>
<td>73332.9</td>
</tr>
<tr>
<td>Total</td>
<td>678.6</td>
<td>(\text{% increase})</td>
</tr>
<tr>
<td></td>
<td>((+20%))</td>
<td>((+47.6%))</td>
</tr>
<tr>
<td></td>
<td>((+23%))</td>
<td>((+35%))</td>
</tr>
</tbody>
</table>

### CMO: SALES AT A GLANCE

**CMO: SALES AT A GLANCE**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>ACTUALS 1997-98</th>
<th>PLAN 1998-99</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SEMIS</td>
<td>895.5</td>
<td>1156.0</td>
</tr>
<tr>
<td><strong>CMO: SALES AT A GLANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saleable steel</td>
<td>66654.3</td>
<td>8010.0</td>
</tr>
<tr>
<td>Home sale</td>
<td>1000.0</td>
<td>9010.0</td>
</tr>
<tr>
<td>Exports</td>
<td>3.5 Million</td>
<td>73332.9</td>
</tr>
<tr>
<td>Total</td>
<td>678.6</td>
<td>(\text{% increase})</td>
</tr>
<tr>
<td></td>
<td>((+20%))</td>
<td>((+47.6%))</td>
</tr>
<tr>
<td></td>
<td>((+23%))</td>
<td>((+35%))</td>
</tr>
</tbody>
</table>
As regards the marketing strategy pertaining to domestic market the CMO officials pointed out that main impetus towards better customers satisfaction, committed delivery system, and better services though following measure.

CMO’s marketing strategy: HOME SALES

1. Better consumer satisfaction
   i. Re-orientation of product mix to suit changing market needs.
   ii. Accent on special & value added products satisfaction
   iii. Development of customised sizes. Buy & Sell/Conversion Schemes to supplement available
   iv. Flexible Commercial terms pricing mechanism.
   v. Total package to projects; tie-up with major construction companies; Interaction with design Organisation for propagating SAIL Steel.
   vi. Simplified order booking procedures; simplified quality complaint settlement procedure.
   vii. Intensified customer accounts Managers; customers meets with participation of MDS & other senior officers of plants.
   viii. Intensified sales promotion activities product specific films, brochures, exhibition & emphasis on supplies to infrastructure related projects & Engineering industries

2. Committed Delivery
   i. Long term perspective - MOU tie-up.
   ii. Order booking planning system simplified further to reduce the lead film
   iii. Shift from quarterly to monthly planning.
   iv. Commitments monitored at MD/ED (w) level.
   v. Road/Delivery from planes.
   vi. Introduction of the concept of Nodal years.
   vii. Door delivery from stockyard/Plants.

3. Better Service
   i. Encouragement to customer loyalty.
   ii. Customer groups visiting plants.
   iii. Branch & stockyard operation totally computerised.
   iv. Faster documentation/reform.
   v. Faster truck turnaround at stockyards.
   vi. Modernised stockyards with better infrastructural facilities.
   vii. Nodal stockyards for bulk movement by rail & subsequent delivery by road.

The officials of CMO informed the Sub-Committee that exports of Iron & Steel materials are handled by International Trade Division (ITP), New Delhi. The officials also gave the details of exports by SAIL during the last three years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (MT)</th>
<th>Value (Rs. In crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>406287</td>
<td>469.44</td>
</tr>
<tr>
<td>1996-97</td>
<td>487862</td>
<td>628.40</td>
</tr>
<tr>
<td>1997-98</td>
<td>1044259</td>
<td>1074.11</td>
</tr>
</tbody>
</table>

Plant-wise products being-exported and overall importing countries are:-

Plants

- Bhilai Steel Plant
  Plates, Billets, Slabs, Wire rods lines, Pig Iron, Structural, TMT Bars

- Durgapur Steel Plant
  Billets TMT Bars Skelt

- Bokaro Steel Plant
  HR Coils/Sheets/Plates
  CR Coils/Sheets,
  GP Coils/Sheets
  Pig Iron

- Rourkela Steel Plant
  Plates, Slabs, HR Coils

While narrating the prevailing international market scenario, CMO officials forwarded following facts:

i. International market is very sluggish and competitive.
ii. Global recession has set in.
iii. There is a drastic fall in international prices.
iv. Japan, South Korea, China and CIS are dumping materials.
v. USA, Europe Canada etc. are threatening anti-dumping action on exports from different countries.

Against the above international market scenario CMO officials have sketched following strategies for increasing exports:

i. Market segmentation and sustained presence in respective segments.
ii. Strategic alliance and dedicated marketing channels.
iii. Suitable Market intelligence systems
iv. Maintaining consistent exports.
v. Appointment of consignment agent/Overseas Outlets.
vi. Improved infrastructure at plants.

However CMO officials enumerated certain constraints, faced in exporting SAIL's product of which many pertain to EXIM policy and infrastructure related problems.

A. EXIM Policy related constraints:
   i. DEPB rates are low and should be increased and rationalised.
   ii. DEPB scheme should be made available for exports to Nepal through land route.
   iii. DFTP scheme should be made applicable for deemed exports.

B. Infrastructure related -
   i. Railway should change concessional ratio freight rate for export materials being transported from Steel plants to ports since steel plants are situated far away from the ports.
   ii. In case of PSUs, compulsion of chartering vessels through trans chart should be removed and they should be allowed to go through any agency to have competitive advantage as available to the private exporters.
   iii. Export vessels should get priority berthing over other vessels at the ports.
   iv. Improved infrastructure at plants.

v. Global recession has set in.

The Sub-Committee met the officials of Development Commission for Iron and Steel (DCI & S) on 21st September 1998, which through its Regional offices continued to perform its advisory, developmental and regulatory functions. The Sub-Committee was informed of the organisational structure and detailed functions of the Office of DCI & S. As a part of the economic liberalisation process, the pricing mechanism of Joint Plant Committee (JPC) operating from 1964 was abolished with effect from 16th January, 1992 and pricing of Iron and Steel are now governed by market forces of demand and supply.

With the deregulation of distribution and pricing of Iron & Steel, the DC (I&S) with the aid of its six regional offices located at Calcutta, Mumbai, New Delhi, Kanpur (under New Delhi), Chennai and Hyderabad (under Chennai) performs the following functions:

a. Collection, processing and dissemination of basic information relating to the Iron & Steel industry and to act as the data bank of the Department of Steel;
b. Monitoring of regional price and supply trends suggesting to the Department remedial measures for correcting the imbalances, if any;
c. Monitoring of import and export of Iron and Steel materials;
d. Advice on matters relating to import and export policies of Iron and Steel;
e. Management of distribution of Iron and Steel materials to the designated priority sectors such as Defence, Railway State Small Industries Corporation, Engineering Goods Exporters and North Eastern States;
f. Allocation of materials to the state small scale Industry corporation;
g. Allocation of materials to remote areas like North Eastern States;
h. Assistance to Engineering Goods exports Units through priority allocation and monitoring thereof,
i. Survey of various segments of Steel Industry;
j. Rendering assistance to the EAF Units and secondary sector, by way of capacity assessment, assistance in procurement of indigenous/imported raw-materials and import substitution measures aimed at overall development of the sector;
k. Interface between the Government and different consumer groups to facilitate consumer-producer interaction.
l. Co-ordination for movement of raw-materials to Steel plants; and
m. Vigilance functions to prevent misuse of steel obtained from regulated sources.

The Sub-Committee was informed that DCI & S continues to make allocation of pig Iron to the designated consumers and the main producers supply the material on the basis of such allocation. The DC also continues to issue Release Orders for supplies to exporters of engineering goods and make annual supply plans for the North Eastern Region.

As regards the DCI & S's role in monitoring the price and supply trends in the changed market scenario, i.e. deregulation of distribution and pricing; transformation from a seller's market; the Sub-Committee was informed that DCI&S collects the open market price of iron and steel from various regions and apprise the same to the Ministry of Steel on weekly/fortnightly basis. DCI&S monitors supply trend of five designated sectors by holding meeting with different agencies. This office also makes supply plant for the Nodal Authority of N.E. Region receipt of their annual requirement of Steel materials. The secondary sector Industry submits their production returns to DCI&S. Thus, Office of DCI&S regularly the production and send feed back to Ministry of Steel.

The Sub-Committee, knowing that DCI&S makes quarterly allocation of Steel materials to the designated priority sectors asked whether DCI&S has been able to maintain demand & supply ratio to these sectors. It was stated that after deregulation of Iron & Steel in the year 1992, Government has retained the distribution control over five designated sectors viz.-SS 9 Corporation, Railways, Defence, EE&G & North-Eastern Region. Accordingly, State-wise allocations are made in respect of small scale Industries corporations of individual state. As per the allocation, the producers supply Iron and steel materials to the state small Industries corporation who in turn are supposed to meet the requirement of small scale user Industries of the state. The allocation is made on the basis of demand projected by a particular corporation vis-à-vis to the quantity made available by main producers for DCI&S allocation. Allocation are made by DCI&S to the state SSJ corporation quarter-wise, in addition, additional allocation was made considering the merit by DCI&S and when requested by SSI corporation to meet up their emergent requirements.

The allocation by and large made as the basis demand projected by a particular corporation. Vis-à-vis to the quantity made available by the main producers for DCI&S allocation. Additional allocation/requirements of Iron and Steel materials by any designated sectors are also made by DCI&S officer through additional allocation on merit.

The Sub-Committee wanted to know about the specific role DCI&S is playing as a coordinator for movement of raw-materials to Steel plants. The Committee was informed that in the preferential traffic schedule issued by the Ministry of Railways, the transport of raw-materials as well as finished product to and from the integrated Steel Plants W been placed in priority C. The Central Board of Transport Committee (CBTC) however decides that programmes and the quarterly traffic schedule for transport of only raw-materials the Integrated Steel Plants should be chalked out. The primary functions of the Committee is therefore, to finalise the wagon requirement so as to ensure uninterrupted supplies of raw-materials to the main plant. The Chairman of the CBTC Committee is the DCI&S, Other members being the Central DEVELOPMENT COMMISSIONER FOR IRON AND STEEL CALCUTTA

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34th Report of Committee on Industry

Freight Traffic (I&S), S.E. Railways, Sr. Manager of the Integrated Steel Plants including TISCO & RINL connected with Material Management, the Advisor (Railways Movement) of SAIL Corporate Office, any other Co-opted Members from other Railways, NNMC etc.

The Sub-Committee was informed that the actual procedure involves collection of information regarding plant-wise quarterly wagon requirements from Integrated Steel Plant and preparation of a tentative movement programme for integrated Steel Plant. The tentative programme is then placed before the CBT Committee Meeting for finalisation. The main objective is to match the requirements of the integrated Steel plants to the maximum possible extent. The DCI&S, being Chairman of the Committee, plays vital role in finalising the movement of raw-materials to Integrated Steel Plants for effective fulfilment of production programme.

When the Sub-Committee asked the DCI&S to comment on the fact of closure of more than 100 units out of 184 Electric Arc Finance (EAF) as on 30th January, 1997 it was informed that EAF Industry is facing problems due to high power tariff and rise in the cost of inputs.

The depressed national economy has aggravated the situation further. The official informed the Sub-Committee that out of 186 units, 134 EAF Units are closed. The DCI&S attributed the closure to smaller sizes of Furnace resulting in uneconomical scale of operation, financial constraint, technological obsolescence, high cost of inputs, like power tariff, Metallic scrap.

As a result of depressed market scenario, the price level of scrap has also come down in the recent years. The service charge also grew from Rs.2.33 crore to Rs.5.42 crore. Therefore, necessitating to start a campaign to popularise steel, thereby increasing the demand and consumption of steel. With a view to creating close interaction among the Government officials, economic planners, producers, consumers, entrepreneurs, financial institution, etc, the office of the DCI&S has been organising Steel Seminar since 1994. Since these topics covered so far are :-

1. Promotion of Steel consumption in developing countries - 1994.
2. Promotion of Steel consumption - Development of Infrastructure - 1995
5. Promotion of Steel consumption - Role of National Man - made and Human capital in 1998.

Speakers and delegates from all over the country and abroad take part in the Seminar and its recommendation are examined by the Government. It is to be noted that the launching of Institute for Steel Development and Growth is the result of the recommendation of the Seminar.

The Sub-Committee sought the opinion of DCI&S with regard to taking up of appropriate steps to bring the Steel Industry out of recession. The DCI&S officials viewed that recent turmoil's in the economies of South-East Asia, former USSR and other countries have an impact on the export prices for India. Again, the domestic industry is not able to move forward due to slow economic growth. Economic growth in India as well as South-East Asia will automatically give a boost to Steel Industry.

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The DCI&S officials outlined certain specific steps desirable to be taken up for revival of Steel Industry :-

(i) Check on mushroom growth in capacities by introducing the license that plants with a minimum economic scale are set up.
(ii) Raising Import Duty on seconds and defectives, to discourage such imports.
(iii) Introduction of value-added tax in place of ad-valorem Excise Duty.
(iv) Massive restructuring of Electricity Boards and revision of power-tariff for the Steel Industry.

METAL SCRAP TRADE CORPORATION LIMITED

Meeting with Management of MSTC

The Sub-Committee met the management of Metal Scrap Trade Corporation Limited on 21st September, 1998, which was incorporated as a Public Limited company under the companies Act 1956 in the year 1964. The status of the company underwent change in February, 1974 to that of a subsidiary of SAIL and in 1982-83 the corporation was converted into a Government of India company transferring the shares of SAIL to President of India. Presently, the company has an authorised Capital of Rs.5.80 crore and paid up capital of Rs.2.20 crore, of which 90% is held by the President of India and the balance 10% by the members of Steel Furnaces Association of India and Iron & Steel Scrap Association of India and others. Initially, the role of the company was essentially to determine the exportable surplus scrap availability in the country after meeting the requirement of the indigenous industries, sign protocol with scrap importing countries and allow exporters to export scrap at prices above the floor price. When the secondary Steel Sector comprising of Induction Furnaces, electronic arc Furnaces, Re-rolling Mills grew, MSTC became the canalising agency for import of Carbon Steel Melting Scrap. Re-rollable Scrap in the shape of old vessels for demolition, etc. Immediately after decanalisation, MSTC continued to retain the market share of more than 30% even though the total volume of import in the country dwindled and hence imports by MSTC in absolute terms started coming down.

MSTC faced a serious crisis from 1995-96 in the shape of fluctuating International Prices and falling value of rupee vis-a-vis US dollar. Although materials imported were during 1995-96 and 1996-97 MSTC found difficulty in selling imported scrap. Ultimately, a crisis point was reached in 1997-98 when the accumulated stock had to be sold at negative margin. During the year 1997-98 no further import was made.

With the depression in the Steel market and with 124 out of 184 EAF unit having closed their operation, the demand pattern of auto scrap changed except for major Steel producers in the Secondary Sector like Eastern Steel, Mukund, MVSCO and Jindal Strip, there is hardly any demand for Shredded Scrap (auto scrap) being used by these plants.

Because of the size problem and the low value of the cargo, MSTC doesn't find it economical to import small quantities of H.M.S. as done by small consumers. Consequently, in 1997-98 the volume of imports was zero.

As import have been the main stay of the corporation and the company have found it very difficult to maintain traditional imports in Foreign trade so it was decided in 1989-99 to import slab and cuttings and petroleum products worth about Rs.27 crore.

Performance in Foreign Trade

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign Trade (in Rs. crores)</th>
<th>Tonnage Importants (Rs) FT</th>
<th>Value of crore</th>
<th>Income from</th>
</tr>
</thead>
<tbody>
<tr>
<td>M/T</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990-91</td>
<td>Pre-decanalys - Do-</td>
<td>1.90</td>
<td>465</td>
<td>11.6</td>
</tr>
<tr>
<td>1991-92</td>
<td>- Do-</td>
<td>0.285</td>
<td>125</td>
<td>2.80</td>
</tr>
<tr>
<td>1993-94</td>
<td>Post Decanalys - Do-</td>
<td>0.308</td>
<td>165</td>
<td>3.67</td>
</tr>
<tr>
<td>1994-95</td>
<td>-Do-</td>
<td>0.278</td>
<td>167</td>
<td>4.76</td>
</tr>
<tr>
<td>1995-96</td>
<td>-Do-</td>
<td>0.168</td>
<td>122</td>
<td>1.21</td>
</tr>
<tr>
<td>1996-97</td>
<td>-Do-</td>
<td>0.128</td>
<td>81</td>
<td>1.27</td>
</tr>
<tr>
<td>1997-98</td>
<td>-Do-</td>
<td>-</td>
<td>-</td>
<td>-0.28</td>
</tr>
<tr>
<td>1998-99</td>
<td>-Do-</td>
<td>0.034*</td>
<td>27</td>
<td>0.94</td>
</tr>
<tr>
<td>Till August</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* All imports includes items other than Melting Scrap. As, in the post de-canalisation phase, emphasis was given on Domestic trade the volume of business grew from Rs. 140 crore in 1990-91 to Rs.497 crore in 1997-98. The service charge also grew from Rs.2.33 crore to Rs.7.58 crore in 1997-98. The followings problem are being faced on domestic Trade front :-

1. Organisation like railways and to some extent SAIL and other Government department dispose of huge volume of scrap either through Private auctioner the departmental.
2. Due to Modernisation of integrated Steel plants and others, the volume of scrap generation is coming down.
3. As a result of depressed market scenario, the price level of scrap has also come down in the recent years.

To maintain the volume of trade and to achieve some growth, management attempted to widen the basket of items and entered into direct trading i.e. purchase and sell. However, the management pinpointed that since the market conditions are most adverse it is not expected of spectacular growth in the short run.
34th Report of Committee on Industry

The Committee on Industry has been monitoring the progress of various steel plants and projects, particularly those under the Hindustan Steel Construction Limited (HSCL). This report highlights the expansion and modernization activities in Bhilai Steel Plant, Durgapur Steel Plant, and USCO (Burnpur), among others. The report also discusses the financial performance of MSTC and the challenges faced by the company in its diversification efforts.

The financial performance of MSTC, as shown in the table below, reveals that it has been experiencing a decline in profit from 1995-96 onwards. The management attributed this to the factors affecting the steel trade and the overall economy.

The committee observed that HSCL has a turnover of approximately 25 crores per year, which is inadequate compared to its expenditure. The management of HSCL has been diversifying its activities into sectors such as power, coal, oil and gas, and infrastructure facilities. The company has developed expertise in equipment erection, instrumentation testing, and commissioning.

The committee recommended that MSTC should widen its basket of items of trade and adopt an aggressive marketing strategy to import slab and long products to maintain a position in foreign trades and diversify its foreign trade front.

HINDUSTAN STEEL WORKS CONSTRUCTION LTD. (HSCL)

The committee noted that since the inception of HSCL, it has registered a turnover of Rs.4151 crores in steel and Rs.1332 crores in other sectors as on August 1998. The committee also discussed the management strategy of diversification and the challenges faced by the company in the decontrolled and liberalized scenario.

The committee met the workers of Bhilai Steel Plant on 14th September, 1998, who informed that HSCL has presently 72 units, including Korba, Bokaro, and Bhilai. The workers informed the committee that the management of HSCL has registered a turnover of Rs.4151 crores in steel and Rs.1332 crores in other sectors as on August 1998. The authorised and paid-up capital as on 30.9.98 was Rs.20 crores.

The committee recommended that MSTC should widen its basket of items of trade and adopt an aggressive marketing strategy to import slab and long products to maintain a position in foreign trades giving further impetus to diversification on the foreign trade front.
1. Establishment Cost
   
   **(Amount in Rs. lacks)**
   
   a. Salary/wages of HSCL Bhilai Employees per month
      280.00
   
   b. Other Establishment Expenditure
      020.00
   
   Total : 300.00

2. Receipt:
   
   a. From works executed by Deptt. workers
      50.00
   
   b. From the works executed
      50.00
   
   Total : 100.00

3. Net shortfall per month
   Total: 200.00

   Work in hand with Bhilai Steel Plant as on 01-09-1998

<table>
<thead>
<tr>
<th>SL.No.</th>
<th>Description</th>
<th>Value in Rs. (lacs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cold Repairs of Coke Oven Battery No.7</td>
<td>60.00</td>
</tr>
<tr>
<td>2.</td>
<td>Extension of Continuous Casting Shop of Steel Melting Shop-III</td>
<td>320.00</td>
</tr>
<tr>
<td>3.</td>
<td>Capital Repairs of Blast Furnace No.4</td>
<td>250.00</td>
</tr>
<tr>
<td>4.</td>
<td>Civil Engineering Work of Extension of Sector-1 Hospital</td>
<td>60.00</td>
</tr>
<tr>
<td>5.</td>
<td>Operational Maintenance works on Joint Record basis</td>
<td>300.00</td>
</tr>
<tr>
<td></td>
<td>(a) Through contractors worker</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Through departmental workers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1110.00</td>
</tr>
</tbody>
</table>

   Total manpower in Bhilai Unit (including Korba)

   The Sub-Committee was informed that the bare minimum establishment expenditure of Bhilai Unit is approx 35 crore out of which Rs.32 crore is gone only towards salary and wages. The wages of workers have high due to wage revision, six monthly increase in DA, other perks, etc. To sustain men power strength of about 3844 at Bhilai, there is a need of turnover of about 8-10 crore per month against the current turnover of around 1.50-2.00 crore per month. But it is the fact that it is not feasible per SATU Bhilai Steel Plant to place HSCL in workorder to the tune of Rs.8-10 crore per month even if BSP offloads all the works to HSCL. That is so because economic recession has compelled SAIL/BSP to minimise their construction activities.

   Turn-around strategy as provided by the Bhilai Unit of HSCL, is as under:
   1. Replacement of approx. 2500 construction workers engaged per day for BSP maintenance job on JRR equal number of departmental workers.
   2. BSP should placework order to HSCL at negotiated rate or on cost plus basis. SAIL should provide works to HSCL in the field of construction of civil, Electrical, Mechanical Equipment Erection, structure fabrication & Erection, etc.
   3. Present system of payment by BSP 60% of wages of the departmental workers engaged on joint record should be resorted to 100%.

   HSCL Rourkela Unit

   The Sub-Committee came to know that HSCL Rourkela Unit was established in the year 1974 with a small turnover of Rs.0.8 crore and could achieve the maximum turnover of Rs.26.73 crore in the year 1995-96. Of late, due to, the dwindling construction activity in RSP the turnover slowed down and it the year 1997-98 the Unit could achieve the turnover of Rs. 13.50 crore only and in further slowed thereafter. Although a Rate Contract for various construction activities was formed in the shape of Master Rate Agreement in the year 1992 between HSCL and RSP so that the work could start, immediately, eliminating various tendering formation but HSCL Rourkela Unit was awarded workorder to the value of Rs.10.00 crore (approximate) up to March, 1993 and since then the Master Rate Agreement has been made inoperative, consequently, HSCL has to participate in tender for all works even to the tune of 5 and less alongwith small petty contracts with negligible over-heads.

   Manpower and establishment cost of Rourkela HSCL unit manpower

   Total men power at Rourkela unit- 197
   
   Executive                                      51
   Non Executive                                   50
   Workers                                        96
   Total                                          197

   Establishment Cost Expenditure
   
   **(Amount in lacks)**
   
   a. Salary and Wages of HSCL employed per month    25.00
   b. Other establishment Expenditure                 05.00
   Total                                           30.00

   Work in hand with Rourkela -Steel Plant as on 01.09.1998
1. Capital Repair work in Coke-oven Batteries 82.70
2. Refractory repair of Hot metal Mixer in SMS-I & SMS-II 7.00
3. Rebuilding of Coke-Oven battery No. 5 533.00

Total 602.70

Outstanding billing position with RSP

Project

i) Final Bills Submitted 153.03
ii) Final bills under process for submission 209.98

Works

i) Final Bills Submitted 071.53
ii) Bills in terms of claim submitted 242.20

Total: 693.37

Hindustan steel works

Construction Employees union at Rourkela suggested the following points for the sustenance and revival of HSCL:

1. Chalking out a permanent tie-up between SAIL and HSCL to award HSCL the manufacture and repair job.
2. Necessary Financial support to USCL for the Modernisation of its resources.
3. Release of all outstanding dues of HSCL with SAIL.
4. Revival of Joint Forum consisting of workers and management's representation at the approx. level.
5. Effective VRS with prompt funding.
6. Revival of "Master Agreement" of Unit rates with agreed terms and conditions.

Strategy to turnaround Rourkela HSCL unit

As per the note submitted to the Sub-Committee:

1. To sustain establishment expenditure HSCL Rourkela Unit needs to achieve a turnover of Rs.2.5 crore per month against current turn over of Rs.0.50 crore per month. So, RSP should award USCL workorder on mutually agreed rates, terms and condition in the fields of replacement of cold water pope line and other similar works; replacement of worn-out Rail tracks; AMR Jobs, Scrap Management Processing of slags.
2. The Master Rate Agreement should be made functional after its updating and on its basis all construction works be awarded to HSCL/Rourkela Unit.
3. The Outstanding Final bills should be paid expeditiously.

BOKARO HSCL UNIT

Total manpower strength of Bokaro HSCL Unit is 6700. The annual turnover of Bokaro Unit is approx Rs.65.00 crore per year and the minimum establishment expenditure of Bokaro Unit is approx Rs.76 crore, out of which, Rs.72.00 crore is towards salary and wages. Bokaro HSCL Unit require a turnaround of amount Rs.20-25 crore per month against the current turn over of Rs.2.00 crore per month.

Total manpower in Bokaro Unit including Bhawanathpur

<table>
<thead>
<tr>
<th></th>
<th>Present manpower</th>
<th>Required manpower</th>
<th>Surplus manpower</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>410</td>
<td>250</td>
<td>160</td>
</tr>
<tr>
<td>Non-executive</td>
<td>1002</td>
<td>200</td>
<td>802</td>
</tr>
<tr>
<td>Workers</td>
<td>5288</td>
<td>1500</td>
<td>3788</td>
</tr>
<tr>
<td>Total</td>
<td>6700</td>
<td>1950</td>
<td>4750</td>
</tr>
</tbody>
</table>

Establishment Cost: (Amount Rs. in lakhs)

<table>
<thead>
<tr>
<th></th>
<th>(Amount Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure:</td>
<td></td>
</tr>
<tr>
<td>(a) Salary/wages of HSCL Bokaro employees per month</td>
<td>600.00</td>
</tr>
<tr>
<td>(b) Other establishment expenditure</td>
<td>35.00</td>
</tr>
<tr>
<td>Total</td>
<td>635.00</td>
</tr>
<tr>
<td>Receipt:</td>
<td></td>
</tr>
<tr>
<td>a) From works executed by departmental workers</td>
<td>125.00</td>
</tr>
<tr>
<td>b) From the works executed By contractors/PRWs</td>
<td>75.00</td>
</tr>
<tr>
<td>Total</td>
<td>200.00</td>
</tr>
<tr>
<td>(3) Net short-fall per month</td>
<td>435.00</td>
</tr>
</tbody>
</table>
During the course of interaction the management wanted following help from the Government in order to sail through tough time-

1. important service
2. Organisation of the nation.

The Company has developed its expertise in the areas of Pilling, Soil repairs and re-building works including Hot repairs of coke ovens and Blast furnaces. The Company has experience in

HSCL management informed the Sub-Committee that technology base, professionalism, Image building, Customer's satisfaction has been the governing vision of HSCL. Operating for more than three decades the company has established itself as an

The value of orders executed by the Company upto August, 1998 is as mentioned below:

(a) Steel Sector
(b) Other Sector

6. Stores Handling works
7. Other miscellaneous works in Works Division
8. Other miscellaneous works in Project Division e.g. Argon Recovery, BRP etc.

Total :

HSCL Employees joint forum, Burnpur

The Sub-Committee met the representatives of HSCL workers at Burnpur on the 20th September, 1998 and raised following points for the survival of HSCL:-

1. Expeditious implementation of Restructuring and Revival Plan of HSCL
2. Settlement of outstanding dues of Burnpur HSCL unit from SAIL against the Modernisation jobs executed at Durgapur. Till the claim are not settled SAIL/Durgapur Steel Plant may be directed to release at least Rs. 1. 00 crore/month as on adhoc against outstanding dues which may be utilised to pay HSCL Employees as wage & salaries.
3. Releasing of dues amounting to Rs.26 lakhs available with M/s USCO.
4. HSCL Burnpur unit should be placed workorder from IISCO in field of twin health furnace; coal handling transportation works at coal handling plant; Ingot cutting at Bokaro Steel plant and transportation from Bokaro to Ws IISCO Burnpur; loading of granulated slag and annual repair and maintenance jobs at M/s IISCO/Burnpur,

HSCL unit at Calcutta

The Sub-Committee met the representatives of HSCL workers at Calcutta who submitted their representation/memorandum to the Sub-Committee wherein there were mainly the description of HSCL's background note and grievances against the HSCL management and the Government in general. The main contention of the representation banked upon to devise the method for the survival HSCL. The workers representatives raised the voice against the HSCL management in general and held the management responsible for the ill health of HSCL. Representative from HSCL Bokaro Unit contended that since the maximum workers of HSCL is at Bokaro a natural collaravy of HSCL unit from Calcutta to Bokaro. The Committee feels it that the Ministry of Steel should consideration of Bokaro's HSCL workers.

The workers at Calcutta insisted on their request made to the Sub-Committee to recommend for the total over hauling of HSCL management for the better future of HSCL.

Meeting with engineers association

Subsequent upon the meeting with workers the Sub-Committee-I met with Engineers Association who on the one hand highlighted the achievement of HSCL in general and expressed grief over the detonating state of HSCL and requested the Sub-Committee to recommend sustainable measures for the survival of HSCL.

Meeting with management

During the course of interaction HSCL Management pointed out that from 1964 till date HSCL is dedicated to Nation building from meagre turnover of Rs.5 crore in 1964 to Rs.415 crore in 1997 by offering all construction related engineering and infrastructural services. HSCL has achieved the mile stone by construction of 1st phase of Bokaro Steel Plant its expansion and Modernisation, expansion work of Bhilai Steel Plant, construction of number of units at Durgapur Steel Plant construction of 1st and 2nd phase of Salem Steel Plant, construction of number of units at Durgapur Steel Plant construction of 1st and 2nd phase of Salem Steel Plant, construction of number of units at Durgapur Steel Plant construction of 1st and 2nd phase of Salem Steel Plant, construction of number of units at Durgapur Steel Plant construction of 1st and 2nd phase of Salem Steel Plant, Construction of Ingot cutting at Bokaro Steel plant and transportation from Bokaro to Ws IISCO Burnpur; loading of granulated slag and

3. Settlement of outstanding dues of Burnpur HSCL unit from SAIL against the Modernisation jobs executed at Durgapur. Till the claim are not settled SAIL/Durgapur Steel Plant may be directed to release at least Rs. 1. 00 crore/month as on adhoc against outstanding dues which may be utilised to pay HSCL Employees as wage & salaries.
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HSCL management informed the Sub-Committee that technology base, professionalism, Image building, Customer's Satisfaction, Cost consciousness etc. has been the governing vision of HSCL. Operating for more than three decades the company has established itself as an important service Organisation of the nation. The Company has developed its expertise in the areas of Pilling, Soil investigation and heavy foundation, capital repairs and re-building works including Hot repairs of coke ovens and Blast furnaces. The Company has experience in executing orders in foreign market like Libya, Iraq and Maldives. To meet the present day need for setting up of number of infrastructural facilities, the company has tie-up arrangements with a number of reputed agencies both in India and abroad for technical know-how as well as financial support. Its marketing strategy is being pursued in order to make entry in refinery/LPG bottling plant in Petroleum Sector (Re IOLC, HPCI, BPCL, MRIL), entry in private steel sector (Malikas Steel-Jagdishpur) and entry in Airport Sector.

During the course of interaction the management wanted following help from the Government in order to sail through tough time-

1. HSCL should be made Captive Construction Fabrication, Structural and Erection Agene y for all Public Sector Undertakings under Ministry of Steel & Mines to start with and thereafter all Public Sector Undertakings and Government departments (Central & State).
2. The jobs should be allotted to HSCL on Nomination basis.
3. All Public Sector Undertakings under Ministry of Steel & Mines should offer all jobs to FISCL, not done departmentally (either by themselves or by any PSU engaged by them).
4. Whatever Turkey Tenders are issued by all Public Sector Undertakings Government Departments (Centre & State) must EXCLUDE the jobs of Construction, Fabrication, Structural & Erection from the Turkey concept and should be allotted to HSCL on Nomination Basis.

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Name of the work</th>
<th>Value (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Re-heating Furnace</td>
<td>120.00</td>
</tr>
<tr>
<td>2</td>
<td>Re-heating of Coke Oven Battery No.3</td>
<td>685.00</td>
</tr>
<tr>
<td>3</td>
<td>Re-Road Works in Township</td>
<td>604.50</td>
</tr>
<tr>
<td>4</td>
<td>Slag Processing</td>
<td>330.00</td>
</tr>
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<td>5</td>
<td>Railway works</td>
<td>020.00</td>
</tr>
<tr>
<td>6</td>
<td>Stores Handling works</td>
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<tr>
<td>7</td>
<td>Other miscellaneous works in Works Division</td>
<td>2500.00</td>
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<td>8</td>
<td>Other miscellaneous works in Project Division e.g. Argon Recovery, BRP etc.</td>
<td>330.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4170.00</td>
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Status of balance value of works As On 1.9-1998

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Description</th>
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<tr>
<td>1</td>
<td>Steel Plant, Neelachal Ispat Nigarn Ltd. etc.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Other miscellaneous works in Works Division</td>
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</tr>
<tr>
<td>3</td>
<td>Other miscellaneous works in Project Division</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Argon Recovery, BRP etc.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Total</td>
<td>4170.00</td>
</tr>
</tbody>
</table>

Turnaround Strategy of Bokaro HSCL Unit

1. Contractors' workers engaged per day for BSL maintenance job on JRR should be replaced by equal number of HSCL departmental workers.
2. Present system of payment by BSL on the basis of Bihar Government minimum wages should be changed and payments should be made on departmental workers wages basis.
3. More and more works should be given by BSL to HSCL on negotiated rates or on departmental labour cost basis.
4. At present major works are awarded by SAIL on turnkey basis, as a result of which, HSCL having no engineering back-ground in the field of design etc. is being deprived of such jobs. HSCL has got expertise in the field of construction of Civil, Electrical, Mechanical Equipment Erection, Structural Fabrication & Fraction etc. All these works should be awarded to HSCL directly on negotiation. Turnkey contracts are costly for SAIL also.
REGIONAL DEVELOPMENT COMMISSIONER (RDC), CHENNAI

The Sub-Committee-I met RDC, Chennai and representatives of Private Entrepreneurs on 6th October, 1998 to discuss the problems being faced by Steel Industry (both in Public and Private Sector).

The meeting started with the presentation by Shri M.S. Ramanujan, Regional Development Commissioner, Chennai, whose, initial, presentation based on the formal functions of RDC, which interalia includes regulatory development and advisory to promote the Steel Industry.

The Office of RDC Chennai, monitors the regional price and supply trends and recommends to the Ministry the required remedial guidelines. RDC advises the Government with regard to exports & import policies of Iron and Steel.

It looks after private entrepreneurs and proved instrumental to the development of what is called Mini Steel Plant. It plays pivotal role in the allocation of materials to the small scale entrepreneurs.

RDC office acts as data bank and is an important organ of the Ministry of Steel as the office collects, processes and disseminates the basic data relating to Iron & Steel Industry.

RDC-Chennai has from time to time held discussion with users industry or groups in order to have consumer-producer interaction. The interaction process includes seminars, group discussion product exhibitions etc. and is responsible for enlarging the scope of consumption of Steel. The Sub-Committee was informed that RDC-Chennai had accordingly, organised Automobile Exhibition as an attempt to promote steel industry. It also manages to distribute Iron & Steel materials to priority sectors such as Defence, Railway etc and proved determining in creating the demands of Steel.

In order to give ‘a Kick start’ to the Steel Industry, RDC-Chennai has acted as surveyor of technical aspects of Steel Industry and contributed to the growth of Steel Industry,

After giving details of traditional functions of RDC, Shri M.S. Ramanujan, shifted the focus of presentation on the problematic aspects of Steel Industry:-

Starting with the problems of Pig Iron, it was brought forth to the notice of the Sub-Committee that South-Asian crisis has hit the Pig Iron-Industry, tremendously. South Asian countries China & Australia are dumping the Pig-Iron in India creating a mammoth problem for the domestic market due to unviable competitive strength of indigenous producers as compared to Pig-Iron production is higher in India in comparison to these countries. In order to inject the competitive advantages in indigenous producing it is expected from the Government to waive the duty on imported coke as indigenous coke is not suitable for mini-blunt furnaces is expected that if duty on imported coke reverted from 19.6% to 15%, there is every likelihood for a progressive and prospective trend of pig iron Industry.

As regards the Sponge Iron Industry, the Sub-Committee was informed that the major threat to indigenous Sponge industry is import of Scrap at lower price than the production cost of the Sponge Iron in India. According to the calculation of RDC-Chennai the difference between the selling price of indigenous Sponge and the landed selling price of imported Scrap is Rs.600 per tonne pulling the indigenous Sponge Industry to a disadvantageous stage. The Sub-Committee was requested to recommend to the Government to undertake suitable measures to safeguard the interest of the Industry and to inject the new life to the deading domestic industry.

The states of affairs with Electric Arc Furnace were reported not to be in a better condition. Out of 29 EAF Units in the Southern region four units have been converted into induction furnaces while 23 have been closed and only two units are in working condition. The major reasons for the unviable operation of EAF are high power cost and natural shortage. Moreover production cost for the EAF route is more than that of the induction furnaces route due to low power consumption and investment in Induction Furnaces. Hence is a necessity of making the commercial viability of induction furnace, as out of 123 Induction Furnace only 74 units are in working conditions. The prospective overhauling of Induction Furnace Industry is possible by removing anomalies of compound excise levy system and by increasing the custom duty on imported scrap.

The Steel Re-rolling Industry is reeling under doludoms due to economic slowdown in general and indigenous competitions and improper & inappropriate taxation system in particular. The State of Tamil Nadu has about 250 steel re-rolling mills and most of them were set-up in the post liberalisation phase i.e. 1991, attracted by the concessional tariff for new industries under the New Industrial Policy. Being a metallurgical industry the rolling mills are power intensive. But the irony of the fact is that the rolling mills, besides being subjected to the annual ratios of increase in energy charges, are the victims of differential cost of power tariff i.e. Rs.4.03 per unit in Tamil Nadu compared to Rs. 1.25 in Goa and Rs.2.20 in Punjab. The soudid plight of rolling mills does not stop here at because of the refusal of Commercial tax Department to pass on the consignment transferred. The State levy on Central Sales Tax (CST) even on consignments transfers and if the sale is without the form ‘A’ a tax of 8% is leviable. Besides this, the ill effects of Steel Rolling Mills industry is the system of assessing Central Excise Duty on the basis of the installed capacity and not on actual production, though unique system for encouraging higher capacity utilisation and avoidance of excise-tax evasion, but considering the fact of recession and loss of competitive edge the manufacturers are compelled to reduce production well below their capacity but have to pay duty by full capacity - thus even meritorious system of taxation is proving a last nail in the coffin of Steel, as exemplified with “State Rolling Mills at Arakkonam”; despite the budgetary support and better infrastructure available to the unit, it had to be closed down.

The Sub-Committee was made to understand that the Industry has to come out of "realistic rationalisation" into efficient Industry as commercially viable to Steel Industry with propelling forces of industrial survival and sustainability otherwise a sinking steel industry may not be a prospective means of State revenue collections, for a longer period. In order to simplify the excise structure all anomalies in the compound excise levy should be removed and the Government may think reduce excise duty from 15% ad-valorem to 10% ad-valorem. The Government should also undertake the measures to revive the re-rollers on Government and re-rollable scrap.

The Sub-Committee was made aware of the fact of state of discouragement to steel manufacturer to produce the captive power and compelling them to purchase the power from State Electricity Board. It was further requested that Government should make a high level committee to look after the state of discouragement and to inject new life to the deadening domestic industry.

The Sub-Committee was informed that RDC-Chennai had accordingly, organised Automobile Exhibition as an attempt to promote steel industry. It also manages to distribute Iron & Steel materials to priority sectors such as Defence, Railway etc and proved determining in creating the demands of Steel.

SALEM STEEL PLANT (SSP)

The Sub-Committee visited Salem Steel Plant, the youngest steel unit of SAIL, based upon the principle of reverse economics. The Plant is capable of producing 70,000 tonne was commissioned on 26th March, 1991. As a part of product diversification, the plant has installed a State-of-the art “blanking press” at the cost of Rs. 14-90 crore & with capacity of 3000 tonne per year and which got commissioned on 24'j, December, 1993 to manufacture 25 mm plus Rounds, Tor and items like 65 10 mm plus structurals and rest should be left to secondary Steel Industries.

The Sub-Committee was made aware of the fact of state of discouragement to steel manufacturer to produce the captive power and compelling them to purchase the power from State Electricity Board. It was further requested that Government should make a high level committee to look after the state of discouragement and to inject new life to the deadening domestic industry.

The Sub-Committee received representation from Madras Steel Re-Rollers Association which highlighted the pathetic scenario of secondary Steel Units in India in general and Tamil Nadu in particular as Central Government decided to withdraw a number of existing facilities in phased manner and imposed excise duty on a fixed basis.

It looks after private entrepreneurs and proved instrumental to the development of what is called Mini Steel Plant. It plays pivotal role in the allocation of materials to the small scale entrepreneurs.

The representation highlighted the wide variation in electricity tariff structure among neighbouring states and pleaded for Tariff Regulatory Committee to achieve uniform tariff rates. Association also pleaded for a Technical Committee to calculate excise duty arrived at as per the formula and fix actual production as basis of taxation. The adoption of lower price for finished products for secondary steel markets like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS, Iron & Steel products like MS, SS,
The Sub-Committee met various associations of workers who highlighted the strengths of SSSP in the form of low cost of production, optimum & enlightened human resources, sophisticated equipment and demanded the setting up of steel melting facilities to make the plant integrated. The estimated cost of the project is said to be around Rs. 600 crore. The capacity of the steel melting shop will be about 4,000,000 tpa of liquid steel per annum.

The workers argued that the proposed SMS would help in reducing inventory and timely order processing, reduction in cost of slabs, besides facilitating quick feed back on better quality control.

The workers highlighted that SSSP has always been the most reliable supplier of stainless steel coin blanks to Government of India but the Government is not placing order. Workers pointed out that supplying of cheapest steel from South East Asian countries, Japan and CIS countries are jeopardizing domestic steel industry. The duty levels on HR and CR products have come down from 75% to 25-30% in last six years. Hence, duty level should be hiked so as to act as a check against growing steel imports there should be reference price for all steel products entering the country. Any production below the reference price should be charged anti-dumping duty.

Workers argued that imposition of 15% excise duty on stainless steel raise the cost of stainless steel at the customer's end, so Government should reduce or exempt excise duty on stainless steel so that Indian stainless steel industry should compete in the market effectively against cheap import in the backdrop of reduction in the custom duty.

Workers requested the Sub-Committee to impress upon Government of India to place orders for coin blanks on continuous basis so thatblanking line is optionally utilized and get uninterrupted orders.

Workers informed the Sub-Committee that American Senate has passed a law for the use of cheap stainless steel giving due consideration to ecological and environmental reasons and Standing Committee on Industry is the adequate platform to push the arguments for having similar legislation titled "Eco Friendly steel Use Act".

The Sub-Committee was requested to direct the SAIL management to have the Wage Agreement & speedy up-ordination of National Joint Consultation Committee for steel (NJ CST). The Sub-Committee was requested to impress upon the Government to give impetus for SAIL Pension scheme and speed up-implementation of the same.

Meeting with salem steel executive association

The Sub-Committee met Executives Officers of SSP who informed the Sub-Committee that SSP is the only plant with cold-melting facility and put forward three agenda for discussion:-

1. Steel melting facility for Salem Steel Plant.
2. Continuous orders for coin Blank Line.

The Sub-Committee expressed the apprehension regarding the economic viability and rationale in investing further Rs. 600 crore for SSSP's expansion for SMS, particularly keeping in account the sluggish demand trend in steel market & observing that the interest & loan burden installment of SMS would not only against the principles and precepts of "cost benefit ratio" but also affect productivity and sustainability of the plan.

The Sub-Committee appreciated and upheld the demand regarding economic viability regarding increment in coin blanking from 5000 tonne to 10000 tonne per annum.

As regards the demand of the use of stainless steel in infrastructure development projects, the Sub-Committee subscribed to the view and advised at the same time for adopting 'Aggressive-marketing approach' and to create new demands in domestic as well as international markets.

Meeting with management of SSSP

The Sub-Committee met the management of SSSP on 7th October, 1998 who informed that Salem Steel enjoys a unique status in every sphere of its activities be it quality, productivity, marketing, safety or environment management. The plant is the first to get ISI 9002 certification among SAIL units quality is ensured right from the procurement of raw materials, their process through different equipment classification and categorisation based on testing and inspection. New products are developed and manufacturing production are updated and modified to suit stringent customers requirement. Highly advanced facilities and technical expertise enable Salem Steel Plant to meet the demands of customer in domestic & export markets.

The Sub-Committee wanted to know the specific concern for reduction in the profit from the year 1997-98 onwards, considering good overall performance financial performance of SSSP. The management clarified that the interest and depreciation burden due to the investment of Rs.808 crore in HPM, and the continuous fall in the price of Nickel in the international market, which brought down the price of stainless keel have resulted into adverse financial performance. Moreover, many South East Asian countries, due to economic slump, have started selling stainless steel at very low price just for recovering the cost.

As regards the Sub-Committee’s inquiry with regard to SSSP's export performance the management informed that in 1996-97 it was 25,062 tonne and in 1997-98 as 24,734 tonne which account 42% to 43% of total sales of Salem Steel Plant in the respective years. As regards the reasons behind the downfall, the management argued that South East Asian crisis as well as the starting of production by various new units in Taiwan, China, Korea and Japan caused for this downfall in export.

The Sub-Committee stated that both Executive Association and Employees' Union wanted investment on Steel Melting Shops (SMS) for SSP amidst sluggish demand market and SSP being overburdened with loans & interest, task of further investment would create "Vicious-spiral for SSP. The management advocated that, to Sub-Committee, that installation of SMS is on the very place of 'cost benefit ratio' analysis and it would be beneficial to the SSSP's prospect as the existing raw-material cost is 66% and by setting up its own facilities of steel melting, thus per cartage will come down to 45% or so and this difference in the cost of the raw-material will give a liver age to play in international market for higher sales as well as higher profit. This will also make Salem Steel Plant highly competitive in the world market. Out of 48 stainless steel mills all over the world, SSSP is the only unit without SMS facility.

The management viewed that installation of SMS is not only in consonance with cost- benefit ratio but it will also lead to favourable Break-even point with increment in volumes of production and reduction in cost. The management pointed out that 'cost- volume-Ratio' matched with 'brand-management and harping on world-class quality, would give SSP "added competitive advantage" on the profitability of the SSP. Moreover, the recessions in steel market is temporary in nature and this period of recession can be used as gestation period for the investment on SMS.

As regards the Sub-Committee's inquiry on SSP’s intended reduction on production, the management argued that since 1998-99 Steel production is being matched to regulation with the marketing requirement as well as the generation of market share due to efforts taken in value addition. As regards Sub-Committee's inquiry of market-share of SSP in stainless steel consumer item, the management clarified that SSP has a good market share. Salem Steel Plant has the major share in the utensil sector. It was further informed that SSP has already embarked on production and marketing of low nickel stainless steel.

The Sub-Committee wanted to know about SSP's inventory position the management informed that the metal stocked in semi-finished goods production SSP has to have extra production/stock to meet the customer requirement. However, inventory disposal has been taken up on priority basis.

As regards to the Sub-Committee's query to SC/ST's is representation in the recruitment and promotion in SSP in executive cadre, the management informed that out of 339 executive 53 are from SC and 6 are from ST.

Memorandum received from SC/ST employees welfare association

The Sub-Committee met the representatives of SC/ST Association who demanded SMS, regular order for coin blanking, rationalization of tax-structure for protecting SAIL against multinationals companies; necessary concession and rebate to increase the industrial consumption of stainless steel.

They viewed that the Public sector plant play vital role in the national development, employment opportunity & social development, so it should not be privatised in the interest of the nation. At the same time they demanded office accommodation, peripheral development of SC/ST areas, transfer and promotion of clearer cum Khalasi, fulfillment of SC/ST executive, quarters allotment and mechanism to check atrocity against SC/ST employees.

SOUTHERN IRON AND STEEL COMPANY LTD.

The Sub-Committee met the workers of SISCORL on 8th October, 1998 whereupon a serious concern was expressed on the part of the workers of the plants over the closures of various plants in the country. The phobia of closure of the company, hanging like Damocles' sword over their heads, placed them in a palpable and miserable condition. The Sub-Committee extended its hope & all possible help by foreseeing the possible revival of Steel Indus* and by revealing the fact that the recession is cyclic & periodic in nature and the cloudy days of Steel Industry has to pass in the days to come.

The Sub-Committee was informed that minimum wage in SISCORL was Rs.2,900 per month. But no bonus is awarded to the workers. The government is to combat the challenges with common efforts. The Sub-Committee, conforming to the view of workers, stressed the need for cordial and co-operative union-management relation to ward off the crisis over the steel industry, because if there is harmonious relation between labour and management there is all possibility of growth & prosperity of the plant.

The Sub-Committee was informed that safety is on the national development, employment opportunity & social development, so it should not be privatised in the interest of the nation. At the same time they demanded office accommodation, peripheral development of SC/ST areas, transfer and promotion of clearer cum Khalasi, fulfillment of SC/ST executive, quarters allotment and mechanism to check atrocity against SC/ST employees.
The Sub-Committee came to know that SISCOL is at the inception stage as the Modernisation and expansion programme of the plant is at progress and is likely to take off shortly. Incorporated as -Public Limited Company in September, 1991, SISCOL is promoted by Ws Laksmi Machine Works Limited and Tamil Nadu Industrial Development Corporation Ltd to set up an integrated Steel Plant for manufacture of pig iron billets, bars and rods.

The Sub-Committee was informed that the plant consists of three main section viz.-

a. Iron Complex- consisting of a Mini Blast furnace of 350 NM3 volume, 2 strand pig casting machine capable of making pigs upto 22 kg per piece with single notch, Sinter Plant capable of producing sinter upto 425 tonne per day. The commercial production of pig Iron has commenced from July, 1996 and the Sinter Plant has been commissioned since August, 1997. The normal capacities of Blast furnace and Sinter Plant per annum are 2,32,750 tonne and 1,41,000 tonne respectively.

b. Steel making and concast - consisting of 30TCE of converter, Ladle furnace and 2 Strand concast machine of 9116 M radius, capable of casting 100 MM Sq. to 200 mm Sq. SISCOL is adopting Energy Optimising furnace loads for manufacturing of liquid Steel, based on Brazilian technology. The nominal capacity for liquid Steel is 2,69,000 tonne per year. The entire requirement of gas for the plant will be met by the Air separation plant which is being set up and is likely to produce 150 tonne per day of Oxygen.

c. Steel Rolling and finishing plant- consisting of 22 strand continuous mill. The bar and rod mills is being installed as a high versatile capacity mill capable of producing upto 3,000,000 tonne per annum of bar and rods from 6 mm to 35 MM, squares, hexagons and flats and various grades of Steel ranging from Mild Steel, medium carbon Steel High Cumbus Steels, Low Alloy Steel Electrode quality steel and stainless steel.

The Sub-Committee was informed that the Steel making and steel rolling facilities are likely to be commissioned in 3rd quarter of during 1998 itself, and the additional production mix like- billets 100 MM, 130 MM & 160 MM square of various grades and wire Rods and rounds; 6 MM - 55 MM, Hexagons, square and flats will be produced.

The Sub-Committee came across the general trend of Steel- Industry like- deep depression, surplus capacity of production i.e. production and sale disparities, increase in input prices i.e. high cost of production and decrease in selling prices with consequence of heavy loss of profit; High financing costs leading to interest burdens; import of cheap iron and steel materials putting indigenous steel - industry at disadvantage stage; South East Asian crisis and subsequent fall in the international prices; Anti-dumping-Duty on import of the coke from China all causing concern to all.

The SISCOL management talked about high variable cost of Iron and steel making with following percentage of indigenous production.

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</tbody>
</table>

The variable cost profile of Iron making reveals that SISCOL has to pay a very high cost for coke among the factors of production. The price-trends of coke is itself a matter of major concern to the management due to the rising price of coke i.e. Rs.4000 in 1995 and Rs.6500 per tonne in May 1998 & Rs.5200 which although declined, is still high. The Freight charge i.e. 17.25% of cost of production is alarmingly high leading to higher and in competitive cost of production. 'Me Management of SISCOL brought forth to the notice of the Sub-Committee the ironical situation where road transport is cheaper than Railway transportation. The Sub-Committee took serious note of higher freight of Railway transportation.

The high cost of power in steel making is also matter of concern for SISCOL which stands upto 19% of costs. The management highlighted the differential rate of power tariff as per the Time of the Day (TOD) Principles and the plant has to pay peak hour charge leading to the annual payment of the, tune of Rs. 70 lakhs as electricity Bill.

The Sub-Committee was also requested to do something for custom- charge reduction. The management highlighted high & improper taxes structure i.e. imposition of 4% SAD on coking coal and met coke led to added cost of production.

The management informed the Sub-Committee that Pig-Iron is the basic input for Iron castings and is also used in the charge mix of electric furnaces (EAF & BF) as partial substitute for making scrap but the irony of the fact is that there has been constant increase in the variable cost of Pig Iron leading to decline in Sales-realisation from Rs.8000/- tonnes in 1995 to about Rs.7500 per tonne in 1998. In the year 1998 the; variable cost of Pig-Iron exceeded sales realization. However, in August, 1998, the variable cost and sales realization remained equal which is still not a good sign for Steel Industry. The management attracted the attention of the Sub-Committee towards inappropriate and improper duty structure relating to Pig Iron which runs like- basic duty 10%, special duty 5%, CVD - 15% and SAD 4%.

The Sub-Committee was requested to provide succors to Steel Industry by giving tremendous impetus to infrastructure and power projects as cost reduction measure. According to SISCOL management there should be sound fund flow for projects nearing completion for capital-restructuring and critical review of Mutual competition, trust and business honesty. The management requested the Duty-review with regard to removal of anti-dumping duty on met coke imports; differential duty structure for inputs/outputs and import duty of met coke. The management further wanted concession in Rly. Freight on basic inputs for core/infrastructural industries on rake loads. The need for streamlining export incentive was also felt. In order to reduce financing costs, the management wanted concessional interest on core and infrastructural projects, back ended interest patterns and moratorium for repayments. To check the reported import of cheaper Iron-ingots on the packet of steel scrap, and on expressing concern by the Sub-Committee, the management argued for strict vigilance on import of Steel Scrap.

The Sub-Committee expressed the concern over the issue of higher Railway freight charge than the cost of production through road, causing high cost of Iron steel production despite the fact that Rly's use of power and diesel is in Government discretion. The Sub-Committee and the management were of the view that Rly. freight should be rationalised otherwise there is a possibility of national exchequer in the long-run.

The Sub-Committee wanted to know the reason of d'ret behind expansion and Modernisation projects of SISCOL, leading to added capacity, despite the fact of draconian depression looming large over Steel Industry. The Sub-Committee was informed that the requirement for added capacity of production for SISCOL was for the fulfillment of demand of secondary steel producers and for local and domestic markets. The Sub-Committee expressed satisfaction with plant visit and particularly modernisation and expansion project and with the installation of technology of top order. The management informed the Sub-Committee that Sinter plant to SISCOL has been supplied by M/S Lurgi India company while Energy Optimising Furnace works developed by Korf is based on Brazilian technology. The Sub-Committee wanted to know the SISCOL's competitive attitude towards Salem Steel Plant whereby the management informed the Sub-Committee that SISCOL and Salem plant are working in different segment of Steel production. SISCOL engaged in long products while SSP is producing rounds; 6 MM - 55 MM, Hexagons, square and flats will be produced.

The authorised share capital of RINL is Rs.6500.00 crore and issued and paid up capital stands at Rs.6493.85 crore as on 31st March, 1998.

Meeting with private entrepreneurs

The Sub-Committee met private entrepreneurs whose outcry were "save us from collapse" a duty on scrap is charged similar to semi finished product, and excise duty is high. wanted to know the SISCOL's competitive attitude towards Salem Steel Plant whereby the management informed the Sub-Committee the management was working in different segment of Steel production. SISCOL engaged in long products while SSP is producing rounds; 6 MM - 55 MM, Hexagons, square and flats will be produced.

The Sub-Committee was informed that the plant consists of three main section viz.-

a. Iron Complex- consisting of a Mini Blast furnace of 350 NM3 volume, 2 strand pig casting machine capable of making pigs upto 22 kg per piece with single notch, Sinter Plant capable of producing sinter upto 425 tonne per day. The commercial production of pig Iron has commenced from July, 1996 and the Sinter Plant has been commissioned since August, 1997. The normal capacities of Blast furnace and Sinter Plant per annum are 2,32,750 tonne and 1,41,000 tonne respectively.

b. Steel making and concast - consisting of 30TCE of converter, Ladle furnace and 2 Strand concast machine of 9116 M radius, capable of casting 100 MM Sq. to 200 mm Sq. SISCOL is adopting Energy Optimising furnace loads for manufacturing of liquid Steel, based on Brazilian technology. The nominal capacity for liquid Steel is 2,69,000 tonne per year. The entire requirement of gas for the plant will be met by the Air separation plant which is being set up and is likely to produce 150 tonne per day of Oxygen.

c. Steel Rolling and finishing plant- consisting of 22 strand continuous mill. The bar and rod mills is being installed as a high versatile capacity mill capable of producing upto 3,000,000 tonne per annum of bar and rods from 6 mm to 35 MM, squares, hexagons and flats and various grades of Steel ranging from Mild Steel, medium carbon Steel High Cumbus Steels, Low Alloy Steel Electrode quality steel and stainless steel.

The Sub-Committee was informed that the Steel making and steel rolling facilities are likely to be commissioned in 3rd quarter of during 1998 itself, and the additional production mix like- billets 100 MM, 130 MM & 160 MM square of various grades and wire Rods and rounds; 6 MM - 55 MM, Hexagons, square and flats will be produced.

The Sub-Committee came across the general trend of Steel- Industry like- deep depression, surplus capacity of production i.e. production and sale disparities, increase in input prices i.e. high cost of production and decrease in selling prices with consequence of heavy loss of profit; High financing costs leading to interest burdens; import of cheap iron and steel materials putting indigenous steel - industry at disadvantage stage; South East Asian crisis and subsequent fall in the international prices; Anti-dumping-Duty on import of the coke from China all causing concern to all.

The SISCOL management talked about high variable cost of Iron and steel making with following percentage of indigenous production.

<table>
<thead>
<tr>
<th></th>
<th>Iron making</th>
<th>Steel making</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coke</td>
<td>48.63</td>
<td>40</td>
</tr>
<tr>
<td>Ore</td>
<td>8.25</td>
<td>7</td>
</tr>
<tr>
<td>Freight</td>
<td>17.25</td>
<td>14</td>
</tr>
<tr>
<td>Customs</td>
<td>9.41</td>
<td>8</td>
</tr>
<tr>
<td>Power &amp; Fuel</td>
<td>8.63</td>
<td>19</td>
</tr>
<tr>
<td>Others</td>
<td>7.84</td>
<td>12</td>
</tr>
</tbody>
</table>
The Sub-Committee met the management after the visit of plant and discussed the problems being faced by RINL. The pathological diagnosis of RINF (VSP) reveals moribund syndrome in the very cradle due to 'time and cost overrun' and the Plant marching towards gave.' The Government approved the proposal to set up VSP in June, 1997 with production capacity of 3.4 million tonnes of liquid steel per annum at a total cost of Rs. 2256 crore. The completion date of 6 years from commencement. The sad plight of the project started at its very inception stage as the project could not be completed within stipulated period and at estimated cost due to lack of finance. Consequently the project cost was updated to Rs. 3897.10 crore based on a comprehensive revised DPR with a completion schedule of 6 years, i.e. by January, 1998. The major reasons for increased of Rs. 1.641 crore in project cost at the stage, were change in scope and volume of work (Rs.254 crore), statutory increase in customs duty and sales tax (Rs. 126 crore), Scope changes due to recommendation of expert committee (Rs. 110 crore) & general escalation (Rs. 1,862 crore). The general escalation was substantially higher due to the fact that the original cost estimates were based on budgetary quotations received from various European countries based on overall project requirement in the absence of detailed equipment requirement. The project cost estimate was further updated to 1st quarter 1985, price level which worked out to Rs.7464 crore. Due to financial constraints and taking into account the need for higher utilisation of the facilities in order to contain the capital investment to unavoidable minimum level, a Rationalized project concept at an estimated cost of Rs.5967 crore (Base: 1st quarter 1985) was evolved. The above estimate was revised to Rs. 6849.70 crore (Base IV quarter 1987) and approved by the Government in June, 1988 with a completion date of June, 1990.

The second revised estimate i.e. from Rs. 3897.28 crore to Rs. 6849.30 crore (the first being from Rs. 2256 crore to Rs. 3847 crore), shows an increase of Rs. 2,952.42 crore over the first revised cost due to general escalation (Rs. 1,236 crore) Exchange rate variation (Rs.320 crore), duties & taxes (Rs.289 crore) other monetary reason like increase in interest during construction (Rs.958 crore) and physical reasons including change in scope, change in quantity and new item (Rs.150 crore).

The increase in 3rd revised estimate was round about Rs.1739 crore out of which Rs.1576 crore is on account of monetary reasons like escalation (Rs.486 crore), exchange variation (Rs.492 crore) increase in interest during construction and other (Rs.530 crore) while the balance Rs.163 crore is on account of physical reasons. All major units of the project were commissioned by the end of July, 1992 and the plant was dedicated to the nation in August, 1992.

The major reason for time overrun and consequential cost escalation was the inadequate fund: flow to the project at its initial stage of construction:-

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Project Demand</th>
<th>Fund released</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1982-83</td>
<td>469</td>
<td>294</td>
</tr>
<tr>
<td>2.</td>
<td>1983-84</td>
<td>950</td>
<td>447</td>
</tr>
<tr>
<td>3.</td>
<td>1984-85</td>
<td>1205</td>
<td>597</td>
</tr>
<tr>
<td>4.</td>
<td>1985-86</td>
<td>1595</td>
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</tr>
<tr>
<td>5.</td>
<td>1986-87</td>
<td>1355</td>
<td>708</td>
</tr>
<tr>
<td>6.</td>
<td>1987-88</td>
<td>1002</td>
<td>903</td>
</tr>
<tr>
<td>7.</td>
<td>1988-89</td>
<td>1052</td>
<td>992</td>
</tr>
<tr>
<td>8.</td>
<td>1989-90</td>
<td>1052</td>
<td>1057</td>
</tr>
</tbody>
</table>

Besides non-availability of funds and the uncertainty and unevenness in the flow of even the approved plan outlay, the project construction was hampered to a certain extent due to the failure of equipment supplies from erstwhile Soviet Union.

Inter-related to the issue of time and cost overrun is the problem of accelerating operating cost and decreasing profit resulting into huge accumulated net loss which is likely to exceed 50% of the equity capital i.e. subject to the purview of BTFR and if its Turnaround strategy* i.e. capital re-structuring goes away, it may become technically sick. Inadequate and procrastinated supply of fund during project period followed by long gestation period, resulting into high capital cost of Rs.8594 crore in setting up the plant, thus culminated in higher Federal of annual depreciation of more than Rs.400 crore. The delayed Governmental fund for the project compelled the company to raise the loan from open market at the interest rate to the tune of 13% to 21% resultantly the capital related charges, (depreciation and interest) worked out to over Rs.850 crore per annum. The management put forward the argument that the stabilisation of operation of integrated Steel plant and achieving higher capacity utilisation takes considerable time. During initial year of operation the company experienced certain technical imbalances in Steel Melting Shop resulting into lower volume of production. The worst of operational efficiency was that the margins generated during the period could not cover the entire interest and depreciation burden.

Consequently, by the end of financial year in which the plant was finally commissioned the company carried an accumulated loss of Rs.2033 crore. During the recent years, despite steady improvement in the overall performance in terms of gross margin/cash profit, the plant put temporarily, continues to incur net loss as obvious from the chart of financial performance of the company during last three years: -

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
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<th>Fund released</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>1996-97</td>
<td>3185.29</td>
<td>3070.92</td>
</tr>
<tr>
<td>3.</td>
<td>1997-98</td>
<td>606.41</td>
<td>460.02</td>
</tr>
<tr>
<td>4.</td>
<td>1998-99</td>
<td>190.13</td>
<td>261.79</td>
</tr>
<tr>
<td>5.</td>
<td>1999-00</td>
<td>245.94</td>
<td>176.73</td>
</tr>
</tbody>
</table>

The loss for the year 1997-98 was provisionally declared as Rs. 419.40 crore earlier to audit of the accounts but the actual loss as per the finalised accounts for the year 1997-98 is Rs. 176.73 crore. *Me major difference is due to non-provision of interest on Government of India loans and writing back of interest provided in the earlier accounts consequent to in-principle approval of the Government for converting loan into share capital. Had the Government of India loans not been converted into share capital the loss for the year 1997-98 would have been Rs.471.87 crore.

The continued increase in the loss despite improved performance prevailing in domestic market and also the crises in economy of South East Asian countries bringing down the products led to fall in profits of the company as compared to previous years. Moreover the cost of inputs like metallurgical coal, Iron-ore, boiler coal etc., which are increased by monopolistic supplier like coal India & NMDC, have been increasing without any relationship with the market prices of Iron & Steel products. The details of prices of raw materials is as under:-

<table>
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<td>1052</td>
<td>1057</td>
</tr>
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</table>

The further the price of imported coking coal increased from Rs. 2823 in 1997-98 to Rs. 3222 in 1998-99 that is 14% increase while them has been 5% of increase during same period in medium cooking coal, ICC (Soft coal) & Iron Ore fines. The adverse impact of increased price of raw materials has been to the tune of Rs. 82 crore in 1997-98. Moreover depreciation of the rupee against the US Dollar from Rs. 36.18 as on 1st April, 1997 to Rs.39.81 as on 3 1st March, 1998 led to increase in the cost of imported materials, VSP being a heavy importer of materials. The increased input costs could not be realised/covered with sales prices, VSP had increased the price of its product last time on 1st January, 1996, resulting into higher operating cost and decreasing profit.

The management is taking all possible measures of cost-reduction for VSP's economic viability i.e. use of cheaper material such as soft coking coal in place of costly imported coking coal, replacing the high value Blast Furnace coke with cheaper Nut coke in Blast Furnace maximising the use of metallurgical waste in Sinter making as a partial replacement of limestone and dolomite, reduction in specific consumption of raw material & improving the yields of at various process steps, close monitoring of heat consumption at various shops, improving the converter and ladle lining life to reduce refractory consumption, reduction in stores and spares consumption; maximizing power generation and export to Andhra Pradesh State Electricity Board, which brought savings to the extent of Rs.23.43 crore during first five months period of 1998-99.

The Sub-Committee was informed that management is taking all possible improved techno-economics in the field of coke production, refractory consumption, specific consumption of raw-materials, productivity and specific consumption of consumables. The management is exercising all skills and vision and maximizing captive power generation by using soft coking coal, nut coke in iron making, SMS slab in Sinter-making and internal scrap. The management revealed that VSP being a huge integrated Steel plant, require transportation of huge quantities of raw materials and finished products by road but increase in rail rate every year, adversely affects the profitability of the plant and adverse impact of hike in rail freight was as high as Rs.63 crore in 1997-98 and during 1998-99 it is estimated at Rs.75 crore.
The Sub-Committee was informed that VSP takes Iron-Ore from Bailadilla under NMDC through KK (Kothavasla-Kirandul-Line) where Railway is charging the freight of the distance of the 30% surcharge i.e. while the actual distance between Visakhapatnam and Kirandul is 475 Kilometers but Railway are inflating the distance between Kothavasla-Kiranudl by 30% and is charging the freight for 616 Kilometers, causing additional cost of production as surcharge works out to be Rs. 75 per tonne.

The management argued that Kothavasla- Kirandul Line is in operation for over 30 years and the capital of the said K.K. Line system must have been recovered till now and so it is reasonable for Railways to withdraw the distance inflation components.

VSP is importing around 25-30 lakh tonne of Coking Coal and Lime Stone per annum through Viraz Port. Railways are moving the material from Port to VSP over a distance of 25 Kms and are charging the freight for 100 kms. Such high charge over the 3 Million tonne is addition to the cost of production.

The issue has been taken up to Railway Ministry but no action has been taken in this regard.

The RINL is also facing the mammoth problem of inventory of finished products. The total operational cost of sales was Rs.239 crore as on 30.9.98. The inventory of finished goods as on 1.11.98 was about 3.32 lakh tonne of Steel and 1.41 lakh tonne of Pig Iron. The inventory at the level of Rs.260 crore as on 1.4.96 to Rs.311 crore. During 1996, this rose by 51 crore to Rs.311 crore. Finally it went up by Rs.80 crore during 1997-98 to reach Rs.391 crore.

The management attributed the increase in the inventory to the sluggish Domestic Demand and the lost opportunities for export of materials to the South East Asian nations due to their currency crisis. However, management is making every efforts to reduce the inventory by analysing the list of non-moving items periodically and creating awareness amongst the user department: about such items, displacing the non-moving item so that the item can be used by the department other than from the original investing department and making budgetary control on the procurement.

The Sub-Committee expressed its concern over VSP's all round increase of cost of production without correspondence increase in the price. finished products resulting in higher operating cost and decreasing profit. VSP has appointed M/s A.T. Kearney as consultant for preparing the "Turnaround-Strategies" for the company which is under Government's consideration. But the things to reckon is that Governments procrastinated procedure and VSP's operational prolongation may jeopardise the chances of VSP's revival and once its net accumulated losses exceed 50% of equity capital or its delayed Turnaround-Strategy "i.e. 'Capital -restructuring' goes away it may technically be turned as a sick company by BHR.

The RINL management registered the complaint against NMDC before the Sub-Committee regarding the problems faced by VSP in procuring Iron-Ore from NMDC. The Iron Ore supplies from NMDC for the year 1996-97 and 1997-98 were 4.683 MT and 4.651 MT respectively and at the rate of 5.31 MT for each year. Again in the year 1998-99 till September 1998, the actual supply was only 2.07 MT against a plan of 5.26 MT (81% fulfillment). Especially, in 2nd Quarter, the supply was only 9,55,600 T against a projection 13,50,000 T (71% fulfillment) which led VSP to a stock out of position of Iron-Ore.

The Sub-Committee wanted to know about the progress in the process of finalising the contract of Coal Dust injections and Oxygen Enrichment whereby the estimated cost has already escalated from Rs. 40 crore to Rs. 50 crore. The management informed that the Scheme of Coal Dust & Oxygen Enrichment was approved in B-1 of 1996 was cleared by Government with the proviso that Money shall be arranged by VSP. Accordingly, tenders were floated but even then, VSP is required to fund to the tune of the Rs. 20 crore for the auxiliary package related to civil, structural and Coal conveying system. Due to paucity of funds, the Management has taken a decision to cancel the tender invited earlier & the decision to that effect has been communicated to the tenderer. As regards the status of the scheme of "Installation of Slab caster" the management informed that the said scheme has been kept in abeyance due to paucity of funds.

The Sub-Committee was informed that the estimated time for the completion of project in improvement of the Steel yield has escalated from Rs. 10 crore to Rs. 12.77 crore and the project implementation is kept in abeyance at the moment, again due to VSP's severe financial constraints.

Several managerial steps have been taken to complete the projects in time and at the estimated cost, including, computerised project Monitoring & control, rigorous equipment tracking from ordering stage to supply at site, placement of project coordination on each project for single point of responsibility and above all, separate nodal points for specialised functions like Design and Engineering, Contract Management, Material Management, contribution Management, Project Monitoring & executing.

The management stated that the domestic Steel Industry is reeling under recession due to slow down in economic growth and less demand in the infrastructure and Construction Sectors. The VSP's marketing strategy included opening of more marketing outlets; Consignment sales agent, Retailers outlets; turning production in line with market requirements; Catering to rural areas/markets by regularly approving the customers in rural areas, Increased direct dispatches to customer from the plant (Direct- marketing); empowerment of front line Executive for speedy decision making.

The market share of VSP during the last three years is -:

<table>
<thead>
<tr>
<th>Product</th>
<th>Financial Year</th>
<th>Share (%) of VSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>1995-96</td>
<td>1526</td>
</tr>
<tr>
<td>Steel</td>
<td>1996-97</td>
<td>1527</td>
</tr>
<tr>
<td>Steel</td>
<td>1997-98</td>
<td>1814</td>
</tr>
</tbody>
</table>

Keeping in view the depressed domestic market, marketing efforts were directed towards exports. The management informed the Sub-Committee that the successful venture into exports helped VSP in image building and commanding respect for its quality products besides earning exchange to meet the import requirements.

The year-wise sales performance (Rs. in crores) is indicated below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Total</th>
<th>Domestic</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>1995-96</td>
<td>2215</td>
<td>1761</td>
<td>454</td>
</tr>
<tr>
<td>1996-97</td>
<td>3039</td>
<td>2332</td>
<td>707</td>
<td>642</td>
</tr>
</tbody>
</table>

VSPs Product-diversification during 1998-99 consists of production & stabilisation of 12 Mm Ribbons in WRM, production of spring Steel billet to meet the requirement of automobile sectors, production of restricted chemistry billets as per customers specification to cater to the needs of forging industry.

The management sought some help from the Government in order to help the company in making a positive 'turnaround'. Railway-related help includes - abolition of surcharge for movement of Iron Ore on K.K. Line; Review of Railway Policy with respect to minimum chargeable distance of 100 km; review of Railways Policy with respect to minimum chargeable weight and adequate supply of Coal fit wagons for uninterrupted dispatch of wire coals. Me management wanted rationalization of Excise Policy, reduction in basic duties, withdrawal of levy on Railway Freight & Stockyard margin; exemption from imposition of specific customs duty on raw-materials; relaxation of shipping discount structure for Steel products. As export-policy-support, management wanted export without routing through trans-shipment; upward revision in DEPB rates; Concession on freight rate for exports; provision of export packaging credit at LIBOR plus one percent rate; As regards to finance, management wanted rescheduling repayment of Long term Loans from Financial Institution swapping high interest domestic loans with soft foreign loans on cheaper domestic loans; and permission to Steel Industry to raise fund, by floating tax-free bonds in line with infrastructural sector.

Further, VSP management wanted acquisition of captive Iron-Ore Mines for long term viability, boosting Steel demand through higher expenditure in infrastructure & construction sectors and flexible rules and procedures for creating subsidiaries, seeking joint ventures/strategic alliances.

Meeting with VSP's employees' association

The Sub-Committee met Visakha Steel Employees Congress who wanted budgetary support of Rs.2,000/- crore for expansion, setting up current plant, construction of Gangavaram port and its supervision and control by VSP; rationalization of human resources and adoption of rehabilitation centres.

The Sub-Committee met Steel Plant Employees Union who opined that New Economic Policy resulted in recessionary trend on the Steel industry in general and non- completion of VSP's project due to inordinate delay in providing funds necessary for the construction named the prospects of VSP. However, timely financial support on the part of Government of India for the construction of second SMS would enable VSP to become one of the best plants in the world.

Rashtriya Ispat Mazdoor Sangh wanted lifting of the ceiling on Bonus to have Worker's proper share; disbursement of bonus for all the employees and implementation of the working conditions of employees at par with SAIL. It wanted speedy implementation of 10% Interim Relief as per Office Memorandum Ref. No: 2/44/97- DPE/WC dated 19/8/98. It wanted the institution of Special Investigation Team comprising of members from CAG and CBS for proper investigation in the zones of production, marketing, finance and wrong planning of the company.

Rashtriya Ispat Mazdoor Sangh also demanded the relaxation of one year in payment of Bonus. The Union wanted the abolition of Bonus surcharge for movement of Iron Ore on K.K. Line; Review of Railway Policy with respect to minimum chargeable distance of 100 km; review of Railways Policy with respect to minimum chargeable weight and adequate supply of Coal fit wagons for uninterrupted dispatch of wire coals.

Meeting with SC/ST association

The Sub-Committee met four SC/ST Associations VSP SC/ST Employees Uplift Association desired the relaxation of one year in promotion for SC/ST executives; provision of SC/ST Liaison Office and M time liaison officer; implementation of reservation policy; filling up backlog posts E-5 and above; sponsoring SC/ST candidates for training/seminars; allotment of staff quarters.

While Visakhapatnam Steel Plant ST Employees Welfare Association wanted promotion of internal ST employees upto executive posts in VSP; vocational training to ST employees; free school education facilities for ST employees. VSP ST & ST Employees Association seemed keenly concerned about the sustenance of VSP and demanded financial help for the viability of the plant.

Meeting with steel executive association (SEA)

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The Sub-Committee met four SC/ST Associations VSP SC/ST Employees Uplift Association desired the relaxation of one year in promotion for SC/ST executives; provision of SC/ST Liaison Office and M time liaison officer; implementation of reservation policy; filling up backlog posts E-5 and above; sponsoring SC/ST candidates for training/seminars; allotment of staff quarters. While Visakhapatnam Steel Plant ST Employees Welfare Association wanted promotion of internal ST employees upto executive posts in VSP; vocational training to ST employees; free school education facilities for ST employees. VSP ST & ST Employees Association seemed keenly concerned about the sustenance of VSP and demanded financial help for the viability of the plant.
SPONGE IRON INDIA LIMITED (SIIL)

The Sub-Committee visited Sponge Iron India Limited (SUL), on 12.10.1998, and came across the problems and prospects of the first coal based Demonstration Sponge Iron Plant in South East Asia. Initially, SUL was incorporated as public Ltd. Company in March 1975 with a capacity of 30,000 tonne per annum with UNDP/UNIDO assistance to establish the techno-economic feasibility producing Sponge Iron suitable for steel making using non-coking coal. The rationale behind setting up of SUL was the problem of availability of coking coal and the fluctuating trends or availability of ferrous Scrap affecting the steel production in the country. Several improvement and modification were effected in the Sponge Iron Plant based on Rotary kiln process to suit the local raw-materials and operating conditions paving the way for development of the Sponge Iron industry in the country. Being a Demonstration plant it was designed to be operated on a pilot and for R&D work. Government of India sanctioned in 1982 a second unit resulting into doubling the plant capacity from 30,000 to 60,000 tonnes per annum which went into regular production from October, 1985. The company has also successfully designed and built a plant for briquetting of Sponge Iron fines and the plant was commissioned during October, 1987 and is operating to capacity. A new and innovative project aimed at conservation of energy was commissioned with effect from 1.3.93 for effectively utilising the sensible heat in the kiln off gases for generation of electric power. The SIIL has gone further for up scaling the kiln’ capacity and has developed detailed design for larger kiln of 60000 to 75,000 tpa capacity. The sub-merged Arc Furnace project with an installed capacity of 45,000 tpa has been set up by SIIL for smelting Sponge Iron into high quality pig iron.

The authorised share capital of the company is Rs.40.00 crore as on 31.3.98 with paid up capital Rs.32.59 crore (Rs.31.75 crore held by Government of India and the balance of Rs.0.83 crore by the Government of Andhra Pradesh i.e. the order of 97% : 3%)

Meeting with workers of SIIL

The Sub-Committee interacted with the workers of SIIL who expressed deep thanks to the SubCommittee for its visit to the languishing plant which is located at a far-flung place and is difficult to access. The Sub-Committee started the interaction with highlighting the pivotal role of workers in the industrial development of the nation.

The workers informed to the Sub-Committee that prior to the liberalisation the plant's financial and economic performance was sound & Made profit upto 1992–93, the highest of Rs.291 lakh being in 1992–93 but later on due to high cost of production and low realisation of price of Sponge Iron because of import of Sponge Iron at cheaper price, whereby, the plant proved internationally less competitive and therefore suffered net losses of Rs.245 lakhs in 1993–94 and 1998 lakhs in 1994–95.

The Workers highlighted cost assessment study made by Mis Kirlosker consultants - the maximum selling price that the quality of pig Iron proposed to be in the market is only Rs.7000/- per tonne. Whereas the actual cost of production works out to Rs. 10,500/- per tonne and the direct cost is itself Rs.8,500/- per tonne. The price remained the same but the cost has gone up substantially for raw-materials and power. The shortage of availability in power in the state involves a power cut to the extent of 60% and whenever power is available it cost is Rs.3.25 per unit as against Rs.2.15 of project report. The workers informed the Sub-Committee that the power generation cost at the plant is Rs.1.80 and the plant gives the power to APSEB at the lower cost.

The workers informed the Sub-committee about the drain of plants finance on the maintenance of CISF. The numbers of CISF are quite high & the plant has to incur loss on account of stretched financial expenses. The Sub-Committee was requested to recommend for the reduction of expenses on the maintenance of CISF, particularly when the industry & plant are facing financial constraints.

The Sub-Committee came across the problems of marketing of Sponge iron. The closure of M/s Andhra Prades steel's limited adjacent to SIIL consuming 40% of the total production of Sponge Iron, created the problem. With closure, SIIL has to search for raw materials located out side Andhra Pradesh, incurring high transport cost resulting in scaling down of realisation.

Representatives from Sponge Employees & contract workers Unions expressed the hope to make the company profitable by following the measures.

1. Sanction of Rs.1.00 cores for Sponge Iron India Limited to increase the production capacity up to 1,20,000 TPA and to establish downstream Plants & conversion of Rs.32 crore on Submerged Arc Furnace (SAF) into equity.

2. Declaration of Steel Industry as infrastructure industry and imposition of 30% dumping duty on imported scrap to provide protection for Sponge Iron industry.

3. Removal of Central Sales Tax (CST) on the product of Public sector Sponge Iron Plant i.e. SIIL.

4. Reduction of Excise Duty on Sponge Iron from 15% to 5% to promote DR-EAF technology.

5. Provision of MODVAT facilities for Induction Furnace and Re-rolling mills to encourage Sponge Iron Consumption and save foreign exchange.

6. To overcome the market problems of SIIL, Ministry of Steel, Government of India and the management of Vizag Steel Plant be convinced to take 20,000 ton Sponge each year.

7. Provide participation of workers in the Board in all public undertakings in general and SIIL in particularly for better results.

8. Constitution of Tripartite committee on Sponge Iron Industry with the representation of management, Union and the Government to discuss the problems and to get solutions.

9. Establishment of Independent Public Sector Development Fund with 50% amount of public sector disinvestments for improving the public sector industries all over the country.

The Sub-Committee was further apprised of the problems of SIIL arising out of locations of its registered office & technical staff of registered office at Hyderabad are permitted to table work, so site office is losing the services of the technical officers. Moreover, as registered office is a separate office establishment, expenditure on phone, Fax, Tours and other administrative expenses are very high causing additional financial burden on the company. Besides additional expenditure, the delay in decision making process is an added disadvantage, besides creating communication problem.

Representation on behalf of SIIL employees union, SIIL Supervisors Association, Sponge Iron Employee's and contract labour union and Sponge Iron employees and contract labour Union affiliated to INTUC, suggested the merger of SIIL with SAIL, approval of expansion creating communication dead lock.

Office is a separate office establishment, expenditure on phone, Fax, Tours and other administrative expenses are very high causing additional financial burden on the company. Besides additional expenditure, the delay in decision making process is an added disadvantage, besides creating communication problem.

Meeting with workers of SIIL

The Sub-Committee met the management of SIIL which informed the Sub-Committee that India stands second in the production of Sponge Iron in the world after Venezula. Sponge is a part substitute for ferrous scrap used by steel-melting electrical are furnaces, Steel Meeting with SIIL management

The physical and financial performance of SIIL during the last three years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Rs. crores)</th>
<th>Profit (Rs. crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>55605</td>
<td>117</td>
</tr>
<tr>
<td>1996-97</td>
<td>51402</td>
<td>75</td>
</tr>
<tr>
<td>1997-98</td>
<td>57609</td>
<td>115</td>
</tr>
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The management talked about the conversion of the Submerged Arc Furnace (SAF) plant to take up the manufacture of SILICO Manganese.

SILICO Manganese is produced at the cost of Rs.5.80/kg and the company has given extensive consultancy work covering supply of critical equipment, deputation of technician, imparting training for Vietnamese Sponge Iron plant under a UNDP/UNIDO assistance programme. It had entered into an agreement with Peruvian Steel Co. to provide technical assistance covering equipment and commissioning services.

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<td>93</td>
<td>86</td>
<td>96</td>
<td>95</td>
</tr>
</tbody>
</table>
The company made profit upto 1992-93 but it started to suffer loss due to bringing into operation the captive power plant (taking its own gestation period) followed by the need for optimisation involving certain further modification the incidence of depreciation and interest burden.

Another factor that had adversely affected was the closure of M/s A.P. State Steel Limited, which was a State Government undertaking located adjacent to SIIL consuming 40% of the total production of Sponge Iron, with its closure, company had to tap new market located outside Andhra Pradesh. Transport Cost have eroded into the selling price, the net realisation had come down and the additional loss. Moreover, reduction of import duty on melting scrap from 45% in January, 1991 to 5% in October, 1994 has also made indigenous Sponge Iron uneconomical.

Real setback happened in 1996-97 in marketing due to closure of some of secondary Steel units in Tamil Nadu and other places in South resulting into the decline; in the net sales realisation. The impact of the setback was substantial in 1997-98 due to which company suffered heavy net loss of Rs.3.36 crore despite the improvement in internal factors like record production, low consumption of raw materials, power etc.

Being the only unit in Public Sector, SIIL is operating in a field dominated by the private sector giants with efficient decision making process and added competitive -dges; it is facing the tremendous task ahead to convert its self into a profit in company.

Due to lack of proper infrastructure facilities, heavy taxation, irregular power supply with higher tariff, non-availability of rakes in time and insufficient facilities, Steel industry in general is in deep trouble.

SIIL is facing crisis not only due to the challenges arising with the changing economic environment and on going reforms but also due to the currency crisis of South-East Asia, and the financial restriction imposed by America and other developed countries on India as it led to devaluation. And income from consultancy had already dropped down as no new entrepreneur is proposing to establish new unit due to merky road ahead.

Due to the external factors as well as internal problems the company is facing operational problems. Its headquarters being located at Hyderabad, its Engineering & consultancy division as well as marketing wing are operating from Hyderabad, and SIIL's functional unit at Kothagudem, creates a communication gap between management and core operating group not only procrastination in decision making but sometimes a stumbling block in day-to-day operation. For example, quick decision on spot is being deferred as operating core group has to wait for 'green- signal' from Hyderabad which spoils marketing strategy.

In order to achieve a financial stability in its working, company has prepared a long-run strategy for achieving overall improvement.

1. Expansion of the existing installed capacity of Sponge Iron from 60,000 to 1,20,000 tonne together with captive power plant (CPP) at a cost of Rs.47 crore.

2. Some financial concessions like waiver of interest, conversion of repayment loan into equity and moratorium of repayment of banks.

The management showed the confidence that after carrying further diversification and expansion proposals company will be in a position to achieve positive working results. The management wanted to use the recession period as ‘boon in disguise’ upgradation & improvement in technical and operational procedure i.e. increasing the production capacity from 60,000 TPA to 1,20,000 TPA and setting down ‘Steams Plant’ for better physical and financial Performance & using the recession period as gestation period and by the time the cloud of recession is over- a newly born well placed as the threshold of making profit.

The management sought from the Government certain ‘policy’ support.

1. Custom duty on scrap should be increased and imports discouraged.

2. Reimbursement of modvat.


The management informed the Sub-Committee that SIIL had improved its productivity, efficiency, quality and work culture and put forward the proposals for ‘Turn- around plan before the ministry of Steel and requested for sanction of 100 crore for SIIL, for increasing, the production and to go for ‘Down Stream Plant which is under the active consideration of Steel Ministry.

The Sub-Committee thanked the management for apprising the Committee with elaborate knowledge about SIIL and advised the management to adopt the aggressive marketing strategy and wished for its better physical and financial performance, besides all possible help from Government.

NATIONAL MINERAL DEVELOPMENT CORPORATION LIMITED (NMDC)

The Sub-Committee met with the Management of National Mineral Development Corporation Limited (NMDC), a Public Sector undertaking under the ministry of Steel incorporated on November, 15,1958 to explore, exploit & develop mineral resources of the company except coal oil and Atomic Mineral. Presently its activities are concentrated on mining of iron ore, limestone and diamonds and is also entering into the field of producing high value products like natural pallets, Ferric Oxide, Iron power through massive Research and Development works. Government of India, approved NMDC plan to develop new Iron ore Mine or, 5.5 million tonne per annum ROM capacity at Bailadilla.

The authorised capital of NMDC as on 31.3.98 is Rs.150.00 crore with paid up capital of Rs. 132.16 crore; cumulative reserves and surplus Rs.591.55 crore & net worth of Rs.717.08 crore and there is no outstanding loan to be paid by the company, so, NMDC is a zero debt - company. NMDC is operating three major Iron-ore Mines, two at Bailadilla region of M.P. and one at Donimalai (Bellari-Hospet Sector) in Karnataka producing 15.0 million tonne of Iron ore accounting 25% of the country’s production.

The R&D Laboratory of NMDC set up at Hyderabad in 1976 is adequately equipped with the state of Art Research equipment and is providing excellent facilities for under taking research and development in the fields ofometallic and metallurgical industries for the pre-iron making stage. In Iron processing, Metal Processing, Mineral Processing agglomeration and pelletisation, and direct reduction iron. The High grade Iron ore (LUMP) from Bailadilla Mines is the best in India. The special product called calibrated lump ore is a quality feed material to the Sponge Iron plant, developed by R&D centre of NMDC saves substantial foreign exchange & reducing import of products for gas based Sponge Iron-making in the country.

NMDC meets the production for the domestic steel plants like Visakhapatnam-Steel Plant, domestic Sponge/pig Iron Section industries & exports to Japan. South Korea & China Export of Iron ore in 1997-98 earned the foreign exchange to the extent of around Rs. 500 crore for the material.

The NMDC management informed the Sub-Committee about the percentage of domestic share of the total dispatch for last three years, as under:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Dispatch</th>
<th>Export</th>
<th>Domestic Supply</th>
<th>%Share of Export</th>
<th>%Share of Domestic Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>145.59</td>
<td>64.40</td>
<td>79.19</td>
<td>44.85</td>
<td>53.15</td>
</tr>
<tr>
<td>1996-97</td>
<td>141.81</td>
<td>66.39</td>
<td>75.42</td>
<td>46.82</td>
<td>53.18</td>
</tr>
<tr>
<td>1997-98</td>
<td>156.30</td>
<td>71.33</td>
<td>84.97</td>
<td>45.64</td>
<td>54.36</td>
</tr>
</tbody>
</table>

As regards the expansion and diversification Programme the management informed the Sub-Committee about NMDC's engagement in mining high value minerals. The Corporation is opening Bailadilla 10/11A Iron ore Deposit in Bailadilla Complex in M.P. at an approved cost of Rs.430 crore with expected capacity of 5.00 million tonne of ROM & to be operated by the year 2001. Another Iron ore Deposit namely Bailadilla IIIB in this sector is also proposed to be developed as joint venture. In the Karnataka region NMDC is taking action to develop Kurnaswamy Iron Ore Deposit to increase the production from 4 million tonne to 7 million tonne for Pig Iron & Steel Plant in Bellary region.

Achieved Diamond production of 30,596 carats from Mahawar Mines of Diamond mining Project, Panna against the target of 29,000 carat i.e. itself 106% achievement, further, NMDC is expanding its Diamond production to the tune of 84,000 carats by early 2000 to be accomplished by the process of Heavy media separation plants/magnetic separation followed by X-ray sorting. Moreover, NMDC have applied for prospecting licence to continue the investigation and prospecting studies of the Diamond deposit in Andhra Pradesh to find feasibility and viability of diamond project in the State.

NMDC has proposed to set up a Pig Iron Steel Plant at the estimated cost of Rs.300 crore near Jagdalpur, district Bastar, Madhya Pradesh and utilised to the "ROMELT PROCESS" the slimes generated by Iron Ore Mining operations as the raw materials. It entered into Joint venture with Indian Rare Earth Ltd. and APMDC for production of Ilmenite after mining the beach sand of Bhimunipatnam to convert the Ilmenite into value added products such as Synthetic Rutile, titanium slag, Titanium Dioxide paint grade. Moreover, it has decided for the opening of magnetic project at Panthal, J&K state to produce raw magnesite to further convert the same into dead burnt magnesite. The diversifying programme of NMDC includes Hi-tech products like Ferric Oxide, Ultra Pure Feric Oxides, Hard/Soft Ferrite powder/Components; Reduced Iron Powder, from the Blue Dust and a Demonstration Plant for production of high grade Ferric Oxide from Blue Dust which had already been established and is in operation at Hyderabad. For producing Ultra Pure Feric Oxide a Unit is being set up at Visakhapatnam.

The Financial performance of NMDC during the last three years is as below:-
The Sub-Committee wanted to know the number of times alongwith quantum of increment of Iron Ore by NMDC. The management stressed that NMDC is given independent hand in export promotion i.e. direct export by NMDC. The management informed that there is complete harmony and functional co-operation between the two institutions as regards to the mining process. The Sub-Committee wanted to know the total impact on NMDC's financial performance if NMDC is given independent hand in export promotion i.e. direct export by NMDC. The management informed that many a times, Ministry of Steel raised the issue but Ministry of Commerce objected to the proposal, as 13 hundred workers are involved in the present report to the NMDC and the later does the detailed work and henceforth there is complete harmony and functional co-operation between the two institutions as regards to the mining process.

The Sub-Committee wanted to know the total impact on NMDC's financial performance if NMDC is given independent hand in export promotion i.e. direct export by NMDC. The Sub-Committee stressed the direct export by NMDC.

NMDC management argued for immediate withdrawal of Railway's inflation in the mileage by 30% on KK (Kirendul-Kottavalasa) line in order to give relief to VSP, ESSAR Steel, ISPAT. Moreover, NMDC management pleaded for streamlining the port facilities concerning to NES, ESSAR Steel, Ipat Industries, VIKRAM Ispat etc.

The management informed that the major consumers of Manganese Ore are ferro alloy producers, steel plant and dry battery manufacturers. The production of different grades of manganese ore during the last three years are:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Dioxide (in tonne)</th>
<th>Ferro L.G.H.S.</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>22,039</td>
<td>316,774</td>
<td>161,134</td>
<td>608,988</td>
</tr>
<tr>
<td>1995-96</td>
<td>23,167</td>
<td>378,392</td>
<td>188,873</td>
<td>659,705</td>
</tr>
<tr>
<td>1996-97</td>
<td>19,087</td>
<td>424,729</td>
<td>133,417</td>
<td>642,121</td>
</tr>
<tr>
<td>1997-98</td>
<td>21,477</td>
<td>417,315</td>
<td>153,996</td>
<td>660,644</td>
</tr>
</tbody>
</table>

The Sub-Committee was informed that the productivity i.e. output per man shift has been on increase due to introduction of various technology upgradation, modernisation, and mechanization scheme implemented by the company as well as by adoption of several cost reduction measures.

Meeting with MOIL's management

The Sub-Committee interacted with the management of MOIL and gathered important information regarding the problems being faced by MOIL. The MOIL management highlighted that steel is the backbone of the nation and manganese its fabric woven by MOIL's dedicated work force with traditional still contributes to national progress and economic development.

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<table>
<thead>
<tr>
<th>Year</th>
<th>O.M.S (Tonne)</th>
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</thead>
<tbody>
<tr>
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The management informed the Sub-Committee about the metagolas of NMDC i.e. the ultimate utility and social and relevant contribution to society. Accordingly, NMDC had developed very Good Township with all amenities and infrastructural facilities like school, hospital, community centre, market places etc. Moreover, it has undertaken proper plan of peripheral development surrounding its mines. The management informed the Sub-Committee about NMDC's commitment to take care of ecological balance by taking appropriate environmental pollution control measures.

NMDC management argued that the general economic situation with poor rate of industrial production has contributed to the declining of demand for Steel. The problem has been accentuated by cheap import particularly from countries like CIS, resulting either in piling of inventories at various Steel Plants or forcing the producers to resort to heavy discount in selling their products.

The sluggishness in the Steel industry has a direct impact on NNMC which supplies more than 8 million tonne of Iron Ore to the domestic Steel Industry, several Steel products for which Iron Ore supplies were tied up which NMDC are unlikely to materialise this will have direct impact on the bottom line of NMDC and will also jeopardize the expansion programme. NMDC management argued for immediate withdrawal of Railway's inflation in the mileage by 30% on KK (Kirendul-Kottavalasa) line in order to give relief to VSP, ESSAR Steel, ISPAT. Moreover, NMDC management pleaded for streamlining the port facilities concerning to NES, ESSAR Steel, Ipat Industries, VIKRAM Ispat etc.

The Sub-Committee wanted to know the number of times alongwith quantum of increment of Iron Ore by NMDC. The management highlighted that under liberalisation the landed price of imported iron ore is more than the price fixed by NMDC. In general the price escalation is 10% with each year contract. In recent year there has no price increment of Iron Pl. Only 5% price is increased of Iron Ore supplied to gas based Sponge Plant. The management accorded to the Sub-Committee's view to give serious thought to the phenomena of frequent price increment as this exercise would adversely affect the viability of already sick steel industry which in turn, will affect the profitability of NMDC.

The Sub-Committee put forth its apprehension over the present rate of exploitation & export of minerals which may lead to complete depletion of minerals resources, therefore the need for stressing conservation of natural resources for 'Sustainable Development'. NMDC removed the apprehension of the Sub-Committee, arguing that there is plenty of mineral deposits in India and Macro-Economic & Geography of India shows that India need not worry much, as adequate & optimum harnessing of minerals on commercial level with modern technology equipment do leave sufficient scope for 'sustainable development'; while fulfilling the present requirement.

The Sub-Committee viewed that 'investment opportunity matter' should be opened so as to make it participative in mining process and state, with commercial aptitude and business attitude, should be allowed to play pro-active role. The management revealed that royalty of diamond in the world is more or less 2% while Central Government in India reduced it from 20% to 10% but State Government is demanding 23% royalty. The Sub-Committee wanted to know about the degree of co-operation and co-ordination between NMDC and Geological Survey of India as regards to the mining activities; whereupon, NMDC management informed the Sub-Committee that GSJ does the primary work and report to the NMDC and the later does the detailed work and henceforth there is complete harmony and functional co-operation between the two institutions as regards to the mining process. The Sub-Committee wanted to know the total impact on NMDC's financial performance if NMDC is given independent hand in export promotion i.e. direct export by NMDC. The management informed that many a times, Ministry of Steel raised the issue but Ministry of Commerce objected to the proposal, as 13 hundred workers are involved in the present setup of export process, while NMDC can do direct export by merely 30 workers. The Sub-Committee stressed the direct export by NUDC.

The Sub-Committee drew the attention of NMDC management towards the hidden treasure of various minerals in Bihar where there has been least mining activities by NMDC. The management wanted to impress upon the Sub-Committee by arguing that viability of commercial investment depends upon safe investment while Bihar's prospects is marred by adverse law and order situation and social uprising (Naxalism). The Sub-Committee felt circumspect to accord and appreciate management viewpoint and stressed that all social uprising can be healed with economic development of the State as once the stomach is filled up mind does not revolt. The Members of the Sub-Committee substantiated the management that deposit of lime stone and Iron Ore in Bihar is to quantum where I I steel plants can be setup and management should take stock the things and start priority-wise survey for optimum utilisation of minerals in Bihar.

PHASE - III

MANGNESE ORE INDIA LTD., (MOIL)

The Sub-Committee visited Manganese Ore India Ltd. on 4th January, 1999. MOIL is a Government Company with the paid up capital of Rs.15.33 crore and the same is held between Government of India, Government of Maharashtra and the Government of Madhya Pradesh. MOIL is the single largest producers of high-grade manganese ore in the country and caters to above 65% of total demand of the country. The Sub-Committee visited Kandari Mines cited located at Nagpur and during the course of interaction with the workers and officers at work took stock of first hand information there.

Meeting with rashtriya manganese ore workers

The Sub-Committee held interaction with the representatives of workers union who informed the Sub-Committee that their Union is twenty five years old and is functioning on two-tier system one as Central Committee of representative of workers and other as Branch Committee which functions at each mines. MOIL operates seven mines in Nagpur and Bharat district of Maharashtra and three Mines in Balaghat district of Madhya Pradesh, Union act as the training cell of MOILS, as training is imparted to workers which enhances workers skill and know-how of Mining Operation. Workers Union play constructive role which directly contributes to the physical performance of MOIL.

During the course of interaction with the workers following points were raised:-

1. Piece rate system permanent/regular workers get minimum salary of Rs.2000/- per month with 5% house rent allowance wage agreement operative since 1st August 1997 MOIL's minimum wage is Rs.58 per day. Medical facility is available through medical prescription. Incentive is said as Rs.750/- per month.

2. Public Sector consumer is not prepared to purchase the products of Public sector despite good quality. Bhilai plant purchases Ore from others.

3. Problems relating to royalty.

4. Agreement between workers Union and management to remove, contract labour system in the mining Sector.

5. Increase in upper age retirement limit from 56 to 60 affected the productivity as workers beyond 55 years of age face physical problem in working underground mining operation and there is no open cast works for them.

6. Import of Ore from abroad narrows the marketing scope for MOIL.

7. If MOIL does not get another mining cite it may run in loss very soon.

Meeting with MOIL's management

The Sub-Committee interacted with the management of MOIL and gathered important information regarding the problems being faced by MOIL. The MOIL management highlighted that steel is the backbone of the nation and manganese its fabric woven by MOIL's dedicated work force with traditional still contributes to national progress and economic development.

The management informed that the major consumers of Manganese Ore are ferro alloy producers, steel plant and dry battery manufacturers. The production of different grades of manganese ore during the last three years are:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (in tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>619.81</td>
</tr>
<tr>
<td>1996-97</td>
<td>405.00</td>
</tr>
<tr>
<td>1997-98</td>
<td>150.46</td>
</tr>
</tbody>
</table>

The Sub-Committee was informed that the productivity i.e. output per man shift has been on increase due to introduction of various technology upgradation, modernisation, and mechanization scheme implemented by the company as well as by adoption of several cost reduction measures.
The MOIL management informed the Sub-Committee that MOIL is categorised as one of the best managed PSUs in the country and CARE, the consultant for disinvestment commission has rated MOIL as a strong performer. The company has been continuously making profit over the last several years has been paying dividend regularly to Government and Bonus to its employees:

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>15.95</td>
<td>24.66</td>
<td>28.43</td>
<td>29.06</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>10.73</td>
<td>19.72</td>
<td>22.88</td>
<td>23.76</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>5.64</td>
<td>10.78</td>
<td>13.30</td>
<td>14.21</td>
</tr>
<tr>
<td>Dividend %</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Bonus paid to employees</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

MOIL has made record contribution of Rs.19.37 crores to the Government exchequer during 1996-97 by way of income tax, sale tax, excise duty and cess. MOIL management pointed out that if Minerals like Manganese, that is strategic mineral, is disinvested private interest / greed would harm the national interest.

The Sub-Committee was informed that as expansion plan, a plant to manufacture Electrolytic Manganese Dioxide (FMD) used by dry cell manufactured was installed at Dongri Buzurg, mines and the plant went on Wm around during 1995-96 and the product by the users industry. An action plan has been launched which produces productivity high grade material, DYKC, side Ore production. The Management informed that the company is planning to install a second EMD plant with largest capacity. The Management informed that Ferro Manganese Plant has been commissioned and the trial production is under progress. Since MOIL itself is producing the basic raw material viz. high grade Manganese Ore, the company will have an added advantage and will be able to compete with other manufacturers in the country.

The management also informed that the company is planning to install a captive power plant of 8 MW at Balaghat in three models of 2.5 MW each. The work relating to the first module of 2.5 MW capacity power plants is in progress. The estimated capital investment for phase-I would be around Rs. 10 crore.

While management informed the Sub-Committee that MOIL is in constant pursuit of upgrading its mining technology to improve or recovery and providing greater safety to the men and machinery deployed in the mines. With the introduction of Cable Bolting Method in replacement of timber support system in underground mines and Sand stowing Filling System in replacement of manual filling in underground mines laid to considerable improvement in cost and productivity. Moreover, following technology schemes are on the anvil:

1. Optimisation of long hole blasting in underground
2. Introduction of Air decking system for open cast heavy blasting
3. Mechanical handling of ore in steps
4. Introduction of mechanized Jigging Plants
5. Drop raising in place of conventional sinking of wizine.
7. Extensive instrumentation to monitor stop stability.
8. Complete computerization of MIS.

During the course of interaction, the management highlighted the problematic areas confronting MOIL:

1. As far as the fortunes of Manganese Ore industry is dependent on prospect of steel industry and the steel industry is itself not performing well, the demand for manganese Ore has come down drastically. As a sequel to the, production of steel, Ferro Alloys and Manganese Ore, the employment potential in these sectors has been adversely affected. The management opined that to revive the sector, which in turn will give boost to manganese ore and Ferro alloy industries, a boost to the demand of steel may be given undertaking infrastructure projects in large scale.
2. The main input in production of Ferro and Silico manganese is electric energy, but unfortunately, the tariff of power has gone up substantially. Henceforth, the tariff of electricity should be decreased at least by Rs. 1 per kw. as it may not be possible to bring the power rate near the international level. The management also urged that there should be regular supply of power.
3. China, under controlled economy, is dumping Ferro manganese and silico manganese in the world market, which led the situation from bad to worse. India is exporting about 50,000 tonne of silico manganese, the price of which has come down substantially in the international market. The Government should legislate inadequate anti-dumping measure in this regard.
4. As is there is lack of work opportunity at Kandri mining site, so Government should accede MOIL's demand for granting licence for new mines.
5. When the Forest Conservation Act, 1980 was enacted, some part of the leasehold areas of MOIL attracted the provisions of the said Act and hence required clearance to continue working in these part of the lease hold areas, The restrictions imposed by the said Act aided by the judgment of the Supreme Court compelled MOIL to stop mining in part of the lease hold areas were the forest land exists. This has adversely affected the performance of the company.
6. However, in compliance with the Forest Conservation Act, 1980, MOIL has applied to the Government to grant exemption from the provisions of Act. Since most of the mines of the company are being worked by underground methods, MOIL has also sought exemption from the payment of compensatory of afforestation under Rule 3.2(vii) of the said Act. It is requested that grant of permission/exemption as required by MOIL may be expedited at an early date to avoid further losses.
7. The Sub-Committee was ensured that even though the manganese mining industry is undergoing severe recession, because of dynamic marketing policies adopted by the company, optimization of product-mix and cost reduction measures, etc., the company is hoping to sustain the existing level of its performance. Also with the ongoing diversification, expansion and Modernisation/mechanisation schemes, the company will be able to further strengthen as a leader in the manganese ore industry in the country.

ISPAT INDUSTRIES LIMITED

The Sub-Committee visited Ispat Industries Ltd. (UL) on the 4th January, 1999 which is situated at Kalmeshwar (Nagpur), the flagship company of the Ispat Group and a major manufacturer of Galvanised Steel products in the Private Sector. The company pioneered the manufacture of ultra thin gauge galvanised steel sheets, a 100% import substitution product, with state of art technology and technical know-how from Hitachi of Japan to manufacture Cold rolled Carbon Steel Strips in a wide range of thickness and width for critical applications. During the year 1998 another milestone was achieved by way of installing for the first time in India a colour coating line for manufacturing colour coated sheet which have multi-dimensional applications in interiors, architecture, construction, household appliances etc. The Sub-Committee was informed that Cold Rolling WI compels Comprizes of a Conventional 4 HI Mill and a sophisticated 6 HI (High Crown) Combination Mill from Hitachi of Japan having a combined production capacity of 3,15,000 TPA. Pickled hot rolled coils of higher gauges are reduced to required thinner gauges. The computer controlled rolling process ensure close thickness tolerance and a perfectly flat strip. Fully computerised control projects helps to produce Extra Deep Drawing (EDD) quality required for original equipment manufacturing (OEM) sector. Thermal Crown Compensation removes rolling defects and enhanced shape characteristics. Automatic elongation control system emphasises perfect flatness, prevents stretcher strains, imparts desired stiffer and surface finish to the skin passed products. By using sophisticated equipment and quality control devices the plant is capable of producing bright as well as Matt finish Cold Rolled product in EDD/DD/DD/O grades for a wide range of applications. All products are import-substitute and enjoy not only in the local market but also in international markets and the customer include almost all automobile, white goods manufacturing, general Engineering industry and defence sector.

Besides producing the quality CRC Steel Coils and sheets, the CRM plant also produces Cold Rolled steel coils required as raw material for CGL. The Sub-Committee was informed that UL is the largest CR producer in the Secondary Sector.

Continuous Galvanising Plant of IIL started its operations in Dec 1985 with latest technology from Nippon Denro Manufacturing Co. Japan and is a pioneer in this gauge galvanising in a fully computerised control process the plant manufactures plain and corrugated galvanised sheet plant and the plant is capable of producing sheets as low as 0.13 mm thick. The product is the import substitute of thin gauge galvanised sheets. Quality monitoring is done at all stages. The Sub-Committee was informed that the "Ispat Star" which is a well established brand for a wide range of applications. All products are import-substitute and enjoy not only in the local market but also in international markets and the customer include almost all automobile, white goods manufacturing, general Engineering industry and defence sector.

Continuous colour coating is a state of the art colour coating line installed in the year 1994 and in pioneer in high quality prepainted sheets. The colour coating line uses galvanised strip as raw-material over which polyester paint coating is done in a variety of shades and finishes as per customer requirement. The plant is also capable of giving other types of coatings (EG. Varnish) as steel coils. Again the process controls fully computerised. IIL colour coated sheet " poly sheet" is well established in the country.
The Sub-Committee was informed that almost all washing machines/Refrigerator manufacturers use IIL's colour coated steel sheets, which is again an import-substitute. Although the concept of colour coating as such is new to this part of the world, but, through continuous improvement UL has successfully established new areas of usages its customers are TVs, whirlpool, BPL, Sanyo, Videocon, etc. In addition large segments of the projects market and building interior segment are also IIL's regular customers.

The Sub-Committee observed during the plant visit that the alkaline cleaning of the rolled strip by high current density electrolytic process in electrolytic cleaning line, before annealing, gives the strip surface, total cleanliness free from emulsion patches, thereafter, the coil are annealed protective in atmosphere in Bell type annealing furnaces, where temperature and protective gas are controlled through high-tech electronic instrumentation to ensure perfect gain refinement and brightness to the strip. Cold-Rolled Annealed Strips passed through Automatic Elongation controlled skin pass mill ensuring perfect flatness, designed stiffness and surface finish (bright/matt finish, according to end use). Slitting and side trimming line ensures different width of coil, tailor made for the customer use with crack free edges; cut to length lines with precision levellers are incorporated to give customers of Ispat Industrial Ltd. desired lengths of sheets with conditioned edges, perfect flatness and protective oil coating.

Meeting with management
During the course of interaction with the management of Ispat Industries Ltd. at Kalmeshwar, the Sub-Committee was informed that the future of Indian Steel Industry is due to low per capita consumption, high power tariff, high direct/indirect taxes low infrastructural development, non-uniform duties in some of the steel products and lack of export incentive. World per capita steel consumption is 132 Kg. while in India, whose population is second largest in the world, the per capita consumption is below 26 Kg. Even in China per capita consumption is 89 Kg.

The Sub-Committee was acquainted with the product of IIL (CRM) alongwith the production capacities and production during last three years:-

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>CRCA – OEMS</td>
<td>1,15,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Galvanised</td>
<td>1,63,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colour Coated</td>
<td>36,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRC Galvanised</td>
<td>1,00,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRC skin passed</td>
<td>85,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capacity</td>
<td>5,00,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Production during last three years/Sales value of finished goods indicated in bracket

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GGL</td>
<td>90178 (250.37)</td>
<td>95178 (245.67)</td>
<td>141938 (327.50)</td>
<td>89585 (207.96)</td>
</tr>
<tr>
<td>CRM</td>
<td>196346 (139.08)</td>
<td>198868 (345.44)</td>
<td>217192 (281.65)</td>
<td>136600 (93.88)</td>
</tr>
<tr>
<td>CCL</td>
<td>11511 (42.25)</td>
<td>14108 (61.12)</td>
<td>13750 (58.97)</td>
<td>10664 (42.83)</td>
</tr>
<tr>
<td>Total</td>
<td>298035 (611.70)</td>
<td>308154 (652.23)</td>
<td>372880 (713.12)</td>
<td>231849 (342.67)</td>
</tr>
<tr>
<td>*Upto Sept 98</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Sub-Committee was also informed about the domestic and export sales of IIL GP/GC alongwith the market share:-

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>69438</td>
<td>108723</td>
<td>129100</td>
</tr>
<tr>
<td>Export</td>
<td>13804</td>
<td>25582</td>
<td>31153</td>
</tr>
<tr>
<td>Total Sale</td>
<td>83242</td>
<td>134305</td>
<td>160253</td>
</tr>
<tr>
<td>Market Shares%</td>
<td>8.98%</td>
<td>11.20%</td>
<td>11.16%</td>
</tr>
</tbody>
</table>

IIL (CRM) management highlighted the major thrust areas of the plant which inter-alia include improvement in quality to support the brand image, low working capital- high volume encouraging the exclusive dealers, implementation of pull model at all major centers to ensure complete product mix, and entering into unexploited domestic and export market.

The Sub-Committee was also acquainted with the marketing strategy of UL which is given below:-

1. Creating a strong brand image for customer pull.
2. Widening distribution network further.
3. Entering in OEM, OAU, Government, Department and project segments B Establishing the product meeting the specification.
4. Cost reduction bringing down selling cost/PN4T (expense commission)
5. Managing volume with low working capital (Stock & Debtors),
6. Entering thicker gauge GP Market, (HR Base)
7. On line computerization/EDI connections major customers
8. Customer satisfaction THRU high standard of service quality and timely delivered by transportation through concor to Delhi/Calcutta/Ghaziabad etc.

The management, thereafter, gave the details of SWOT analysis of IIL:-

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reliability</td>
<td>1. Width restriction upto 1000 mm</td>
</tr>
<tr>
<td>2. Wide distribution network</td>
<td>2. Freight disadvantages at Mumbai and North</td>
</tr>
<tr>
<td>3. Strong corporate image</td>
<td>India.</td>
</tr>
<tr>
<td>4. Good &amp; strong dealers</td>
<td></td>
</tr>
<tr>
<td>5. H. R. Base GP</td>
<td></td>
</tr>
<tr>
<td>6. Own Human Resources</td>
<td></td>
</tr>
</tbody>
</table>
7. Consistent and clear Marketing

Opportunities
1. Profit GP Sheets
2. Drawing grade of GP for automobile and white goods
3. Government/Defence Sector
5. CCS Corrugated sheets
6. Cost reduction majors because of undertaking of project Parivartan and involvement of all employees having potential saving to the extent of Rs.28 crore.

Threats
1. New capacities from competitors
2. Import of GP/GC
3. High power Tariff, competitors are getting electricity @ $ 0.03 (Rs.1.27) per unit when Maharashtra Electricity Board is charging $0.09(Rs.3.87) per unit.

Problems of the plant were enumerated as given below:-
1. Weaker section of the society finding it difficult to buy GC sheets at present level of excise duty - 15% and Sales Tax.
2. SSI units are finding it difficult to buy CRCA, GP, CCS due to ED on freight and higher local taxes.
3. Restriction on availment of MODVAT credit upto 95% affecting entire industry. This restriction is applicable even to the units who are consuming raw material captive by do inter-plant transfer of goods and causing injury to those units. - IIL is loosing more than Rs. 9 crore per annum.
5. Restricted surface transport movement due to poor road conditions, frequent road traffic stoppage because of octroi/Entry tax and Non-availability of Railway rakes particularly, for North Eastern Region.
6. In adequate facilities for having duty cranes and Covered warehouse.
7. Frequent snag observed in communication net work like telephone lines in remote areas.
8. Recently Government of India fixed floor price on certain flat rolled steel products, which does not include flat products like Cold rolled sheets, Galvanized plain/corrugated sheets/coils- colour coated sheets &coils.

The Sub-Committee was requested to recommend to the Government adequately to rem the above problems being faced by IIL... and further requested that the DEPB rates for cold roll sheets/coils, - Galvanizing sheets/coils/. Sheets and pre-painted sheets/coils be revised from the existence rate i.e 18%, 19%, 19% to 24%, 26%, 30% respectively. Similarly, the CAP value in DEPB scheme fixed needs revision as under:-

<table>
<thead>
<tr>
<th>Products</th>
<th>Present CAP Value</th>
<th>Proposed CAP value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galvanised/Sheets/Corr. Sheets</td>
<td>Rs.20000.00 PMT</td>
<td>USD 700 PMT</td>
</tr>
<tr>
<td>Ppainted Sheets/Coils</td>
<td>Rs.20000.00 PMT</td>
<td>USD 900 PMT</td>
</tr>
</tbody>
</table>

**LLOYDS STEEL LIMITED**

The Sub-Committee visited the Lloyds Steel Industries Limited, Wardha on 5th January, 1999 which is a medium size plant with six million tonne of production capacity Lloyds Steel produces Hot Rolled Coils & plates, Hot Rolled Coils & sheets and Galvanised Coils & sheets including corrugation and got the ISO 9002 certification and approvals of Bureau of Indian Standards, Engineers India Limited, Research Design and standard Organisation, Directorate General of Quality Assurance and reputed third party inspection agencies like LRIS, BVQ & SGS. An integrated project in the private sector, Lloyds Steel, having the locational advantage (at Wardha) close to basic raw materials viz Iron ore & Coal and low transportation cost for finished goods is also grafted with efficient & highly skilled employees alongside latest technologies. Being located in backward region Lloyds Steel also gets sales tax benefits. The vision and strategy of the Organisation is to become a value added, niche market producer of steel and set benchmarks as per global standards while the quality policy aims at internal and external customer satisfaction and the value addition.

The Sub-Committee came across the fact that Lloyds Steel has a nice niche market strategy (value added products)

**Hot Rolled Coils Grades Produced**

- D Grade/structural Grade: DD/EDD Grade
- LPG: Corten
- Hi-tensile: Medium Carbon
- High Carbon: API grades

The major niche market segments includes power sector, Railways, Machine building, Automobiles, Boilers/pressure vessels, Movie container, LPG cylinder manufactures, Engineering Fabricators and Cold Rolling. Lloyds steel producers Hot rolled Coils, Plates & sheets of various width and length and weight:

**H.P. Coils/Sheets**

- Thickness: 1.60-12 MM
- Width: 950-1250 MM
- Coiled: 710 MM (fixed) 610 MM (in pickled condition)
- Coil OD: 1789 MM (Maximum)
- Coil weight: 20 MT (maximum)
- Unit weight: 16 KG/MM
- Length: As registered

**HR Plates**

- Thickness: 16-68 MM
- Width: 750-1250 MM
- Length: As registered
34th Report of Committee on Industry

At Hot Rolling Mills (HRM) the Sub-Committee was furnished with following information in Slab Repeating Furnace: Walking Beam Type Tip & Bottom final with 150 MT/MM

Four high finishing mills with 540000 tpa capacity stickle furnace - two in number and using LPG/LDO Heavy plate line with 6000 tpa capacity and Bogie hearth type normalising furnace producing plate with a rough of 14 MMT 63 MM.

The Sub-Committee observed that Lloyds Steel has pickling & Annealing line pickling line is of pull-push-HCL Acid type with 3,000,000 tpa capacity where the product range varied from 1.6 to 6.0 mm in thickness. It has got 110 m/min line of speed. While Hydrogen/Nitrogen Re-crystallisation Anneal uses strip of 0.18 to 3.00 mm range and LPG/LDO fuel and make LSIL (Engg. Div.) & Ebner Austria.

During the course of plant visit the Sub-Committee was informed that Cold-Rolled coils has got the niche market segments which inter-alia includes galvanising sector, automobiles, white goods sector, cycle industry, banal & drums and precision tubes. It was informed that Cold Rolled Coils and sheets is of 0.1 to 3 mm thickness, slit width for min- 650-1250 mm, coil SD/D of 500 mm/1800 mm (max) and length as per requirement. As regards the product characteristics it was informed that the Cold Rolled Carbon Steel has got the commercial, drawings including deep drawing and extra deep drawing, TMDF and full hard coils quality. Sub-Committee was further informed that Lloyds Steel has 4 high reserve Cold Rolling Mill, made by Hitachi-Japan, with the main features of Lydgen-roll load cylinder at bottom, pass line adjustment from top screw down, roll balancing & roll bending, quick work roll-changing and zonal roll cooling for thermal crown.

Galvanised coils & sheets of Lloyds steel has got the main market segments such as roofing in rural housing & industrial sheds, refrigerators & washing Machines, grain silos for storage of grain, automobile bodies and air coolers & tractor/ agriculture implements' the continuous galvanising line will of non-oxidum furnace with 30% HZ with capacity of 20 MTP/Hr and having line speed of 15m/min to 120m/min. The strip is 0.15 to 1.6 mm thick & 600 mm-1250 mm wide while coating thickness vary 120 to 350 gm2/m2 (both sides). Spangle is regular. It is on line skin pass mill. And the number of corrugation. 8, 10, 11 & 13 per sheet.

Lloyds Steel being an integrated plant has also got SMS (steel melting shop) facilities, It has two Ultra High Power electric with eccentric bottom system of taping steel having 60 MT of liquid steel capacity. Lloyds SMS has also two ladle refining furnace of 55 MT heat weight. There is also a bow type continuous casting wear pull coated with mudmold.

Lloyds Steel has got a Research and Development wing where various R&D activities are either being carried out or are at proposal stage which inter-alia include development of CR corrosive resistant steel (corten) for railways, successful production of API grades, ultra sonicly

guaranteed plates of thickness beyond 40 mm also, firing of stickle furnace by LPG instead of LDO giving improvement in the surface quality of the product, manufacturing of abrasion resistant steel. Development of computer visualisation system of EAF for Arc flickers controller, eradication of edge crack formation in CR products, extension of the existing Hot Rolling mill to produce hot rolled plates without obstructing coil production, proposed optimisation of process norms to use Wardha Valley Coal for DRI production; technology Development (in offsite) for effective use of Suljagarh Iron Ore for DRI productions.

Meeting with Lloyds Steel Limited management

The Sub-Committee met the Lloyds management in conducive atmosphere and came course across various facts of efficiency and effectiveness in the private sector. The management informed the Sub-Committee about the physical and financial performance of Lloyds steel during last four years -

(Rs. in Crore)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HR Products (in Lakh MT)</td>
<td>3.80</td>
<td>4.02</td>
<td>3.63</td>
<td>2.19</td>
</tr>
<tr>
<td>2. Sales Turnover</td>
<td>983.08</td>
<td>1267.44</td>
<td>1274.0</td>
<td>--</td>
</tr>
<tr>
<td>(Rs. in crore)</td>
<td></td>
<td></td>
<td></td>
<td>--</td>
</tr>
<tr>
<td>3. Net Profit after interest &amp; depreciation</td>
<td>56.37</td>
<td>(-) 62.50</td>
<td>(-) 74.84</td>
<td>(-0.23 six month)</td>
</tr>
<tr>
<td>4. Exports</td>
<td>22.7</td>
<td>75.53</td>
<td></td>
<td>78.89</td>
</tr>
</tbody>
</table>

The Sub-Committee observed that although plant is comparatively new its physical performance is better than its financial performance.

As regards the market share of Lloyds products the management informed that the market share of Lloyds products for the last three years has been 7% in case of HR products, which will come down to 5% in the next two years due to more in house consumption. However, market share for GP/GC products has increased from 15% to 18% for the last two years and it will further increase in the next two years time.

Elaborating the prevailing status of indigenous as well as foreign demand of the Steel products the management expressed its hope that steel industry being a core industry and steel being utilised for the development of basic infrastructure which is of prime importance once in development of the economy, demand of steel is always there in India as well as outside. The export depends on price competition advantage available to India steel producer. The management viewed that because Lloyds steel are producing maximum value added products viz- GP/GC, CRCA, pipes etc., marketing of the products (volume wise) is not a problem.

The marketing strategy of Lloyds, Steel is directly to reach the ultimate consumers with their tailor note requirements in a list possible delivery time and that too by providing value added products from time to time. In order to sail the through the recent crisis ridden market scenario Lloyds Steel has slashed the selling prices by 20% during the previous six months apart from keeping bare minimum inventory by producing against sale orders only, and by keeping control over production and administrative overheads and provide efficient customer service.

Moreover, inpetus is already there to increase the percentage of overall sector of value added products like G.P/GC/CRCA.

As regards to a specific query relating to whether the existing infrastructural facilities are sufficient in the plant, the management opined that the existing facilities in general are sufficient, but the plant need some balancing equipments like more picking line and Galvanising line and increase in capacity of its Steel Melting Caster in order to utilise Steel Melting Shop to its fullest production capacity, for which the proposal was given to the financial institution which they have turned down.

The management further informed that one Power Plant is proposed with 2X40=80 MW capacity at the investment of Rs.394 crore. The project was already started six months ago but has been under hold by the financial institution for want of funds. Given the high price of power in Maharashtra, the power plant may prove a big help to the plant by increasing its competitiveness and making it to survive in the years to come.

The Sub-Committee expressed its concern over declining labour productivity which stood 804 MT in 1996-97 and dropped to 726 MT in 1997-98 and further declined to 584 MT in 1998-99 (first nine months). However, the management revealed that per man/ton/year productivity of labour was due to lower production than capacity because of working capital. Due to less production the manpower has become surplus. With the hope of prospective improvement in the Steel market in near future no step of retrenchment of workers and staff or lay-off of the plant, has been visualized one fresh recruitment has been stopped.

The Lloyds management expressed its grave concern over continuous and rapid rise in cost of production and the situation becomes more drastic when 45% to 55% of costs are administered by the Government. A comparative cost analysis of various inputs are as follows :

<table>
<thead>
<tr>
<th>(Rs./tonne)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>INDIA</th>
<th>Coal</th>
<th>Iron Ore</th>
<th>Over</th>
<th>Power</th>
<th>E.Rail Ext.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-96</td>
<td>400</td>
<td>400</td>
<td>1500</td>
<td>150</td>
<td>500</td>
</tr>
<tr>
<td>1997-98</td>
<td>700</td>
<td>300</td>
<td>370</td>
<td>110</td>
<td>1100</td>
</tr>
<tr>
<td>International</td>
<td>300</td>
<td>1800</td>
<td>110</td>
<td>400</td>
<td></td>
</tr>
</tbody>
</table>

As the facts and figures speak themselves there has been steep rise in the cost of production in steel making in India over the year, which stands too high in comparison to international standard. However Lloyds management is taking measures to reduce the cost of production which inter-alia includes by efficiently monitoring of different parameters there is substantial reduction in consumption of power/fuel and other consumables in all production units at Wardha; self-employed power-cut (2 ½ hours every day) in residential quarter, optimising charge during includes deep drawing and extra deep drawing, TMDF and full hard coils quality. The Sub-Committee appreciated the measures taken.

Talking in general terms, Lloyds management viewed that although Indian Steel Industry has got the competitive advantage vis-a-vis global steel industry in terms of cheaper Iron Ore and manpower, huge market potential in long term-market growth and locational closeness to South-East, Middle East etc. but steel industry in the country is languishing due to high transportation cost, high cost of finance and electrical and other forms of energy, heavy imports of Iron/Coke steel and slackened demand.

Lloyds management expressed, positively, that Indian Steel Industry can obtain a large market share in International Steel market if unfair trade practices being played by foreign countries are stopped, cost of finance and power is made available at international price level; there is one point taxation instead of multi-point taxation and export documentation/laws are more industry friendly.

In order to improve the conditions of Steel Industry, as per Lloyds management view point, the Government should endeavour to undertake following steps:

1. Curb imports by preventing unfair trade practices by the foreign countries by imposing Anti-dumping duty;
2. To increase exports the export benefits should be increased by increasing DEPB rates;
3. Excise duty on final products such as GP/GC should be reduced to 5% instead of 15% at present.
4. To increase the demand of steel the Government should proceed fast for infrastructure projects declared from time to time
5. To reduce cost of Steel-MODVAT on input should be made available to the extent of 100% instead of 95% at present and in case of fuel i.e. Furnace Oile, LDO, etc MODVAT should be available instead of 2/3rd at present.
The demand of steel should be increased through legislative process by:

a. banning of bamboo scaffoldings
b. Reducing share life of PLG cylinders – at present the safe life of Indian cylinder is 20 years while international norms on safe life of LPG cylinder is 10/15 years.
c. Ban on all commercial vehicles more than 15 years old.
d. Banning on asbestos corrugated sheets and its replacement by galvanized corrugated sheets.
e. Substitution of wood by steel in truck body-building.
f. Use of Steel in frames/structure for housing in typhoon/cyclone prone areas.
g. Made in India Steel for infrastructure Industry.

7. As the captive power plant is a must for steel plant, utilisation of capital MODVAT in case of procurement of capital items for power plant should be made available to steel plant for clearing the Duty-paid goods even if the CPP is a separate legal entity.

8. Reduction in customs Duty by 5% in case of import of scrap & zinc.

MAHARASHTRA ELEKTROSMELT LTD. (MEL.)

Plant visit:
The Sub-Committee visited Maharashtra Elektrosmelt on 6th January, 1999, subsidiary of Steel Authority of India Ltd. and Government of India Enterprise which is fl largest manganese based Ferro Alloys plant in the country. MEL, an ISO-9002 certified company and the trend setter in the National Ferro Alloys Industry, has the installed capacity of 1,00,000 tonne per annum of production of Ferro Alloys and meets more than 500 requirement of SAIL plants.

MEL is producing Ferro Alloys by Electro-metallurgical process which is power intensive and 55-60% of input cost is on account of electricity. In view of spiral escalation of power tariff by Maharashtra State Electricity Board (MSEB) to survive and compete in it market, MEL is to meet 7% of power requirement by harnessing 4.2 MW power plant on Build Out and Operate (BOO) basis by third party. The total capital cost of the 4.2 MW power plant is estimated at Rs. 13.48 crore and the plant will cater approx 10% power requirement at a tariff of Rs.2.50 per unit as against present rate of around Rs.3.55 per unit from MSEB. MEL is also planning to set up 30 MW coal based power plant on Build own and Operate (BOO) basis to be set up by third party. Tenders for this plant have already been received and evaluation is in process.

The Sub-Committee was informed during the plant visit that MEL produces HCF M and SiMn in 33 MVA SAFs and presently casting hot metal in metal chips bed, same bed water pocket. This practice is labour oriented, time consuming and also results in five generation i.e. lowering yield of Prime Product. To overcome these problems and improve the yield of Prime Product it is planned to install a casting machine for casting ferro alloys into marketable sizes. The capacity of the machine should be 40 MT per hour.

To meet pollution control Board’s requirement and also to utilise clean gas for generation of power, ore Gas cleaning Plant on SAF-11 has been installed. The GCP has been commissioned on 31st March, 1998 and is under stabilisation. The total cost of the project is Rs. 1.59 crore.

At MEL, both the furnaces are being operated through control darts and panels. Computer basis automation system for SAFs have been installed for better control of furnaces, trend analysis, data logging, effect identification, alarms and supervisory control from these facilities, 2% reduction in power energy is envisaged. The major facilities in this system are Furnace process control system, Electronic Control, Electronic regulation, transformer Tap Regulation, Electronic slip control, variable calculation; Raw material weighing & transport system. The system is under stabilisation.

Meeting with workers

The Sub-Committee met the representative of workers Union Maharashtra Electro smelt Kamgar Union. The workers representative informed that NIEL has strength of 1776 employees which included 150 executive, 879 non-executive permanent employees 737 contractors labours including supervisors. Workers get the basic benefits like earned leave (as per factory Act) casual leave, festival advance, bonus, medical facilities, vehicle allowance, LTA (three month salary in the block of four years) and safety shoes, etc.

The workers representative raised the following points during the course of interaction:-

1. Workers participation in the management process to improve the work culture and for achievement of Organisation and objective. Workers sought the representation of workers in the board of management.
2. Central Government vide the policy for export promotion have special tariff of power which is supplied by NTPC and wheeled by Steel Electricity Board, MEL has applied to NTPC for power and got the sanction subject to (No Objection Certificate) from Maharashtra State electricity Board (MSEB) But MSEB has not given NOC to MEL for wheeling the power.
3. As per the Company Act MEL is a separate company and SAIL owns more than 97% share. Out of total production of MEL, more than 90% is sold to SAIL and MEL is also purchasing coke from different Units of SAIL on regular basis. Due to this commercial transaction there is a tremendous burden of 4% CST on sale of Ferro Alloys to SAIL and purchase of coke from SAIL. A detailed analysis is as under:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Ferro Alloys CST (Rs. in Cr.)</th>
<th>Coke CST (Rs. in Cr.)</th>
<th>Total CST (Rs. in Cr.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>837.37</td>
<td>64.18</td>
<td>901.55</td>
</tr>
<tr>
<td>1996-97</td>
<td>737.16</td>
<td>54.88</td>
<td>792.04</td>
</tr>
<tr>
<td>1995-96</td>
<td>709.82</td>
<td>58.90</td>
<td>768.72</td>
</tr>
<tr>
<td>1994-95</td>
<td>494.16</td>
<td>30.00</td>
<td>524.16</td>
</tr>
<tr>
<td>1993-94</td>
<td>426.25</td>
<td>15.17</td>
<td>441.42</td>
</tr>
</tbody>
</table>

4. MEL is a power-consuming unit where approx 50-55% cost of production is the cost of power. State Electricity Board is increasing the Power tariff on quick interval, which in turn affects the profitability of MEL. Henceforth own captive power generation by immediate installation of 30 MW power plant at MEL is the need of hour for the survival of MEL.

Meeting with MEL officers association

The Sub-Committee interacted with the representative of MEL officers Association. The major issues raised during the meeting were:-

1. Supply of 20 MW power from NTPC to MEL at concessional rate from 15% quota of Centre to enable export of Ferro alloys at internationally competitive price. Despite the green signal from the Ministry of Power, the case is pending with MSEB.
2. Differential power tariff in various states in west Bengal it is Rs.2.10 per Kwt against Rs.3.40/Kwt in Maharashtra therefore the Government of India may provide soft loan for setting up of 50 MW captive power plant.
3. Merger of MEL with SAIL which will enable to save outflow of approx. Rs.10 crore as sales tax.
4. Long term loan for revival of steel making facilities which are lying unutilised since 1992 due to unfavourable techno-economics and inherent process route deficiencies.

Meeting with management

The Sub-Committee met the MEL’s management to take stock of the affairs relating to MEL. Management informed the Sub-Committee that there has been phenomenal growth in the production of Ferro alloys since 1986-87 achieving almost 11% of capacity utilization. The management gave the details of physical and financial performance of MEL during last six years:-

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A) Production (T)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) HCF-FeMn</td>
<td>47918</td>
<td>49097</td>
<td>58736</td>
<td>59680</td>
<td>60027</td>
<td>50000</td>
</tr>
<tr>
<td>ii) SiMn</td>
<td>8081</td>
<td>8496</td>
<td>30979</td>
<td>27496</td>
<td>33915</td>
<td>38000</td>
</tr>
<tr>
<td>iii) FeMn</td>
<td>1841</td>
<td>00362</td>
<td>01473</td>
<td>00902</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>B) Capacity Utilisation (%)</td>
<td>62.85</td>
<td>0080.52</td>
<td>104.63</td>
<td>103.56</td>
<td>114.90</td>
<td>109.37</td>
</tr>
<tr>
<td>C) Turnover</td>
<td>9897</td>
<td>11330</td>
<td>16475</td>
<td>16988</td>
<td>18997</td>
<td>17660</td>
</tr>
<tr>
<td>D) Gross Profit</td>
<td>887</td>
<td>00603</td>
<td>0549</td>
<td>314</td>
<td>00705</td>
<td>(585)</td>
</tr>
</tbody>
</table>
The management informed the Sub-Committee that SAIL has set up its Research & Development Sub-Centre at MEL which plays a significant role in technological up-gradation. Many projects of work management, environment control, energy conservation and beneficiation of ores have been undertaken through this Sub-Centre. This is why, despite, adverse ferro alloys market scenario, NML continued to reach important milestone in the field of productivity & techno-economic achievement. Development of new technologies in the field of ferro alloys and raw material preparation achievement of facilities which inter-alia include quick change over from high carbon Ferro manganese to Silico Maganese and vice-versa; production of low and medium carbon Ferro manganese through silico thermic route; automation of plant operation etc.

The management informed the Sub-Committee that market share of MEL is 30-35% in Ferro Aloys MEL has a sustainable marketing strategy which inter-alia include emphasis on product quality; meeting the specific requirement of customers; quick dispatch; due consideration to customer feedback; attractive packaging creating market for waste product; capturing adjoining market in private sector & securing orders from Ws Sunflag, M/s Essar M/s Llyods etc.

The management appraised the Sub-Committee of the problems being faced by MEL which are as follows:-

1. Sluggish market of Ferro alloys & steel due to;
   (a) Crashing of domestic price by 10% over 97-98.
   (b) Fall in the international price
   (c) Lower import duty

2. High Production cost due to
   (a) 50-55% of cost to generate power.
   (b) 40% hike in power tariff by MSEL in 3 years
   (c) Non-uniform power Tariff in country
   (d) Unfair level playing field created by NTPC

3. High cost of Manganese Ore: Price of Mn Ore increased despite detonaition in quality.

The Management informed the Sub-Committee that MEL requires about 70-75% of Mn Ore from MOIL with 46% Mn.

ISPAT INDUSTRIES LTD. (HOT STRIP MILLS)

The Committee visited Ispat Industries Ltd. (Hot Strip NEII) on 7th January, 1999 which is a project with forward integration for the Sponge Iron Plant and Backward Integration for the Cold Rolling and Coating Complex. The plant has the projected investment of Rs.6050 crore with total capacity of 3,000,000 TPA (1,500,000 each in its 1st and 2nd phase). The plant is in upcoming phase as the first phase is under trials and the 35% of the project of the 2nd phase is complete.

Meeting with management.

The management informed the Sub-Committee that the plant is adopting the state of art technology and is gaining the technical strength with good coil geometry, customised product high quality & thinner gauges, ability to use less scrap resulting in improved quality of end product, thin Slab Casting technology and superior mill characteristics along with Twin Shell EAF capable of using charge mix of hot metal, Sponge iron, scrap which reduces energy consumption from 600 KWH/ton in conventional process to below 300 KWH/ton.

The Committee was further informed that High cost strips mill has Environment Friendly Processes and Processes due to technical strength:

1. Waste Cases are recycled and fully utilised in the processes.
2. Waste water is chemically treated and recycled
3. Cement plant, being put up, will consume entire slag generated by the Steel plant.

The management informed the Sub-Committee that Ispat Steel has superior quality products over conventional steel plants and will produce major quantities of special grades such as medium Carbon, Micro Alloy, High Silicon and Corten grade to maximize value addition and revenues.

<table>
<thead>
<tr>
<th>Strip Geometry</th>
<th>Crown Flatness Width Control</th>
<th>No reheat Furnace 400 Bar Descaler</th>
<th>D/E/D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thinners Gauges (Can replace CR Strips)</td>
<td>1.1/5 mm</td>
<td>Available</td>
<td>Possible</td>
</tr>
<tr>
<td>Surface Quality</td>
<td>30 Micons 30 I Units 8 mm</td>
<td>Absence of Scale &amp; Surface defects</td>
<td>More Scale &amp; surface defects</td>
</tr>
<tr>
<td>Grade</td>
<td>Presently available</td>
<td>Not Available</td>
<td>Possible</td>
</tr>
</tbody>
</table>

The management gave the comparative state of technology adopted by the major steel plant in private sector:

| Essar Steel Ltd. | Pellet- Direct Reduced Iron-Electric Arc Furnace-continuous casting machine-Hot Strip Mill. |
| Jindal Vijaynagar Steel Ltd. | Pellet-Corex-Basic Oxygen Furnace Continuous Casting machine-Hot Strip Mill |
| Llyods Steel Ltd. | Direct Reduced Iron-EAF-Continuous Casting machines-Stickle Mill. |
| Ispat Industries Ltd. | Direct Reduced Iron/Hot Metal-Twin Shell Electric Arc Furnace-Thin Slab Caster-Hot Strip Mill. |

The management also highlighted the commercial strength of Hot Strip Mill which inter-alia include Easy access to domestic and international market, close to Railway/highway/ports with own jetty, hence less fuel consumption & capable of handling large volumes; Dedicated power plant being set up by the Ispat energy Ltd. which will offer uninterrupted power supply & savings in power cost; Global levels of productivity per man/per hour.

Highlighting the project background it was informed that there is 2.0 mtta Blast Furnace to supply the Liquid Hot Metal to IIL's HR Coil plant with the investment of Rs.1840 crore and 90% of the project is almost complete. The Blast Furnace has the technical strength of highest capacity in India, Extensive design improvements for extended Plant life, Bell-less Top & converter charging, Latest refractory designs & cooling system, Coal injection system, Level 3 Automation and waste heat recovery system. While commercial strength of the Blast furnace include ideal port based location ensuring cost-effective handling, firm selling arrangements as entire hot metal is to be consumed by IIL flexibility to cast Hot Metal into Fig Iron, substantial power saving due to use of hot metal.

During the course of interaction following problems of steel industry in general came to the light of the Sub-Committee:

1. Price of Hot rolled coils declined to a historic low US $ 200 FOB, a fall of 50% since April, 1997.
2. Steel production has fallen only 3% due to crisis in Asia.
3. Direct costs are becoming higher and 45% of direct cost are administered by the Government and if these inputs are provided at international prices Indian Steel industries, will be internationally competitive.
4. Steel being exported at prices far below the cost of Indian Steel by some countries. And our Directorate of Anti-dumping takes action after long delay compared to countries like USA.
5. 25% of the investment is spent on infrastructure development like Power, water, Railway etc.
6. Interest rates on term loans are higher by 10%.
7. Additional impact of 15% due to multi-layer taxation.
8. Operating cost is higher due to high input cost in India 45% of which is administered by Government.
9. Higher duty on the input materials
10. Railway charging freight of distance +30% which is unbearable.
The Sub-Committee decided to interact with leading financial institutions because Steel industry, being a key Industry, requires heavy investment. Accordingly the Sub-Committee interacted with leading financial institutions at Mumbai on 7th January 1999.

Meeting with officials of Reserve Bank of India (RBI)

The officials of Reserve Bank of India highlighted the multi price effect of steel industry on economic activity through mining and processing facilities engineering industries construction and development of infrastructure in agriculture, transport etc. the RBI officials also pointed out that the Industry is facing a crisis in the form of higher input cost, declining prices of finished products and fierce competition from imports, (for example in price of coal, which is one of the important input for steel industry recorded rise of 11.7 per cent during 1997-98 as against a fall of 3.6 percent in steel price during the same period.) The increasing input prices and declining output price have caused great threat to the industry and affected its bottom line.

The Sub-Committee was informed that Reserve Bank of India has not issued any specific guidelines on lending norms for working capital assessment in respect of steel industry, henceforth banks were interested to evolve their out method for assessing the working capital requirements. The loan policy for each broad category of industry is however required to be laid down by each bank with the approval of their Board.

The Sub-Committee was further informed that outstanding banks credit to iron and steel industry increased from Rs.11,668 crore as on March 29, 1997 to Rs.15,767 crore as an March 28, 1998 registered a sharp rise of 35.1% during the Period. As a matter of fact the share of Iron & Steel Industry in the total bank credit to industrial sector increased from 8.4% as March 29, 1997 to 9.8 percent as an March 28, 1998. As on end of September, 1998, outstanding bank advances registered further rise to Rs.16,187 crore constituting about 9% of total credit to the industrial sector.

The RBI officials pointed out that the number of sick units in the Iron and Steel Industry recorded a decline from 4297 as at March 1996 to 3566 as at the end March 1997. Similarly bank loans blocked in sick units also registered a marginal decline from Rs.1,024 crore as at the end March of 1996 to Rs.1,009 crore as at end of March 1997.

### Sickness in iron & steel industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Non SSi sick</th>
<th>Non SSi Weak</th>
<th>SSI sick</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Amount</td>
<td>No.</td>
<td>Amount</td>
</tr>
<tr>
<td>1996</td>
<td>143</td>
<td>708.96</td>
<td>23</td>
<td>145.83</td>
</tr>
<tr>
<td>1997</td>
<td>137</td>
<td>671.98</td>
<td>22</td>
<td>170.52</td>
</tr>
</tbody>
</table>

The percentage blocked in sick Iron & steel units as compared to total bank credit to the industrial sector also showed a decline from 12.8% as at end March, 996 to 8.6% as at end March 1997.

### Nursing of sick units of iron & steel industry

<table>
<thead>
<tr>
<th>Year</th>
<th>End March</th>
<th>Out Standing advances to Iron &amp; Steel Industry</th>
<th>Of which blocked in sick units</th>
<th>Of column 3 &amp; 4 identified as viable units</th>
<th>Or column 5 &amp; 7 under nursing programme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Amount</td>
<td>No.</td>
<td>Amount</td>
<td>No.</td>
</tr>
<tr>
<td>1996</td>
<td>2</td>
<td>4842</td>
<td>4297</td>
<td>1023.78</td>
<td>214</td>
</tr>
<tr>
<td>1997</td>
<td>2</td>
<td>11668</td>
<td>3566</td>
<td>1009.33</td>
<td>209</td>
</tr>
</tbody>
</table>

### Sanctions & Disbursements to Iron & Steel Industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Sanctions</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>1,454</td>
<td>858</td>
</tr>
<tr>
<td>1996-97</td>
<td>1,521</td>
<td>976</td>
</tr>
<tr>
<td>1997-98</td>
<td>2,336</td>
<td>1,853</td>
</tr>
<tr>
<td>1998-99</td>
<td>812</td>
<td>545</td>
</tr>
</tbody>
</table>

The Sub-committee was informed that Industrial Development Bank of India (IDBI) provides assistance to all viable steel industries irrespective of their technical feasibility, commercial viability, marginal competence international competitiveness, financial soundness and economic justification. The Sub-Committee was informed that IDBI expects a minimum promoters, state of 25% on equity ratio of about 1.5% though it has a flexible approach in this regard as in case of large projects, IDBI considers residual maturing of 2 to 7 years.

The IDBI pointed out that follow-up is done by periodic visits and discussions, nomination of IDBI officers or outside experts to evaluate the Technical, Financial and Environmental aspects of the project, its viability and its implementation. The borrower's balance sheet and profit and loss account are critically analysed. IDBI has also developed an effective system of inter-institutional co-ordination whereby the status of all manufacturing assets, where IDBI is not the lead lender, is updated.

It was further informed that IDBI follow prudential exposure norms under which exposure by way of direct finance to any single unit is Limited to 25% and to any single industrial group to 50% of IDBI's net worth.

The IDBI officials informed that 209 units in the portfolio of banks with outstanding bank credit of Rs.375 crore identified as viable units as at end of March, 1997 and out of the 209 units identified as viable, 1997 units have been placed under running programme.

The Sub-Committee was informed that 209 units in the portfolio of banks with outstanding bank credit of Rs.375 crore identified as viable units as at end of March, 1997 and out of the 209 units identified as viable, 1997 units have been placed under running programme.

Meetings with officials of Industrial Development Bank Of India

The Sub-committee was informed that Industrial Development Bank of India (IDDB) provides assistance to all viable steel projects on the basis of a detailed appraisal of its technical feasibility, commercial viability, marginal competence international competitiveness, financial soundness and economic justification. The Sub-Committee was informed that IDDB expects a minimum promoters, state of 25 to 30 % of project cost and, debt equity ratio of about 1.5% though it has a flexible approach in this regard as in case of large projects, IDBI considers acceptance of lower promoters contribution. The other parameters used for evaluation of projects are internal rate of return, economic rate of return, effective rate of protection, economic safety measures, energy conservation and co- generation in every intensive projects.

The repayment schedules are generally fixed taking into consideration the cost flow projections of the project. Loans are normally repayable within a period of five to ten years including moratorium period of two to three years.

The Sub-Committee was informed that interest on specific loans are fixed within a band of 3.5% over the prime rate ( presently 14% ) depending upon the risk per capita of the project, the track record of the borrower and the industry outlook. Borrowers have an option of variable interest the Long Term prime Rate (LTPR-presently 14% of IDBI which would vary with the movement of the auction rate. The auction rate is fixed an a six monthly basis with reference to the weighted average secondary market field on Government securities with a residual maturing of 2 to 7 years.

It was further informed that IDBI follow prudential exposure norms under which exposure by way of direct finance to any single unit is Limited to 25% and to any single industrial group to 50% of IDBI's net worth.

Meetings with financial & insurance institutions

1. High repayment cost and term loan period is only 7 years as compared to 15 to 20 years in other countries.
2. Considerable delay in getting Government approvals in Mega projects in time.

The Sub-Committee was requested to make adequate recommendation in order to remove the problems of Steel industry in order bring back the steel industry on the right track.
Meeting with officials of Life Insurance Corporation of India

LIC's investment policy as governed by Sec.27A of LIC Act 1938 and guidelines given by Government of India Corporation Participate in Post-financing the cost of the project by way of grant of Rupee loan and/or subscription to non-convertible debentures. These loans are in consonance with all or any of the Development financial Institutions viz. IDBI, IFCI, IFCI and Investment institutions viz. UTI and GIC. Extent of assistance for the projects is decided taking into account project risks based on prudential norms. As a matter of fact assistance is extended on a selective basis to corporates which have good financial performance for long-term capital expenditure on both consortium and non consortium basis. Moreover, assistance is also by way of subscription to bonds/debentum of both private and public sectors depending upon the credit rating of the instrument and good track record of the company. LIC also finances short term working capital requirements up to one year based on the financial performance of the company and credit worthiness.

Meeting with officials of General Insurance Corporation of India

The Sub-Committee was informed that the steel industry has been experiencing a slowdown in recent times on account of demand stagnation and pressure on profit margins which have been attributed to competition, worldwide slowdown in industry and trade and fall international prices. While the Government has already taken some steps to revive the industry via fixation of the minimum base price for imports and announcement of major infrastructure projects and large scale construction activities, financial institutions have also taken the initiative to provide need-based relief to steel projects in the form of funding of interest fixation of realistic repayment schedule with longer moratorium, appropriately structured interest rates to the projects under implementation. Institutions considering additional funding to the minimum required for completion of ongoing projects or for moderate essential capital expenditure or easing liquidity problems.

Meeting with officials of General Insurance Corporation of India

The Sub-Committee was informed that LIC's total exposure in steel industry as on 31st March, 1998 is Rs. 2195.45 crore the details of which are as under:

<table>
<thead>
<tr>
<th>Amount (Rs. in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term loan</td>
</tr>
<tr>
<td>Short term loan</td>
</tr>
<tr>
<td>Debentures &amp; bonds</td>
</tr>
<tr>
<td>Preferential Shares</td>
</tr>
<tr>
<td>Equity Shares</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>725.62</td>
</tr>
<tr>
<td>13.83</td>
</tr>
<tr>
<td>1113.69</td>
</tr>
<tr>
<td>0.02</td>
</tr>
<tr>
<td>342.29</td>
</tr>
<tr>
<td>2195.45</td>
</tr>
</tbody>
</table>

LIC’s exposure in steel industry works to 11.44% of its investment in corporate sector which is Rs.19,186.03 crore as on 31st March, 1998.

LIC grant loans/subscribe to Bonds of Financial Institutions, which in turn may be investing part of it in steel sector.

Sanctions and Disbursements – Steel Industry

<table>
<thead>
<tr>
<th>Sanctions</th>
<th>Disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>245.00</td>
</tr>
<tr>
<td>1995-96</td>
<td>254.25</td>
</tr>
<tr>
<td>1996-97</td>
<td>517.19</td>
</tr>
<tr>
<td>1997-98</td>
<td>689.94</td>
</tr>
<tr>
<td>Cumulative up to 31st March, 98 since inception</td>
<td>2841.38</td>
</tr>
</tbody>
</table>

The Sub-Committee was informed that the total book value of Non Performing assets (NPA) as on 31.03.98 was Rs.991 crore out of which the share of Iron & steel industry was Rs.132 crore. The percentage of NPA of Iron & Steel industry to total corporate sector investment was 1.02%.

The Sub-Committee was apprised that the servicing of financial assistance extended by LIC to the plants under steel industry is not satisfactory owing to various problems faced by the industry affecting turnover and realization viz.

a. recessionary trends
b. reduction in import duty resulting in landed cost cheaper than domestic prices.

c. Devaluation of South East Asian & Russian currencies resulting in dumping of products in India.

Institutions are in the process of initiating certain steps as stated below to revive the projects of some of the companies in steel industry.

(i) Re-scheduling of existing loans.

(ii) Funding of interest dues, and

(iii) Additional financial assistance.

LIC, as a participating investment institution, on the advice of the Investment committee is also taking steps for extending similar concessions/assistance to the steel companies on the lines of Lead Institutions for the respective projects.

Meeting with officials of General Insurance Corporation of India

The Sub-Committee was informed that all investments by GIC and Subsidiary Companies are made within the framework of the relevant provisions of the Insurance Act, 1938 as well as the guidelines issued by the Government.

Proposals for financial assistance to various Corporate Bodies for project finance and for working capital requirements are considered on consortium basis. Projects are first appraised by one of the DFIs i.e. IDBI, IFCI and ICICI which acts as the Lead Institution. Same approach is also followed for lending to the Steel sector on case-by-case basis, subject to the availability of funds and keeping in view the commitments already made at a particular point of time and also the exposure norms.

GIC & Subsidiary Companies have extended financial assistance to steel industry for the following purposes:

a. to part finance the cost for setting up new projects;

b. for long term working capital loans;

c. for short term working capital requirements.

The Sub-Committee was informed that the lending rates at which loans are provided is determined by the Lead Institution, taking into account the Prime Lending rate, prevailing at the time of disbursement, plus the band depending upon the risk perception of the project. GIC, and its Subsidiary Companies follow a set of prudential norms as approved by the Board of the Corporation, which are as follows:

- Exposure per company: not exceeding 20% of the total capital employed of the Borrowing company.

- Group Exposure: not exceeding 15% of industry's total investment in and loans to
The Sub-Committee was further informed that the substantial decline in the market price of share from the UTI's acquisition price per share of about Rs.30 to the current level of about Rs.5, led to significant erosion in the value of UTI's equity investment in the company. The same is true of other steel plants like, Esar Steel, Jindal Vijaynagar Steel, Ispat Industries, Malvika Steel, Usha Ispat, and Tisco. The price of the shares of these companies have declined by approximately 60% to 80%.

Meeting with officials of Industrial Finance Corporation Of India Limited

As regards the investment policy of UTI the Sub-Committee was informed that the funds mobilised under different types of schemes are deployed in accordance with the objectives of the individual, schemes. While funds under pure growth schemes are deployed mostly in corporate Equity shares, income-cum-growth schemes have mixed portfolios with varying mix of debt and equity instruments. Individual investment decisions are subject to exposure norms as laid down under UTI Regulations. Steel and related industries account for around 11% of total investments of UTI in the industry sector. This is, the largest investment by the Trust in any single industry. The aggregate investment in the steel industry as on 30th June, 1998 was Rs.655.66 crore as against Rs.531.00 crore as on 30th June, 1997. The investment by way of equity is Rs.2,251.17 crore as against Rs.1,662.21 crore.

Meeting with officials of Unit Trust Of India

As on 30th June, 1989, the investment in steel (other than public sector companies) by UTI was Rs.338.78 crore which was revised to Rs.296.11 crore. The break up is as follows:

- Debentures: Rs.130.88 crore
- Preference Shares: Rs.2.83 crore
- Equity: Rs.162.40 crore
- Total Investments: Rs.296.11 crore

Meeting with officials of Financier Corporation of India Limited

The Sub-Committee was informed that the privatization & delicensing Policy by the Government paved the way for the Steel industry to set up a number of steel plants in the country with financial assistance from the Financial Institutions/Banks. The major projects assisted by FIs were:

- Esar Steel Ltd.
- Jindal Vijaynagar Steel Ltd.
- Ispat Industries Ltd.
- Ispat Metallics Ltd.
- Sri Vishaaptya Industries Ltd.
- SJK Corporation Ltd.
- Malvika Steel Ltd.

Assessment, has gone up to Rs.23,623 Crore indicating overrun of Rs.7,591 Crore, i.e. by 47.35%.

Total amount of outstanding loans (total amount disbursed less repayment received to Steel Industry, as on 30th November 1998 is Rs.537.91 crore.

The Sub-Committee was made to understand that total exposure of GIC and subsidiary companies in Steel industry (including equity, preference shares, debentures, term loan and short term loan) as on 31st March, 1998 was Rs.654 crore approximately, the details of which are as under:

- Category: Amount (Rs. crores)
  - Equity: 185.28
  - Preference Shares: 23.83
  - Debentures: 27.02
  - Term Loan: 152.83
  - Short Term Loan: 0.16
  - Total: 653.96

The Sub-Committee was informed that the privatization & delicensing Policy by the Government paved the way for the Steel industry to set up a number of steel plants in the country with financial assistance from the Financial Institutions/Banks. The major projects assisted by FIs were:

- Esar Steel Ltd. HR Coils with an installed capacity of 2 million tonne per annum
- Jindal Vijaynagar Steel Ltd. HR Coils with an installed capacity of 1.25 million tonne per annum
- Ispat Industries Ltd. HR Coils with an installed capacity of 3 million tonne per annum
- Ispat Metallics Ltd. Hot metal/Pig iron with installed capacity of 2 million tonne per annum
- Sri Vishaaptya Industries Ltd. CR/HR Coils with an installed capacity of 0.15 million tonne per annum
- SJK Corporation Ltd. Hot metal with an installed capacity of 2.99 million tonne per annum
- Malvika Steel Ltd. Steel making with an installed capacity of 0.575 million tonne per annum

The Sub-Committee was informed that sanctions and disbursement of direct assistance to the Steel industry during the last three years ending 31st March 1998 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Sanction to Corporate Sector</th>
<th>Sanction to Steel Industry</th>
<th>% of (B) to (A)</th>
<th>Total Disbursement to Corporate Sector</th>
<th>Disbursement to Steel Industry</th>
<th>% of (D) to (C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>702.93</td>
<td>132.79</td>
<td>18.89</td>
<td>458.50</td>
<td>104.37</td>
<td>22.76</td>
</tr>
<tr>
<td>1996-97</td>
<td>789.44</td>
<td>241.26</td>
<td>30.56</td>
<td>507.28</td>
<td>113.04</td>
<td>22.28</td>
</tr>
<tr>
<td>1997-98</td>
<td>702.10</td>
<td>098.32</td>
<td>14.00</td>
<td>717.50</td>
<td>152.47</td>
<td>21.25</td>
</tr>
<tr>
<td>April, 98 to Sept. 98</td>
<td>455.56</td>
<td>093.00</td>
<td>20.41</td>
<td>317.95</td>
<td>119.67</td>
<td>32.17</td>
</tr>
<tr>
<td>Total</td>
<td>2650.03</td>
<td>565.37</td>
<td>21.33</td>
<td>2055.23</td>
<td>489.55</td>
<td>23.82</td>
</tr>
</tbody>
</table>

The Sub-Committee was informed that GIC has invested in Steel Industry 9.40% of ITS investment in Corporate Sector, which is Rs.6955.66 crore as on 31.3.1998. It was also informed that the UTI funds are mobilised largely through SEBI approved mutual fund schemes, the role of UTI in financing grass-root projects and over-run financing is limited. Approved mutual fund schemes, the role of UTI in financing grass-root projects and over-run financing is limited.

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- Malvika Steel Ltd. Steel making with an installed capacity of 0.575 million tonne per annum

Almost all the concerns have suffered both time and cost over runs in implementation of the projects. The aggregate cost of the projects of these concerns, as originally approved by the Institutions, was of the order of Rs. 16,032 crore. However, the same as per the latest assessment, has gone up to Rs.23,623 Crore indicating overrun of Rs.7,591 Crore, i.e. by 47.35%.

The Sub-Committee was informed that the privatization & delicensing Policy by the Government paved the way for the Steel industry to set up a number of steel plants in the country with financial assistance from the Financial Institutions/Banks. The major projects assisted by FIs were:
A summary of the original and revised cost estimates and means of financing are as under:-

<table>
<thead>
<tr>
<th></th>
<th>Original (Rs. in crore)</th>
<th>Revised (Rs. in crore)</th>
<th>Change (Rs. in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Cost</td>
<td>16.032</td>
<td>23.623</td>
<td>7.591</td>
</tr>
<tr>
<td>Means of Financing</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Domestic Equity</td>
<td>4.730</td>
<td>5.402</td>
<td>672</td>
</tr>
<tr>
<td>Foreign Equity</td>
<td>680</td>
<td>332</td>
<td>(348)</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>5.410</td>
<td>5.734</td>
<td>324</td>
</tr>
<tr>
<td>Domestic Debt</td>
<td>7,824</td>
<td>13,877</td>
<td>6,053</td>
</tr>
<tr>
<td>Foreign Debt</td>
<td>2,366</td>
<td>2,580</td>
<td>214</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>10,190</td>
<td>16,457</td>
<td>6,267</td>
</tr>
<tr>
<td>Internal Accrual/Subsidy/Export Advance</td>
<td>432</td>
<td>1,432</td>
<td>1000</td>
</tr>
<tr>
<td>Total</td>
<td>16,032</td>
<td>23,623</td>
<td>7,591</td>
</tr>
</tbody>
</table>

MEETING WITH PRIVATE ENTREPRENEURS, MUMBAI

The Sub-Committee interacted with private Entrepreneurs in Steel Sector in Mumbai on 8th January, 1999.

Meeting with Alloy Steel Producers

The Sub-Committee interacted with the representatives of the Alloy Steel producers Association who informed that alloy steel Industry produce value added products (Bars rods, bright bans, pellets and blums) largely through Electric Arc Furnace (EAF) for automobile, engineering and defence industries, and henceforth meet over 98% of domestic requirement in terms of both quality and quantity.

Following problems of the Alloy Steel Industry was highlighted during the course of interaction: -

1. **Input costs have gone up**
   
<table>
<thead>
<tr>
<th>Key ingredient</th>
<th>Unit</th>
<th>March, 99</th>
<th>December, 99</th>
<th>Price increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melting Scrap</td>
<td>Rs/MT</td>
<td>5740</td>
<td>6100</td>
<td>360</td>
</tr>
<tr>
<td>Hba</td>
<td>Rs/MT</td>
<td>5450</td>
<td>5500</td>
<td>050</td>
</tr>
<tr>
<td>Power (Maharashtra)</td>
<td>Rs/KWT</td>
<td>0003.66</td>
<td>0004.10</td>
<td>044</td>
</tr>
</tbody>
</table>

   It was pointed out that impact of power alone per tonne of Steel is Rs.428/- It was pin pointed that the cost of power in Maharashtra is Rs.4.10 ($0.10) per KWH in comparison to international cost of power which is Rs.1.80 ($ 0.045) per KWH.

2. **Demand recession, flooding by imports & depressed prices.**
   
   (a) Massive capacity increase in EAF steel making in Asia.
   (b) Sharp decline in demand in South East Asia due to economic crisis.
   (c) Europe is fighting land to international export market against Asian Aggressiveness. USA is looking inwards & also levying anti-dumping duties.
   (d) Export markets are shrinking and becoming highly competitive for Indian producers.
   (e) Internationally, Alloy Steel prices have dropped by 15-22%.
   (f) Imports continued flooding domestic markets.

**Domestic Scenario is adversely affecting the Alloy Steel Industry:-**

a. Depressed demand due to sharp cut in production in automobile sector;
b. Capacity utilisation below 500/o.
d. More than 15 units having capacity of one million tonne closed down during the last two years

e. Price of Indian Steel have dropped by 15-20%.

3. **High Import Duty on Inputs.**
   
   Following remedies were pointed out for the betterment of alloy Steel industry:-

   1. Basic customs duty an Alloy and Stainless steel long product to be at 40%.
   2. Rationalisation of customs duties downwards on inputs to help partially bridge cost disadvantages compared to international producers.
   3. Reduction in import duty on Ferro Nickel/Nickel Oxide/unwrought, unalloyed Nickel from 10+0+0+4% to 5+0+0+4%.
   4. Reduction in import duty on stainless Steel Scrap from 5+2+3+4%.
   5. Reduction in import duty on all refraction from 30+0+0+4% to 20+0+0+4%.

**Steel Re-rollers Association of Maharashtra**

While interacting with the representatives of Steel Re-rollers following issues were raised:

1. Provision of uniform duty structure under Section 3A for the Central Excise payments.
2. Proper implementation of sales tax incentives for backward incentives.
3. Uniform tariff rate of power supply.
5. Ensured supply of raw materials i.e. ship-breaking industries and induction furnaces.

**All India Induction Furnaces Association**

The representatives of the India Induction Furnaces Association apprised the Sub-Committee about the problems being faced by the Induction furnaces industry and pointed out the need for rationalisation of customs duty on imported steel melting scrap. Imported stainless steel melting scrap, imported Ferro Alloys and rationalization of excise duty. It was further suggested that integrated Steel Plants should not dump its finished products at heavy discounts. The representation opined that there should be tax holiday for housing and construction
industry to focus investment and create demand for steel. However, the concept of cess to be levied on induction furnace using power at higher tariff than other industries was strongly protested. Moreover reduction in investment limit for SSI from Rs.3 crore to Rs.1 crore was suggested.

**Meeting with Vikram ispat**

The representatives of Vikram Ispat suggested following point for the survival of sponge Iron Industry: -

1. Increase in customs duty on steel melting scrap from existing duty of 15%,
2. Excise duty on Sponge Iron produce from existing duty of 15% to 5%,
3. DEPB benefits on exports of 8% is inadequate and should be increased to 10%.
4. Customs duty reduction on pellets and lump Ore from existing level of 5% to 0%
5. Supply of natural gas as international producer prices as deemed export by GAIL, to keep exports competitive.

**ISI Bars Limited**

The representative of ISI Bars Limited informed the Sub-Committee that they are the substantial manufactures and exporters of stainless steel pellet, bars, wire rods and bright bars having manufacturing facilities located in the state of Maharashtra through the electric Ore furnace AOD route.

The following points were raised during the course of interaction: -

1. Anti-dumping and Anti-subsidy duties European Commission has imposed anti-subsidy duty of 25% on stainless steel bright bar so counter action by India Government wanted in the form of high import duties or anti-dumping duties.
2. Minimum import price be extended to stainless steel at the level of US $160.
3. Provision of sufficient working capital.
4. A spread tariff be fixed for steel industry where steel industry is given power at 2.50 per KWH.

**Steel chambers of India.**

During the course of interaction with the representatives of steel chambers with the representatives of steel chambers of India following issues were discussed: -

1. Provide sufficient financing to steel industry;
2. Public Investment in steel consuming projects;
3. Interest rate not more them 12% to 13% from steel Industry.
4. Establishment of Steel Development Authority.
5. Reduction in Excise-duty on Iron & Steel.
6. Infrastructure-Status to Steel-Industry.
7. Central Sales Tax on Iron & Steel be reduced from 4% to 2%.
8. Trades be allowed to pass on MODVAT Credit Benefits and...
9. Allowing traders to pass on MODVAT Credit Benefits on materials purchased from Rolling Mills & Induction furnaces.

**Iron steel scrap & ship breakers Association of India**

The representation of Iron Steel scrap & Ship breakers Association of India raised the following points during the course of interaction: -

1. The difference between the basic duty of customs levied on ship imported for breaking and re-rollable scrap should be kept at 20% and at par with that of melting scrap.
2. Central Excise duty on all steel products should be reduced to 8% in a phased manner.
3. Government's restriction to allow MODVAT credit to the extent of only 95% of the duty paid to make good the loss of -revenue due to misuse of the by unscrupulous people amounts to punishing the honest tax-payers. So the Government should consider alternative measures to stop such loss of revenue and allow 100% MODVAT to the genuine tax-payers.
4. Customs-clearance under DEPB scheme is to be permitted at all parts.
5. A technical committee be set up to correct the defective formula for connecting the defective production capacity calculation formula under section 3A of Central Excise Act 1944.
7. Amendment of Section 10(f 5) (IV) (1) of Income Tax Act for simplification and to avoid red tapism.

**MEETING WITH REGIONAL DEVELOPMENT COMMISSIONER FOR IRON AND STEEL (WESTERN REGION), MUMBAI**

The Sub-Committee met RDC Mumbai on 8th January 1999. The Jurisdiction of the Regional Development Commissioner for Iron and Steel, Mumbai consists of four states viz. Gujarat, Goa, Niharashtra-a, Madhya Pradesh and Union Territory of Dainan & Diu and Dadra & Nagar Haveli. In Gujarat, one of the largest shipping-breaking units of the country is located at Alang. In Goa, there are three plants viz. M/s. Marmagosa Steel Ltd., M/s Sesia Industries and M/s Goa Ltd. Leading and prominent industrialists in the country viz. TATAS, BHLAS, BAJAJ, KIRLOSKAR, MAHINDRA, WADA, AMBANIS, NUTTALs and JINDALs have set up units in the state of Maharashtra. In Madhya Pradesh most of the steel based units are located at Bhopal, Indore, Raigar, Bhabli, Bilaspur, Jagdaon etc.

The Sub-Committee was informed that consequent on liberalisation of economy as well as delicensing of industry, the growth of steel industry has been shifted to Western Region from Eastern Region. Some of the major iron and steel plants located in Western Region are Bhilal Steel Ltd., Essar Steel Ltd., Lloyds Steel Industries, Jindal I&S Co. Ltd., Vikram Ispat Ltd., Prakash Industries Ltd., Jayaswal Neco Ltd., Ispat Industries Ltd., Usha Ispat Ltd., Mukand Ltd., Sesa Industries Ltd., Tata SSL Ltd. etc. ’Me Sub-Committee was further informed that 357 units are engaged in the manufacture of various categories of iron and steel items.

During the course of interaction with RDC, Mumbai, the following issues were raised

- **Sr.No.** State

**No. of Units**

**Comm.**

**I.P.**

**Shelved**

- **8.** TRADES be allowed to pass on MODVAT Credit Benefits and...
- **9.** Allowing traders to pass on MODVAT Credit Benefits on materials purchased from Rolling Mills & Induction furnaces.
- **a.** Strict implementation of anti-dumping laws.
- **b.** Rationalisation of Central Excise & Custom procedure.
- **c.** Concession on Railway freight for movement of raw-materials for the export oriented units and for finished products for actual export.
- **d.** The Duty Entitlement Pass Book (DEPB) Scheme rate may be enhanced to 20% for increase in export of iron and steel materials especially Ferro-Alloys industry.
- **e.** Government has to increase the expenditure on infrastructure sector with a view to increase the demand for all categories of I&S items and also to attract more and more investment from private sector.
- **f.** The consumer goods industry, automobile industry and housing sector activities have slowed down substantially and have in turn affected demand in iron and steel items.
- **g.** The export performance has been severely affected due to the economic crisis in South-East Asian countries.
- **h.** Immediate rationalisation of import duty of steel items to augment the profitability.
- **i.** Central Excise duty on U Steel products should be reduced to 8% from present level of 13% in a phased manner for overall development of steel industry.
- **j.** To overcome deficiencies, industry demands appointment of Technical Committee for assessment of Central Excise in the case of iron and steel materials such as re-rolling/induction furnace units, where tariff is levied on the basis of capacity.

Since the process of liberalisation i.e. 1991 till 1998, the office of RDC, Mumbai has received 740 IEMs in, the Western region for the manufacture of various categories of iron and steel materials such as ingots/billetis, plates, HR coils, GP Sheets, etc. 174 Out of which 740 IEMs units have gone into production and 185 applications are under implementation. It is also observed during the survey that 281 units have not taken any effective action/steps for implementing. The state-wise break-up of IEMs for the states of Maharashtra, Gujarat, Goa, M.P. & U.T. are given below:
34th Report of Committee on Industry

The percentage of imports and exports from this region accounts for 75-80% of the total exports and imports both in terms of volume and number of documents.

The Sub-Committee was informed that difficulties are faced periodically in the Custom Houses in obtaining the documents related to Iron & Steel items especially at ports like Mumbai/Nava-Sheva.

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Financial Performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HBI</td>
<td>1.50</td>
<td>1.50</td>
<td>1.70</td>
</tr>
<tr>
<td>HRC</td>
<td>0.68</td>
<td>1.28</td>
<td>1.53</td>
</tr>
<tr>
<td>Sales HBI</td>
<td>1.02</td>
<td>0.445</td>
<td>0.138</td>
</tr>
<tr>
<td>HRC</td>
<td>0.561</td>
<td>1.25</td>
<td>1.49</td>
</tr>
<tr>
<td>Pellet</td>
<td>Under Commission</td>
<td>0.232</td>
<td></td>
</tr>
<tr>
<td>Consumption of Raw Materials</td>
<td>1.22</td>
<td>1.63</td>
<td>1.22</td>
</tr>
<tr>
<td>Iron Ore Pellets</td>
<td>1.21</td>
<td>0.498</td>
<td>0.401</td>
</tr>
</tbody>
</table>

ESSAR STEEL LIMITED

The Essar group is one of India's largest business houses with an asset base of US $3 billion and interests in Core Sectors like Steel, Shipping, Oil, Power, telecom and finance. Essar Steel Ltd. is India's fourth largest private sector company in terms of assets, Essar entered the Iron & Steel business in 1989 by setting up a 1.76 million tonne per annum (tpa) facility to produce Hot Briquetted Iron (HBI). This plant is the largest in the world and uses the Midrex direct technology. Essar has also set up a two million tonne flat products steel plant with state of the art mini-mill technology Essar also set up a 3.3 million tpa Iran ore pelletisation plant as a backward integration project to manufacture and supply high quality Iron ore pellet. With this Essar has emerged as the largest fully integrated manufacturer of high-quality flat products in the western region of India which is the hub of industrial activity in the country.

The Sub-Committee visited Essar Steel plant - Hazira complex located at the Mouth of the river Tapi and well connected by rail, road & sea. The complex is designed as a modern Midi Mill with a Direct Reduction-Electric A-re Furnace (DR-EAF) having 3-HBI modalities using Midrex technology, 3-150 tonne Electric Arc Furnaces; 2 single strand continuous slab casters and Hot Strip Mill.

During the course of plant visit, the Sub-Committee was informed that Fsmr has 3XISO tonne capacity D.C. Electries Arc furnaces; with the state of the art-technology, the fast of its kind in India, has the flexibility of using 100% HBI as a charge, which produces a better quality of finished steel. Essar has 150 tonne ladle furnace with chemical -composition control and Argon gas which helps in accelerated reaction between slag and metal; faster separation of oxide inclusion from metal, equalisation of temperature and facilitating slag-free-tapping.

The Sub-Committee was informed that Essar's single strand continuous slab casters have the technical features like high casting speed, high volume tidiest, high frequency mould oscillator, level automation, hot changing facilities etc. which result in high productivity and high product quality on a continuous basis.

The Sub Committee was further informed that Essar's Hot Strip Mill is to roll almost all varieties of Steel. Advanced features of Essar's HSM include fuel efficient 320 T/Hr WB RHF; high pressure decals; state of the art level-11 automation; automatic gauge control; automatic work roll change in finishing, Mill & self diagnostics.

Meeting with management

The Sub-Committee interacted with the management of Essar Steel Plant informed about the strategic location of Essar Steel on the Western Coast thereby enabling access to the major steel consumers in the west and north. Essar has access to markets in South and East, by transporting its products by sea on Mini Bulk carriers. The Company enjoys market leader status in the cold rolling segment with approx. 32% - market share through continuous development of new and sophisticated grade of products Re deep drawing; electrical grades and like pipe grades.

The Sub-Committee was informed that the company is equipped with sophisticated downstream facilities viz. Slitting/shearing lines, hot skin pass mill, etc. to process the hot rolled coils into value-added products like sheets, plates and slit coils. Demand for these products comes from segment such as automobile auto-ancillaries, LPG cylinder manufacturer marine freight containers, boiler fabricators customers in the above segments am wheels India, Axles India, Automotive Products etc.

Essar is the largest exporter of hot rolled coils from India for three successive years. The company has established its presence in major steel consuming regions viz America, Europe, South East Asia and Middle East based on the quality of products and services by it. This has been achieved against international competition matching quality, specification price and delivery schedules.

Essar Steel, with its state of the art technology and broader customised product has market strategy which inter-alia include optimization of product mix within accessible market- mix; retention of key customers; up-grading of high volume-low-profitability customers; penetrating into low volume-high-profitability customers; setting up of Essar distribution/dealers network; innovating on E-commerce network strategy too support the distribution chain-minimize revenue leakage and moving towards enterprise wise market intelligence base by using data warehousing/data tools to combat competition from domestic as well as international competition.

The management acquainted the Sub-Committee with the physical and financial performance of Essar plant during last three years:

### Financial Performance

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>582.37</td>
<td>1837.40</td>
<td>2519.47</td>
</tr>
<tr>
<td>Other Income</td>
<td>8.09</td>
<td>7.23</td>
<td>8.85</td>
</tr>
<tr>
<td>Total Income</td>
<td>590.46</td>
<td>1844.63</td>
<td>2528.32</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>414.23</td>
<td>1279.52</td>
<td>1769.98</td>
</tr>
</tbody>
</table>
The management informed the Sub-Committee that Essar is proposing to expand production capacities at Hazira through re-engineering of processes. It also propose to expand the pellet manufacturing capacity and set up a pipeline between the Bailalldila mines and Vijay pellet plant as this would be economical and environmentally safe, Essar management will take view on future projects for value addition (downstream units) based taking into account environment in the domestic and international markets and the demands/supply scenario.

As regards the basic strategy of Human Resources Planning, the management informed the Sub-Committee that all efforts are directed to acquire and retain highly qualified executives. Essar has specially designed and intensive training programmes for career growth and Professional requirements. It has the provision for Multi-s Uline and Multi-disciplinary approach to groom employees/workers and continuous motivation for improved performance. Moreover Essar has the provision of compensation reviews, intensive training, employee welfare schemes, Community Development, Organisational restructuring.

On a Sub-Committee's query whether the existing infrastructure in the plant are sufficient, Essar management highlighted that Essar's steel complex was designed with necessary infrastructure to ensure self sufficient, of operational process as the plant has captive port facilities (to handle upto 5mm tonne per annum); captive raw material manufacture pellets (Hba at Vizag/Hazira); power captive; 30 MM unit and TPA with Essar power; captive barges, cranes floating assets; captive natural Gas pipeline from ONGC land four point to Essar steel; captive water pipeline, water/pollution control equipment; roadways and railway line for product movement. To ensure efficiency of operational and become internationally competitive, Essar management proposes to expand roadways for quick transportation ; set up railway line or national railway connectivity; improve port infrastructure and set up pipeline between mines and Vizag plant for movement of Iron Ore fines.

The Essar management has proposed various changes in all areas of operation to ensure its competitiveness as a global Steel producer. Such measures include energy conservation, increase in-house R&D for quality standard, reduce inventory of finished goods, reduce administrative overheads, reduce interest cost and otherwise liabilities, replace high cost short tenure borrowings with cheaper long maturity loans, seek reduction in statutory charges from the department of Electricity, transportation.

**ESSAR MANAGEMENT GAVE THE DETAILS OF SWOT – ANALYSIS AS UNDER**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Locational advantage like integrated coast based steel plant, port based location and proximity to major consumer markets.</td>
<td>1. High fixed cost</td>
</tr>
<tr>
<td>Technology/process-ISO 9002 standard; flexibility in charge mix, long size and product mix/rank, highly automated operations, high operational productivity.</td>
<td>2. High Interest rate</td>
</tr>
<tr>
<td>2. Professional skilled and dedicated workforce.</td>
<td>3. High leverage and short maturity profits to debt.</td>
</tr>
<tr>
<td>Opened style organizational structure with professionalised set-up.</td>
<td>4. Distance from raw material Ore.</td>
</tr>
<tr>
<td>Stabilised operation at capacity level high earning CWIVS, potential for reducing operating cost, level II automation.</td>
<td>5. Product huge dealing only in flat steel segment.</td>
</tr>
<tr>
<td>Established product quality in the market customer base/distribution network, products thing.</td>
<td>6. Sluggishness in the international markets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. High group potential low per capita.</td>
<td>1. Declining import duties &amp; dumping of material</td>
</tr>
<tr>
<td>3. High export potential</td>
<td>3. Currency/depreciations</td>
</tr>
<tr>
<td>5. Growing demand for flat products with urbanization</td>
<td></td>
</tr>
<tr>
<td>Product quality well established</td>
<td></td>
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</tbody>
</table>

At the end of the discussion, the Essar management highlighted the help required from Government to remove problems of Essar plant which inter-alia include:-

1. Development of critical infrastructure (roads, railways, port),
2. Reduction of excise duty.
3. Rationalization of import tariff on input.
4. Providing finance with long moratorium.
5. Low interest rates on project financing.
6. Concessional interest rates on infrastructure development in project.
7. Concessional interest rates against export of products.
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Usha Ispat management elaborated that a combination of factors like reduced demand and high cost led to the languishing state of pig iron industry. According to Usha Ispat management following factors have contributed to the reduced demand.

(i) General slowdown in economy resulting in complete stoppage to further investment and construction of works, buildings, etc. resulting in reduced consumption of steel which led to further drop in pig iron used by steel industry.
(ii) The surplus capacity in steel industry resulted in para cuts forcing steel plant to look for cheaper substitutes and hence pig iron usage got reduced.
(iii) Automobile sector, one of the largest consumer of castings for which pig iron is the inputs, is reeling under recession;
(iv) The down turn in South-East Asian economy has resulted in reduced export of textiles components. Textile components is important output of the foundries;
(v) Crash in the international prices of melting scrap resulted in import of Cheaper substitute by both steel plant and foundries.
(vi) The high cost of manufacture of pig iron in India i.e. enviable for foundries and steel plants in comparison to other substitute materials like melting scrap and Sponge iron. Price for every industrial produces is under preserve and pig iron tends to get substitute, as much as practicable.
(vii) World wide reduction in the demand of pig iron resulting in reduced exports and lower international prices.
(viii) Lack of incentives for exports.

Usha Ispat management pointed out that the following factors also contributed to the high price of pig iron, making this industry unviable

(i) Continued devaluation of Rupee making import of coke costlier US S was costing Rs.31.35 in July, 1998 against Rs.42.50 in December, 1998. Coke constitutes 70% of the production cost of pig iron and even a minor change in the price has a major impact on the unit cost of pig iron.
(ii) The power tariff has been steadily increasing. Power from Maharashtra state electricity Board was costing Rs.2.29 per KWH in 1996-97 as against the current cost of Rs.3.35 per KWH
(iii) For Indian pig iron manufacturing Chinese coke is the closest and cheapest source available. The Government imposed an anti-dumping duty of US$ 42 (approximately Rs.1800-PMT) This levy was non-realistic as China was exporting thin coke at the same price to other countries who were already enjoying a cost advantage over pig iron. Even after revision in October, 1998 the Chinese coke comes anti-dumping duty if landed cost reduces below Rs.4673 PMT.
(iv) The duty imposed on coke is quite high which stand now at 19.6% of CIF cost. It is pertinent that low ash met coke suitable for blast furnace is available in a very small quantity within the country.
(v) The frequency change in import duty of coke (reduced in 1997 Budget which increased in 1998 due to anti dumping duty and special additional duty) resulted in chaotic situation. This does not encourage development of capacity for merchant coke.
(vi) The excise duty on pig iron was increased from 10% to 15% in 1996 Budget.
(vii) The foundries making architectural equipments used to purchase low phosphorous pig iron without excise duty for manufacturer of quality components. But this concession was withdrawn in the 1996 Budget.

The Sub-Committee was informed that the quality of pig iron made by Indian producer in acceptable in international markets but the price of Indian pig iron makes export unviable. Henceforth, following measures may be undertaken for increasing the market share in international market:

(i) Review of interest rate for steel sectors, as high interest rate result into high capital cost per annum of the installed capacity of project.
(ii) Enhancement in labour productivity and effective re-deployment of human resources,
(iii) Rationalisation of power tariff in line with the international prices.
(iv) Reduction in the capital cost per million of installed capacity to make the product more competitive globally.
(v) Instituting a Central Body for import of coal and conversion into coke through cookeries located in major parts like Haldia, Visag, Mumbai etc. This body may also put up coal washer. Such institutional arrangement with improve the quality of Indian coals in facilitate blending with imported coals for the manufacturing of coke in these cookeries such a body will ensure availability of this basic raw materials for iron and steel industry at a reasonable price.

Usha Ispat management viewed that Government should endeavour to emancipate pig iron Industry by giving incentive for purchase of automobiles; improving the investment climate; increasing import duty of pig iron from current 10% to at least 25%; exempting name Blast Furnace industries from anti dumping duty for coke imported from China; exempting low ash met-cake from additional duty, special addition duty etc., exempting low ash coking coal from all import duties (from 12.32% to nil) and -reducing excise duty on pig iron from 15% to 10%. The Sub-Committee was informed that Indian steel industry has got the competitive advantage vis-a-vis global steel industries, due to 4th largest iron ore deposit in the world with high Ferrous content i.e. 62% to 63% low cost human resources, large potential for growth in domestic demand and geographically & strategically positioned for exports in Asia pacific basin.

Having a general discussion on steel and pig iron industry the Sub-Committee switched the discussion to the Human Resource challenge. The UIL management informed the Sub-Committee that productivity per man per ton per annum of the installed capacity of project.

As regards to the total production capacity of the plant and the extent of capacity utilisation the UIL management furnished the following information:

<table>
<thead>
<tr>
<th>Year Ending April</th>
<th>Installed Capacity (MT)</th>
<th>Actual Production (MT)</th>
<th>Capacities Utilisation %</th>
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Financial Performance

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<tr>
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<tbody>
<tr>
<td>Turnover</td>
<td>52507</td>
<td>65700</td>
<td>73991</td>
</tr>
<tr>
<td>Gross profit</td>
<td>08273</td>
<td>06990</td>
<td>02840</td>
</tr>
<tr>
<td>Before Depreciation</td>
<td>06901</td>
<td>05170</td>
<td>01240</td>
</tr>
<tr>
<td>Depreciation</td>
<td>00933</td>
<td>01160</td>
<td>01200</td>
</tr>
<tr>
<td>Net Profit (loss)</td>
<td>05968</td>
<td>04010</td>
<td>0040</td>
</tr>
</tbody>
</table>

The Sub-Committee wanted to know whether the plant is suffering from inventories, the UIL management informed that the demand in the international market in general is sluggish on account of global recession in steel industry. Electric Arc Furnace (EAF) units are the primary consumer of pig iron in global trade.UIL management elaborated that the marketing strategy of the plant was dictated by the market conditions in the domestic scenario. The foundry industry stopped growing on account of shortfall in the production of automobiles, reduction in export textile machinery component and slowdown in the economy, on account of this fact the company started its supply also to steel makers. Till 1996 almost the entire quantity of pig iron produced was supplied to the foundry industry. As the quantity saleable in the nearby destinations started reducing the company also started selling materials in far away places like Rajasthan and Punjab. Moreover the possibilities for export was also explored for exporting to Turkey.

UIL management while revealing SWOT analysis of the plant provided following facts:

### Strength
1. Manneusen-Demang Technology
2. Competent work force
3. Proximity of the sources of raw materials & port
4. Neatness to market

### Weaknesses
1. Local Redi port is not all weather port.
2. No Railway siding available nearby for loading/unloading of finished product / raw materials.
3. Very far from sources of refractory manufacturers, Coal & Engineering Unit.

### Opportunities
1. If market pick up, the production can be stepped up & volume advantage can be exercised for better financial gains.
2. With more furnaces in operation specialized products.
3. Diversification can be made in the areas of S.G. Iron and other specialized products.

### Threats
1. Continued depressed market may lead to further problems.
2. Poor realization for debtors affecting cash flow at the unit.
3. Transport strike & its seasonal demand.

Meeting with workers

The Sub-Committee interacted with workers of LTIL who gave the details of historical background of the Redi area and complained of lack of industrialisation of the area. It was informed that about 280 labour has been removed from UIL and the minimum wage stands at Rs.2,400/- per month which is a meagre amount HRA is Rs.700/- which is added in the gross emoluments. Other facilities are available for workers at the plant. On -and average the management-Union-relation stands smooth and workers are willing to get the Pig Iron Industry out of trouble.

SESA INDUSTRIES LIMITED (SIL)
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The Sub-Committee visited Sesa Industries Limited on 11th January 1999, Sesa Pig Iron Plant was installed as the first Pig Iron Plant in India with mini blast furnace. Documents submitted to the Sub-Committee suggest that MITSUI is the principal shareholder of Sesa Goa Ltd. and provides the Sesa Group with technical and financial support of world caliber. The Pig Iron business of the Sesa Group has now been restructured under Sesa Industries in which Sesa Goa has 75% equity.

With the introduction of Sesa Pig Iron in the market the Indian foundry industry has been able to achieve an up-gradation in quality and higher levels of productivity for the ductile Iron Industry Sesa makes special grades of pig iron to suit customer requirement. Indeed, the alloy steel industry has found that the inclusion of the basic low phosphorous grade of this product in the melt, improves quality and is overall cost effective.

Documents submitted to the Sub-Committee further suggests that at Sesa Industries the utmost care is taken to monitor the raw-material feed to the furnace in terms of chemical & physical composition and size. Rigid process control is exercised through Constant gasses and slag analysis of every cost with appropriate feed. All final products are analysed cast-wise in a shindan XRF type spectrometers.

Sesa Pig Iron product has certain salient features which inter-alia include small size (5 kgs), higher funding, lower rejections, higher recovery & better fields, lower energy Consumption, minimal additions-Ferro alloys, controlled manganese levels, lower phosphorus & better micro structure and consistency in quality. Due to its product specification there are certain advantages of Sesa Pig Iron in SC Iron castings, which include better carbon opening. Lower cost of petroleum coke, lower cost of Ferro alloy addition, lower oxygen levels, lower Nitrogen levels, and increase in field, reduction in energy consumption and low tramp elements. Low manganese, low sulphur, low phosphorus & controlled silicon of Sesa Pig Iron prove advantageous in SC Iron casting.

Meeting with management

The Sub-Committee was at loss to feel the indifferent approach shown by the management during the Sub-Committee's interaction, as the management was reluctant to give the detailed facts and figures regarding the plant. Although the management plant was informed in advance the schedule of this Sub-Committee but adequate 'home-work' was not done by the management to furnish the required information. Neither the Department of Steel thought it pertinent to submit the operational and managerial aspect of Sesa plant although the Sub-Committee may rightfully presume that the Ministry of Steel must have been taking stock of the plant from time to time. The Sub-Committee took a serious view of the situation.

Talking in a very general terms the Sesa management informed the Sub-Committee that the plant earned profit during last three years amounting to about Rs.1.5 to Rs.2.2 crore each year but during 1998-99 it is likely to incur a loss of about Rs.4 to 5 care. No year-specific data was submitted before the Sub-Committee for its perusal and the Sub-Committee was at wonder to see the management making the wild guesswork. It was stated that through cost-reduction measures Sesa is able to sustain in the market during the recession in Steel Industry.

The Sub-Committee came across that Sesa has developed unique coke plant with modification in imported technology from Australia and USA has already approached Sesa management for its imports.

SESA management opined that India could play a major role in Pig-Iron manufacturing provided cheap coke and coal is made available, as coke constitutes almost 70% of variable cost and its price has gone up by 20%. The price of coke has gone up due to import duty and dollar exchange rate.

The management informed the Sub-Committee that there are 16 Pig Iron Plant in India which produce about one million Pig iron constituting 1/5th of total Pig iron Production, the rest being produced by integrated steel plants. SESA produces about 200 thousand tonne of Pig-Iron. Integrated Steel plants are producing Pig-Iron and after its own consumption are able to sell about 1.5 million tonne in the open market.

MANDOVI PELLETS LIMITED (MPL)

The Sub-Committee visited Mandovi Pellets Plant on 11th January, 1999 and was shocked to see that wheels of the plant have came to a stop. All the machines and equipments were in a state of pathetic condition. However, the Sub-Committee was welcomed by the management and employees with glittering eyes filled with hope and awaiting heart. Hope that something like "Sanjivani-booti" would be made available to this moribund plant so that life should spring back.

As a matter of fact the 1.8 million tonne per annum capacity Pelletisation plant of Mandovi Pellet Limited (MPL) was set up at Goa as a 100% export based unit for supply of pellets to the Japanese steel Mills, utilising beneficiated Iron Ore concentrates from Goa mines. The Pellet plant is located about 25 km inland from Mormugao Harbour and enjoys the benefit of inland waterways to receive Iron Ore fines and for dispatch of pellets. MPL plant was designed and engineered by Lurgi Cherrie Gmbit of West Germany, acknowledged world leaders in the field. Bulk of the equipment was manufactured and supplied by Voest Alpine AG Austria, as Licences of Lurgi GmbH. It was informed that MPL, an Iron Ore Pelletisation Plant, is a well-conceived industrial unit and incorporates efficient de-dusting & pollution control measures. The plant was commissioned in May, 1979 and-commenced export of pellets to Japan from July, 1979.

The project was set up in the Joint Sector by Chowgules of Goa and Steel Authority of India Limited (SAIL). The shares of SAIL are now held by the National Mineral Development Corporation.

The Sub-Committee was informed that for production of BF grade Pellet, the plant receives its supply of Iron Ore Concentrated from two beneficiation plants in Goa, one located at Costi (South Goa) and other at Sirigao (North Goa). Each of these two beneficiation plant, is designed to supply one million tonne of Iron Ore concentrate per annum. The concentrates are transported from the Beneficiation plants to the Pellet plant in self-propelled barges through inland waterways, route distance being 10 km and 46 km from costi and Sirigao respectively. Situated off River Zuari; the pellet plant is provided with a 180 meter long jetty to accommodate 1000 DWT barges for carrying increasing iron ore and outgoing pellets. Finished pellets from the Plant are transferred in self-propelled barges to Mormugao/Harbour about 25 km away & put in stockpile there for subsequent loading into ocean going vessels for export. Mormugao Harbour is an all weather major port with a modern mechanical ore handling plant with a ship loading capacity of 8000 tonne per hour.

Pelletisation is a highly energy oriented industry requiring about 75 KWS Power and 45 litres fuel per MT of pellet. It is also a continuous process industry and cannot be stopped and started frequently. While in operation (June 1979 to April 1981), the Pellet plant has consistently supplied BF grade pellet fully complying with strict quality specification of the Japanese Steel Mills.

The Sub-Committee was informed that the pellet plant was compelled to close down operation from April 1981 due to non-renewable mandatory price of pellet in the international market from. In the year 1981, the Government of Goa failed to supply the contracted price of 25 MVA.

The Sub-Committee was informed that, with the advent of several Sponge Iron Plants on the West Coast of India (Essar in Gujarat, Vikram Ispat & Ispat Industries in Maharashtra), the Plant was re-opened in 1991 with the idea of procuring high grade iron ore from Hospet-Bellary sector and producing and supplying DR grade pellets to these industries. The Company also signed a Long Term Contract to supply 0.5 M MT pellets to China. The future appeared bright as seen in minimum 1991.

Unfortunately after 7 years of operation, the Industry is deep in the red, due to the following reasons:

a. Erratic power supply from the Goa Government, unscheduled power shutdowns, violent voltage fluctuations and peak demand charges impinge of inability of the Electricity Department to supply the contracted quantum of power.

b. Continuation of the administered price regime for fuel oil. Unrealistic import duties on fuel oil of about 57.8%.

c. Increase in the Railway freight on Iron ore from Hospet-Bellary sector to Goa. The freight which was about Rs.70 per MT in 1991 is now around Rs.245- per MT. In comparison the ocean freight on iron ore from Brazil to Indian ports is about US $ 4.50 to $5.50 i.e. about Rs.220-1 per MT.

d. Unsubstantial loading charges on pellets by Monnaguo Pon Trust i.e. Rs.10/- per MT during fkr smon and Rs.60/- DM during monsoon as against Rs.56/- for iron ore thereby openly discouraging export of pellets through the port.

e. Due to the above constraints, the capacity utilisation of the plant, ever since re-starting in 1991, remained only around 25% to 41%. The Company is incurring losses year-after-year. The accumulated losses as on 31.3.1998 is Rs.60 crore.

In the process of opening up the Indian Industry to the global market, the import duty on Iron ore pellets has been reduced from 35% in 1991 to 5% in present. Due to recession in the Steel Industry, the Ocean freight rates have also come down making it more attractive to the Indian Sponge Iron Industry to import pellet rather than buy the pellets from DTA producers like Mandovi in Goa and Kadremah in Mangalora. While the rationalisation of the Import duties may be a step in the right direction in principle, the Indian Industry is not given a level playing field by making available energy inputs at international price. Consequently, Mandovi Pellets Limited is not in a position to sustain the operations any longer and the Pellet plant is on the verge of closure once again.

The current international price of pellets is around US $ 28 per MT and the Company is incurring a loss of over Rs.15 to 20 crore in the year 1999-2000. The Indian Steel Industry is in no position to accept the current international price and is likely to reduce its import from the Steel Industry all over the World. With the Railway freight on iron ore, power charges, fuel costs and port charges alone accounting for about $5 to $12, there is no margin to cover the other conversion costs, wages and administration.

With a view to avoid the closure of the Industry, the Promoters have pumped in about Rs.27 crore into the company since June 1991 to sustain the operations during recessionary period and avoid jeopardizing the employment of around 500 direct employees. However, these measures can no longer sustain the operations in the face of severe recession in Steel Industry all over the world and equally faced by the Company's customers like Essar, Vikram Ispat, Ispat Industries and Jindal VSL. Earnest measures are required to solve the serious problem.

Submission of MPL

Mandovi Pellets Limited is facing severe viability and liquidity problems due to recessionary trends in the Steel and steel related industries. The survival of the Company and the operations warrant the following immediate relief:

1. Rationalisation/reduction in the railway freight on iron ore from Hospet-Bellary Sector to Goa by about 30%;

2. Reduction in the import duty on fuel oil so as to make it available to the pellet plants at international prices.

3. Reduction in the port charges, in line with international ports;

4. Rationalisation/reduction in the railway freight on iron ore from Hospet-Bellary Sector to Goa by about 30%;

5. Reduction in the import duty on fuel oil so as to make it available to the pellet plants at international prices.

6. Reduction in the port charges, in line with international ports;
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VISIT TO STOQYARD: BSO (SAIL)

The Sub-Committee visited the Branch Sales Office (BSO), Bangalore on 18th January, 1999. At the stockyard the operation commenced in Feb. 1965 on a hired plot of 8323 Sq. Ft hired from Shankamarayan Industries & Plantation Ltd. at the current rent of Rs.94,965 per month. The current lease duration is 3 years ending on 1st April, 2000. The Sub-Committee appreciates that BSO, Bangalore was conferred the award of Best House keeping in 1984-85, 1993-94, 1994-95, for 'Appreciable Reduction in Expenses in 1985-86 and 'Best Branch- AU India Basis' in 1991-92 (Manning). The personnel specification reveals that there are 14 executive employees and 36 non-executives staff.

Channasandra stockyard, spread over 15 acres (developed) + 9 Acres (to be developed) area and located 14 Km. from the Branch, started its functioning in August; 1985 having the following yard facilities:

Holding Capacity
- Open Gentry 3.2 Acres - 5000 MT
- Covered 2.3 Acres - 5000 MT
- Open Gentry 9.5 Acres - 10000 MT

The boundary wall is permanent with adequate facilities like 5 towers and gentry lights. The stockyard has the weighbridge with following description.

Avery 60 MT 60 ft. Platform (Meh.)
Avery 60 MT 60 ft. Platform (Elec.)
Avery 30 MT 30 ft. Platform.

Meeting with officials of BSO, Bangalore

The Sub-Committee was informed that BSO at Bangalore commenced its operation since inception during the year 1965 to market the products of all the integrated steel plants of the then Hindustan Steel Limited.

The stockyard operations also followed the very next year from a public booking point belonging to the Southern Railway at Bangalore Cantonment Railway Station. Subsequently, the yard operations got shifted to a piece of land measuring about 2.5 acres, taken on lease from Southern Railway at Byappanahalli.

However, due to constraints faced at Byappanahalli with regard to inadequate placement/handling facilities as well as paucity of storage space, on the one hand, and with the continuous increase in volume of demand/sales due to the sudden spurt in industrial activity in and around Bangalore on the other, a decision was taken by the then management to have a permanent stockyard of our own with modernised handling and storage facilities, to cater to the customer needs efficiently and smoothly. Thus a plot of land measuring about 15 acres acquired by the Southern Railway at Channasandra was located and taken over during the seventies for development-A of BSO's own siding and commencement of stockyard activities. Along with SAIL, TISCO & KSSIDC also took over adjoining plots of land for development of their own stockyard at Channasandra.

The Sub-Committee was further informed that the present modernised stockyard at Channasandra has two railway sliding, each of which cm smoothly handle 30 box wagons at a time. The stockyard is equipped with modernised handling/weighting equipments, as enumerated earlier. The stockyard is designed and equipped to fully take care of all the customer/security needs. Delay/irregularities in deliveries which used to be the main bottlenecks and cease for customer complaints while operating from earlier stockyards are now almost NIL and the yard is now fully geared up to smoothly take care of any eventualities even during peak hours of time for receipts/deliveries.

The Sub-Committee appreciates a remarkable improvement in the Wagon turn-around time and the complaints from Railways on this score are also now NIL. It is to be noted that BSO is si situated at No.25, MC Road, one of the main thorough fare of the city and is well connected with the stockyard with an efficient communication and net-working system.

The Sub-Committee was informed that there are 45 stockyards in India and the stockyard in Bangalore does on the spot delivery throughout the whole of Karnataka by road. Stockyard is emerging as liver of marketing network as marketing linkage is in and through the stockyard.

Southern Railway at Byappanahalli.

Membership with officials of BSO, Bangalore

The Sub-Committee interacted with the private entrepreneurs in the Steel Sector at Bangalore on 18th January, 1999 and gathered useful information regarding state of secondary Steel Plants in the region.

MEETING WITH PRIVATE ENTREPRENEURS AT BANGALORE

The Sub-Committee interacted with the private entrepreneurs in the Steel Sector at Bangalore on 18th January, 1999 and gathered useful information regarding state of secondary Steel Plants in the region.

Meeting with Karnataka steel re-rollers Association

During the course of interaction following points were raised by the representatives of Karnataka Steel Re-rollers Association:-

1. Centrally Excise-rule 5 of Notification 45/97 Cr (NT) dated 3rd August,1997:- Under section 3A (compound levy scheme) Hot Steel Re-Rollers are supposed to pay fixed Excise Duty every month based upon the parameters indicated in the Notification.
2. Infrastructure Development:
   Steel Industry is suffering heavily due to lack of infrastructural development by the Government. Arrangement may be made for housing loans with low interest below 10% per annum along with long repayment period spread over IS years to 20 years. This would enable more people to own their dwellings and thus increase the consumption of steel.

Meeting with Dandelli steel and Ferro Alloys Ltd.

Ferro Alloys are considered the most vital strategic inputs. As steel cannot be produced without Ferro Alloys. The Ferro Alloy Industry is considered to be an important producer of strategic Ferro Alloys viz. Ferro Chrome, Ferromanganese and Ferro Silicon. Installed Ferro Alloy production capacity is approx. 1.5 Million Ton per annum. This capacity is notably operating at levels ranging between 30- 60% on account of the continued problem faced by this industry. Blanket ban on mining in environmentally fragile areas have disrupted long established
mining operations. Mining & Environmental Protection is not mutually exclusive propositions. With appropriate safeguards and pragmatic policy both mining and environmental protection standards can be maintained. Minerals are formed over millions of years. As a developing country captive mining projects must be encouraged in an effort to sustain the raw-material availability for specific industries. The cross subsidisation effected by State Electricity Boards (SEBS) has caused a spiraling power tariff which is presumably the world's highest applicable to power intensive industries. Several Ferro Alloy industries have already approached BIFR and approximately, 75% have already shut their factories. The Sub-Committee was suggested that a basic decision needs to be taken by the Government of India by taking the following steps:-

1. Mandatory allocation of NTCP power at uniform NTCP tariff directly to allied Indian Ferro Alloy manufacturing units.
2. Fair & judicious implementation of the above policy alone can generate an export revenue of approximate thousands crore per annum as well as sustain the domestic Ferro Alloy Industry which contributes several thousands crore to the Exchequer and employs significantly large number of people.
3. At an appropriate NTCP power tariff the Ferro Alloy Industry can meet the requirement of the Domestic and International consumers enabling India to retain a relatively lower import duty regime.
4. Captive Mining Projects must be renewed/encouraged in view of their overall benefit to the country, industry and local region. Environment protection is a standard which can be simultaneously pursued by the mining industry.

The Indian Ferro Alloy Industry is on the verge of extinction. Extinction will result in a loss of several thousand crore in investments, loss of revenue to the exchequer, unemployment, acute outflow of foreign exchange and a dangerous strategic dependence of other countries. The survival of the entire Ferro Alloy Industry in India is dependent on the implementation of Government Policy.

Meeting with Bellary steel and Alloys Limited

The Sub-Committee was informed that Bellary Steels and Alloys Limited (BSAL) is operating Electric Arc Furnace, Coal based Sponge Iron Plant and Rolling N4ills. During the course of interaction with the representative of the Company following points were raised:

1. Steel Industry should be declared as infrastructure industry.
2. Financial institution should take global view of steel industry, particularly the ongoing projects.
3. Input cost for steel making to be brought down by Government intervention on duties and taxes.
4. Promote use of steel in place of wood in expanded way like total ban on 4 wood and even giving incentives for wood substitution by use of steel.
5. The excise duty on steel products be reduced from 15% to 5%.
6. The cost of power supplied by State Electricity Boards be reduced from Rs.4/- to Rs.2/- per Kwh.
7. Provision of Railway wagons as single wagon, half rake or fun rake at concessional rates.

Meeting with Kirloskar Ferro Alloys Industries Ltd.

The Sub-Committee was informed that Kirloskar Ferro Alloys Industries Ltd. is operating Electric Arc Furnace, Coal based Sponge Iron Plant and Rolling Mills. During the course of interaction with the representative of the Company following points were raised:

1. Drop in the consumption of Pig iron which stands at roughly 21 lakh MT per year against capacity of 33 lakh MT per year.
2. Domestic prices on an average have crashed by over Rs. 1,000/- Pmt because of lot of distress sale taking place on account of high inventories.
3. With the automotive market not picking up, the anticipated prospects would remain status quo for the year 1999-2000. There is therefore no chance of getting better prices for Pig Iron in near future.
4. The imposition of anti-dumping duty @ Rs. 1,800/- PNT on import of coke from China by Government of India during the period May 98 through October 98 threw the entire Pig Iron manufacturing Industry out of gear resulting into either partial operations or closure of the units in totality.
5. Cascading effect of the presently structured duty which has gone up from 10% to 19.6% ; devaluation of Rupee in terms of Dollar from Rs.38 to Rs.42.60 resulting into an overall hike of 2 1 % in the cost of raw material.
6. A steep drop in the international prices of Pig Iron dropping from US S 180 to US S 110 PNT. The present coke prices being 80% of the prevailing international prices of Pig Iron, offer no incentive whatsoever for exporting since export has become loss making proposition.

The Sub-Committee was requested that following steps may be taken for the betterment of Pig Iron Industry.

(i) Total removal of Anti dumping duty
(ii) Increase duty on Import of Pig Iron from IO% to 25%
(iii) Reduction in Customs duty on import of coke to 8% total.
(iv) Reduce Excise duty from present 18% to 8%.
(v) Abolish the restriction of MODVAT credit availment of 5% by the manufacturers i.e., restore MODVAT credit to 100%.
(vi) Since disposal of the by - products is a big problem the excise duties on items like granulated slag should be made zero as in the past.
(vii) Assistance in terms of getting a moratorium from the financial institutions on the repayment of interest and loans at least for two years.

Meeting with Kay steel limited

The Sub-Committee was informed that Kay Steel Limited is a Mini Steel Plant with Electric Arc Furnace Unit in which power is a major raw material. During the course of interaction following points were raised:

1. The sudden upward increase of excise duty had made the electric arc furnace completely unviable.
2. The increase in power tariff added to the woes.
3. The wrong marketing policy followed by the main producers.

The gap between the billets produced by the main producers and their rolled products is so narrow that no rolling mill can compete with the main producers. The Rolling Mills cannot even recover the variable cost in full. To revive the Mini Steel plants following steps are necessary:-

1. Waive excise duty on products manufactured by Mini steel plants and rolling Mills.
2. NTPC Power at a minimum of Rs.2/- per unit should be supplied for a period of 5 years.
3. Labour laws, sales tax, electricity tariff should be same in all states so that no industry in a particular state is at a advantageous position than those in the adjoining States.
4. Financial Institutions and Banks should be directed to grant financial assistance and loans at concessional rates of interest with longer moratorium periods.

JINDAL VIJAYNAGAR STEEL LTD.

The Sub-Committee visited Jindal Vijaynagar Steel Ltd. (JSVL) on the 19th January, 1999. JSVL stands out in the Steel industry, with its most modern, technological efficient and eco-friendly, integrated steel plant, with a capacity of 1.57 million tonne per year, JSVL's major plant units comprise of two C-200 (modules of COREX for production of hot metal each with a capacity of 0.80 million tonne per year, with 100% pellet feed. Being located in the midst of the rich Iron Ore belt of Bellary-Hospet region in Karnataka JSVL has got its locational advantages. Moreover, JSVL is linked to Chennai and Goa ports by rail, thereby connecting it to the world through sea, both for raw materials and finished products. The distinguishing features of JSVL is that its technology, plant and machinery have been purchased from world leaders like KvKerner Metals (USA), Voest Alpine (Austria ) Mannesmann Demang (Germany) Dantielt United (USA) etc.

During the course of plant visit the Sub-Committee came to know that JSVSL have the following major units.

1. Raw materials storage and handling systems:- With 3 coal beds and 3 Iron Ore other materials beds, its rated capacity is 4 MTPA to 7 MTPA (raw materials in stages). The system has got centralised control of the raw material handling system. It has screening facilities for coal, lime stone & dolomite for corex/ dent and pellet plant, at the yard.
JSVL management cited the following reasons for the demand stagnation and overall sickness of steel Industry.

1. **Productivity, quality, specific energy consumption, etc.** Indian steel does not compare with the leading global producers.

2. Appraising the Sub-Committee of the competitive advantages/disadvantages of Indian Steel Industry vis-a-vis global steel producers, JSVL management appraised the Sub-Committee of Human Resources Planning at the Jindal Plant. ‘Me persons having expertise in Steel industries are recruited and adequate training are imparted to the employees to bridge the gap between knowledge and skills required and specific expertise.

3. Opportunity

   3. Value addition of the products within the group companies.
   4. Growth opportunities towards incremental expansion with minimum cost for products of steel.
   5. Possibility of spin off fertilizer section with high economic incentive.

4. Threats

   6. Cost and time over-run resulting in higher break even point.
   7. General environment apathy to domestic steel sector, affecting the financing of residual part of the project.
   8. Devaluation of rupee adversely affecting the cost of inputs particularly coal.
   9. Continuing recessionary trend in flat product market and bunching of additional capacity.

JSVL management informed the Sub-Committee that the management has taken appropriate steps for cost reduction which includes strict control on the administrative expenses; reduction of man-power, proper training and induction; development of, vendor for purchase of local raw-material to reduce assembly cost of raw materials.

5. JSVL management informed the Sub-Committee about the completion schedule for various units:-

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Unit</th>
<th>Completion Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Peller Plant</td>
<td>October, 1999</td>
</tr>
<tr>
<td>2</td>
<td>COREX-I</td>
<td>March, 1999</td>
</tr>
<tr>
<td>3</td>
<td>COREX-II</td>
<td>October, 1999</td>
</tr>
<tr>
<td>4</td>
<td>BOF-1, BOF-2 &amp; CCP</td>
<td>April, 1999</td>
</tr>
<tr>
<td>5</td>
<td>CCP-2</td>
<td>Last quarter 1999</td>
</tr>
<tr>
<td>6</td>
<td>HSM</td>
<td>Operating</td>
</tr>
</tbody>
</table>

The Sub-Committee interacted with the JSVL management and the management informed the Sub-Committee that JSVL is the most modern plant with state of the art technologies. Integrated production from JSVL is yet to start, however, the strip mill is in operation using purchased slabs. It has produced so far around 2.5 lakhs of net rolled steel coils, plates and sheets. Present production is around 50,000 tonne per month. During the next one year around 5% of the production will be on procured slabs, both imported and domestic, and the rest from the integrated production.

JSVL is having a joint venture mining company alongwith MMI i.e. Vijayanagar Minerals Pvt. Ltd. During the first two years VMPL will produce around 1.0-1.5 MTPA of lump & fines. The fines go to JSVL and lumps largely marketed after partial consumption in JVS.

6. Meeting with the management of VSL

The Sub-Committee interacted with the JSVL management and the management informed the Sub-Committee that JSVL is the most modern plant with state of the art technologies. Integrated production from JSVL is yet to start, however, the strip mill is in operation using purchased slabs. It has produced so far around 2.5 lakhs of net rolled steel coils, plates and sheets. Present production is around 50,000 tonne per month. During the next one year around 5% of the production will be on procured slabs, both imported and domestic, and the rest from the integrated production.

JSVL management informed the Sub-Committee about the completion schedule for various units:-

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<th>Sl.No.</th>
<th>Unit</th>
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</tr>
</thead>
<tbody>
<tr>
<td>HR Plates produced (MT)</td>
<td>1</td>
<td>Peller Plant</td>
<td>October, 1999</td>
</tr>
<tr>
<td>HR Plates sold (MT)</td>
<td>2</td>
<td>COREX-I</td>
<td>March, 1999</td>
</tr>
<tr>
<td>Turnover (Rs.in lakh)</td>
<td>3</td>
<td>COREX-II</td>
<td>October, 1999</td>
</tr>
<tr>
<td>Profit (loss) (Rs.in lakh)</td>
<td>4</td>
<td>BOF-1, BOF-2 &amp; CCP</td>
<td>April, 1999</td>
</tr>
<tr>
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<td></td>
<td>6</td>
<td>HSM</td>
<td>Operating</td>
</tr>
</tbody>
</table>

JSVL management gave the details of SWOT strength, weakness, opportunity and threat of JSVL.

**Strength**

1. Location in the Southern market
2. Location in Bellary-Hospital Iron Ore belt.
3. Congenial state Government support.
4. Overall complimentary Core sector Development in Steel, Power, Industrial Cement.

**Weakness**

1. Lack of infrastructure in the region
2. Long distance from the port affecting the cost of import of raw materials & exports of products.

**Opportunity**

3. Value addition of the products within the group companies.
4. Growth opportunities towards incremental expansion with minimum cost for products of steel.
5. Possibility of spin off fertilizer section with high economic incentive.

**Threats**

6. Cost and time over-run resulting in higher break even point.
7. General environment apathy to domestic steel sector, affecting the financing of residual part of the project.
8. Devaluation of rupee adversely affecting the cost of inputs particularly coal.
9. Continuing recessionary trend in flat product market and bunching of additional capacity.

JSVL management appraised the Sub -Committee of Human Resources Planning at the Jindal Plant. 'Me persons having experience in Steel industries are recruited and adequate training are imparted to the employees to bridge the gap between knowledge and skills required and specific expertise.

Appraising the Sub-Committee of the competitive advantages/ disadvantages of Indian Steel Industry vis-a-vis global steel Industry, JSVL management stressed that India has certain advantage in the raw-materials component of cost in reference to the cost of Iron and fluxes. In the wage component cost of labour is low although labour productivity is low as well. Investment cost i.e. specific investment for creation of raw integrated steel capacity as well as interest rate is high. Moreover, the operating cost component reflected in capacity utilisation, productivity, quality, specific energy consumption, etc. Indian steel does not compare with the leading global producers.

JSVL management cited the following reasons for the demand stagnation and overall sickness of steel Industry.

1. Slowing down of the Government investment particularly in the infrastructure sector.
2. Continuously increasing administered price on a large share of inputs for steel production, state monopolies namely, coal, Iron Ore and railways.
3. Reduction in custom duty at a rate faster than visualisation by WTO.
4. Lack of appropriate anti-dumping mechanism.
5. New Industries in steel initiated in 1993-94 are evading bunching of capacities, particularly in flat products.
6. Spiralling cost and time over runs in all the steel projects.
7. Continued slump in the primary market.
8. Reduction in international price of steel by about 40% influence the domestic price and thereby eroding gross margin, even threatening sustenance and revival of domestic steel industry.
9. Loss of market in South East Asia and devaluation of Rupee contributing to significant dumping pressure from the international steel market.

All the above resulted in general lack of confidences of the stake holders, particularly the banks financial institution on domestic steel sector affecting investment and thereby contributing to further decline of the industry.

JVSIL management viewed that Government should endeavour to emancipate steel industry from crisis ridden scenario by taking following steps:-

1. Reduction in the interest rate on the fund for infrastructure development and for industries adopting new technologies, which are energy efficient and eco-friendly. Higher allocation of outlay on infrastructure.
2. Continuation of price mechanism for import of flat steel product.
3. Tax-reforms: Excise duty on all steel products to be reduced from 15% to 10%; removal of restrictions on 10% MODVAT on LDO Naphtha, Furnace, Oil etc.
4. used in steel industries; demand exports and third party exports to be treated on par with physical exports for all benefits under indirect taxes; DEPR rates to be increased on all steel items based on -actual value additions; permitting MODVAT on the fixed Assets in relation to the production instead of plant machine used in relation to productions.
5. Legislative measures. Encouraging use of steel wheel browses pipe steel structure, truck body using steel; steel houses in earthquake provision mandatory usage of Indian Steel for all financial institutions assisted projects etc.

However, JVSIL management expected its hope that Indian steel industry can obtain longer market share vis-a-vis international steel market by becoming truly cost and quality competitive and if the Government provides appropriate incentive to the steel industry.

VISVESVARAYA IRON AND STEEL PLANT (VISL)

The Sub-Committee, visited the Visvesvaraya Iron and Steel Plant (VISL) on the 20th January, 1999 located in Bhadravati on the banks of river Bhadra & 260 Km North-West of Bangalore, the plant, named after, Sir M. Visvesaraya, the illustrious founder of Mysore Wood Distillation & Iron Works, is the first plant in India which has been able to produce sophisticated alloy and special steels through BF-BOF-LRF-VOD-CCM/INGOT routes VISL, earlier a subsidiary company of SAIL became an integrated unit of SAIL with effect from 29th December 1998. The plant has already obtained ISO 9002 certificate for forge route in August, 1995 and ISO 9002 certificate for rolled route and Pig Iron in April, 1997 and thus VISL became the first plant in India to cover blast furnace under ISO audit system.

The installed capacity of the plant is for production of 77,000 tonne per annum of Alloy & special steel, 48,000 tonne per annum of Mild Steel and 1,80,000 tonne per annum of Pig Iron. The company also has the capacity to produce cast Iron castings to the tune of 15,6000 per annum and 23,000 tonne of Ferro-Alloys per annum.

The plant is equipped with the latest state of the art technology. New blast furnace is the first in house SAIL project, designed by Centre for Engineering & Technology (CET) Ranchi and execution was done by Bhilai Steel Plant (BSP) with the co-ordination of VISL. M/s Hindustan Steel Work Construction Limited (HSWCL) was the principal contractor. Moreover, a Programme able Logic Controller (PLC) regulates the charging system. The plant is provided with electrically driven blow... again by PLG. The plant is designed with 100% stag granulation facilities at cast house itself. As a pollution control measure, the gas clearing plant is provided with fixed and mobile venture system. The raw materials, viz Iron Ore, coke and fluxes are procured for the production of high quality pig-Iron. A 6 MW Captive Power Plant provides captive power support for the critical unit of the blast furnace and sustain its good make up water requirement for operation of the blast furnace. A modern vacuum furnace has also been provided.

The Sub-committee appreciates VISL's testing laboratory for being well equipped with modern facilities like computerised spectrometers Oxygen and nitrogen analyses, etc. The hot metal is tested to determine conformity of quality standards. Proper care is taken to ensure that only proper raw material is fed with planned burden for quality production. Right from the raw-material level, inspection is carried out at different stages by VISL Engineers. The Sub-Committee presumes that foundries and steel makers can certainly count upon VISL for supply of quality pig Iron.

VISL is a major producer of high grade alloy and special steels for strategic sectors. Apart from Rolling Mills, VISL has got a Forge Plant of 1600 Tons Press and a long Forging Machine. The Sub-Committee has been informed that VISL has integrated production facilities for melting, rolling, forging and testing of sophisticated alloy and special steel to cater to the requirement of Defence, Railway, other PSUs like BHEL, BEML, HMT etc.

Steel works at a glance

Allloy and special steels are supplied as per VISL, Indian and International specifications and also to the special requirement of customers. Value added forged & machined products like rolls, wheels etc. are also made.

Product mix of special steels

During the course of the plant visit the Sub-Committee was informed that various short and long term modernisation proposals are in various stages of consideration and implementation. As a matter of fact VISL is one of the few units in the world which was till recently producing hot metal through the electric pig iron furnace route. The main reasons for its adverse performance in the past was its inability to produce hot metal economically through this route due to high power tariff and unreliable and inadequate power availability. As a long term strategy VISL installed Blast Furnace to produce hot metal of the right quality at a reasonable cost so as to take the full advantage of the BF/BOF/LRF/END route in the production of steel.

CET has recommended implementation of certain scheme in BOF shop, blooming & Heavy section Mill for technological up-gradation of VISL.

Technological upgradation scheme:

<table>
<thead>
<tr>
<th>Estimated cost</th>
<th>Rs 1.992 crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled date of completion</td>
<td>July 1998</td>
</tr>
<tr>
<td>Total No. of Packages</td>
<td>28</td>
</tr>
<tr>
<td>Package dropped</td>
<td>01</td>
</tr>
<tr>
<td>Package completed</td>
<td>21</td>
</tr>
<tr>
<td>Package under completion</td>
<td>06</td>
</tr>
</tbody>
</table>

The Sub-Committee appreciates that project is expected to be completed below the estimated cost due to six packages being executed in-house. It is due to in-house R&D and dropping of one package the completion cost is expected to be Rs.13.61 crore. The six packages, which are under execution, were expected to be completed by June 1999.

Meeting with VISL workers' association

The Sub-Committee met the representatives of VISL's workers Association who informed that mutual co-operation and trust exist between workers and management and there has been no labour unrest and strike so far in VISL.

However, the Workers Association proposed the modernisation of the present unit, including the Expansion scheme which inter-alia include:

a. Installation of coke oven plant and captive power plant;
b. Installation of sinter plant to make use of the coke Breeze and high grade Iron ore dust which are accumulating;
c. Installation of higher capacity LD converter;
d. Installation of continuous casting Machine;
e. The existing Rolling Mills needs to be modernised with latest techniques.
f. Modernisation of Finishing Mills Section.
VISL workers Association estimated that an investment of Rs.800-900 crore is required for the above units and the VISL may get the required finance from the Government of India, as the hope of getting necessary technological and financial support from SAIL is bleak for VISL’s planned modernisation; so, it would be fit into the things to make a provision for a separate financial budgetary support to VISL from the Government of India every year, till VISL stand on its own strength.

The workers informed the Sub-Committee that VISL is suffering a very critical financial situation due to the sluggish market conditions and cash crunch due to low volume of sales and collection. Although workers’ commitment and efforts led to increased production but due to cut throat competition and dumping of steel from the countries like Korea, Japan and CIS countries resulted in VISL’s loss. The Workers Association sought the intervention of this Sub-Committee for the placement of work order to VISL from Defence, Railway and other Government agencies. The workers association informed the Sub-Committee that VISL has developed various grades of steel as import substitution to Defence as well as Aeronautical Division.

The VISL workers’ Association apprised the Sub-committee of a Notification issued by the Government of Karnataka declaring Kemmennu Gundu Iron Ore Mines area as sanctuary thus restricting the VISL’s scope of utilising the Mines and rendering the existing employee jobless.

The Sub-Committee was further informed that two ‘Ferro Silicon Plants have been shut down due’ to high power tariff by Karnataka Electricity Board (KEB) and also due to high cost of production. It was further informed that the Ministry of Power has agreed to supply power from NTPC at subsidised rate but KEB is not agreeing for wheeling this power. Henceforth, authorities may be directed to provide wheeling facilities for the power given to VISL from NTPC with wheeling and service changes.

The Workers Association argued that the retirement age of the employees in Steel marking units should be reduced to 55 years of age as the job-specification requires strenuous efforts.

Meeting with Visvesvaray a iron and steel officers association

The Sub-Committee interacted with the representatives of officers Association of VISL and during the course of interaction the Sub-committee was informed that the performance of VISL was appreciable till 1981 but started to dwindle, thereafter, due to steep increase in power tariff and severe power cuts. As Karnataka State Government which was the major shareholder, could not invest required funds for modernization of VISL and working capital, SAIL to takeover the management of VISL. Wasteful investment to the tune of nearly Rs.30 crore has been made since 1989 in enviable projects like 6 MW Diesel Generator set (Rs. 12 crore) Ferro alloy Plant modernization and related pollution (control) equipment (Rs.18 crore).

The Sub-Committee was made aware that for the improvement in the performance of VISL, it is necessary to provide down stream facilities and additional facilities to convert 650 tonne per day of hot metal into steel. Henceforth, there is the necessity of installation of a new BOF shop, A Bloom Caster and Heat Treatment facilities, the representatives also requested the grant of Rs.700 crore from SDF earmarked to VISL through SAIL.

The officers representatives viewed that import of steel has to be made expensive by way of levying of Anti Dumping Duty on steel. In additional to this reduction in customs duty for import of coke is essential for viable operation of Blast furnace as the Pig Iron Production will be expensive due to the increase in cost of imported coke-met due to higher in customs duty on imported coke of present

It was pointed out that the Steel Development fund (SDF) has been generated by the contributions from Public Sector Units like SAIL and TISCO. It is essential that any assistance or help from SDF has to be limited only to units of SAIL and TISCO which are solely responsible for generating funds accrued in SDF and not to other private sector, steel units which are coming up.

The Sub-Committee was recommended to request for the reduction in the excise duty on Alloy Steel and Ferro Alloys so that indigenous Alloy Steel producers can compete with imported Alloy Steel sellers. It was also pointed out the large scale infrastructure development works have to be taken up so that the demand for steel goes up and available Alloy Steel production capacity in the country can be fully utilized.

Meeting with management

The Sub-Committee interacted with the management of VISL and came across the physical and financial performance during the last three years.

Year-wise production performance

<table>
<thead>
<tr>
<th>Details production</th>
<th>Installed capacity</th>
<th>Production capacity</th>
<th>1995-96 %capacity utilisation</th>
<th>1996-97 %capacity utilisation</th>
<th>1997-98 %capacity utilisation</th>
</tr>
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<tbody>
<tr>
<td>Hot</td>
<td>205000</td>
<td>205000</td>
<td>160661</td>
<td>78.37</td>
<td>180124</td>
</tr>
<tr>
<td>Pig iron</td>
<td>---</td>
<td>---</td>
<td>77539</td>
<td>---</td>
<td>51562</td>
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<tr>
<td>Liquid steel</td>
<td>100000</td>
<td>100000</td>
<td>101515</td>
<td>101.52</td>
<td>94872</td>
</tr>
<tr>
<td>Saleable steel</td>
<td>77000</td>
<td>77000</td>
<td>62522</td>
<td>81.20</td>
<td>60702</td>
</tr>
</tbody>
</table>

Financial Performance for the last three years

(Rs. in lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales</td>
<td>21118.62</td>
<td>24334.76</td>
<td>21027.84</td>
</tr>
<tr>
<td>Gross margin</td>
<td>(-)1902.72</td>
<td>(-)3730.04</td>
<td>(-)4931.99</td>
</tr>
<tr>
<td>Interest</td>
<td>1173.08</td>
<td>5396.06</td>
<td>2420.39</td>
</tr>
<tr>
<td>Depreciation</td>
<td>662.20</td>
<td>1051.07</td>
<td>1034.94</td>
</tr>
<tr>
<td>Net loss</td>
<td>(-)3738.00</td>
<td>(-)10177.17</td>
<td>(-)8387.32</td>
</tr>
</tbody>
</table>

The Sub-Committee expressed its concern over the pathetic condition of VISL and made an appeal to the management to take all possible steps to remove the hurdles on the way to better physical and financial performance.

The management informed the Sub-Committee regarding SWOT analysis of VISL which is given below:

Strength
(i) Vast expertise in steel making through years of experience.
(ii) Technological and Capital support of SAIL.
(iii) Skilled and efficient manpower with degree of flexibility.
(iv) Quality of Steel.
(v) Special Steel though BF-BOF route.

Weakness
(i) Excess manpower resulting in high power cost
(ii) Remoteness of location and lack of infrastructure like Railway connection and national highways etc. Truck availability problems sometimes.

Opportunities
(i) Steel through cheaper route compared to other similar plants. Less dependence on scrap and electricity.
(ii) Defence and WAP orders.
(iii) Support of SAIL, since now VISL is a unit of SAIL.

Threats
(i) Recessionary market.
(ii) Cheaper imports.
(iii) Continued glut in automobile sector.
(iv) More capacity than requirement in Alloy steel manufacturing.
On the Sub-Committee's inquiry as to the product diversification of the plant, it was informed that the management had pointed out that valuable product in the form of machined/heat treated rolls for Rolling Mills of SAIL Plants, shafts and other capital items have been developed in house for supply to SAIL RIL. Moreover, VISL has also developed cartridge casings blanks for Ordnance Factory, Ambajhar which is an import substitution. The management informed that some items are being developed which inter-alia include:- Pinion Shafts for merchant Mill (with gears cut), Concalt Rollers for Slab Caster No.4, Grate Bars for Sinter Plant-11 for Bilai Steel Plant:- Machined nuts and rings for Bokaro Steel Plant, Piercing bush for BHEL-L, Cartridge blanks for Defence; concalt rollers for SMS-11, Power Plant rings for PP-1, Forged pull rods for CRM, Concalt rollers for Rourkela Steel Plant; WRT rollers machined wheels for [ISCO; Crane wheel assemblies for Vizag Steel Plant.

As regards the steps to reduce cost of production, the Sub-Committee was informed that major techno-economic factors affecting the cost of production in each department consisting of consumption of material, fuel and oil and yield are daily monitored with reference to norms. Major areas of Manager and are reviewed weekly at the level of Chief Executive. Major areas of responsibility of Manager and are reviewed weekly at the level of Chief Executive. Major areas of responsibility of Manager and are reviewed weekly at the level of Chief Executive. The management was informed that the VISL has been traditionally catering to the requirement of automobile, Defence, railways and general engineering sectors in the Southern and Western regions of the country. In view of the general recession in the engineering industry and particularly in the automobile sector to whom VISL was catering a larger share of its output, the management is contemplating to increase its share from Defence and Railways and to identify new customers especially in small-scale sectors to cater their units needs.

The management appealed to the Sub-Committee to recommend following points to remove the problems of VISL:-

(i) Funds from NRF of Rs. 1 CIO crore in next five years to reduce about 1,500 manpower.
(ii) Infrastructure development like National highway and better rail links.
(iii) Curbing imports by increasing customs tariff on Alloy Steel.
(iv) Removal of anti-dumping on Chinese Coke and reduction in Customs Duty in 5% basic duty only.
(v) Zero customs duty on Nickel and Moly.
(vi) Introducing Container Cargo services in New Mangalore Port.
(vii) Rationalisation of Rail Tariff for Coke etc to avoid payment of idle freight.
(viii) Rationalisation of Contract Labour Regulation & Abolition Act to allow contract labour even for perennial jobs to reduce cost.

KUDREMUKH IRON ORE COMPANY LIMITED (KIOCL)

Kudremukh Iron Ore Company Limited (KIOCL), a wholly owned Government of India enterprise was established in 1976 in pursuance of an agreement with the National Iranian Steel Industrial Company for development of a mine and beneficiation plant at Chikmagalur, Karnataka. Government of Iran had agreed to cover the cost of implementation of the project to the extent of US $ 6. Million plus an agreement to invest about Rs. 2 million as compensation for the loss in production and damage to the KIOCL operation. The project was implemented at the cost of Rs. 1.65 crore and commercial production commenced in April, 1987 and is now exporting both Blast Furnace and Direct Reduction grade pellets.

Meeting with KUDREMUKH mazdoor sangh

The Sub-Committee interacted with the representatives of the workers union and during the course of the interaction the following issues cropped up:-

1. Renewal of Kudremukh Mining lease:- Kudremukh Iron Ore company Limited has been granted lease for mining in the Anosi-Gauge Moolsa range in July 1969 for 30 years. The said lease was being expired on 224 July 1999. As per the procedure established for Renewal of Mining Lease, the KIOCL management has taken appropriate action in this regard. The Sub-Committee was requested to recommend, strongly, for persuading the state Government to give the necessary renewal. The Sub-Committee was also requested to help KIOCL in obtaining fresh licenses for the nearby deposit Nellibeedu for which the company has got prospective license and completed the prospecting.

2. Request for sanctioning of Additional Energy from Lignite Corporation through Karnataka Electricity Board and Reduction in power tariff: KIOCL uses power intensive equipments both at Kudremukh and Mangalore. Government of India had provided financial assistance to the state Government for providing necessary power for the company by creating two water reservoirs in the catchments area of Sharavati Hydro Electric Scheme and it was also agreed by the state Government that such power generation would be made captive to KIOCL throughout its working life. The rate to be charged for the energy consumption by the company was to be decided based on the actual cost of generation plus overheads and profits of the Electricity Board. However, after repayment of the loan to the Central Government Karnataka Electricity Board have started considering KIOCL on par with any other Industry in the state. Restrictions were imposed on KIOCL, which resulted in the loss of production and damage to the pellisterisation Furnace at Mangalore. The Karnataka Electricity Board keep on unilaterally increasing the power rate resulting into increase in cost of production per tonne.

3. Deletion of KIOCL from Disinvestment:- Workers representatives argued that every year KIOCL is earning almost 1500 lakh of US dollar foreign exchange so there is no point in throwing up this golden goose to private sector houses. Moreover, KIOCL's Ore after beneficiation is one of the best ore available in the world market so it is not wise to hand over enriched deposits to private/MNCs parties, particularly when KIOCL has been successfully carrying out the operation.

4. Immediate issuance of the guidelines with regard to wage revision so that it will be easy for KIOCL to enter into an early wage agreement in the interest of better industrial relation. The Sub-Committee was informed that almost 2,500 workers at KIOCL inclusive of employees, resident facilities are available to all who requires. Although there is no organisational contract labour but the company has engaged contract labour. Although contract laboratories contribute to the provident fund but the company has not provided the details of P.F. account of contract labourers to PF Organisation, henceforth, the Sub-Committee was requested to attract the attention of the Government in this regard.

Meeting with KIOCL's officers association

The Sub-Committee interacted with the representatives of KIOCL's officers Association and following issues were raised during across the board interactions:

1. Renewal of lease at the earliest so that the operation of the mines. would go uninterrupted.
2. Expansion of Mining operation at the nearby deposits.
3. Amicable resolution of all standing issues of KIOCL with Karnataka Electricity Board.
4. Protection of the interest of workers and employee in the event of carrying out strategic sale of KIOCL.
5. Matters relating to the officers of KIOCL
   a. immediate & proper implementation of career Development plan as was mutually agreed between KIOCL management and officers Association in 1996.
   b. Protection against victimisation of office-bearer of association who take up the various issues related to the officers of the company with management.
   c. A suitable rehabilitation measure for getting employment of dependents of the deceased employees of the company on compassionate grounds.
   d. Wage revision as per the recommendation of Justice Mohan Committee.

Meeting with KIOCL SC/ST employees welfare association

The sub-committee interacted with the representatives of KIOCL SC/ST Employees Welfare Association and following points emerged during interaction:-

1. Relaxation in qualification and service for considering the promotions to employees belonging to SC/ST community, which is not being strictly followed by the management.
2. Filling up the post for ‘A’ and ‘B’ Category, belonging to SC/ST community.
3. The issue of granting extension of Mining lease to KIOCL and granting Mining Expansion.
4. An un interrupted power supply to KIOCL.
5. KIOCL should be allowed to remain as public sector undergoing.
Meeting with management

The management informed the Sub-Committee that KIOCL is the India's largest and world third largest 100% export -oriented unit and a star trading house. It is a ISO-9002 company. The products of the company are Iron Ore concentrate and Iron Oxide Pellets.

The management gave details of the production as well as sales trend for the last five years:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Concentrate</td>
<td>Pellets</td>
</tr>
<tr>
<td>1993-94</td>
<td>6,200</td>
<td>2,243</td>
</tr>
<tr>
<td>1994-95</td>
<td>5,710</td>
<td>2,315</td>
</tr>
<tr>
<td>1995-96</td>
<td>6,060</td>
<td>2,5</td>
</tr>
<tr>
<td>1996-97</td>
<td>5,572</td>
<td>2,246</td>
</tr>
<tr>
<td>1997-98</td>
<td>6,125</td>
<td>2.9</td>
</tr>
</tbody>
</table>

The Sub-Committee was informed that since the present Iron Ore Concentrate involves beneficiation of low grade Iron Ore of 35% to 38 per cent to the internationally acceptable levels of 65% to 67% in content, substantial facilities at Rs.520 crore (in 1976 level ) have been created in the form of highly automotive mining equipments, a concentrate plant, a tailing Dam-all at Kudremukh, slurry pipeline for transportation of beneficiated Iron Ore from Kudremukh II Mangalore, a filtration Plant and ship loading facilities at Mangalore. The opening of Pellet plant was increased from 3.0 million tonne to 3.5. million tonne per annum during the year 1998.

The management apprised the Sub-Committee of the financial performance of KIOCL:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic</td>
</tr>
<tr>
<td>1993-94</td>
<td>390.92</td>
</tr>
<tr>
<td>1994-95</td>
<td>327.87</td>
</tr>
<tr>
<td>1995-96</td>
<td>421.24</td>
</tr>
<tr>
<td>1996-97</td>
<td>426.01</td>
</tr>
<tr>
<td>1997-98</td>
<td>528.26</td>
</tr>
<tr>
<td>1998-99</td>
<td>338.71</td>
</tr>
</tbody>
</table>

The management pointed out that the declining trend in profit is mainly on account of successive upward revision in power tariff by Karnataka Electricity Board w.e.f 1st July, 1996 to 1st July, 1997. The increase in power tariff has resulted in increase in energy charges per ton of production of concentrate to Rs.275 as compared to Rs. 195 in 1996-97 and Rs. 152 in 1995-96. In order to overcome the higher production cost on account of increase in energy charges, company has already set up 3 DG sets of 9.36 MW each at Mangalore which meets the requirement of pellet -production. Company is also contemplating setting up of a captive power plant of 64 MW at Kudremukh.

The management project the power tariff of Karnataka Electricity Board and pointed that the cost of power has been doubled in the last 6 years from Rs.1.85 Ps/KWtt to Rs.4.3/KWtt. Despite the power crisis affecting the operations, the company managed to set several records in production and exports during the last 6 years and is maintaining 'Excellent' rating in Memorandum of Understanding (MOU) set by Public Enterprises Selection Board.

<table>
<thead>
<tr>
<th>Year</th>
<th>July, 92</th>
<th>July, 93</th>
<th>July, 94</th>
<th>July, 95</th>
<th>July, 96</th>
<th>July, 97</th>
<th>July, 98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost per Unit excluding demand charges</td>
<td>1.85</td>
<td>1.98</td>
<td>2.10</td>
<td>2.31</td>
<td>3.35</td>
<td>4.00</td>
<td>4.3</td>
</tr>
</tbody>
</table>

The management informed the Sub-Committee that KIOCL has initiated several other steps to bring down the cost of production. Additions, modifications and replacement to the plant and other facilities have also been undertaken which will go in the direction of bringing down the cost. The dews of various programmes undertaken/proposed to be undertaken by the company during the Ninth Five Year plan are as follows:-

<table>
<thead>
<tr>
<th>Name of the scheme</th>
<th>Proposed outlay</th>
<th>Time schedule for completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovery of Iron Ore from tailing</td>
<td>42.00</td>
<td>36 months from the date of start of the project</td>
</tr>
<tr>
<td>Coke oven project</td>
<td>5.00</td>
<td>6 months</td>
</tr>
<tr>
<td>Nellibeedu Micro Devon</td>
<td>11.00</td>
<td>12 months from the date of clearance</td>
</tr>
<tr>
<td>Additional/modifications/replacement</td>
<td>110.00</td>
<td>Completed</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>1.00</td>
<td>Completed</td>
</tr>
<tr>
<td>Feasibility studies</td>
<td>1.80</td>
<td>Completed</td>
</tr>
<tr>
<td>Total</td>
<td>170.00</td>
<td></td>
</tr>
</tbody>
</table>

As regards the setting up of a 155.00 tonne per year capacity Pig Iron Plant at Mangalore the management informed that earlier it was to be commissioned in December, 1997 but due to the delay on the part of the contractors for different packages of the project, the plant is now expected to be commissioned by July, 1999. However, the time delay in completing the Pig Iron Project is not expected to result in any substantial cost overruns as the contracts for major packages have been awarded on fixed price-basis and does not permit any escalation during the period of implementation on account of changes in the statutory levies and duties.

The management informed the Sub-Committee that a number of - modification, additions and up-gradation of the existing facilities at Mangalore Pellet Plant have been completed except commissioning of the Roll Press which is expected by the end of the current financial year. However, the proposal for setting up of the second pellet plant has been shelved.

As regards the setting up of coke oven plant at Karwar in Karnataka, the management informed the Sub-Committee that the Government of Karnataka had approved the proposal and sanctioned allotment of Rs. 400 crore for land & other infrastructural facilities, incentives and concessions. The acquisition proceedings have been initiated and the studies on E.I.A. and E.M.P. to get statutory clearance are under progress.

As regards the status of Lakhya Dam Tailing reclamation, the KIOCL management informed the Sub-Committee that a feasibility report was prepared by M/s Mineral Technologies of Australia which had indicated a capital out lay of Rs.265 crore for the tailings beneficration plant. In view of the high capital cost involved, another scheme to recover about 0.5 million per annum of concentrate from tailings is under examination. The Sub-Committee was further informed that Floatex density classify is in use at the concentrate plant to upgrade the in-plant primary magnetic tailings.

The management also informed the Sub-Committee that keeping in mind the, limited mine reserves at Kudremukh which is estimated to last for another 8 years , the company is pursuing the matter with the Government of Karnataka to obtain the prospecting licence/mining lease for nearby adjacent Iron Ore deposits i.e. Nellibeed & Gangeorkal deposits.

The Sub-Committee wanted to know whether the existing mining Rules/regulations are conducive to the Mining condition in the country, the KIOCL management suggested that there should be a single window agency for clearing all application for grant of a mining lease and renewal of the mining leases. The EIA and ENP studies should be insisted upon only at the beginning of the grant of mining lease. Moreover, once a mining lease is granted other legislation should not come in the way of mining activities, otherwise there emerges a plethora of problems, as in the case of KIOCL. The mining lease was granted to the company in 1969 for a period of 30 years and even before the expiry of the current mining lease, the Government of Karnataka issued Notification declaring its intention to notify a vast area, including the area of 4605 hectares of land held by KIOCL under the mining lease, a Kudremukh National Park. Consequently, when KIOCL management submitted application for renewal of the existing mining lease (due to expire in July 1999), the Forest Department, is not readily clearing KIOCL's application as mining lease area falls within the National Park. The Sub-Committee endorsed the views of KIOCL management.

The management also informed the Sub-Committee that keeping in mind the limited mine reserves at Kudremukh which is estimated to last for another 8 years, the company is pursuing the matter with the Government of Karnataka to obtain the prospecting licence/mining lease for nearby adjacent Iron Ore deposits i.e. Nellibeed & Gangeorkal deposits.

Heavy Monsoon from June to September, power restriction and non-availability of quality power shortage mm of mine Ore are some of other constraints of KIOCL.

The Sub-Committee was convinced that KIOCL should get the quality power at a competitive tariff and the Government of Karnataka should expedite the process of reviewing the Mining lease and grant the Mining lease, for Nellibeeder Iron Ore deposits, as any delay in power tariff of Karnataka Electricity Board and pointed that the cost of power has been doubled in the last 6 years from Rs.1.85 Ps/KWtt to Rs.4.3/KWtt. Despite the power crisis affecting the operations, the company managed to set several records in production and exports during the last 6 years and is maintaining 'Excellent' rating in Memorandum of Understanding (MOU) set by Public Enterprises Selection Board.
finalising the issue will affect the market build up over a period of 10 years by the company.

KUDREMUKH IRON & STEEL CO. LTD. (KISCOL)

Kudremukh Iron & Steel Company Limited is at nascent stage and owes it genesis to the long felt urge of Kudremukh Iron Ore Company Ltd. (KIOCL) to diversify it operations and go into production of value added products by setting up downstream facilities for manufacture by utilising its unique advantage of having exclusive access to superior grade of Iron Ore Concentrate and Iron Oxide Pellets. Kudremukh Iron & Steel Company Limited (KISCOL) is a Joint Venture in association with Metallurgical and Engineering Consultants (India) Limited and MSTC Limited, two other PSUs of the Government of India. Joint Venture, KISCOL, was incorporated on June 23, 1995 after receipt of Government approval on June 12, 1995 to manufacture 155 lakh tonne per annum of Low Phosphorus Low Sulphur Pig Iron and 50,000 tonne per annum of Ductile Iron Spun Pipes at Baikampadi Industrial Area, Mangalore.

The Sub-Committee was informed that the total estimated cost of the project is Rs.328.16 Crore, which is proposed to be financed as under:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Total (Promoters)</th>
<th>From Banks</th>
<th>Total Debt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>KIOCL</td>
<td>Rs. 50 Crore</td>
<td>Rs.159.38 Crores</td>
<td>Rs.216.77 Crores</td>
</tr>
<tr>
<td>MEACON</td>
<td>Rs.2 Crore</td>
<td>Rs.057.39 Crores</td>
<td>Rs.328.16 Crores</td>
</tr>
<tr>
<td>MSTC Ltd.</td>
<td>Rs.2 Crore</td>
<td>Total</td>
<td>Rs.328.16 Crores</td>
</tr>
<tr>
<td>Total (Promoters)</td>
<td>Rs.54 Crore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>From Equity</td>
<td>Rs.57.39 Crore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Equity</td>
<td>Rs.111.39 Crore</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Sub-Committee was made to understand that the KISCO Project envisages to capitalise on the superior grade of Iron Oxide Pellets which contains very low phosphorus and sulphur, which is suitable for production of superior grades of Foundry Grade Pig Iron not available in sufficient quantity in the country. This superior grade of pig iron finds its application in the manufacture of high precision castings, especially for the Automobile sector, in Railways and other related sectors.

The use of quality pig iron gives the foundry sector, advantages in terms of lower energy consumption, better cast ability, higher yields and better recovery in production of castings. Thus the product of KISCO is planned to be niche product, and not a run of the mill foundry grade pig iron.

The Joint Venture also proposed to manufacture 50,000 tonne of Ductile Iron Spun Pipes (DISP) the implementation of which is proposed to be taken up after commissioning of the Pig Iron Plant in July 1999. The ductile Iron Spun Pipes (DISP) are a cost effective alternative to the Cast Iron Spun Pipes which are in use in water transportation, evacuation of sewage and industrial wastes. The Ductile Iron Spun Pipes are corrosion, resident and have relatively longer life, and can withstand higher water pressure besides having lower weight per unit length.

The Sub-Committee was further informed that the project is being implemented on a “Turnkey Basis” and in order to facilitate ordering and implementation, the entire project has been divided into several packages which inter-alia include (a) Blast Furnace and Auxiliary Facilities, (b) Civil Works; (c) Raw Material Handling System; (d) Overland Conveyor System; (e) Main Step Down Sub Station; (f) Captive Power Plant; (g) Structural; (h) Make up water system.

Project Status

- **Civil Works**: Almost Completed.
- **Basic Engineering**: 100% completed.
- **Detailed Engineering**: 90% completed.
- **Procurement Fabrication**: 85% completed.

KISCO has awarded contracts for all the major packages and the project is in advanced stage of construction. There has been delay in project execution mainly due to delayed and extended monsoons during the last two years, which affected the pace of work. Besides, there have been delays in supply of equipment, non-sequential receipt of equipment which have, to large extent, affected the pace of erection work in the project.

Commissioning Schedule

The Pig Iron Project expected to go into commercial production in the III Quarter of 1999. The Ductile Iron Spun Pipe Plan will be taken up for implementation after the stabilization of operation of the Pig Iron Plant and it is planned to go into commercial operation in April, 2001.

Cost Overruns

However, this delay is not expected to result in major cost overruns as all the contracts have been awarded on firm price basis and do not permit any escalation in prices during the construction period. On account of the built in contingencies in the project cost, savings in some packages, there is unlikely to be any major cost overruns in the project.

Assistant Required

1. Full complement of term loan of Rs. 160 crore from banks to be released.
2. Assistance from Karnataka Electricity Board for expediting permanent power arrangement.

REGIONAL DEVELOPMENT COMMISSIONER FOR IRON AND STEEL (NORTH REGION) DELHI

The Sub-Committee met the Regional Development Commissioner for Iron and Steel (North Region), Delhi whose jurisdiction covers six states viz Delhi, Punjab, Haryana, Rajasthan, Uttar Pradesh and Himachal Pradesh and Union Territory of Chandigarh. Joint Development Commissioner (I & S) represented the Office who informed the Sub-Committee that in North region there are 22.7% of factories, 21.6% of Capital investment, 22.2% Gross output and 24.3% total employees of all Iron and Steel Industry. The Sub-Committee was informed that RDC-Delhi reports to Development Commissioner for Iron and Steel, Calcutta regarding availability and open market prices of various categories of Iron and Steel materials for constant review of the provision of the Iron & Steel (control) order, 1956.

Joint Development Commissioner (I&S) informed that RDC - Delhi assist and advises consumers in procurement of raw-materials from main producers and secondary producers interact with existing and intending Steel making units, collects statistics from Steel making units registered with DC (I & S) Calcutta; undertake status survey of re-rolling mills and induction furnace units, interacts with various associations in secondary sector; Steel Sectors, with SSICs about their registration of demand allocation of materials supply, rebate and others and with various state Governments for removal of bottlenecks and problems being faced by industry, takes part in National Campaigns for promotion of Steel consumption. The Development function of RDC also include organization of seminar/workshops/meetings to promote Steel consumption with different consumers groups like Auto Sector, Construction etc. arrangement of annual consumer council meeting between Steel producer and consumers.

The Sub-Committee was informed that the obsolete technology used by the Re-rollers has put the economic viability to almost a point of no return, besides, creating the environmental problem. The RDC, Delhi is working out a possible solution to the problems of pollution with the help of UNDP and World Bank.

The Sub-Committee was told that stagnation of demand is creating the biggest problem faced by the Steel industry. Capacity is being added continuously making the selling the products very difficult. Though the cost of input materials are increasing but the prices both nationally and internationally are falling forcing many of the units to close down.

RDC-Delhi interacted with the major associations in Steel Industry and prepared a note on the problems of the Industry which was communicated to DC (I&S). Calcutta as well as made the Sub-Committee acquainted with the facts and figures. Anti-dumping duty on Chinese coke, depreciating value of rupee in increase in cost of imported material and sharp decline in the export price of pig Iron from $ 1 50 to 1 00 in one year led to closure of 9 out of 24 mini blast furnaces of pig-iron and decline of export by 60% in a month. The fall in the price of pig-iron have forced to lower the Chinese NET-Coke price but due to anti dumping duty the industry is not in a position to take advantage. The Sub-Committee was informed that increase of input duty from 10 to 25% as anti-dumping raising; measure of DEPB credit entitlement to 15%, Exemption of MBF from anti-dumping duty on input of MET-coke from China, exemption from additional import duty for all imported input materials, exemption of import of low ash coking coal to encourage Indian Coke Industry and reduction of excise duty from 15% to 10% may improve the status of pig-iron in India.

Lower customs duty for imported refractory materials, increase in import area, lower capital utilisation are the major problem being faced by the Refractory Industry. To improve the status of refractory industry DEPB benefits, which is currently 7 to 11%, should be enhanced to 20 to 22% and RBI guidelines for realisation of export profit within 180 days should be done away with.

171 Induction Furnace units out of 682 is already closed down to - high rate of excise duty and stiff competition from BF-BOP Route so excise duty in production (ad valorem).at the rate of 5% instead of 15% MODVAT duty on capital goods be allowed and at the same time
Reduction on electricity tariff, SS scrap import duty is required, besides endowing SS steel the benefits of SSII and demand credit facility for induction furnace making SS Steel.

High excise duty, increase of price of coal by 20% in 3 years and increase of price for Iron ore by 27% in 3 years made 3 Sponge Iron closed while other 3 trapped under BIFR out of 23 total units. Induction furnace units use scrap which doesn't attract excise duty like DRI and the price of DRI reduced by 22% in 3 years. So, it is also difficult to compete globally as others are getting at a huge margin due to the government policies.

Reduction of input duty on all basic inputs of Alloy Steel is essential as the industry is in neck-deep trouble due to increasing cost of input. (Note: rate of power tariff keeps on increasing by 15% every year. The value of rupees against dollar has decreased leading to reduced in finished Steel (Alloy & Stainless) by 15-18% internationally & domestic and capacity utilization decreased by 50%)

50% demand of production capacity, high electricity, tariff causing huge cost of production putting export at advantage end, supply from neighbouring countries without taxes, CVED and falling international price led to ultimately closure of 30 units of Ferro Alloys and intended reducing in capacity utilization and lowering of import duty has increased imports from 18 crore to 120 crore in six years. So, Ferro Alloys requires cheap power, DEP rate be increased to 20%, importing of CVED from neighbouring country supply and total removal of anti-dumping duty on imported coke.

5. In order to improve the health of re-rollers units, Sec - 3A which provide benefit to Induction Furnace in the case closure for more than 7 days be applied for re-rollers and re- rollers should be allowed to pay excise duty in two installments like the Induction furnace units. Section -3 of excise duty be allowed to alloy and stainless steel manufacturers for the quantum produced by them after taking MODVAT credit and the Re-roller be allowed to clear the goods upon payment of differential duty @ 15%.

The market size is around 25% of the total demand in country while the producers are facing stiff competition from the new secondary producers and in imports.

The total demand for North Region is placed around 6 million tonne approx. for flat and non - flat products. The global scenario is also not very encouraging as CIS Countries having an excess production of 40 million tonne are trying to force in other markets thereby un-stabilising the prices.

PRIVATE ENTREPRENEURS, DELHI

M/S Rathi Ispat Ltd.

The Sub-Committee received a representation from M/S Rathi Ispat Ltd. regarding the problems being faced by Steel Industry (Electric Arc Furnace - Mini Steel Plants) which informed that Mini - Steel Plants were mostly set up in early '70s near consumption centres away from ports and primary steel producers like i.e. in the upper India belt comprising of Punjab, Haryana, Delhi and U.P. - many of them are now lying closed and a few, which are still being driven against the odds, may not last long unless some urgent measures like reduction in Excise Duty and rationalisation of power tariffs are undertaken. Shri Arun Kumar Rathi, Director, Rathi Ispat Limited gave a presentation to the Sub-Committee on similar line. The Sub-Committee was informed that Induction Furnace units and rolling Mills have been brought under a system of the compounded Levy above 1.5 crore, whereas Arc Furnaces have to pay extra Excise Duty of Rs.576-PMT as compared to the units covered under compound Excise Duty. Moreover, Electric Arc Furnace units have to compete with re-rollable materials supplied by the main Steel producers who have to pay Excise Duty on a very low base price because the element freight charges (approximately Rs. 1.500/-) cost and power cost of approximately Rs. 3.000/- PMT are non-Modvatable costs to Electric Arc Furnace unit whereas main steel producers have not to incur these costs.) For example on M/S. Billets and Electric Arc Furnace unit will pay Rs. 1500 PMT as Excise Duty whereas the same product as Primary Steel producer have to pay only Rs.1200/-.

Excise Duty incidence under the compounded Levy Scheme on Induction Furnace has adversely affected the industry. Moreover non-availability of MODVAT Credit neutralise the incentive to buy Excise -paid inputs.

The Electric Arc Furnace which are supposed to manufacture low alloy steel, cannot compete with Induction Furnace, supposed to produce only M.S. Ingots but in disguise producing steel, because of the disadvantage of 15% Excise Duty applicable on Electric Arc Furnace units whereas the Induction Furnaces are covered by the compound Levy scheme. The manufacture of stainless steel utensils doesn't require Modvatable gate passes; so the full burden of excise duty has to be born by the suppliers which is at present very high and works out to about Rs.3750/-PMT.

Excise Duty on Induction Furnace is levied in 3 stages.

The Memorandum/representation urged that, in order to save Electric Arc Furnace Units the Government should either reduce Excise Duty from existing 15% to 7.5%. 3% advantage or Electric Arc Furnace units also under the levy of compounded Excise Duty Scheme.

As regards the issues relating to power tariffs, the representation states that 70% of the electric energy is consumed through Central Utilities like NTPC, NHPC and NPC which supply Power to the Electricity Boards at quite reasonable prices3 suitable guidelines may be issued to the States and Central Tariff Commission to provide energy to Mini Steel plants at viable rates comparable with the rate prevailing in the countries from producers have to complete with them.

Indian Tinplate Manufacturers Association

The representative informed the Sub-committee that Rourkela Steel Plant (SAIL) and Tinplate Company of India are the only Company Manufacturing tinplate with an installed capacity of Rs.1.50 lakh MT and Rs.0.90 lakh MT per annum respectively. While producing Indian Tinplate Manufacturers Association unviable. As more than 50% of the electric power is generated through central utilities like NTPC, NHPC and NPC which supply Power to the Electricity Boards at quite reasonable prices3 suitable guidelines may be issued to the States and Central Tariff Commission to provide energy to Mini Steel plants at viable rates comparable with the rate prevailing in the countries from producers have to complete with them.

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The representative informed the Sub-committee that Rourkela Steel Plant (SAIL) and Tinplate Company of India are the only Company Manufacturing tinplate with an installed capacity of Rs.1.50 lakh MT and Rs.0.90 lakh MT per annum respectively. While producing prime tinplate, there are arising of secondary materials called seconds and waste/waste (W/W) with surface and thing defects. Only prime tinplate is used for packaging of food items like edible oils and vanaspati, processed foods while seconds & W/W qualities are not used for packaging (as food item as they are liable to contaminate the food products/cooking media). The Secondary materials should be restricted to use for packaging of paints, varnishes, shoe-polish, pesticide etc. (The total demand of non-modvatable second materials is required to the quantity of 85,000 to 90,000 MT per annum. The import of Secondary materials was under Restricted List upto 31st March, 1988, and the quantities imported were below 60,000 MT per annum, which, when added to indigenous arising were sufficient for domestic requirement.

The import of secondary materials was shifted from Restricted lists to O.G.L. dispensing with the requirement of End-use declaration, which acted as a deterrent, especially because violation would have attracted penal action. By enlisting secondary materials to O.G.L. an era of liberalisation was started. Several countries, including CIS countries, were allowed re-rollers to pay a 3% or 5% duty on the total goods imported from them.

The import of seconds & W/W is lifted by 50% on MFU (Metallics/Non-Metallics) units while both of them are covered under Section 3A. So, all the hot Steel re-rollers under Section 3A should be made eligible for abatement of the break - down closure for continuous period of 7 days.

The import of 'miss prints' tin from Gulf (not used there) are being used in India for cans - making by turning the leveled portion inside and is being used for packaging edible oil. As the printed portion remain inside in contact with edible oil, the non-edible colour are added into the oil that is highly toxic and injurious to health.

The Sub-Committee took the matter seriously as the Association stood for national health order and the representation received from the Association on similar line has been forwarded to the Ministry on Health for further in-depth study and clarification on the issue.

All India Steel re-rollers Association

The representatives informed the Sub-Committee that All India Steel re-rollers Association represents above 2100 units mainly located in the States of Punjab, West Bengal and Rajasthan. Besides sluggishness in domestic and export markets, Steel Re-rollers units are facing irriants of Central Excise and Customs Duty causing a downturn in the industry. In brief, Steel Re-rollers units are facing following problems which require urgent & emergent remedial measures to save the whole Industry from shattering.

1. Rule - 5, added in the hot-re-rolling Mills Capacity Determination Rules 1997, provided that in a case where the capacity determined as per the prescribed formula falls short of the actual production of the mill during the financial year, the capacity will be deemed to be higher of the two, i.e. determined capacity on the basic of the formula on the actual production during the last financial year, thus creating an anomaly going contrary to the provision of section 3-A of the Act, henceforth anomaly is required to be rectified by immediate abrogation of Rule - 5.

2. Rule 96 ZO has been amended by the Government to allow abatement of duty under Sub- Section (1) of Section 3-A of the Central Excise Act, 1944, for the Induction Furnace units which remain closed continuously for 7 or more days. This facility has been denied to the hot re-rolling mills while both of them are covered under Section 3-A. So, all the hot Steel re-rollers under Section 3A should be made eligible for abatement of the break - down closure for continuous period of 7 days.

3. All the hot steel rollers should be allowed to undertake job work and the circular No. 422 dated 9.3.1997 should be recalled.

4. Re-rollers should be allowed to pay excise duty in two installments like Induction Furnace units.

5. Capacity assessment for excise duty should be done on the basis of notification 45/97-CE dated 30th August, 1997. Working hour for pusher type furnace should be brought to 1800 hours from 3400 hours.

6. The goods manufactured for export in case of alloy and non-alloy steel manufacturers be allowed to get deemed credit on raw materials and exemption from payments of excise duty.

7. Deemed credit may be made available to the re-rollers having roller dia of 411 and above and have opted for section - 3 of the said Act.

8. Payment of compound levy duty should be reduced to Rs. 100/-PMT for re-rollers less than 160 mm and 200 PMT for above.

9. The duty on Steel product under section 3-A of the Act should be brought down from 15% to 10%. While the custom duty for re-rollable scrap should be to the levels of 5%.

10. Section - 3 of Excise duty be applied to Alloy & Stainless steels manufacturers for the quantum produced by them after taking MODVAT credit and the Re-roller be allowed to clean the goods upon payment of differential duty @ 15%.
Indian refractory makers association

The representatives informed the Sub-Committee that Indian Refractory Makers Association represents more than 100 units (15 large scale) 1-30 medium scale + Rest small/tiny scale). The main items of production are firebricks, High Alumina, Silica, etc. capacity utilisation progressively fell from 51% to 47% partly because of the recession in Steel Industry and partly due to increase in imports.

Refractory industry employs about 35000 workers and accounts for aggregate sales turnover of Rs.1100 crores. About 70%-75% of the indigenous refractories are consumed in Steel industry and the balance is consumed in the current glass, nonferrous metals, and refineries and other industries.

The major problems being faced by Indian refractory Makers Association:-
1. The Custom Duty on raw-materials, which have to be imported is the same as or more than the current customs duty on import of finished refractories;
2. Which seriously affects the competitive position of the domestic refractory industry and also its financial condition;
3. Bearing in mind the lower Custom Duty on finished refractories relative to raw materials, the import of refractory by various industries has increased;
4. The capacity utilization W being progressively falling the last four years, from 5 1% in 1994-95 to 47% in 1997-98;
5. Growth in export is being hampered due to inadequate Duty credit entitlement under DEPB scheme which is currently 7 to 11% whereas the actual impact of Custom Duty on raw-materials is 20-22% and the restriction placed by RBI guidelines for realisation of export proceeds within 180 days, undermining the fact that refractory export, as part of project exports to coke-oven and Blast Furnaces require much longer credit periods;

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<tr>
<td>Refractories</td>
<td>40%</td>
<td>35%</td>
<td>30%</td>
<td>30%</td>
<td>35.2%</td>
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<tr>
<td>Raw Material</td>
<td>50%</td>
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<td>40%</td>
<td>40%</td>
<td>50.8%</td>
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<td>DBBM/SWM/FM</td>
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<td>TAB/Sint</td>
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<td>40%</td>
<td>30%</td>
<td>40.4%</td>
</tr>
<tr>
<td>Alumina</td>
<td>50%</td>
<td>40%</td>
<td>30%</td>
<td>30%</td>
<td>40.4%</td>
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<tr>
<td>Natural Graphite</td>
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The Association also proposed indigenous supply of refractories against global tender to steel industry, Cement Plants, and Petroleum refineries, etc. should be given the status of deemed-exports."

Steel Furnace Association of India

The representatives informed the Sub-Committee that Mini Steel Plants based on Electric Arc Furnace (EAF) are engaged in recycling of the Waste Scrap generated in the country and supply twisted bars and other things to the construction Sector. Quoting from the 4th Report of the Standing Committee on Industry’s recommendation to provide financial assistance, to make scrap available, to lower the excise duty considerably in order to give a kick start and smooth running of the industry the Sub-Committee was informed that the recommendation was put into practice by the Government except a duty reduction in scrap-units, after unit closed down because of steep increase in Excise Duty rates during (1991-98) from Rs. 630 per MT (6%) to Rs. 1500 per MT (12.5%), an exorbitant increase of 138% and sharp to like in Electric Power rate i.e. from Rs. 1.40 per unit k-w to Rs.4.54, an increase of 205% thus giving a killing effect to organised sector. The introduction of collection of Excise Duty by way of compounding levy scheme based on capacity, instead of tackling the problem of evasion of Excise Duty and sales tax by striking at the root level i.e. reduction in the levels of excise duty to reasonable and bearable level, thus generating more anomalies, litigation, complications and in fact legalised the evasion in excise duty. Steel Furnace Association suggested following solutions to remove the problems being faced by Sided Secondary Steel Sector.

1. NIL excise duty and sales tax on large products for the units producing through blast furnace, concast route and supplying to infrastructure projects.
2. The units which use the BF route may be made member of JPC and product from these units should be earmarked for highways HUDCO projects, ports etc. so that the nationally important projects get quality products.
3. Long term measure to improve the quality steel by using latest technology.
4. Exempt import of Low Ash Met Coke and essential raw material not available in the country all special import duties of 2+3+4% and decrease in basic duty from 10% to maximum of 3%.
5. To encourage development of indigenous Merchant coke industry exempt import of low ash coking coal from all import duties (3+2+3+4%)
6. Reduce Excise Duty of Pig Iron from 15% to 10%.
7. Increase in import duty of Pig - Iron & infrastructure Steel Products.
8. Exemption to Mini Blast Furnace industry from Anti - Dumping duty on import of coke from china.
9. Enhancement of DEPB credit entitlement for export to at least 15%.

All India Induction Furnace Association

The representatives from All India Induction Furnace Association informed the Sub-Committee that out of total 650 Induction Furnaces 300 Induction Furnace have closed down due to lack of co-ordination between Ministry of Steel and Ministry of Finance causing
1. Demand of Steel in the country has suddenly dipped since 1997-98 which has resulted in low realisation on investment;
2. Excessive and disproportionate levy of Excise duty by Central Government since July, 1997, has affected the profitability of the units coupled with low demand for mild steel and stainless steel products and closure of many factories. The principle used by Finance Ministry for compounding Excise duty is based upon production capacity and not on actual production as being followed for other steel producing units where duty incidence is 15% ad-valorem while for Induction Furnace Units it amounts to 22% to 45% due to electric tripping and excise duty on freight.
3. SAIL is selling its products by giving huge discounts and thereby suffering loss to the tune of Rs.1800 crore in 1998-99. SAIL, instead of selling finished products are billets and blooms compete with Induction Furnace units on commercially improper, and unfair trade practices.
4. Excise Department at present creating problems for the industry by raising fresh points such as duty on runners and rice produced. They also take span or standby crucibles for capacity assessment despite clean instructions on the subject contained in the Ministry of Finance circular No. 322/44/97-C dated 25.7.1997.
5. Higher incidence of power tariff due to inefficient governance of the Electricity Board, loss incurred by the Boards are shifted to Induction Furnace Mills.
6. As the Induction Furnace industries are capital intensive, the Government's intention of reducing investment limit for small scale sector from Rs.3 crore to Rs.1 crore would be injurious to induction furnace.
7. Induction Furnace industry has not been able to get the required support from the steel Ministry from time to time. As a matter of fact Induction Furnace industry requires the sympathetic consideration of various Ministries of the Government of India i.e. Finance, Steel and Power in following areas:-
1. In view of the power constraints in almost all states of India, abetment benefits need to be enlarged and considered from practical point of view.
2. Due to heavy recession in demand the entrepreneurs should be permitted to run the units one to two shifts according to market conditions.
3. MODVAT on capital goods be allowed.
4. Ad-valorem duty should be brought down from 15 to 5%. In case the compound duty is removed, the same should be made applicable to produce of Induction Furnace Industry.
5. Retention of investment limit to Rs.3 crore for Induction Furnace Sector.

Sponge Iron Manufacturers Association

The Sub-Committee was informed that Sponge Iron Industry in India is the Second largest producer of Sponge Iron in the world with total investment around Rs.5000 crore and installed capacity of 6 million tonne per annum and providing direct employment to 25 thousand people and indirect employment to another 1 lakh people. This Industry is saving/earning foreign exchange of over Rs.2500 crore per annum and made a contribution of Rs.1500 crore to national exchequer by way of excise duty and sale tax during the last 5 years.

The Sponge Iron Industry, which has been playing a vital role in the meeting the input material for the secondary Steel Sector, is passing through a very critical time because of unprecedented recession in demand.

The input costs of raw materials such as non-coking coal and Iron-ore are continuously going up while the selling price of Sponge Iron has crashed. The price of coal increased by 35 to 55% during the last 3 year, depending on grade of coal and that of Iron-ore by more than 20% during the same period, while the selling price of Sponge Iron came down by about 27% in this period due to highly adverse situation. Three units out of 23 working units, namely M/S Goldstar Steel & Alloys Ltd., M/S Kumar Metallurgical Corporation Ltd. and M/s Tamil Nadu Sponge Ltd. have closed and other three units namely M/S Nova Iron & Steel Ltd, MJS Bihar Sponge Ltd. and MIS Prakash Industries Ltd. have been referred to BIFR. If this situation continues, more units will become sick and close down resulting into huge national loss.

Sponge Iron Association suggested following immediate measures to improve the conditions of Sponge Iron Industry:-
1. As the high incidence of excise duty of 15% and Sponge Iron makes it very costly and the industries find it less attractive to use Sponge Iron, so the excise duty on Sponge Iron should be reduced from 15 to 5%. Although the reduction in excise duty from 15 to 5% will lead to a loss of Rs.77.40 crore as revenue to the Government but if the excise duty on Sponge Iron is not reduced, many more Sponge Iron units will close down and there will be no revenue to the Government. Moreover, the reduction, in excise duty of Sponge Iron from 15 to 5% will be revenue neutral as the large captive consumption, excise duty is paid on the finished sponge steel products and the electric arc furnaces units and some of the Induction Furnace Units covered under ad-valorem excise duty will be paid on the basis of the final production and will claim MODVAT to the extent applicable to the Sponge Iron and there will be no revenue.
2. Custom Duty on Non-coking Coal should be reduced from 10 to 3% Likely import of non-coking coal would be around 5 lakh tonne per annum for blending with local material at the value of Rs.75 crore. At present there is nettigible import of non-cooking coal for metallurgical purpose. Use of this limited quantity of non- coking coal will also result in better quality products and higher productivity resulting in more contribution to Government in terms of excise duty & other taxes.
3. To reduce custom duty on Iron Ore pellets from 5 to 3% whereby the loss of revenue will be Rs.1.76 crore but will make the gas based Sponge Iron competitive as compared to the gas based product of other countries.
4. Increase in the import duty of Steel melting scrap to at least 101/1/9 from existing 5% to protect the domestic Sponge Iron Industry. By increasing custom duty on imported Steel scrap, the Government will get additional revenue of Rs.21.25 crore.

Cold rolled Steel Manufacturers Association of India

The representatives informed the Sub-Committee that Cold Rolled Steel Manufacturers Association of India (CORSMA) represents the secondary producers of Cold Rolled Coils/sheets, Galvanised/colour coated coils/sheets with an installed capacity of 2.5 million tonne accounting for over 50% of the indigenous output and exports. Cold Rolled Coils/sheets are versatile and sophisticated Steel products with a wide range of application in the Industrial, Agricultural and Transportation Sector. The Indian cold rolled industry incorporates up-to-date production technologies and is the major supplier of higher grade sheets to the Galvanised Steel producer, Auto Sector, consumer durable producers and other sophisticated industries.

**Facts and figures of corsma**

**Number of Working Units - 42**

**Installed capacity**

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<tr>
<td>1.84,500</td>
<td>1.0 Million tonne</td>
<td>2.5 Million tonne</td>
<td>23,000</td>
<td>Rs.2,500</td>
<td>Rs.650</td>
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<tr>
<td>21,72,980</td>
<td>0.5 Million tonne</td>
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<td></td>
<td>Rs.2,400</td>
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**Production & Exports**

<table>
<thead>
<tr>
<th>A. Production</th>
<th>CR coils/Sheets</th>
<th>Galvanised Coils</th>
<th>Colour coated</th>
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<tr>
<td>1996-97</td>
<td>8,85,000</td>
<td>12,22,000</td>
<td>22,450</td>
</tr>
<tr>
<td>1997-98</td>
<td>8,00,000</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>B. Export</td>
<td>95,000</td>
<td>4,182</td>
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The targets for 1998-99 have been revised downwards due to the recessionary conditions, Galvanised/colour coated sheets are major high value item of export and the value of exports in 1998-99 shall be around US $ 220 Million on Rs.1000 crore on FOB basis.

Notwithstanding the good past performance and global competitiveness, CR industry suffered a serious setback in the past two years due to:-
1. Steep fall in the international export prices of CR coils/Sheets in the past three years from US$ 520 - 560 in 1995 to US$ 300 - 320 in December 1997 due to global recession, surplus capacities and economic crisis and devaluation of currency in CIS and several Asia countries.
2. Squeezing of the differential in the export prices of CR and HR coils by the foreign producers from US$ 170 PMT to only US$ 105 only, to substitutes their exports of HR coils by value added CR coil/sheets, to maximise capacity utilisation in both the HR and CR mills and avoid retrenchment of workers in the CR Mills.
3. Sharp reduction in the custom duty on CR coils/sheets from 75% to 25% of CIF value by the Government.
4. Reduction of the differential in the rate of custom duty on CR coils and HR coils from 25% to 5%.
5. Slow pace of indigenisation programme by the Auto sector and bulk inputs of CR coils, particularly by Maruti Udyog Ltd.
6. Discriminatory Excise duty of 1.5% on the Galvanised sheets against 8% on the asbestos Sheets, a competing substitute despite the fact that its productions fabrication and utilisation result in lead poisoning and production of asbestos sheets have been banned by developed countries. The representatives submitted before the Sub-Committee that the squeezing of the differential in the international prices of CR coils and HR coils coupled with the reduction of the differential in the custom duty from 35% to 5% has severely hit the economy viability of the indigenous CR producers due to steep reduction of the margins. CR industry is thus being subjected to a negative rate of protection and imported products are cheaper than the Indian manufactured products.

The fixation of minimum CIF value for the flat steel products has further worsened the situation. The minimum CIF value for CR coils has been fixed at US$ 397 per tonne and for HR coils at US$ 362 per tonne, squeezing the differential between UR and CR coils to only US$ 35 per tonne against the current international differential of US$ 110 and US$ 150 per tonne. The undue advantage to the HR coils segment and distortion in prices has brought CR Industry to a negative rate of protection. High CIF value for HR coils have been fixed due to pressure from financial institution, to ensure the repayment of heavy loans advanced by the financial Institutions to some HR coils. The passing of the debt burden of HR coils producers to down stream industry is totally unjustified -and counter - productive as the distortion in prices shall destroy, the economic viability of the down stream and also hit global competitiveness of the entire engineering, Industry.

CORSMA suggested that fixation of CIF Values for prime steel products and virtual banning of imports will amount to indirect price controls and thus negates the basic objective of the reform process. In order to restore the economic viability of the Industry, CORSMA suggested the following:-

1. A differential of 100/o may be provided in the rates of custom duty on HR and CR coils/sheet by an increase in basic custom duty on CR coil/sheets from the current level of 30% to 35% to retain the duty on HR coils at 25%.
2. Abolition of restriction of MODVAT adjustment to 9.5%.
3. The Zero duty Imports by the Power Sector/Fertiliser and Petroleum industry may be abolished to promote the domestic capital goods.
4. Strict adherence to approved indigenisation programme by the Auto and other sectors and licence for import should be issued only if at least 65% of the requirement of CR and Galvanised sheets has been procured from indigenous sources.
5. Minimum CIF value for imports be fixed for all the Steel producers on a rational basis, to safeguard the interests of all segments of the industry.

**Agenda for survival of pig-iron industry**

The Sub-Committee was informed by the representatives that the Pig iron industry have 13 units with a capacity of nearly 3.3 million tonne producing quality Iron matching with international quality. But since the last three years Pig-Iron Industry has been facing a lot of problems partly because of over capacity and mainly because of the recessionary trend in the economy. The demand has been going down, whereas the supply has been increasing due to the additional capacity being commissioned. The resultant is reduction in production by 18% in the first nine month of the, current year, compared to the same period during last year. The apparent consumption in total market, including the integrated steel plants, has come down by 4% and export declined by 60% and the stocks in the market are nearly 6,00,000 tonne which accounts three to four months inventory.

The major problems being faced by pig-iron industry is the imposition of antidumping, duty on the low ash/metallurgical coking coke of Chinese origin. The Government vide Notification 81/98, dated October 27, 1998, imposed Anti-Dumping Duty (ADD) equivalent to the difference between a reference price of Rs.4673 and landed cost of low ash Met - coke of Chinese origin. This decision of the Government was based on the Final Findings notified by the Commerce Ministry on August 27, 1998. The Ministry of Steel had opposed the imposition of the add all through, as it would kill the nascent mini Blast Furnace Industry.

**GENERAL CONCLUSION/OBSERVATIONS/RECOMMENDATION OF THE COMMITTEE**

Steel is being used by the major industries like Oil and Gas, Power, Automotive, Heavy Engineering, Construction, Aerospace etc. with a higher consumption rate than the other sectors. The demand for steel is increasing and the production of steel has been rising and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products. The import of steel products has been increasing and that the steel industry is facing threat from import of low cost steel products.
Para-1 Steps to increase demand

Government may take following steps in order to increase the consumption of steel which will automatically increase the demands of steel in various sectors of economy.--

(i) Envisaging Mega-infrastructural projects are road. Power ports, dams, water pipelines, Airports etc and speedy implementation of these projects say in 3 to 5 years;
(ii) Reduction in safe life of LPG cylinders from existing 20 years to 15 years;
(iii) Promotion of made in India Steel for infrastructure projects, especially those projects which are financed 100% by Indian Companies. Made in India steel must be used for construction of bridges & roads;
(iv) Encouraging the rise of steel wheelbarrows instead of allowing to carry material on head;
(v) Replacement of the use of bamboo scaffolding by steel pipe structure;
(vi) Banning usage of health hazardous asbestos corrugated sheet both for domestic and industrial cladding purpose;
(vii) Promotion of steel usage in making of truck body; and
(viii) Encouraging usage of steel houses in earthquake prone zone.

The measures stated above will result into multifold growth in areas like housing construction etc. and ultimately gross development of Indian Steel Industry.

Para-2 Provision for sufficient fund flow at sustainable rate of interest

which is capital intensive so development and growth of steel industry depends largely, on the degree of support from Government banks & other financial institution. Lack of sufficient working capitals funds for further modernization projects, high rate interest causing, increasing in cost of production due to debt burden & interest multiplication and hesitation on the part of Financial Institution in advancing further finance, to several units of steel industry etc are the issues which require immediate reconsideration and evaluation. By the way, the Sub-Committee, considering the fact that steel industry, a sunrise industry, is passing through a cyclical recession, the financial institution should take a sympathetic view of steel industry & provide:-

a. fund for completion of on-going projects on priority basis;

b. working capital facilities should also be made available at lower rates, because the Sub-Committee feels that primary producers find it difficult to extend the credit limit to their customers, so banks should be more forthcoming in extending working capital;

c. Long term finding should be made available at the rate of 10 to 12% and the maturity of such debts may be 8 to 12 years; and

d. As the steel plants has to spend about 15 to 20% of its project cost in developing infrastructure such as ports, roads, power distribution, funds used for the development of such infrastructure projects may be considered at an interest rate of 10%.

The Sub-Committee believes that the above support to steel industry from financial institutions will generate employment, & enhance GDP growth.

Para-3 Rationalisation of Tax structure:

The Sub-Committee examined the tax related issues & export promotion schemes like Excise duty custom duty, DEPB rate, anti-dumping issues and made its detailed observations/recommendation in the "Thirtieth Report" (of Department Related Parliamentary Standing Committee on Industry) on Demands for Grants (1999-2000) of Department of Steel.

However, the Sub-Committee believes that the Ministry of Steel should take up the issues with the Ministry of Finance which so that the lot of Steel Industry may improve sooner the better.

Para-4 Secondary Steel Sector:

During the course of interaction with the Private Entrepreneurs at various places like Raigarh, Chennai, Mumbai, Karnataka and New Delhi etc.) and meeting with the Regional Development Commissioners for Iron & Steel, the Sub-Committee came across the problems being faced by smaller units engaged in Steel Industry. The Sub-Committee felt that the major problem face by them, are tax-related and export oriented which was going to affect the Industry immediately, so made its observations/recommendations in "Thirtieth Report" (of Committee on Industry), along with the tax-related observations/recommendation.

The Sub-Committee views that the Ministry of Steel will leave no stone unturned in removing the problems of Smaller units engaged in secondary sector.

Para-5 Integrated National Steel Policy

The Sub-Committee reiterates the recommendation made in 30th Report of "Integrated National Steel Policy" comprising of all the segments of the Steel Industry and a policy statement which can land the steel Industry to a place where it can open the account in the new millennium with cherished vision and rosy hopes and aspirations. -Such National Steel Policy, embedded within overall seasonal, policy and priority, should be formulated while -keeping in mind the SWOT analysis (strength, weaknesses, opportunities and threats) of Indian Steel Industry vis-a-vis world Steel Industry National Steel Policy should incorporate mutual co-operation and co-existence of Public and Private sector and reveal the policy with regard to investment-decision, resource management, pricing policy in a liberalized and globalised economy, export-import policy, structural co-ordination between various organization dealing steel units etc.

Para-6 DC (1 & 9)

The Sub-Committee feels that there is an imperative need to entrust Development Commissioner for Iron & Steel be with the task of exploring ways & means of developing steel industry, acting as a co-coordinating authority among the various sectors of steel industry including Main Steel Plant, secondary producers, re-rolling Mill, Induction Furnaces, ship breaking industry etc. Arrangement may be made to integrate the role of Regional Development Commissioner for Iron & Steel and Development Commissioner for Iron & Steel which may collect and maintain statistics of demand, production, consumption, import, exports etc. in respect of various sectors of steel industry.

Para-7 National Power Grid System

The Sub-Committee, therefore, is of the view that the Ministry of Steel may take up the issue with the Ministry of Power for exploring the possibility and commercial viability for setting up of National Power Grid System for Central distribution of power which will ensure not only the uniform tariff rate but also the continued supply of power to steel plants because a system may be developed where power, from the state of producing surplus may be channelised to the states having shortage of power.

The Sub-Committee hopes that the Ministry of Steel will act in right earnest.

Para-8 Implementation of Voluntary Retirement Scheme:

The Sub-Committee is constrained to express its displeasure: aver the low productivity of labour in Indian Steel Industry which pushes the Industry to a disadvantageous point. In this regard, the respective plant management may be directed to resume that adequate training is imparted to the workers & various motivational scheme may be adopted to improve the labour productivity.

The Committee, further, desires that the endeavor of rationalization of manpower should continue with massive inputs an Scientific Human Resources management in order to achieve a 'rational labour order' where high labour productivity may be obtained by employing efficient and effective Labour force.

Para-9 Continuation of Modernisation of Plants:

The Sub-Committee observes that Steel Industry is a heavy industry where, high level of technology is in rolled in -he process of production and it has been felt the state of technology keeps on changing in each three to five years. Therefore, the Sub-Committee is of the considered view that the Ministry of Steel should remain in touch with the development of state of technology and employ the latest technology available.

Para-10 Rationalisation of freight:

During the course of interaction with workers and management the Sub-Committee came to know that freight charges are increased almost every year and as a result the steel industry has to face the consequences of high transportation cost. It is a matter to understand that steel industry being a heavy industry cost of transportation is itself high and if the freight were increased year after year it would be disastrous for steel industry.

Moreover Sub-Committee has been apprised that in many a cases Railway charges the freight for the distance covered plus 30% which is illogical and unscientific. A case in this regard may be referred to the K.K. line of Vizag steel plant where RINL has to pay high charges to the Railway despite the fact that the cost of laying the rail platform has been realised much earlier.

The Sub-Committee recommends that the Ministry of Steel should take up the issue of rationalization of freight charges in general and the case of K.K. route in particular, with the Ministry of Railway at the earliest and resolve the issue without much delay.

Para-11 Research and Technology Mission:
The Sub-Committee view that Steel Industry being technology intensive Industry, the Ministry of Steel should make conscious effort towards technology generation and development.

The Sub-Committee hopes that R & T Mission backed by purposive services of the Empowered Committee, involving intellectual honesty will not only lead to reduction in cost of production but also acquisition of indigenous technology, skinned of continuous & rigorous in home experiment and research.

Para-12. Management by Objective:

The Sub-Committee feels that at times the plant languish in their physical and financial performance due to the management found wanting in their role and responsibility. Although the aim of the Sub-Committee is not to find fault, however, it is worth mentioning whereat that the management of HSLCL, Alloy Steel Plant (ASP), Bokaro Steel Plant need overhauling the improvement. The Sub-Committee hopes that the Ministry of Steel should ensure that the management of these plants are guided by objectives as it is only through management by objectives and not mere management by actions, the lot of the plant may be improved. And once the objective is set all out efforts should be made to achieve the objective.

Para-13. Cost Reduction Measures:

The Sub-Committee observes that almost all steel plant is facing the mind bogging problem of high cost of production due to one and other reasons which inter-alia include low labour productivity, high power tariff, obsolete tools and technology, high payment for procurement of raw material etc. which directly affects the pricing policy of the product and ultimately makes the product less competitive in domestic and international market.

In this regard, the Sub-Committee hopes that the workers and management should undertake conscious efforts for reducing the cost of production. The Sub-Committee is of the view that efforts for reducing the cost of production. The Sub-Committee is of the view that efforts may be made towards generation of high work culture, development supervision and progressive management, which backed by employment of latest technology for economisation of energy consumptions, would lead to reduction in the cost of production.

Para-14. Selection of key Areas of intensive Action and Organisational Development

The Sub-Committee hopes that the Ministry of Steel, in coordination with the management of respective plants will select the key areas which need immediate actions for better physical and financial performance. The Ministry of Steel should remain in constant touch with the management to know the problems being faced by large and small plant/units and after comprehensive assessment, a proper guideline may be issued to the management for carrying out “programme of actions” for immediate intervention which will not only lead to streamlined and better coordination between the plant management and Ministry of Steel, but also translate the organizational development and growth.

Para-15. Disposing of inventories:

During the course plant visit and interaction with the management the Sub-Committee observed the huge accumulation of inventories, which not only block the scarce resources of the plant but also invites apprehension on the financial capability of the plant. High inventories, which remain like ‘idle asset’ for the plant, lead to high operating cost.

The Sub-Committee is of the view that the Ministry of Steel should have periodic assessment of the inventories at each plant, and chalk out time bound strategic programme for disposal of inventories at each plant.

Para-16. Aggressive Marketing Strategy and enhancement of market share:

The Sub-Committee is of the opinion that in a globalised and liberalized scenario, formulation of marketing strategy has the telling impact on the profitability of corporate business. Henceforth, the Sub-Committee is of the considered view that the Ministry of Steel should formulate proper marketing policy on the basis of which Central, Marketing Organisation should chalk out effective marketing programmes which should be delivered to the marketing wing of the plant management and plant management should be given sufficient autonomy to act prudently keeping in mind the prevailing market scenario.

Plant management must strive at product promotion & product diversification development in order to seize larger international market share. A proper market segmentation and brand endowment is the need of hour, besides stressing on consumer satisfaction.

The Sub-Committee views that steel plants should adopt aggressive marketing strategy which will not only lead to disposal of inventories but also attainment of larger market share.

Para-17. Attainment of competitive edge:

The Sub-Committee has dealt in detail strengths, weaknesses opportunities and threats of each plant (SWOT analysis) and hopes that steel plants will make use of the same for comparative analysis and would learn the better part of other in order to achieve competitive edge in domestic as well as international markets. Such exercise would foster fair competition among domestic market.

The Sub-Committee recommends that the Ministry of Steel will take the SWOT analysis of each plant done by the Sub-Committee and make use of the same while taking any policy decision with regard to any specific plant.

The Sub-Committee hopes that steel plant may prosper by overcoming weaknesses, combating threats, utilizing opportunities banking on its inherent strength.

Para-18. Appeal to private sector steel plants

The Sub-Committee while appreciating the contribution of private sector steel plants in the strengthening of steel industry in the country and making it internationally competitive hopes that steel plants in private sector would promote balanced national economic development and growth by promoting development of back-yard regions of India and supporting India's large population by taking positive steps towards employment generation and poverty alleviation.

SPECIFIC OBSERVATIONS AND RECOMMENDATIONS OF THE COMMITTEE

During the course of interaction with the representatives - workers and management of specific steel plants in public & private sector the Sub-Committee made its effort to get acquainted with the basic problems of steel industry at the micro-level. The Sub-Committee took up the case study of each plant on the basis of SWOT-(Strength, weakness, opportunities & threats) analysis in order to come across the problems faced by a particular plant. The Sub-Committee inter-alia examined the techno-economic feasibility of on-going projects in each & every plant; steps taken by the management to reduce the cost of production; marginal efficiency of labour and capital; physical and financial performance of plant during the last three years; total production capacity of the plant and the extent of capacity utilization; level of inventories; prospect of product diversification; basic marketing strategy of the plant; market share; level of infrastructural facilities available in the plant; status of indigenous as well as foreign demand of the product of specific plant and took into account the management/workers views regarding the reasons for languishing state of Indian steel Industry; competitive advantages of Indian Steel Industry vis-a-vis global steel industry; management viewpoint regarding the steps the Government should take in order to emancipate steel industry from crisis-ridden scenario and to detain a larger market share in International steel market. The purpose of undertaking such comprehensive approach to study the problems being faced by each steel plant was to know the details of the problems of steel industry at the micro-level and thus co-ordinate and co-relate the same at macro level so that logistic dimension of the steel industry may come to the light.

The Sub-Committee is of the considered view that the Ministry of Steel should take up the problems regarding each and every plant at the empirical level in order to inject sufficient resilience in the steel industry to withstand the storm caused by periodic recession. The Sub-Committee is of the view that if the physical and financial performance of each and every steel plant in public & private sector is sound, the steel industry will prosper in general. Henceforth the Sub-Committee would like to make following specific recommendations with regard to specific plants:-

Para-1. Bhilai Steel Plant (BSP)

(i) Export surplus plates.

The Sub-Committee feels that BSP management may be given autonomy in deciding the pricing of arising which accumulates during the process of production and BSP while disposing of the arising through disposal stores should take into account the interest of local customer, as this measure will promote the regional industrial development.

(ii) Augmentation of Raipur-Vizag route

The Sub-Committee is of the view that the Ministry of Steel should take up the issue of doubling of Raipur-Vizag railway line with the Ministry of Railway to enable the plant for smooth course of finished products for exports.

(iii) Inventory of Saleable Steel:

Although the Sub-Committee is happy to note that the total inventory of saleable steel has come down from 3,74,600 tonne as an 1st April, 1998 to 3,57,800 tonne on 1st August, 1998 but at the same time the Sub-Committee feels that the volume of the inventories are still large, henceforth, the BSP management should take every possible steps to dispose of the same.

Para-2. Ferro Scrap Nigam Limited

(i) Modernisation of Scrap Recovery Technology

The Sub-Committee was made to understand that FSNL adopted Heckett's world class and world wide technology for carrying out the scrap recovery and processing operation. As the technology and equipments in FSNL became obsolete and old so it is pertinent that the plant should undergo modernization process at the earliest in order to improve the physical and financial performance, henceforth, FSNL management should work in the right earnest.

(ii) Enforcement of Contractual obligation

M/s HARSCO. Corporation, who holds 40% equity share in FSNL, was bound by the contractual obligation to provide the latest technology to FSNL free of cost but as M/s HARSCO declined to meet the legal obligation despite repeated requested, the issue may be taken by the Ministry at the appropriate level.
The Sub-Committee believes that FSNL management should intensify the follow-up action for entering into an agreement with M/s Neelachal Ispat Nigam Ltd., M/s Essar Steel Ltd. and Ispat Metallics India Ltd., for taking up scrap recovery operation.

(v) Recovery of dues of FSNL from BSR, RINL

The Sub-Committee came to know that SAU, and RINL owes to FSNL huge outstanding to the tune of Rs.6,050 lakh and Bhilai Steel Plant alone has to pay FSNL Rs.22 crore IISCO also failed to pay FSNL Rs.7 crore, as a result of which, FSNL is not in a position to undertake its capital restructuring and modernization project, henceforth, the Sub-Committee is of the considered view that the Ministry of Steel may urgently look into the matter and resolve the issue without any further delay.

(v) Scrap Recovery Operations, over to FSNL

The Sub-Committee, in view of the decision taken vide minute of Performance Review meeting held at Ministry of Steel on 21st December 1990 that “all scrap recovery operations in the integrated steel plants should be handed over to FSNL”, and recommends that the Ministry of Steel may look into the matter and FSNL should have a priority in setting orders and Professional for scrap recovery operation. As regards the recovery of steel from slag from dumpards of BSR, Durgapur, BSR & RINL steel plants the Sub-Committee reiterates the committee's recommendation made in this regard in its 39th Report of Demands for Grants (1999-2000).

(vi) Solid-waste management

The Sub-Committee is of the view that FSNL should shine its best to engage itself in solid-waste management and improve in financial performance.

Para-3. Rourkela Steel Plant:-

(i) Voluntary Retirement Scheme & Brain drain

The Sub-Committee kept in view the tendency of the top rank officer's leaving the organization under the coverage of voluntary retirement scheme for better job in private organization, recommends that the Ministry of Steel may take appropriate step to check the brain drain from the organization so that competent and responsible officers stay with the organization and contribute to better physical and financial performance of the plant.

(ii) Financial Restructuring

The Sub-Committee is of the considered view that BSR management and the Ministry of Steel should carve out areas of organizational intervention and undertake appropriate modernisation process so that the cost of production is reduced.

(iii) Workers Union management Relation

The Sub-Committee while expressing concern over low productivity of labour, recommends that BSR management may prepare modalities for improved workers management relation which will not only lead to maintenance of Industrial peace but also bear having on the performance of the plant.

Para-4. Tata Iron & Steel Company Limited

The Sub-Committee is happy to note that TISCO is the only company where Social auditing has been put into practice. TISCO's contribution to national economic growth and development is also on undeniable fact. But, at the same time the Sub-Committee expects that TISCO management will consider workers demand which inter-alia include 16% of bonus, division of money. Table of bonus incentive & capacity bonus and affordable price of item in the canteen The Sub-Committee hopes that TISCO, management will take the liberal & sympathetic view of workers demand.

Para-5. Bokaro Steel Plant (BSL)

(i) Equal treatment to all workers Union

The Sub-Committee came to know that only those workers Union, which have the political back-up have been allotted space for accommodation which Bokaro Steel Rashtriya Mazdoor Sangh's demand for office space have been ignored. As the " Workers are the real producers", the Sub-Committee hopes that BSL management will meet the demand of workers on equal footing.

(ii) Irregularities in the plant

The Sub-Committee recommends that the Ministry of Steel will make an impartial inquiry against the alleged irregularities prevailing in BSL like use of low quality spare parts; plundering of plant's property and partial appointment & promotion at the top slot.

The Sub-Committee also feels it an urgent need for the Ministry of Steel to take adequate steps for streamlining the purchase and accounts department of BSL to eliminate the alleged corruption charges levelled against the purchase officers of the Plant.

(iii) Modernisation of CRM-2

The Sub-Committee recommends that BSL management and the Ministry of Steel may look into the issue of modernization of CRM-1 and prepare the feasibility report, thereon, and if necessary should undertake modernization project at the earliest.

Para-6. Bharat Refractories Limited (BRL)

Implementation of Revival Scheme

The Sub-Committee is of the view that Bharat Re-fractories Ltd. Required sufficient workings capital which has been estimated at Rs.21.00 crores as per IDBI Scheme Report whereas SBI assessed that the company required working capital to the tune Rs.14 crore but the same is yet to be sanctioned and as a result disbarred and the pathetic condition BRL continues to prevails Henceforth, the Sub-Committee observes that the required working capital must be provided to BRL for its survival and sustenance as on account of paucity of fund and inadequate assistance, most of the equipments and machinery outlived their effective life and need immediate replacement.

Para-7. Indian Iron & Steel Company Limited

The Sub-Committee is constrained to express its concern over the detonating physical and financial performance of ISISCO. While all other steel plants have undergone modernization process, ISISCO continues to operate through conventional method with outdated & traditional machinery and equipments. Therefore, USCO requires immediate Government attention for a viable and modernization package.

The Sub-Committee hopes that Government of India would expedite the process of long awaiting signing of the agreement with the Government of Russia for approving SAIL's proposal to revive USCO in a joint venture (JV) partnership with M/s Tyazh Promexport ( TPE) of Russia by using a part of India-Russia-Double department fund in Escrow Account as a contribution of the Russian side to the joint ventures company.

The Sub-Committee further views that in case the TPE's offer does not materialize, SAIL should take initiative to revive ISISCO as sooner the modernization package starts in the plant is already heading towards a point of no return.

Para-8. Kulti-Works

The Sub-Committee feels that a moderate modernization at Kulti can be a great help to be productivity and quality of the plant. Henceforth, sufficient fund may be allocated for Kulti works to undertake modernization programme so that a combination of high work culture prevailing at the plant along with sophisticated technology would yield expected profit.

Para-9. Alloy Steel Plants (ASP)

The Sub-Committee feels that it is an imperative need to arrest the rising cost of inputs and negative movement of prices of SP is product in order to reverse the trend of increasing gross loss and net realization. The said objectives may be achieved by undertaking technological innovations and modernization; rationalization of manpower through Voluntary Retirement Scheme; reduction in inventory through strategic marketing and product diversification.

Para-10. Durgapur Steel Plant (DSP)

The Sub-Committee observes that a huge amount of Rs.4870.73 crore has been spent on modernization of plant, there remains no excuse left for not improving the, physical and financial performance of the plant. Now, onus lies with the DSP management to harvest the fruits of modernisation.

DSP management should undertake necessary measures for the fullest capacity utilization of the plant; explore measures for reduction of cost and innovate areas for organizational development and managerial intervention so that there may be considerable increase in market share and net sales realization.

Para-11. Central Marketing Organisation (CMO)

The Sub-committee understands the pivotal role of Central Marketing Organisation in marketing the products of four major steel plants, viz., BSR, DSP, BSL & RSP on direct dispatch basis and through stockyards and henceforth views that CMO should take stock of the inventories at each plant and stockyard- and explore ways and means for disposing of the same at strategic price so that the financial performance of SAIL's plant may swing upward.

The Sub-committee recommends that Market Research Group of CMO should project the demand forecast after taking stock of objective assessment of empirical facts and figures of domestic and international market. Moreover, the Market Research Group of CMO should explore the new vantage for marketing SAIL's products.

The Sub-Committee felt during the course of interaction with workers and management of various plants that delay in decision-making by CMO has affected the marketing strategy and prospects of selling SAIL's product is being marred due to strategic decision taken by the competitors. Henceforth, CMO and Ministry of Steel should work out sufficient flexibility in the marketing strategy of SAIL so that units of SAIL may take on the spot decision quickly, which is possible only when SAIL's Units given certain degree of autonomy for taking
independent and quick decision with regard to strategic sale of the products.

Para-12. Development Commissioner for Iron and Steel, Calcutta (DC 1 & S)

The Sub-Committee views that if the existence of the office of Development Commissioner for Iron and Steel, Calcutta, has any justification for its continuation, especially in view of the Government's general policy of downsizing its departments, the office has really to play pivotal role for development and growth of steel industry in general.

DCI & S should make result, oriented efforts to seek work-orders for the products of PSUs of Ministry of Steel from priority sectors like Defence, and Railway etc.

In order to have integrated 2, Towth of steel industry DC 1 & F. should actively assist to EAF units and small steel units in Steel Sector. DCI & S, with the help of Regional Development Commissioner for Iron and Steel should overview, periodically the problems being faced by secondary sectors and propose measures to remove them at the earliest.

At the same time the Sub-Committee would like to recommend that the office of DCI & S should intensify National campaign for increase of steel consumption which will naturally increase this demands of steel products.

Para-13. Metal Scrap Trade Corporation Limited (MSTC)

1. The Sub-Committee feels that once the depression in the Steel market is over and the most of EAF unit back on the track the demand of Steel melting scrap will surge up and MSTC would be in a position to import the scrap in black quality to fulfill the domestic demands of the Secondary Steel. At the same time, MSTC should adopt the "Aggressive Marketing Strategy" to import slab end cuttings and petroleum products to maintain a stay in foreign trade front.

2. Adequate guidelines should be given to Railways, SAIL and other Governmental department strategy of Sponge Iron and finished Steel etc.

3. MSTC should widen the basket of items of trade and should adopt massive marketing strategy of Sponge Iron and finished Steel etc.

4. To continue the direct trading i.e. purchase and sell and to cut the intermediaries in order to enhance profit.

5. MSTC should find the pros & cons of joint-venture, before entering into an agreement and correct estimation of viable projects should be worked out in advance showing managerial skill and corporate bargaining.

The Sub-Committee hopes that MSTC would run in profit once the cloud of recession in Steel Industry descends and would play pivotal role in its traditional as well as newly adopted roles.

Para-14. Hindustan Steel Construction Limited (HSCL)

The Sub-Committee undertook a very extensive study of facts and figures of HSCL and came to the conclusion that HSCL should continue in the Public Sector and its fate can be transformed by taking following measures:

(i) Rigorous implementation of Financial Restructuring cum Financial Assistance Package;

(ii) Striving hard to obtain maximum work order for the company;

(iii) Gainful rationalization of manpower;

(iv) Managerial revolution and management overhauling;

(v) Doing away with the prevailing practice of Sub-Contracting the works undertaken;

(vi) Shifting of HSCL headquarters from Calcutta to Bokaro or any other suitable location.

The Sub-Committee was surprised to observe that ISP owes to HSCL an outstanding claims of approx. 45 crore for last 10 years and even after the opinion given by the then Attorney General of India for Settlement, the issue is still pending. How can HSCL survive if the amount to such a tune may remain outstanding to a span of ten years? The Sub-Committee feels that the ISP management should look into all the aspects of the issues and settle the issue in the best possible manner.

Para-15. Salem Steel Plant (SSP)

The Sub-Committee discussed with workers; officers & management of SSP in detail the economic viability and rationale for demand for investment of further Rs.600 crore for "Steel Melting Shop (SMS)" vis-a-vis sluggish demand trend and loan interest burden to be caused to SSP due to proposed installation of SMS and came to the conclusion that installation of SMS is the need of hour. It is noteworthy that out of 48 stainless steel plant all over the world S P is the only unit without SMS facility.

The Sub-Committee regards the SSP management's argument convincing which underlines the fact that installation of SMS banks on the principles of 'cost benefit ratio' because the existing cost on raw material is 66% of total cost and if SMS facilities is provided the cost on raw material will come down to 45% or so, thus, providing leverage for competitiveness vis-avis international market. Moreover, installation of SMS facilities would provide favourable 'Break-Even-Point' due to increment in volume production and reduction in cost.

Therefore, the Sub-Committee is of the considered view that the Ministry of Steel in general and SAIL in particular should make conscious effort in this regard.

Para-16. Rashtriya Ispat Nigam Limited (RINL)

The Sub-Committee is happy to note that the Government has approved second capital restructuring by converting Rs.133.47 crore of Government loans into preferential share as an interim measure and hopes that RINL management through effective managerial skill will ensure better physical and financial performance of the plant.

The Sub-Committee strongly believes that the Government would take kind consideration of "Comprehensive Turnaround Strategy", presently under inter-ministerial consideration.

The Sub-Committee recommends that the Ministry of Steel would resolve the outstanding issues between NMDC and RINL regarding the problems faced by RINL in procuring Iron-Ore in sufficient quantity from NMDC.

Para-17. Sponge Iron India Limited (SIIL)

The Sub-Committee observes that SIIL has to anchor high expenses as the maintenance of CISF, henceforth, recommends that the Ministry of Steel should take into the matter at the, earliest and rationalize the number of CISF at the required level.

The Sub-Committee further recommends that the Ministry of Steel should examine the feasibility of shifting of Headquarter of SIIL from Hyderabad to Kothagudain in order to remove the communication gap between SIIL management and core operating group and to enable the SIIL management to take quick and on the spot decision for better marketing strategy.

Ultimately, the Sub-Committee views that SIIL management and the Ministry of Steel should take measures to reduce the cost of production at the earliest for better financial position of SIIL.

Para 18. Manganese Ore India Ltd. (MOIL)

The Sub-Committee is happy to note that MOIL is a profit-making company and recommends that MOIL management would make concerted efforts for maintaining its track record of making profit.

The Sub-Committee further recommends that Ministry of Steel should take adequate steps to remove the general problems of MOIL enabling the company for better physical and financial performance.

Para 19. Maharashtra Electromelt Ltd. (MEL)

The Committee views that Ministry of steel would take adequate steps towards installation of 30 MW power plant at MEL Plant.

MEL is a power-consuming unit where approx 50 to 55% cost of production is the cost of power. State Electricity Board is increasing the power tariff on quick interval which in turn affects the profitability of MEL. Henceforth own captive power generation by immediate installation of 30 MW power plant at MEL is the need of hour for the survival of MEL.

Para 20. Usha Ispat Limited

The Sub-Committee feels that Usha Ispat Limited is a promising Pig Iron Plant and once the cloud of recession is off there would be a new morning for the Pig Iron Industry. The Sub-Committee is happy to note that UIL is the first Pig Iron plant in India to get ISO certification.

The Government should endeavour to encourage all such Pig Iron Plant in private sector though required tax & financial reforms which will not only lead to the prosperity of Steel industry but also lessen the dependence on import having its lasting impact on India’s balance of payment.

Para 21. Mandovi Peller Ltd. (MPL)

The Sub-Committee feels that MPL, being in moribund stage, requires generation of new life with enthusiastic management. A policy decision is required to be taken up. A policy in regard to what to do with such moribund plant. The Sub-Committee otherwise strongly feels that MPL should be allowed to enlivens as there is geographical advantages due to its location. Besides workers are willing to work with the management and -to undertake all kinds of measures for the emancipation of the plant.
Para 22. Visvesvaraya Iron & Steel Ltd. (VISL)

The Sub-Committee views that Ministry of Steel in general and SAIL in particular should examine the prospect of installation of sinter plant, captive power plant and cement plant. The Sub-Committee views that it is through planned modernisation of VISL, its lot can be improved.

The management of VISL should make conscious efforts for placement of work order from Defence, Railway and other Government agencies.

The Sub-Committee further recommends that Karnataka Electricity Board be directed to provide wheeling facilities to VISL for power generation.

Para 23. Kudremukh Iron Ore Company Ltd. (KIOCL)

The Sub-Committee recommends the following steps may be taken with regard to KIOCL:

(i) Interest of workers and employees should be protected in the event of carrying out of strategic sale of KIOCL.

(ii) The Ministry of Steel should take up the issue of grant of Mining lease i.e. Neelibeedu Iron Ore deposits without any further delay.

The Sub-Committee views that the Ministry of Steel should examine, periodically, the requirement of each plant under its administrative control and endeavour to take sincere steps to remove the problems at the earliest.

MINUTES
EIGHTH MEETING

The Department-related Parliamentary Standing Committee on Industry met at 3.00 P.M. on Friday, the 14th August, 1998 in Room No.63, First Floor, Parliament House, New Delhi.

PRESENT

1. Shri Raghavji — Chairman
   RAJYA SABHA
   2. Shri Govindrao Adik
   3. Shri Karma Topden
   4. Shri Rajubhai A.Parmar
   5. Dr. Ranbir Singh
   6. Shri Nagmani
   7. Shri Bhagaban Majhi
   8. Shri Sanjay Nirupam
   9. Shri Santosh Bagrodia
   10. Shri M.Srinivas
   11. Shri Vijay Shankar
   12. Shri Gyani Singh
   13. Shri Tarachand Sahu
   14. Shri Ramanand Singh
   15. Shri Annasaheb M.K.Patil
   16. Shri Anand Ratna Maurya
   17. Shri Punnulal Mohale
   18. Shri Nadendla Shashkar Rao
   19. Shri K.H.Muniyappa
   20. Shri Dutta Meghe
   21. Shri Konijeti Rosaiah
   22. Shri Sunil Khan
   23. Shri Ananda Pathak
   24. Shri K.Palaniswamy
   25. Shri Shukmani Choudhury
   26. Shri Malayala Rajuiah
   27. Shri Prabhath Kumar Samantaray
   28. Shri Zora Singh
   29. Shri S.S.Palaniminickam
   30. Prof. Jogendra Kawade

SECRETARIAT
Shri Tapas Das Gupta, Director
Shri P.C. Palikar, Under Secretary
Shri Moni Raj Singh, Committee Officer

2. At the outset, the Chairman read out the composition of all the three Sub-Committees and nominated Shri Annasaheb M.K. Patil and Shri Konijeti Rosaiah to be the Convenors of Sub-Committees-II and III, respectively. The Chairman informed that he would head Sub-Committee-I. The composition of the Sub-Committees is as under:-

   (i) Sub-Committee-I
      Ministry of Steel and Mines
      1. Shri Raghavji
      2. Shri Sanjay Nirupam
      3. Shri K.H. Muniyappa
4. Shri Shakunti Choudhury
5. Shri Punnulal Mahale
6. Dr. Shakeel Ahmad
7. Shri Tarachand Sahu
8. Shri Sunil Khan
9. Shri Muni Lall
10. Shri Prabhat Kumar Samantaray
11. Shri Rajubhai A. Parmar
12. Shri Nagmani
13. Shri Gyan Singh
14. Shri Shibu Soren
15. Shri Gaya Singh

(ii) Sub-Committee-II
Department of Industrial Policy and Promotion, Department of Industrial Development & Department of Small Scale Industries and A & RI (Ministry of Industry)

1. Shri Karma Topden
2. Shri Annasaheb M.K. Patil
3. Shri Ramanand Singh
4. Shri C.O. Poulose
5. Dr. Ranbir Singh
6. Shri Ajay Chakraborty
7. Shri Bhagubhan Majhi
8. Shri Maurice Kujur
9. Shri P. Prabhakar Reddy
10. Shri Kallappa Awade
11. Shri Kiran Varadaran Singh
12. Shri Surandra Prasad Yadav (Jahanabad)
13. Shri Zora Singh
14. Shri Ajit Kumar Panja

(iii) Sub Committee- III
Department of Public Enterprises and Department of Heavy Industry (Ministry Industry)

1. Shri Govindrao Adik
2. Shri Nadendla Bhaskar Rao
3. Shri Malyala Rajaiah
4. Shri S.S. Palanimanickam
5. Shri Dutta Meghe
6. Shri Ananda Pathik
7. Shri Anand Ratna Maurya
8. Shri Vijay Shankar
9. Shri Konijeti Rosaiah
10. Prof. Jogendra Kawade
11. Shri K. Palaniswamy
12. Shri Santosh Bagrodia
13. Shri Ramdas Agarwal
14. Shri Jual Oram
15. Shri M. Srinivas
16. Shri Bijoy Krishna Handique

3. The Chairman also informed that the Sub-Committees have been constituted to study the Annual Reports and implementation of policy/programmes of the concerned Ministries. Thereafter, the subjects for the study of the Sub-Committees came up for discussion. The Chairman proposed the subjects and Members expressed their views on them. After some discussion, the subjects proposed by the Chairman were approved and it was decided that respective Sub-Committees will, separately, deliberate upon the subjects for In-depth study. The subjects identified are as under:-

- Sub-Committee-I Problems being faced by Steel Industry (both in public and private sectors).
- Sub-Committees-11 Working of REGP and PMRY.
- Sub-Committees-III PSUs of Department of Heavy Industry Disinvestment, and Revival.

4. *  *

5. The Committee then adjourned at 4.30 P.M.

*** Relates to other matter.

I

FIRST MEETING

The Sub-Committee-I met at 12.00 Noon on Monday, the 24th August, 1998 in Room No.67, First Floor, Parliament House, New Delhi.

PRESENT

1. Shri Raghavji — Chairman

RAJYA SABHA
The Sub-Committee considered its future course of action and after detailed discussion, decided to visit (i) Dhamtari, Raigarh, Rourkela, Tatanagar, Bokaro, Burnpur, Ouragpur and Calcutta from 13th to 21st September, 1998 and (ii) Chennai, Salem, Visakhapatnam and Hyderabad from 5th to 13th October, 1999 for the purpose of having interaction with representatives of organisations/undertakings under the Ministry of Steel as well as in the private sector at the places of visit. The Sub-Committee authorised the Chairman to finalise the tour programmes and seek the approval of the Hon'ble Chairman, Rajya Sabha.

3. The Sub-Committee decided to assemble at Dhamtari at 5.00 p.m. on the 13th September, 1998.

4. The Sub-Committee then adjourned at 1.20 P.M.

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II

SECOND MEETING

The Sub-Committee-I met at 11.00 A.M. on Tuesday, the 27th October, 1998 in Committee Room 'C' Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

1. Dr. Shakeel Ahmed — *In the Chair

RAJYA SABHA

2. Shri Shibu Soren
3. Shri Gaya Singh
4. Shri Nagmani

LOK SABHA

5. Shri Muni Lal
6. Shri Punnulal Mohale
7. Shri K.H. Muniyappa
8. Shri Sunil Khan
9. Shri Shakuni Choudhury
10. Shri Prabhat Kumar Samantaray

SECRETARIAT

Shri P.C. Paikray, Under Secretary

2. In the absence of the Chairman, Dr. Shakeel Ahmed was authorised to preside over the meeting.
3. Dr. Shakeel Ahmed apprised the Members about the Phase-III and Phase-IV study visits of the Sub-Committee and informed that the study visits may be undertaken in the first and third week of January, 1999 respectively.
4. The Sub-Committee decided that it will visit the States of Maharashtra and Gujarat in the third Phase and the States of Karnataka and Goa in the fourth Phase.
5. The Sub-Committee also decided to meet again during the winter session of the Parliament to finalise the detailed tour programme of the study visits to the States mentioned above.
6. The Sub-Committee then adjourned at 11.40 A.M.

* In the absence of the Chairman Dr. Shakeel Ahmed was voted on the Chair.

III

THIRD MEETING

The Sub-Committee-I met at 3.00 P.M. on Tuesday, the 1st December, 1998 in Room No.63, First Floor, Parliament House, New Delhi.

PRESENT

1. Shri Raghavji — Chairman

RAJYA SABHA
2. Shri Sanjay Nirupam

LOK SABHA

3. Dr. Shakeel Ahmad
4. Shri Sunil Khan
5. Shri Shakuni Choudhury

SECRETARIAT

Shri Tapas Das Gupta, Director
Shri P.C. Paikray, Under Secretary
Shri Mom Raj Singh, Committee Officer

2. The Chairman discussed with the Members about the Phase-III and Phase-IV study visits of the Sub-Committee as outlined in the second meeting of the Sub-Committee held on the 27th October, 1998. The Sub-Committee decided to visit the States of Maharashtra, Gujarat and Goa from 3rd to 12th January, 1999 and the State of Karnataka from 18th to 23rd January, 1999.

3. The Sub-Committee also decided that during Phase-III study visit the Sub-Committee will visit Nagpur, Wardha, Chandrapur, Mumbai, Surat and Goa while during Phase-IV it will visit Bangalore, Bellary, Bhadravati and Mangalore.

4. The Sub-Committee then adjourned at 3.35 P.M.

IV

FOURTH

The Sub-Committee-I met at 3.00 P.M. on Friday, the 12th February, 1999 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

1. Shri Raghavji — Chairman

RAJYA SABHA

2. Shri Rajubhai A. Parmar
3. Shri Nagmani
4. Shri Sanjay Nirupam
5. Shri Shibu Soren
6. Shri Gaya Singh

LOK SABHA

7. Shri Muni Lall
8. Shri Tarachand Sahu
9. Shri Punnulal Mohale
10. Shri K.H. Muniyappa
11. Dr. Shakeel Ahmad
12. Shri Sunil Khan
13. Shri Shakuni Choudhury

SECRETARIAT

Shri Tapas Das Gupta, Director
Shri P.C. Paikray, Under Secretary
Shri Mom Raj Singh, Committee Officer

WITNESSES

Representative of Department of Steel
1. Shri S. Manoharan, Joint Secretary
2. Shri K. S. Rajendra Kumar, Joint Secretary
4. Dr. Karnal Kishore, Director, NSIST, Mondigovindgarh (Punjab)

Cold Rolled Manufacturers Association Of India
Shri S.C. Mathur, Executive Director

Steel Furnace Association of India
Shri M. Sunninayar, Executive Director

All India Induction Furnace Association
Shri R.P. Varshney, Executive Director

Indian Tinplate Association
Shri S.N. Mathur, Director

All India Steel Re-Rollers Association
Shri S.D. Khera, Executive Director

Indian Re-Fractory Members Association
Shri Antrik Singh, Chairman
2. The Sub-Committee directed the officials of Department of Steel to make their representation on the problems beseeching the Steel Industry in general and in the northern India in particular. The Joint Development Commissioner for Iron Steel gave a detailed account of the problems being faced by the industry as a whole and the steps the Ministry is taking to ameliorate the situation.

3. Thereafter, the Sub-Committee heard the representations of various Steel based ancillary Industry Associations like Indian Steel Re-Rollers Association, Indian Tinplate Association, All India Induction Furnace Association, Steel Furnace Association, Cold Rolled Steel Manufacturers Association of India etc. and got acquainted with their problems and directed the Department of Steel to take, a, note of the same. Pig Iron Manufactures Association of India highlighted the problems of Pig Iron Industry and requested to save mini blast furnace units from extinction. Sponge Iron Manufactures Association pleaded for rationalisation of tax-structure for the revival of Sponge Iron Industry.

4. The Sub-Committee also interacted with the Private Entrepreneurs of Northern India in Steel Sector like Malvika Steel Products Ltd., Soman Iron & Steel Ltd., M/s Rathi Ispat Ltd., whereupon, each of them presented before the Sub-Committee the general problems of Steel Industry as well as plant-wise specific problems and requested the Sub-Committee to recommend adequate legislative and fiscal measure for the resurgence of recession ridden Steel Industry.

A verbatim record of the proceedings was kept.

5. The Sub-Committee then adjourned at 5.35 P.M.

I

FIRST MEETING

The Committee met at 3.00 P.M. on Tuesday, the 11th January, 2000 Room No. 139, First Floor, Parliament House Annexe, New Delhi.

PRESENT

1. Shri Raghavji — Chairman

RAJYA SABHA

2. Shri Madhavsinh Solanki
3. Shri Santosh Bagrodia
4. Shri Suresh Keswani
5. Shri Ramdas Agarwal
6. Shri Jibon Roy
7. Shri Somappa R. Bommai
8. Smt. Saroj Dubey
9. Shri Nagendra Nath Ojha
10. Shri Sanjiv Nirupam
11. Shri Bhagabab Majhi

LOK SABHA

12. Shri Channilal Thakur
13. Shri Ramanand Singh
14. Shri R. Basanagouda Patil
15. Shri Anant Nayak
16. Shri Ram Singh Kaswan
17. Shri A. Narendra
18. Shri Uttamrao Deorao Patil
19. Shri K.P. Singh Deo
20. Smt. Renuka Chowdhury
21. Shri Nepal Chandra Das
22. Shri P. Rajendran
23. Shri H. B. Ramaiah
24. Shri M. Rajaih
25. Shri Kunwar Sarv Raj Singh
26. Shri Anant Mahadeooppa Gadhe

SECRETARIAT

Shri Satish Kumar, Additional Secretary
Shri Tapas Das Gupta, Director
Shri P.C. Pujary, Under Secretary
Shri M.R. Verma, Committee Officer
2. The Chairman welcomed the newly nominated members of the Committee and requested them to introduce themselves.

3. Thereafter, the Chairman apprised the Members of the activities undertaken by the previous Committee and informed the Members that three Sub-Committees were formed for on the spot-study namely Sub-Committee-I on Problems being faced by Steel Industry (both in Public and Private Sector); Sub-Committee-II on working of Prime Minister's Rozgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) and Sub-Committee-III on PSUs of Department of Heavy Industry-Disinvestment, Sickness and Revival. The Chairman further informed the Members that while the study Report of the Sub-Committee-III was considered and adopted by the Sub-Committee the other two reports could not be considered and adopted by the respective Sub-Committees due to the dissolution of the 12th Lok Sabha resulting in the dissolution of the Committee. The Chairman suggested that the present Committee may take up the reports for consideration, adoption and presentation. After some discussion it was decided that the Reports may be taken up by the present Committee for consideration. The Committee also decided to take up the process of adoption and presentation of the Report on the Action Taken Notes on the Committee's 23rd Report on the Demands for Grants (1998-99) pertaining to the Department of Steel.

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6. * * * * *

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8. The Committee then adjourned at 3.45 P.M.

*** Relates to other matters.

IX

NINTH MEETING

The Committee met at 10.00 A.M. on Wednesday, the 26th April, 2000 in Room No.53, First Floor, Parliament House New Delhi.

PRESENT

1. Shri Ramdas Agarwal — Chairman

RAJYA SABHA

2. Shri Jibon Roy

3. Shri Nagendra Nath Ojha

LOK SABHA

4. Shri Pon Radhakrisnan

5. Shri Chunnial Thakur

6. Shri Ramanand Singh

7. Shri G. Mallikarjunappa

8. Shri Ram Singh Kaswan

9. Shri A. Narendra

10. Shri A.C. Jose

11. Shri Thomas Handsa

12. Shri Nepal Chandra Das

13. Shri Ram Raghunath Chaudhary

14. Shri P. Rajendran

15. Shri B.B. Ramaiah

16. Shri M. Rajaiah

17. Shri Deepak Kumar

18. Shri Manjai Lal

19. Shri K. Malaisamy

20. Shri Ramdas Aliaiwale

SECRETARIAT

Shri Satish Kumar, Additional Secretary
Shri Tapas Das Gupta, Director
Shri P.C. Paikray, Under Secretary
Shri Mom Raj Singh, Committee Officer

2. The Chairman welcomed the Members of the Committee and informed about the nomination of Shri G.J. Javiya to the committee and welcomed him. The Members also congratulated and welcomed the Chairman.

3. The Committee thereafter took up for consideration the draft Report on the Problems being faced by Steel Industry (both in Public and Private sectors). The Report was unanimously adopted by the Committee.

4. * * * *

5. * * * *

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8. The Committee then adjourned at 11.00 A.M. to meet again at 9.30 A.M on Friday, the 28th April, 2000.

*** Relates to other matter.