

Minutes of the Seventh meeting of the Grievance Committee on DMI&SP Policy held under the Chairpersonship of Smt. Rasika Choube, Additional Secretary, Ministry of Steel on 02.08.2018, 03-00 PM at Udyog Bhawan, Ministry of Steel

1. The list of participants who attended the meeting is at *Annexure-I*
2. At the outset, Chairman welcomed the participants in the 7th meeting of the Grievance Committee.
3. On behalf of Ministry of Steel, MECON made a brief presentation on the issues raised by Engineers India Ltd., GAIL (I) Limited, United Drilling Tools Ltd. and Stainless Steel Pipes & Tubes Manufacturers Association (SSPTMA) and Shri Rathi Steel Limited.

Issues raised Engineers India Ltd (EIL)

4. EIL had requested for the following specific grades of steel, for various refineries to produce BS-VI fuel:
 - i. A 106 Gr B carbon steel seamless pipe above 14”
 - ii. A312 Stainless steel seamless pipe above 8”
 - iii. A335 Alloy steel seamless pipe above 10”
 - iv. A335 Alloy steel pipe seamless with grade P91
 - v. Duplex/super duplex stainless steel pipe with Grade 32101, 31550, 32304, 31260, 32760, 32205, 31803, Super Austenitic 31254, 904L, Stainless steel 31050, 310MoLN, Ferritic & Martensitic Grade 420, 430, 446, 439
 - vi. Nickel & Nickel Alloy Grade 600 & 800 series and Monel Grades
 - vii. Copper Nickel pipes EEMUA – 144 UNS 7060X (90-10Cu-Ni)
 - viii. Grade A 333 with size above 6”
5. Standing Committee in its sixth meeting held on 21/05/2018 had given waiver for one year i.e. from 21/05/2018 to 20/05/2019 for items i) to v) as well as item no. viii). For item nos.vi) and vii), no waiver is necessary as the grades mentioned are high Ni-Cr based super alloys having iron content in the range of 3-10% and hence they do not fall under I&S Category. Standing Committee also decided that based on the EOIs, EIL shall give development order to the tune of 20% of the tendered quantity subject to manufacturer bidding against tender and meeting the various tender conditions which include complying with the technical specifications, quality, cost and delivery of supply.
6. Now, EIL has raised following two additional issues :

- a) To seek exemption for procurement of small assorted quantities of various grades & sizes - less than 100 meters - due to the unavailability of indigenous suppliers and /or indigenous suppliers not interested to offer small quantities, so that their projects' time schedule do not suffer on this account. As per them such small assorted quantities arise due to last stage of fine tuning of engineering.
- b) Non-applicability of 20% on account of developmental orders for EIL projects as directed by the Standing Committee in its 6th Meeting on DMI&SP Policy.

7. EIL has given a one year's expected list of assorted pipes requirement which is approximately 75500 Meter (Approx. 4500 tonnes) of about Rs. 90 crore Value. They informed that these quantities are normally not available through manufacturers but sourced through stockiest who are unable to provide Indian manufactured pipes. Since requirement is very less, original manufacturers do not entertain for supply until and unless minimum quantities are ordered.

8. EIL requested that as their projects are fast paced it becomes difficult to place developmental orders for the running projects. They place order on behalf of the client.

9. Chairperson emphasized that to follow the spirit of make-in India and to promote indigenous manufacturing capability in all Government procurement, a hand holding for development of indigenous vendors need to be carried out by PSUs like EIL etc. Therefore, EIL's request for Non-applicability of development orders for their projects can not be accepted. EIL submitted that apart from the demonstration route they will find out a way to allow domestic manufacturers to enlist their capabilities by inviting EOIs from them. On the request of Chairperson they also assured that they will try to host on their website the requirement of different materials for next 3 years.

10. EIL stated that they are placing more than 1000 orders of small quantity of assorted pipes for various projects. They require small quantities of different grades and sizes of materials based on the engineering carried out by them for procurement and execution. The Committee suggested that by following engineering, EIL could segregate different grades of pipes and sizes in bigger order quantity and at least can placed order on such grade sizes which are domestically available.

11. **After deliberations, the Grievance Committee made following recommendations :**

- i. **A confirmation by EIL to be given that procurement of various grades of pipes can not be done in a consolidated manner for the company as a whole so as to take advantage of economies of scale instead it has to be done project wise**

because of which the issue of Minimum Order Quantity comes into play requiring them to seek relaxation.

- ii. Efforts to be made by EIL to look in to and review their procurement processes in line with other PSUs so that the spirit of DMI&SP Policy does not get diluted time and again by seeking/ according waivers.
- iii. As regard request for non- applicability of development orders of 20% for EIL projects , Committee is of the view that in case EIL wants relaxation from the Standing Committee they will have to give an assurance as to how they can contribute in promoting indigenization/ indigenous development. It was suggested that they should place their future steel requirements (approximately for 3 years) which can be procured from indigenous industry on their website so as to attract/ assure vendors to develop capability and enlist themselves with EIL for those new requirements. EIL can do this without linking it with any time bound projects.

Issues raised by GAIL (I) Limited

12. GAIL has informed that the line pipes for various GAIL's project are being procured in compliance with DMI&SP Policy and 4.6 lakh MT of pipes have been procured till date. Out of the above, about 2.9 lakh MT of pipes are being manufactured from imported steel and balance 1.7 lakh MT with domestic input steel.
13. Further, GAIL has stated that exorbitantly high rates have been quoted by steel pipe suppliers against tender Nos. 8000012174, 8000012718 & 8000012742 for supply of coated steel line pipe of API 5L X-70 grade for Durgapur Haldia section (~300 kms) and Barauni Guwahati section (>700 kms) of Jagdishpur Haldia Bokaro Dhamra P/L project and KKB MPL (PH-II) & other pipeline project. As stated by GAIL during the period from October 2017 to May 2018 about 1940 Km of pipeline were ordered of 4.65 lac metric tonne at an average price of Rs.79604/T. According to GAIL's analysis it appears that domestic line pipe manufacturers/suppliers are now quoting (June 2017) at an average price of Rs. 1.20 lac/T which is approximately 27-46% higher than the last average awarded prices for the same specification where as JPC price index for HR Coil has increased by 1.07% only. Referring to the similar instances in the past GAIL has submitted that they are unable to justify such high increase in rates. As per GAIL this will have serious implications on the entire economics of the project. Thus they have taken a decision to refloat one of the tenders. They also stated that if they have to face such unrealistic prices for line pipes again, they have no option but to approach

Ministry of Steel for seeking exemption under DMI&SP Policy for procurement of line pipes from abroad.

14. During the meeting one of the vendors M/s Welspun submitted that there has been increase in steel prices, coating prices (by 20-25%), involvement of long distance transportation to dump sites, Increase in diesel prices. Besides their cumulative effect API X-70 grades steel are not readily available from indigenous manufactures, particularly in large quantities and at time they have to import also.
15. MECON who is the consultant to GAIL stated that while working out cost estimates, the various prices increases have been duly accounted for. As far import is concerned, Chinese Steel could turn out to be cheaper than the domestic steel. Therefore there is no justification in their argument for such hefty increase in prices. GAIL and MECON have suggested that the price estimate may go upto Rs.94000/T and requested the vendors to review their quoted prices.
16. **After deliberations, the Grievance Committee opined that Companies like Welspun, Maan Industries, Ratnamani etc should make efforts to reduce the price to realistic levels and not try and match the global rates and present their final offer before the Standing Committee. They were advised to refrain from profiteering thereby diluting the very spirit of the DMI&SP policy and forcing the Standing Committee to grant waivers.**
17. **Further, the Committee advised that SAIL should be prevailed upon to develop the capacity to manufacture API-5L grade and X-70 grade plate/coil on which it has been working on for some time so as to create healthy competition in the long run.**

Issues raised by United Drilling Tools Ltd (UDT).

18. UDT is a small scale enterprise engaged in design, development and manufacturing of equipment, tools and special purpose machines exclusively to meet oilfield equipment requirement of ONGC. UDT has designed API grade seamless steel tubes-connectors/couplings to provide a long chain of casing pipes for drilling purpose in oil exploration and production which are required by ONGC, Oil India Ltd. The company also uses blooms as inputs to manufacture couplings which are subsequently welded to pipes. UDT has requested for inclusion of connectors/couplings along with all types of pipes/tubes in the finished steel list by modifying Appendix-A of DMI&SP Policy.

19. While elaborating the basic premise of DMI&SP Policy, MECON explained that appendix –A contains list of inputs and output (finished steel items) which are bulk commodity and generic in nature covering all types of quality grades and sizes. The inputs largely constitute the semi-finished steel which has to be further processed to manufacture finish steel. This list does not refer to any component/parts which go in the manufacture of an assembled items required by Government procuring agencies.
20. The couplings/connectors being produced by UDT are fixed in API grade pipes to make a long chain of pipes which are required for drilling purposes by the oil producing companies, such as ONGC, OIL and Reliance Industries etc. As informed these couplings/connectors are produced using billet as input thereby making about 50% value addition. This has indigenous content of about 80% and balance coming from import.
21. Chairperson requested ONGC to provide the description of the items, technical details and prescribe standards. ONGC stated that they do not buy couplings/connectors from the party, infact they procure casing pipes fitted with couplings/connectors etc. However, they will provide the specification of the item.
22. **After deliberations, the Grievance Committee opined that since the 6th Standing Committee agreed to consider the request of M/s UDT hence it is suggested that as per para 5.3 of the DMI&SP Policy, the procuring Government agency M/s ONGC should provide the description of the items, Technical details and prescribe standards to the Standing Committee in this regards for further action as provided for in para-4 of the policy.**

Issues raised by Stainless Steel Pipes & Tubes Manufacturers Association (SSPTMA)

21. SSPTMA has raised the issue of non-availability of raw material (mother/hollow tubes). They have informed that the industry is dependent on Seamless pipes of higher diameter (often referred as mother pipes) as raw material. The bigger pipes are reduced in size to smaller diameter and thicknesses. Further, they informed that hollow seamless pipes are currently produced by only two companies in India.

- i. One is a multinational company i.e. Sandvik which mainly exports it's production to its group companies in China and East Europe. It supplies to local Industry, sparingly and not on continuous basis, and not all grades of stainless steel in size 73mm Diameter.
- ii. The other company is Ratnamani Metals and Tubes Limited, who claimed to have production capacity of 10000-12000 T/Month and have the capability to produce upto

73mm size hollow tubes. Their present capacity utilization is ~50% and therefore, they are capable of feeding to the small producers using hollow tubes as their inputs. The Company also said that they are in the process of upgrading their facilities to produce seamless tube upto 10". The facilities are like to be ready sometime in 2019.

23. SSPTMA has requested that since raw material sizes for higher diameter are not produced in India, and for smaller diameters they are not assured of supply from local producer as well as local supplier becoming their competitor they face price disadvantage. Further, therefore they have stated that Ratnamani is not responding to their queries. Therefore they have requested the Committee to include mother tubes alongwith Billet in the input list by modifying Appendix-A of the DMI&SP Policy.
24. Representative of M/s Ratnamani Metals and Tubes Limited stated that they have production capacity of 10000-12000 T/Month and have the capability to produce upto 73mm size hollow tubes.
25. Chairperson opined that waiver for import of seamless hollow pipes/tubes >73 mm sizes can be given till indigenous capability comes up in the country. She also advised that the existing players to go for backward integration to take full advantage of DMI&SP Policy and help Government efforts in reducing inputs.
26. **After deliberations, the Grievance Committee made following recommendations:**
 - i) **The request of SSPTMA for inclusion of mother pipes as input in Appendix- A may be considered if the manufactures show a minimum 15% value addition in their product manufactured by using mother pipes.**
 - ii) **Since below 73 mm diameter is manufactured by M/s Ratnamani and available in the domestic market. So the same should be procured indigenously by the members of SSPTMA rather than the import.**
 - iii) **It is also suggested that after inclusion of mother pipes in Appendix- A of the DMI&SP Policy and mother pipes having diameter more than 73 mm may be allowed for import for a limited period subject to indigenous capacity building.**

Issues raised by Shri Rathi Steel Limited

24. Shri Rathi Steel Limited has requested EIL to enlist as vendor for supply of TMT Bars. EIL has turned down their request to enlist as vendor and informed that minimum turnover of supplier should be Rs. 1000 Crore to get enlisted in Trade Category S07.

25. The representative of Rathi Steel has stated that they are a 75 year old company and are regularly supplying to their valued customers such as BHEL, HPCL etc. However, by raising the limit of turnover, which they perceived as restrictive condition. They are being denied an opportunity to supply and requested to Ministry of Steel to intervene.

26. EIL stated that there are over 500 small suppliers of TMT bars BIS certified. It is very difficult to enlist all of them and therefore some criteria for selective enlistment of vendor have made. However, they are not sure on this minimum 1000 Crore turnover criteria and promised to look into this matter.

27. **After discussions, the Grievance Committee opined that:**

- i. **EIL to submit before the Standing Committee the basis on which restrictive pre-qualification criteria have been kept for enlisting vendors.**
- ii. **M/s Rathi steel to show that imposition of the condition of the turnover (Rs. 1000 Crore) by EIL is resulting in imports because of which the policy of DMI&SP can be invoked.**

Meeting ended with the vote of thanks to the chair.

Annexure- I

1. Smt. Rashika Chaube, Additional Secretary, M/o Steel
2. Shri Atul Bhatt, CMD, MECON
3. Shri G.P. Meena, Deputy Secretary , M/o Steel
4. Dr. A.S. Firoz, ERU, Joint Plant Committee
5. Shri A.K. Agarwal, GM (TS), MECON Ltd.
6. Shri Pritam S. Purkayastha, DGM (TTD)/OSD to Secretary, M/o Steel
7. Shri S.K. Mohanty, Under Secretary, M/o Steel
8. Shri S.P. Bist, Section Officer, M/o Steel
9. Shri Amit Singh, IDD, M/o Steel
10. Shri Sushil Kumar, Technical Officer, M/o Steel
11. Shri D.P. Sen, Executive Director, GAIL (India) Ltd.
12. Shri R.K. Sinha, GM(LDPL), MECON Ltd.
13. Shri Vikesh Punj, DGM (Mktg & MASE), MECON Ltd.
14. Shri N.J.S. Humja, GGM(D), ONGC
15. Shri A. Nagia, ED, ONGC
16. Shri S.Viswanathan, ED, ONGC
17. Shri Neeraj Kumar, GM (MM), ONGC
18. Shri Rajeev Kumar, Sr. GM, Engineers India Limited.
19. Shri A.K. Chaudhary, ED, Engineers India Limited.
20. Shri Neeraj Mathur, GM, Engineers India Limited.
21. Shri Gumel, DGM-Mktg., Jindal (India) Ltd.
22. Shri C.P. Goel, V.P – Mktg., Jindal Saw Ltd.
23. Shri Pramod Gupta , CMD, United Drilling Tools Ltd.
24. Shri Gyanveer Singh, VP (Mktg), United Drilling Tools Ltd.

25. Shri O.P. Somani, Head Business, Stainless Steel Pipes & Tubes Manufacturers Association, (SSPTMA)
26. Shri Vipin Bhaskar, Executive Sales Marketing, Maixim Tubes
27. Shri A.Mukesh, Manager (Mktg), Welspon Corp. Ltd.
28. Shri Gaurav Sharma, DGM-Sales & Mktg., Essar Steel India Ltd.
29. Shri G.S. Sethi, V.P. Marketing, Mau Industries (India) Ltd.
30. Shri Praveen Kumar, AGM(Mktg.), Welspun Corp. Ltd.
31. Shri Tinku Mittal, Manager (Mktg), Ratnamani Metals & Tubes Ltd.