

Minutes of the 7th meeting of the Standing Committee on DMI&SP Policy held under the Chairmanship of Dr. Aruna Sharma, Secretary (Steel) on 03/08/2018 in Steel Room, Udyog Bhawan, Ministry of Steel, New Delhi

1. The list of participants is attached at **Annexure-I**.
2. **At the outset the Chairman welcomed the participants in the 7th meeting of the Standing Committee and stated that the Policy of Ministry of Steel was first one to be initiated for Make in India agenda for Steel and Steel Products, similar sector policies are of MietY and also some features are there in policy of Ministry of Petroleum and Natural Gas. DIPP subsequently has come up with umbrella policy for sectors that do not have specific policies. There is a task force constituted under chairmanship of Cabinet Secretary that observes the progress made in different sectors and learning lessons from each of the policy. DMI&SP Policy is for Steel and Steel Products and is not divided into administrative boundaries of BIS. If any issue comes, Secretary Steel and Secretary DIPP in the task force committee will flag. Hence, the spirit of DMI&SP is Make in India. It is to explore without any compromise on quality or competitiveness to replace imports and head towards Make in India.**
3. Additional Secretary, Smt. Rasika Choube, M/o Steel made a brief presentation highlighting the issues raised by companies/association and apprised with the outcome of the 7th meeting of the Grievance committee held on 02/08/2018.

Issue raised by Engineers India Limited (EIL):

4. IOCL & EIL informed the Standing Committee in its meeting held on 21/05/2018 that they are putting up projects in its various refineries to produce BS-VI fuel or any other products. As part of project procurement, specific grades of steel are required in the refineries. According to them, such specific grades of steel are not manufactured in India and have to be imported. At times, even if some of them are being manufactured, they are not being offered by domestic manufacturers, for the reason of quantity being very less. On this ground, they had requested for waiver of following grades of steel :
 - 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 has 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.
6. Chairman, Standing Committee stated that Ministry of Steel is constantly monitoring the waiver granted to EIL till 20/05/2019, For items no.(i) to (viii) indicated in Para 4 . For item no.(i) waiver beyond 20.05.2019 will not be given to EIL since MSL has produced the item and it has been acknowledged by EIL that the same is under process of acceptance, the status of these items will be reviewed in the next standing committee meeting. For the items no.(iv) and (viii) since same are not manufactured in India hence waiver for the same will continue till 20.05.2019. For items no.(ii), (iii) and (v) M/s Ratnamani, MSL and JSL have stated that they are developing capacity which will be ready shortly . Standing Committee will review their capacity in December, 2018 and thereafter decision on continuance of waiver beyond 20.05.2019 will be taken for these items. Item no. vi) & vii) are not part of DMI&SP Policy.
7. 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.
8. Refuting EIL's point, M/s Ratnamani Metals & Tubes Limited stated that they have the capacity and are ready to supply stainless steel pipes in very small quantities i.e. from 6 meter to 1000 meters, provided they are given an opportunity by EIL. EIL raised the issue of exorbitant price quoted by Ratnamani Tubes & Metals Limited (RTML) which was not agreed

by RTML. It was made clear by the committee that supplier has to take into account quality, small lots, delivery as well as cost competitiveness.

9. During presentation, Additional Secretary suggested that EIL may club the requirement of the company as a whole to get the benefit of economies of scale and to resolve the issue of minimum order quantity in case the same is raised by the suppliers. EIL explained that they are following this practice in the Green field projects, but in the last stage of the project small quantities are required to complete the project.
10. EIL submitted a summary of the assorted material less than 100 meters likely to be ordered within a year. The list contained about 75500 meter of pipe materials of various grades & sizes which is of about ~4500 tonnes weight and of ~Rs. 90 Crores value. The Committee opined that this being the large quantity, it cannot be allowed to be procured off the shelf from stockiest, if Indian manufacturers are able to supply. In this respect, it was told that EIL may segregate those grades & quantities which Indian suppliers are able to supply.
11. **Based on the list submitted by EIL, M/s Ratnamani was asked by the Standing Committee to submit documents with evidences of items they will be able to supply. The Standing Committee also decided not to give blanket waiver for assorted quantities less than 100 meter at this point of time because there are manufacturers in India who can supply the items in desired quantity and quality. It was also stressed that indigenous manufacturers should supply small quantities of desired quantity at competitive rates. Further M/S EIL has been advised to give the details of items which have not been made available to them despite previous assurance by the Indian manufactures to the Grievance Committee so that a special meeting may be convened on this matter to resolve the issue within a 2-3 days of issuance of this minutes.**
12. **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 promotion/development of indigenization/ indigenous steel sector. 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. EIL committed that they will upload their future steel pipe requirement on their website. The Committee decided that**

this will be made applicable to all CPSEs. Hence while project wise applicability of developmental orders of 20% was waived of by the standing committee. EIL was asked to place developmental orders of 20 % for all known future steel requirements for the company as a whole.

Issue raised by GAIL (India) Limited

13. GAIL has informed that the line pipes for various GAIL projects 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.
14. Further, GAIL has informed 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 KKBMPL (PH-II) & other pipeline project. As stated by GAIL during the period from October 2017 to May 2018 about 1940 Km of pipeline (4.65 lac metric tonne) were ordered at an average price of Rs.79604/T. As per GAIL, the domestic line pipe manufacturers/suppliers are now quoting (June 2018) at an average price of Rs. 1.20 lac/T which is approximately 27-46% higher than the last average awarded prices in May, 2018 for the same specification where as JPC price index for HR Coil from May to June, 2018 has increased by 1.07% only. Referring to the similar instances in the past, GAIL 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 continue to face such unrealistic prices for line pipes, they have no option but to approach Ministry of Steel for seeking exemption under DMI&SP Policy for procurement of line pipes from abroad. GAIL informed that the reverse bidding for the tender is closed.
15. GAIL stated that EIL and MECON are the two most experience PSU consultants of GAIL, who take into account all factors of escalation before coming up with price estimate. In the past the ordered prices have been around $\pm 5\%$ of their estimates. Taking into account the various factors for price increases, MECON suggested that the price estimate may go upto Rs.94000/T and requested the vendors to review their quoted prices.
16. 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 API X-70 grade steel is not readily available from indigenous steel manufactures, particularly in large quantities and at times, they have to import also. They seem to have approached SAIL and SAIL is also unable to supply.

17. In order to ensure API X-70 grade steel to pipe manufacturers, SAIL was ask to provide the status of supply of this grade of steel from their plant. SAIL conveyed that their plant at RSP is unable to produce required quality on consistent basis. There are issues on quality and they are in the process of seriously addressing it. The Standing Committee asked SAIL to convey the timeline for plant's readiness to supply this material at the earliest. **Standing Committee also opined that the suppliers/vendors namely Welspun, Maan, JSW,etc should consult the two consultants of GAIL i.e. MECON and EIL regarding pricing of the pipes and submit the tenders thereafter. The suppliers have been advised to be cost competitive and must not take undue advantage of DMI&SP Policy. The Committee further opined that if the issue is not resolved, the matter may be brought once again before the Standing Committee for expeditious resolution and if needed waiver will be allowed to GAIL for import of same since a project of national importance can not be delayed.**

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

18. SSPTMA requested that mother pipes should be included as input source along with billets by modifying Appendix-A of DMI&SP Policy. Since they are making value addition which is more than 15%. In the absence of this they are not able to quote to the CPSEs which is harming the MSMEs. They further requested they may be allowed to import since the mother pipes are not readily available indigenously. They informed that this 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. 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 except for pipes of 73mm diameter.
 - ii. The other company is Ratnamani Metals and Tubes Limited, who claims to have production capacity of 10000-12000 T/Month and have the capability to produce 73mm size hollow tubes. Their present production along with that of Sandvik is capable of

feeding the small producers using hollow tubes/mother pipes as their inputs. The Company also said that they are in the process of upgrading their facilities to produce seamless tube up to 10". The facilities are likely to be ready sometime in 2019.

19. SSPTMA has requested that since raw material sizes for higher diameter (>73 mm) are not produced in India, and for smaller diameters they are not assured of supply from local producer who do not respond to their queries and sometimes these local supplier are their competitor, they are left with no option but to import the mother pipes. Hence, they should be permitted by the Standing Committee to import the same. M/s Ratnamani objected to SSPTMA's contention and stated that they are ready to supply hollow tubes up to 73 mm size as they along with Sandvik have the capacity to meet the demands of SSPTMA members.
20. Standing Committee after due consideration endorsed the recommendations of Grievance Committee which stated as follows:
 - 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 indigenus capacity building.
21. **However, it further stated that since the issue is technical in nature, MECON may go into the reasonability of their request by holding meeting with representatives of SSPTMA and M/s Ratnamani Metals & Tubes Ltd. and make independently recommendation to the Committee within 3 days after issue of the minutes.**

Issues raised by United Drilling Tools Ltd (UDT)

22. 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 activities which are required by ONGC, Oil India Ltd., Cairn Energy, Reliance Industries Ltd. (RIL), etc. In view of the above, UDT has requested for inclusion of connectors/couplings along with all

types of pipes/tubes in the finished steel list/ output by modifying Appendix-A of DMI&SP Policy.

23. This issue was discussed in the meeting of Standing Committee on 21/05/2018 and stated as follows -;

“Standing committee Chair assured to look into the matter in its entirety and accordingly, decided to consider inclusion in Appendix-A of DMI&SP policy. This again will call for policy amendment.”

24. **The Grievance Committee Referring to clause 5.3 of DMI&SP Policy, the Standing Committee asked ONGC (the Government Agency which is procuring the connectors) to furnish the description and technical specification of connectors/couplings fitted in casing pipes along with prescribed standards. So that the Standing Committee could take the issue forward under clause 4 of the DMI&SP Policy.**

Issues raised by Shri Rathi Steel Limited

25. 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.
26. This matter was deliberated in the meeting of Grievance Committee held on 02/08/2018, wherein EIL was requested to provide the clarification and criteria of enlistment of vendors.
27. EIL stated that there are over 500 BIS certified TMT bars suppliers of. EIL stated that it is difficult to enlist all the suppliers. Therefore, they have made this criterion.
28. **Referring to MoS circular, EIL stated that they will consider only BIS standard as sole criterion and remove Rs. 1000 Crore turnover criterion.**

Futuristic requirements

29. Standing Committee appreciated that Ministry of Railways (MoR) has placed developmental order on JSPL for sourcing of rails and slowly we are heading towards 0% imports in rails. For future requirement, MoR informed that 60 Kg, 110-UTS Zn -coated rails will be required. SAIL and JSPL will have to come up quickly with their development plans for supply of such rails (may be in next 6 months) to meet the requirement of Ministry of Railways. SAIL stated that they have already developed 60 kg 110 UTS rails; however, there are issues with respect to welding of 130 m rails, which they are seriously looking into. MoR stated that railways is

looking for total solution and not merely limited to supply of rails. Chairperson suggested that both SAIL and JSPL should gear up their efforts to meet MoR's future requirement as Railways is moving on fast track execution of their various projects.

Meeting ended with vote of thanks to Chair

List of participants of the Seventh meeting of Standing Committee on DMI&SP Policy held on 03.08.2018 at 10-00 AM in Steel Room, Udyog Bhawan, New Delhi

1. Dr. Aruna Sharma, Secretary (Steel)
2. Shri Binoy Kumar, OSD (Steel)
3. Smt. Rasika Chaube, Additional Secretary (Steel)
4. Shri Atul Bhatt, CMD, MECON Ltd.
5. Dr. A.S. Firoz, ERU, Joint Plant Committee.
6. Shri G.P.Meena, Deputy Secretary, Ministry of Steel
7. Shri Pritam S. Purkayastha, DGM (TTD) OSD to Secretary (Steel)
8. Shri S.K. Mohanty, Under Secretary, Ministry of Steel
9. Shri S.P. Bist, Section Officer, Ministry of Steel
10. Shri Amit Singh, IDD, Ministry of Steel
11. Shri B.P. Awasthi, Ex. Director (T), Ministry of Railways
12. Shri Ajit Pandit, AM/CE Rly, Ministry of Railways
13. Shri A.K. Agrawal, GM (TS), MECON Ltd.
14. Shri Alok Sahay, ED, SAIL
15. Dr. Ashutosh Karnatak, Director (Proj.), GAIL (India) Ltd.
16. Shri D.P. Sen, Executive Director, GAIL (India) Ltd.
17. Shri M.V. Iyer, ED (Proj.), GAIL (India) Ltd.
18. Shri A.K. Chaudhary, ED, Engineers India Limited.
19. Shri Neeraj Mathur, GM, Engineers India Limited.
20. Shri Vijay Kumar Chama, President, JSPL
21. Shri N.A. Ansari, CEO (Steel Business), JSPL
22. Shri Pramod Gupta , CMD, United Drilling Tools Ltd.
23. Shri Gyanveer Singh, VP (Mktg), United Drilling Tools Ltd.
24. Shri O.P. Somani, Head Business, Stainless Steel Pipes & Tubes Manufacturers Association,
25. Shri Krunal Patel, Director, Stainless Steel Pipes & Tubes Manufacturers Association, (SSPTMA)
26. Shri Surendra Sharma, Managing Director, Steemline Industries Ltd.
27. Shri Vipin Bhaskar, Executive Sales Marketing, Maixim Tubes
28. Shri Dhurv Rathi, Director, Shri Rathi Steel Ltd.
29. Shri R.Gupta, President, Mau (I) Ltd.
30. Shri D.M. Sharma, Head (Mktg), Ratnamani Metals & Tubes Ltd.
31. Shri Vijay Kaul, Sr. GM (Mktg), Ratnamani Metals & Tubes Ltd.
32. Shri C.P. Goel, VP (Mktg), Jindal Saw Ltd.
33. Shri Gaurav Sharma, DGM-Sales & Mktg., Essar Steel India Ltd.
34. Shri A. Nagia, ED, ONGC
35. Shri S.Viswanathan, ED, ONGC
36. Shri Sanjay Batra, Sr. V.P (Mktg), Welspon Corp. Ltd.
37. Shri G.S. Sethi, V.P. Marketing, Mau Industries (India) Ltd.
38. Shri Praveen Kumar, AGM(Mktg.), Welspun Corp. Ltd.
39. Shri Tinku Mittal, Manager
