

Minutes of the 8th meeting of the Standing Committee on DMI&SP Policy, held on 01/11/2018 at 3.00 P.M. under the Chairmanship of Shri Binoy Kumar, Secretary, Ministry of Steel

1. List of Officers who attended the meeting is enclosed as **Annexure –I**.
2. At the outset, Chairperson welcomed the participants in the 8th meeting of the Standing Committee.
3. Additional Secretary, Smt. Rasika Chaube, M/o Steel made a brief presentation highlighting the issues raised by companies/association and apprised with the outcome of the 8th & 9th meeting of the Grievance committee held on 27/09/2018 and 11/10/2018 respectively.

Issues raised by Rail Vikas Nigam Ltd. (RVNL)

4. It was informed by RVNL that they are dependent on SAIL for its ‘rail’ supply either through MOU of Ministry of Railways with SAIL or through a contract awarded to SAIL for ADB projects of RVNL in February, 2014.
5. RVNL also informed that the estimated requirement of rails for the projects to be commissioned in next two years (2019-20 and 2021-21) including the short fall in the supply during current Financial year is 5,00,000 MT for the 60 Kg 90 UTS rails.
6. RVNL further stated that in view of non-availability of rails to meet the critical requirement and the fact that approximately one year’s time is needed to start the rail supply from global sources post invitation of tender, RVNL is proceeding with invitation of global bidding for 5,00,000 MT of 60 Kg 90 UTS rails. Bids will however be finalized only after the receipt of approval from Ministry of Steel.
7. RVNL has requested that exemption be granted for procurement of 5,00,000 Metric Tonnes 60 Kg 90 UTS rails through global bidding from established manufacturers/suppliers who have experience of supplying rails to major passenger carrying system worldwide.
8. It was informed that considering the domestic production constraint of rails which is very critical for passenger safety consideration and non-availability of any other approved domestic manufacturer of rails other than SAIL, Ministry of Railways has permitted RVNL to procure/ import rails from sources other than SAIL for rail requirement for projects to be commissioned in 2019-20 & 2020-21. Due to capacity constraint of SAIL, the supply of rails in the last three has been deficient vis-a-vis railways requirement. RVNL stated that in order to promote other domestic supplier’s suitable clause of governing the developmental order will be incorporated in the bid document.
9. During the deliberations, RVNL also stated that apart from SAIL, there is another rail manufacturer i.e. JSPL, who may not fulfil the criteria of past performance of rails on passenger/ mixed traffic carrying railway network. However, they have been

considered for a developmental order in the recently concluded global bidding by MoR.

10. SAIL stated that against 2 MTPA production capacity for rails, SAIL will be able to supply 1 MTPA quantity of rails in 2018-19. After ramping up it will be 1.2 MTPA in 2019-20, because of which the demand of RVNL cannot be met for FY 2019-20. However, after that they will be in a position to handle the demand of RVNL.
11. Chairman (Standing Committee) requested MoR and RVNL to submit their requirement of 'rails' along with grades for the next 8-10 financial years so that Rail manufacturers are in a position to carry out advance production planning.
12. The other Indian 'rail' manufacturer i.e. JSPL stated that they can meet the requirement of RVNL and they have the experience of making the rails since 2003. Representative of JSPL further informed that while it will take one year to get the passenger carrying certification from Ministry of Railways towards supply of these developmental order, they have supplied the same rails to Iran and Bangladesh where they have been operating for more than a year. In order to meet their passenger carrying system requirement they can get certificates from them. Standing Committee asked JSPL to submit the certificates regarding supply of rails to Iran and Bangladesh which could be examined by RVNL. It was however pointed out by RVNL that JSPL may not still be able to fulfil the eligibility criteria in the tender, hence they can only be given a developmental order.
13. Chairman (Standing Committee) asked RVNL to ensure that their tender conditions are not restrictive in nature.
14. **After deliberations the Standing Committee noted that SAIL is not in a position to supply the desired quantity of 'rails' to RVNL for the FY 2019-20 and JSPL does not fulfil the requisite eligibility criteria of RVNL. The Standing Committee granted exemption for the importing the requirement of one year subject to placement of development order of 20 % of net procurable quantity to Indian manufacturers.**
15. **However, consequent to the meeting held in Rail Bhawan on 08/11/2018 under the Chairmanship of Chairman Railway Board to assess the requirement of Indian Railways (including RVNL), it has emerged that the qualifying criteria of two years which has been indicated in the tender documents of RVNL is not in line with the condition of one year prescribed by the Indian Railways. This fact was also informed to the Standing Committee. The condition put forth in RVNL's tender document stating "these rails should be in use for more than two years from the date 28 days prior to submission of bids" needs to be changed to one year. This would imply that the other domestic supplier namely M/s JSPL would fulfil the eligibility criteria on this account. Apart from this, there are other conditions e.g. minimum quantity required to have been supplied which is much on the higher side and needs to be reviewed. Hence, the very basis on which the Standing Committee took a decision to grant exemption for purchasing 'rails'**

from abroad has undergone a change and will require a review by the Standing Committee for which a meeting will have to be held again. The preceding para accordingly stands cancelled.

Issues raised by Ministry of Railways (MoR)

16. Vide letter dated 26/09/2018 Ministry of Railways (MoR) had requested for exemption for procurement of 7.10 lakh metric tonnes rails of 60 Kg (1080 Grade) through global tender.
17. Later, vide letter dated 04.10.2018 MoR informed that the quantity and specifications of the rails to be procured through global tender has been reviewed and requested for supersession of their earlier letter dated 26.09.2018. It was stated that in view of operation of 25T Axle load trains, Indian Railways needed to procure 1.95 lakh Metric Tonnes 60 Kg 1175 HT 'rails' immediately.
18. SAIL stated that MoR is changing the specifications of the 'rails' frequently because of which it is impacting their development process. They have successfully developed several rails for 25 T Axle load which have also been proven in 10-15 years of field trial in association with Indian Railways. These have higher yield stress than 1175 HT proposed by Railways for imports. These are as under:
 - i) Niobium Rail
 - ii) Vanadium Rail
 - iii) Copper- Molybdenum Rail
 - iv) Nickel- Chromium- Copper Rail (NCC)
19. SAIL reiterated that any of the above 4 grades of rails are suitable for usage on 25 T axle load. However, Copper-Molybdenum Rail has the best parameters for the purpose and in addition it also offers substantially high corrosion resistance and thus will have higher life on the track leading to lower product life cycle cost. SAIL stated that for Alumino – Thermic (AT) welding a transfer of technology would be required (which is also required for 1175 HT rails) and after that the rails could be used within a span of one year. In case Railways goes in for 1175 HT Rails than the rails would be laid only after 18 months from now, thereafter the trial would be successful after another 30 months only after which Railways can utilise 1175 HT Rail. In case trial fails, than another 30 months delay will take place. This will defeat the very purpose of emergency purchase for which global tender is being proposed. Over and above this 1175 grade is 3 times more expensive and will lead to greater wear and tear of wheels apart from other issues.
20. The Grievance Committee deliberated on the request of the MoR on 11/10/2018 and opined that since the matter is technical in nature, a Committee may be constituted consisting of members from RDSO, MECON and RDCIS (SAIL) to check the suitability of rails and technical issues raised by MoR and SAIL. The Committee may submit the report by 10th November, 2018

21. During the Standing Committee meeting MoR stated that they do not agree with the proposed constitution of the Committee and insisted that the decision of the requirement of rails be left to the MoR alone.
22. Further, MoR apprised that the provision of 20% of Net procurable Quantity shall be kept in the tender for domestic bidder (s) as 'Developmental Order' if Railway is prima facie satisfied that they are technically suitable and capable of executing the order.
23. Other Indian 'rails' manufacturer i.e. M/s JSPL stated that they have supplied similar specifications 'rails' to Government of Iran. M/s JSPL further stated that they are able to supply requisite grade and quantity to Indian Railways.
24. The Chairman however emphasised that as far as possible Railways should utilise rails which are domestically manufactured and advised SAIL to improve the productivity of 'rails' so that the requirement may be fulfilled.
25. **It was brought out during the meeting that Chairman standing committee had already sought time from the Chairman, Railway Board to discuss the issue of procurement of 'rails' and any decision in this regard could be taken post the meeting.**
26. **The meeting with Chairman (Railway Board) was held on 08//11/2018 at Rail Bhawan and the minutes of the same are under issue. During the meeting several issues like total requirements of Indian Railways (Including RVNL), restrictive qualifying criteria in tenders etc. were discussed which will have a direct bearing on the decision to be taken by the Standing Committee. Next meeting of the Standing Committee will be held to resolve the issue pertaining to the Railways once the MoM are received.**

Issues raised by Engineers Indian Limited (EIL)

27. EIL has requested for the exemption for procurement of small assorted quantities of various grades & sizes of steel papers etc. - 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.
28. In the Seventh Meeting of Standing Committee, 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.
29. 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 assorted pipe materials of various grades & sizes which is of about ~4500 tonnes weight and of ~Rs. 90 Crores value. EIL stated that very high rates are being quoted by the manufactures.

30. Chairman advised manufacturers to refrain from profiteering and not dilute the very spirit of the DMI&SP Policy and forcing the Standing Committee to grant waivers.
31. Based on the list submitted by EIL, M/s Ratnamani was asked by the 7th 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.
32. This matter was discussed in the 8th meeting of Grievance Committee held on 27/09/2018. As per the direction of the 7th Meeting of Standing Committee M/s Ratnamani has provided the list of items (Less than 100 meters) which they can supply. M/s Ratnamani Metals has confirmed for the supply of (less than 100 meter) SS- Seamless, SS- Welded and duplex- SS as per the requirement of EIL. The list of the items is attached as *Annexure- II*.
33. The Grievance Committee have recommended to grant exemption for the supply of (less than 100 meter) CS-Seamless, CS-welded, AS –Seamless and AS- Welded since none of the other manufacturers have shown interest.
34. **After deliberations the Standing Committee granted waiver for one year i.e. from 01/11/2018 to 31/10/2019 for following items (less than 100 meter) subject to right of first refusal to domestic manufacturers before going ahead for procurement of imported pipes thorough stockiest etc.**
- i) CS-Seamless**
 - ii) CS-welded**
 - iii) AS –Seamless**
 - iv) AS- Welded**

Issues raised by Hindustan Petroleum Corporation Limited (HPCL)

35. HPCL informed that they have taken up the project of laying 16” diameter 680 Kms long under-ground Petroleum Product Pipeline from Vijayawada (Andhra Pradesh)- Dharmapuri (Tamilnadu) at a cost of Rs.2677 Cr. Recently they have floated the tender for the line pipe of API-5L, Gr X-65 PSL2 of various thicknesses for the 54434 MT quantity. They have stated that very high quotes have been received for the procurement of 700 kms (approx.) 16" dia line pipes for the project with L1 party - M/s Jindal Saw Limited. M/s HPCL has requested for intervention in this matter and stated that if the rates are not reduced than waiver may be granted by Standing Committee to import the line pipes.
36. HPCL further stated that based on the tender in September, 2017 for API Pipes as per index the reasonable rate should be ₹ 95-100/ Kg. The L1 bidder i.e. M/s Jindal Saw Ltd have quoted 30% more than the estimate. They stated that after negotiations the Jindal Saw has come down to ₹ 110.88/Kg Vs Estimate of ₹ 101.37/Kg.

37. HPCL also brought that their price discovery is based on offers from global tenders and order placed order. Last year price was ₹70/kg for coated pipes and after the implementation of DMI&SP Policy ₹ 88/ kg.
38. This issue was discussed in the 8th meeting of Grievance Committee held on 27/09/2018. Chairperson (Grievance Committee) brought out that normally the Grievance Committee would not get into the issue of price negotiations but since this had a direct bearing on the implementation of the DMI&SP Policy the Committee would request M/s Jindal Saw to refrain from profiteering and justify their prices to HPCL.
39. M/s Jindal Saw stated that they have used basic principle of pricing, manufacturing cost transportation cost, delivery schedule, foreign exchange fluctuation, International market and productivity of small diameter prices have been considered. They stated that their prices are in line with the market and the price has been reduced significantly.
40. The Grievance Committee requested M/s Jindal Saw Ltd to resolve this issue amicably with HPCL and also requested MECON to check price reasonability.
41. During the Standing Committee meeting representatives of HPCL stated that after negotiations they have placed the order on M/s Jindal Saw Limited for Rs. 666.82 Crore.
42. Chairman (Standing Committee) also advised manufacturers to refrain from profiteering and asked MECON to prepare a price discovery methodology.

Issues raised by GAIL (I) Limited

43. 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.
44. 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 KKBMPL (PH-II) & other pipeline project.
45. GAIL stated that 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. They have approached Ministry of Steel for seeking exemption under DMI&SP Policy for procurement of line pipes from abroad.

46. This matter was discussed in the 8th Meeting of Grievance Committee on DMI&SP Policy. The Grievance Committee advised pipe manufactures to relook into the pricing and provide the final price to GAIL. The Committee advised that suppliers to be competitive and not take undue advantage of DMI&SP Policy. The Grievance Committee requested MECON to submit the recommendations duly indicating the final cost being quoted by the manufacturers so that the Standing Committee may take final decision.
47. In order to ensure API X-70 grade steel to pipe manufacturers Grievance Committee also asked SAIL 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. Chairman asked SAIL to convey the timeline for plant's readiness with 2-3 days.
48. Representative of GAIL informed Standing Committee that after negotiations though pipe manufacturers have slightly reduced the prices but did not came down to a reasonable level. They informed that this matter has however been resolved and they have placed the order of Rs. 1113 Crore to domestic manufacturer.
49. Chairman advised that GAIL may indicate their requirement for next 10 years so that Indian manufactures can plan their production for the future. Chairman also advised the domestic manufacturers to refrain from profiteering.

Issues raised by United Drilling Tools Ltd (UDT)

50. 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. This issue was earlier discussed in the meeting of Standing Committee held on 21/05/2018 and 03/08/2018. The minutes says as under :
- “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.”*
51. The Standing Committee stated 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.
52. M/s ONGC has submitted the requisite specification of connectors/couplings to the Ministry.
53. This matter was discussed in the 8th meeting of Grievance Committee and it was decided to place the matter before the Standing Committee for inclusion of this item in the Appendix ‘A’ in the output category along with all types of pipes/tubes etc. It was stated that since the input was bloom and approx 80% value addition was being done hence the same could be added to the output in Appendix- A of the Policy.

54. **During discussion in the Standing Committee it was brought out by MECON representatives that in case this is allowed it would result in monopoly which would not be in the interest of the steel sector. Though a decision on this issues had already been taken in the earlier standing committee meeting it was felt that the issue could be reviewed. Hence decision of the 7th Standing Committee was deferred and the grievance committee was directed to put up the case once again after putting all facts on record.**

The meeting ended with the vote of thanks to the chair.

List of the officers attended the 8th Standing Committee on DMI&SP Policy, held on 01.11.2018 at 3.00 P.M. under the Chairpersonship of Shri Binoy Kumar, Secretary, Ministry of Steel

Members of Standing Committee

- 1) Shri Binoy Kumar, Secretary, M/o Steel
- 2) Shri Saraswati Prasad, SS&FA, M/o Steel
- 3) Smt. Rasika Chaube, Additional Secretary, M/o Steel
- 4) Shri Atul Bhatt, CMD, MECON Ltd.
- 5) Dr. T. Mukherjee, Technical Expert
- 6) Dr. A.S. Firoz, ERU, Joint Plant Committee
- 7) Shri S.K. Bhanagar, DIA, M/o Steel

Ministry of Steel

- 8) Shri S.K. Mohanty, Under Secretary, M/o Steel
- 9) Shri Amit Singh, IDD, M/o Steel
- 10) Shri Satish Kumar, ASO, M/o Steel

Representatives from organizations/ Associations

- 11) Shri Rajiv Srivastava, Director, Ordnance Factory Board, MoD
- 12) Shri M.P. Singh, Executive Director, RVNL.
- 13) Shri S.Prakash, OSD, DDP/MoD
- 14) Shri S.Pushkar, JWM, DDP/MoD
- 15) Shri P.Goyal, Exe. Engineer(Civil), CPWD
- 16) Shri Gurmeet Singh, Asst. Engineer(Civil), CPWD
- 17) Shri Anil Pant, DGM, BEL
- 18) Shri S.K. Dwivede, Sr.DGM, BEL
- 19) Shri Janardan Verma, DGM(Cord.), HAL
- 20) Shri Daya Ram Meena, Asst. Manger, BEMIL
- 21) Shri Rajesh Duggal, Dy. RM, HSL
- 22) Shri G.V. Walimbe, GM, MECON Limited.
- 23) Shri V.Venugopal, ED, MECON Limited.
- 24) Shri Vikesh Punj, DGM(Mktg), MECON
- 25) Shri Ashwini Nagia, ED, ONGC.
- 26) Shri Vijay Kumar, President (S&M), JSPL
- 27) Shri Alok Sahay, ED(Comm), SAIL
- 28) Shri Susanta Das Gupta, JPC
- 29) Shri S.Mondal, DC, SAIL
- 30) Shri Dhurv Rathi, Director, Shri Rathi Steel Ltd.
- 31) Shri A.K. Dhawan, GM, Shri Rathi Steel Ltd.
- 32) Shri Rameshwer Lal, CGM(M&C), Indian Oil Corp. Ltd.
- 33) Shri B.K.Mondal, DGM(Material), Indian Oil Corp. Ltd.
- 34) Shri P Babu, AGM, Midhani India.
- 35) Shri Prakash Tatia, Director, Welspun

- 36) Shri T.K. Jha, Chief Manager, HPCL
- 37) Shri Hemant matreja, Sr. Manager, Maharashtra Seamless Ltd.
- 38) Shri P.S.Murthy, CGM(Proj.) HPCL, Mumbai
- 39) Shri R. Ramesh, GM(Proj.), HPCL, Mumbai
- 40) Shri D.P. Sen, ED(CEP), GAIL (India) Ltd.
- 41) Shri KRM Rao, CGM(C&A), GAIL (India) Ltd.
- 42) Shri Vipul Sutaria, Director(Sail), SSTMPA(TUBACEX)
- 43) Shri P.H. Bhat, Bussiness Head, Ratnamani Metals & Tubes Ltd.
- 44) Shri A.K. Chaudhary, ED(S&M), EIL
- 45) Shri Neeraj Mathur, GM (Proj.), EIL
- 46) Shri O.P. Somani, Head-Marketing, SSTMPA
- 47) Shri Vipran Bhaskar,M&R, SSTMPA
- 48) Shri Pramod Gupta, CMD, United Drilling Tools Ltd.
- 49) Shri Gyanveer Singh, VP(Mktg), United Drilling Tools Ltd.
- 50) Shri Suranjan Das Gupta, JGM, Essar Steel India Ltd.
- 51) Shri Vikram Amin, Exec. Director, Essar Steel India Ltd.
- 52) Shri Gaurav Sharma, DGM-Sales, Essar Steel India Ltd.
- 53) Shri Avnish Kumar, GM-Mktg, Jindal Saw Ltd.
- 54) Shri Pramil Sirohi, Asst. VP, Jindal Saw Ltd.
- 55) Shri Vijay Kaul, Sr. General Manager Mktg., Ratnamani Metals

Annexure- II

Sl. No.	Material
SS-SEAMLESS	
1	ASTM A312 TP304
2	ASTM A312 TP304H
3	ASTM A312 TP304L
4	ASTM A312 TP316
5	ASTM A312 TP316H
6	ASTM A312 TP316L
7	ASTM A312 TP321
8	ASTM A312 TP321H
9	ASTM A312 TP347H
10	ASTM A312 GR.TP304/304L DUAL
11	ASTM A312 GR.TP316/316L DUAL
SS-WELDED	
1	ASTM A358 TP304
2	ASTM A358 TP304L
3	ASTM A358 TP316
4	ASTM A358 TP316L
5	ASTM A358 TP321
6	ASTM A358 TP347
7	ASTM A358 TP304/304L DUAL
8	ASTM A358 TP316/316L DUAL
DUPLEX SS	
1	UNS32205/31803/32750