

**Minutes of the Meeting of Fourth Grievance Committee on DMI&SP Policy, held on 31.10.2017 at 03.00 P.M. under the Chairmanship of Shri Sunil Barthwal, Joint Secretary, Ministry of Steel.**

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1. List of officers who attended the meeting is enclosed as **Annexure-I**.
2. At the outset, Chairman of the Grievance Committee welcomed all the participants and requested Shri B.P. Awasthi, ED/Track(P), Railway Board to explain the proposal of Ministry of Railways (MoR) for seeking exemption under DMI&SP Policy for procurement of certain quantity of rails through global tender.
3. ED, MoR informed that Indian Railways is procuring its complete requirement of Rails from SAIL based on the MoU signed in 2003. The requirement of rails for MoR considering replacement of old/worn out rails of existing rail network as well as expansion of the rail network, as per their planned target, for 2017-18 and 2018-19 (Current & subsequent financial years) has been fixed as 14.59 and 14.78 lakh metric tonnes respectively. He explained that SAIL had earlier in first week of October, 2017 assured and committed supply of 9.2 lakh metric tonnes and 13.0 lakh metric tonnes of rails in the year 2017-18 and 2018-19 respectively. As a result, there is a combined shortfall (for FY 2017-18 as well as 2018-19) of 7.17 lakh metric tones of rails, which Railways need to procure from alternate sources.
4. It was further mentioned that the eligibility criteria has been laid down after due approval from railway Board where besides meeting technical specification, quality and other performance criteria, an established manufacturer need to have proven past performance /track record of supply of rails to passenger traffic/mixed traffic railway system. Due to criticality involving passengers' safety, same has been included as part of eligibility criteria for procurement of rails by Indian Railways. He further said that in India apart from SAIL, there is only one more rail manufacturer i.e. Jindal Steel & Power Ltd. (JSPL) which may not be eligible to supply rails as per requirement of Indian Railways. In order to meet the shortfall in supply, MoR has to go for global tender so that their targets of laying rails can be met. MoR has accordingly sought for waiver for

shortfall quantity under the DMI&SP Policy so as to procure the same from global sources. It was informed that Ministry of Railways has gone ahead with global tendering process by inviting bid for supply of 717,000 metric tonnes of rails as per the specification IRS:T-12/2009.

5. In the meeting, SAIL informed that they have revised their earlier assured supply figures for 2017-18 & 2018-19 from 9.2 to 9.5 lakh metric tonnes and from 13 to 15 lakh metric tonnes respectively. As a result, the deficit gets reduced from 7.17 to 4.87 lakh metric tonnes.
6. The Grievance Committee then discussed the manufacturing capacity available in the country. SAIL informed that they have 2.0 million tonnes supply capacity which is under ramping up while JSPL said that they have capacity of 0.75 million tonnes and are capable of supplying 0.6 million tonnes in a year. JSPL further said that they are in the process of further expansion and may be in a position to supply more, if given an opportunity.
7. JSPL said that they have set up one of the most modern rail manufacturing facilities at Raigarh with a huge investment. Their rails are one of the longest rails which can go up to 480 m rail panels through flash butt welding carried out within the plant premises. These rails can be directly transported to work site through special wagons, thereby doing away with most of the welding at site. Long rails reduce the no. of welds as well as mitigate alignment related problems. Besides their rails meet all the quality specifications and performance criteria of Indian and international standards and have been certified by RDSO/DFCC/SGS, Lloyds Register, TUV etc. He said lot of damage may take place during transport of rails, however, with respect to longer lengths, this gets considerably reduced. He further said that they have so far supplied more than 540,000 tonnes of rails which includes about 180,000 tonnes of exports to Iran and Bangladesh in mixed rail network. About 300,000 tonnes of rails have been supplied for Delhi-Kolkata Freight corridor ahead of schedule. He further said that considering the remaining months of current financial year and FY 2018-19, they shall be able to supply about 8.5 lakh metric tonnes of rails. He argued that their rails are of world class

quality, available at lower cost and ensures fast delivery. So there is no shortage of domestic manufacturing capacity. Condition put by MoR in global tender are restrictive to domestic player such that they are out of domestic market for long time.

8. Referring to the basic objective of DMI&SP policy to promote indigenous manufacturing and sourcing of a quality and competitive product, JSPL lamented the fact that MoR is going for global tendering /procurement when domestic capability exists. Mr. Mundrey, Consultant & Advisor to JSPL and former senior Railway official said that there is no difference in technical specifications for a rail track meant for goods transport or passenger transport so far as issue of safety is concerned. He also said that similar specification is being followed by German Railways. He requested Grievance Committee to look into the basic premise on which DMI&SP policy has been brought out and that its purpose is to promote indigenous manufacturing. Shri Mundrey said that compared to shorter length rails being procured by MoR, domestic rails are much longer and therefore, have much less no. of welds, thereby ensuring higher integrity against failure.
9. Dr. T. Mukherjee, Technical Expert of the grievance committee, expressing his views said that competition should be always welcome as presence of more than one supplier improves quality, reduces cost and promotes faster delivery. He was of the opinion that if the stringent quality conditions are being met as per Indian and International standards and same is certified by reputed national/International agencies including IR's own testing agencies, there should not be need of any additional criterion.
10. CMD, MECON expressed that as per the spirit of DMI&SP policy atleast there should be provision in tender for assured development order of reasonable quantity to new domestic entrant.

11. Following observations emerged out of the deliberation :

- a. MoR has gone ahead with the global tendering process for procurement of deficit quantity of rails without taking waiver/exemption from Standing Committee as required under the provisions of DMI&SP policy.
- b. Tender conditions should not be such which create entry barriers to new domestic entrant and thereby defeat the objective of DMI&SP Policy.
- c. Reasonable supply quantity may be assured for the new entrant to demonstrate their capability and build-up the performance/track record.
- d. Time taken in process of demonstration and establishing performance to such new entrant should be expeditious.

Meeting ended with vote of thanks to Chair.

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### ANNEXURE-I

1. Shri Sunil Barthwal, Joint Secretary, Ministry of Steel and Chairman, Grievance committee
2. Shri Anupam Prakash, Director, Ministry of Steel
3. Shri A C R Das, Advisor, ERU
4. Shri Pritam Purkayastha, DGM/TTD & PRSU, OSD to Secretary Steel
5. Shri R K Gupta, Under Secretary , Ministry of Steel
6. Dr. T. Mukherjee, Technical Expert, Grievance committee
7. Shri Atul Bhatt, CMD, MECON
8. Shri B. P. Awasthi, ED/Track(P), Ministry of Railways
9. Shri Naveen Jindal, Chairman, JSPL
10. Shri Ravi Uppal, CEO, JSPL
11. Shri S. Mundrey, Consultant, Rail component, India
12. Shri N.A. Ansari, CEO, Steel, JSPL
13. Shri Kapil Rawat, ED-Logistics, JSPL
14. Shri Ashwini Kumar, VP- S&M, JSPL
15. Shri Vijay Kumar Chama, EVP (S&M), JSPL
16. Shri Raman, Director (T), SAIL
17. Shri G. Vishwakarma, Director (Projects), SAIL
18. Smt. Soma Mandal, Director (Commercial), SAIL
19. Shri M. Ravi, CEO, BSP, SAIL
20. Shri Alok Sahay, ED (Commercial), SAIL
21. Shri A. Prakash, DGM (Chairman Sectt.), SAIL
22. Shri T. Kant, DGM (M-RC)/CD, SAIL
23. Shri Saket, Consultant, ERU
24. Ms. Susmita Dasgupta, JCE, ERU
25. Shri A K Agrawal, GM (Tech. Services), MECON
26. Dr. R K Dutta, AGM (P), MECON

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**MINUTES OF THE MEETING OF THIRD STANDING COMMITTEE ON DMI&SP  
POLICY HELD ON 03-11-2017 AT 03-00 P.M. UNDER THE CHAIRMANSHIP OF  
DR. ARUNA SHARMA, SECRETARY, MINISTRY OF STEEL**

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1. List of Officers who attended the meeting is at *Annexure-I*.
2. At the outset, Chairman of the Standing Committee welcomed all the participants and requested Shri Sunil Barthwal, Joint Secretary, to explain the proposal of Ministry of Railways (MoR) to seek exemption under Domestically Manufactured Iron & Steel Products (DMI&SP) policy for procurement of certain quantity of rails through global tender.
  - 3.1 MoR informed that the requirement of rails of Indian Railways for year 2017-18 is 14.59 lakh metric tonnes against which SAIL *vide* letter dated 04/05.10.2017 has assured supply of 9.2 lakh metric tonnes of rails. Further for the year 2018-19, SAIL *vide* letter dated 27.09.2017 has assured supply of 13 lakh metric tonnes rails against requirement of 14.78 lakh metric tonnes by Indian Railways. Accordingly MoR needs to procure rails of deficit quantity during project period of 2017-18 and 2018-19.
  - 3.2 As regards global tender by MoR, tender bid opening date will be on 22.12.2017. Accordingly, evaluation, award and supply of rail will begin at later date. The issue was deliberated among MoR, and rail manufacturers *viz* SAIL and JSPL and it transpired that against 14.59 lakh tonnes of rails required by MoR in 2017-18, SAIL has revised assured supply of 9.5 lakh tonnes and JSPL has the capability to supply 2.0 lakh tonnes (between Dec'17 to March, 18). In the first quarter of FY 2018-19, SAIL has assured supply of 3.5 lakh tonnes whereas JSPL can supply 1.5 lakh tonnes, which means about 5 lakh tonnes of quantity can be met through domestic source in Q1 of FY 2018-19. At this rate, supply of the whole tendered quantity can be met domestically.
  - 3.3 The Committee felt that supply of rails for estimated deficit quantity for FY 2017-18 and FY 2018-19 by the successful bidder cannot be done before first quarter of FY 2018-19.

4. The Standing Committee was apprised that there are presently two rail manufactures in India viz SAIL and JSPL. The rail manufacturing capacity of SAIL is 2.0 million tonne which is under ramping up and JSPL is capable of supplying 0.6 million tonne rails per annum to Indian Railways. MoR and SAIL entered into an MoU on 01.02.2003 for supply of rails to Ministry of Railways. The requirement of rails for MoR, as per their planned target, for 2017-18 and 2018-19 has been fixed as 14.59 and 14.78 lakh metric tonnes respectively which amounts to a total requirement of 29.37 lakh metric tonnes.
5. SAIL confirmed that they will supply 9.5 lakh metric tonnes and 15.0 lakh metric tonnes of rails in the year 2017-18 and 2018-19 respectively. As a result the revised shortfall of rails for FY 2017-18 and 2018-19 is estimated to be 4.87 lakh metric tonnes. In order to meet this shortfall, MoR has floated global tender (based on pre-revised shortfall quantity of 7.17 lakh tonnes).
6. As per MoR the global tender specifies rails as per Indian Railways Standard Specification for Flat Bottom Rails- IRS: T-12/2009 of 25 or 26 m length. Eligibility criteria by MoR in tender further provides that established manufacturer needs to have proven past performance besides meeting technical specifications. MoR is of the view that for the remaining quantity, apart from SAIL, other rail manufacturer i.e. M/s JSPL may not fulfill the criteria of past performance.
- 7.1 JSPL has stated that they have set up one of the most modern rail manufacturing facilities having a capacity of 7.5 lakh metric tonnes with a huge investment. Given an opportunity, JSPL can supply upto 6 lakh metric tonnes per annum (50,000 tonnes per month) to Indian Railways. JSPL is capable of supplying within 21 days from placement of purchase order. They are making one of the longest rails as per national and international standards and are meeting the quality specifications of MoR. Their rails have been tested and quality certified by RDSO (in 2008), SGS, DFCC- Matt Macdonald, Lloyds Register, TUV-Nord, Germany, BVQI (Bureau Veritas), etc. They have exported rails to countries like Iran & Bangladesh to the tune of 180,000 tonnes for their mixed traffic railway system (supplied to Iran in 2010-11). In India they have supplied rails in lengths of 13m, 18m, 25 m and 260 m to DMRC, Kochi metro, Nagpur

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Metro, Eastern DFC, IRCON and Konkan Railways, etc. to the tune of 300,000 tonnes. In total they have so far supplied more than 540,000 tonnes of rails. It was further indicated that though the tender provides provision for development order for upto 20% of Net Procurable Quantity (NPQ), however, the quantity under the development order would be available only as residual quantity if foreign bidder(s) are not able to supply. Thus, there is no guarantee of even a developmental order.

- 7.2 Against the short length rails of 25 or 26 m being procured by MoR, they can supply much longer rails of upto 260 m and deliver to work site through special wagons. This will do away with the requirement of 9 weld joints needed in laying of shorter length rails of 25/26 m as well as possible damage of rails due to multiple handling & transport to the work site.
- 7.3 Despite having the domestic capacity and capability to supply rails as required by MoR, it is unfortunate that MoR is going ahead with procurement through global tender, contrary to the spirit of "Make in India" as well as DMI&SP policy. In most of the countries, it is an accepted practice to make use of rails produced within the home country rather than going for import. In fact domestic manufacturers are encouraged to put up manufacturing facilities and are also given incentives to enhance their capabilities to become global players. Besides, it works against the employment generation within the country and fritters away precious foreign exchange.
8. MoR informed that global tender for shorter length rails have been floated as supply of long rails cannot be done by importers due to transport constraint. MoR is of the view that a distinction need to be maintained between a goods and passenger traffic railway system. MoR earlier had rail specification of year 1996 which has been revised in 2009. Any supplier of rail has to meet the latest specification. Compliance to RDSO standards is essential for supplying rails to Indian rail network. Normally testing procedure takes 3-4 weeks. Present global tender mention that production of rails to be supplied to Indian Railways (Steel making as well as Rolling) is to be commenced only after 'Process Approval' is communicated in writing by the agency nominated by the purchaser(RDSO/RITES) to the rail manufacturer. Therefore, both domestic as well as imported



rails have to satisfy RDSO testing. MoR mentioned that besides this past performance criteria is provided in tender as safety is important consideration for them.

9. Standing Committee after detailed deliberation made following observations,-
- (i) *Prima facie* there exists domestic rail making capacity for the tendered quantity of Ministry of Railways.
  - (ii) MoR has issued global tender without obtaining waiver under clause 3 of DMI&SP policy. In fact MoR has floated the global tender on the same day i.e. 18.10.2017 on which they approached the Standing Committee for waiver. Therefore, it appears that the procedure for procurement of rails as per DMI&SP policy approved by Cabinet has not been followed.
  - (iii) Reasonable supply quantity may be assured for the new domestic entrant to demonstrate their capability and build-up the performance/track record.
  - (iv) Time taken in process of demonstration and establishing performance to such new entrant should be expeditious so as to take advantage of domestic capacity which is the spirit of DMI&SP policy.
  - (v) The second Indian suppliers' claim & quantity be tested in coming month. MoR is advised to satisfy itself within one month that the available domestic manufacturer other than SAIL meet their specifications and critical requirements after due inspection, verification and testing. Thereafter if MoR still feels that their demand cannot be met through domestic sources, it may seek waiver available under clause 3 of the DMI&SP policy coming back to the Standing Committee.

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**List of Officer attended the Third Standing Committee on DMI&SP Policy held on 03-11-2017 at 03-00 P.M. under the Chairpersonship of Dr. Aruna Sharma, Secretary, Ministry of Steel.**

**Member of Standing Committee**

1. Dr. Aruna Sharma , Secretary(Steel)
2. Shri Saraswati Prasad, AS&FA (Steel)
3. Shri Sunil Barthwal, Joint Secretary (Steel)
4. Shri T. Mukherjee, Technical Expert
5. Shri Atul Bhatt, CMD, MECON
6. Shri A.S. Firoz, Chief Economist, ERU

**Members from Ministry of Steel**

7. Shri Anupam Prakash, Director (Steel)
8. Shri K.B.Nair, Under Secretary (Steel)
9. Shri Pritam S. Purkayastha, OSD to Secretary (Steel)

**Representatives from organization/association**

10. Shri Alok Ranjan, AM(CE), Indian Railway
11. Shri B.P. Awasthi, ED/ Track (P), Ministry of Railways
12. Shri P.K. Singh, Chairman, SAIL
13. Shri Naveen Jindal, Chairman, JSPL
14. Shri N.A. Ansari, CEO(Steel), JSPL
15. Shri Ashwani Kumar, Vice President, JSPL
16. Shri Raman, Director (T), SAIL
17. Shri G. Vishwakarma, Director (Project & BP), SAIL
18. Smt. Soma Mondal, Director (Commercial), SAIL
19. Shri Alok Sahay, ED (Commercial), SAIL
20. Shri T.Kant, DGM (M-RC), SAIL
21. Shri Kapil Rawat, ED-Logistic, JSPL
22. Shri Vijay Kumar Chama, EVP (SM), JSPL
23. Shri A.K. Agrawal, GM (TS), MECON
24. Dr. R.K. Dutta, AGM, MECON
25. Shri Saket, Consultant, ERU
26. Shri J.S. Mundrey, Consultant, Rail Connect India