

**Minutes of the Meeting of Second Standing Committee on DMI&SP Policy held on 15-09-2017 at 3-00 p.m. under the Chairpersonship of Dr. Aruna Sharma, Secretary, Ministry of Steel.**

1. List of Officers who attended the meeting is enclosed as ***Annexure-I***.
2. Shri Syedain Abassi, Joint Secretary (Steel), briefed the Standing Committee about the issues discussed the Grievance Committee meetings pertaining to the concerns raised by GAIL and exemptions asked for by ONGC and OCTL. Accordingly, the matter was placed for deliberation and decision of the Standing committee.
3. Standing Committee discussed the issues raised by ONGC, GAIL and OCTL. Each issue was deliberated and views of the Committee is as follows:

**Issues raised by ONGC**

4. ONGC requested for waiver in terms of para 3 read with para 4 of DMI&SP Policy in the procurement of following category of goods, since these products are not manufactured in India:
  - i. 13 Chrome Premium thread casing pipes of all sizes
  - ii. 13 Chrome Premium Thread tubings of all sizes
  - iii. 16" Casing Pipe with BTC thread
  - iv. 14" Casing pipe with BTC thread

Following discussion with industry, it emerged that as of now, no domestic manufacturer exists for the tubular goods mentioned above. As a result no Indian supplier bid for the mentioned items. However, steel industry is in the process of developing the material which may take 9-12 months to mature. Industry requested ONGC to allow them to bid once domestic capability is created. ONGC representatives stated that for promoting Indian made steel, they have a provision of giving development order as per policy on trial basis limited to 20% of the tendered quantity.

In view of the above discussion, Standing Committee decided to grant exemption to ONGC for 1 year only i.e. ( from 15/09/2017 to 14/09/2018) under para 3(a) of DMI&SP policy with the understanding that ONGC would assist domestic industry to build domestic capability during this period through their product development program.

5. ONGC requested for exemption in tender no. ZNCKC 16005 for procurement of seamless pipes for offshore application.
  - a) Explaining the case, the Committee was informed that initially Maharashtra Seamless Ltd. (MSL) did not bid in tender No. ZNCKC 16005, due to overbooking of their capacity. Since the price bid was yet to be opened, the specific tender came under the purview of DMI&SP. Representative from MSL said that they have the capacity and capability to bid for the above tender, if another opportunity is given. However, as per ONGC, to include an Indian Manufacturer now, would mean a rebid and 4 months delay, which is not acceptable to them. ONGC requested for exemption for this tender from the provisions of DMI&SP.
  - b) Since MSL shall be able to bid in subsequent tenders, Standing Committee decided to grant exemption to ONGC for the above specific tender no. ZNCKC 16005 as per para-3 (b) of DMI&SP.
  
6. ONGC requested for the grant of waiver for ONGC offshore construction and sub sea pipeline projects (on \Lumpsum turnkey basis) till such time Indian steel industries come up with the required fabrication yards, plants and facilities to cater to the manufacture and timely supply of required quality, grade, quantity of steel and pipes/tubes.
  - a) Standing Committee took into consideration the various issues involved viz. Non-existence of adequate infrastructure/fabrication facility in India except the lone domestic player L&T (who has fabrication yards one each on the east and west coast); Non-availability of major quantity of high grade steel required for offshore project and pipeline, from Indian sources (only 50-60% of steel could be available, however, its timely delivery could be an issue); availability of barges for carrying out the offshore platform installation work; constraint of limited weather window for carrying out offshore installation work.
  - b) The Standing Committee also took note of the existence of other domestic players viz. TechnipFMC, Essar Offshore, AFCONS, who at present hire the fabrication yard facilities available overseas to carry out the job and hence could use hardly 10-20 % of Indian made steel due to logistics and cost. However, some of them are in the process of constructing their own fabrication yard facilities within the country, which may take 2-3 years to become operational. Though L&T has the requisite fabrication yard facilities and according to them, capacity utilization of their yards is hardly 30-40%. So they are capable of rendering the complete offshore platform work for ONGC. However, ONGC raised

serious apprehension of their project cost going very high due to restricted competition as L&T is enjoying the monopoly status.

- c) Considering the various issues, criticality of the task and stringent time schedule involved, Standing Committee has decided to grant waiver for a period of 2 years (i.e. From 15/09/2017 to 14/09/2019) as per para-3 of DMI&SP. This will expedite creation of domestic capability.

7. ONGC requested for the exemption for seamless line pipes (for size 16" and below)- ONGC specification 2020A & 2020B for submarine offshore pipeline projects since no Indian manufacturer are in position to manufacture sub sea seamless pipes meeting ONGC specifications, and qualification criteria.

- a) ONGC informed that, seamless line pipes for submarine application are extremely critical, highly capital intensive, failure may lead to huge production, time and capital loss as well as environmental hazards and therefore, must go through a series of critical tests. Besides, the manufacturer must have experience of 2 years satisfactory service by way of performance feedback from end user or repeat order from the same end user with minimum time gap of two years from the delivery date of the first purchase order or repeat purchase orders from Lump sum turnkey (LSTK) contractor(s) for the same end user, with a minimum time gap of two years from the delivery date of the first purchase order. As of now, no domestic manufacturer has got technical certification from ONGC for the supply of the above.
- b) On being enquired, as to how Indian manufacturer would get a chance to showcase their capability over a period of time, if two years experience requirement is insisted upon, ONGC agreed to provide one line on pilot project basis for trial and help Indian manufacturers to develop indigenous capability so that they are able to get ONGC's technical certification, say two years from now. However prior to giving pilot project, manufacturer needs to have all necessary certification required from API for sub sea pipelines.
- c) In view of the above, Standing committee decided to grant 2 years (from 15.09.2017 to 14.09.2019) waiver to ONGC with respect to seamless line pipes of 16" and below for submarine application under para 3(b) of the policy.

### **Issues raised by GAIL**

8. GAIL has raised concern that domestic manufactures are quoting higher prices for their domestic tenders.
  - a) GAIL informed that in view of DMI&SP Policy, Policy for providing purchase preference linked with local content (PPLC) and considering the likely impact of GST input credit available under GST law etc., GAIL has cancelled two tenders (one before discovery of prices and another after discovery of prices). Tenders for requirements have been re-floated incorporating the aforesaid policies.
  - b) GAIL has floated a tender for procurement of 10 KMs of 36" Coated Steel Line Pipe of API X-70 Grade for Jagdishpur Haldia Bokaro Dhamra P/L Project, Phase- II (approx. tonnage 3,500) to meet the immediate requirement of project.
  - c) It is apprehended that the domestic bidder may take advantage of the absence of foreign bidder under the new policy and may quote higher prices in GAIL's tenders which will consequently increase the total project cost.
  - d) CMD, GAIL said Indian pipe manufacturers (API grade) have got great opportunity to participate in creation of country-wide long distance pipeline network owing to DMI&SP policy coming into existence. This has led to enhancement in capacity utilization of their plant along with accruing benefits. He expected Indian pipe manufacturers to reciprocate with the similar spirit by remaining internationally competitive and without unnecessarily jacking up the price.
  - e) Referring to views of CMD, GAIL and intent of DMI&SP policy, Standing Committee requested Indian pipe manufacturers to seriously look into the pricing aspects and quote reasonable/ realistic prices against GAIL's tender for line pipe. Should the matter not getting resolved to the satisfaction of the parties involved, Standing Committee may have to review the policy if matter is brought before it by GAIL.

### **Issues raised by OCTL**

9. OCTL has requested to include the products of Casing, Tubing and Drill Pipes, for Oil and Gas Exploration in the list of Domestically Manufactured Iron and Steel Products by considering plain end seamless pipes as input with a minimum domestic value addition of 15%.

- a) Explaining the case, the Standing Committee was informed that, MSL is the only supplier of plain end seamless pipes (green/bare) of sizes 9 5/8" and 13 3/8", which are mostly required for offshore application after suitable processing on them. OCTL is the only Indian company which is supplying API certified casing, tubing and drill pipes to oil producing companies such as ONGC, OIL, etc. for oil exploration and production after importing API grade plain end seamless pipes. Incidentally MSL also supplies API certified casing, tubing & drill pipes to ONGC, OIL, etc. The other seamless pipe manufacturers (Jindal Saw, ISMT) are either not API certified or at present does not have manufacturing capability of producing pipes beyond 7" OD.
  
- b) Since OCTL is not having backward integration in manufacturing, if value addition on imported seamless hollow/green pipes is not permitted under the DMI&SP policy, only one Indian company i.e. MSL would be eligible for providing the same and since MSL is also a competitor of OCTL this would put OCTL at a severe commercial disadvantage in future bids.
  
- c) As per DMI&SP policy imported hollow /green pipe is not considered a valid input material for value addition under the policy . Further it was noted by the Committee that ONGC, who would be buyers of this material, has not made any request for exemption in this regard, accordingly the Committee was of the view that the request of OCTL in this regard cannot be considered.

The meeting ended with a vote of thanks to Chair.

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## Annexure-1

**List of Officers who attended the Second meeting of the Standing Committee on DMI&SP Policy held on 15-09-2017 at 3-00 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 S. Barthawal, Joint Secretary (Steel)
4. Shri Syedain Abbasi, Joint Secretary(Steel)
5. Shri A. C. R Das, Advisor (MoS)
6. Shri Atul Bhatt, CMD, MECON
7. Shri S. K. Saluja, ERU

### Ministry of Steel

8. Shri Anupam Prakash, Director (Steel)
9. Shri R.K. Gupta, Under Secretary (Steel)

### Representatives from organization/association

10. Shri B.C. Tripathi, CMD, GAIL
11. Shri G V Walimbe, GM, Energy, MECON
12. Shri A.K. Agarwal, GM, Tech. Services, MECON
13. Shri R. K. Sinha, Joint GM, Oil & Gas, MECON
14. Shri S. Viswanathan, GGM, ONGC
15. Shri N. J. S. Hunjan GM, ONGC
16. Shri Ajay Kumar Singh, DGM, ONGC
17. Shri O.P. Sharma, COO, Jindal Saw Ltd.
18. Shri Sanjiv Dheer, Jindal Saw Ltd.
19. Shri Pramil Sirohi, Sr. GM, Jindal Saw Ltd.
20. Shri Avnish Kumar, DGM, Jindal Saw Ltd.
21. Shri Alok Jain, IPMA
22. Shri Sridhar Kamineni, MD, OCTL

23. Shri KG Joshi, Director, OCTL
24. Shri Vikram Amin, ED, Essar Steel
25. Shri Purmendu Choudhary, CMO, Essar Steel
26. Shri Suranjan Das Gupta, JGM, ESSAR Steel
27. Shri Hemant Matreja, Maharashtra Seamless Limited
28. Shri Dhirendra Mohan Sharma, Ratnamani Metals and Tubes Ltd.
29. Shri Godfrey John, Director, Welspun Corp
30. Shri Sanjay Batra, Sr. VP, Welspun Corp
31. Shri Rajat Gupta, President, MAN Industries (India) Ltd.
32. Shri Vinod Mehta, Advisor, MAN Industries (India) Ltd.