

Minutes of the 11th meeting of the Standing Committee under DMI&SP Policy, held under the Chairpersonship of Smt. Rasika Chaube, Addl. Secretary, Ministry of Steel

**Time 11.00 A.M.
Date: 29/01/2020**

Venue: Udyog Bhawan, New Delhi

1. List of Officers who attended the meeting is enclosed as *Annexure –I*.
2. At the outset, Chairman of the Standing Committee welcomed the participants to the 11th Meeting of the Standing Committee. Joint Secretary (RY), M/o Steel made a brief presentation highlighting the issues raised by M/s ONGC, OIL, IPMA, STMAI, ISSMA and Stecol International Limited.

Issues raised by ONGC Limited

3. ONGC is installing offshore process / well platforms and submarine pipeline through engaging EPC contractor on LSTK project execution basis for development of marginal fields/cluster for exploration of hydrocarbons and brown field works. The process / well platforms and submarine pipeline require extensive use of structural steel and line pipe.
4. After discussion with ONGC and other stakeholders including LSTK contractors Standing Committee in its meeting held on 15.09.2017 had granted waiver to ONGC for their offshore construction and sea pipeline projects (for seamless line pipe and Fabrication yards) for the period of two years (i.e. 15.09.2017 to 14.09.2019). The waiver granted to ONGC has expired on 14.09.2019.
5. Further, ONGC has requested for grant of further waiver for three years (beyond 14.09.2019) from DMI&SP Policy for offshore construction and subsea pipelines projects (LSTK) till such time Indian Steel industries come up with the required fabrication yards, plants and facilities to cater the manufacturer and timely supply of required quality, grade, quantity of steel and seamless pipes/tubes.
6. Chairperson, Standing Committee requested ONGC to explain about the progress made since exemption granted by the Standing Committee. ONGC informed that :

a) Seamless line pipe: ONGC informed that only two seamless line pipe manufacturers namely M/s Jindal Saw Limited (JSL) and M/s Maharashtra Seamless Limited (MSL)

expressed their interest for supply of seamless line pipe. Since Sep'2017, Team from ONGC visited the mills of Jindal Saw Limited (JSL) and Maharashtra Seamless (MSL) and sought documents for qualifying these mills. After various rounds of discussions with JSL and MSL, all required documents could be submitted by JSL and MSL which has been reviewed by ONGC and found to be in order for considering them for placement of development order on trial basis for one segment of sub marine pipeline (seamless pipes) through LSTK contract. ONGC has included their names in its ongoing tender for trial order for one pipeline segment each in Pipeline Replacement Project- VII. After successful trial for two years in offshore, these vendor can be listed as OEM for supply of seamless pipes. The entire process of final qualification will take about three years.

b) Fabrication yards: ONGC informed that they have encouraged Indian agencies like M/s Lavgan Dockyard Pvt Ltd., (LDPL), Ratnagiri of M/s Chowgule and Co. Pvt. Ltd. (CCPL) and Rohini Yard of M/s Das Offshore, Mumbai to create fabrication yard in India as these agencies have shown the interest in creating the fabrication yard. These yards have already been inspected and considered suitable considering the access, sea front and water depth. Further, these yards have already been partially approved by ONGC for fabrication pertaining to modification work / fabrication of piles / conductors etc. considering the availability of infrastructure at respective yard. It may take about 3(three) years to achieve full-fledged yard status for fabrication of well platform / process platform fabrication.

7. ONGC stated that they are making efforts to qualify / approve fabrication yards in India and also to encourage Domestically Manufactured Iron & Steel Products (DMI&SP) in line with policy. However, considering the various issues, as brought out above, criticality of the project and stringent time schedule involved, waiver for minimum 3(three) years beyond 14.09.2019 shall be required so as to create the suitable facilities in India i.e. fabrication yard and vendors for structural pipe & steel meeting ONGC specifications.
8. Representative of Maharashtra Seamless (MSL) stated that they are ready to supply the requisite pipes to ONGC.

9. Standing Committee stated that ONGC should not link placement of developmental order with tender action. The developmental order/indigenisation exercise should be carried out independently without delay and imports can be avoided.
10. ONGC ascertained that developmental order shall be placed to M/s MSL as well as M/s JSL by June 2020 under Pipeline Replacement Project- VII tender.
11. Representative of M/s Jindal Saw Limited stated that exemption requested for three years is very long. They will be able to supply in very short span of time.
12. ONGC stated that Performance evaluation of trial sub marine pipeline for two year in operation is extremely important as per ONGC policy considering the safety of offshore installations, impact on offshore environment and marine life. Any leakage, in pipeline may lead to spill of hydrocarbon in sea having serious consequences including impact on marine life and subsequently cleaning of oil spillage. The entire process of final qualification will take about three years.
13. This issue was discussed in the meeting of Grievance Committee held on 22.10.2019. Grievance Committee recommended that exemption may be granted to ONGC for one year, subject to placement of development order i.e. 20% of net procurable quantity on domestic manufacturers. The Committee decided to place the matter before Standing Committee for final decision.
14. After detailed deliberations and listening the views of stakeholder, Standing Committee made following observations:
 - i) **Standing Committee granted waiver to ONGC for offshore construction and submarine pipeline (seamless line pipes, for size 16" and below) projects for two years (i.e. 30.01.2020 to 29.01.2022), for 80 % of the net procurable quantity and balance 20% through placement of developmental order on domestic manufacturers. If developmental order fails then balance 20% quantity may be procured from foreign manufacturers. ONGC should place developmental order within two months i.e. by 31st March, 2020.**
 - ii) **Standing Committee will review the placement of developmental order by ONGC in June, 2020.**

Issues raised by Oil India Limited (OIL)

15. OIL stated that they are engaged in the business of exploration, production and transportation of crude oil and natural gas and production of LPG. For use in its exploration & production activities including transportation of oil/gas, OIL procures various iron & steel products e.g. assorted types & sizes of casings, tubings, drill pipes, line pipes, bars & rods etc.
16. OIL had floated tender No. SDG0800P19/09 dated 09.03.2019 under International Competitive Bidding (ICB) without incorporating the DMI&SP Policy provision as the tender value was less than Rs 50 Crore (Prior to the Notification of the DMI&SP Policy) for the procurement of 8000 meters of 2.825 inch and 1000 meters of 5 inch Drill pipes with Pup joints. The total estimated cost is approx Rs 40.94 Crore. The technical bid was opened on 22.05.2019 wherein three International bidders have submitted their bids. Domestic manufacturers i.e. OCTL, Hyderabad and Maharashtra Seamless Ltd (MSL) had expressed their interest in the tender, but finally they did not participate in the tender. Further, OIL stated that since requirement can not be met domestically and cancellation of the present tender and re-tendering at this stage will lead to huge operational losses, therefore exemption may be granted to award the contract to foreign bidder.
17. OIL informed to Standing Committee that Maharashtra Seamless Limited (MSL) had requested for amendment to tender specifications in terms of length of pipes which was a deviation to API specifications. OIL did not accept the request of MSL due to operational reasons. OCTL also requested for certain clarifications in the tender as well as extension of bid submission date. OIL clarified all the queries and also extended the date of bid closing but still MSL and OCTL did not submit any bid.
18. Representative of OCTL & MSL confirmed that they haven't participated in the above mentioned tender. Both of however, confirmed that they will participate in the next tender.
19. Representative of M/s Jindal Saw stated that API pipe manufacturing was not available on that time now they will also participate in the next tender. He also stated that OIL asked for the past track record in their tenders, which is a restrictive condition for domestic manufacturers, the same may be removed.

20. This issue was discussed in the 12th meeting of Grievance Committee held on 22.10.2019. After deliberations and considering the non-participation by domestic bidder and re-tendering at this stage will lead to huge operational losses, the Grievance Committee recommended for granting one time exemption for the tender No SDG0800P19/09 dated 09.03.2019 for the procurement of Drill pipes with Pup joints by OIL.
21. Representative of OIL stated that the requirement against this tender is very critical from operational point of view as non-availability of drill pipes will severely impact their oil well drilling operation. This will result in delay in completions of our projects and result in huge losses.
22. Further, representative of OIL informed that they have opened the tender on 21.11.2019 since after two bid extensions; validity of bid was about to expired.
23. Chairperson stated that in order to encourage domestic manufactures restrictive condition (past track record) in the tenders may also be removed.
24. **After deliberations and considering the recommendations of Grievance Committee, Standing Committee decided to grant post-facto one time exemption for the tender No. SDG0800P19/09 dated 09.03.2019 for the procurement of drill pipes with pup joints by OIL. Standing Committee also directed OIL to place the developmental order on domestic manufacturers immediately so that exemption may not be required further.**

Issue raised by Indian Pipe Manufacturers Association (IPMA)

25. IPMA has requested to revise the value addition in DMI&SP Policy from 35% to 20% for H.S. Code 7305 (Other tubes and pipes having circular cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel) and 7306 (Other tubes, pipes and hollow profiles of iron or steel), till SAIL and other steel manufacturer's starts manufacturing and supplying sufficient quantity API grade steel. IPMA has given the following reasons:

- i) API grade Steel is used for manufacturing of line pipes for Oil & Gas sector. For API grade steel there are very limited manufacturers in India and that too there is not sufficient scale of production. In such scenario, procuring key input raw material i.e. domestic API grade steel (HR/Slab/HR Coil/HR plate) from domestic steel manufacturers is an uphill task for the pipe manufacturers.
- ii) Pipe manufacturers have to compete with pipe mill having integrated steel plant and this creates uneven competition. The integrated Steel Mills would always give better prices to their own pipe manufacturing companies.
- iii) Quality and delivery of API grade Steel is a major concern.
- iv) In order to satisfy mandatory domestic local content of 35%, standalone pipe manufacturer will end up buying steel from domestic sources at a much higher prices & would not be able to provide competitive rates in the procurement tender.

26. Representative of IPMA stated that they had placed the order on SAIL for the supply of API X-70 grade Steel but SAIL could not deliver.

27. Representative of SAIL stated that RSP is having facility to manufacture API grade steel, Samples are under testing at different testing labs. Some of the pipe manufactures decided to visit the facility to appraise the technical capabilities & process of SAIL to produce API X-70 grade of plates.

28. This issue was discussed in the 12th meeting of Grievance Committee held on 22.10.2019. Grievance Committee directed MECON to examine the issue raised by IPMA in consultation with various stakeholders and submit the report along with the capacity and requirement of steel industry so that decision may be taken.

29. MECON has submitted report on 20th November, 2019 and stated that they API grade steel manufacturers such as Essar Steel, JSW, JSPL, SAIL and Welspun were contacted for providing grade-wise, thickness wise API grade steel consumption/ demand for the last 2-3 years. There has been no response from any of the API grade steel manufacturers; it is difficult to assess the extent of capacity available within the country.

30. Chairperson, Standing Committee requested steel manufacturers to furnish the requisite data by MECON.

31. After deliberations, Standing Committee directed MECON to re-examine and submit the report within one month.

Issue raised by Seamless Tube Manufacturers' Association of India (STMAI) & Indian Stainless Seamless Pipe Manufacturer's Association (ISSMA)

32. STMAI has stated that list of the input material has not been issued with the revised DMI&SP Policy. This is giving rise to a lot of misinterpretations by various sources. ISSMA has referred to the clarifications issued by the Standing Committee under the DMI&SP Policy on 21.06.2017 and requested to include the 'Bloom/Billet/Round Bars' as input raw material for manufacturer of stainless steel seamless pipes & tubes.
33. This issue was discussed in the 12th meeting of Grievance Committee held on 22.10.2019. Grievance Committee directed requested MECON to examine the request raised by the STMAI and also examine whether input material is required for other products of Appendix of DMI&SP Policy and submit the recommendations.
34. MECON has submitted report on 20th November, 2019 and suggested that Appendix – A of the original DMI&SP policy may be retained and Appendix A & B of the revised policy may be named as B and C respectively.
35. **Standing Committee observed that the following points have not been covered in the report submitted by MECON. Standing Committee requested MECON to re-examine the issues raised by STMAI/ISSMA and submit the report within one month covering the following points :**
- i) Domestic requirement of seamless pipe and tubes and exports being done**
 - ii) Domestic production capacity of bloom/billet/rounds and seamless pipes**
 - iii) Quantity of mother pipe/ green pipes imported in India**
 - iv) Seamless pipes can be made by which types of input materials**
 - v) Rationale to add input material in DMI&SP Policy when a realistic value addition criteria has been included in policy**
 - vi) Why the demand for including input material in DMI&SP policy is not being made by others**

Issue raised by Stecol International Private Ltd

36. Stecol international have been supplying TMT Re-bars under the brand name 'Essar TMT' to various project in compliance with BIS and related quality norms. They stated that Government owned agencies such as RDSO, NHAI, RVNL etc do not provide vendor Registration to SIPL on the grounds that they are not the manufacturers of the Re-bars. Some of the project authorities do not provide vendor registration on the grounds that if a

plant is registered with them with a specific brand, then the same plant cannot be registered for another brand of TMT Re-bars.

37. Stecol has requested MoS to issue a Policy Advisory to all Ministries and Organizations for adherence to the following:

- i) Maximize use of domestically manufactured steel irrespective of whether it is from Primary or Secondary Steel Producers
- ii) To facilitate vendor registration of Companies which have Contract Manufacturing Agreement with Secondary steel producers
- iii) Remove the restriction of 'One Plant and One Vendor' and allow multiple brand to be registered for a specific secondary Steel Plant

38. This issue was discussed in the 12th meeting of Grievance Committee held on 22.10.2019. Grievance Committee opined that Addl. Industrial Adviser, M/o Steel may examine the issue raised by Stecol International Private Ltd and submit the recommendations.

39. AIA, MoS examined the issue and stated that issue raised by the Stecol is a commercial matter. However, he had discussion with BIS, they informed that the license is issued to the manufacturer not to the brand.

40. None of the representative of Stecol turned up for Standing Committee meeting.

41. Standing Committee opined that since this issue is a commercial matter and does not pertain to DMI&SP Policy therefore Stecol may take up the matter with BIS directly.

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

List of the officers attended the 11th Standing Committee on DMI&SP Policy, held on 29.01.2020 at 11.00 P.M. under the Chairpersonship of Smt. Rasika Chaube, Addl. Secretary, Ministry of Steel

Members of Standing Committee

- 1) Smt. Rasika Chaube, Additional Secretary, M/o Steel
- 2) Dr. Rohit Yadav, Joint Secretary, M/o Steel
- 3) Shri Atul Bhatt, CMD, MECON Ltd.
- 4) Shri Paramjit Singh, AIA, M/o Steel

Ministry of Steel

- 5) Shri Neeraj Agrawal, Director, M/o Steel
- 6) Shri Pritam S. Purkayastha, GM (TTD)/OSD, M/o Steel
- 7) Shri S.K. Mohanty, US (IDD), M/o Steel
- 8) Shri Amit Singh, Manager (IDD), M/o Steel

Representatives from Organizations/ Associations

- 9) Shri Alok Sahay, ED, SAIL
- 10) Shri Mahadev Kulkarni, DGM, Hydrocarbon
- 11) Shri K. Ranjan, DGM, MECON Limited
- 12) Shri Anand Kumar Jha, Manager, MECON Limited
- 13) Shri Prakash Tatia, Director, Welspun
- 14) Shri Vijay Kaul, Regional Head, Ratnamani
- 15) Shri G.S. Sethi, Vice President, Man Industries India Ltd.
- 16) Shri Dharendra, Head Mkt., Ratnamani
- 17) Shri Alok Jain, Vice President, Jindal Saw Ltd.
- 18) Shri Hanna Dahdah, Sr. Vice President Commercial, NPCC
- 19) Shri Sanat Kumar, ED, ONGC
- 20) Shri D.R. Kamble, ED, ONGC
- 21) Shri Ajay Kumar Singh, CGM(M), ONGC
- 22) Shri Neeraj Kumar, GGM(MM), ONGC
- 23) Shri Naveen Kumar Jain, ONGC
- 24) Shri S. Sarkar Group VP, Maharashtra Seamless Ltd.
- 25) Shri Sanjay Dheer, Head, Jindal Saw Ltd.
- 26) Shri Avnish Kumar, G.M Mkt, Jindal Saw Ltd.
- 27) Shri Rupak, DGM, OIL India Ltd
- 28) Ms. Binita, GM, Oil India Ltd.
