

**Minutes of the 09<sup>th</sup> meeting of the Standing Committee on DMI&SP Policy, held on 27/12/2018 at 04.00 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, Chairman of the Standing Committee welcomed the participants to the 09<sup>th</sup> Meeting of the Standing Committee. Additional Secretary, M/o Steel made a brief presentation highlighting the issues raised by organizations.

**Issues raised by Ministry of Railways (MoR)**

3. 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.
4. 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. MoR requested to grant exemption for procurement of 1.95 Lakh Metric Tonnes through global bidding.
5. MoR stated that their requirement for 2018-19 is approx 14 lakh tons and for 2019-20 is 17 lakh tons. SAIL has assured supply of 10 lakhs tons in 2018-19 and 12 lakh tons in 2019-20. Total shortfall in supply by SAIL is 9 lakh tons for the two years (including the requirement of RVNL). Hence permission to import should be granted.
6. Ministry of Steel was of the view that the capacity/production by domestic manufacturer apart from SAIL should also be taken into account while seeking permission to import since the known domestic manufacturer has the capacity and has supplied for the freight corridor and also to other countries like Iran etc.
7. This issue was discussed in the 8<sup>th</sup> meeting of Standing Committee held on 1/11/2018. Subsequently a meeting was held with Chairman Railway Board on 8/11/2018.

8. Additional Secretary stated that in the meeting held at Rail Bhawan on 08.11.2018, it was decided to form a three member Committee comprising officers from Railways and SAIL to decide grades the rails to be used for 25 T Axle load. It was decided by CRB that till then 90 UTS/880 rails would continue to be used. Hence clearance for procurement of 1175 HT rails at this stage needed to be deferred till the Committee takes a call about the rails to be used for carrying 25 T Axle load keeping in mind the directions of CRB.
9. Additional Secretary also stated that Minutes of the Meeting (MoM) issued by MoR are not reflecting the deliberations which took place in the meeting held in the office of CRB on 8/11/2018 and MoS has requested MoR to revise the same.
10. **The Standing Committee opined that based on recommendations of the Committee, a decision will be taken. Till then thus issue may be deferred.**

**Issues raised by Rail Vikas Nigam Ltd. (RVNL)**

11. RVNL has informed 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.
12. RVNL also informed that the estimated requirement of rails for the projects to be commissioned in next two years (2019-20 and 2020-21) including the short fall in the supply during the current financial year is 5,00,000 MT for the 60 Kg 90 UTS rails. RVNL has stated that they are proceeding with invitation of global bidding for procurement of 60 Kg 90 UTS rails and requested for exemption. However bids will be finalized only after the receipt of approval from Ministry of Steel. Further, RVNL has since revised the quantity to 4,45,000 MT from 5,00,000 MT.
13. Representative from SAIL stated that since MoR is their first priority, the requirement of RVNL can not be met by them. SAIL will be able to supply 1 MTPA quantity of rails in 2018-19 and after ramping up they will be able to supply 1.2 MTPA during 2019-20. Further, they stated that due to production constraint they will not be able to fulfil the requirement of RVNL during FY 2019-20. However, after that they will be in a position to handle the demand of RVNL as well as that of Railways.

14. Representative from JSPL stated that level playing field may be provided for them. 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 agreed to by Indian Railways in the meeting of Grievance Committee held on 11.10.2018. The condition put forth in RVNLs tender document stating “these rails should be in use for more than two years from the date 28 days prior to submission of bids” is restrictive and needs to be changed. It was pointed out that once the rails are manufactured as per the specifications of the Indian Railways, thereafter putting condition of use is not correct. JSPL further stated that conditions of minimum quantity supplied indicated in the eligibility criteria is also on the higher side and denies opportunity to the Indian manufacturers for participating in the tendering process. It needs to be reviewed by RVNL specially in the light of the para relating to restrictive clauses in Public Procurement (Preference to make in India) Order 2017, DIPP revision, dated 28<sup>th</sup> May, 2018.
15. Representatives of the RVNL stated that exemption may be granted at the earliest since tendering process will take time. Additional Secretary stated that quantity mentioned for one year in the tender documents i.e. 1.85 lakh metric tonnes may be considered for the exemption (subject to a confirmation from RVNL that they have reviewed the eligibility conditions and would want to retain them) since after one year SAIL would be able to supply 1.2 lakh Metric Tonnes and JSPL will also be able to fulfil the eligibility criteria. Chairman stated that RVNL may go ahead with the procurements of 1.85 Lakh Metric Tonnes for the FY 2019-20. If for some reasons SAIL and the domestic manufacturers are not able to meet the demand by 2019-20. Then RVNL can approach the Standing Committee after they meet quite regularly
16. It was reiterated that the restrictive conditions in the tender e.g. qualifying criteria of two years uses and supply of minimum quantity should be reviewed and thereafter MoR should take a final call and inform MoS.
17. **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 is not able to fulfil the eligibility criteria as per the tender conditions which will be confirmed by way of a letter by RVNL/MoR. Considering the above, the Standing Committee decided to grant exemption for importing the 1.85 Lakh Metric Tonnes**

**‘60 Kg 90 UTS rails’ for FY 2019-20 subject to placement of development order of 20 % of net procurable quantity to Indian manufacturers.**

18. **Post the meeting of the Standing Committee a letter dated 04.01.2019 has been received from Railway Board in this regard, which is being examined and will be dealt with separately. Accordingly the decision taken by Standing Committee mentioned in para 17 stands cancelled.**

#### **Issues raised by ONGC Limited**

19. ONGC has stated that after the implementation of DMI&SP Policy they have processed two tenders for procurement of regular casing pipes of various grades. In both tenders, prices received are on the higher side as compared to the prices finalised prior to the implementation of the Steel Policy.
20. ONGC suggested that in the DMI&SP Policy foreign bidders may be allowed to participate in the bid. They suggested that among all qualified bids, the lowest bid will be termed as L1. If L1 from a local supplier, the contract for full quantity will be awarded to L1.
21. If L1 bid is not from a local supplier, 50% of the order quantity shall be awarded to L1. Thereafter, the lowest bidder among the local suppliers, will be invited to match the L1 price for the remaining 50% quantity subject to the local supplier’s quoted price falling within the margin of purchase preference, and contract for that quantity shall be awarded to such local supplier subject to matching the L1 price. In case such lowest eligible local supplier fails to match the L1 price or accepts less than the offered quantity, the next higher local supplier within the margin of purchase preference shall be invited to match the L1 price for remaining quantity and so on, and contract shall be awarded accordingly. In case some quantity is still left uncovered on local suppliers, then such balance quantity may also be ordered on the L1 bidder.
22. Further, they stated that this will help in maintaining competitiveness of price as well as result in price discovery.

23. **Suggestion of the ONGC was appreciated. Further, Chairman of Standing Committee stated that aspect of purchase preference is already under consideration by the M/o Steel which is in the process of reviewing its DMI&SP Policy.**

**Issues raised by United Drilling Tools Ltd. (UDT)**

24. UDT has stated that they have 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. They have requested for the inclusion of Connectors/Couplings along with pipes/tubes in the finished steel list/ output by modifying (Sl. No. 10) Appendix-A of DMI&SP Policy.
25. UDT has stated that initially these products were procured from abroad by ONGC and now the same is being designed and manufactured in India by them with the value addition of 60-70%. The requirement of these items in Oil PSUs is approximately Rs. 75-100 Crores/Annum.
26. This issue was discussed in the meeting of 6<sup>th</sup> Standing Committee held on 21/05/2018. The minutes say 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.”*
27. Standing Committee in its 7<sup>th</sup> Meeting held on 03/08/2018 requested 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. M/s ONGC has submitted the requisite specification of Connectors/Couplings to the Ministry.
28. This issue was brought up in the 8<sup>th</sup> meeting of Standing Committee held on 01/11/2018. 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 issue 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.

29. The Grievance Committee has taken into consideration the earlier observations of the Standing Committee based on which the decision was taken :
- i) Value addition approx 60-70%
  - ii) Input material for Connectors/Couplings is bloom
  - iii) Output is Connectors/Couplings covered in Chapter 73 of Harmonized System Code ( HS Code)
30. The Grievance Committee suggested that since the input material is bloom and value addition is 60-70% therefore the request of UDT may be considered for inclusion of connectors/couplings along with pipes/tubes in the finished steel list/output by modifying (Sl. No. 10) Appendix-A of DMI&SP Policy. The Grievance Committee also stated that decision taken by a Standing Committee should invariably not be reviewed. The Grievance Committee recommended to place the matter before the Standing Committee for a final decision.
31. **After deliberations, the Standing Committee considered the recommendations of Grievance Committee and based on their recommendations decided to include Connectors/Couplings along with pipes/tubes in the finished steel list/ output by modifying (Sl. No. 10) Appendix-A of DMI&SP Policy.**

#### **Issue raised by Ratnamani Metals & Tubes Ltd. (UDT)**

32. RTML is a manufacturer of Nickel Alloys/ Stainless Steel Seamless Tubes/ pipes, Titanium welded tubes and carbon welded pipes. They are supplying these pipes to CPSEs.
33. RTML has requested to include following products under the ambit of the DMI&SP Policy so that local industry may be protected against cheap imports:
- i) Seamless Inconel (Grades UNS S6600, 6625) Tubes and Pipes
  - ii) Seamless Incoloy (Grades UNS S8800, 882525) Tubes and Pipes
  - iii) Welded Titanium Tubes
34. They informed that as regards welded titanium tubes upto 50.80 mm OD are concerned, input raw material in the form of Titanium Strips/ Coils need to be imported.
35. The Technical Expert of the Standing Committee stated that Nickel Alloys and Titanium does not come under iron & steel products category. However, the amount of iron & steel

used in the above products may be indicated for determining whether it comes under Iron & Steel products category or otherwise.

- 36. After deliberations, Standing Committee opined that MECON may give finding regarding the above mentioned points.**

**Issues raised by Essar Steel India Limited**

37. Essar is a manufacturer of API grade pipes and has been executing orders of CPSEs with MSTC Limited as authorised supplier.
38. Essar has informed that Indian Oil Corporation Limited has issued a tender no, PLM/30” HBPL/18/1 dated 30th November, 2018 for gas pipeline project for supply of API grade pipes. In the subject tender, IOCL has not provided for submission of bids through authorised supplier route.
39. Similar issue was discussed in the 8th Meeting of the Grievance Committee meeting held on 27/09/2018 in which IOCL was requested to re-look this issue and consider the request of M/s Essar Steel India Ltd.
40. Essar stated that IOCL have mentioned bankruptcy proceeding, insolvency resolution clause in the tender conditions and the same may be amended so that higher participation may be enabled.
41. Representative of IOCL stated that due to their existing guidelines they have included the conditions in the tender.
42. Chairman requested IOCL to have a considered view on the request raised by the Essar Steel India Limited.
- 43. After deliberations, the Standing Committee opined that MoS will seek the views of Ministry of Petroleum and Natural Gas on this issue. Further, the Committee opined that IOCL should also take up the matter with MoPNG to resolve the issue.**

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

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**List of the officers attended the 09<sup>th</sup> Standing Committee on DMI&SP Policy, held on 27.12.2018 at 04.00 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 (Chairman)
- 2) Smt. Rasika Chaube, Additional Secretary, M/o Steel
- 3) Shri G.P. Meena, Director, M/o Steel
- 4) Shri Atul Bhatt, CMD, MECON Ltd.
- 5) Dr. A.S. Firoz, Chief Economist, ERU
- 6) Shri Paramjit Singh, AIA, M/o Steel

**Ministry of Steel**

- 7) Shri Pritam S. Purkayastha, DGM (TTD),M/o Steel
- 8) Shri S.K. Mohanty, Under Secretary, M/o Steel
- 9) Shri S.P. Bist, S.O.,IDD, M/o Steel
- 10) Shri Amit Singh, Manager, IDD, M/o Steel

**Representatives from Organizations/ Associations**

- 11) Smt. Soma Mandal, DC, SAIL
- 12) Shri Pramod Gupta, CMD, United Drilling Tools Ltd.
- 13) Shri Gyanveer Singh, VP(Mktg), United Drilling Tools Ltd.
- 14) Shri Rameshwar lal, CGM (H&C), IOCL
- 15) Ms. Sugandha Dogra, AM (Law), IOCL
- 16) Shri B.K. Mondal, DGM(Materials), IOCL
- 17) Shri Vijay Kaul, Sr. GM (Mktg), Ratnamani Metals & Tubes Ltd.
- 18) Shri Dhirender, Head (Mktg.), Ratnamani Metals & Tubes Ltd.
- 19) Shri Vikram Amin, ED-Sales& Mktg., Essar Steel
- 20) Shri M.P. Singh, ED, RVNL
- 21) Shri Naveen Jindal, Chairman, JSPL
- 22) Shri N.A.Ansari, CEO, JSPL
- 23) Shri B.P. Awasthi, Ex. Dir. (Track/p), Ministry of Railways.
- 24) Dr. A.S. Firoz, CE, ERU/JPC.
- 25) Shri Neeraj Kumar, GM(MM), ONGC/CMM
- 26) Shri A. Nagia, ED, ONGC
- 27) Shri S. Viswanthan, ED, ONGC

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