

GOVERNMENT OF INDIA

OUTCOME BUDGET

OF

MINISTRY OF STEEL

2008-2009

EXECUTIVE SUMMARY

The Outcome Budget of the Ministry of Steel is intended to highlight the specific role and objectives of the Ministry, the programmes, projects, schemes and activities designed to realise these objectives and the outcome of major schemes/programmes implemented by the Ministry and the PSUs under the administrative control of the Ministry. The document also highlights the achievements against the physical and financial targets set for the Financial Year 2007-08 as also the projections for the Financial Year 2008-09.

Chapter - I gives a brief introductory note on organisational set up and the objectives of the Ministry of Steel, the broad programme classification and agencies engaged in their implementation.

Chapter - II gives the statement of outlays and outcomes/ targets in respect of major schemes and projects implemented by the PSUs under the Ministry, in a tabular format. As the schemes/projects of the PSUs are too many and varied in nature, and mostly related to their routine day to day operations, only major schemes with estimated/ sanctioned cost of Rs.50 crore and above have been included in the statement. For 2008-09, 53 such major schemes consisting of 52 Plan and 1 Non-Plan, have been included in the outcome budget statement. The 52 Plan schemes are being implemented by Steel Authority of India Ltd. (30 schemes), Rashtriya Ispat Nigam Ltd. (11), Kudremukh Iron Ore Company Ltd. (5), NMDC Ltd. (4) and Manganese Ore India Ltd. (1) respectively, with the entire expenditure on the schemes to be met out of Internal & Extra Budgetary Resources (I&EBR) of the concerned PSUs and one scheme for research and development being implemented by Ministry of Steel. The only major Non-Plan scheme is for providing interest subsidy to Hindustan Steelworks Construction Ltd. (HSCL) for loans taken by the company from commercial banks for implementation of VRS. The estimated/ sanctioned cost, outlay for 2008-09, processes/ timelines, risk factors, projected physical outputs and projected outcomes in respect of these 53 major schemes have been given in the statement.

Chapter - III details the reform measures and policy initiatives taken by the Ministry of Steel. This chapter seeks to bring out the important policy measures, which have been taken by the Government in the post-liberalisation era for the growth and development

of the Indian iron and steel sector. An important policy initiative taken in this regard by the Ministry of Steel was the announcement of the National Steel Policy (NSP), 2005. The long-term goal of the NSP is aimed at a modern and efficient domestic steel industry of world standards, catering to diversified steel demand. The focus of the policy is to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity. The NSP has set a target of 110 million tonnes per annum of steel production by 2019-20. A Working Group on Iron & Steel Industry was constituted in May, 2006 by the Planning Commission to critically assess the performance of the steel industry, examine major sectoral policy issues and concerns, estimate the demand and supply requirements during 11th Plan and to make policy recommendations for implementation. The Working Group submitted its report in December, 2006 to Planning Commission making recommendations w.r.t. specific areas of concern like Demand and Supply side management, Technology and Research & Development, Environment & Pollution control, Price Stability and Safety Measures. These recommendations and other major thrust areas where supportive measures/policies may need to be provided to make India globally competitive in the iron and steel sector have also been highlighted in this chapter.

Chapter - IV gives a review of the performance of the major schemes and projects with estimated/ sanctioned cost of Rs.50 crore or more of the PSUs in terms of the projected outcomes/ targets indicated in the Outcome Budget, 2007-08 of the Ministry of Steel. The performance up to the third quarter of 2007-08 (i.e. up to 31st December, 2007) in respect of the 32 major schemes - 31 Plan schemes and 1 Non-Plan scheme - included in Outcome Budget, 2007-08 has been highlighted in terms of actual expenditure incurred and actual achievements of the schemes vis-à-vis the approved outlays and projected outcomes respectively. While the 31 major Plan schemes relate to SAIL, RINL, NMDC Ltd. and KIOCL, the only Non-Plan scheme relates to HSCL. Of the 17 schemes of SAIL, 7 schemes have been completed. As other major schemes are presently under various stages of implementation, a more meaningful and realistic assessment of the actual achievements would be possible only upon completion of the schemes.

Chapter - V provides details of the financial outlays and financial requirements of Ministry of Steel, including its subordinate offices and the Public Sector Undertakings/ Organisations under its administrative control. As against budgetary provision of Rs.150.50 crore in BE 2007-08 and of Rs.154.05 crore in RE 2007-08, a provision of Rs.119.52 crore has been provided in BE 2008-09 under Demand No.91 for the

Ministry of Steel. The Ministry's Annual Plan outlay of Rs. 6203.70 crore (I&EBR: Rs. 6137.70 crore and Plan budgetary support: Rs.66.00 crore) in BE 2007-08 has been increased to Rs. 9543.00 crore (I&EBR: Rs. 9509.00 crore and Plan budgetary support: Rs. 34.00 crore) in BE 2008-09. The substantial increase in the Plan outlay is mainly due to the outlay of Rs. 3000 crore for capacity expansion of RINL's Vizag Steel Plant. The overall trends in expenditure vis-à-vis Budget Estimates/ Revised Estimates in recent years, including the current year, the position of outstanding utilization certificates and unspent balances with the PSUs are also covered in this chapter. This chapter, by linking up the provisions contained in the Demands for Grants of the Ministry of Steel, thus, serves as a supplement to the Demands for Grants of the Ministry of Steel for the Financial Year, 2008-09.

Chapter – VI provides information on the physical and financial performance of the PSUs under the administrative control of Ministry of Steel during the preceding three years and the current FY 2007-08 (up to December, 2007) as also the projections for 2008-09 (BE).

The major schemes/ projects of the PSUs, almost all of which are being financed out of their Internal & Extra Budgetary Resources (I&EBR), are physically and financially monitored regularly by the concerned PSU's Internal Technical Committee. Besides, periodic review by the Board of Directors, the progress of the schemes/ projects are also being reviewed and evaluated by the Ministry on a quarterly basis. This monitoring and evaluation mechanism is meant to ensure that the actual achievements of the schemes/ projects, upon completion, would tally with the outcomes projected in the Outcome Budget, 2008-09.

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CHAPTER - I

INTRODUCTORY

1. OBJECTIVES

The main functions of the Ministry of Steel are:

- (a) Formulation of policies in respect of production, distribution, prices, imports and exports of Iron and Steel and Ferro Alloys;
- (b) Planning, development and facilitation for setting up of iron and steel production facilities;
- (c) Development of iron ore mines in the public sector and other ore mines used in the iron and steel industry; and
- (d) Overseeing the performance of Steel Authority of India Limited (SAIL) and its subsidiaries and of other Public Sector Undertakings/Government managed companies functioning in the iron and steel sector.

2. PROGRAMMES

2.1 The major programmes/sub-programmes of the Ministry of Steel are :-

(i) Mining and Metallurgical Industries - Iron and Steel Industry

- (a) Production, import and export;
- (b) Tariff and Pricing;
- (c) Research and Training;
- (d) Construction Works; and
- (e) Technical and Consultancy Services.

(ii) Mines and Minerals

- (a) Iron Ore;
- (b) Manganese Ore; and
- (c) Chromite Ore.

2.2 Ministry of Steel – the facilitator for development of Steel Industry

The Ministry of Steel is expected to play a crucial role in ensuring harmonious and integrated growth of the Steel Sector in India. Being a core sector, steel sector's sustained growth is a prerequisite for attaining the level of GDP growth envisaged in the 11th Five Year Plan. However, it needs to be appreciated that an industry like steel has strong forward and backward linkages with other sectors of the economy and, therefore, its own growth pattern cannot remain uninfluenced by what happens in other sectors of the

economy. Escalating raw materials and energy costs are adversely affecting the balance sheets of many companies in the steel sector. There is also a need for a sustained level of private investment in the sector. It may be appreciated that the environment in which the steel sector operates calls for a greater promotional role by the Ministry of Steel. The Ministry of Steel is expected to play the role of a facilitator to remove bottlenecks faced by Indian steel sector and this includes ensuring the availability of raw materials, development of infrastructure, constant interaction with Financial Institutions for making provision of the needed capital and also interacting with other concerned Ministries and Departments of the Government for appropriate policy responses.

3. **ORGANISATION**

The Ministry of Steel is headed by a Minister of Cabinet rank and a Minister of State, duly assisted by a Secretary to the Government of India, an Additional Secretary and Financial Adviser to the Government of India, a Chief Controller of Accounts, three Joint Secretaries, one Economic Adviser, five Directors, four Deputy Secretaries and other officers and supporting staff. For dealing with technical aspects of matters relating to the iron and steel industry, there is a Technical Wing under the charge of an Industrial Adviser of the status of Senior Director to the Government of India who is assisted by one Additional Industrial Adviser, one Joint Industrial Adviser and other supporting staff.

Ministry of Steel had one attached office viz. the Office of the Development Commissioner for Iron & Steel (DCI&S), located at Kolkata. Based on the recommendations of the Expenditure Reforms Commission, an administrative decision was taken to close the office of DCI&S and its four Regional Offices with effect from 23.5.2003. Consequent upon the closure, 223 out of the 226 employees of DCI&S were declared surplus and taken on the rolls of the Surplus Cell of Department of Personnel & Training for redeployment. The remaining 3 employees are yet to be declared surplus by the DoPT. The residual functions of DCI&S are being handled by the Ministry except for the function of data collection which has been entrusted to the Joint Plant Committee (JPC)

There is no statutory or autonomous body under the administrative control of Ministry of Steel.

4. **PUBLIC SECTOR UNDERTAKINGS/ GOVERNMENT MANAGED COMPANIES**

4.1 Ministry of Steel has the following Public Sector Undertakings under its administrative control:

- (1) Steel Authority of India Ltd., (SAIL), New Delhi
- (2) Kudremukh Iron Ore Company Ltd.(KIOCL), Bangalore
- (3) NMDC Ltd., Hyderabad
- (4) Hindustan Steelworks Construction Ltd. (HSCL), Kolkata
- (5) MECON Ltd., Ranchi
- (6) Manganese Ore (India) Ltd.(MOIL), Nagpur
- (7) Sponge Iron India Ltd.(SIIL), Hyderabad
- (8) Bharat Refractories Ltd.(BRL), Bokaro
- (9) Rashtriya Ispat Nigam Ltd.(RINL), Visakhapatnam
- (10) MSTC Ltd., Kolkata

(11) Ferro Scrap Nigam Ltd. (FSNL), Bhilai, (A subsidiary of MSTC Ltd.)

(1) **Steel Authority of India Limited (SAIL)** has the following Units under its overall control : -

- (1) Bokaro Steel Plant, Bokaro (Jharkhand)
- (2) Bhilai Steel Plant, Bhilai (Chattisgarh)
- (3) Durgapur Steel Plant, Durgapur (West Bengal)
- (4) Rourkela Steel Plant, Rourkela (Orissa)
- (5) Alloy Steels Plant, Durgapur (West Bengal)
- (6) Salem Steel Plant, Salem (Tamilnadu)
- (7) IISCO Steel Plant, Burnpur (formerly a subsidiary of SAIL, IISCO was merged with SAIL w.e.f. 16.2.2006 and renamed IISCO Steel Plant)
- (8) Visvesvaraya Iron & Steel Plant, Bhadravati (Karnataka)
- (9) Central Marketing Organisation, Kolkata (West Bengal)
- (10) Research and Development Centre for Iron & Steel, Ranchi (Jharkhand)
- (11) Raw Materials Division, Kolkata (West Bengal)
- (12) Centre for Engineering & Technology, Ranchi (Jharkhand), and
- (13) Corporate Office, New Delhi

Maharashtra Elektros melt Limited (MEL) is a subsidiary of SAIL, in which SAIL holds 99.12% share capital. MEL having its plant situated at Chandrapur (Maharashtra) is engaged in the production of Ferro-Alloys.

- (2). **Kudremukh Iron Ore Company Limited (KIOCL)**, a fully owned Government Company with registered office in Bangalore, was formed in April, 1976 for development of the Iron Ore deposits in Karnataka State for sale of iron ore concentrates produced therefrom.
- (3). **NMDC Ltd.** is the single largest producer of iron ore & diamonds in the country and is engaged in exploration, development and exploitation of various other minerals such as Dolomite, Limestone, Tungsten, Graphite, Tin etc. The Company is also entering in to the field of producing high value products like Ferric Oxide, Iron Powder etc. The Company has also undertaken exploration work of Gold in Tanzania. NMDC Ltd. has become the second PSE under Ministry of Steel to be accorded the Navratna status. NMDC Ltd. has a subsidiary company, J&K Mineral Development Corporation, located at Jammu.
- (4). **Hindustan Steelworks Construction Limited (HSCL)**, with its registered office at Kolkata, has undertaken major construction works connected with setting up of steel plants such as at Bokaro, Vizag and Salem and modernization of steel plants at Bhilai, Durgapur, Burnpur (IISCO) etc. With the tapering of construction activities in Steel Plants, the company intensified its activities in other sectors like power, coal, oil and gas. Besides this, the company diversified in infrastructure sectors like Roads/Highways, Bridges, Dams, Underground Communication and Transport system and Industrial and Township Complexes involving high degree of planning, co-ordination and modern sophisticated techniques.
- (5). **MECON Limited** is the first consultancy and engineering organisation in the country to be accredited with ISO:9001. The company is one of the leading multi disciplinary design, engineering, consultancy and contracting organization in the field of iron &

steel, chemicals, refineries & petrochemicals, power, roads & highways, railways, water management, ports & harbours, gas & oil, pipelines, non ferrous mining, general engineering, environmental engineering and other related/diversified areas with extensive overseas experience.

- (6). **Bharat Refractories Ltd.(BRL)** has four refractory units. The registered office of BRL is located at Bokaro. The company is engaged in the manufacture of bricks and masses and supplies mainly to Public Sector Steel Plants.
- (7). **Manganese Ore (India) Ltd.(MOIL)**, with corporate office at Nagpur, is the largest domestic producer of high grade manganese ore, a raw material for manufacturing of Ferro-Alloys – an essential input for steel making – and dioxide ore for manufacturing dry batteries. To improve business volume and profitability, MOIL diversified its activities into manufacture of value added products during 90's.
- (8). **Sponge Iron India Ltd.(SIIL)** came into existence after the successful operation of the Demonstration Sponge Iron Plant, set up with the participation of Govt. of India and State Government of Andhra Pradesh and assistance of UNIDO/UNDP, for production of sponge iron based on solid reduction process of iron and iron ore.
- (9). **Rashtriya Ispat Nigam Ltd. (RINL)**, with its Registered Office at Visakhapatnam, is the first shore based Integrated Steel Plant set up in India. It was commissioned in August, 1992, with liquid steel capacity of 3.0 million tonnes per annum.
- (10). **MSTC Ltd.** is a trading concern of Government of India previously designated as the canalising agency of the Government for import of steel melting scrap for distribution to mini-steel plants. Its head office is located at Kolkata. The company lost its status as a canalising agency with effect from February, 1992, and is now operating in a totally free and competitive environment like any other private trader. The company undertakes trading activities, e-commerce, disposal of ferrous & non-ferrous scrap, surplus stores and other secondary arisings generated mostly from Public Sector Undertakings and Govt. Departments, including Ministry of Defence.
- (11). **Ferro Scrap Nigam Limited (FSNL)**, earlier a Joint Sector Company between MSTC Ltd. and M/s Harsco Corporation Inc., USA, has now become a 100% subsidiary of MSTC Ltd. with the acquiring of 40% equity shares held by M/s Harsco by MSTC. The main object of the company is to reclaim iron & steel scraps from slag in all the integrated steel plants under SAIL, RINL and NINL and also operating in the Private Sector Steel Plants like IIL and JSPL. The Company is one of the pioneer enterprise which provides specialized services to the metallurgical industries in the country.

4.2 In addition to the above PSUs, there are Govt. managed companies viz. **Bird Group of Companies, Kolkata**, under the Ministry of Steel. Consequent upon acquisition of the shares held by the Bird and Co. Ltd. in 21 Companies by the Government of India with effect from 25th October, 1980, the following 7 companies related to the steel industry of the Bird Group came under the administrative control of the Ministry of Steel :-

- (1) The Orissa Minerals Development Co. Ltd. (OMDC)
- (2) The Bisra Stone Lime Co. Ltd. (BSLC)

- (3) The Karanpura Development Co. Ltd. (KDCL)
- (4) Scott & Saxby Ltd. (SSL),
- (5) Eastern Investment Ltd. (EIL)
- (6) Burrakur Coal Co. Ltd., and
- (7) Borrea Coal Co. Ltd.

Of the above 7 companies, three companies viz. OMDC, BSLC and KDCL are mining companies. SSL is engaged in the activities relating to sinking of deep tube wells and mineral exploration. EIL is an investment company having a major stake in the equity shares of operating companies under the Bird Group. Borrea and Burrakur coal companies became non-operational after nationalization of coal mines and are in the process of liquidation. Only four companies viz. OMDC, BSLC, KDCL and SSL are now operational.

The major schemes/ programmes (estimated/ sanctioned cost of Rs.50 crore or more) implemented by the PSUs during 2008-09 are given in Chapter - II.

The list of PSUs and Govt. managed company under the Ministry of Steel, with the locations of their registered offices, is given below.

I. Public Sector Undertakings

- (1). Steel Authority of India Ltd. (SAIL), Ispat Bhavan, Lodi Road, New Delhi - 110003
- (2). Kudremukh Iron Ore Company Ltd.(KIOCL), 11Block, Koramangala, Bangalore – 560 034.
- (3). NMDC Ltd., Khanij Bhavan, 10-3-311/A, Castle Hills, Masab Tank, Hyderabad – 500 028
- (4). Hindustan Steelworks Construction Ltd. (HSCL), 5/1, Commissariat Road, Hastings, Kolkata - 700022
- (5). MECON Limited, MECON Building, P.O. Hinoo, Ranchi – 834 002.
- (6). Manganese Ore (India) Ltd. (MOIL), MOIL Bhavan, 1A, Katol Road, Nagpur – 440013
- (7). Sponge Iron India Ltd.(SIIL), NMDC Complex, Khanij Bhavan, 10-3-311/A, Castle Hills, Hyderabad – 500 028.
- (8). Bharat Refractories Ltd.(BRL), Indira Gandhi Marg, Sector IV, Bokaro Steel City, Bokaro, (Jharkahand) - 827004
- (9). Rashtriya Ispat Nigam Ltd.(RINL), Project Office 'A' Block, Visakhapatnam – 530 031
- (10). MSTC Ltd., 225 F, Acharya Jagdish Bose Road, Kolkata – 700 020
- (11). Ferro Scrap Nigam Ltd. (FSNL), FSNL Bhavan, Equipment Chowk, Central Avenue, Post Box No. 37, Bhilai, Chhatisgarh – 490 001

II. Government managed Company

- (1) Bird Group of Companies, FD 350, Salt Lake, Sector – III, Kolkata – 700 106

CHAPTER – II**OUTCOME BUDGET FOR 2008-09 OF MAJOR SCHEMES**

In 2005-06, the concept of Outcome Budget was introduced by the Government with the objective of improving the quality of development programmes by making their conceptualization, design and implementation 'outcome' oriented. It is based on the premise that 'outlays do not necessarily mean outcomes'. The intention of outcome budgeting is to track not only the intermediate physical 'outputs' that are more readily measurable, but also the 'outcomes' which are the end objectives of State intervention. This requires strong project/ programme formulation, appraisal capabilities, as well as effective delivery systems. The development outcomes need to be defined in measurable terms, with benchmarking of unit cost of delivery, making the entire exercise monitorable. This also requires better utilization of physical assets and manpower, and steps to improve project management and programme implementation, including effective monitoring. Appropriate systems also need to be put in place to ensure timely flow of funds, which should be utilized for the intended purposes with the desired outcomes; and properly accounted for through suitable reporting, audit and evaluation mechanisms. Outcome Budget is, therefore, an effort to put in place a mechanism to measure the development outcomes of all major programmes.

Ministry of Steel had no scheme to implement directly till 10th Plan (2002-07). In the 11th Plan (2007-12) a new scheme named 'Scheme for promotion of Research & Development in Iron and Steel sector' has been included with a budgetary provision of Rs. 118.00 crore for promotion of research & development in the domestic iron and steel sector. The scheme is presently at formulation stage. The PSUs under the administrative control of the Ministry formulate and implement various schemes/ programmes related to their respective area of operations. The Plan schemes of the PSUs are components of their respective Annual Plans or Five Year Plans or of both, depending on the nature of the scheme. Since each PSU has several schemes, most of which are related to the normal day to day functioning and operations of the company, it was felt that inclusion of all schemes of the PSUs in the Outcome Budget of Ministry of Steel would neither be practical nor commensurate with the objectives of outcome budgeting. A decision was, therefore, taken that only major Plan and Non-Plan schemes with sanctioned/estimated cost of more than Rs.50.00 crore be included in the Outcome Budget of Ministry of Steel. Accordingly, in the Outcome Budget of Ministry of Steel the major schemes (sanctioned cost of Rs.50 crore and above) of the PSUs are reflected, as given in the following table. However, with a view to establish one-to-one correspondence between Financial Budget, 2008-09 and Outcome Budget, 2008-09, of Ministry of Steel, the budgetary allocations for the various schemes/ programmes costing less than Rs.50 crore of the Ministry and PSUs have also been indicated in the table.

(Schemes with estimated/sanctioned cost more than Rs.50.00 crore)

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
A. SCHEMES WITH ESTIMATED/SANCTIONED COST MORE THAN RS. 50.00 CRORE									
1. STEEL AUTHORITY OF INDIA LTD. (SAIL)									
Bhilai Steel Plant									
(i)	Rebuilding of Coke Oven Battery-5	To improve production and to achieve latest pollution norms of MOEF	219.04	=	=	50.00	Rebuilding with latest pollution norms of MOEF	Jul'08	- Delay in civil and detailed engg drawings by M/s. CUI/ Giprokoks/ KBK, - Lack of coordination between CUI & consortium partners has affected the supply & erection work.
(ii)	Installation of Power supply facilities for 2x1250 tpd O ₂ Plant	Evacuation of power at 220 KV from Power plant-3 being constructed through NSPCL, a JV co. of NTPC & SAIL to meet the future power requirement of BSP.	62.00	=	=	30.00	Out of 500 MW, 280 MW is allocated for BSP	Sep'08	--
(iii)	Installation of Main Step Down Station (MSDS-V)	Evacuation of power at 220 KV from Power plant-3 under construction through NSPCL, a JV co. of NTPC & SAIL to meet the future power requirement of BSP.	143.02	=	=	92.00	Out of 500 MW, 280 MW is allocated for BSP	Nov'08	--
(iv)	Installation of new Slab Caster, RH Degasser and Ladle Furnace	To produce value added/special quality of steel to augment capabilities to produce high quality plates and rails conforming to specifications for Indian Railways.	520.76	=	=	123.00	Additional casting – 0.165 mtpa. API X65/X70 grade-3,00,000T	Jul'08	- Hot trials for LF in progress since 7.2.08. For RH degasser, hot trials & commissioning will be taken in Mar'08. - For slab caster, supply & erection delayed by M/s Danieli & C., Italy. - Inadequate resource mobilization by the contractor has also affected the work at site.

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
(v)	Hot Metal desulphurization in SMS	Facilitate production of low sulphur steel to meet demand for high quality steel, particularly for application in offshore, transport and structural sectors	86.23	=	=	<u>19.23</u>	Reduction in sulphur level in Hot Metal from 0.1% to 0.01%	Mar' 08	- Commissioned in Dec'07 w.r.t fume extraction (FE) system. - Integrated hot trials for FE system started in Jan'08. The unit is under stabilisation.
(vi)	Thyristorisation of Plate Mill drives	Replacement of old and unreliable MG sets by modern thyristor converters with state-of-art digital control	53.52	=	=	<u>25.00</u>	Improvement in mill availability & saving in power consumption	Feb'09	--
(vii)	700tpd ASU at Oxygen Plant-II	New ASU being installed in Oxygen Plant-II to meet the increasing requirement of O ₂ , N ₂ & argon	244.30	=	=	<u>60.00</u>	700 tonne per day of O ₂	Jul'09	--
(viii)	End forging Plant	For converting end profile thick web rails to profile of stock rails, needed by Indian Railways for manufacture of heavy haulage/high speed tracks and for the proposed freight corridor	53.52	=	=	<u>30.00</u>	Production of rails for making heavy duty switches for heavy haulage/high speed tracks.	Nov'08	--
2.	Durgapur Steel Plant								
(i)	Coal Dust Injection in BF-3&4	Technical necessity for reduction in coke rate and improvement of the furnace productivity	74.22	=	=	<u>16.97</u>	Replacement of coke with pulverized coal on 1:1 basis. Coal injection rate in Blast Furnace at 120 Kg/thm.	Apr'08	- Delay in equipment erection by M/s Shriram EPC. - CDI unit would be ready in Mar'08, commissioning would be taken up in Apr'08 so that BF production is not affected.

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
3.	Rourkela Steel Plant								
(i)	Rebuilding of Coke Oven Battery-4	To improve production and to achieve latest pollution norms of MOEF	248.94	=	=	103.00	Rebuilding with latest pollution norms of MOEF	Aug'09	--
(ii)	Hot Metal Desulphurisation Unit in SMS-II	Facilitate production of low sulphur steel to meet demand for high quality steel, particularly for application in off-shore, transport and structural sectors	52.39	=	=	25.00	Reduction in Sulphur level in Hot Metal from 0.1.% to 0.01%	May'08	--
(iii)	Installation of Pipe Coating Plant	Supply pipes, mainly to the hydrocarbon sector, in the coated condition.	68.27	=	=	45.00	60,000 tpa capacity with outer dia of pipes ranging from 8" to 42"	Aug'08	--
(iv)	Coal Dust Injection system in BF-4	Technical necessity for reduction in coke rate and improvement of the furnace productivity	70.71	=	=	50.00	Replacement of coke with pulverized coal on 1:1 basis, Coal injection rate in Blast Furnace at 120 Kg/thm.	Oct'08	--
(v)	Uprating of Turbo Blower No. 5 in CPP-I	For meeting the high top pressure requirement of BF-4 and also meeting air requirement of other BFs in case of shutdown/non-availability of other Turbo Blowers.	54.05	=	=	43.00	Capacity of discharge volume of 1,63,000 Nm ³ /hr at a pressure of 2.3 Kg/cm ²	Jan'09	--
(vi)	New Coke Oven Gas Holder	New Coke Oven Gas Holder as a replacement to maintain adequate pressure in the gas grid	123.22	=	=	51.00	100,000 m ³ capacity	Jun'09	--
(vii)	700tpd Oxygen Plant	New Oxygen Plant to meet increasing requirement of oxygen, nitrogen & argon	302.70	=	=	128.00	700 tonne per day capacity	Jun'09	--
(viii)	Simultaneous Blowing of BOF Converters of SMS-II	For enhancing the production capacity of SMS-II	197.66	=	=	20.00	Enhancing production from 1.68 Mtpa to 1.85 Mtpa	Oct'09	--

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
4.	Bokaro Steel Plant								
(i)	Modification/Revamping of Maewest Block System and Housing Machining in Hot Strip Mill	To improve overall quality as well as production of hot strips and to ensure smooth functioning of Hot Strip Mill	91.86	=	=	15.00	Technical necessity to avoid repeated breakdowns and to improved the overall quality of product.	May'08	- M/s. VAI could not utilise the scheduled shutdown in Sep'06 due to non-availability of machining tools caused by falling of container in high seas. - Ph-I jobs got commissioned in Jun'07. Ph-II supply completed. Erection planned during next shut down.
(ii)	Air Turbo-Compressor (ATC) and Oxygen Turbo-Compressor (OTC) at Oxygen Plant	Technical necessity for maintaining health of equipment and output of Oxygen Plant on a sustainable basis in future	81.76	=	=	20.00	ATC capacity 90,000 Nm ³ /hr and OTC capacity 15,000 Nm ³ /hr	Jul'08	Delay in handing over of site as Cylinder Filling Station could not be relocated due to operational requirement
(iii)	Coal Dust Injection System in BF-2&3	Technical necessity for reduction in coke rate and improvement of the furnace productivity	133.92	=	=	90.00	Replacement of coke with pulverized coal on 1:1 basis, Coal injection rate in Blast Furnace at 120 Kg/thm.	Jul '08	Relocation of Coal handling & storage site delayed due to finalization of site for SMS-3 under expansion plan.
(iv)	Coking Coal Storage facilities in Coal Handling Plant	Augmentation of storage facilities for coking coal in coal handling	134.32	=	=	70.00	Increase in storage capacity from 115,000 T to 202,500 T	Oct '08	- Delay in design engineering and supply of equipment by M/s BHEL. - Delay in civil work by M/s BSBK.

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
(v)	Installation of 2 nd Ladle Furnace in SMS-II	To facilitate production of value added steels, especially steel grades with low sulphur content, reduction in return heats, savings in oxygen consumption & ferro alloys, besides creating a buffer station for longer sequence at casters & flexibility in operation.	96.96	==	==	76.00	Production of value added steels, improvement in lining life of converters.	Sep'08	- Delay in design engineering & equipment ordering by M/s VAI and M/s Siemens. - Lack of resource mobilization by M/s HSCL & KCC leading to delay in civil work.
(vi)	Replacement of Battery Cyclones with ESPs in Sinter Plant	Replacement of Battery Cyclones by Electrostatic Precipitators to meet statutory requirement of emission level of outlet dust as per norm of Central Pollution Control Board.	80.60	==	==	30.00	6 no. of ESPs of capacity 900,000 m ³ /hr to control emission level of outlet dust at 150mg/Nm ³	Aug'10	--
(vii)	Installation of new Turbo Blower	To meet the enhanced cold blast (CB) requirement of BF-2	105.33	==	==	40.00	CB at blower discharge vol. of 4000 Nm ³ /min and discharge pressure of 3.9kg/cm ² at blower end.	Aug'09	--
(viii)	Up gradation of BF-2	To increase the useful working volume and productivity	892.32	==	==	100.00	Useful volume will increase from 1758 to 2259 m ³ and productivity will be 2t/m ³ /day	Aug'09	--
(ix)	Rebuilding of COB-1 & 2	To achieve production & achieve latest pollution norms of MOEF.	500.90	==	==	15.00	Improve production & achieve latest pollution norms of MOEF.	Apr'10	--
5.	IISCO Steel Plant								
(i)	Rebuilding of Coke Oven Battery-10	To improve production and to achieve latest pollution norms of MOEF	416.50	==	==	60.00	Rebuilding with latest pollution norms of MOEF	Sept '09	--
(ii)	Expansion of ISP	To install a new stream of facilities to produce 2.7MTPA hot metal, 2.5MTPA crude steel & 2.37 MTPA saleable steel.	14195.51	==	==	961.00	2.7 MTPA hot metal, 2.5MTPA crude steel & 2.37 MTPA saleable steel.	May'10	--

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
6.	Salem Steel Plant								
(i)	Expansion of SSP	To create steel making facilities with continuous casting & new CRM	2138.00	=	=	200.00	To increase crude steel production from nil to 0.18 MT & saleable steel from 0.18 MT to 0.34MT.	Mar'10	--
7.	VISL								
(i)	Installation of Bloom Caster in SMS	Replacement of old ingot technology by continuous casting technology	87.64	=	=	40.00	Production of 1,25,000 tpa cast blooms	Feb '09	--
2.	<u>RASHTRIYA ISPAT NIGAM LTD. (RINL)</u>								
(i)	Coke Oven Battery No. 4 Phase-I	To meet the Coke requirements & gas balance, it is essential to have a replacement battery to maintain hot metal & liquid steel production at current levels even during capital repairs of other three coke oven batteries	303.00	=	=	20.00	To produce 0.75 million tonnes of coke	36 months from GOI approval, which is received in Dec'03. Chimney heating commenced. Now it is anticipated commissioning in Sept'08	Remarks:- Delay in supply of mechanical, refractory items and agitation by the displaced persons caused delay in commissioning of the battery. Risk factors:- Full potential not achieved due to not commissioning of phase-II units.
(ii)	Coke Oven Battery No. 4 Phase-II	Full utilization of gas and enhancing better realization of by products by providing addl. by product facilities and balancing facilities in coal handling	118.89	=	=	80.00	Increase in recovery of by products	Nov'09	Remarks:- (1) Delay in fixation of Consultant for by product plant. Consultant appointed recently. (2) Specifications released and tendering for major packages is in progress. Risk factors:- Possible cost escalation. Possible delay in commissioning.

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes / Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
(iii)	Expansion to 6.3 MTPA Liquid Steel	To increase the plant capacity	8692.00#	==	==	3000.00	Increase production. Enhancing the production of liquid steel to 6.3 MTPA from existing level of 3.0 MTPA.	March'10 (Excluding Seamless Tube Mill)	Remarks:- Reasons for delay are (1) Performance of Bridge & Roof, Kolkata & Harjee Engg. Works, New Delhi are unsatisfactory. (2) Strike by Quarry supplier thus shortage of Minor Minerals for Construction activities. (3) Delay in placement of order and contract signing of major process packages. (4) Acute shortage of skilled man power & supervisory staff. (5) Cyclonic rains from 19 th June'07 to 25 th June'07 and 15 th Sept. to 30 th Sept. to 22 nd Oct'07. Risk factors:- Price escalation of Plant and machinery leading to increase in the capital cost. Time overrun leading to cost overrun. Fluctuations in the market prices. Non availability of raw material and frequent changes in prices of input material. Dumping of steel by other countries. Competition from Re-rolling Mills and domestic players.
(iv)	Air separation Plant	Additional facility to meet shortfall of Argon for combined blowing process. Oxygen produced is used in BF	96.00	==	==	50.00	Addl. capacity of 600 ton per day	July'09	Remarks:- Orders placement expected shortly. Tendering is under finalization. Parties quoted long delivery period. Risk factors:- Delay in commissioning. Possible cost escalation due to market factors.

Project cost is under revision.

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
(v)	Pulverised Coal Injection	Injection system for reduction in consumption of expensive BF coke with less expensive pulverised coal	165.00	==	==	60.00	Increased production of hot metal. To reduce cost of production of hot metal.	July'09	Remarks:- Project expected to be completed as per revised schedule. Risk factors:- Possible delay in commissioning.
(vi)	Acquisition of iron ore Mine & coking coal mines	To achieve self-reliance for raw material and cost reduction.	600.00	==	==	60.00	RINL/VSP does not have captive source for coking coal/iron ore and outlay included to acquire mines	--	Remarks:- Mahal Coal block allotted. As per feasibility report, project may not be viable. To take up with GOI for allotment of alternative blocks. Risk factors:- Acceptance of proposal depends on techno economic factors.
(vii)	Waste Water Treatment Facilities	Zero water discharge	93.28	==	==	80.00	Water recovered/ conserved/ reused from the 3 nos. outlets of the plant shall be 1050 cum/hr.	Jan'10	--
(viii)	Facilities for Iron Ore Storage	To increase Iron Ore storage facility.	480.84	==	==	300.00	Shall increase iron ore storage facility to 30 days	Sept'09	Remarks:- Consultant being appointed
(ix)	330 TPH (6 th) Boiler with Auxiliaries	To supplement steam requirement	260.00	==	==	145.00	To produce process steam for expansion and addl. Steam for power generation.	Dec'09	--
(x)	67.5 MW TG-5 Power Evacuation System	To meet addl. Power requirement	202.00	==	==	145.00	Shall generate partly the power requirement of expansion units.	Dec'09	--
(xi)	30 MW Wind Farm Project	To set up 30 MW wind energy project at suitable location	170.00	==	==	85.00	To generate 30 MW renewable wind energy	Aug'09	--

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables / Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
3.	<u>KUDREMUKH IRON ORE COMPANY LTD. (KIOCL)</u>								
(i)	Development of permanent railway siding at Mangalore	Magnetite Iron Ore concentrate not being available in the country and use of high grade hematite Iron ore from Bellary/Hospet is considered as one of the alternative sources on long term, as raw material for operation of Pellet Plant. Major portion of raw material is to be transported through rail. It is therefore proposed to develop a permanent railway siding at Mangalore.	55.00	==	==	<u>5.00</u>	Handle receipt of 4mtpy iron ore at Mangalore	See col. 8	Earlier company was receiving Magnetite Iron ore concentrate from Kudremukh through a pipeline which was converted into pellets and exported as well as sold to Domestic Customers. Consequent on stoppage of Mining activities at Kudremukh from 31.12.2005, Hematite Iron ore fines were procured from Bellary-Hospet Region found and converted into Pellets. In order to ensure that plant receives adequate raw material by rail, as an interim measure, a plot of land was taken on lease from New Mangalore Port Thrust and a railway siding with 4 lines was constructed in record time by December, 2005. However, since this necessitates movement of about 500 trucks and also considering ecological/environmental aspects, a land for a permanent railway siding was taken from Karnataka Industrial Area Development Board (KIADB). However, due to prolonged litigation between one of the land owner and KIADB, there was delay in handling over possession and recently the land dispute has been resolved.
(ii)	Construction of Bulk Material Handling facilities for receipt of Iron ore by rail.	Since major portion of raw material is to be transported through rail, proposal is to construct bulk material handling facilities for receipt of iron ore assignment to KIOCL for its pellet and pig iron production.	60.00	==	==	<u>5.00</u>	Supply of 4mtpy of iron ore for production of pellets	See col. 8	Bulk material handling system through a closed conveyor system was planned next to proposed new railway siding. As a result of the land dispute stated above, this project also consequently got delayed.

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes / Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
(iii)	Ductile Iron Spun Pipe	To set up a plan for production of valued added product i.e. ductile iron spun pipe	225.00	==	==	30.00	Production of 1,00,000 tpa of DISP	See col. 8	Subsidiary company KISCO has been merged with KIOCL w.e.f. 1.4.2007. The order for the same was received from BIFR by the end of July, 2007. Global Tender though floated could not result in placement of order. Hence, Global Tender Notice has been issued afresh.
(iv)	Eco-Twon development at Kudremukh	The objective of developing Eco Tourism facility in Kudremukh is to develop a community based and commercial oriented eco-tourist project	95.00	==	==	10.00	Development of Eco-tourism	See col. 8	In view of the Hon'ble Supreme Court's verdict company has stopped Mining activity in Kudremukh with effect from 31.12.2005. Company has already an established infrastructure at Kudremukh in the form of Residential Houses, Hospital, Guest House etc. and is planned to venture into eco-tourism. In this direction, a study was conducted by Wild Ventures Pvt. Ltd. and they have recommended for Joint Venture with State Govt. This will enable the company to continue the lease at Kudremukh.
(v)	Coke Oven Plant	Setting up of a Coke Oven Plant. This will improve the availability of coke at a cheaper price.	100.00	==	==	10.00	To reduce raw material cost	See col. 8	Considering this high cost of coke being used at Blast Furnace, Company aims at establishing a Coke Oven Plant at Mangalore. This will reduce the raw material cost considerably.

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes / Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
4.	<u>NMDC Ltd.</u>								
(i)	Bailadila Deposit 11B	To increase production of iron ore	295.89	==	==	<u>110.00</u>	Phase-I capacity of 3 MTPA	Oct'09	Of the four major packages, Package-1(Crushing Plant & stock Pile), Package-2 (Downhill Conveying System), Package-3 (Earth work & site Preparation) are already awarded. With regard to Package-3, a total quantity of 10.2 Lakhs cum Excavation and 3041 sqm of soil nailing and 1976 sqm of shotcreting has been completed. For Package-4 (Electrical sub station & Power distribution system, offers have been received and preparation of techno commercial recommendations is in progress.
(ii)	Kumaraswamy Iron ore project	To increase production of iron ore	296.03	==	==	<u>3.00</u>	Phase-I capacity of 3 MTPA	Dec'09	The Stay order issued by Hon'ble High Court of Karnataka against the renewal of lease in favour of NMDC Ltd. is yet to be vacated. Tree felling permission is yet to be received from forest department. However, MECON has been appointed as the consultant for the Engineering, Contract procurement, Project management and Construction management services. Tender for Package-1 has been floated and the tender documents for other packages are under preparation.

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes / Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
(iii)	Sponge Iron & 10 MW Power Plant - Nagarnar	To produce sponge iron and generate power	79.00	=	=	15.00	1 lakh tonne per annum of sponge iron & 10 MW power generation	Sept '09	Environmental clearance is received from MOEF and clearance from State Pollution Control Board is yet to be received. Meanwhile M/s Sponge Iron India Ltd. has been appointed as consultant on EPCM basis. The plant layout is finalized. Tender has been finalized in respect of Kiln-cooler package & order is being issued in Feb'08. Tenders have been floated for Civil and Structural works package & Raw material preparation and product handling package. Tender documents are under preparation for other packages.
(iv)	Wind Mill in Karnataka	To achieve self-sufficiency in electrical energy	110.00	=	=	50.00	10 MW power generation	Sep'08	Offers have been received against the Tender and are under scrutiny.
5.	<u>Manganese Ore India Ltd. (MOIL)</u>								
(i)	Joint venture for Ferro Manganese/ Silico Manganese Plant	The project will be set up at Bhilai, as a joint venture with SAIL	225.00	=	=	74.00	The project will be producing Ferro Manganese/ Silico Manganese to cater the needs of SAIL	The project will be taken up in 2008-09	The project will be taken up by JVC, wherein MOIL and SAIL will have 50% share holding each.
6.	<u>Hindustan Steelworks Construction Ltd. (HSCL)</u>								
(i)	Interest subsidy on term loan taken for VRS	To rationalise manpower through VRS	--	56.02	=	=	To reduce employee strength from 1660 to 1280	By end of 2008-09	Employees strength has come down to 1531 as on 1.1.2008
<i>SUB-TOTAL - A</i>			--	56.02	=	6891.20			

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2008-09 (BE)			Quantifiable Deliverables/ Projected Outcomes	Processes/ Timelines	Remarks/ Risk Factors
				Non-Plan Budget	Plan Budget	I&EBR			
1	2	3	4	5(i)	5(ii)	5(iii)	6	7	8
B.	Scheme of Ministry of Steel								
	Scheme for promotion of R&D in the Iron & Steel sector	To evolve a new scheme/ mechanism to promote and accelerate R&D for development of innovative/ path breaking and appropriate technologies for cost effective production of quality steel in an environment friendly manner.	118.00	==	18.50	==	See col.8	See col.8	The scheme is at formulation stage.
SUB-TOTAL B				==	18.50	==			
C.	SCHEMES/PROGRAMMES WITH ESTIMATED/SANCTIONED COST LESS THAN RS. 50.00 CRORE								
(i)	Relating to PSUs								
	AMR Schemes, R&D, Township, Technological upgradation, Feasibility studies, implementation of VRS and various other ongoing and new schemes	For regular maintenance and upkeep of plant, equipments and machinery, cutting down of production cost, improvement in the quality of products, enhanced productivity, etc.	--	13.89	15.50	2617.80	--	--	These schemes are related to day to day functioning and operations of the PSUs. They are too numerous and varied in nature and not being major schemes have not been individually included in the Outcome Budget.
(ii)	Relating to the Ministry of Steel (Proper)								
	Secretariat of the Ministry, PAO (Steel), Office of DCI&S, KoLkata and Awards to Distinguished Metallurgists	To meet the administrative expenses of the Ministry of Steel	--	15.61	==	==	--	--	Not amenable to outcome budgeting
SUB-TOTAL - C			--	29.50	15.50	2617.80			
GRAND TOTAL - A + B + C			--	85.52#	34.00	9509.00			

On Gross basis. The Non-Plan budget for 2008-09(BE) after netting of receipts of Rs. 8.29 crore relating to waiver of guarantee fee provisions for HSCL, BRL& MECON Ltd would be Rs. 77.23 crore.

CHAPTER - III

REFORM MEASURES AND POLICY INITIATIVES

1. LIBERALISATION OF THE INDIAN STEEL SECTOR

The Indian steel sector was the first core sector to be completely freed from the licensing regime and pricing and distribution controls. This was done primarily because of the inherent strengths and capabilities demonstrated by the Indian iron and steel industry. The economic reforms and the consequent liberalization of the iron and steel sector which started in the early 1990s resulted in substantial growth in the steel industry and green field steel plants were set up in the private sector. Today, India is the fifth largest steel producing country in the world. This sector represents over Rs.90,000 crore of capital and directly provides employment to over 5 lakh people. The production of finished steel during the year 2006-07 was 50.20 million tonnes with annual growth rate of 12.87% over the previous year. The production of finished carbon steel during the current year 2007-08 (April-December) at 38.09 million tonnes (Prov.) was up by 5.6% over the corresponding period of previous year.

The important policy measures which have been taken over the years for the growth and development of the Indian iron and steel sector are as under:-

- (i) In the industrial policy announced in July 1991, iron and steel industry was removed from the list of industries reserved for the public sector and also exempted from the provisions of compulsory licensing under the Industries (Development and Regulation) Act, 1951.
- (ii) With effect from 24th May 1992, iron and steel industry was included in the list of 'high priority' industries for automatic approval for foreign equity investment up to 51%. This limit has since been increased to 100%.
- (iii) Pricing and distribution of steel were deregulated from January, 1992. At the same time, it was ensured that priority continued to be accorded for meeting the requirements of small-scale industries, exporters of engineering goods and North Eastern region, besides strategic sectors such as Defence and Railways.
- (iv) The import regime for iron and steel has undergone major liberalization moving gradually from a controlled import by way of import licensing, foreign exchange release, canalization and high import tariffs to total freeing of iron and steel imports from licensing, canalization and lowering of import duty levels. Export of iron and steel items has also been freely allowed.
- (v) Duties on raw materials for steel production were reduced. These measures reduced the capital costs and production costs of steel plants.
- (vi) Freight equalization Scheme was withdrawn in January, 1992. However, with the coming up of new steel plants in different parts of the country, iron and steel products are freely available in the domestic market.

- (vii) Levy on account of Steel Development Fund was discontinued from April, 1994 thereby providing greater flexibility to main producers to respond to market forces.
- (viii) Import duties on key steel-making raw materials, including mineral products and ores and concentrates have seen significant reductions in successive budgets in last few years.
- (ix) In pursuance of the decision taken in the Steel Consumer's Council meeting held on 30.6.2006 under the Chairmanship of Hon'ble Steel Minister, Ministry of Steel has constituted a **Steel Pricing Monitoring Committee** (SPMC). The aim of the SPMC, which has the participation of all main steel producers and steel consumers, is to monitor price rationalization, analyse price fluctuations and advise all concerned regarding any irrational price behaviour of steel commodity. The SPMC meets on a quarterly basis and deliberates on price movements of various categories of steel products, discuss and analyse the variations, formulate strategy on future price and recommend strategies vis-à-vis steel production, consumption and trading.

2. NATIONAL STEEL POLICY, 2005

The progress of the steel industry has a critical influence on the pace of India's development and, as such, great importance is attached to capacity expansion in line with expected demand at cost and prices which make Indian steel internationally competitive. The existing regime of liberalization, decontrol and deregulation of industry in the country has opened up new opportunities for the expansion of the steel industry. With a view to accelerating the growth of the steel sector and attaining the vision of India becoming a developed economy by 2020, the Ministry of Steel formulated a **National Steel Policy (NSP)** in 2005. The following are the salient features of the NSP:-

- The NSP sets out a broad roadmap for the Indian Steel Industry in its journey towards reform, restructuring and globalisation.
- The long-term goal of the NSP is that India should have a modern and efficient steel industry of world standards, catering to diversified steel demand. The focus of the policy is to achieve global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity.
- In order to achieve the goal of 110 million tones of steel production by 2019-20, the NSP seeks to remove the supply-side constraints to the growth of this industry in an open, globally integrated and competitive environment.
- The NSP seeks to adopt a multi-pronged strategy to move towards the long-term policy goal. On the demand side, the strategy would be to create incremental demand through promotional efforts, creation of awareness and strengthening the delivery chain, particularly in rural areas. On the supply side, the strategy would be to facilitate creation of additional capacity, remove procedural and policy bottlenecks in the availability of inputs such as iron ore and coal, make higher investments in R&D and encourage the creation of infrastructure such as roads, railways and ports.

- The NSP acknowledges the low per capita consumption of steel in the country, especially in the rural areas and the need to boost steel consumption to improve quality of life and help in meeting the growing aspirations of masses.
- In order to achieve the strategic goal of 110 MT of steel production by 2019-20, the industry would need additional capital. In addition, funds would be required for technological upgrade of existing facilities. In order to mobilize such vast resources NSP seeks to encourage foreign direct investment. In addition, the policy also seeks to make the fiscal incentives, available to infrastructure projects, accessible to the steel industry.
- The NSP seeks to support developing of risk-hedging instruments like futures and derivatives to contain price volatility in the steel market.
- The NSP seeks to strengthen the existing training and research facilities available to the domestic steel industry so as to provide suitable training programmes especially for the secondary small-scale units and also to collect and analyse data on important parameters of the industry.
- The NSP seeks to mount aggressive R&D efforts to create manufacturing capability for special types of steel, substitute coking coal, use iron ore fines, develop new products suited to rural needs, enhance material and energy efficiency, utilize waste, and arrest environmental degradation.
- The NSP acknowledges the important role played by the secondary steel sector in providing employment, meeting local demand of steel in rural and semi-urban areas, and meeting the country's demand of some special products and seeks to endeavour to provide the necessary feedstock to these units at reasonable prices from major plants through the existing mechanism of State Small Industries Corporations.
- The NSP recognizes the fact that integration of the Indian steel industry with the global economy requires that the industry should be protected from unfair trade practices. The NSP, therefore, envisages institution of mechanisms for import surveillance, and monitoring export subsidies in other countries.

In order to monitor the NSP in close coordination with other Central Ministries and State Governments, an Inter-Ministerial Group (IMG) has been constituted with the approval of the Hon'ble Prime Minister. The IMG, headed by Secretary (Steel), will monitor and coordinate issues concerning major steel investments in the country. The other members of the IMG are Secretaries of Ministries/Departments of Mines, Department of Industrial Policy Promotion, Environment & Forest, Road Transport & Highways, Shipping and Member (Traffic), Railway Board as well as Chief Secretaries of the concerned State Governments.

The broad Terms of Reference (TOR) of the IMG are to review and coordinate measures for early completion of major steel capacities and to address various problems concerning infrastructure, availability of raw materials, speedy environment clearance, availability of other resources such as land and water and issues concerning rehabilitation.

As mentioned above, one of the objectives of the NSP is to augment the demand and consumption of steel in the country by conscious promotion of steel usage. With a view to create a mass awareness campaign on conscious promotion of steel usage a **Steel Promotion Coordination Committee** has been formed under the Chairmanship of Secretary, Ministry of Steel, consisting of major steel producers. The Committee is being serviced by Institute for Steel Development and Growth (INSDAG). The objective of the Committee is to promote steel usage in the country by way of an awareness campaign with particular emphasis on rural sectors.

3. MAJOR INITIATIVES TAKEN BY THE MINISTRY OF STEEL

3.1 To achieve the objectives of the NSP, Ministry of Steel has taken the following major initiatives:-

(i) Promoting Steel Usage

National Steel Policy focuses on conscious promotion of steel usage with particular emphasis on rural areas. As the present per capita consumption in the country is only around 46 kg (2006) against the world average of 150 kg and that of 400 kg in developed countries, Ministry of Steel took an initiative by launching a **National Steel Promotion Campaign** to create a mass awareness about the economic, innovative and viable common uses of steel. The National Steel Promotion Campaign was launched by the Hon'ble Steel Minister on 20th March, 2007. The campaign is 'on air' in TV and Radio and is being published in national and regional newspaper & magazines. The steel campaign will also further expand so as to educate the architects, designers engineers and builders in going for more steel intensive structures in flyovers, bridges, airports, railway station platforms as well as other engineering applications. This promotion campaign is supported by SAIL, RINL, TATA Steel, JSW Ltd., Jindal Steel, Essar Steel and Ispat Limited.

(ii) Mega Expansion Plans of SAIL, RINL & NMDC Ltd.

The Public Sector Undertakings- SAIL & RINL are in the midst of ambitious expansion plans. The expansion plans would increase the capacity of SAIL from 14.6 million tonnes per annum hot metal production to 26 million tonnes by 2010, at an estimated cost of around Rs. 53,000 crore. SAIL is also planning to expand the capacity further to 60 million tonnes per annum by 2020. In the case of RINL, the expansion plan would increase its capacity from the present level of 3 million tonnes of hot metal production per annum to 6.3 million tonnes by 2009-10 at an estimated cost of around Rs. 9000 crore. RINL plans to enhance capacity to 16 million tonnes per annum by 2020. The Expansion plans are well underway. NMDC Ltd. also plans to expand its present iron ore production capacity of 26 million tonnes to 50 million tonnes per annum by 2014-15 through – Capacity expansion of existing mines; opening of new mines; value addition into sponge iron, pellets and steel.

(iii) Mergers and Acquisitions

To revive ailing PSUs through synergistic mergers a number of proposals were taken up by the Ministry. The merger of KISCO with KIOCL was completed during the year.

Proposals for acquisition and merger of NINL by SAIL, and mergers of MEL and BRL with SAIL, SIIL with NMDC Ltd. are also at advance stages and it is expected that a majority of these will be completed shortly. The revival and restructuring of MECON Limited, at a total cost of Rs. 100.72 crore, was approved by the Govt. in February, 2007. MECON being a knowledge based company, Govt. has also decided to enhance the retirement age of all the employees of MECON Ltd., including Board level employees, from 58 years to 60 years to make the revival effective.

(iv) Corporate Social Responsibility

Corporate Social Responsibility (CSR) has been identified as an important parameter in the MoUs drawn by all the PSUs with the Ministry for 2007-08 and CSR activities are being monitored closely by the Ministry. All profitable steel PSUs have made commitments to the cause of CSR and have earmarked at least 2% of their distributable surplus for CSR activities. The total budget allocated for CSR in respect of the PSUs for 2007-08 is around Rs. 230.00 crore. CSR activities focusing on environmental care, education, health care, cultural efflorescence and peripheral development, family welfare, social initiatives and other measures are underway in the PSUs. In view of the calamity brought in by the floods in UP, Bihar and Assam, some of the PSUs organized immediate relief measures in these affected states. SAIL, NMDC Ltd. and RINL contributed Rs.5 crore, Rs.4 crore and Rs.2 crore respectively towards the flood relief measures. All the main producers have been urged by the Ministry to adopt villages around their plant and as part of their CSR activity and help develop the villages as model steel villages. Use of steel has been emphasized in items such as storage beans, bullock carts, buildings such as school buildings, panchayat halls, health centre buildings, water tanks, waiting sheds etc. 129 villages are being developed into model steel villages.

(v) Rural Distribution Network of Steel

A decision was taken to have at least one dealer in each district in order to make available steel items to common man. In order to ensure the availability of commonly used items of steel in the rural areas across the country, SAIL and RINL are expanding their distribution networks at a fast pace with the objective of having dealers in all the districts of the country. Preference for SC, ST and OBC are given while allotting District Level Dealerships. Further, common steel items have been made available in rural areas at the same price at which they are available in cities having stockyards. The cost of transportation from the stockyard to the dealer's location is borne by the PSU steel producers. SAIL and RINL are expanding their distribution networks at a fast pace. By the end of 2007, SAIL had 1564 dealers in 603 districts.

(vi) Constitution of Steel Pricing Monitoring Committee (SPMC)

A Steel Price Monitoring Committee has been constituted in the Ministry of Steel. The Committee will monitor price movements of various categories of steel product, discuss and analyze the variations, formulate strategy regarding future price based on an adaptive model and recommend strategies vis-à-vis steel production, consumption and trading.

(vii) Encouraging Research & Development in Iron & Steel Sector

The current level of investment in R&D in the Indian Steel Plants is less than 0.2% of their total turn over. In order to encourage R&D activities in Iron and Steel sector, Ministry of Steel is providing financial assistance under the existing Empowered Committee Mechanism from Steel Development Fund (SDF). So far 59 research projects, covering a cost of Rs.499.53 crore and with the SDF component of Rs.229.75 crore, have been initiated from public and private undertakings, research laboratories, educational and other promotional institutions. The research areas covered *inter alia* include beneficiation of ores, improvement in productivity development of new/quality products, development of human resources, reduction in energy consumption and pollution in Indian iron and steel plants. Some of these completed projects are already yielding benefits to the iron & steel industry.

(viii) Mandatory Quality Control Order on Selected Steel Products

In order to make available quality steel to the consumers, the Ministry has identified 17 steel products used in housing and construction and other critical applications for Mandatory Quality Certification under the Bureau of Indian Standard Act 1986. This will also give a right to the consumers to insist for quality steel for such critical applications and to take legal recourse against supply of sub-standard products. The formal quality control Order in this respect has been issued on 12.11.2007 by Department of Consumer Affairs and will be notified shortly.

(ix) Initiatives under Clean Development Mechanism (CDM)

CDM is one of the flexible arrangements under Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC) to support the implementation of sustainable and environment friendly technologies. The Central Government has constituted the National CDM Authority (NCDMA) that accords Host Country Approval (HCA) to eligible projects. So far, around 700 projects have been accorded HCA which includes 58 proposals from the iron and steel plants in India. These projects will result in Green House Gas (GHG) abatement worth 58.5 million tonnes of CO₂ equivalent, resulting in generation of 66 million Certified Emission Reduction (till the year 2012) which can be traded in the international market for earning substantial foreign exchange. The companies as well as the nation will thus gain substantially.

(x) Towards higher utilization of on Iron Ore fines

Mining of iron ore generates at least 50% fines in addition to lump ores that is used for iron making. Unless these fines are agglomerated these are either to be exported or will pile up causing environmental hazards. In the absence of adequate sintering and pelletisation capacities, steel plants mostly rely on lump ores and fines are normally exported. Development of sintering and pelletisation capacities through fiscal concession/incentives is therefore a concern. In view of this, Government is encouraging setting up of domestic pelletisation capacity. A detailed report on "Iron ore fines utilization in India" has been prepared through Economic Research Unit (ERU) and circulated to various stake holders. The report focused on domestic production as well as consumption of iron ore (both lumps and fines), export and constraints relating to fines utilization with policy

recommendations for encouraging domestic usage of fines. As per this study, the share of fines in steel making in country is further likely to increase from 52.2% during 2005-06 to an estimated 69.5% by 2011-12 and further to about 72% by 2019-20. To encourage optimum utilisation of domestic iron ore fines, Ministry of Steel has recommended for fiscal and other measures for promotion of beneficiation and agglomeration (sintering & pelletisation) of iron ore in India.

(xi) Resolving Infrastructure Bottlenecks

A Coordination Committee, consisting of representatives from steel industry, Ministry of Steel and Railway Board has been constituted to identify the major bottlenecks in railway facilities to the steel sector. A detailed report on "Adequacy of Infrastructure facility for the proposed expansion in steel capacity in the 11th Plan" has been prepared through Economic Research Unit (ERU). The report focused on infrastructure requirement in transport (railway, road and port), water resources and power to meet the proposed expansion in steel capacity with specific reference to Orissa, Jharkhand & Chhatisgarh. The recommendations contained in the report are under consideration of the Ministry.

(xii) Infrastructure for movement of raw materials

An MOU has been signed between Indian Railways, Government of Chhattisgarh, NMDC Ltd. and SAIL to construct a 235 km rail link from Dalli - Rajhara to Jagdalpur *via* Rawghat to provide connectivity to Rawghat and Dalli-Rajhara iron ore mines. The new railway line will facilitate the transportation of iron ore, minerals, steel, food and forest products.

3.2 For empowerment of women, a Gender Budget Cell has been set up in the Ministry as per directions of the Ministry of Finance & Ministry of Women & Child Development with the aim to initiate steps for implementation of gender budgeting concept in the Ministry. While the Ministry of Steel had no plan schemes to implement upto 2006-07, efforts will be made to incorporate some components in the new scheme of 'Promotion of Research & Development in Iron & Steel Sector' approved for the 11th Plan, which may directly lead to the empowerment of women as a beneficiary group.

4. RECOMMENDATIONS OF THE WORKING GROUP ON STEEL INDUSTRY

As the 11th Plan period is going to be crucial for not only maintaining but also improving the overall momentum of growth in this sector, a Working Group on Steel Industry for the 11th Five Year Plan (2007-2012) under the Chairmanship of Secretary, Ministry of Steel, was constituted by the Planning Commission in May, 2006. The objective of the Working Group was to make a critical assessment of the performance of iron and steel industry, examine major sectoral policy issues and concerns, estimate the potential demands and supply requirements during 11th Plan and to make policy recommendations for implementation. In the first meeting of the Working Group it was decided that there was need for an in depth analysis of the issues relating to the Steel Industry prior to framing a development strategy for the 11th Plan. Accordingly, two Sub-Groups were set up – Sub-Group I on Demand and Supply of Iron & Steel and Sub-Group II on Technological Issues. The Working Group submitted its final Report to the Planning Commission in December, 2006. Based on the observations and findings of the Working Group and in keeping with the spirit and objectives of the National Steel Policy, 2005, to make India globally competitive not only in terms of cost, quality and product mix but also in terms of global benchmarks of efficiency and productivity, the following major thrust areas in the 11th Five Year Plan have been identified where supportive measures need to be provided by the Government.

4.1 Demand side management

One of the major concerns for all stakeholders is the prevailing low per capita consumption of steel in India. While per capita consumption is expected to improve with increasing income levels, urbanization and development of infrastructure, conscious efforts are required to stimulate domestic demand and create incremental consumption possibilities. The latent possibilities of increasing steel demand can be translated into reality by:

- (i) Conscious promotion of steel usage by the producers of steel and the Institute of Steel Development and Growth (INSDAG) amongst architects, engineers, students and other technology practitioners and users of steel;
- (ii) Encouraging use of steel in bridges, crash barriers, and flyovers, industrial and other buildings and large-scale construction in general;
- (iii) Developing new grades and products for expanding the basket for steel applications;
- iv) Improving steel availability and affordability.

The real challenge however lies in addressing disparities in steel consumption across different states and regions and also between urban and rural areas. There is a need to strengthen the efforts under various initiatives like Bharat Nirman programme, National Rural Employment Guarantee Act etc. These programmes will address the problems of poor infrastructure and low income levels prevailing in rural areas. At the same time specific strategies are needed to make available steel products required for household construction and for agricultural/agro-industries at affordable prices. In the 11th plan, there is a need to impart greater thrust on opening new block level rural stock points to increase availability of steel in all parts of the country.

4.2 Supply side management

(i) Raw Materials

The deregulated steel industry has effectively dealt with the problem of shortages though at higher equilibrium of prices. While planning for the 11th Five Year Plan, it is necessary to fully take into account the growing needs of steel for downstream economic activities. Though efforts will be made to fulfill domestic needs with priority, it is equally important to exploit emerging export opportunities. In view of this, availability of key inputs should be planned to meet the growing domestic and export demand of steel in the 11th Plan.

To ease the availability of critical raw materials like iron ore, coking/ non-coking coal, ferro-alloy, etc. it is desirable that necessary changes in legal, policy and institutional set up are effected with priority. At the same time, adoption of new technologies can play a far greater role by improving material efficiencies and also by making it possible to use indigenously available resources.

(ii) Infrastructure

The infrastructure for steel sector *viz.* **Power, Railways, Highways, Ports & Costal Shipping**, needs to be essentially provided by the Government as it may not be feasible to develop required infrastructure by steel companies due to the large size of the investments involved, on one hand and the imperatives of maintaining essential cash flows by the companies, on the other. However, the scarcity of public resources has already made many steel companies go for captive power plants, jetties, roads and even railways. While some such investments by the large steel companies will be unavoidable, the burden of infrastructure development totally should not fall on the steel companies. On the other hand, some companies will be willing for public private partnerships (PPPs) especially in certain critical areas for reasons of avoiding uncertainties and reducing long-term costs. There is a need to fully utilize existing policy framework of Public-Private Partnerships (PPPs) for the benefit of all stake-holders.

(iii) New Investments

The country would need an investment in the range of Rs.1 lakh to 1.2 lakh crore in creation of additional steel capacities by 2011-12. Related areas like mining and power will require an additional investment of Rs. 25,000 to 30,000 crore. While supply of finances for steel projects has to be decided by banks and FI's on merits of the individual projects, sufficient liquidity needs to be injected into the financial system at macro-level to ensure the kind of capacity build-up envisaged in the steel sector in the 11th plan. Further, there is a need to retain flexibilities in the financial system to encourage innovation. There are many areas of technology development and adoption, which can be risky but also highly rewarding. Venture capitalism needs to be promoted at a greater pace for early adoption of emerging technologies.

4.3 Technology and Research & Development (R&D)

Competitiveness of the steel industry can only be ensured and sustained through consistent improvements in parameters of technical efficiency. There are many areas where the Indian Steel Industry is lagging behind, though there are some bright spots where the industry has been able to take leading role. The problems are mainly related to obsolescence of technology adopted and lack of timely modernization / renovation, quality of raw material and other inputs, inefficient shop floor practices, lack of automation and R&D intervention. Concerted efforts with well thought out programme of action are, therefore, necessary to bring the Indian Steel Industry at par with their counterparts abroad.

4.4 Environmental Management & Pollution Control

Environment protection in iron & steel plants is essentially linked to the technology adopted for iron & steel making, starting from the raw material to finished steel stage, and finally to the efficient disposal/re-use of generated bye-products and waste. Therefore, effective management of environment calls for an integrated approach covering the production process as also the environment surrounding the plant. In this connection, the industry and government should aim at zero waste /zero discharge.

Wastes, particularly solid wastes generated unavoidably, are to be converted into useful, value added by-products. In other words, "sustainable development" is to be practiced right from technology development and design stages. In future, it may be ensured that technologies, which are not "sustainable", are not adopted for either expansion of existing plants or creation of new capacities. Towards these objectives, initiatives both at the level of the entrepreneurs and Government by way of suitable intervention are necessary.

4.5 Safety Measures

For improvement in the overall safety situation in the Iron & Steel industries in India following remedial measures need to be taken up:

- (i) Tightening the legal system so that any instance of violation of safety policy, whether by public sector or private sector, does not go unpenalised. The system of factory inspectorate, safety officers and legal framework has to be refurbished accordingly. There should be up-gradation in legal provisions to take care of changes in technologies / work environment so that loopholes are plugged as far as possible.
- (ii) OHS Management system as per ILO guidelines and OHSAS 18001 should be adopted in all plants.
- (iii) In India, many outdated technologies viz., twin hearth furnace, ingot making etc. are still being practiced in some steel plants. These processes are hazardous to personnel working there and it is required to phase these out immediately to improve safety in such plants. Apart from this, new technological development will also facilitate attainment of safe work environment.

- (iv) Fire modeling and hazard risk analysis should be done in all plants for better assessment of inherent risk/ hazard:

4.6 Price Stability

Integration with global economy, may at times lead to sharp rise and volatility of steel prices. While a part of this volatility may be unavoidable, hedging mechanism should be available for consumers to increase stability of business. A beginning in this respect has already been made in the various stock exchanges like Multi Commodity Exchange (MCX) and National Commodity Exchange (NCDEX). This is in accordance to the recommendations adopted in the National Steel Policy, 2005. Also, as already mentioned, Ministry of Steel has constituted a '**Steel Pricing Monitoring Committee**' (SPMC) with the purpose of monitoring price rationalization, analyse price fluctuations and advice all concerned regarding any irrational price behaviour of steel commodity.

4.7 Institutional Framework for collection of data and dissemination of Information

There is an urgent need of reforms in the existing institutional mechanism for collection, validation, analysis and dissemination of data / information. Collection of data has become far more complex with deregulation of the Indian steel industry, especially information on capacity and production. Necessary legal provisions/ institutional framework are required to ensure building up of a reliable and effective data base to facilitate informed decision making by all the stake-holders, policy makers, firms, financial institutions and also the consumers. The existing institutions, namely, the Joint Plant Committee (JPC) and the Economic Research Unit (ERU), may be strengthened for this purpose.

Further, the existing institutions e.g., Joint Plant Committee (JPC), Economic Research Unit (ERU), Institute for Steel Development & Growth (INSDAG), National Institute of Secondary Steel Technology (NISST) and the Biju Patnaik National Steel Institute (BPNSI), need to be reoriented to be consistent with the changing realities of globalization. In this context, setting up of a multi-disciplinary organization along the lines of the International Iron & Steel Institute (IISI) in this country may also be considered.

5. RELATIVITY OF OUTCOME BUDGET WITH POLICY INITIATIVES

The ongoing schemes/ projects of the PSUs under the Ministry of Steel, and those proposed to be undertaken during the 11th Plan, like Capacity expansion, Technological upgradation, Acquisition/ development of iron ore & coking coal mines, R & D schemes, Installation of new slab caster, Rebuilding of Coke Oven battery, AMR schemes, etc. will increase the production capacity of plants, improve quality and product-mix and bring down the cost of production. The concept of outcome budgeting with its stress on making the conceptualization, design and implementation of schemes/ programmes 'outcome' oriented and requiring strong project/ programme formulation, appraisal capabilities and effective delivery systems, is expected to facilitate better utilization of physical assets and manpower, improve project management and implementation and ensure effective monitoring. The successful implementation of the schemes/ programmes of the PSUs will contribute towards the Indian steel sector achieving global competitiveness not only in terms of cost, quality and product-mix but also in terms of global benchmarks of efficiency and productivity, which are the goals and objectives envisaged in the National Steel Policy, 2005.

CHAPTER - IV

REVIEW OF PAST PERFORMANCE - OUTCOME BUDGET 2007-08

The Outcome Budget, 2007-08 was prepared in respect of both Plan & Non-Plan schemes/programmes of the Ministry of Steel. Ministry of Steel had no scheme to implement directly till 10th Plan (2002-07). In the 11th Plan (2007-12) a new scheme named 'Scheme for promotion of Research & Development in Iron and Steel Sector' has been included with a budgetary provision of Rs. 118.00 crore for promotion of research & development in the domestic iron and steel sector. The scheme is presently at formulation stage. The PSUs under the administrative control of the Ministry formulate and implement various schemes/ programmes related to their respective area of operations. The Plan schemes of the PSUs are components of their respective Annual Plans or Five Year Plans or of both, depending on the nature of the scheme. Since each PSU has several Plan schemes, most of which are related to the normal day to day functioning and operations of the company, it was felt that inclusion of all schemes of the PSUs in the Outcome Budget of Ministry of Steel would neither be practical nor commensurate with the objectives of outcome budgeting. A decision was, therefore, taken that only major Plan and Non-Plan schemes with sanctioned/estimated cost of more than Rs.50.00 crore be included in the Outcome Budget of Ministry of Steel. Based on this criterion, 31 Plan schemes (17 schemes of SAIL, 7 of RINL, 3 of KIOCL and 4 of NMDC Ltd.) and 1 Non-Plan scheme (in respect of HSCL) were included in the Outcome Budget, 2007-08. The PSU-wise actual achievements (up to 31st December, 2007) vis-à-vis the intended outcomes indicated in the Outcome Budget, 2007-08 in respect of these 32 schemes with estimated/sanctioned cost more than Rs. 50.00 crore are given in the following table. It may be noted that since almost all the major schemes are still under various stages of implementation, a more meaningful and realistic assessment of the actual achievements is possible only upon completion of the schemes.

ACTUAL ACHIEVEMENTS VIS-À-VIS PROJECTED OUTCOMES/TARGETS

4.1 STEEL AUTHORITY OF INDIA LTD. (SAIL)

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay * 2007-08		Quantifiable Deliverables/ Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievements w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
1.	Bhilai Steel Plant											
(i)	Revamping of B-Strand of Wire Rod Mill	Facilitate production of Wire Rods of TMT grade and smaller section with improved quality	74.66	14.80	5.00	Facilitate production of wire rods of TMT grade and smaller section in 5.5 to 7.0 mm	May, '06	Dec '06	4.10	61.12	Cumulative production wire rod of TMT grade including the smaller sections during 2007-08 (upto Jan'08 is 0.522 MT)	Completed
(ii)	Rebuilding of Coke Oven Battery-5	To improve production and to achieve latest pollution norms of MOEF	219.04	116.48	77.60	Rebuilding with latest pollution norms of MOEF	Jan. '07	Jul'08	46.35	102.80	--	- Delay in civil and detailed engg drawings by M/s. CUI/ Giprokoks/ KBK. - Lack of coordination between CUI & consortium partners has affected the supply & erection work.
(iii)	Hydraulic Automatic Gauge Control & Plan View Rolling in Plate Mill	To achieve closer thickness tolerance requirement of customers, less crop cutting & side trimming and improvement in the yield of plates.	64.10	12.33	6.10	Required for quality improvement as per customer needs.	Jul. '06	Mar. '07	0.01	43.66	Under Stabilization	Completed on semi auto mode in Nov. '06. Problems encountered during trial run are being liquidated to run the mill on auto-mode.
(iv)	Technological Upgradation of BF-7	To increase the useful volume and productivity	170.41	26.63	16.86	Useful volume will increase from 2000 m ³ to 2214 m ³	Aug.'06	Feb. 07	12.90	155.47	Useful Volume has increased to 2365m ³ has been achieved.	Completed

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay* 2007-08		Quantifiable Deliverables/ Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievements w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
(v)	Installation of new Slab Caster, RH Degasser and Ladle Furnace	To produce value added/special quality of steel to augment capabilities to produce high quality plates and rails conforming to specifications for Indian Railways.	520.76	299.19	239.22	Additional casting – 0.165 MTPA. API X65/X70 grade - 3,00,000T	Sept., 2007	Jun'08	195.02	328.76	--	- Hot trials for LF in progress since 7.2.08. For RH degasser, hot trials & commissioning will be taken in Mar'08. - For slab caster, supply & erection delayed by M/s Danieli & Co., Italy. - Inadequate resource mobilization by the contractor has also affected the work at site.
(vi)	Hot Metal de - sulphurization in SMS	Facilitate production of low sulphur steel to meet demand for high quality steel particularly for application in off-shore, transport and structural sectors	86.23	54.24	53.88	Reduction in sulphur level in Hot metal from 0.1% to 0.01%	Aug.'07	Mar'08	30.69	43.81	--	- Commissioned in Dec'07 w.r.t fume extraction (FE) system. - Integrated hot trials for FE system started in Jan'08. The unit is under stabilisation.
2.	Durgapur Steel Plant											
(i)	Bloom Caster with associated facilities	Improve the yield and quality steel particularly for application in off-shore, transport and structural sectors.	271.41	45.84	50.00	Cast Bloom – 0.85 MTPA	May. 06	Aug '07	29.63	234.28	Casting of heats has commenced on a regular basis from Aug'07. 187991 t has been produced till Feb'08. The production is yet under stabilization.	Completed

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay* 2007-08		Quantifiable Deliverables/ Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievements w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
(ii)	Coal Dust Injection in BF – 3 & 4	Technical necessity for reduction in coke rate and improvement of the furnace productivity	74.22	44.30	46.00	Replacement of coke with pulverized coal on 1:1 basis. Coal injection rate in BF at 120 kg/thm	Aug. 07	Apr'08	31.95	43.20	--	- Delay in equipment erection by M/s Shriram EPC. - CDI unit would be ready in Mar'08, commissioning would be taken up in Apr'08 so that BF production is not affected.
3.	Bokaro Steel Plant											
(i)	Rebuilding of Coke Oven Battery-5	To improve production and to achieve latest pollution norms of MOEF	198.84	62.54	46.00	Rebuilding with latest pollution norms of MOEF	Jan 07	Sep 07	38.66	161.86	Emission norms achieved after rebuilding.	Completed
(ii)	Modification/ Revamping of Maewest Block System and Housing Machining in Hot Strip Mill	To improve overall quality as well as production of hot strips and to ensure smooth functioning of Hot Strip Mill	91.86	36.50	25.00	Technical necessity to avoid repeated breakdowns and to improve the overall quality of product.	Jun, 07	May'08	24.80	69.08	--	- M/s. VAI could not utilise the scheduled shutdown in Sep'06 due to non-availability of machining tools caused by falling of container in high seas. - Ph-I jobs got commissioned in Jun'07. - Ph-II supply completed. - Erection planned during next shut down.

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay* 2007-08		Quantifiable Deliverables/ Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievements w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
(iii)	Air Turbo-Compressor (ATC) and Oxygen Turbo-Compressor (OTC) at Oxygen Plant	Technical necessity for maintaining health of equipment and output of Oxygen Plant on a sustainable basis in future	81.76	61.71	25.00	ATC capacity 90,000 Nm3/hr and OTC capacity 15,000 Nm3/hr	Nov'07	Jul'08	5.40	12.61	--	Delay in handling over of site as Cylinder Filling Stn could not be relocated due to operational requirements.
(iv)	Coal Dust Injection System in BF-2&3	Technical necessity for reduction in coke rate and improvement of the furnace productivity	133.92	72.83	25.00	Replacement of coke with pulverized coal on 1:1 basis, Coal injection rate in Blast Furnace at 120 Kg/thm.	May'08	Jul'08	23.58	30.63	--	Relocation of Coal Handling & Storage site delayed due to finalization of site for 'SMS-3 under Expansion Plan.
(v)	Coking Coal Storage facilities in Coal Handling Plant	Augmentation of storage facilities of coking coal in Coal handling	134.00	50.00	18.00	Increase in storage capacity from 115,000T to 202,500 T	Mar'08	Oct'08	15.12	19.96	--	- Delay in design engineering and supply of equipment by M/s BHEL. - Delay in civil work by M/s BSBK.
4.	Rourkela Steel Plant											
(i)	Rebuilding of Coke Oven Battery-1	To improve production and to achieve latest pollution norms of MOEF	112.39	12.43	7.00	--	Mar. 05	May 07	3.62	98.58	Emission norms achieved after rebuilding.	Completed. PG test in progress.
(ii)	Hot Metal Desulphurisation Unit in SMS-II	Facilitate production of low sulphur steel to meet demand for high quality steel, particularly for application in off-shore, transport and structural sectors	52.39	35.00	15.00	Reduction in Sulphur level in Hot Metal from 0.1.% to 0.01%	May'08	May'08	14.80	21.94	--	--

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay* 2007-08		Quantifiable Deliverables/ Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievements w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
(iii)	Coal Dust Injection system in BF-4	Technical necessity for reduction in coke rate and improvement of the furnace productivity	70.71	40.00	8.00	Replacement of coke with pulverized coal on 1:1 basis, Coal injection rate in Blast Furnace at 120 Kg/thm.	Oct'08	Oct'08	6.21	6.21	--	Progress payment envisaged against the equipment supply.
5. IISCO Steel Plant												
(i)	Rebuilding/ Upgradation of Blast Furnace-2	Blast Furnace No.2 is being rebuilt for enhanced productivity and increase in useful volume	103.93	60.00	63.00	Hot Metal production of 213,500 tpa with a useful volume of 530 m3 & productivity of 1.15t/m3/day	Sep'07	Nov'07	50.18	78.36	Under Stabilization	Completed.

* I&EBR. No budgetary support is being provided to SAIL

4.2 RASHTRIYA ISPAT NIGAM LTD. (RINL)

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay * 2007-08		Quantifiable Deliverables/ Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievement w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
(i)	Coke Oven Battery No. 4 Phase-I	To meet the coke requirement and gas balance, it is essential to have a replacement battery to maintain the hot metal and liquid steel production at the current levels even during capital repairs of other 3 coke oven batteries	303.00	71.00	71.00	To produce 0.75 MT of Coke	Dec'06 (36 months from GOI approval which was received in Dec'03)	Sep'08	22.98	274.62	--	Remarks:- Delay in supply of mechanical /, refractory items and agitation by the displaced persons caused delay in commissioning of the battery. Risk factors:- Full potential not achieved due to not commissioning of phase-II units.

(Rs. in crore)

No	Name of Scheme/	Objective/ Outcome	Estimated/ Sanctioned	Outlay * 2007-08	Quantifiabl e	Processes/ Timelines	Actual Expenditure	Achieveme nt w.r.t	Remarks/ Risk Factors
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	Programme		cost	BE	RE	Deliverables/ Physical Outputs	Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007	Projected outcomes/ Col.7	
1	2	3	4	5	6	7	8	9	10	11	12	13
(ii)	Coke Oven Battery No. 4 Phase-II	Full utilization of gas and enhancing better realization of by products by providing additional by product facilities and balancing facilities in coal handling.	118.89	60.20	5.00	Increase in recovery of by products	Sept'08	Nov'09	0.00	0.00	--	Remarks:- (1) Delay in fixation of Consultant for by product plant. Consultant appointed recently. (2) Specifications released and tendering for major packages is in progress. Risk factors:- Possible cost escalation. Possible delay in commissioning.
(iii)	Capacity Expansion to 6.5 MTPA from the current capacity of 3.0 MTPA	To increase the plant capacity from current capacity of 3.0 MTPA of Hot Metal to 6.5 MTPA of Hot Metal	8692.00#	2500.00	1500.00	Enhancing the production of liquid steel to 6.3 MTPA from existing level of 3.0 MTPA	36/48 months in phases from GOI approval which was received in Oct. 05	Mar'10 (excl. Seamless Tube Mill)	881.43	1152.92	--	Remarks:- Reasons for delay are (1) Performance of Bridge & Roof, Kolkata & Harjee Engg. Works, New Delhi are unsatisfactory. (2) Strike by Quarry supplier thus shortage of Minor Minerals for Construction activities. (3) Delay in placement of order and contract signing of major process packages. (4) Acute shortage of skilled man power & supervisory staff. (5) Cyclonic rains from 19 th June'07 to 25 th June'07 and 15 th Sept. to 30 th Sept. to 22 nd Oct'07. Risk factors:- Price escalation of Plant and machinery leading to increase in the capital cost. Time overrun leading to cost overrun. Fluctuations in the market prices. Non availability of raw material and frequent changes in prices of input material. Dumping of steel by other countries. Competition from Re-rolling Mills and domestic players.

Project cost is under revision.

* I&EBR. No budgetary support is being provided to RINL

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay * 2007-08		Quantifiable Deliverables/ Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievement w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
(iv)	Air separation Plant	Additional facility to meet shortfall of Argon for combined blowing process. Oxygen produced is used in BF	96.00	70.00	5.00	Add. Capacity of 600 ton per day	Oct '07	July'09	0.00	0.00	--	Remarks:- Orders placement expected shortly. Tendering is under finalization. Parties quoted long delivery period. Risk factors:- Delay in commissioning. Possible cost escalation due to market factors.
(v)	Pulverised Coal Injection	Injection system for reduction in consumption of expensive BF coke with less expensive pulverised coal	165.00	80.00	5.00	Increased production of hot metal. To reduce cost of production of hot metal	Oct '07	July'09	0.00	0.00	--	Remarks:- Project expected to be completed as per revised schedule. Risk factors:- Possible delay in commissioning.
(vi)	Acquisition of iron ore Mine & coking coal mines	RINL/VSP does not have captive sources for coking coal/iron ore. Acquisition of iron ore & coking coal mines will help RINL in achieving self-reliance for raw material.	600.00	65.00	0.15	Ensure raw materials security and reduce dependability on outside sources.	--	--	0.10	0.26	--	Remarks:- Mahal Coal block allotted. As per feasibility report, project may not be viable. To take up with GOI for allotment of alternative blocks. Risk factors:- Acceptance of proposal depends on techno economic factors.
(vii)	BF-1 Cat-I Repair	Increase in life of furnaces	50.20 (To replace the entire base for BF-I, the cost has been revised to Rs. 472 crore.	50.00	0.00	To sustain and improve productivity	2007-08	2010-11	0.00	0.00	--	Remarks:- BF-I completed a through put of 26 MT in a span of 16 years from the date of commissioning. Normally category-I repair are required after 14-16 years with a through put of about 25 MT. Project is timed to coincide with commissioning of new units to maintain production levels.

4.3 KUDREMU KH IRON ORE COMPANY LTD. (KIOCL)

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay * 2007-08		Quantifiable Deliverables /Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievement w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec'07		
1	2	3	4	5	6	7	8	9	10	11	12	13
(i)	Ductile Iron Spun Pipe (DISP) Plant	To set up a plan for production of valued added product i.e. ductile iron spun pipe	225.00	30.00	14.00	Production of 1,00,000 tonnes per year of DISP	See col.13		--	--	See col.13	Subsidiary company KISCO has been merged with DIOCL w.e.f.1.4.2007. The order for the same was received from BIFR by the end of July, 2007. Global Tender though floated could not result in placement of order. Hence, Global Tender Notice has been issued afresh.
(ii)	Other Mine development	The object is to explore the possibility of setting up of new mines, in view of the restriction imposed on mining by the Hon'ble Supreme Court	145.00	5.00	0.00	setting up of new mines, in view of the restriction imposed on mining by the Hon'ble Supreme Court	See col.13		--	--	See col.13	Company is on the look out for Mining Leases at various states. In this direction, Govt. of Karnataka in principle has agreed to allot 50% of the Ramanadurg deposit. This matter is also under prolonged litigation between the State Govt. and other parties. Recently, the arguments in respect of the above litigation was conducted in the High Court of Karnataka and the judgment is reserved. This issue is presently sub-judice.
(iii)	Construction of bulk material handling facilities for receipt of iron ore at Mangalore	Since major portion of raw material is to be transported through rail, proposal is to construct bulk material handling facilities for receipt of iron ore consignment to KIOCL for its pellet and pig iron production.	150.00	10.00	5.00	Supply of 4 MTPY of iron ore for production of pellets	See col.13		--	--	See col.13	Bulk material handling system through a closed conveyor system was planned next to proposed new Railway siding. However, due to prolonged litigation between one of the land owner and KIADB, there was delay in handing over possession and recently the land dispute has been resolved.

* I&EBR. No budgetary support is being provided to KIOCL.

4.4 **NMDC Ltd.**

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay * 2007-08		Quantifiable Deliverables /Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievements w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
(i)	Bailadila Deposit 11B	To increase production of iron ore	295.89	55.00	50.00	Phase-I capacity of 3 MTPA	October 2009	October, 2009	21.07	24.30	See Col.13	Of the four major packages, Package-1(Crushing Plant & stock Pile), Package-2 (Downhill Conveying System), Package-3 (Earth work & site Preparation) are already awarded. With regard to Package-3, a total quantity of 10.2 Lakhs cum Excavation and 3041 sqm of soil nailing and 1976 sqm of shotcreting has been completed. For Package-4 (Electrical sub station & Power distribution system, offers have been received and preparation of techno commercial recommendations is in progress.
(ii)	Kumaraswamy Iron ore project	To increase production of iron ore	296.03	2.00	0.50	Phase-I capacity of 3 MTPA	Dec'09	Dec'09	0.83	0.83	See Col.13	The Stay order issued by Hon'ble High Court of Karnataka against the renewal of lease in favour of NMDC Ltd. is yet to be vacated. Tree felling permission is yet to be received from forest department. However, MECON has been appointed as the consultant for the Engineering, Contract procurement, Project management and Construction management services. Tender for Package-1 has been floated and the tender documents for other packages are under preparation.

* I&EBR. No budgetary support is being provided to NMDC Ltd.

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay * 2007-08		Quantifiable Deliverables /Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievements w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
(iii)	Sponge Iron & 10 MW Power Plant - Nagarnar	To produce sponge iron and generate power	79.00	5.00	0.20	1 LT PA of Sponge Iron & 10MW Power	Sep'09	Sep'09	0.29	0.29	See Col.13	Environmental clearance has been received from MOEF and clearance from State Pollution Control Board is yet to be received. Meanwhile M/s Sponge Iron India Ltd. has been appointed as consultant on EPCM basis. The plant layout is finalized. Tender has been finalized in respect of Kiln-cooler package & order is being issued in Feb'08. Tenders have been floated for Civil and Structural works package & Raw material preparation and product handling package. Tender documents are under preparation for other packages.
(iv)	Wind Mill in Karnataka	To achieve self-sufficiency in electrical energy	110.00	50.00	11.30	10MW Power Generation, expandable to 20MW	Apr'08	Sep'08	--	--	See Col.13	Offers have been received against the Tender and are under scrutiny.

4.5 HINDUSTAN STEELWORKS CONSTRUCTION LTD. (HSCL)

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay (Non-Plan) @ 2007-08		Quantifiable Deliverables /Physical Outputs	Processes/ Timelines		Actual Expenditure		Achievements w.r.t Projected outcomes/ Col.7	Remarks/ Risk Factors
				BE	RE		Original	Actual/ Now scheduled	For Apr-Dec. 2007	Cumulative up to Dec. 2007		
1	2	3	4	5	6	7	8	9	10	11	12	13
(i)	Interest subsidy on term loan taken for implementing VRS	To rationalise manpower through VRS and cut down manpower cost	--	56.02	56.02	To reduce employee strength to 1500	By end of 2007-08	By end of 2007-08	37.27	392.94	Employees strength has come down to 1531 as on 1.1.2008	--

@ Budgetary support

CHAPTER - V

FINANCIAL REVIEW

For the year 2008-2009, Demand No. 91 will be presented to the Parliament on behalf of the Ministry of Steel during the Budget Session. The Demand includes provisions for Non-Plan expenditure for the Ministry proper and its attached/subordinate offices and Plan and Non-Plan expenditure of the Public Sector Undertakings (PSUs) under its administrative control.

1. TOTAL REQUIREMENT OF FUNDS FOR 2008-09

The total financial requirements covered in Demand No. 91 for BE 2008-09, along with Budget Estimates and Revised Estimates for 2007-08, are summarized in the following Table :-

(Rs. in Crore)

Demand No. 91 for 2008-2009	BE 2007-08			RE 2007-08			BE 2008-09		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
REVENUE SECTION	1.00	84.50	85.50	1.00	75.53	76.53	18.50	77.23	95.73
CAPITAL SECTION	65.00	0.00	65.00	65.00	0.00	65.00	15.50	0.00	15.50
Total	66.00	84.50	150.50	66.00	75.53 *	141.53	34.00	77.23 #	111.23

* Excluding provision of Rs.12.52 crore for accounting adjustments relating to waiver of guarantee fee.

Excluding provision of Rs.8.29 crore for accounting adjustments relating to waiver of guarantee fee

2. NON-PLAN EXPENDITURE

The Non-Plan expenditure of Ministry of Steel, including Secretariat Proper, PAO (Steel), Development Commissioner for Iron & Steel (DCI&S), Kolkata and the PSUs under this Ministry, in 2007-08 (BE & RE) and 2008-09 (BE) are given in the following table :-

(Rs. in crore)

	Major Head & Item of Expenditure	BE 2007-08	RE 2007-08	BE 2008-09
I.	<u>MH - 3451</u>			
1.	Secretariat - Economic Services	11.62	11.60	13.91
II.	<u>MH - 2852</u>			
2.	Development Commissioner for Iron & Steel, Kolkata	1.82	1.84	1.58
3.	Awards to Distinguished Metallurgists.	0.12	0.12	0.12
4.	Interest Subsidy :			
(i)	Subsidy to Hindustan Steelworks Construction Ltd. (HSCCL) for payment of interest on loans raised from Banks for implementation of VRS	56.02	56.02	56.02
(ii)	Subsidy to MECON Ltd. for payment of interest on loans/ bonds raised from banks for implementation of VRS	6.03	5.95	5.60

(Rs. in crore)

	Major Head & Item of Expenditure	BE 2007-08	RE 2007-08	BE 2008-09
5.	Waiver of guarantee fee (Non-cash transaction) :			
(i)	HSCL - Waiver of guarantee fee in respect of Govt. guarantee for cash credit (CC) limit, bank guarantee (BG) and VRS loans	6.60	6.10	6.10
(ii)	BRL - Waiver of guarantee fee in respect of Govt. guarantee for BG, CC limit and loan for working capital requirements	0.54	0.40	0.54
(iii)	MECON Ltd. - Waiver of guarantee fee in respect of Govt. guarantee for VRS loans/ bonds	1.75	1.75	1.65
(iv)	MECON Ltd. – Waiver of penal guarantee fee	0.00	4.27	0.00
	<i>Less – Receipts netted [(i) to (iv)] #</i>	--	- 12.52	- 8.29
	Total : Non- Plan Expenditure(Net of receipts)	84.50	75.53	77.23
	Total : Non- Plan Expenditure(Gross)	84.50	88.05	85.52

As per the advice of Ministry of Finance, provisions relating to waiver of guarantee fee are to be netted beginning from RE 2007-08.

The Non-Plan provision (Gross) of the Ministry in RE 2007-08 is in excess of Non-Plan BE 2007-08 by Rs.3.55 crore. The increase is due to the additional provision of Rs.4.27 crore obtained in the second batch of Supplementary Demands for Grants for 2007-08 for waiver of penal guarantee fee of Rs.4.27 crore due up to 2006-07 from MECON Ltd. Taking into account the reductions by Rs.0.72 crore under other heads of Non-Plan expenditure in RE 2007-08, the net excess in RE 2007-08 works out to Rs.3.55 crore.

3. PLAN EXPENDITURE

Plan budgetary provision kept in the Ministry's budget is directed towards :

- (i) providing budgetary support to some of the financially weak and loss making PSUs under the Ministry of Steel for implementation of their AMR and other capital schemes; and
- (ii) funding the new scheme for promotion of R&D in the iron & steel sector to be implemented by the Ministry during the 11th Plan.

In accordance with the recommendation of the Working Group on Steel Industry for the 11th Five Year Plan, Ministry of Steel proposes to evolve a new scheme/ mechanism to promote and accelerate R&D for development of innovative and appropriate technologies for cost effective production of quality steel in an environment friendly manner. The specific details of this R&D scheme are being worked out in consultation with the various stake holders in the field.

While the total Plan budgetary support of Rs.66.00 crore in BE 2007-08 has been retained in RE 2007-08, budgetary support of Rs.34.00 crore has been provided in BE 2008-09. The details of Plan provisions are given in the following table :

(Rs. in crore)

Sl. No	Name of Organisation/ PSU	Scheme	Plan BS BE & RE 2007-08	Plan BS BE 2008-09
1.	Bharat Refractories Ltd. (BRL)	(i) Plan loan for AMR Schemes	0.00	8.00
		(ii) Token provision in view of proposed scheme for restructuring of BRL	1.00	0.00
2.	Hindustan Steelworks Construction Ltd. (HSCL)	(i) Plan loan for capital repair and procurement of construction equipments & machinery	0.00	6.50
		(ii) Token provision in view of proposed scheme for restructuring of HSCL	1.00	0.00
3.	MECON Ltd.	Infusion of funds by way of 5% non-cumulative redeemable Preference Share Capital*	63.00	0.00
4.	Bird Group	Plan loan for AMR Schemes	0.00	1.00
5.	Ministry of Steel	Grants-in-aid for the scheme for promotion of R&D in the Iron & Steel sector	1.00	18.50
Total			66.00	34.00

* Part of the revival/ restructuring package for MECON approved by the Govt.

In addition to the Plan provision of Rs.66.00 crore in RE 2007-08, supplementary grant for Rs.7.00 crore as equity investment in BRL has been approved by Ministry of Finance for inclusion in the third and final batch of Supplementary Demands for Grants for 2007-08. This amount of Rs.7.00 crore is the fifth and final installment of the total equity investment of Rs.35.00 crore that was to be provided to BRL in five yearly installments, beginning from 2003-04, under the revival package of June, 2002 approved by the Govt. for the company.

4. ACTUAL EXPENDITURE – 2004-05 TO 2007-08 (up to December, 2007)

The actual Plan and Non-Plan expenditure (Gross) under the Ministry's grant during the preceding three years vis-à-vis the BE and RE for the respective years, are summarized in the table below:

(Rs. in crore)

Year	BE			RE			Actual Expenditure		
	Non-Plan	Plan	Total	Non-Plan	Plan	Total	Non-Plan	Plan	Total
2007-08	84.50	66.00	150.50	88.05	66.00	154.05	53.22	63.00	116.22 #
2006-07	84.50	45.00	129.50	137.00	45.00	182.00	359.86 ⁽¹⁾	45.72 ⁽²⁾	405.58
2005-06	74.53	15.00	89.53	84.50	15.00	99.50	77.15	15.00	92.15
2004-05	165.54	15.00	180.54	190.21	15.00	205.21	188.97	15.00	203.97

Actual expenditure for the 9 month period April - Dec., 2007.

(1) Includes (i) accounting adjustment of Rs.70.22 crore pertaining to waiver of penal guarantee due from SAIL and (ii) grants-in-aid to HSCL of Rs.164.03 crore for payment outstanding income tax dues, provision for which was obtained in the third and final batch of supplementary grants for 2006-07.

(2) Includes provision of Rs.1.72 crore towards conversion of outstanding interest on Govt. loans into equity, provision for which was obtained in the third and final batch of supplementary grants for 2006-07.

5. ANNUAL PLAN OUTLAY FOR 2008-09

Based on the Annual Plan, 2008-09 proposals of the PSUs under the administrative control of Ministry of Steel and the discussions held with the Planning Commission, and within the overall context of the 11th Five Year Plan (2007-2012), the following plan outlay for 2008-09 (BE) for Ministry of Steel has been approved by the Planning Commission:

(Rs. in crore)

(a)	Gross Budgetary Support	34.00
(b)	Internal & Extra Budgetary Resources (I&EBR)	9509.00
(c)	Total Outlay (a+b) of Ministry of Steel	9543.00

PSU-wise Plan outlays for Annual Plan 2007-08 (BE & RE) and Annual Plan, 2008-09 is given in the table below:

(Rs.in crore)

Name of the PSU/ Organisation	BE 2007-08			RE 2007-08			BE 2008-09		
	Outlay	IEBR	B.S.	Outlay	IEBR	B.S.	Outlay	IEBR	B.S.
A. Schemes of PSUs									
1. SAIL	2641.00	2641.00	0.00	2007.00	2007.00	0.00	4674.00	4674.00	0.00
2. RINL	3056.70	3056.70	0.00	1861.15	1861.15	0.00	4166.00	4166.00	0.00
3. SIIL	5.00	5.00	0.00	5.00	5.00	0.00	5.00	5.00	0.00
4. HSCL	1.00	0.00	1.00	1.00	0.00	1.00	6.50	0.00	6.50
5. MECON	66.00	3.00	63.00	63.00	0.00	63.00	0.00	0.00	0.00
6. BRL	1.00	0.00	1.00	1.00	0.00	1.00	8.00	0.00	8.00
7. MSTC	5.00	5.00	0.00	13.60	13.60	0.00	5.00	5.00	0.00
8. FSNL	12.00	12.00	0.00	12.00	12.00	0.00	11.80	11.80	0.00
9. NMDC Ltd.	250.00	250.00	0.00	150.00	150.00	0.00	400.00	400.00	0.00
10. KIOCL	75.00	75.00	0.00	45.00	45.00	0.00	100.00	100.00	0.00
11. MOIL	65.00	65.00	0.00	140.06	140.06	0.00	117.20	117.20	0.00
12. Bird Group	25.00	25.00	0.00	26.00	26.00	0.00	31.00	30.00	1.00
TOTAL - A	6202.70	6137.70	65.00	4324.81	4259.81	65.00	9524.50	9509.00	15.50
B. Scheme of Ministry of Steel									
1. Scheme for promotion of R&D in Iron & Steel sector	1.00	0.00	1.00	1.00	0.00	1.00	18.50	0.00	18.50
TOTAL - B	1.00	0.00	1.00	1.00	0.00	1.00	18.50	0.00	18.50
GRAND TOTAL – A + B	6203.70	6137.70	66.00	4325.81	4259.81	66.00	9543.00	9509.00	34.00

Note :- Ministry of Steel has been exempted from earmarking 10% of its Budget for the North-Eastern Region, including Sikkim.

As per the recommendations of the Working Group on Steel Industry for the 11th Five Year Plan, three new schemes viz. **Scheme for promotion of R&D in Iron & Steel sector**, **Scheme for Institution & Manpower Development in Steel sector** and **TUFS for Small & Medium Enterprises**, were proposed to be taken up by this Ministry during the 11th Plan period. However, except for the R&D scheme, the other two schemes have not been approved by the Planning Commission. For Annual Plan 2008-09, Rs.18.50 crore has been approved by Planning Commission for promotion of R&D scheme against Rs.20.00 crore proposed by the

Ministry. The specific details of the R&D scheme is being finalized in consultation with the various stakeholders in the field.

Brief description of the scheme/project-wise outlays provided in BE 2008-09 for various PSUs is given below:-

1. Out of the total outlay of Rs.9543.00 crore in Annual Plan 2008-09 (BE), an amount of **Rs.4674.00 crore** has been provided for **Steel Authority of India Limited (SAIL)**, which will be met out of its Internal & Extra Budgetary Resources (I&EBR). The broad details of outlay provided for various schemes of SAIL are as under:-
 - (i) An outlay of *Rs.1149.00 crore* has been provided for **Bhilai Steel Plant**. The outlay covers expenditure on ongoing schemes like Re-building of Coke Oven Battery No.5, Installation of Slab Caster, Main Step Down Station – 5 and 700 TPD Oxygen Plant and new schemes like Modernisation & Expansion of BSP.
 - (ii) An outlay of *Rs.336.00 crore* has been provided for **Durgapur Steel Plant**. The schemes covered under the outlay include Bloom Caster with associated facilities, Coal Dust Injection in BF- 3 & 4 and expenditure related to new schemes like Expansion of DSP and ERP at DSP..
 - (iii) An amount of *Rs.719.00 crore* has been provided for **Rourkela Steel Plant**. Major schemes included in the outlay are installation of CDI system in BF 4, Rebuilding of COB-4, 700 TPD Oxygen Plant and Coke Oven Gas Holder.
 - (iv) An outlay of *Rs.791.00 crore* for **Bokaro Steel Plant** has been provided for expenditure on augmentation of coking coal storage facilities, Provision of CDI system in BF-2 & 3, Installation of 2nd Ladle Furnace in SMS-II, Upgradation of BF – 2 and other ongoing and new schemes.
 - (v) Outlay of *Rs.60.00 crore* for **Alloy Steels Plant** is for installation of AOD & EAF, Expansion of ASP and other completed and ongoing schemes costing less than Rs.10 crore.
 - (vi) Outlay of *Rs.1111.00 crores* for **IISCO Steel Plant** is for Expansion of ISP (Rs.961 crore), Rebuilding of COB-10 (Rs.60 crore) and balance amount is for other ongoing and new schemes.
 - (vii) Outlay of *Rs.230.00 crore* has been allocated for **Salem Steel Plant**. Major portion of the outlay is for Expansion of SSP (Rs.200 crore). Provision has also been made for small value miscellaneous schemes.
 - (viii) Remaining outlay of *Rs.278.00 crore* have been provided for Visvesvaraya Iron & Steel Ltd. (Rs.58 crore), Central Units of SAIL (Rs.60 crore), Raw Materials Division (Rs.150 crore) and Maharashtra Electrosmelt Ltd. (Rs.10 crore) for various ongoing projects and research work.

2. Outlay of **Rs.4166.00 crore** has been provided for **Rashtriya Ispat Nigam Ltd.** Major portion of this outlay amounting to Rs.3000.00 crore is earmarked for expansion of RINL's production capacity to 6.5 million tonnes. Provision has also been made for AMR schemes, Coke Oven Battery No. 4 (Phase-I & II), acquisition of iron ore and coking coal mines, 330 TPH Boiler with auxiliaries, iron ore storage facilities, power evacuation system, etc. The outlay will be met from the internal resources of the company.
3. Outlay of **Rs.5.00 crore** for **Sponge Iron India Ltd.**, to be met out of I&EBR of the company, is for AMR schemes.
4. Outlay of **Rs.6.50 crore**, as Plan budgetary support, has been provided for **Hindustan Steelworks Construction Ltd.** for capital repair and procurement of new construction equipments & machinery.
5. Outlay of **Rs.8.00 crore**, as Plan budgetary support, for **Bharat Refractories Ltd.**, has been provided for AMR Schemes.
6. An outlay of **Rs.400.00 crore**, to be met from I&EBR, has been provided for **NMDC Ltd.** This includes provision for schemes/ projects like Bailadila Deposit-11B, windmill in Karnataka, investments in other ventures, Sponge Iron & Power Plant and for AMR, Township and R&D schemes. The outlay will be met from I&EBR of the company.
7. Outlay of **Rs.100.00 crore** has been provided for **Kudremukh Iron Ore Company Ltd.** for ongoing schemes like Ductile Iron Spun Pipe Plant, development of infrastructure for receipt of iron ore by rail at Mangalore, AMR schemes, R&D/ feasibility studies and new schemes of Eco Town development, coal injection system and coke oven plant. Outlay will be met from I&EBR of the company.
8. Outlay of **Rs.117.20 crore** for **Manganese Ore India Ltd.** is for executing schemes like investment in joint venture for Ferro Manganese/ Silico Manganese Plant, Wind Power Generation, Sintering Plant at Balaghat and for AMR schemes, township and R&D/feasibility studies. Plan outlay will be met from I&EBR of the company.
9. Outlay of **Rs.31.00 crore** for **Bird Group of Companies** is for Afforestation & Lease matters, Mineral & Ore based industries and AMR schemes. Outlay will be met from I&EBR of the company except for an amount of Rs.1.00 crore to be provided as budgetary support.
10. No outlay has been proposed for **MECON Ltd.** in Annual Plan 2008-09.
11. Outlay of **Rs. 5.00 crore**, to be met out of I&EBR, has been provided for **MSTC Ltd.** for setting up of stockyard/ warehousing facilities.

12. Outlay of **Rs.11.80 crore** provided for **Ferro Scrap Nigam Ltd.**, to be met out of the company's I&EBR, is for AMR schemes.

6. PLAN OUTLAY AND ACTUAL EXPENDITURE DURING 10th PLAN (2002-2007)

The actual expenditure vis-à-vis the approved Plan outlays for the 10th Plan period is given below:

(Rs. in crore)

Name of the PSUs (1)	2002-03		2003-04		2004-05		2005-06		2006-07	
	Outlay (2)	Actual (3)	Outlay (4)	Actual (5)	Outlay (6)	Actual (7)	Outlay (8)	Actual (9)	Outlay (10)	Actual (11)
1. SAIL	500.00	224.33	600.00	454.32	650.00	531.63	1030.00	812.70	1275.00	1150.00
2. RINL	55.00	27.05	227.00	25.00	300.00	70.90	896.00	160.94	1452.00	421.62
3. SIIL	5.00	2.00	5.00	2.02	9.00	1.10	5.00	0.78	5.00	1.38
4. HSCL	9.00	4.00	4.00	4.00	3.00	3.00	4.00	4.00	7.00	7.00
5. MECON	4.00	2.00	1.00	1.00	1.00	1.00	12.28	12.28	30.00	43.58
6. BRL	13.00	5.00	7.00	12.00	10.00	10.00	7.00	7.00	7.00	7.00
7. MSTC	20.00	14.85	5.00	0.00	5.00	0.00	5.00	4.30	5.00	0.00
8. FSNL	12.00	14.91	11.50	5.33	11.50	12.93	10.00	19.35	11.80	16.81
9. NMDC Ltd.	527.05	113.05	481.55	65.12	321.90	46.76	220.25	121.28	150.00	112.75
10. KIOCL	133.00	10.07	30.00	9.22	54.00	11.05	225.00	31.28	200.00	19.99
11. MOIL	32.50	12.93	26.75	7.78	20.00	17.57	34.21	25.97	48.50	64.37
12. Bird Group	3.45	3.74	2.50	16.91	16.00	5.04	17.38	9.24	26.00	1.73
13. R&T Mission *	95.00	0.41	60.00	13.93	60.00	7.63	0.00	0.00	--	--
TOTAL	1409.00	434.34	1461.30	616.63	1461.40	718.61	2466.12	1209.12	3217.30	1846.23
of which:										
(i) I&EBR	1397.00	422.34	1443.30	598.63	1446.40	703.61	2451.12	1194.12	3172.30	1800.51
(ii) Budgetary Support	12.00	12.00	18.00	18.00	15.00	15.00	15.00	15.00	45.00	45.72

* Excluded from Plan scheme by Planning Commission from 2006-07 onwards as expenditure on the scheme is met out of Steel Development Fund (SDF).

The actual plan expenditure relative to the approved Annual Plan outlay during the 10th Five Year Plan has not been satisfactory, though there was distinct increasing trend in the actual expenditure, both in percentage and in absolute terms. As against actual utilization of 31.40% and 41.50% in 2002-03 and 2003-04 respectively, the utilization of approved outlay in 2004-05 & 2005-06 was approximately 49%, which further improved to 57.38% in 2006-07. While there was 100% utilization of Plan budgetary support during each of the Annual Plans 2002-03 to 2006-07, the entire shortfall in utilization was in respect of the I&EBR component of the respective Annual Plan outlays. Almost 95% of the total shortfall of Rs.5190.91 crore in utilization during the 10th Plan was on account of low utilization by the four major PSUs viz. SAIL, RINL, NMDC Ltd. and KIOCL. Among these PSUs, while SAIL's utilization of Plan outlay improved significantly from 45% in 2002-03 to around 80% in 2004-05 and 2005-06 and 90% in 2006-07, the shortfalls in the case of RINL, NMDC Ltd. and KIOCL during the period 2002-2006 are rather pronounced, main reasons for which are:

- **RINL:** Delay in approval for major schemes like capacity expansion of plant to 6.3 MTPA of liquid steel and slow implementation of schemes due to delay on part of suppliers, contractors, etc.

- **NMDC Ltd:** Delay in getting forest clearance/ environmental clearance for the company's schemes/projects from the Central/ State authorities and weeding out of certain schemes like NMDC Iron & Steel Plant due to lack of viable technology.
- **KIOCL:** Directive of the Hon'ble Supreme Court to stop mining of iron ore at Kudremukh from 31.12.2005.

In this context it would be relevant to mention that the 10th Five Year Plan outlay of the Ministry was finalized in 2001 while the market for steel sector started showing signs of improvement from the year 2003. The low utilization of plan outlays during the first two years of the 10th Plan and the subsequent trend of improvement in the utilization of outlay, as also the increase in the quantum of Plan outlay from 2005-06 onwards, are to a great extent a reflection of this fact.

7. STATUS OF OUTSTANDING UTILISATION CERTIFICATES

Except for some of the financially weak PSUs under the administrative control of Ministry of Steel, no budgetary support/ grants-in-aid is provided by the Ministry to any other organization or institution in the public or private sector. As on 31.12.2007, no utilization certificates are pending in respect of budgetary support (Plan & Non-Plan) released to the PSUs under the Ministry up to 31.12.2006.

8. POSITION OF UNSPENT BALANCES

As mentioned above, Ministry of Steel provides need-based budgetary support to some of the financially weak PSUs under its administrative control. The position of unspent balances with the PSUs, as on 31.12.2007, is given below:

(Rs. in crore)

Unspent balance at the end of 2006-07 i.e. as on 31.3.2007	Amount released during April – Dec. 2007-08	Amount utilized during April – Dec. 2007-08	Unspent balance as on 31.12.2007
16.42	103.22	113.39	6.25

Note: Expenditure relating to waiver / write-off of guarantee fees are not included in the above statement as these are only accounting adjustments and do not involve any cash outgo.

The entire unspent balance of Rs.6.25 crore pertains to MECON Ltd. Out of the Rs.30.00 crore as equity investment released to MECON in March, 2007 under the Govt. approved revival package for the PSU, it has utilized Rs.23.75 crore up to 31.12.2007.

CHAPTER VI**PERFORMANCE OF PUBLIC INDIVIDUAL UNDERTAKINGS UNDER THE MINISTRY OF STEEL****1. STEEL AUTHORITY OF INDIA LTD. (SAIL)**

1.1 Steel Authority of India Ltd. (SAIL) has the following plants/units under its overall control:

- (i) Bhilai Steel Plant (BSP)
- (ii) Durgapur Steel Plant (DSP)
- (iii) Rourkela Steel Plant (RSP)
- (iv) Bokaro Steel Plant (BSL)
- (v) IISCO Steel Plant (ISP)
- (vi) Alloy Steels Plant (ASP)
- (vii) Salem Steel Plant (SSP)
- (viii) Visvesvaraya Iron & Steel Plant (VISL)
- (ix) Raw Materials Division (RMD)
- (x) Central Marketing Organisation (CMO)
- (xi) Research & Development Centre for Iron & Steel (RDCIS)
- (xii) Centre for Engineering & Technology (CET)
- (xiii) Corporate Office (CO)

Maharashtra Elektros melt Limited (MEL) is a subsidiary of SAIL, in which SAIL holds 99.12% share capital. MEL having its plant situated at Chandrapur (Maharashtra) is engaged in the production of Ferro-Alloys.

1.2 The Authorized Capital of SAIL is Rs.5000.00 crore. The Paid –up capital is Rs.4130.40 crore, of which Rs.3544.69 crore (85.82%) is held by the Govt. of India and the balance by the financial institutions, GDR holders, banks, employees, etc.

1.3 PHYSICAL PERFORMANCE

(in '000 tonnes)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 BE
					BE	Actual (Upto Dec'07)	
(i)	Hot Metal	13202	14603	14606	14730	11311	16459
(ii)	Crude Steel	12460	13470	13506	13739	10379	15043
(iii)	Saleable Steel	11317	12051	12581	12530	9600	13692
(iv)	Pig Iron	364	579	509	497	346	1060

1.4 FINANCIAL PERFORMANCE

(Rs. in crore))

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Income	33235	34839	41419	40425	33108	40704
(ii)	Operating Cost	22138	27458	30453	33421	24187	35299
(ii)	Gross Margin	11097	7381	10966	7004	8921	5405
(iv)	Profit (Loss) before Tax	9365	5706	9423	5251	7804	3551
(v)	Profit (Loss) after Tax	6817	4013	6202	3442	5160	2336
(vi)	Dividend paid/ proposed of which:	1363	826	1280	826	785	826
	Dividend paid/ proposed to the Govt. of India	1170	709	1099	709	673	709

1.5 Following the end of recession in the steel sector in 2002-03, the financial performance of SAIL has been quite impressive in the subsequent years. Turnover went up by 62% to Rs.39,189 crore in 2006-07 over 2003-04 level of Rs.24,178 crore. PBT increased by 258% to Rs.9423 crore in 2006-07 from Rs.2628 crore in 2003-04. Payment of dividend started after a gap of six years in 2004-05 and Rs.3469 crore dividend has been paid by SAIL during 2004-05 to 2006-07, of which Rs.2978 crore was paid to the Govt. of India. Wealth of more than Rs.1 lakh crore has been created by the company in the last three years through market capitalization. With reduction in borrowings from Rs.8690 crore as on 1.4.2004 to Rs.2792 crore as on 31.12.2007, SAIL has become virtually debt free company. It has also attained the lowest ever debt equity ratio of 0.13: 1 against 1.87: 1 of 2003-04.

2. RASHTRIYA ISPAT NIGAM LIMITED (RINL)

2.1 Visakhapatnam Steel Plant (VSP) is the first shore based integrated steel plant set up in India. The plant was commissioned in August, 1992 with a capacity to produce 3 million tonnes per annum of liquid steel. The plant has been built to match international standards in design and engineering with the state-of-the-art technology, incorporating extensive energy saving and pollution control measures.

Government of India accorded its approval on 28th October, 2005 for expansion of the capacity of the Company from the existing level of 3 million tonnes per annum of Liquid Steel capacity to 6.3 million tonnes per annum at an estimated cost of Rs.8692.00 crore (base June, 2005 prices) with completion schedule of 36 months for Stage 1, 45 months for Special Bar Mill and 48 months for Light Structural Mill. The entire cost of the project would be met from the internal resources (1:1 ratio of Debt: Equity) and there would be no budgetary support from the Government.

2.2 The company's capital structure as on 31.3.2007 comprises of Rs.4889.85 crore of Equity capital and Rs.2937.47 crore of 7% Non-Cumulative redeemable preference share capital. The entire shares are held by the Govt. of India.

2.3 PHYSICAL PERFORMANCE

(in '000 tonnes)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Hot Metal	3920	4153	4046	4100	2943	3950
(ii)	Crude Steel	3560	3603	3606	3620	2462	3450
(iii)	Saleable Steel	3173	3237	3290	3210	2289	3080
(iv)	Pig Iron	273	439	352	416	405	403

2.4 FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Income	8778.06	8873.67	9787.78	9837.49	6770.11	11100.13
(ii)	Operating Cost	5507.07	6504.81	7154.90	7787.31	4507.97	8810.13
(ii)	Gross Margin	3270.99	2368.86	2632.88	2050.18	2262.13	2290.00
(iv)	Profit (Loss) before Tax	2253.76	1889.51	2222.34	1707.49	1992.07	1958.09
(v)	Profit (Loss) after Tax	2008.09	1252.37	1363.43	1091.63	1247.98	1285.14
(vi)	Dividend paid/ proposed of which: Dividend paid/ proposed to the Govt. of India	(see note below)					

Note:- The Company's capital base of Rs.7827.32 crore consists of Rs.4889.85 crore Equity and Rs.2937.47 crore Non-Cumulative Redeemable Preferential Shares (NCRPSC). The NCRPSC represents GOI loans converted into NCRPSC by Government of India and scheduled for redemption in phases from the financial year 2010-11. The Company has approached GOI for early redemption of Preference Share Capital of Rs.2937.47 crore which is about 60% of equity capital, out of the profits earned / likely to be earned by the Company. The proposal is under consideration of GOI. In view of the same, payment of dividend is not envisaged.

2.5 The company has been operating much above its rated capacities and there is no shortfall in either physical or financial performance as compared to the corresponding MoU targets. RINL became a debt free company in September, 2003 and wiped out all accumulated losses in January, 2006.

3. SPONGE IRON INDIA LIMITED (SIIL)

3.1 SIIL came into existence after the successful operation of the 30,000 tpa Demonstration Sponge Iron Plant, set up with the participation of Govt. of India and State Government of Andhra Pradesh and assistance of UNIDO/UNDP, for production of sponge iron based on solid reduction process of iron/ iron ore and 100% non-coking coal. Several improvements and modifications were effected to the Sponge Iron Plant based on Rotary Kiln Process to suit the local raw materials and operating conditions. This has not only helped SIIL in developing technology but also paved way for the development of sponge iron industry in the country. Taking note of the successful operations of Demonstration Plant, SIIL doubled its capacity to 60,000 tpa by setting up a second kiln of like capacity. This unit went into regular production from October, 1985.

A Briquetting Plant for briquetting of highly metallised Sponge Iron Fines (which was not suitable for steel making in the electric arc furnaces and was going waste) was commissioned during October, 1987. The unit has been operating satisfactorily producing high density briquettes.

3.2 The Authorized Capital of the company is Rs.66.00 crore and Paid - up capital is Rs.65.10 crore, of which Government of India holds 98.78% share and the balance is held by Govt. of Andhra Pradesh.

3.3 PHYSICAL PERFORMANCE

(Prodn. in tonnes)

Sl. No.	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (upto Dec'07)	
(i)	Sponge Iron Production	57,501	48,302	55,194	41,900	33,583 @	54,000
(ii)	Sponge Iron Sales	58,174	48,215	54,670	41,900	33,082	54,000

@ Physical performance during first half of 2007-08 has been affected due to major maintenance works undertaken in plant as required in MoU specific parameters of 2007-08.

3.4 FINANCIAL PERFORMANCE

(Rs. in crore)

Sl. No.	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (upto Dec'07)	
(i)	Income	66.95	48.18	56.32	57.00	40.09	62.10
(ii)	Operating Cost	52.71	42.52	50.31	50.67	33.44	57.56
(iii)	Gross Margin	16.56	6.92	7.27	7.53	7.55	6.04
(iv)	Profit (Loss) before Tax	14.24	5.66	6.29	6.33	6.65	4.54
(v)	Profit (Loss) after Tax	3.93	3.18	4.02	4.20	4.71	1.54
(vi)	Dividend paid/proposed	1.79	0.65	0.81	0.84	0.75	0.61
	Of which:						
	Dividend paid/proposed to the Govt. of India	1.77	0.64	0.80	0.83	0.74	0.60

4. HINDUSTAN STEELWORKS CONSTRUCTION LIMITED

4.1 HSCL, with its registered office at Kolkata, was incorporated in June, 1964 with the primary objective of creating in the Public Sector an organisation capable of undertaking complete construction of modern integrated steel plants. The company has done the construction of steel plants at Bokaro, Vizag and Salem from inception till commissioning and modernization/ expansion of steel plants at Bhilai, Durgapur, Burnpur (IISCO) and Bhadravati steel plant. With the tapering of construction activities in steel plants, the company intensified its activities in other sectors like power, coal, oil and gas. Besides this, the company diversified in to infrastructure sectors like Roads/Highways, Bridges, Dams, Underground Communication and Transport system and Industrial and Township Complexes involving high degree of planning, co-ordination and modern sophisticated techniques.

4.2 The Authorised and Paid-up share capital of the company is Rs.150 crore and Rs.117.10 crore respectively. All the shares are held by the Govt. of India.

4.3 PHYSICAL PERFORMANCE

(Rs. in crore)

Sl. No.	Item	2004-05 (Actual)	2005-06 (Actual)	2006-07 (Actual)	2007-08		2008-09 (BE)
					BE	Actual (upto Dec'07)	
(i)	Order Booking	521.00	430.00	781.00	500.00	695.00	600.00

4.4 FINANCIAL PERFORMANCE

(Rs. in crore)

Sl. No.	Item	2004-05 (Actual)	2005-06 (Actual)	2006-07 (Actual)	2007-08		2008-09 (BE)
					BE	Actual (upto Dec'07)	
(i)	Income	322.31	349.80	433.33	475.00	356.52	550.00
(ii)	Operating Cost	293.63	318.84	403.16	433.00	333.09	511.50
(iii)	Gross Margin (PBIDT)	28.68	30.96	30.17	42.00	23.43	38.50
(iv)	Profit (Loss) before tax	(-) 94.21	(-) 85.97	(-) 83.50	(-) 69.96	(-) 61.22	(-) 80.70
(v)	Profit (Loss) after tax	(-) 94.21	(-) 85.97	(-) 83.50	(-) 69.96	(-) 61.22	(-) 80.70
(vi)	Dividend paid/ proposed	NIL	NIL	NIL	NIL	NIL	NIL

4.5 HSCL is one of the two loss making PSUs (the other being BRL) under the Ministry of Steel. The company has been unable to achieve the results envisaged under the revival/ restructuring package approved by the Govt. for the company in 1999. Interest liability on Govt. of India loans and VRS expenditure charged to accounts are the main contributing factors in the losses incurred by the company. Steep competition faced by the company, resulting in declining margin, has also affected its financial performance.

5. BHARAT REFRACTORIES LIMITED (BRL)

5.1 BRL, incorporated on 22nd July, 1974 and with registered office at Bokaro, has the following four units :

- (i) Bhandaridah Refractories Plant (BhRP), Jharkhand
- (ii) Ranch Road Refractories Plant (RRRP), Jharkhand
- (iii) Bhilai Refractories Plant (BRP), Chattisgarh
- (iv) IFICO Refractories Plant (IFICO RP), Jharkhand

The company is engaged in the manufacture of bricks and masses and supplies mainly to Public Sector steel plants. It has technical know-how agreement with several world reputed refractory products/ research organisation including Shinagawa Refractories Co. of Japan of Plibrico of France.

5.2 The authorised share capital of the company is Rs.246.00 crore, against which the paid up capital, as on 31.3.2007, is Rs. 229.79 crore.

5.3 PHYSICAL PERFORMANCE

[Quantity in MT)

Sl. No.	Item	2004-05 (Actual)	2005-06 (Actual)	2006-07 (Actual)	2007-08		2008-09 (BE)
					BE	Actual (upto Dec'07)	
(i)	Production*	75107	81679	88793	95000	65004	95000
(ii)	Despatch*	73671	79316	87785	95000	61244	95000

* includes job conversion

5.4 FINANCIAL PERFORMANCE

(Rs. in crore)

Sl. No.	Item	2004-05 (Actual)	2005-06 (Actual)	2006-07 (Actual)	2007-08		2008-09 (BE)
					BE	Actual (upto Dec'07)	
(i)	Income	147.62	174.47	211.97	196.00	143.37	185.13
(ii)	Operating Cost	132.73	159.03	204.43	170.99	132.18	173.13
(iii)	Gross Margin	14.89	15.44	7.54	25.01	11.19	12.00
(iv)	Profit (Loss) before tax	(-) 5.21	(-) 7.07	(-) 15.31	15.19	(-) 4.90	(-) 6.85
(v)	Profit (Loss) after tax	(-) 5.21	(-) 7.07	(-) 15.31	15.19	(-) 5.08	(-) 6.85
(vi)	Dividend paid/proposed	NIL	NIL	NIL	NIL	NIL	NIL

5.5 BRL is one of the two loss making PSU (the other being HSCL) under the Ministry of Steel. The company's performance has been adversely affected by lack of modernization, high costs of production due to low capacity utilization and high interest burden on Government of India loans.

BRL was referred to BIFR in 1992. Revival/ restructuring packages were sanctioned for the company in 1996-97 and 2002-03. It was again referred to BRPSE in 2006 which *inter alia* endorsed the proposal of merger of BRL with SAIL. This is presently under consideration of the Government.

6. MECON LIMITED

6.1 MECON Limited is the first consultancy and engineering organisation in the country to be accredited with ISO – 9001 certification. In view of the cyclic demand/ investments in the steel sector over the past several years, the company has diversified its activities into other sectors of the economy, especially Oil & Gas, Power and Infrastructure. MECON is one of the leading multi - disciplinary design, engineering, consultancy and contracting organization in the field of iron & steel, chemicals, refineries & petrochemicals, power, roads & highways, railways, water management, ports & harbours, gas & oil, pipelines, non ferrous mining, general engineering, environmental engineering and other related/diversified areas with extensive overseas experience. The company has collaboration agreements with leading firms from USA, Germany, France, Italy, Russia, etc. in various fields.

6.2 The authorised share capital of the company is Rs. 104.00 crore against which the paid up capital is Rs.103.14 crore. Out of the paid up capital Bonus Shares of Rs.0.40 crore were issued during the year 1996-97. All the shares are held by the Govt. of India.

6.3 PHYSICAL PERFORMANCE

As MECON is a consultancy organisation, it is not possible to give the physical performance of the company.

6.4 FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Income	217.62	295.11	396.62	403.50	312.58	444.50
(ii)	Operating Cost	176.13	246.13	345.82	351.40	273.01	389.91
(ii)	Gross Margin	41.49	48.98	50.80	52.10	39.57	54.59
(iv)	Profit (Loss) before Tax	10.73	19.27	23.38	26.85	21.18	32.71
(v)	Profit (Loss) after Tax	10.73	16.12	20.38	23.85	18.93	26.71
(vi)	Dividend paid/proposed of which:	Nil	Nil	Nil	Nil	Nil	3.15
	Dividend proposed to the Govt. of India	Nil	Nil	Nil	Nil	Nil	3.15

6.5 MECON recorded consistent profits till 1997-98. Due to recessionary trend in the steel sector, excess manpower and reduction in value of consultancy assignment to the company, it incurred losses from 1998-99 to 2003-04. However, since 2004-05 the company has made a turn-around with PAT of Rs.10.73 crore for 2004-05 as against (-)Rs.10.72 crore for 2003-04. Business procurement in engineering & consultancy increased from Rs.161.01 crore during 2004-05 to Rs.410.97 crore during 2006-07 which is the highest since inception of MECON. Business procurement in supply/ turnkey area has also increased. PAT increased from Rs.10.73 crore in 2004-05 to Rs.20.38 crore in 2006-07. Net worth of the company, although negative, has also improved substantially from (-) Rs.257.91 crore in 2003-04 to (-) Rs.132.31 crore in 2006-07.

In February, 2007, the Govt. approved a revival/ restructuring package for MECON at a cost of Rs.100.72 crore.

7.0 MSTC LIMITED

7.0.1 MSTC Limited was incorporated under the Companies Act, 1956 on 9th September, 1964 and was the Canalising Agency for import of carbon steel melting scrap, sponge iron / hot briqueted iron and re-rollable scrap till February, 1992. It was also the Canalising Agency for import of old ships for breaking, import of which was decanalised and put under OGL w.e.f. August, 1991. The company became a subsidiary of Steel Authority of India Limited (SAIL) in February, 1974. In the year 1982-83, MSTC was converted into a Govt. of India company with the transfer of shares of SAIL to the President of India. The company undertakes trading activities, e-commerce, disposal of ferrous and non-ferrous scrap, surplus stores, etc. mostly from PSUs and Govt. Departments.

MSTC role as and Holding Company of Ferro Scrap Nigam Ltd. (FSNL) whose 100% paid up equity shares are held by MSTC.

7.0.2 MSTC has an Authorised Capital of Rs.5.00 crore and paid up capital of Rs.2.20 crore, of which approximately 90% is held by the President of India and the balance 10% by the members of Steel Furnaces Association of India and Iron & Steel Scrap Association of India and others. Paid up capital of Rs.2.20 crore includes Bonus Shares issued in the year 1993-94 in the ratio 1: 1.

7.0.3 PHYSICAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 BE
					BE	Actual (Upto Dec'07)	
(i)	Marketing (Trading Activity)	4765	4552	4235	3300	3542	3700
(ii)	Agency (incl. e-commerce)	1077	3211	3495	3550	3042	4000

7.0.4 FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 BE
					BE	Actual (Upto Dec'07)	
(i)	Income	4960.03	4172.75	3100.06	3390.15	2567.08	3786.00
(ii)	Operating Cost	4894.77	4086.60	3006.66	3324.15	2507.52	3726.00
(iii)	Gross Margin	65.26	86.15	93.40	66.00	59.56	60.00
(iv)	Profit (Loss) before tax	64.77	85.70	90.87	65.00	57.92	58.50
(v)	Profit (Loss) after tax	38.30	54.68	59.00	42.90	38.45	38.61
(vi)	Dividend paid/Proposed	7.68	10.96	11.88	8.58	--	7.72
	Of which:						
	Dividend paid/proposed	6.91	9.86	10.69	7.72	--	6.95

	to the Govt. of India						
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7.1 FERRO SCRAP NIGAM LIMITED (FSNL)

7.1.1 Ferro Scrap Nigam Limited (FSNL) became a 100 % subsidiary of MSTC Ltd. after the acquisition of 40 % shares earlier held by Harsco Corporation of USA by MSTC Ltd in June, 2002. FSNL is primarily engaged in reclaiming iron and steel scrap from slag in all the integrated steel plants under SAIL, RINL and NINL and also in private sector steel plants like Ispat Industries and Jindal Steel. It is one of the pioneer enterprise which provides specialized services to the metallurgical industries in the country. The company designs, builds, owns, operates and maintains facilities and infrastructure to deliver Mill Service Solution through its 10 units located in West Bengal, Orissa, Chhattisgarh, Jharkhand, Andhra Pradesh and Maharashtra.

7.1.2 As on 31.3.2007, the company's authorised share capital and issued and paid up capital was Rs.2.00 crore.

7.1.3 PHYSICAL PERFORMANCE

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Recovery of Scrap (in lakh M.T.)	21.74	22.46	22.04	21.00	17.44	21.50
(ii)	Market Value of Production (Rs.in Crore)	956.56	988.24	969.68	924.00	767.52	946.00

7.1.4 FINANCIAL PERFORMANCE

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Income	98.18	106.79	110.63	108.70	82.49	122.72
(ii)	Operating Cost	81.39	88.27	95.20	93.09	70.84	103.80
(iii)	Gross Margin	16.79	18.65	15.37	15.61	11.65	18.92
(iv)	Profit/Loss before Tax	8.49	8.55	3.08	4.31	2.07	4.53
(v)	Profit/Loss after Tax	5.41	5.68	1.26	2.82	1.35	2.94
(vi)	Dividend Paid/ Proposed * (including Tax)	1.23	1.29	2.95	0.90	0.00	0.69

* No dividend paid to the Govt. as FSNL is 100% subsidiary of MSTC Ltd.

7.1.5 FSNL's performance depends upon the arisal of scrap in the slag and scrap generation in various forms. For the period 2004-05 to 2006-07, though the income of FSNL increased due to increase in production, particularly in the area of handling of slag, there was no proportionate increase in the profitability. This was due to increase in input costs like diesel, power, steel, heavy machinery parts, etc. even while the increase in service charge rate was not enough to compensate the increased expenditure. Continuous efforts are being made by the company to reduce the cost reasonably within the limits despite increase in the input cost.

8. NMDC Ltd.

8.1 Incorporated on the 15th November, 1958 the NMDC Ltd. is the single largest producer of iron ore and diamonds in the country and is engaged in exploration, development and exploitation of various other minerals such as Dolomite limestone, Magnesite, Tungsten, Graphite, Tin etc. NMDC Ltd. is also entering into the field of producing high value products like Ferric Oxide, Iron Powder etc., through its intensive R&D works conducted at R&D Laboratory, which is declared as Centre of Excellence. The Company also under taken exploration works of gold in Tanzania. NMDC's large mechanized Iron Ore Mines are being operated at Bailadila-14/11C, Bailadila-5/10&11A in Chhattisgarh and Donimalai in Karnataka, India's only mechanized Diamond mine at Panna(MP) and Silica Sand at Lallapur (Allahabad).

NMDC Ltd. is contemplating major expansion to meet the growing demand. Deposit 11B at Bailadila, Kumaraswamy Mine at Donimalai, Sponge Iron Plant at Nagarnar, Wind mill at Karnataka are the projects in progress.

8.2 Against an authorized share capital of Rs.150.00 crore, the issued and paid up capital is Rs.132.16 crore out of which Government of India owns 98.38% of the share capital.

8.3. PHYSICAL PERFORMANCE

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 BE
					BE	Actual (Upto Dec'07)	
(i)	<u>PRODUCTION:</u>						
	IRON ORE (LAC MT)	207.43	229.23	262.31	250.00	201.04	280.00
	DIAMONDS (CARATS)	78217	43878	1703	-	-	-
(II)	<u>SALES</u>						
	IRON ORE (LAC MT)	232.22	248.45	255.89	260.00	198.58	285.00
	DIAMONDS (CARATS)	86257	48825	14588	-	2632	-

8.4 FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual	

						(Upto Dec'07)	
(i)	Income	2331.52	3915.27	4534.04	4583.15	4316.85	5521.23
(ii)	Operating Cost	1040.23	1025.38	952.25	987.41	879.36	1354.48
(ii)	Gross Margin (1-2)	1291.29	2889.89	3581.79	3595.74	3437.49	4166.75
(iv)	Depreciation/DRE	67.64	119.76	83.48	66.36	48.07	66.75
(v)	Profit (Loss) before Tax	1223.65	2770.13	3498.31	3529.38	3389.42	4100.00
(vi)	Profit (Loss) after Tax	755.44	1827.80	2320.21	2341.39	2234.01	2706.00
(vii)	Dividend paid/ proposed Of which :	151.32	365.57	465.19	--	437.45	--
	Dividend paid/ proposed to the Govt. of India	148.88	359.66	457.67	--	430.38	--

8.5 Both physical and financial performance of NMDC Ltd. has been consistently impressive over last several years as is reflected in the progressive increase in the various financial parameters like PBT, PAT, Dividend, etc. of the company. Sales value of iron ore went up from Rs.1411.49 crore in 2003-04 to Rs.4170.92 crore in 2006-07, a growth of 196%. The PBT of Rs.3498.31 crore in 2006-07 marks a growth of 468% as compared to PBT for 2003-04. The dividend of Rs.465.19 crore declared in 2006-07 was 352% of the equity, with Govt.'s share amounting to Rs.457.67 crore as against Rs.359.66 crore during 2005-06. For 2007-08 (up to 31.12.2008), dividend of Rs.437.45 crore has been paid by the company, of which Rs.430.38 crore has been paid to the Govt. of India.

NMDC Ltd. has been granted '**Navratna**' status by the Govt. on 23.1.2008.

9. KUDREMUKH IRON ORE COMPANY LIMITED (KIOCL)

9.1 Kudremukh Iron Ore Company Limited was incorporated in April, 1976 for the implementation of the Kudremukh Iron Ore Project for manufacturing iron ore concentrate. Under an agreement signed with the National Iranian Steel Industries Company, a total quantity of 150 million tonnes of Concentrate was to be supplied to Iran over a period of 21 years starting from September 1980. Government of Iran had agreed to cover the cost of implementation of the project to the extent of

US\$630 millions. Out of this credit an amount of only US\$255 millions was received. The project was, however, completed with the funds provided by the Government of India. The final cost of completion of the project amounted to Rs.516.87 crores against sanctioned cost estimate of Rs.546.80 crores.

As Iran was unable to lift the iron ore concentrate as per the agreement, besides exploring new markets for Concentrate, a scheme for construction of a Pellet Plant to utilise 3 million tonnes of concentrate was approved by the Government of India in May 1981. The project was implemented at a cost of Rs.116.65 crore and commercial production commenced in April, 1987. Iron Ore pellets are supplied to domestic units like Ispat Industries and RINL and also exported to China. Consequent upon Hon'ble Supreme Court's decision to stop mining at Kudremukh w.e.f. 31.12.2005, Pellet Plant is operated through brought out Hematite Ore.

9.2 The Authorised Capital of KIOCL is Rs.675.00 crore. The Issued and Paid – up capital is Rs.634.51 crore, approximately 99% (Rs.628.14 crore) of which is held by the Govt. of India.

9.3 PHYSICAL PERFORMANCE

(Production in Million Tonnes)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Concentrate Plant	4.350	2.922	--	--	--	--
(ii)	Pellet Plant	3.795	2.834	0.630	2.100	1.561	2.700
(iii)	Blast Furnace Unit	--	--	--	0.167	0.116	0.180

Note: (i) Mining has been stopped w.e.f. 31.12.2005 in view of Hon'ble Supreme Court judgment.
(ii) KISCO has been merged with KIOCL w.e.f. 1.4.2007 and as such figures for 2007-08 includes Blast Furnace Unit.

9.4 FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE *	Actual (Upto Dec'07)	
(i)	Income	1866.70	1301.63	368.87	1191.54	1050.39	1973.24
(ii)	Operating Cost	658.07	614.57	317.05	1112.36	952.35	1837.70
(iii)	Gross Margin	1208.63	687.06	51.81	79.18	98.04	135.54
(iv)	Profit/Loss before Tax	1111.91	548.10	19.94	41.33	56.11	93.72
(v)	Profit/Loss after Tax	649.84	356.30	13.77	27.39	37.63	61.87
(vi)	Dividend Paid/Proposed	130.08	126.90	Nil	Nil	Nil	Nil
	Of which:						
	Dividend paid/proposed to the Govt. of India	128.77	125.63	Nil	Nil	Nil	Nil

* Up to Dec., 2007

Note: Due to inadequate profits no dividend had been proposed for 2006-07.

9.5 As has been mentioned earlier, Hon'ble Supreme Court had directed KIOCL to stop mining at Kudremukh w.e.f. 31.12.2005. Accordingly, mining had to be stopped at Kudremukh which resulted in discontinuation of magnetite ore supplies from Kudremukh mines and consequent shortfall in production of both Concentrate and Pellets from 2005-06 onwards. This has adversely affected both the physical and financial performance of the company. While the Concentrate Plant had to be closed down, the company has carried out necessary process modification in the Pellet Plant to produce pellets from haemetite ore which has to be outsourced. The operation of the Pellet Plant is under stabilization.

10. MANGANESE ORE (INDIA) LIMITED (MOIL)

10.1 MOIL, formed in 1962, is the largest domestic producer of high grade manganese ore which is a basic raw material for manufacturing of Ferro-Alloys, an essential input for steel making. Dioxide ore is produced in the Dongri Buzurg mine of the company which is used for manufacturing dry batteries. With the increase in the domestic demand for high grade manganese and dioxide ores, the company has embarked upon various capital schemes for development and modernization of its mines. Further, to improve business volume and profitability, MOIL diversified its activities into manufacture of value added products during 90's. As part of diversification, the

company set up a project for manufacture of Electrolytic Manganese Dioxide in the year 1991 with initial installed capacity of 600 MT per annum, which has been expanded in a phased manner to 1500 MT per annum as of 2006-07. As further diversification, MOIL has set up a Ferro Manganese Plant of 5 MVA capacity at Balaghat in Madhya Pradesh during the year 1998, with an installed capacity of 10000 MT per annum. The company has also set up a 4.8 MW wind power unit in Madhya Pradesh which is being used to meet part of the power requirement of the Ferro Manganese plant and mines located in MP. Second phase of 15.2 MW wind power unit is under progress and is expected to be commissioned during March, 2008.

10.2 The Authorized Capital of the company is Rs.30.00 crore and the Issued and Paid - up capital as at the end of 31st March, 2007 was Rs.28.00 crore. The Govt. of India and State Governments of Maharashtra and Madhya Pradesh are the shareholders of the company, with the Govt. of India having 81.57% share holding.

10.3 PHYSICAL PERFORMANCE

(Production in MT)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Manganese Ore	943169	864890	1047021	950000	940185	1106000
(ii)	Electrolytic Manganese Dioxide	1123	1301	1312	1300	774	1400
(iii)	Ferro Manganese	10325	6170	10200	10000	8270	10000

10.4 FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Income	375.82	356.19	451.82	351.47	529.57	583.36
(ii)	Operating Cost	205.44	193.92	221.59	246.02	211.13	303.45
(iii)	Gross Margin	210.65	179.47	210.21	175.00	324.82	297.12
(iv)	Profit/Loss before Tax	202.27	169.00	201.15	150.00	311.32	271.74
(v)	Profit/Loss after Tax	126.90	114.52	134.21	99.51	205.50	179.38
(vi)	Dividend Paid/Proposed	9.20	19.92	28.00	5.83	36.40 *	16.23
	<i>Of which:</i>						
	Dividend paid/proposed to the Govt. of India	7.50	16.25	22.84	--	29.69 *	--

* Interim dividend for the year 2007-08 paid during last week of Jan'08.

Bird Group of Companies is not a PSU but a Govt. managed company under the Ministry of Steel. It comprises of the following five operational companies :

- (1) The Orissa Minerals Development Co. Ltd. (OMDC)
- (2) The Bisra Stone Lime Co. Ltd. (BSLC)
- (3) The Karanpura Development Co. Ltd. (KDCL)
- (4) Scott & Saxby Ltd. (SSL)
- (5) Eastern Investments Limited (EIL)

OMDC, BSLC and KDCL are mining companies while SSL is engaged in activities related to sinking of deep tube wells and mineral exploration. EIL is an investment company and is having major stake in OMDC, BSLC and KDCL.

11.1 **THE ORISSA MINERALS DEVELOPMENT COMPANY LIMITED (OMDC)**

Incorporated in the year 1918, OMDC is engaged in mining and marketing of iron ore and manganese ore.. The mines of the company are located around Barbil in the district of Keonjhar, Orissa. OMDC also set up a 30,000 tpa capacity Sponge Iron Plant during 2004. The authorised as well as paid - up capital of the company is Rs.0.60 crore.

11.1.1 **PHYSICAL PERFORMANCE**

(In lakh MT)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
1.	<u>Production</u>						
	Iron Ore	31.75	23.62	22.30	26.52	12.47	18.24
	Manganese Ore	0.42	0.35	0.27	1.00	0.60	0.88
	Sponge Iron	0.19	0.19	0.11	0.20	0.08	0.18
2.	<u>Despatch</u>						
	Iron Ore	28.94	22.17	21.16	26.32	12.23	17.94
	Manganese Ore	0.34	0.30	0.39	1.00	0.61	0.88
	Sponge Iron	0.14	0.18	0.05	0.20	0.12	0.18

11.1.2 FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Income	305.79	276.94	338.39	443.64	196.86	437.66
(ii)	Operating Cost	72.37	84.08	75.48	93.65	46.17	85.62
(iii)	Gross Margin	233.42	192.86	262.91	349.99	152.94	352.04
(iv)	Profit/Loss before Tax	230.15	188.88	258.99	343.49	147.39	343.94
(v)	Profit/Loss after Tax	145.55	129.93	173.47	226.74	97.85	226.79
(vi)	Dividend Paid/Proposed	21.84	19.50	26.02	-	-	34.02
	<i>Of which:</i>						
	Dividend paid/proposed to the Govt. of India	3.10	2.77	3.70	-	-	4.83

OMDC is the only profit making company under the Bird Group of Companies. The company has made consecutive profits since 2003-04 and is poised to make good profit during the current FY 2007-08 also. With improved liquidity position, the company repaid the entire outstanding Govt. loans and interest thereon during 2003-04 itself. The company is now running free of any debt. However, the diversification schemes of OMDC are constrained due to uncertainty in the renewal of three mining leases which are rich in iron ore deposits.

11.2 THE BISRA STONE LIME COMPANY LIMITED (BSLC)

BSLC was incorporated in the year 1910. The main activities of the company are mining and marketing of limestone and dolomite. The mines are located in Birmitrapur in the district of Sundargarh, Orissa. The authorised as well as paid up capital of SSL is Rs.0.50 crore.

11.2.1 PHYSICAL PERFORMANCE

(In lakh MT)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
1	Production						
	Limestone	1.87	2.14	2.58	4.08	2.04	4.49
	Dolomite	6.09	7.41	7.04	6.72	6.28	7.39
2	Despatch						
	Limestone	1.64	2.00	2.17	4.08	1.66	4.49
	Dolomite	6.18	6.95	7.08	6.72	6.29	7.39

11.2.2 FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Income	24.41	36.20	40.66	44.50	33.22	49.00
(ii)	Operating Cost	25.78	38.58	35.98	41.00	31.24	44.50
(iii)	Gross Margin	(-) 2.15	(-) 2.66	4.52	3.50	1.98	4.50
(iv)	Profit/Loss before Tax	(-) 54.99	(-) 64.13	(-) 66.63	(-) 73.00	(-) 55.35	(-) 89.00
(v)	Profit/Loss after Tax	(-) 54.95	(-) 64.12	(-) 66.65	(-) 73.00	(-) 55.35	(-) 89.00
(vi)	Dividend Paid/Proposed	-	-	-	-	-	-

BSLC has been running into losses for the past several years. The performance of the company has been affected by changes in steel making technology, industrial relations problem and severe demand constraints resulting in mounting cash losses. Though the position has of late improved somewhat with the company achieving positive gross margin in 2006-07, it still faces difficulty in sustaining growth due to various problems. While the paid-up capital of the company is only Rs.0.50 crore, the accumulated losses stood at Rs.529 crore, as on 31.3.2007. With outstanding Govt. loans and interest thereon totaling more than Rs.530 crore, the debt equity ratio has reached alarming proportions. Notwithstanding significant reduction in manpower, the present employee strength of 1221 is still surplus and is required to be reduced further.

11.3 **THE KARANPURA DEVELOPMENT COMPANY LIMITED (KDCL)**

KDCL was incorporated in the year 1920. Earlier the activity of the company centred around production and marketing of refractory minerals. Due to severe losses, the refractory activity of the company was stopped and it started operation in the mining segment – raising and marketing cement grade limestone. The mines of the company are located around Sirka, Bihar. The authorised and paid up capital is Rs.0.40 crore and Rs.0.20 crore respectively.

11.3.1 **PHYSICAL PERFORMANCE**

(In lakh MT)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
1	<u>Production</u>						
	Limestone	0.79	0.77	0.67	0.90	0.41	0.75
2	<u>Despatch</u>						
	Limestone	0.78	0.78	0.65	0.90	0.44	0.75

11.3.2 **FINANCIAL PERFORMANCE**

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual (Upto Dec'07)	
(i)	Income	1.93	1.99	1.87	2.57	1.21	2.15
(ii)	Operating Cost	1.88	1.94	2.06	2.45	1.29	2.11
(iii)	Gross Margin	0.04	0.04	(-) 0.19	0.12	(-) 0.09	0.04
(iv)	Profit/Loss before Tax	(-) 1.35	(-) 1.63	(-) 2.21	(-) 2.17	(-) 1.88	(-) 2.92
(v)	Profit/Loss after Tax	(-) 1.35	(-) 1.63	(-) 2.21	(-) 2.17	(-) 1.88	(-) 2.92
(vi)	Dividend Paid/Proposed	-	-	-	-	-	-

KDCL has also been running into losses for the past several years. The accumulated losses of the company stood at Rs.12.35 crore as on 31.3.2007. Govt. loans of Rs.1.55 crore and interest thereon of Rs.10.09 crore, as on 31.3.2007, are outstanding against KDCL. Lack of experience of the departmental workers in mining, problems with land owners due to the company having no surface rights over the leasehold mines and tough competition from small mine owners leading to decreased demand for KDCL's products has adversely affected the performance of the company.

11.4 **SCOTT & SAXBY LIMITED (SSL)**

SSL was incorporated in the year 1924 and is a wholly owned subsidiary of KDCL. The company's areas of operations are in the field of sinking of deep tube wells and mineral exploration. The authorized and paid-up capital of SSL is Rs.0.05 crore.

11.4.1 PHYSICAL PERFORMANCE

Due to the nature of SSL's operations, it is not possible to give the physical performance of the company.

11.4.2 FINANCIAL PERFORMANCE

(Rs. in crore)

No	Item	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08		2008-09 (BE)
					BE	Actual Upto Dec'07	
(i)	Income	1.71	1.65	1.05	2.24	0.74	2.24
(ii)	Operating Cost	1.75	2.73	4.16	2.16	1.35	2.20
(iii)	Gross Margin	(-) 0.06	(-) 1.17	(-) 3.11	8.00	(-) 0.61	0.04
(iv)	Profit/Loss before Tax	(-) 7.21	(-) 9.78	(-) 13.47	(-) 13.46	(-) 10.77	(-) 16.79
(v)	Profit/Loss after Tax	(-) 7.21	(-) 9.78	(-) 13.47	(-) 13.46	(-) 10.77	(-) 16.79
(vi)	Dividend Paid/Proposed	-	-	-	-	-	

SSL has also been continuously running losses for several years now. The company has its weakness in the old and worn out equipments and excessive manpower even after rationalization through VRS. Another constraint is the dearth of orders in the sinking of deep tube wells. Because of the dismal performance, SSL has been suffering from acute liquidity shortage resulting in accumulation of statutory dues with even salaries & wages remaining in arrear. Order book position is unlikely to improve in the near future. As on 31.3.2007, accumulated losses of the company stood at Rs.64.90 crore and the company has defaulted in the payment of Govt. loans & interest of Rs.60.15 crore.
