PUBLIC SECTOR

STEEL AUTHORITY OF INDIA LIMITED (EXCLUDING SUBSIDIARIES)

General

Steel Authority of India Ltd. (SAIL) is a Company registered under the Indian Companies Act, 1956 and is an enterprise of the Government of India. It operates and manages four integrated steel plants at Bhilai (Chhatisgarh), Bokaro (Jharkhand), Durgapur (West Bengal) and Rourkela (Orissa). Besides, another integrated Steel Plant at Burnpur is owned by Indian Iron and Steel Co. Ltd(IISCO), which is a wholly owned subsidiary of SAIL.

SAIL has also three Special and Alloy Steels and Ferro Alloy units at Durgapur (West Bengal), Salem (Tamil Nadu) and Bhadravati (Karnataka). In addition to these, a Ferro Alloy producing plant at Chandrapur is owned by Maharashtra Elektrosmelt Limited, which is a subsidiary of SAIL. The IISCO-Ujjain Pipe and Foundry Company Ltd., a subsidiary of IISCO, which was manufacturing Cast Iron Spun Pipes at its works at Ujjain (Madhya Pradesh), is under liquidation. Besides, SAIL has seven central units viz. the Research and Development Centre for Iron and Steel (RDCIS), the Centre for Engineering and Technology (CET), the Management Training Institute (MTI) all located at Ranchi, Central Coal Supply Organisation located at Dhanbad, Raw Materials Division, Growth Division and Environment Management Division all located at Kolkata. SAIL Consultancy Division (SAILCON) functions from New Delhi. The marketing of products of SAIL plants is done through the Central Marketing Organisation (CMO), Kolkata which has a countrywide distribution network. As part of the business restructuring plan, a subsidiary company was incorporated under the name of Bhilai Oxygen Limited (BOL) on 9th February, 1999.

Capital Structure

The authorised capital of SAIL is Rs.5000 crores. The paid-up capital of the Company was Rs.4,130.40 crores as on 31st March, 2004 which was held to the extent of 85.82% by the Government of India and the balance 14.18% by the financial institutions/GDR-holders/banks/employees/individuals etc.

Financial performance

The Company recorded a sales turnover of Rs.19207 crores in 2002-03. The Post-Tax Net Loss for the year 2002-03 was Rs.304.31 crores.

With the Sales turnover of Rs. 24178 crores during 2003-2004, the Gross margin (profit before depreciation and interest) and Net Profit After Tax for the year ended 31st March, 2004 was Rs. 4650 crores and Rs. 2512 crores respectively. Thrust on reduction in borrowings continued which have been reduced by Rs.4239 crores and the total borrowings which were at

Rs.12928 crores as on 31st March, 2003 declined to Rs.8689 crores as on 31st March, 2004. With the improvement in financial performance and reduction in borrowings, the debt equity ratio which was 6.50 : 1 as on 31st March, 2003 improved to 1.86:1 as on 31st March, 2004. Such a significant improvement in the turnover and financial performance was due to improved production and sales volume, market oriented product mix, intensive cost control measures, rationalization of manpower, reduction in borrowings, supported by external factors viz. growth in steel demand, and firming up of international and domestic prices.

Production Performance

The details of production plan and achievements of the 4 integrated steel plants during 2002-03 & 2003-04 are as follows:

(In Million Tonnes)

Item	2002-03			2003-04		
	Target	Actual	Fulfilment(%)	Target	Actual	Fulfilment(%)
Hot Metal	12.066	12.080	100	12.280	12.749	104
Crude Steel	11.343	11.087	98	11.397	11.828	104
Saleable Steel	10.200	10.086	99	10.300	10.727	104

Raw Materials

During the year 2003-04, the total iron ore produced from captive mines of RMD and Bhilai Steel Plant was 20.95 million tonnes and 2.68 million tonnes respectively. Almost the total requirement of iron ore for different steel plants was met from the company's captive sources.

Coal & Coke

Consumption of Coking Coal

During 2002-03 and *2003-04, the consumption of coking coal in SAIL steel plants (including IISCO), VSP and TISCO were as under:-

(in million tonnes)

	Indigenous Sources.		Imports		Total	
	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
SAIL	5.45	5.77	7.21	7.71	12.66	13.48
TISCO	2.00	2.02	1.75	1.64	3.75	3.66
VSP	0.40	0.45	2.76	2.76	3.16	3.21

Consumption of Non-Coking Coal

During the year 2002-03 and *2003-04 the consumption of non-coking coal in SAIL Steel Plants (including IISCO) , VSP and TISCO are as under:-

	2002-03	2003-04
SAIL	4.13	4.43
TISCO	0.80	0.73
VSP	1.36	1.38

Figures for the year 2003-04 are provisional.

Manpower

Year	Executives	Non-Executives	Total
2002-03	15078	122418	137496
2003-04	14870	117040	131910

SUBSIDIARIES

(1) **THE INDIAN IRON & STEEL CO. LTD.**

The Indian Iron & Steel Company Limited (IISCO) owns and operates an integrated Steel Plant at Burnpur, captive Iron Ore Mines at Gua and Manoharpur, captive Collieries at Chasnalla, Jitpur and Ramnagore, a Coal Washery at Chasnalla and a large Foundry Complex at Kulti. The Management of IISCO was taken over by the Government of India on the 14th July, 1972. Shares held by the Private Parties were acquired by the Central Government on the 17th July, 1976. The Shares held by the Public Financial Institutions etc. were also purchased by the Central Government and subsequently all these Shares were transferred to SAIL. IISCO became a wholly-owned Subsidiary of SAIL on the 30th March, 1979.

Production performance

The production performance during the year 2002-03 and 2003-04 of the Steel Plant is as follows :

'000/T

	2002-03			**2003-04**		
	Plan	Actual	Fulfilment (%)	Plan	Actual	Fulfilment (%)
Hot Metal	745.00	672.00	90.20	810.00	641.5	79.2
Crude Steel	370.00	327.00	88.30	423.00	301.0	71.2
Pig Iron	332.00	280.00	84.30	335.00	222.3	66.4
Saleable Steel	351.00	264.00	75.20	352.00	257.6	73.2

Financial performance

As on the 31st March, 2004 the Authorised Capital and Paid-up Capital of the Company remained at Rs.550 crores and Rs.387.67 crores, respectively.

The Company achieved sales turnover of Rs.1051.26 crores during 2003-04 and posted a Net Profit of Rs.27.09 crores as compared to a turnover of Rs.924.21 crores and a Net Loss of Rs.182.23 crores during 2002-2003 respectively.

Manpower : The total manpower in the company stood as under :-

Year	Executives	Non-Executives	Total
2002-03	936	18535	19471
2003-04	878	16112	16990

(2) **MAHARASHTRA ELEKTROSMELT LIMITED(MEL)**

Maharashtra Elektrosmelt Limited (MEL) is a subsidiary of SAIL situated at Chandrapur, Maharashtra and is a major producer of Ferro Manganese and Silico Manganese for captive use of SAIL Plants.

Production performance

The production of all grades of Ferro Alloys during 2002-03 was as under:

(Metric Tonnes)

	2001-2002	**2002-2003**	**2003-2004 (Prov.)**
High Carbon Ferro Manganese	47299	57849	24517
Silico Manganese	32147	35318	35660
Medium Carbon Ferro Manganese	1052	1939	1398

Financial performance

The Authorised and Paid-Up Share Capital of the Company as on 31.3.2004 was Rs.30 crores and Rs.24 crores respectively. SAIL's holding being. 99.12 percent of the paid-up capital.

During the year 2003-04 the Company has recorded a turnover of Rs. 152.98 crores as compared to Rs. 189.66 crores in the previous year. The Company has made a turnaround performance and earned a Net Profit of Rs. 6.30 crores against a Net Profit of Rs. 1.12 cores during 2002-03.

Manpower : the total manpower in the company stood as under:-

Year	Executives	Non-Executives	Total
2002-03	133	735	868
2003-04	129	713	842

(3) **BHILAI OXYGEN LIMITED**

The company was incorporated with an objective to acquire, promote, develop, establish, own, operate and maintain Oxygen plants of all types and capacities and manufacture, purchase and supply Oxygen, Nitrogen, Acetylene, Hydrogen and other industrial gases to the Steel Plants, other agencies and consumers etc. The company was to take over assets covered under the Business Restructuring of SAIL relating to Oxygen Plant -II of Bhilai Steel Plant. Due to delay in the restructuring process, no asset has been transferred to the Company so far. As such, no commercial activity has been carried out by the company during the period. The company has, however, spent Rs.22,100/- on various miscellaneous matters. There being no income, loss for the period was also Rs.22,100/-. SAIL invited bids from interested parties to become a Strategic Alliance Partner (SAP) in the Company along with SAIL. Detailed discussions were held with the short listed party, which finally failed. SAIL started efforts afresh for identification and selection of SAP for the Company which also failed. Hence, due to non-receipt of a suitable offer despite repeated attempts, SAIL has decided to close the divestment process of Oxygen Plant-II.

RASHTRIYA ISPAT NIGAM LTD. (VISAKHAPATNAM STEEL PLANT)

Introduction:-

Visakhapatnam Steel Plant (VSP) is the first shore based integrated Steel Plant located at Visakhapatnam in Andhra Pradesh. The plant was commissioned in August 1992 with a capacity to produce 3 Million Tons Per Annum (MTPA) of liquid steel. The Plant has been built to matching international standards in design and engineering with the State-of-the-Art Technology, incorporating extensive energy saving and pollution control measures. VSP has an excellent layout, which allows expansion of the plant capacity to over 10 MTPA. Right from the year of its integrated operation, the VSP established its presence both in the domestic and international markets with its superior quality of products. The company has been awarded all the three international standard certificates, namely, ISO 9001:2000, ISO 14001:1996 and OHSAS 18001:1999. RINL/VSP has emerged as a good corporate citizen and has contributed its mite for the development of the region.

Production Performance

Production for the years 2002-03 and 2003-04 is given below :

Unit : Metric tonnes

Item	2002-03			2003-04			
	MOU Target	Actual	% CU	MOU Target	Actual	%Ful.	% CU
Hot Metal	3.400	3.942	116	3.850	4.055	105	119
Liquid Steel	3.000	3.357	112	3.235	3.508	108	117
Saleable Steel	2.675	3.056	115	2.900	3.169	109	119

During 2003-04, the production of hot metal, liquid steel and saleable steel registered growth rates of 3%, 5% and 4% respectively over 2002-03.

Financial performance

Growth in production and sales, along with other initiatives like interest reduction measures, improvement in techno-economic performance, cost reduction measures etc. have helped in improving financial performance. Gross margin of Rs.2023 crores and cash profit of Rs.1972 crores were achieved during 2003-04. Net Profit soared to Rs.1521 crores. (prov.) from Rs.521 crores in 2002-03, representing a growth of around 192%.

Techno-economic performance

On most of the techno-economic parameters, VSP has created benchmarks in the Indian steel industry. The performance with respect to some of the parameters is indicated below.

Techno-economic Parameters	Unit	DPR Norm	01-02	02-03	03-04
Coke Rate	Kg/t HM	625	524	517	522
BF Productivity (Working vol.)	t/cum/day	1.75	1.86	1.98	2.03
Sp.Refractory Consumption	Kg/t LS	34.26	10.5	9.71	9.25
Sp. Energy Consumption	Gcal/t LS	7.78	6.62	6.13	6.07
Labour Productivity	T/man/yr	200	228	253	262

Marketing

VSP registered sales turnover of Rs.6174 crores in 2003-04, representing a growth of 22% over 2002-03. Appropriate marketing strategies, strengthening of stockyard operations, better customer relations management and faster decision-making have helped in improving the sales. During the year, sales in the domestic market stood worth Rs.5406 crores and exports were worth Rs.768 crores.

Consumption of coking coal and non-coking coal

The consumption of coking coal and non-coking coal during 2002-03 and 2003-04 are as follows :-

Unit : Metric tonnes

Source	2002-03	2003-04
Coking Coal (Mt)		
- Indigenous Sources	0.40	0.45
- Imported Sources	2.76	2.76
Non-Coking Coal	1.37	1.38

Industrial relations

During 2003-04, the overall industrial relations scenario in the VSP remained peaceful and cordial, helpful in sustaining the tempo of production. The rate of absenteeism was contained to less than 1% and there were no mandays lost. The average labour productivity during the year has been 262 Tons Per Man Per Year (TPMY).

Payment of performance based incentive

VSP has introduced an incentive scheme, Payment by Results (PBR), which allows additional earnings to the employees depending on the performance results. The salient features of the scheme are given as under :-

Components :-

(a) There are two components in the incentive scheme viz. production volume and techno-economics. For non-executives, the weightage on volume is 80% and techno-economics is 20%. For executives upto E-6 level, it is 70% on volume and 30% on techno economics. For DGMs and above, it is based on volume, techno economics and achievement on certain MOU parameters.

(b) Attendance : Payment under the scheme is monthly and based on actual attendance on normal duty.

(c) Core departments : Four departments viz. coke ovens, BF, SP and SMS are treated as core departments for the purpose of incentive payment. Employees of these departments have been given 20% more earning potential than other departments.

(d) Safety : To encourage safe work practices, the scheme has got a built-in component for accident free working.

(e) **Special Scheme** : To maintain technological discipline and encourage value added production, a special scheme has been introduced in SMS, mills and coke ovens.

NATIONAL MINERAL DEVELOPMENT CORPORATION LIMITED (NMDC)

General

Incorporated on the 15th November, 1958, the National Mineral development Corporation Limited (NMDC) is engaged in the business of developing and exploiting mineral resources of the country viz. diamonds and silica and presently the company has concentrated on iron ore mining.

NMDC operates the largest mechanised iron ore mines in the Country at Bailadila (Chattisgarh) and Donimalai (Karnataka). The Silica Sand Project is at Lallapur, Allahabad and the Diamond Mine is situated at Panna (Madhya Pradesh).

All the iron ore production units and R&D Center of NMDC have been accredited with ISO 9000 certification.

Iron ore

Production

NMDC produced 18.33 Million Tonnes of Iron Ore during 2003-04 as compared to 16.97 Million Tonnes in the corresponding period last year.

Exports

Exports of iron ore produced by the NMDC are canalized through Minerals and Metals Trading Corporation of India (MMTC). Iron Ore export is mainly to Japan, South Korea and China. In 2002-2003 Export of Iron Ore stood at 8.17 Million Tonnes (including direct export of 2.02 M.T.) valued at Rs. 702.80 Crores. In 2003-2004, the NMDC exported 7.09 Million Tonnes (including direct export of 2.15 M.T.) of iron ore valued at Rs.767.66 Crores approximately.

Domestic sales

Domestic Sales of Iron Ore was 11.34 Million Tonnes during 2002-2003 and 13.59 Million Tonnes in the year 2003-2004.

Diamonds

71,159 Carats of Diamonds were produced during 2003-2004 and 84,348 carats during the corresponding period last year.

Silica sand project, Lalgapur, Allahabad

Production of Finished Silica Sand stood at 56656 tonnes and the sales worth 57841 tonnes during the year 2003-2004.

Capital structure

The authorised share capital of the company is Rs.150 crores. The paid up equity share capital was Rs.132.16 crores and the company is a debt free company with sufficient reserves.

Financial Performance

The financial performance of the company for the year 2002-2003 and 2003-2004 (Prov.) are given below:-

(Rs. in crores)

Item	2002-2003	2003-2004 (Prov.)
Sales/Turnover	1293.43	1440.44
Gross Margin	462.72	675.68
Profit/loss before tax	420.18	620.49

Workers' participation in management

The Scheme of workers' participation in management is working satisfactorily at all the three levels viz. Shop, Plant (Project) and Apex (Corporate) level. The meetings of the Joint Councils take place regularly and follow up action is also taken.

Capital schemes

A) Bailadila-10/11A

Govt. of India approved the scheme of developing Bailadila deposit-10/11A with an estimated capital cost of Rs.430.50 crores including foreign exchange component of Rs.18.61 crores. The Project construction has been completed and is under trial production.

B) Ultra Pure Ferric Oxide Plant, Visakhapatnam

A plant for producing Ultra Pure Ferric Oxide has been set up at Visakhapatnam, Andhra Pradesh. The construction work has been completed and the problems encountered during Trial runs are being rectified and the trial production has been started with the taking up of the market.

C) NMDC Iron & Steel Plant (Romelt Process) at Nagarnar, Chattisgarh

The Feasibility Report for setting up of NMDC Iron & Steel Plant based on Romelt Technology was approved by NMDC Board of Directors in its 322nd meeting held on 19.12.1998 at an estimated cost of Rs.298.68 crores including the foreign exchange component of Rs.34.89 crores. The Plant has been taken up for implementation at the new site of Nagarnar near Jagdalpur. The plant is scheduled to be commissioned within a period of 24 months from the date of finalization of contract for Romelt Shop or on receipt of statutory clearance which ever is later.

Energy conservation

Consumption of Energy per tonne of Iron Ore excavated is as follows:-

A) Electrical Energy - KW / Tonne of excavation

Year	Target	Actual
2001-2002	2.70	2.24
2002-2003	2.13	2.30
2003-2004	2.20	2.19

B) Diesel Consumption - Ltrs./Tonne of Excavation

Year	Target	Actual
2001-2002	0.27	0.29
2002-2003	0.28	0.31
2003-2004	0.29	0.31

Manpower position

As on the 31st March, 04 the manpower position in the company is as follows:

Group	Total No. of Regular Employees
(1)	(2)
A	992
B	1090
C	2510
D (Excluding Sanitary Khalasis)	1141
D (Sanitary Khalasis)	80
TOTAL	**5813**

MANDOVI PELLETS LIMITED

Mandovi Pellets Limited (MPL), Goa is a joint venture company floated by Govt. of India through NMDC Ltd. and M/s. Chowgule & Co.Pvt.Ltd. (CCPL), a private Sector Company. The company has its pellet plant at Goa with an annual capacity of 1.8 million tonnes.

NMDC made an equity investment of Rs 600 lakhs by acquiring 60 lakh shares of Mandovi Pellets Ltd. (MPL) of face value of Rs.10/- each.

To improve their profitability, MPL prepared a restructuring plan which inter-alia meant further investment by NMDC and in the absence thereof the parent group i.e., M/s. Chowgule & Co. Ltd. (CCL) offered to take over the entire share holding of the company. This matter was discussed with Board of Directors of NMDC in its 326th meeting and Ministry of Steel has also given approval for sale of MPL shares in favour of M/s CCL. The face value of Rs. 10/- each share held by NMDC in MPL amounting to a total of Rs. 6.0 crores is to be paid in a maximum of two installments. Consent of M/s Chowgules in this connection is yet to be received.

J&K MINERAL DEVELOPMENT CORPORATION LIMITED

Jammu & Kashmir Mineral Development Corporation Limited (J&KMDC) is a subsidiary company of NMDC which was incorporated on 19.5.1989 for development of various mineral products in the state of Jammu & Kashmir. NMDC holds 74% of equity in J&KMDC, the remaining 26% is owned by J&K Minerals Limited, a State Government Public Sector Undertaking. The Dead Burnt Magnesite(DBM) plant of 30,000 tonnes per annum was sanctioned by Govt. of India in Nov.'92. However, the project construction could not start since the viability of the project was adversely affected due to reduction in customs duty on DBM in 1993-94 and further fall in the International price.

In the 57th meeting of the JKMDC Board of Directors of the Company held on 23rd May 2002 at New Delhi, it was decided to stop all the developmental activities of the company and put its activities on hold in view of no results either in Sale of raw magnesite or Dead burnt magnesite. It was also decided to refer the matter for winding up of the company to the boards of NMDC and JKML who are promoters of JKMDC. NMDC board has approved the proposal and desired that the same may be referred to the Ministry of steel for its approval. However decision of the JKML board as well as Government of Jammu and Kashmir is awaited.

KUDREMUKH IRON ORE COMPANY LIMITED

General:

Kudremukh Iron Ore Company Limited (KIOCL), the country's largest 100% EOU and an ISO 9001:2000, ISO 14001 and Golden Star Trading House Company, was established in April, 1976 to meet the long term requirements of Iran. An Iron Ore Concentrate Plant of 7.5 million tonnes capacity was set up at Kudremukh. This project was to be financed in full by Iran. However, as Iran stopped further loan disbursements after paying US $ 255 million, the project was completed as per schedule with the funds provided by Government of India.

While the project was commissioned on schedule, consequent upon the political developments in Iran, they did not lift any quantity of Concentrate. As a diversification measure, the Government approved the construction of a 3 million tonnes per year capacity Pellet Plant in Mangalore in May, 1981. The capacity of the Pellet plant has been increased to 4 Million Tonnes with additions/modifications and installation of a 0.5 MT Shaft Pelletisation Furnace. The plant went into commercial production in 1987 and is now exporting Blast Furnace grade Pellets to China and Taiwan and also to domestic Sponge Iron units such as Vikram Ispat, Ispat Industries, IMIL and KISCO. Iron Ore Concentrate is exported to Iran, Japan and China.

Production:

The target set for production during the year 2003-2004 was 5 Million Tonnes of Concentrate & 3.4 Million Tonnes of Pellets. Actual production during the year was 5.090Million Tonnes which represents 102% target fulfilment. Similarly actual Production of Pellets during the year was 3.594Million Tonnes representing 106% target fulfilment. 77,000 tonnes of Pellet Fines were generated during the year.

Financial performance

The total production of Pellets for the year 2003-04 at 3.671Million Tonnes is a new record set by the Company surpassing the previous high of 3.450 million tonnes produced during the previous year. This represents 108% of the target and an increase of 6% as compared to the previous year.

The total Sales for the year 2003-04 touched an all time high of Rs.1024 crores, surpassing the previous high of Rs.727.14 crores achieved during the previous year. This represents an increase of 41% over the previous year and also represents 157% of the target. Gross Margin/PBT/PAT are also expected to be impressive.

The techno-economic parameters like energy consumption etc., have shown improvements and conform to the Very Good targets of MoU.

Highest monthly Turnover of Rs.133.40 crores during February, 2004 surpassed the previous high of Rs. 121.50 crores achieved in December, 2003;

Production of 3.671 million tonnes of Pellets (including Pellet Fines) during the year was the highest quantity of Pellets produced in any year so far, surpassing the previous high of 3.45 million tonnes during the previous year ;

Despatch of 3.628Million Tonnes (including Pellet Fines) during the year, the highest quantity of Pellets despatched in any year so far, surpassing the previous high of 3.539Million Tonnes despatched during the previous year ;

The Export earnings during the last three years from 2001-02 are given below:

(Rs. in lakhs)

Year	Concentrate	Pellets	Total
2003-2004	20017	82364	102381
2002-2003	21135	51579	72714
2001-2002	21571	50598	72169

Manpower

As on 31st March, 2004, the total number of employees in KIOCL were as follows:-

Group	Total No. of employees including SC, ST as on 31st March, 2004
A	483
B	234
C	1250
D	150
D (Sweepers)	35
Total	2152

- Excludes 39 employees deployed from KIOCL to KISCO.

Workers' participation in management:

Worker's participation in the Management is encouraged in the plants of the Company by way of involving workers in Shop and Joint Councils. The aim of such councils is to evolve a process of consultation and to create a feeling of participation and belongingness amongst the employees. It is also being done to achieve optimum utilization of production resources and promoting productivity

MANGANESE ORE (INDIA) LIMITED

Introduction

Manganese Ore (India) Limited (MOIL) was established in 1962. It is the largest producer of Manganese Ore in India. As on 31/3/2004, Govt. of India held 81.57% shares in MOIL with State Governments of Maharashtra and Madhya Pradesh holding 9.62% and 8.81% shares respectively.

MOIL produces and sells following grades of Manganese Ore . They are : -

- High Grade Ores for production of Ferro manganese .
- Medium grade ore for production of Silico manganese.
- Blast furnace grade ore required for production of hot metal and
- Dioxide ore, which goes into production of dry battery cells.

Capital Structure

Authorised Capital of the Company is Rs. 30.00 crores and paid –up Capital was Rs. 15.33 crores as on 31/3/2004.

Production & Financial Results :

The physical and financial performance of the Company during 2002-2003 and 2003-04 is given below : -

Sr. No.	Item	2002-2003	2003-04
1.	Production		
	a) Manganese Ore (Thousand tonnes)	714.00	799.05
	b) E.M.D. (tonnes)	930.00	975.00
	c) Ferro Manganese (tonnes)	5996.00	10900.00
2.	Turnover (Rupees crores)	177.88	224.36
3.	Profit before tax (Rupees crores)	27.83	39.72

Conservation of energy :

Consistent with the National policy of conserving energy and also with the objective of containing the cost of production, the Company has embarked upon an economy drive in this sphere. Various steps including energy audit have been undertaken to conserve energy and to minimise power consumption.

Capital schemes/projects :

MOIL is planning / implementing the following projects/ schemes –

1. Elecrolytic Manganese Dioxide (EMD) Plant :-

The 600 TPA capacity Electrolytic Manganese Dioxide (EMD) Plant was set –up as a part of a diversification plan. The quality of the product is of international standards. The capacity of this plant has been expanded twice by 200 TPA on each occasion considering the good demand in the domestic market. The company has received ISO-9002 Certificate for its EMD Plant of capacity 1000 tonnes per annum.

2. New EMD Plant :

The work of preparing the project report was awarded to MECON who have submitted their report. The same is being studied by the company. However, due to high power costs, the report is being re-examined.

3. Ferro Manganese Plant – Balaghat mine :-

The plant was commissioned in October 1998, and various technical parameters were stabilised. During 2002 – 2003 the plant produced 5996 MT HC Ferro Manganese as against 8763 MT last year. The sales was 8100 MT against 7789 MT in the last year. The quality is one of the best in the country and firmly established in the market. The Plant made cash profit of Rs. 16.66 Lakhs during 2002-2003, as against cash profit of Rs. 121.68 Lakhs in the Previous year, based on input cost of Manganese Ore at average cost of production. The Plant's profit has decreased due to increase in the cost of power coupled with decrese in the average selling price of Ferro Manganese .

Worker' s participation in management :

The Company has set-up a mechanism for the association of worker's representatives from the grass root level to corporate level. In addition, Works/Canteen/Grievance committees are functioning satisfactorily at each unit. The members of these committees are drawn from different sections of employees.

Personnel :

The composition of the work force of the Company as on 31.3.2004 is as under :

Group	Total
A	202
B	188
C	1373
D	5396
TOTAL	7159

Out of the total number of 7159 employees, 833 are female employees.

MSTC Ltd.

Introduction

MSTC Limited (formerly known as Metal Scrap Trade Corporation Limited) was incorporated under the Companies Act, 1956 on the 9th September, 1964. Presently, the company undertakes disposal of ferrous and non-ferrous scrap arisings from integrated steel plants under SAIL/RINL etc. and disposal of scrap, surplus stores etc. from other Public Sector Undertakings and Govt. Departments and also import of ferrous and non-ferrous scrap, coke, finished steel and petroleum products in competition with any other private trader.

Capital structure

The Company has an authorized capital of Rs.5 crores and paid up capital, as on 31.3.2004 was Rs.2.20 crores of which approximately 90% is held by President of India and balance 10% by members of the Steel Furnace Association of India, the Iron and Steel Scrap Association of India and others. Paid up capital of Rs.2.20 crores includes bonus shares issued in the year 1993-94 in the ratio 1:1.

Reserves & surplus

Reserves & Surplus of the Company as on 31.3.2004 stand at Rs.80.68 crores approximately (provisional).

Activities

The Company has two major spheres of activities, i.e., Selling Agency and Marketing.

(a) Selling Agency

The Company undertakes disposal of ferrous scrap and other secondary arisings generated in integrated steel plants and disposal of scrap, surplus stores, etc. from other public sector enterprises and Govt. Departments including Ministry of Defence.

(b) Marketing

After decanalisation in February, 1992, the demand for imported scrap was considerably reduced in the country due to less consumption by EAF and IF units and also availability of DRI products. The Company, therefore, enlarged its import basket and it now undertakes import of input material required by large industrial houses on back-to-back basis. The items of import include petroleum products, LAM coke, Coking coal, DR pellets, HR Coils, melting scrap etc. It also undertakes trading in items from within the country.

Performance during 2003-2004

Physical and Financial Performance is as follows :-

(Rs in Crores)

	2002-03	2003-04 (Provisional)
A. Physical		
(i) Selling Agency / Domestic	628.00	728.00
(ii) Marketing	2045.00	3376.54
(iii) Total Volume of Business	2673.00	4104.54
B. Financial		
(i) Turnover	2079.33	3365.90
(ii) Operating Profit (before interest depreciation and provision)	17.06	33.20
(iii) Interest depreciation and provision	0.32	1.01
(iv) Profit before tax	16.74	32.19
(v) Dividend	83%	----

6. Manpower (as on 31.3.2004)

The manpower of the company as on 31.3.2004 is given below:-

	Executive	Non-executive
Head Office (Kolkata)	42	78
Regional Offices		
Kolkata (ER)	10	20
New Delhi (NR)	14	15
Mumbai(WR)	13	15
Chennai(SR)	11	8

Branch Offices		
Bangalore	8	11
Vizag	10	9
Vadodara	4	3
Bhopal	1	0
Rourkela	1	1
Durgapur	1	0
Trichy	1	0
Hazira	2	0
Total	118	160

SPONGE IRON INDIA LIMITED (SIIL)

The Sponge Iron Plant of the Company was initially established as a demonstration unit with a capacity of 30,000 Tonnes Per Annum (TPA) with UNDP/UNIDO assistance to establish the techno-economic feasibility of producing sponge iron (as a part substitute for ferrous scrap used by Induction and Electric Arc Furnaces) from lump iron ore and 100% non-coking coal. The unit, went into regular operation in November, 1980. Taking note of the successful operations of the Demonstration Plant, the Company doubled its capacity from 30,000 TPA to 60,000 TPA by setting up a second similar kiln capacity in October 1985. The Company has also successfully designed and built a plant for cold briquetting of sponge iron fines (below 5 mm size) which were earlier not used by electric arc furnaces and were being discarded. The Briquetting Plant was commissioned during October, 1987.

A new and innovative project aimed at conservation of energy was commissioned with effect from 1.3.1993 for effectively utilising the sensible heat in the kiln off-gases for generation of electric power. By doing so it has not only improved the thermal efficiency of the process but also substantially reduced the dependence on external power thus effecting saving in costs.

The Submerged Arc Furnace Project with an installed capacity of 45,000 TPA was set up by the SIIL for smelting sponge iron (including sponge iron fines) into high quality (low phos.) pig iron. After having completed the trial runs by January '96 wherein it was established that the plant could achieve chemical composition at the required level for special grade pig iron, the plant was shutdown without going in for commercial operations due to unfavourable economics. Therefore, in order to utilise the existing infrastructure established with a capital cost of about Rs.30 crores the plant was converted into a Silico Manganese producing unit through a marginal investment of Rs.1.89 crores. The plant is not in operation due to commercial reasons after completion of the modification works.

Capital Structure

The authorised share capital of the Company stood at Rs.66.00 crores on 31.03.2003; paid up capital was Rs.65.10 crores. (Rs.64.27 crores held by Government of India and the balance of Rs.0.83 crores by the Government of Andhra Pradesh).

Production and Financial Performance

The Production and Financial Performance of the Company during 2002-03 & 2003-04 is given in the table below:

T A B L E

	Year's Highlights for the period (01.04.03 to 31.3.04)	Year's highlights For 2002-03 (31.03.03)
Production		
- Sponge Iron (t)	69,509	71,603
- Power Generation (lakh Kwh)	88	81
- Capacity Utilisation (%)	116	119
Sales (t)		
- Sponge Iron	68,071	73,943
- Sales Turnover (Rs. In lakhs)	5886	4,414
- Generation of Internal Resources (Rs. In lakhs)	2617	1,061
- Net Profit (Rs. In lakhs) (PBT)	2302	747 **

** Inclusive of Deferred Tax Asset for the year 2002-03.

As against the target of 48,900 tonnes, actual sponge iron production upto December, 2003 was 53,264 tonnes representing 109% of target and 118% of capacity utilisation.

Sales and profitability

Against a target of 48,900 tonnes upto 31 December, 2003, actual despatches were 50,116 tonnes representing 102% of the target.

Operations upto the end of the 31st December, 2003 have resulted in Provisional Net Profit of Rs.1449 lakhs. The Gross Margin stood at Rs.1694 lakhs.

Manpower (as on 31.03.2004)

The total number of Executives as on 31.03.2003 was 66, out of which 16 employees belong to SC Category (24%) and one (1) employee belonging to ST Category (1.52%). There is one (1) woman employee (1.52%) and one (1) Physically Handicapped employee (1.52%).

Sl. No.	Groups	Total No. of Employees	SC	ST	Ex-Service-men	PHC	Women
1	Group A	66	16	1	-	1	1
2	Group B	58	11	4	-	-	1
3	Group C	134	26	6	-	2	4
4	Group D	72	14	12	-	-	13
5	Group D1	--	--	--	-	-	--
	Total	330	67	23	-	3	19

Employees' participation in management

In accordance with the Government guidelines various Committees have been constituted providing participation of workers and officers in all the activities of the company. The suggestions made by the officers and employees in the said forums are properly reviewed and implemented whenever they are found to be feasible. This has yielded good results.

FERRO SCRAP NIGAM LIMITED

Introduction

Ferro Scrap Nigam Limited (FSNL) is a wholly owned subsidiary of MSTC Limited with a paid up capital of Rs. 2.00 lakh.

The Company undertakes the recovery and processing of scrap from slag and refuse dumps in the eight steel plants at Rourkela, Burnpur, Bhilai, Bokaro, Visakhapatnam, Durgapur, Dolvi and Duburi.

The scrap recovered is returned to the steel plants for recycling /disposal and the Company is paid processing charges on the quantity recovered at varying rates depending on the category of scrap. Scrap is generated during Iron and Steel making and also in the Rolling Mills.

In addition, the Company is also providing Steel Mill Services such as scarfing of Slabs, Handling of BOF Slag, etc.

Physical & financial performance

The production and financial performance of FSNL for the last two years and for the year 2003-2004 is given below: -

Item	2002-03	2003-04
PHYSICAL		
Recovery of scrap (lakhs M Ts)	16.29	19.36
Market Value of Production (Rs. In crores)	716.77	851.84
FINANCIAL PERFORMANCE (Rs. in lakhs)		
Total turnover i.e. service charge realised including misc. income etc.	7904.76	8560.00
Gross Margin (before Int. & Dep)	1549.88	1681.00
Int.& Dep.	731.46	855.00
Profit Before Tax	818.42	826.00
Sales realization (in Rs. per metric tonne)	451.16	421.49

Manpower

The manpower of the Company, including SCs/STs as on 31.3.04 is given below:-

	Executives		Non-Executives		Total
	Male	Female	Male	Female	
Corporate office	25	-	22	4	51
Rourkela Unit	18	-	155	3	175
Burnpur Unit	10	-	64	5	79
Bhilai Unit	22	-	168	1	191
Bokaro Unit	15	-	157	1	173
Durgapur Unit	17	-	136	3	156
Vizag. Unit	14	-	190	2	206
Dolvi Unit	15	-	85	-	100
Duburi	5	-	35	-	40
Total	140	-	1016	19	1171

Industrial relations

The company is maintaining very harmonious industrial relations in all the units. There has not been any loss of mandays due to Strike, Gherao/Bandh, etc. in the Company. The Union Management relationship is very cordial and is being maintained well since inception.

Workers participation in management

All problems related to workers as well as company's business are discussed in the Joint Forum Committee meetings, which help in getting mutual cooperation and understanding between the Management & the Unions.

MECON LIMITED

Introduction :

MECON is the first consultancy and engineering organisation in the country to be accredited with ISO: 9001. MECON was formed with the core objective of providing engineering and consultancy services for establishment of steel plants in the country. MECON has diversified its services not only in traditional areas but also in sectors like power, environmental engineering, roads & highways, oil and gas pipelines, information technology, defence projects etc.

The company has its registered office at Ranchi, Jharkhand and regional office at Bangalore, Engineering offices at Delhi, Kolkata, Mumbai and Chennai. MECON also has its site offices at Bhilai, Bokaro, Durgapur, Rourkela and Duburi and an overseas office at Lagos (Nigeria).

Capital Structure :

The authorised share capital of the company stood at Rs. 400 Lakhs against which the paid up capital is stood at Rs. 242 Lakhs. Out of the paid up capital of Rs. 242 Lakhs, Bonus Shares of Rs. 40.31 Lakhs were issued during the year 1996-97.

Financial Performance :

After a consistent negative gross margin since 1998-99, the company has earned positive gross margin of RS. 2.30 Crores in FY 2003-04. Substantial jobs contracted during the year 2003-04 are expected to have significant impact on the financial performance of the company during the year 2004-05.

Management Initiative :

During the year, a number of steps were taken to keep pace with the customer needs and emerging business scenario of working with foreign companies both in India and abroad. Some of the steps taken by the company are :-

1. **State-of-the-art Technology Incorporation :**

MECON has been fully associated with Renovation, Modernisation & Uprating (RMU), Residual Life Assessment (RLA) and Life Extension Studies (LES) of thermal & hydel power plants and has secured a number of assignments from State Electricity Boards/utilities.

2. **MOU / Agreement on Technology & Business Promotion**

During the year the company has signed the following important MOUs/Agreements with reputed national/international organisations :-

- MoU with ERA Construction (India) Limited for securing and execution of civil construction and infrastructure development projects
- Co-operation agreement with KOPEC for business development for securing and executing contracts relating to power projects.
- MoU with BMT Asia Pacific Pte Limited in respect of provision of consulting and management consultancy services for Port & Harbour sectors.

3 **ISO – 9001 Certification**

MECON is the first consultancy organisation in the country to be accredited with ISO-9001 certification. This certification for Consultancy, Design & Engineering, Procurement of Plant & Equipment, Construction & Project Management Services and Execution of Turnkey Projects is valid till January 2006.

4 **Business diversification**

Oil and gas pipelines, LNG/LPG terminals, refineries, petro-chemicals, POL terminals; power generation, transmission & distribution; information technology, material handling, infrastructure like ports, roads, highways, bridges, water supply etc. continue to be the main thrust areas identified for business diversification of MECON and notable success has been made in securing jobs in these areas. Company has been executing various projects in several states.

Foreign assignments

- **Nigeria :** Project Management and Technical Services for Re-activation of Ajaokuta Steel Plant
- **Bangladesh :** Engineering Services for Modernization of Bangladesh Steel Re-rolling Mill
- **Iran :** Deployment of Engineers for rendering Technical Services for Tavazon Project, for M/s Foolad Technic, Iran; and Engineering Services to Mobarakeh Steel Company, Iran
- **Vietnam :** Consultancy Services for Modernization of Aluminium Hydro-oxide Project of South Basic Chemicals Company, Vietnam

Manpower

The company has been able to bring down its employees' strength from 2150 as on 31.3.2003 to 1593 as on 31.3.2004. Out of this, 387 belong to Scheduled Caste and Scheduled Tribe categories.

Industrial Relations :

On the industrial relations front, conducive work environment was maintained and the company continued to have harmonious and cordial relationship with the employees.

HINDUSTAN STEELWORKS CONSTRUCTION LIMITED (HSCL)

General

Hindustan Steelworks Construction Limited (HSCL) 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. HSCL has executed works in Steel Plants right from the inception till commissioning. With the tapering of works, the company diversified its activities in other sectors like Power, Coal, Oil and Gas as also infrastructure facilities like Roads and Highways, Bridges, Dams, Underground communication and Transport System besides Industrial and Township complexes involving high degree of planning, co-ordination and modern sophisticated techniques.

The Company has developed its expertise in the areas of Piling, Soil investigation, Massive Foundation works, High rise structures, Structural Fabrication and Erection, Refractory, Technological Structures and Pipelines, Equipment Erection, instrumentation including testing and commissioning.

The company also specialises in carrying out capital repairs and rebuilding works, including Hot repairs of Coke Ovens and Blast Furnaces and other allied areas in the Integrated Steel Plants.

Capital Structure

The Authorised and Paid-up Share Capital stood at Rs.150 Crores and Rs.117.10 Crores respectively.

Financial Performance

The financial performance of the company during the years 2002-2003 and 2003-2004 is as under:- (Rs.in Crores)

YEAR	2002-2003	2003-2004
Turnover	276.99	310.88
Gross Profit (PBIDT)	3.90	17.69
Net Loss	136.35*	86.37**
		(unaudited)

*The loss includes 1/5th of the expenditure incurred for VR.
** The loss includes Rs.65.26 Crores towards VR Expenditure.

Order Booking:

HSCL has secured orders valued at Rs.513 Crores during 2003-04. The break up is as below:

Steel Sector	=	Rs. 67 Crores
Non-steel sector	=	Rs.446 Crores
Total	**=**	**Rs.513 Crores**

Manpower

The manpower as on 1.4.2003	=	2771
The manpower as on 1.4.2004	=	2394.

The number of employees who availed of the VRS scheme after sanction of Restructuring Package in July 99 is given below:

2000-01	:	6134
2001-02	:	1239
2002-03	:	3153
2003-04	:	346
Total	:	10872

BHARAT REFRACTORIES LIMITED(BRL)

Background

Bharat Refractories Limited (BRL), a Government of India Undertaking was incorporated on the 22nd July, 1974 and at present it has the following four units:

i) Bhandaridah Refractories Plant at Bhandaridah;

ii) Ranchi Road Refractories Plant at Ramgarh;

iii) Bhilai Refractories Plant at Bhilai and

iv) IFICO Refractories Plant at Ramgarh.

The company is engaged in the manufacture and supply of various kinds of refractories not only to the Integrated Steel Plants but also to the Mini Steel and Midi Steel Plants.

Capital Structure:

The authorised share capital of the company as on 31st March, 2004 was Rs.246 crores against which the paid-up capital was Rs.208.7 crores.

Production Performance

The production performance of the company during 2002-03 and 2003-04 was as follows:

Quantity in Tonne)
(Value Rs. in Crores)

2002-03		2003-04 (Provisional)			
Actual		Target		Actual	
Qty.	Value	Qty.	Value	Qty.	Value
35160	56.20	68081	105.18	62174	112.92

Financial Performance:

During 2002-03 company incurred a net loss of Rs.74.50 crores. During the year 2003-04 the company earned a net profit of Rs.1.01 crores without considering interest on non-plan loan of Rs.55.00 crores sanctioned under the Revival Scheme for liquidation of statutory dues.

BIRD GROUP OF COMPANIES

Introduction

Consequent upon nationalisation of the Undertaking of Bird & Company Limited in 1980, the following seven companies came under the administrative control of the Ministry of Steel, Government of India based on the shareholding pattern :

(a) The Orissa Minerals Development Company Limited **(OMDC)**
(b) The Bisra Stone Lime Company Limited **(BSLC)**
(c) The Karanpura Development Company Limited **(KDCL)**
(d) Scott & Saxby Limited **(SSL)**
(e) Eastern Investments Limited **(EIL)**
(f) Burrakar Coal Company Limited **(Burrakar).**
(g) Borrea Coal Company Limited **(Borrea).**

The status of the companies is as under:-

a) Burrakar and Borrea earlier Coal companies, became non-operational after nationalisation of coal mines and are continuing only to settle the income tax and other essential matters.

b) EIL being an investment company is having major stake in equity shares of the operating companies under the Bird Group.

c) OMDC, BSLC, KDCL & SSL are operating companies under the Group.

Status of the companies at the time of nationalisation

At the time when the Bird Group of Companies came under the administrative control of the Ministry of Steel, Government of India, all of them were financially sick and overburdened with various problems. With financial support from the Govt of India, problems mainly relating to excessive manpower, erosion of working capital and outstanding liabilities could be settled to a considerable extent.

Rationalization of Manpower

With the support from the Ministry in the form of Grant in aid, the operating companies implemented Voluntary Retirement Scheme (VRS) for rationalization of manpower and separated from 1992-93 till 31.3.2003 a total 3869 nos of employees with company wise figures given in brackets – OMDC (481), BSLC(3004), KDCL (132) and SSL (252).

With non plan loan from the Ministry, BSLC has restarted implementing VRS and separated 15 nos of employees during the current financial year.

For the first time since the Bird Group of Companies were brought under the administrative control or the Ministry of Steel in 1980, the group as a whole registered a net profit of Rs. 42.32 crores during 2003-04

PERFORMANCE OF THE INDIVIDUAL OPERATING COMPANIES

THE ORISSA MINERALS DEVELOPMENT COMPANY LIMITED (OMDC)

Location of Mines, Activities and Capital Structure

The mines of the company are located around Barbil, dist. Keonjhar, Orissa. The activities relate to mining and marketing of iron ore and manganese ore. The authorized as well as paid up capital is Rs. 60 lakhs.

Performance

Owing to recession in the Iron and Steel Industry, the demand of its products declined sharply and the position of the company deteriorated. Now that the steel industry has turned around, there is a surge in demand of iron ore at present. As a result the company has come to a stage of turnaround. The performance of the company is given below.

(Rs. in lacs)

	2002-03	2003-04 (Prov.)
Production ('000 MT)	1573	3130
Sales	4786	22411
Gross Margin before charging Interest on Government loans & Deprn.	1309	16316
Net Profit/Loss	314	9965**

* Includes extra ordinary items i.e. interest on unsecured loan from the Government and excess provision towards depreciation written back.

** Net profit after provision for taxation.

Diversification

The company has gone into diversified projects. It has taken up commissioning of 100 TPA Sponge Iron Plant at Thakurani in view of rising demand of sponge iron.

THE BISRA STONE LIME COMPANY LIMITED (BSLC)

Location of Mines, Activities and Capital Structure

The mines of the company are located around Birmitrapur in the district of Sundargarh, Orissa. The main activities of the company are mining and marketing of limestone and dolomite. The authorized as well as paid up capital is Rs. 50 lakhs.

Performance

With the change in steel making technology the demand of BSLC's products declined sharply and consequently the company ran into heavy losses. With financial support from the Government of India in the form of plan loan and non plan loan, the company was in a position to stay afloat and take some steps for augmentation of production. Measures were taken to change the product mix and improve upon the quality. With some stability in demand position, the performance is showing signs of improvement.

The performance of the company is given below :

(Rs. in lacs)

	2002-03	2003-04 (Prov)
Production ('000 MT)	982	916
Sales	2293	1952
Gross Margin Before charging Interest on Government loans & Deprn.	+3	-141
Net Profit/Loss	-3932	-5041

MOU with Steel Authority of India Ltd (SAIL)

The company has signed a MOU with SAIL on 31st October, 2003 for dispatch of products to SAIL in the Eastern Sector. This would stabilize the demand position to a great extent.

THE KARANPURA DEVELOPMENT COMPANY LIMITED (KDCL)

Location of Mines, Activities and Capital Structure

The mines of the company are located around Sirka, Bihar. The company produces limestone suitable for cement manufacture. The authorized and paid up capital is Rs. 40 lakhs and Rs 20 lakhs respectively.

Performance

The company markets its products mainly in the States of Jharkhand and Bihar. Demand of cement grade limestone in those states is a little bit fluctuating. Consequently the performance of the company is affected.

The performance of the company is given below :

(Rs. in lacs)

	2002-03	2003-04 (Prov)
Production ('000 MT)	90	73
Sales	193	164
Gross Margin Before charging Interest on Government loans & Deprn.	+ 5	+2
Net Profit/Loss	- 88	-109

Future outlook

The cement plant owners in the areas where the companies mines are located are setting up Clinker Plants. It is expected that with the coming up of Clinker Plants, dispatch of company's products would be stabilized.

SCOTT & SAXBY LIMITED (SSL)

Location of Mines, Activities and Capital Structure

The company's works are located in Kolkata. The company is mainly engaged in the activities of sinking of deep tubewells and mineral exploration. The authorized as well as paid up capital of the company is Rs. 5 lakhs.

Performance

Owing to continued disruption in the normal working environment 'Suspension of Work' was declared at the factory and the working sites from November 1992. The 'Suspension of Work' was lifted form November 1996. The company's performance is not satisfactory because of impediments like dearth of orders, old and worn out machinery and excessive manpower. The performance of the company is given below:--

(Rs. in lacs)

	2002-03	2003-04 (Prov)
Sales	151	152
Gross Margin Before charging	- 4	0

Interest on Government loans & Deprn.		
Net Profit/Loss	488	-583

- Inclusive of write backs concerning previous years.

Scott & Saxby Limited (SSL) in the development of North Eastern Region.

SSL has taken some part in the development of the North Eastern Region. It has played a vital role in the development of Tea Gardens in the state of Assam by helping utilization of underground water which has been a scarce resourse in that state. The company has sunk about 600 Deep Tubewells for Tea Gardens in the state.

The company subsequently spread its activities in the state of Tripura and has sunk about 109 nos. of Deep Tubewells in the state till 31-3-2004. The company has further orders in hand for execution in the state. The sinking of Deep Tubewells in the state of Tripura constitutes a part of the Rural Development Project of the Department of Public Health Engineering. The company has been continuing its activities in these states in the North Eastern Region against heavy odds arising out of the disturbed political situation.

Waste land development

The waste land that is available is proposed to be levelled to develop greenery as a part of clean and green programme by planting saplings.

Audit Paras – Observation of Audit

The Ministry of Finance, D/o Expenditure have issued instructions that the Hon'ble Prime Minister has desired that the Summery of observations of Audit about the working of the Ministry should be made a part of the Annual Report of that Ministry/ Department. In respect of M/o Steel, the observations made by the Audit in respect of Steel Authority of India Limited (SAIL) and Kudremukh Iron Ore Company Limited (KIOCL) have been summerised and are enclosed vide Annexure-IV (page 49-50).

Annexure-IV

Summary of Observation of Audit about the working of the Public Sector Undertaking :-

(a) Kudremukh Iron Ore Company Limited (KIOCL) (Para 23.1.1 of Report No. 3 of 2003) Commercial

Kudremukh Iron Ore Company Limited (KIOCL), along with two other public sector undertakings, floated a joint venture company (JVC) in June 1995 to manufacture low sulphur low phosphorus pig iron and ductile iron spun pipes. Even though KIOCL had contributed Rs. 50 crores as equity in the JVC, shares upto the value of contribution have not been allotted by the JVC to KIOCL to keep activities of JVC outside the scope of parliamentary control. Despite the fact that the JVC was not doing well and against specific directions of the Government, KIOCL continued to support the JVC with concessional loans, which amounted to Rs. 227.50 crores as on March 2002 resulting in loss of interest amounting to Rs. 24.23 crores.

(b) Steel Authority of India Limited (SAIL) (Para 23.6.1 of Report No. 3 of 2003) Commercial

Due to delay in nomination of a senior official by the Ministry and resultant delay in commencement of price negotiation, Steel Authority of India Limited (SAIL) had to settle for higher rates for the delivery of home coking coal during July 2000 to June 2001, resulting in a loss of Rs. 27.68 crores.

(c) Steel Authority of India Limited (SAIL) (Para 3.1 of Report No. 4 of 2003) Commercial

Business Restructuring Plan (Steel Authority of India Limited): In order to assist the Company to improve its poor financial health and to make it profitable, the Government of India approved (February 2000), a Business & Financial restructuring package. The financial re-structuring measures aimed at mitigating the financial risk by improving the Company's debt service capability while the business re-structuring measures aimed at providing long-term competitiveness to the Company in its core business of carbon steel.
The financial Re-structuring scheme included, inter-alia, waiver of Steel Development Fund (SDF) loan of Rs. 5073 crores and Government loan of Rs. 381 crores.

The Government also agreed to give guarantee for raising of loan of Rs. 1500 crores from the market to finance the reduction in manpower through Voluntary Retirement Scheme (VRS). The Government of India further guaranteed for loan and interest of Rs. 1500 crores to be raised by SAIL from the market primarily for meeting repayment obligation of past loans.

The apprehensions expressed by the Union Cabinet while approving the financial and business restructuring plan in February 2000, that financial restructuring alone was not sufficient came out true. The tardy performance in implementation of business restructuring plan and lack of drastic action in reduction of operational costs including manpower cost due to refusal of the SAIL Board to take hard decisions viz. closure of perennially loss making units, reduction of the retirement age etc negated the benefits of financial restructuring. Even after implementation of over Rs. 8000 crores financial restructuring proposal with effect from 1.4.1999, SAIL continues to incur heavy losses.

In the circumstances is would be fair to conclude that the main purpose of the financial and business restructuring plan was not fulfilled as the Company not only failed to regain its sound financial health yet went from bad to worse. The poor progress made in implementation of approved business restructuring plan needs serious review by Company and GOI with a view to make company competitive.

(d) Steel Authority of India Limited (SAIL) (Para 3.2 of Report No. 4 of 2003) Commercial

RAIL and Structural Mill of Bhilai Steel Plant (SAIL) : Rail & Structural Mill (RSM), a unit of Bhilai Steel Plant (BSP) was commissioned in October 1960 under 1-Million Tonne (MT) stage to produce 1 lakh tonnes of rails. The mill was upgraded under 2.5 MT stage (June 1966) with an annual production capacity of 5.00 lakh tonne of rails and 2.5 tonne of structural. BSP undertook various Modernization Schemes to cater to the changing stringent specifications of Railways as well as the requirement of longer rails. Some of the equipment purchased could not be installed/utilised. The two stages of Modernasition envisaged in the feasibility Report of 1988 were not taken up at all. Further, the Feasibility Report prepared in 1998 had not been converted into a concrete project so far. Thus the company for want of a long term investment plan to retain its leading position in the competitive post liberalisation period, could face a situation where a private firm captures its most profitable segment of rail making.