GOVERNMENT OF INDIA

OUTCOME BUDGET

OF

MINISTRY OF STEEL

2007-2008

CONTENTS

****

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 targets set for the Financial Year 2006-07 as also the projections for the Financial Year 2007-08.

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 2007-08, 32 such major schemes consisting of 31 Plan and 1 Non-Plan, have been included in the outcome budget statement. The 31 Plan schemes are being implemented by Steel Authority of India Ltd. (17 schemes), Rashtriya Ispat Nigam Ltd. (7), National Mineral Development Corporation (4) and Kudremukh Iron Ore Company Ltd. (3) respectively, with the entire expenditure on the schemes to be met out of Internal & Extra Budgetary Resources (I&EBR) of the concerned PSUs. 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 2007-08, processes/ timelines, risk factors, projected physical outputs and projected outcomes in respect of these 32 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 has been 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, 2006-07 of the Ministry of Steel. The performance up to the third quarter of 2006-07 (i.e. up to 31st December, 2006) in respect of the 26 major schemes - 25 Plan schemes and 1 Non-Plan scheme - included in Outcome Budget, 2006-07 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 25 major Plan schemes relate to SAIL, RINL, NMDC and KIOCL, the only Non-Plan scheme relates to HSCL. As almost all the 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 it's subordinate offices and the Public Sector Undertakings/ Organisations under it's administrative control. As against budgetary provision of Rs.129.50 crore in BE 2006-07 and of Rs.182.00 crore in RE 2006-07, a provision of Rs.150.50 crore has been provided in BE 2007-08 under Demand No.90 for the Ministry of Steel. The Ministry's Annual Plan outlay of Rs.3217.30 crore (I&EBR: Rs.3172.30 crore and Plan budgetary support: Rs.45.00 crore) in BE 2006-07 has been increased to Rs.6203.70 crore (I&EBR: Rs.6137.70 crore and Plan budgetary support: Rs.66.00 crore) in BE 2007-08. The substantial increase in the Plan outlay is mainly due to the outlay of Rs.2500 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, 2007-08.

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, 2007-08.

****

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, a Special Secretary and Financial Adviser to the Government of India, a Chief Controller of Accounts, three Joint Secretaries, one Economic Adviser, four Directors, three Deputy Secretaries (as on 28.2.2007) 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 Personal & 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) National Mineral Development Corporation Ltd. (NMDC), 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
(2) Bhilai Steel Plant, Bhilai
(3) Durgapur Steel Plant, Durgapur
(4) Rourkela Steel Plant, Rourkela
(5) Alloy Steels Plant, Durgapur
(6) Salem Steel Plant, Salem
(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
(9) Central Marketing Organisation, Kolkata
(10) Research and Development Centre for Iron & Steel, Ranchi
(11) Raw Materials Division, Kolkata
(12) Centre for Engineering & Technology, Ranchi, and
(13) Corporate Office, New Delhi

Maharashtra Elektrosmelt 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). **National Mineral Development Corporation Ltd.(NMDC),** with its registered office at Hyderabad, is engaged in extraction of iron ore and exploration/ development of minerals such as diamonds, limestone, dolomite, bentonite, etc. It is also participating, on behalf of the Govt. of India, in M/s. Mandovi Pellets Limited, a Joint Sector Company in collaboration with M/s. Chowgule and Company, set up for manufacture of pellets. NMDC 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. The company has now intensified its activities in the Infrastructure Sector 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 not only provides consultancy services in the field of basic engineering, detailed engineering, project management etc., but has also developed considerable expertise in the design and supply of equipment for the ferrous, non-ferrous, oil and gas, petro – chemical and other general industries. The registered office of the company is located at Ranchi.

(6). **Bharat Refractories Ltd.(BRL)** has three refractory units, one each at Bhandaridah, Ramgarh and Bhilai. The registered office of BRL is located at Bokaro. The India Firebricks and Insulation Co. Ltd. (IFICO), located at Ramgarh in Hazaribagh district of Bihar, which was previously a subsidiary company, has been merged with BRL w.e.f. 1.10.1997 and forms an unit of it. It is now known as IFICO Refractories Plant.

(7). **Manganese Ore (India) Ltd.(MOIL)**, with corporate office at Nagpur, is the largest indigenous 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. The Government of India and State Governments of Maharashtra and Madhya Pradesh are the shareholders of the company, with the Government of India having 81.57% share holding.

(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. The registered office of SIIL is located in Hyderabad.

(9). **Rashtriya Ispat Nigam Ltd. (RINL)**, with its Registered Office at Visakhapatnam, is the first shore based Integrated Steel Plant set up in India away from the major raw material sources. It was commissioned in July, 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 disposal of ferrous scrap and other secondary arisings generated in integrated steel under SAIL, RINL, etc. and disposal of scrap, surplus stores etc. from other Public Sector Enterprises and Government 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 Company undertakes recovery and processing of scrap from steel plants at Durgapur, Rourkela, Burnpur, Bhilai, Bokaro, Visakhapatnam and Dolvi. The Company's registered office is situated at Bhilai.

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 25.10.80, the following 8 companies related to the steel industry of the Bird Group came under the administrative control of the Ministry of Steel :-

(1) Eastern Investment Ltd. (EIL)
(2) Orissa Minerals Development Co. Ltd. (OMDC)

(3) Bisra Stone Lime Co. Ltd. (BSLC)
(4) Karanpura Development Co. Ltd. (KDCL)
(5) Scott & Saxby Ltd. (SSL),(a subsidiary of KDCL)
(6) Kumardhubi Fireclay & Silica Works Ltd. (KFSW)
(7) Borea Coal Co. Ltd, and
(8) Burrakur Coal Co. Ltd.

Of the above 8 companies, EIL is an investment company. Borrea and Burrakur coal companies are non-operational and exist only to settle claims and counter claims with Commissioner of Payments and other agencies. Since KFSW was engaged in manufacturing and marketing of refractory material, it got linked with Bharat Refractories Limited (BRL) and as such it is not related to the present Bird Group of Companies. 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 under the Ministry 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). National Mineral Development Corporation Ltd. (NMDC), 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), 3 Mount Road Extension, Nagpur – 440001
(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 – 700 091

****

CHAPTER – II

OUTCOME BUDGET FOR 2007-08 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 moniterable. 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 has not till now directly implemented any plan schemes/ programmes. However, in the 11th Five Year Plan, a new plan scheme for promotion of Research and Development in Iron and Steel sector with proposed outlay of Rs. 100.00 crore has been introduced for which a token provision of Rs. 1.00 crore has been kept in the Annual Plan Outlay 2007-08. The details of this scheme is being worked out in consultation with the various stake holders in the field. 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, the Outcome Budget for 2007-08 in respect of the major schemes (sanctioned cost of Rs.50 crore and above) of the PSUs are given in the following table. However, with a view to establish one-to-one correspondence between Financial Budget, 2007-08 and Outcome Budget, 2007-08, 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.

Statement of Outlays and Outcomes/Targets (2007-08)

(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 2007-08 (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)	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**	Facilitate production of Wire Rods of TMT grade and smaller section in 5.5 to 7.0 mm	November '06	The Mill performance is under stabilisation
(ii)	Rebuilding of Coke Oven Battery-5	To improve production and to achieve latest pollution norms of MOEF	219.04	--	--	**116.48**	Improve production and achieve latest pollution norms of MOEF	December '07	Site work got delayed due to delay in civil drawings by M/s CUI, Ukraine
(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**	Achieve closer thickness tolerance requirement of customers, less crop cutting & side trimming and improvement in the yield of plates.	March '07	Completed on semi auto mode in Nov. '06. Problems identified during trial run are being rectified.
(iv)	Technological Upgradation of BF-7	To increase the useful volume and productivity	170.41	--	--	**26.63**	Useful volume will increase from 2000 m3 to 2214 m3 and productivity from 1.75t/m3/day to 2.0t/m3/day.	February '07	Project delayed due to problems in tuyere coolers which have been replaced. Commissioning now scheduled shortly
(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**	Additional casting – 0.165 mtpa. API X65/X70 grade-3,00,000T	November '07	Project is progressing almost as per schedule
(vi)	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	--	--	**54.24**	Reduction in sulphur level in Hot Metal from 0.1% to 0.01%	August '07	Project progressing as per schedule

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2007-08 (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
	Durgapur Steel Plant								
(vii)	Bloom Caster with associated facilities	To improve the yield & quality of steel and to reduce energy consumption	271.41	--	--	**45.84**	Cast Bloom-0.85 MTPA	March '07	- Major work completed. Trial run of drives of Roll table in progress. - Supply & erection jobs were delayed by M/s Danieli, Italy
(viii)	Coal Dust Injection in BF-3&4	Technical necessity for reduction in coke rate and improvement of the furnace productivity	74.22	--	--	**44.30**	Replacement of coke with pulverized coal on 1:1 basis. Coal injection rate in Blast Furnace at 120 Kg/thm.	August '07	Project is progressing as per schedule
	Bokaro Steel Plant								
(ix)	Rebuilding of Coke Oven Battery-5	To improve production and to achieve latest pollution norms of MOEF	198.84	--	--	**62.54**	To improve production and to achieve latest pollution norms of MOEF	March '07	Refractory erection in batter y proper is in advanced stage. Project progressing almost on schedule
(x)	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**	improve overall quality as well as production of hot strips and to ensure smooth functioning of Hot Strip Mill	June '07	Project expected to be completed on schedule
(xi)	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**	ATC capacity 90,000 Nm3/hr and OTC capacity 15,000 Nm3/hr	November '07	Project is progressing as per schedule
(xii)	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**	Replacement of coke with pulverized coal on 1:1 basis, Coal injection rate in Blast Furnace at 120 Kg/thm.	May'08	Project is progressing as per schedule
(xiii)	Coking Coal Storage facilities in Coal Handling Plant	Augmentation of storage facilities for coking coal	134.00	--	--	**50.00**	Increase in storage capacity from 115,000 T to 202,500 T	March '08	Project is progressing as per schedule

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2007-08 (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
	Rourkela Steel Plant								
(xiv)	Rebuilding of Coke Oven Battery-1	To improve production and to achieve latest pollution norms of MOEF	112.39	--	--	**12.43**	To improve production and to achieve latest pollution norms of MOEF	April '07	- Chimney lighted up on 24.12.06 and battery lighted up on 21.1.07. - Project has been delayed due to delay in supply from M/s CUI, Ukraine
(xv)	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**	Reduction in Sulphur level in Hot Metal from 0.1.% to 0.01%	May'08	Project is progressing as per schedule
(xvi)	Coal Dust Injection system in BF-4	Technical necessity for reduction in coke rate and improvement of the furnace productivity	116.00	--	--	**40.00**	Replacement of coke with pulverized coal on 1:1 basis, Coal injection rate in Blast Furnace at 120 Kg/thm.	October '08	Project is progressing as per schedule
	IISCO Steel Plant								
(xvii)	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**	Hot Metal production of 213,500 tpa with a useful volume of 530 m3 & productivity of 1.15t/m3/day	Sept '07	Project is progressing as per schedule
2.	**RASHTRIYA ISPAT NIGAM LTD. (RINL)**								
(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	--	--	**71.00**	To produce 0.75 million tonnes of coke	Dec'06. Heating of the battery is likely to be done by 31.3.07	Project has been delayed due to delay in supply of mechanical and refractory items as per delivery schedule to match with erection requirement

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2007-08 (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
(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	168.89	--	--	**60.20**	Increase in recovery of by products	September '08	- Proposal was initially sent to GOI in Jan'06. However, the proposal was sent back to RINL as VSP got the status of Mini Ratna. The Board of Directors approved the proposal in June'06. - Tendering is in progress for major packages.
(iii)	Capacity Expansion to 6.5 MTPA Hot metal 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**	increase in plant capacity from current level of 3.0 MTPA of Hot Metal to 6.5 MTPA of Hot Metal at an estimated cost of Rs. 8692 crore	36/48 months in phases from 28.10.05	- GOI approved the proposal on 28.10.05. - Price escalation of plant and machinery leading to increase in the capital cost. - Time overrun leading to cost overrun. - Fluctuations in the market prices raw material prices - -- Dumping of steel by other countries. - Tendering process for major packages is under progress.
(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**	- 600 tonnes capacity at an estimated cost of Rs. 95 crore. - Increase production of liquid steel in SMS and Hot Metal in BF	October, '07	Finalisation of consultant, placement of order is under progress.
(v)	Pulverised Coal Injection	Injection system for reduction in consumption of expensive BF coke with less expensive pulverised coal	165.00	--	--	**80.00**	- Increased production of hot metal. - Reduction in cost of production of hot metal	October '07	-Proposal initially submitted to GOI in Feb'05. However, the proposal has been sent back to RINL as VSP got the status of Mini Ratna. Board approved the proposal in July'06. - Finalisation of placement of order is under progress

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2007-08 (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
(vi)	Acquisition of iron ore & 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 materials.	600.00	--	--	**65.00**	- Ensure raw materials security and reduce dependability on outside sources. - Insulate against fluctuation in prices	--	- Persuading state governments for iron ore. - For Coal block allotted, CMDPL, Ranchi, appointed as consultants to give feasibility report - For overseas acquisition of coal mines SPV is being formed with SAIL, NTPC, Coal India, etc.
(vii)	BF-I Cat-I repair	To increase the life of the furnance by strengthening the furnace structurally and at other levels to sustain high levels of fuel injections and production	50.20	--	--	**50.00**	Increase in the life of the Blast Furnace	2007-08	--
3.	**KUDREMUKH IRON ORE COMPANY LTD. (KIOCL)**								
(i)	Ductile Iron Spun Pipe (DISP) Plant	To put up a plant for production of value added product i.e. ductile iron spun pipe	225.00	--	--	**30.00**	Production of 1,00,000 tonnes per year of DISP	- Global tender issue by Feb. 07 - Order firmed up by June 07	Use of alternate in place of ductile iron spun pipe
(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**	Setting up of new mines, in view of the restriction imposed on mining by the Hon'ble Supreme Court	See col. 8	- MOU has been entered into with SAIL for formation of Jt. Venture. - Mining lease has not been renewed in favour of SAIL. - A proposal to set up a 2 million tonne Pellet Plant is also under consideration. Detailed project report preparation is under consideration. - Govt. of Karnataka has agreed to allot 50% of Ramanadurg mine to KIOCL.

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2007-08 (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)	Construction of bulk material handling facilities for receipt of iron ore at Mangalore	For procurement of high grade haematite iron ore from Bellary/Hospet as raw material for Pellet Plant. The scheme would also be economical	150.00	--	--	**10.00**	Supply of 4 MTPY of iron ore by rail for rated production of 3.5 MTPY of pellet plant	See col. 8	- Contract has been awarded to M/s MECON on total responsibility basis.Land has been allotted by KIADB. - However, since part of the land allotted by KIADB is under dispute, work can commence as soon as the dispute is settled.
4.	**NATIONAL MINERAL DEVELOPMENT CORP. (NMDC)**								
(i)	Bailadila Deposit 11B	To increase production of iron ore	295.89	--	--	**55.00**	Phase - I capacity of 3 MTPA	see col.13	Due to delayed environmental clearance (received in Oct. 06), work at site started from 1.1.07 and is under progress.
(ii)	Kumaraswamy Iron ore project	To increase production of iron ore	296.03	--	--	**2.00**	Phase - I capacity of 3 MTPA	see col.13	Forest clearance received in Jan., 2007. Work could not commence due to stay order from High Court against lease renewal .
(iii)	Sponge Iron & 10 MW Power Plant - Nagarnar	To produce sponge iron and generate power	79.00	--	--	**5.00**	1 lakh tonne per annum of sponge iron & 10 MW power generation	September '09	- TEFR prepared by M/s SIIL and the same has been appraised by UTI Bank for its financial viability. - Application submitted to MoEF for environmental clearance
(iv)	Wind Mill in Karnataka	To achieve self-sufficiency in electrical energy	110.00	--	--	**50.00**	10 MW power generation, expandable to 20 MW	April '08	Under tendering stage
5.	**Hindustan Steelworks Construction Ltd. (HSCL)**								
(i)	Interest subsidy on term loan taken for implementing VRS	To rationalise manpower through VRS and cut down manpower cost	--	**56.02**	--	--	To reduce employee strength from 1660 (as on 31.12.2006), to 1500 by end of 2007-08	By end of 2007-08	So far almost 11976 employees have been separated. Initial target was to reduce employee strength to 1200 by end of 2006-07. However, of late response to VRS is poor due to improved financial performance of HSCL. Hence, target revised to 1500 employees by 2007-08
	SUB-TOTAL - A		--	**56.02**	**--**	**4098.02**			

(Rs. in crore)

No	Name of PSUs and Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned Cost	Outlay 2007-08 (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.	**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.	--	**14.92**	**65.00**	**2039.68**	--	--	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	--	**13.56**	--	--	--	--	Not amenable to outcome budgeting
	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.	--	--	**1.00**	--	See col.8	See col.8	Token provision of Rs.1 crore has been made since the specific details of the R&D scheme are yet to be worked out in consultation with the various stakeholders in the field.
	SUB-TOTAL - B		--	***28.48***	***66.00***	***2039.68***			
	GRAND TOTAL - A + B		--	84.50	66.00	6137.70			

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 ninth largest steel producing country in the world. This sector represents over Rs.90,000 crores of capital and directly provides employment to over 5 lakh people. The production of finished carbon steel during the year 2005-06 was 44.54 million tonnes with annual growth rate of 11.20%. The production of finished carbon steel during the current year (April – December, 2006) at 35.65 million tonnes (Prov.) was up by 9.7% over the corresponding period of previous year.

The important policy measures which have been taken in recent 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, specially in the last budget.

(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 advice all concerned regarding any irrational price behaviour of steel commodity. The SPMC will meet on a quarterly basis and deliberate 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.

The present per capita consumption of steel in the country is very low compared to the world average. 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. The Committee also aims at educating the designers, architects, builders and planners regarding the qualitative and cost effective applications of steel in various structures including buildings, bridges, flyovers and airports.

3. 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 indepth 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.

3.1 **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.

3.2 **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 to 30 thousand crores. 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.

3.3 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.

3.4 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.

3.5 **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:

3.6 **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.

3.7 **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.

3.8 The Report of the Working Group on Steel Industry for the 11th Five Year plan (2007-12) has been submitted to the Planning Commission for consideration.

4. 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 2006-07

The Outcome Budget, 2005-06 was prepared in respect of only Plan schemes/ programmes of the the Govt. For Outcome Budget, 2006-07, the concept of outcome budgeting was extended to Non-Plan schemes/ programmes also of the Government. Ministry of Steel has not till now directly implemented any plan schemes/ programmes. However, in the 11th Five Year Plan, a new plan scheme for promotion of Research and Development in Iron and Steel sector with proposed outlay of Rs. 100.00 crore has been introduced for which a token provision of Rs. 1.00 crore has been kept in the Annual Plan Outlay 2007-08. The details of this scheme are being worked out in consultation with the various stake holders in the field. 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, 25 Plan schemes (12 schemes of SAIL, 3 of NMDC, 3 of KIOCL and 7 of RINL) and 1 Non-Plan scheme (in respect of HSCL) were included in the Outcome Budget, 2006-07. The PSU-wise actual achievements (up to 31st December, 2006) vis-à-vis the intended outcomes indicated in the Outcome Budget, 2006-07 in respect of these 26 schemes, are given in the following table. However, 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

3.1 STEEL AUTHORITY OF INDIA LTD. (SAIL)

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Approved Outlay * 2006-07		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. 2006	Cumulative up to Dec. 2006		
1	2	3	4	5	6	7	8	9	10	11	12	13
1.	**Bhilai Steel Plant**											
i	Revamping of B-strand in Wire Rod Mill	Facilitate production of wire rods of TMT grade and smaller section with improved quality.	74.66	25.00	***35.28***	Facilitate production of wire rods of TMT grade and smaller section in 5.5 to 7.0 mm	May, '06	Nov. '06	30.01	50.20	Performance under stabilization	Mill under stabilisation
ii	Rebuilding of Coke Oven Battery No.5	To improve production and to achieve latest emission norms of MOEF.	219.04	85.00	***35.20***	--	Jan. '07	Dec. '07	29.19	50.11	--	Site work got delayed due to delay in civil drawings by M/s CUI, Ukraine
iii	Installation of hydraulic Automatic Gauge Control & Plan View Rolling in Plate Mill	Achieve closer thickness tolerance requirement of customers, less crop cutting & side trimming and improvement in the yield of plates	64.10	25.10	***35.64***	--	Jul. '06	Mar. '07	28.96	36.12	--	Completed on semi auto mode in Nov. '06. Problems identified during trial run are being rectified.
iv	Technological upgradation of BF-7	Increase useful volume of BF and productivity	170.41	59.00	76.76	Useful volume will increase from 2000 m^3 to 2214 m^3 and productivity from 1.75t/m^3/day to 2.0t/m^3/day	Aug.'06	Feb. 07	69.54	114.36	--	Project delayed due to problems in tuyere coolers which have been replaced. Commissioning now scheduled for Feb. 07
v	Installation of new Slab Caster, RH Degasser and Ladle Furnace	Produce value added/ special quality steel to produce high quality plates and rails conforming to specifications of Indian Railways	520.76	135.00	103.49	Additional casting – 0.165 MTPA. API X65 / X70 grade - 3,00,000T	Sept., 2007	Nov. 07	70.10	97.01	--	--

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

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay 2006-07		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 2006	Cumulative up to Dec. 2006		
1	2	3	4	5	6	7	8	9	10	11	12	13
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	--	10.51	Reduction in sulphur level in Hot metal from 0.1% to 0.01%	Aug.'07	Aug.'07	5.42	7.96	--	Project expected to be completed on schedule
2.	**Durgapur Steel Plant**											
vii	Installation of Bloom Caster with associated facilities	Improve the yield and quality of steel and reduce energy consumption	271.41	110.00	109.70	Cast Bloom – 0.85 MTPA	May. 06	Mar. '07	79.06	183.28	--	- Major work completed. Trial run of drives of Roll table in progress. - Supply & erection jobs were delayed by M/s Danieli, Italy
viii	Coal Dust Injection in BF – 3 & 4	Technical necessity for reduction in coke rate and improvement of the furnace productivity	74.22	--	19.61	Replacement of coke with pulverized coal on 1:1 basis. Coal injection rate in BF at 120 kg/thm	Aug. 07	Aug. 07	5.76	5.76	--	Project expected to be completed on schedule
3.	**Bokaro Steel Plant**											
ix	Rebuilding of Coke Oven Battery - 5	To improve production and achieve latest pollution norms of MOEF	198.84	57.10	57.00	--	Jan 07	Mar 07	30.72	84.58	--	Refractory erection in battery proper is in advanced stage. Project progressing almost on schedule
x	Modification/ Revamping of mae-west blocks & housing machining in HSM	Improve overall quality as well as production of hot strips and to ensure smooth functioning of HSM	91.86	43.36	20.00	--	June 07	June 07	18.97	32.20	--	Project expected to be completed on schedule

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay 2006-07		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. 2006	Cumulative up to Dec. 2006		
1	2	3	4	5	6	7	8	9	10	11	12	13
4.	**Rourkela Steel Plant**											
xi	Rebuilding of Coke Oven Battery No.1	To improve production and to achieve latest emission norms of MOEF.	112.39	49.34	56.73	--	Mar. 05	April 07	29.82	88.84	See col.13	- Chimney lighted up on 24.12.06 and battery lighted up on 21.1.07. - Project has been delayed due to delay in supply from M/s CUI, Ukraine
5.	**Alloy Steels Plant**											
xii	Installation of Argon Oxygen Decarburisation & Electric Arc Furnace	To facilitate production of various grades of stainless steel	54.16	17.00	33.81	Production of 1,20,000 tonnes of stainless steel per year	June, 2006	March, 2007	29.00	40.77	Facilities have been installed and cold test of individual equipment carried out. Hot trial of AOD is held up due to non-availability of gas from M/s Goyal Gas	

3.2 RASHTRIYA ISPAT NIGAM LTD. (RINL)

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay * 2006-07		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. 2006	Cumulative up to Dec. 2006		
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	122.00	125.25	To produce 0.75 MT of Coke	Dec. 06	June '07	67.31	232.97	Anticipated commissioning in June '07	Project delayed due to delay in supply of mechanical & refractory items as per delivery schedule to match with erection requirement
ii	Expansion to 6.5 MTPA Hot metal	To increase the plant capacity	8692.00	901.00	407.00	Enhancing the production of liquid steel to 6.3 MTPA from the existing 3.5 MTPA	Oct. '08/'09 i.e.36/48 months in phases from Nov. 05		102.29	104.06	--	- Project consultant appointed. - Tenders issued for an amount of Rs.5413 crores for various works and equipment. Price bids opened for Rs.1100 crores worth of packages. - Infrastructure works worth of Rs.70 crore are under various stages of execution.
iii	Air separation Plant	Additional facility to meet shortfall of Argon for combined blowing process. Oxygen produced is used in BF	96.00	60.00	10.00	600 Ton capacity at an estimated cost of Rs. 95 crore	Oct '07	Oct '07	--	--	--	- Board accorded its approval. - Fixation of Consultant is in progress

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

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay 2006-07		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. 2006	Cumulative up to Dec. 2006		
1	2	3	4	5	6	7	8	9	10	11	12	13
iv	Pulverised Coal Injection	Injection system for reduction in consumption of expensive BF coke with less expensive pulverised coal	181.00	100.00	15.00	Enhance production of hot metal by 0.5 MT and reduce cost of production of hot metal	Oct '07	Oct '07	--	--	--	Placement of orders for taking up construction is in progress
v	Acquisition of iron ore Mine & coking coal mines	To achieve self-reliance for raw material since RINL does not have captive sources for cooking coal & iron ore	600.00	60.00	20.00	Better availability of iron ore/ coking coal. Reduction in dependability on out side sources to insulate against price fluctuations	--	--	0.16	--	--	- Persuading state governments for iron ore. - For Coal block allotted, CMDPL, Ranchi, appointed as consultants to give feasibility report - For overseas acquisition of coal mines SPV is being formed with SAIL, NTPC, Coal India, etc.
vi	BF-1 Cat-I Repair	To increase the life of the furnace by strengthening the furnace structurally and at other levels to sustain high levels of fuel injections and production	50.00	50.00	0.20	Increase in life of blast furnace	2007-08	2007-08	--	--	--	To be taken up during 2007-08
vii	AMR Schemes	To maintain good health of plant and equipment by carrying out periodical capital repair, maintenance of all major production units	377.59	100.00	75.00	Sustain current levels of production/ productivity in the context of ageing of the plant.	Continuous		40.92	--	--	--

3.3 KUDREMUKH IRON ORE COMPANY LTD. (KIOCL)

l(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay * 2006-07		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. 2006	Cumulative up to Dec. 2006		
1	2	3	4	5	6	7	8	9	10	11	12	13
i	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	70.00	5.00	--	See col.13		--	--	See col.13	- MOU has been entered into with SAIL for ormation of Jt. Venture. - Mining lease has not been renewed in favour of SAIL. - A proposal to set up a 2 million tonne Pellet Plant is also under onsideration. Detailed project report preparation is under consideration. - Govt. of Karnataka has agreed to allot 50% of Ramanadurg mine to KIOCL.
ii	Construction of bulk material handling facilities for receipt of iron ore at Mangalore	For procurement of high grade haematite iron ore from Bellary/Hospet as raw material for Pellet Plant. The scheme would also be economical	150.00	70.00	5.00	Supply of 4 MTPY of iron ore by rail for rated production of 3.5 MTPY of pellet plant	See col.13		--	3.24	See col.13	- Contract has been awarded to M/s MECON on total responsibility basis. - Land has been allotted by KIADB. However, since part of the land allotted by KIADB is under dispute, work can commence as soon as the dispute is settled.
iii	Development of permanent railway siding at Mangalore	The iron ore proposed to be brought from Bellary-Hospet area will have to be moved by rail. This would entail arrival of larger quantity of railway rakes at Mangalore. To handle these rakes, exclusively for KIOCL Pellet Plant a permanent railway siding has to be developed.	50.00	15.00	5.00	To handle 4 MTPY of iron ore procured for use in Pellet Plant.	See col.13		--	4.89	See col.13	Since the this activity is inter connected to the land allotment with respect to Bulk Material Handling system and, since part of the land allotted by KIADB is under dispute, work can commence as soon as the dispute is settled.

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

3.4 NATIONAL MINERAL DEVELOPMENT CORPORATION (NMDC)

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Outlay * 2006-07		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. 2006	Cumulative up to Dec. 2006		
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	10.00	5.00	Phase-I capacity of 3 MTPA	October 2009	October, 2009	--	--	see col.13	Due to delayed environmental clearance (received in Oct. 06), work at site started from 1.1.07 and is under progress.
ii	NMDC Iron and Steel Plant (NISP)	To establish iron and steel plant utilizing slimes generated from Bailadila mine.	298.68	2.00	0.50	To establish iron and steel plant of 0.30 MTPA capacity	see col.13		--	17.20	see col.13	As technology for NISP could not be finalized, the scheme has been dropped. The land procured is being utilized for establishment of Sponge Iron Plant.
iii	Kumaraswamy Iron ore project	To increase production of iron ore	296.03	9.50	5.00	Phase-I capacity of 3 MTPA	Dec, 2009	Dec., 2009	--	--	see col.13	Forest clearance received in Jan., 2007. Work could not commence due to stay order from High Court against lease renewal .

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

3.5 HINDUSTAN STEELWORKS CONSTRUCTION LTD. (HSCL)

(Rs. in crore)

No	Name of Scheme/ Programme	Objective/ Outcome	Estimated/ Sanctioned cost	Non-Plan # 2006-07		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. 2006	Cumulative up to Dec. 2006		
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	--	59.19	56.39	To reduce employee strength to 1500 and cut down manpower cost.	By end of 2006-07	By end of 2007-08	33.20	339.18	Manpower brought down to 1600 (as on 1.1.2007) from 13576 in 1999-2000. Manpower cost reduced from Rs.134 .81 crore in 1999-00 to Rs.23.59 crore in 2005-06.	So far almost 11976 employees have been separated. Initial target was to reduce employee strength to 1200 by end of 2006-07. However, of late response to VRS is poor due to improved financial performance of HSCL. Hence, target revised to 1500 employees by 2007-08.

Budgetary Support

****

CHAPTER - V

FINANCIAL REVIEW

For the year 2007-2008, Demand No. 90 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 2007-08

The total financial requirements covered in Demand No. 90 for BE 2007-08, along with Budget Estimates and Revised Estimates for 2006-07 respectively, are summarized in the following Table :-

(Rs. in Crore)

Demand No. 90 for 2007-2008	**BE 2006-07**			**RE 2006-07**			**BE 2007-08**		
	Plan	Non-Plan	***Total***	Plan	Non-Plan	***Total***	Plan	Non-Plan	***Total***
REVENUE SECTION	0.00	84.50	***84.50***	0.00	85.10 *	***85.10***	1.00	84.50	***85.50***
CAPITAL SECTION	45.00	0.00	***45.00***	45.00	51.90	***96.90***	65.00	0.00	***65.00***
Total	**45.00**	**84.50**	***129.50***	**45.00**	**137.00 ***	***182.00***	**66.00**	**84.50**	***150.50***

* This does not include the accounting adjustment of Rs.70.22 crore for waiver of penal guarantee fee outstanding in respect of Steel Authority of India Ltd. (SAIL).

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 2006-07 (BE & RE) and 2007-08 (BE) are given in the following table :-

(Rs. in crore)

	Major Head & Item of Expenditure	**BE 2006-07**	**RE 2006-07**	**BE 2007-08**
I.	**MH – 3451**			
1.	Secretariat - Economic Services	9.89	10.49	11.62
II.	**MH - 2852**			
2.	Development Commissioner for Iron & Steel, Kolkata	2.15	2.09	1.82
3.	Awards to Distinguished Metallurgists.	0.10	0.10	0.12
4.	Subsidy to Hindustan Steelworks Construction Ltd. for payment of interest on loans raised from Banks for implementation of VRS	59.19	56.39	56.02
5.	Subsidy to Hindustan Steelworks Construction Ltd. for waiver of Guarantee Fee for the Guarantee given by GOI for cash credit/ bank guarantee and VRS loans	6.60	6.60	6.60
6.	Subsidy to BRL for waiver of guarantee fee	0.54	0.40	0.54

(Rs. in crore)

	Major Head & Item of Expenditure	BE 2006-07	RE 2006-07	BE 2007-08
7.	Interest subsidy of MECON Ltd. for loans raised from banks for implementation of VRS and payment of statutory dues	6.03	3.90	6.03
8.	Subsidy to MECON Ltd. for waiver of guarantee fees for the guarantee given by GoI on VRS loan	0.00	5.13	1.75
9.	Waiver of penal guarantee fee in respect of SAIL *Less – Receipts netted*	0.00 *0.00*	70.22 *-70.22*	0.00 *0.00*
III.	**MH - 6852**			
10.	Non-Plan loan to HSCL for payment of outstanding statutory dues, salaries & wages	0.00	21.44	0.00
11.	Non-Plan loan to BRL for payment of outstanding statutory dues, salaries & wages	0.00	30.46	0.00
	Total : Non-Plan Expenditure	***84.50***	***137.00***	***84.50***

From the above table it will be seen that Non-Plan provision in RE 2006-07 is in excess of Non-Plan BE 2006-07 to the tune of Rs.52.50 crore. The increase is due to the following:

(i) Additional provision of Rs.0.60 crore under MH 3451 is to meet additional requirement of 'Salaries' due to upward revision in the pay scale of Assistants and PAs.

(ii) Additional provision of Rs.51.90 crore (as Non-Plan loan) for payment of outstanding statutory dues, salaries & wages to the employees of HSCL & BRL.

The subsidy of Rs.5.13 crore to MECON for waiver of guarantee fee in RE 2006-07 (Sl.No.8 of Table above) is to be met from the savings available within the Ministry's grant for 2006-07. A token supplementary grant for carrying out this accounting adjustment has been sought in the third and final batch of Supplementary Demands for Grants for 2006-07

In addition to the above mentioned provisions in RE 2006-07, a supplementary grant for Non-Plan grants-in-aid of Rs.165.79 crore to HSCL for liquidation of outstanding income tax liability, including interest on the outstanding income tax, has also been sought by this Ministry in the third and final batch of Supplementary Demands for Grants for 2006-07.

3. PLAN EXPENDITURE

Plan budgetary support is being provided to some of the financially weak and loss making PSUs under the Ministry of Steel. While the total Plan budgetary support of Rs.45.00 crore in BE 2006-07 was retained in RE 2006-07, budgetary support of Rs.66.00 crore has been provided in BE 2007-08. The details are as follows:

(Rs. in crore)

Sl. No	Name of Organisation/ PSU	Scheme	Plan BS BE & RE 2006-07	Plan BS BE 2007-08
1.	Bharat Refractories Ltd.	(i) Equity investment for AMR Schemes	7.00	0.00
		(ii) Token provision in view of proposed scheme for restructuring of BRL	--	1.00
2.	Hindustan Steelworks Construction Ltd.	(i) Replacement/ Purchase of construction equipments & machinery	7.00	0.00
		(ii) Token provision in view of proposed scheme for restructuring of BRL	--	1.00
3.	MECON Ltd.	(i) Equity investment in the company*	30.00	0.00
		(ii) Infusion of funds by way of 5% non-cumulative redeemable Preference Share Capital*	0.00	63.00
4.	Bird Group	AMR Schemes	1.00	0.00
5.	Ministry of Steel	Token provision for scheme for promotion of R&D in the Iron & Steel sector	--	1.00
	Total		***45.00***	***66.00***

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

With reference to the Plan budgetary provisions for MECON in 2006-07 and 2007-08 (Sl.No.3 of Table above), it is mentioned that these provisions have been made as per the revival/ restructuring package for MECON approved by the Govt. on 8.2.2007. This revival package also provides for conversion of outstanding Govt. loans and interest thereon of Rs.7.72 crore, as on 31.3.2005, into equity. To implement this aspect of the revival package, a Supplementary Grant for the appropriate amount has been sought by the Ministry in the third and final batch of Supplementary Demands for Grants for 2006-07.

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. Since the specific details of this R&D scheme are to yet to be worked out in consultation with the various stake holders in the field, token provision of Rs.1.00 crore has been kept for the scheme in Plan 2007-08 (Sl.No.5, Table above).

The actual Plan and Non-Plan expenditure (gross basis) 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
2006-07	84.50	45.00	129.50	137.00	45.00	182.00	103.66	7.00	110.66 #
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***
2003-04	70.31	11.00	***81.31***	1057.97*	18.00	***1075.97***	1056.17*	18.00	***1074.17***

\# Actual expenditure for the 9 month period April - Dec., 2006 i.e. up to 31.12.2006

* Includes accounting adjustment of Rs.952.10 crore for write-off of Govt. loans and waiver of interest and penal interest in respect of IISCO Steel Plant (then a subsidiary of SAIL)

4. ANNUAL PLAN OUTLAY FOR 2007-08

Based on the Annual Plan, 2007-08 proposals of the PSUs under 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 2007-08 (BE) for Ministry of Steel has been approved by the Planning Commission:

(Rs. in crore)

(a)	Gross Budgetary Support	66.00
(b)	Internal & Extra Budgetary Resources (I&EBR)	6137.70
(c)	***Total Outlay (a+b) of Ministry of Steel***	***6203.70***

PSU-wise plan outlays for Annual Plan 2006-07 (BE & RE) and Annual Plan, 2007-08 is given in the table below:

(Rs.in crore)

Name of the PSU/ Organisation	BE 2006-07			RE 2006-07			BE 2007-08		
	Outlay	**IEBR**	**B.S.**	**Outlay**	**IEBR**	**B.S.**	**Outlay**	**IEBR**	**B.S.**
A. Schemes of PSUs									
1. SAIL	1275.00	1275.00	0.00	1275.00	1275.00	0.00	2641.00	2641.00	0.00
2. RINL	1452.00	1452.00	0.00	673.45	673.45	0.00	3056.70	3056.70	0.00
3. SIIL	5.00	5.00	0.00	1.10	1.10	0.00	5.00	5.00	0.00
4. HSCL	7.00	0.00	7.00	7.00	0.00	7.00	1.00	0.00	1.00
5. MECON	30.00	0.00	30.00	30.00	0.00	30.00	66.00	3.00	63.00
6. BRL	7.00	0.00	7.00	7.00	0.00	7.00	1.00	0.00	1.00
7. MSTC	5.00	5.00	0.00	5.00	5.00	0.00	5.00	5.00	0.00
8. FSNL	11.80	11.80	0.00	17.00	17.00	0.00	12.00	12.00	0.00
9. NMDC	150.00	150.00	0.00	150.00	150.00	0.00	250.00	250.00	0.00
10. KIOCL	200.00	200.00	0.00	38.00	38.00	0.00	75.00	75.00	0.00
11. MOIL	48.50	48.50	0.00	**68.32**	**68.32**	0.00	65.00	65.00	0.00
12. Bird Group	26.00	25.00	1.00	14.00	13.00	1.00	25.00	25.00	0.00
TOTAL - A	***3217.30***	***3172.30***	***45.00***	***2285.87***	***2240.87***	***45.00***	***6202.70***	***6137.70***	***65.00***
B. New Schemes proposed by M/o Steel in 11th Plan									
1. Scheme for promotion of R&D in Iron & Steel sector	---	---	---	---	---	---	1.00	0.00	1.00
2. Scheme for Institution & Manpower Development in Steel Sector	---	---	---	---	---	---	0.00	0.00	0.00
3. TUFS for SME	---	---	---	---	---	---	0.00	0.00	0.00
TOTAL - B	---	---	---	---	---	---	***0.00***	***0.00***	***1.00***
Grand Total – A + B	***3217.30***	***3172.30***	***45.00***	***2285.87***	***2240.87***	***45.00***	**6203.70**	**6137.70**	**66.00**

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, as indicated in Part B of the above table, have been proposed by this Ministry for taking up during the 11th Plan period. Based on the Working Group's recommendations and proposal from Technical Division of this

Ministry, Plan funds of Rs.100 crore for promotion of R&D scheme and Rs.25 crore for Manpower Development scheme and a token provision of Rs.10 crore for Technology Upgradation Fund Scheme (TUFS) for SME sector in the 11th Plan has been proposed by the Ministry. For Annual Plan 2007-08, Rs.20 crore was proposed for promotion of R&D scheme against which Planning Commission has approved a token provision of Rs.1 crore. No allocation for the other two schemes viz. Manpower Development scheme and TUFS has been made in Annual Plan 2007-08 (BE). It may be mentioned that the specific details of these 3 new schemes are yet to be finalized in consultation with the various stakeholders in the field.

Brief description of the scheme/project-wise outlays provided in BE 2007-2008 for various PSUs is given below:-

1. Out of the total outlay of ***Rs.6203.70 crore*** in Annual Plan 2007-08 (BE), an amount of ***Rs.2641.00 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.694.00 crore has been provided for **Bhilai Steel Plant**. The outlay *inter alia* covers expenditure on rebuilding of Coke Oven Battery No.5 (Rs.116.00 crore), New Slab Caster in SMS-2 (Rs.299.00 crore), Installation of Hot Metal Desulphurisation Unit and for other ongoing and new schemes.

(ii) An outlay of Rs.301.00 crore has been provided for **Durgapur Steel Plant**. The outlay includes expenditure on ongoing schemes like Bloom Caster with associated facilities and Coal Dust Injection in BF- 3 & 4 and new schemes like Modernisation and Cap Enhancement of MM and Expansion of DSP.

(iii) An amount of Rs.250.00 crore has been provided for **Rourkela Steel Plant.** The outlay covers expenditure on Hot Metal Desulphurisation Unit and new schemes like Installation of CDI in BF 4 and Rebuilding of COB-4.

(iv) An outlay of Rs.480.00 crore for **Bokaro Steel Plant** has been provided for expenditure on rebuilding of Coke Oven Battery No.5, Mae-west block in HSM, Provision of ATC & OTC at oxygen plant, Provision of CDI system in BF-2 & 3 and other ongoing and new schemes.

(v) Outlay of Rs.60.00 crore for **Alloy Steels Plant** is for new scheme of expansion of ASP and for ongoing schemes.

(vi) Outlay of Rs.500.00 crores has been provided for **IISCO Steel Plant** for new schemes of Rebuilding of COB-10 (Rs.100 crore) and Expansion of ISP (Rs.285 crore) and for ongoing schemes (Rs.115.00 crores)

(vii) Outlay of Rs.150.00 crore has been allocated for **Salem Steel Plant** primarily for Expansion of SSP.

(viii) Remaining outlay of Rs.206.00 crore have been provided for Visvesvaraya Iron & Steel Ltd. (Rs.15 crore), Central Units of SAIL (Rs.51 crore), RMD (Rs.100 crore) and Maharashtra Electrosmelt Ltd. (Rs.40 crore) for various ongoing projects and research work.

2. An outlay of ***Rs.3056.70 crore*** in BE 2007-08 has been provided for **Rashtriya Ispat Nigam Ltd**. Major portion of this outlay amounting to Rs.2500.00 crore is earmarked for Expansion of RINL's production capacity to 6.5 million tonnes. Provision has also been made for AMR schemes and new schemes like Coke Oven Battery No. 4 (Phase-I & II), acquisition of iron ore and coking coal mines and pulverized coal injection. The outlay will be met from I&EBR 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. In view of the proposed scheme for restructuring for **Hindustan Steelworks Construction Ltd**., token provision of ***Rs.1.00 crore*** as Plan budgetary support, for repair of old and procurement of new construction equipment has been made.

5. In view of the proposed scheme for restructuring for **Bharat Refractories Ltd.**, token provision of ***Rs.1.00 crore*** as Plan budgetary support for AMR Schemes has been made.

6. An outlay of ***Rs.250.00 crore***, to be met from I&EBR, has been provided for **National Mineral Development Corporation**. This includes provision for ongoing AMR, Township and R&D schemes and new schemes like Kumaraswamy Iron Ore project, Bailadila Deposit-11B and Windmill in Karnataka.

7. Outlay of ***Rs.75.00 crore*** has been provided for **Kudremukh Iron Ore Company Ltd.** for Other Mine Development, Ductile Iron Spun Pipe Plant, Development of infrastructure for receipt of iron ore by rail at Mangalore, AMR schemes and for R&D and feasibility studies. Entire plan outlay will be met from I&EBR of the company.

8. Outlay of ***Rs.65.00 crore*** for **Manganese Ore India Ltd.** is for executing schemes like Integrated Benificiation Plant and water supply scheme at Balaghat Mine, investment in Joint Venture, Wind Power Generation scheme, AMR schemes, township and R&D/feasibility studies. Plan outlay will be met from I&EBR of the company.

9. An outlay of ***Rs.63.00 crore*** as Plan budgetary support has been provided for infusion of preference equity shares in **MECON Ltd**., as per the restructuring/ revival package for the company.

10. 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 and development of e-business portal.

11. Outlay of ***Rs.12.00 crore*** provided for **Ferro Scrap Nigam Ltd.,** to be met out of the company's I&EBR, is for AMR schemes.

12. Outlay of ***Rs.25.00 crore*** for **Bird Group of Companies**, to be met out of the company's I&EBR, is for afforestation & lease matters, mineral based industries and AMR schemes.

5. PLAN OUTLAY AND ACTUAL EXPENDITURE DURING 2002-2006

The actual expenditure vis-à-vis the approved Plan outlays for the first four years of the 10th Plan is given below:

(Rs. in crore)

Name of the PSUs	2002-2003		2003-2004		2004-05		2005-06	
	Outlay	Actual	Outlay	Actual	Outlay	Actual	Outlay	Actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. SAIL	500.00	224.33	600.00	454.32	650.00	531.63	1030.00	812.70
2. RINL	55.00	27.05	227.00	25.00	300.00	70.90	896.00	160.94
3. MECON	4.00	2.00	1.00	1.00	1.00	1.00	12.28	12.28
4. MSTC	20.00	14.85	5.00	0.00	5.00	0.00	5.00	4.30
5. FSNL	12.00	14.91	11.50	5.33	11.50	12.93	10.00	19.35
6. SIIL	5.00	2.00	5.00	2.02	9.00	1.10	5.00	0.78
7. HSCL	9.00	4.00	4.00	4.00	3.00	3.00	4.00	4.00
8. BRL	13.00	5.00	7.00	12.00	10.00	10.00	7.00	7.00
9. NMDC	527.05	113.05	481.55	65.12	321.90	46.76	220.25	121.28
10. KIOCL	133.00	10.07	30.00	9.22	54.00	11.05	225.00	31.28
11. MOIL	32.50	12.93	26.75	7.78	20.00	17.57	34.21	25.97
12. Bird Group	3.45	3.74	2.50	16.91	16.00	5.04	17.38	9.24
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***
of which:								
(i) I&EBR	***1397.00***	***422.34***	***1443.30***	***598.63***	***1446.40***	***703.61***	***2451.12***	***1194.12***
(ii) Budgetary Support	***12.00***	***12.00***	***18.00***	***18.00***	***15.00***	***15.00***	***15.00***	***15.00***

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

From the above table it will be seen that the actual plan expenditure during the first four years of the 10th Five Year Plan relative to the approved Annual Plan outlay has not been satisfactory, though there is a 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 Annual Plan 2004-05 & 2005-06 is approximately 49%. While there is 100% utilization of Plan budgetary support during each of the Annual Plans 2002-03 to 2005-06, the entire shortfall in utilization is in respect of the I&EBR component of the respective Annual Plan outlays. Almost 93% of the total shortfall of Rs.3819.12 crore in utilization during 2002-06 is on account of low utilization by the four major PSUs viz. SAIL, RINL, NMDC 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, the shortfalls in the case of RINL, NMDC 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**: 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 Plan outlay from 2005-06 onwards, are to a great extent a reflection of this fact.

6. 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 31.12.2006, no utilization certificates are pending in respect of budgetary support (Plan & Non-Plan) released to the PSUs under the Ministry.

7. 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, as on 31.12.2006, with the PSUs is given below:

(Rs. in crore)

Unspent balance at the end of 2005-06 i.e. as on 31.3.2006	Amount released during April – Dec. 2006-07	Amount utilized during April – Dec. 2006-07	Unspent balance as on 31.12.2006
4.90	93.95	43.31	55.54*

***** Out of the unspent balance of Rs.55.54 crore, unspent balance of Rs.51.90 relates to Non-Plan loan given to BRL & HSCL for payment of outstanding salaries, wages and statutory dues. This amount of Rs.51.90 crore was obtained in the 2nd batch of Supplementary Demands for Grants in December, 2006 and was released to the two PSUs only on 28.12.2006.

****