

**Minutes of the 10<sup>th</sup> meeting of the Standing Committee on DMI&SP Policy, held on 12/07/2019 at 02.30 p.m. under the Chairpersonship of Shri Binoy Kumar, Secretary, Ministry of Steel**

1. List of Officers who attended the meeting is enclosed as *Annexure –I*.
2. At the outset, Chairman of the Standing Committee welcomed the participants to the 10<sup>th</sup> Meeting of the Standing Committee. Additional Secretary, M/o Steel made a brief presentation highlighting the issues raised by M/s ONGC, RVNL and IRCON International Limited.

**Issues raised by ONGC Limited**

3. Standing Committee in its 6<sup>th</sup> Meeting held on 21.05.2018 granted waiver to ONGC for the procurement of 13 chrome & above grades of premium thread tubular including 25 chrome and premium thread tubular of all sizes for one year i.e. from 21.05.2018 to 20.05.2019. The Standing Committee also decided that as and when domestic capacity is developed and the manufacturer is ready to supply, they should approach ONGC for enlistment as well as bid for tender. ONGC shall provide the opportunity to the domestic manufacturer by giving 20% of the tendered quantity as developmental order. Standing Committee also decided that once developmental order is fulfilled to the full satisfaction of ONGC, from subsequent tender onwards, the said manufacture (s) shall become the regular and registered bidder for the full tendered quantity and from then onwards, no import shall be allowed except for such excess quantity which domestic manufacturer is unable to supply.
4. ONGC requested for the extension of the Premium thread tubular and Chrome Tubular (13 Chrome & above) of all sizes for another one year. They have stated that they need to procure tubulars in three broad categories i.e. Regular, Premium & Chrome, with Casing pipes and Tubing in each category. ONGC has informed that they have floated the following tenders:

S.No.	Tender no.	Description	Date	MSL	Jindal Saw
1	ZNCVC18004	Premium <b>Casing</b> pipes & accessories	21.09.2018	Participated as <b>regular bidder</b> , quoted for only 3 out of 21 groups	JSL did not participate as premium connection license was not available at that time.
2	ZNTVC18003	Premium thread <b>tubing</b> & accessories	01.06.2018	Did not quote	JSL did not participate as

					premium connection license was not available at that time.
3	ZNTVC19001	Premium thread <b>tubing</b> & accessories <ul style="list-style-type: none"> <li>▪ Domestic manufacturers having experience of regular tubular are eligible as regular bidder</li> <li>▪ This tender had four groups but in future tenders may have more than four groups</li> </ul>	09.01.2019	Quoted for only 1 group as <b>regular bidder</b>	Quoted for all 4 tendered groups as <b>regular bidder</b>
4	ZNCLC18001	13 Chrome Premium thread <b>casing</b> pipes & accessories	05.09.2018	Not participated	JSL did not participate as premium connection license was not available at that time.
5	ZNCLC19001	13 Chrome Premium thread <b>casing</b> pipes & accessories	28.02.2019	Not participated	JSL quoted for Developmental Order for one item out of two.
6	ZNTLC19002	13 Chrome Premium thread <b>tubing</b> pipes & accessories	17.01.2019	They are establishing, after 3-5 months they will be ready for developmental order	Quoted for <b>developmental order</b> for both tendered groups

5. Representative of the ONGC explained that against the tenders no. ZNCVC18004 dated 21.09.2018 for premium threaded **casings**, out of the 21 tendered groups M/s Maharashtra Seamless Limited (MSL) quoted only for 3 groups as a regular bidder. ONGC stated that they have relaxed the tender conditions that in case any manufacturer is having capacity of making particular size and premium thread license they may quote for regular order instead of developmental order. Representatives of M/s MSL stated that they will quote for all the groups in the next tender for a regular order. M/s Jindal Saw Limited (JSL) stated that they did not participate as premium connection license was not available at that time and in the next tender they will quote.

6. Tender no ZNTVC18003 was floated on 01.06.2018 for Premium thread **tubing** & accessories which has 10 groups, ONGC stated that no domestic vendor quoted. Neither any request for developmental order was received. JSL stated that they did not participate as premium connection license was not available at that time. In the next tender JSL will quote for regular order since tender conditions has been relaxed by ONGC for developmental order.
7. Tender no ZNTVC19001 floated on dated 09.01.2019 for premium threaded **tubings** & accessories had only 04 groups wherein M/s JSL has quoted for all four groups for regular order while M/s MSL has quoted for 1 group for regular order. Tender conditions has been relaxed by ONGC that domestic manufactures having experience of regular tubular are eligible as regular bidder. This tender is under evaluation by ONGC. Four of the products are same in tender no. ZNTVC18003 and ZNTVC19001 remaining products are different with respect to sizes, grades and Pounds per foot (PPF).
8. Tender no ZNCLC18001 floated on 05.09.2018 for 13 Chrome Premium thread **casing** pipes & accessories, domestic bidders did not seek development order.
9. However, in the latest tender (2019-20) for the same items (tender no. ZNCLC19001), M/s JSL has sought development order for one casing pipe item out of two items. ONGC stated that the said developmental order is likely to be finalised after due diligence and assessment which will take 2-3 month period. Thereafter lead time of production & validation may need another 6 months period. Total estimated period for technical acceptability is therefore works out to be minimum 8-9 months. As domestic bidder has quoted only one item/group, the capability for the entire tendered group will not be available even after successful development of one item. Further, ONGC stated that till such period, the exemption with respect to 13 chrome & above tubulars would be necessary for operational purpose.
10. Tender no ZNTLC19002 floated on 17.01.2019 for 13 Chrome Premium thread **tubing** pipes & accessories, only M/s JSL has quoted and has sought development order. ONGC informed that though M/s Ratnamani in the last Standing Committee stated that they are building their capabilities for 13 chrome casings and shall be ready to supply by January 2019, they neither participated nor approached even once for developmental order. MSL

stated that being a highly technical item, they are establishing facilities and they will be in position to quote for the developmental order within 3-5 month.

11. ONGC reiterated that after placement of developmental order, there is process like validation, satisfaction and acceptance which requires 8-9 months for conversion of placement of a Development Order on a manufacturer to establish as an accredited source. Though same/part items have become regular, they requested MoS to give exemption for a year for Chrome tubulars. ONGC also mentioned that they are placing orders on domestic manufacturers for entire requirement of Regular Casing pipes & Tubing for last two years under the DMI&SP which will continue. This has resulted in over 102108 MT valuing Rs 1388 Crore of tubulars being procured from domestic manufacturers.

12. Issues raised by ONGC were discussed in the meeting of Grievance Committee held on 10.05.2019. The Grievance Committee made following recommendations :

- i) For premium casing pipes & accessories MSL quoted for 3 out of 21 groups and stated that in the next tender they will quote for all groups and JSL also committed that they will quote for all groups in the next tender. Since capacity exists in the country exemption can not be given for premium casing pipes & accessories.
- ii) In case of premium thread tubing & accessories, Grievance Committee opined that since JSL has quoted for all four groups for premium thread tubing & accessories in the latest tender which shows that domestic capacity exists now hence exemption can not be given.
- iii) Grievance Committee opined that since no domestic bidders have participated in 13 Chrome Premium thread casing pipes & accessories and for 13 Chrome Premium thread tubing pipes & accessories and JSL have quoted for developmental order for both tendered groups , the exercise for domestic vendor to be registered as a regular bidder after successful field trials will take 8-9 months. Therefore, exemption may be granted for nine months for Chrome tubulars (13 Chrome and above Casing pipes & tubings).

- iv) Chairperson, Grievance Committee stated that ONGC may submit their requirement to MoS for next 3-5 years so that the same may be circulated to the Indian manufacturers who could be ready for the future demands.
- v) Chairperson stated that ONGC should not link placement of developmental order with tender action. The developmental order/indigenisation exercise should be carried out independently so as to develop vendor base without delay and imports can be avoided.

13. After detailed deliberations, Standing Committee made following observations:

- i) After the listening the views of the manufacturers the Standing Committee observed that capacity exists in the country for the production of casing, tubing pipes and accessories but bidders are not ready to be registered as a regular bidder that it will take 8-9 months therefore Committee decided to grant exemption for nine months i.e. from 12.07.2019 to 11.04.2020 subject to placement of developmental order (20% of the tendered quantity) on domestic manufacturer for premium casing pipes, premium thread tubing and accessories, 13 Chrome and above premium thread casing, tubing pipes & accessories.
- ii) Standing Committee reiterated the recommendations of the Grievance Committee and emphasized that ONGC may submit their requirement to MoS for next 3-5 years so that the same may be circulated to the Indian manufacturers who could be ready for the future demands.
- iii) Further, Standing Committee reiterated the recommendations of Grievance Committee that ONGC should not link placement of developmental order with tender action. The developmental order/indigenisation exercise should be carried out independently so as to develop vendor base without delay and imports can be avoided.

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

14. RVNL has informed that they have requirement of 60KG E1 (UIC 60) 1080 Grade Head Hardened Rails for Kolkata Metro Rail Project. Metro rail construction in Kolkata is in advanced and complete metro will be commissioned within next three years. Ministry of Railways is not in a position to provide 60KGE1180 Grade Head Hardened rails to RVNL. To fulfil the requirement they have invited global tender for 11800 MT HH rails and requested to grant waiver for the procurement of 11800 MT 60KG E1 (UIC 60) 1080 Grade Head Hardened Rails through global bidding. However, letter of acceptance would be issued only after receipt of approval from Ministry of Steel.
15. Requirement of RVNL was floated on the website of the Ministry of Steel on 24<sup>th</sup> April, 2019, in which Indian Steel manufactures including SAIL and JSPL were requested for the comments.
16. Representative of SAIL stated that they are not producing this specific grade of head hardened rail due to the production of 880 grade and by the next year they will be able to manufacture. Representative of M/s JSPL stated that they are having the manufacturing facility and capacity to produce the requisite grade. Earlier they have exported 20,000 MT 60E1, R350 HT (Head Hardened) to Rail Authority of Iran through State Trading Corporation of India. Further, JSPL stated that recently they have got the developmental order from Ministry of Railways and they have supplied to MoR before schedule. Further, JSPL stated that tender conditions of RVNL are restrictive in nature and it will take one year to get the passenger carrying certification from Ministry of Railways towards supply of developmental order.
17. Standing Committee opined that SAIL have the capacity of 1.95 MTPA for the production of rails and efforts should be made to increase production capacity so that demand of rails may be fulfilled domestically.
18. Chairman, Standing Committee stated that CEO, BSP may be invited to attend the Standing Committee meeting so that he may deliberate on the production issues of rails.

19. Issues raised by RVNL were discussed in the meeting of Grievance Committee held on 10.05.2019. The Grievance Committee made following recommendations :

- i. With respect to stringent tender criteria, matter has already been taken up with MoR and needs to be reiterated.
- ii. It has been decided by SM that if production capacity exists within the country then the item should not be imported. However in the light of the fact that railways has still not cleared JSPL as a regular rail vendor and SAIL has expressed its inability to supply 1080 HH rails Standing Committee may like to consider granting one time exemption to RVNL.

20. After deliberations, Standing Committee has made following observations:

- i. With respect to stringent tender criteria, MoR may revise the same, so that Indian manufactures may participate in the tender and demand of rails may be fulfilled domestically.
- ii. As regards the exemption for 11800 MT of 1080 grade HH rails, the Standing Committee requested RVNL to relax the stringent conditions and make efforts to procure this grade rails from SAIL or JSPL, who have the capacity to produce this grade rails.
- iii. RVNL to work out about the possibility of the enhancement of developmental order from 20% to 50%.

**Issues raised by IRCON International Ltd.**

21. IRCON International is executing various Railway projects entrusted by Ministry of Railways (MoR). Vide letter dated 08th March, 2019 IRCON has stated that due to manufacturing capacity constraints of SAIL, MoR directed IRCON to procure/import Rails from sources other than SAIL for the projects to be commissioned in 2019-20 and 2020-21.

22. IRCON stated that they have invited tender for the procurement of following grades and requested to grant exemption for the procurement/import of 67, 000 MT of 60 kg rails

from foreign manufacturers through global tender since SAIL does not manufacture and JSPL could not qualify the criteria of satisfactory past performance of rails on passenger/mixed traffic railway network:

S.No.	Name of Projects	Quantity (MT)	Grade
1	Doubling Project	42200	880
2	SPV projects in Chhattisgarh and Odisha	15000	880
3	Udhampur-Srinagar-Baramula Rail Project (J&K)	7000	1080* (Head Hardened)
4	Indo Nepal Rail Link Project	2800	880
<b>Total</b>		67000	

23. Representative of IRCON informed that Ministry of Railways vide letter no. 2018/Track-I (P/BI) dated 02.08.2018, communicated the decision of Railway Board that IRCON/RVNL to procure/import rails from sources other than SAIL, for their projects which are targeted to commission in 2019-20 & 2020-21.
24. Representatives of IRCON stated that due to target date of commissioning they have placed part requirement order on M/s Voestalpine Schienen GmbH, Austria for procurement of UIC 60 Kg, 1080 grade 2100 MT head hardened rail for Banihal-Arpinchala Section, which is part of Udhampur-Srinagar-Baramula Rail Project. Balance quantity i.e.  $7000-2100=4900$  will be tendered next year.
25. Representative of SAIL stated that for the doubling of projects i.e. 880 grade rails, they have received the purchase orders and priority order has to be issued by the MoR.
26. IRCON stated that after the receipt of funds from MEA for the Indo-Nepal Rail Link (Jayanagar to Bardibas) they shall arrange for inclusion of this order in the priority program of Railway Board and then ask SAIL to supply the rails.
27. After deliberations and after examining the views of the Grievance Committee the, Standing Committee made following observations:



- i) As far as demand for 880 grade is concerned SAIL informed that the same is already included in the demand of MoR hence exemption can not be given for 880 grade rails.
  
- ii) The basic objective of the DMI&SP Policy, 2017 is strengthening “Make in India” with the objective of nation building and encouraging domestic manufacturing. The global tender by IRCON and placement of order of 1080 HH without waiver from MoS has gone against the very spirit of this policy (which is approved by the Union Cabinet) and was viewed with concern by the Standing Committee.
  
- iii) IRCON stated that for the balance quantity 4900 MT which will be required next year, they will seek exemption. Standing Committee stated that by then SAIL may start producing 1080 grade and other Indian Manufacture may also qualify the tender criteria.

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

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**List of the officers attended the 10<sup>th</sup> Standing Committee on DMI&SP Policy, held on 12.07.2019 at 02.30 P.M. under the Chairmanship of Shri Binoy Kumar, Secretary, Ministry of Steel**

**Members of Standing Committee**

- 1) Shri Binoy Kumar, Secretary, M/o Steel
- 2) Smt. Rasika Chaube, Additional Secretary, M/o Steel
- 3) Shri Atul Bhatt, CMD, MECON Ltd.
- 4) Dr. T. Mukherjee, Technical Expert
- 5) Dr. A.S. Firoz, Chief Economist, ERU

**Ministry of Steel**

- 1) Dr. Rohit Yadav, Director, M/o Steel
- 2) Shri Aman Sharma, Director, M/o Steel
- 3) Shri Pritam S. Purkayastha, DGM (TTD)/OSD, M/o Steel
- 4) Shri Amit Singh, Manager (IDD), M/o Steel

**Representatives from Organizations/ Associations**

- 5) Mrs. Soma Mondal, Director Comm., SAIL
- 6) Shri Ashok Sahay, ED, SAIL
- 7) Shri Ashwini Nagia, ED, ONGC
- 8) Shri A.K. Goyal, ED, IRCON
- 9) Shri Rajat Gupta, President , MAN(I) Ltd.
- 10) Shri G.S. Sethi, V.P (Mktg), MAN(I) Ltd.
- 11) Shri Sanjiv Dheer, Global Head, Jindal Saw Ltd.
- 12) Shri Bhavesh Karia, Sr. VP, Welspun/ IPMA.
- 13) Shri Suresh Darak, President, Welspun Corp Ltd.
- 14) Shri N.A. Ansari, Jt. MD, JSPL
- 15) Shri Vijay Kumar Chama, President(S&M), JSPL
- 16) Shri Vijay Kaul, Sr. GM, Ratnamani Metals & Tubes Ltd.

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