

**Minutes of the 12<sup>th</sup> meeting of the Grievance Committee on DMI&SP Policy, held on 22/10/2019 at 03.00 p.m. under the Chairpersonship of Smt. Rasika Chaube, Additional Secretary, Ministry of Steel**

1. List of Officers who attended the meeting is enclosed as *Annexure –I*.
2. At the outset, Chairperson of the Grievance Committee welcomed the participants to the 12<sup>th</sup> Meeting of the Grievance Committee. Director (AS), M/o Steel made a brief presentation highlighting the issues raised by M/s ONGC, Oil India Ltd, IPMA, Stecol Int. Ltd, UDT, STMAI, ISSMA.

**Issues raised by ONGC Limited**

3. Representatives of ONGC informed that they have an extensive network of Process/well platforms, submarine pipelines for well fluid, gas lift and water injection service in its Western/Eastern Offshore fields for production of hydrocarbons. Every year, ONGC is undertaking several projects for execution/creation of new platforms and submarine pipelines for development of marginal fields / cluster for exploitation of hydrocarbons and brown field works. The well platforms and submarine pipelines require extensive use of structural steel and line pipe meeting specifications.
4. ONGC requested for exemption from DMI&SP Policy for seamless line pipes (for size 16” and below), ONGC specification 2020 A and 2020 B for its offshore construction and pipeline projects till such time Indian steel industries come up with the required facilities to cater to the manufacture and supply of required quality, grade, and quantity of steel and pipe and fabrication yards. ONGC requested MoS to further extend the waiver for further a period of three years beyond 14.09.2019.
5. After discussion with ONGC and other stakeholders including LSTK contractors, Standing Committee in its meeting held on 15.09.2019 had granted waiver for a period of 2 years (i.e. 15/09/2017 to 14/09/2019) for seamless line pipes ( for size 16” and below) ONGC specification 2020 A and 2020 B for submarine application.
6. During the Grievance committee meeting, ONGC presented the following :-
  - a. **Fabrication yards**: On a query from grievance committee about progress made on creation of Indian fabrication yards, ONGC informed that they have encouraged Indian agencies like Lavgan Dockyard Pvt Ltd., (LDPL), Ratnagiri of M/s Chowgule and Co. Pvt. Ltd. (CCPL) and Rohini Yard of M/s Das Offshore, Mumbai to create fabrication yards in India as these agencies have shown interest in creating the fabrication yard. These yards have already been inspected and considered suitable on account of their access, sea front and water depth. Further, these yards have already been partially approved by ONGC for fabrication pertaining to modification work / fabrication of piles / conductors etc. considering the availability of infrastructure at respective yard.
  - b. **Seamless line pipe**: ONGC informed that only two seamless line pipe manufacturers namely M/s Jindal Saw Limited (JSL) and M/s Maharashtra Seamless Limited (MSL) expressed their interest for supply of seamless line pipes. M/s Jindal Saw Limited had been included as a vendor for supply of subsea pipeline in one of the recent tender. However at the last moment, Jindal SAW limited withdrew from participating in the

tender. M/s MSL has submitted all documents meeting the qualification criteria for including its name for trial order. ONGC is considering to include MSL in its upcoming tender for trial order for one line in Pipeline replacement project tentatively scheduled in Dec'2019. After successful trial for two years in offshore, Maharashtra Seamless can be listed as OEM for supply of seamless pipes. The entire process of final qualification will take about three years, in view of the criticality of offshore applications.

- c. ONGC stated that they are making efforts to qualify / approve fabrication yards in India and also to encourage Domestically Manufactured Iron & Steel Products (DMI&SP) in line with policy. However, considering the various issues, as brought out above, criticality of the project and stringent time schedule involved, waiver for minimum 3(three) years beyond 14.09.2019 shall be required so as to create the suitable facilities in India i.e. fabrication yard and vendors for structural pipe & steel meeting ONGC specifications.
7. Grievance committee directed ONGC to accelerate the process of placement of trial order to M/s Maharashtra Seamless Limited (MSL) for supply of one pipeline segment immediately in any of ongoing/upcoming project.
8. **After detailed deliberations and listening the views of the stakeholders, Grievance Committee opined that since domestic manufacturers are not able to supply ONGC for seamless line pipes ( for size 16” and below) ONGC specification 2020 A and 2020 B for submarine application and trail order of MSL is under process. Therefore Grievance Committee recommends that exemption may be granted to ONGC for one year, subject to placement of development order i.e. 20% of net procurable quantity on domestic manufacturers. The Committee decided to place the matter before Standing Committee for final decision**

#### **Oil India Limited (OIL)**

9. Oil India stated that they are engaged in the Business of exploration, production and transportation of crude oil and natural gas and production of LPG. They had floated tender No. SDG0800P19/09 dated 09.03.2019 under International Competitive Bidding (ICB) without incorporating the DMI&SP Policy provision as the tender value was less than Rs 50 Crore (Prior to the Notification of the DMI&SP Policy) for the procurement of 8000 meters of 2.825 inch and 1000 meters of 5 inch Drill pipes with Pup joints. The total estimated cost is approx Rs 40.94 Crore. The technical bid was opened on 22.05.2019 wherein 3 bidders have submitted their bids. OIL stated that since requirement can not be met domestically and cancellation of the present tender and re-tendering at this stage will lead to huge operational losses, therefore exemption may be granted to award the contract to foreign bidder.
10. Further, OIL stated that although domestic manufacturers i.e. OCTL, Hyderabad and Maharashtra Seamless Ltd (MSL) had expressed their interest in the tender, they did not participate in the tender. MSL had requested for amendment to tender specifications in terms of length of pipes which was a deviation to API specifications. OIL did not accept the request of MSL due to operational reasons. OCTL also requested for certain clarifications in the tender as well as extension of bid submission date. OIL clarified all the queries and also extended the date of bid closing but still MSL and OCTL did not submit any bid.

11. Representative of OCTL & MSL confirmed that they haven't participated in the above mentioned tender. Both of however, confirmed that they will participate in the next tender.
12. **After deliberations and considering the non-participation by domestic bidder and re-tendering at this stage will lead to huge operational losses, the Grievance Committee recommended for granting one time exemption for the tender No SDG0800P19/09 dated 09.03.2019 for the procurement of Drill pipes with Pup joints by OIL.**

**Issues raised by GAIL (India) Ltd.**

13. GAIL has referred to Revised DMI&SP Policy and stated that API Line Pipes for transportation of Natural Gas are being procured by GAIL. At the Sl. No. 18 & 19 of Annexure-A, the following is mentioned :
- Sl. No. 18** - Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel
- Sl. No. 19** - Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel
14. GAIL has requested to confirm that API Line Pipes for transportation of Natural gas are falling under above categories.
15. GAIL also referred to the para 5.1.2 Policy that *“Appendix –A contains list of Iron & Steel products which are to be exclusively domestically manufactured and cannot be imported without the approval of the M/o Steel.”* GAIL stated that they have been procuring line pipes by issuing on internal Competitive Bidding as substantial imports of raw material were envisaged. However, considering the above mentioned policy clause, they have proposed to issue Domestic Competitive Bidding.
16. **Grievance Committee clarified the following:**
- i) API Line pipes fall under chapter 73 of HS Code**
  - ii) If foreign manufacturers setup their facilities in India, their products will be considered as domestic manufactured and no exemption under DMI&SP Policy will be required.**

**Issue raised by Indian Pipe Manufacturers Association (IPMA)**

17. IPMA has requested to revise the value addition in DMI&SP Policy from 35% to 20% for H.S. Code 7305 (Other tubes and pipes having circular cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel) and 7306 (Other tubes, pipes and hollow profiles of iron or steel), till SAIL and other steel manufacturer's starts manufacturing and supplying sufficient quantity API grade steel. IPMA has given the following reasons:
- i) For API grade steel there are very limited manufacturers in India and that too there is not sufficient scale of production. In such scenario, procuring key input raw material from domestic steel manufacturers is an uphill task for the pipe manufacturers.
  - ii) Pipe manufacturers have to compete with pipe mill producers having integrated steel plant and this creates uneven competition.

- iii) Quality and delivery of API grade Steel is a major concern.
  - iv) In order to satisfy mandatory domestic local content of 35%, standalone pipe manufacturer will end up buying steel from domestic sources at a much higher prices & would not be able to provide competitive rates in the procurement tender.
18. Representative of IPMA stated that they had placed the order on SAIL for the supply of API X-70 grade Steel but SAIL could not deliver.
19. Chairperson, Grievance Committee referred to the 7th Standing Committee meeting held on 03.08.2018 in which SAIL was requested to convey the timeline for plant's readiness to supply this material at the earliest. Chairperson reiterated that in order to ensure API X-70 grade steel to pipe manufacturers, SAIL may provide the status of the manufacturing to the Ministry.
20. Representative of SAIL stated that RSP is having facility to manufacture API grade steel for larger dia API pipes, pipe manufacturers can obtain supplies immediately.
- 21. After deliberations, Grievance Committee opined that MECON may examine the issue raised by IPMA in consultation with various stakeholders and submit the report along with the capacity and requirement of steel industry so that decision may be taken.**

#### **Issue raised by Stecol International Private Ltd**

22. Stecol international have been supplying TMT Re-bars under the brand name 'Essar TMT' to various project in compliance with BIS and related quality norms. They stated that Government owned agencies such as RDSO, NHAI, RVNL etc do not provide vendor Registration to SIPL on the grounds that they are not the manufacturers of the Re-bars. Some of the project authorities do not provide vendor registration on the grounds that if a plant is registered with them with a specific brand, then the same plant cannot be registered for another brand of TMT Re-bars.
23. Stecol has requested MoS to issue a Policy Advisory to all Ministries and Organizations for adherence to the following:
- i) Maximize use of domestically manufactured steel irrespective of whether it is from Primary or Secondary Steel Producers
  - ii) To facilitate vendor registration of Companies which have Contract Manufacturing Agreement with Secondary steel producers
  - iii) Remove the restriction of 'One Plant and One Vendor' and allow multiple brand to be registered for a specific secondary Steel Plant
24. This issue was taken up with RDSO, they have given the following comments :
- Stecol has submitted concept of branding i.e. manufacturing contract. Following drawbacks of this system are:
- i) Stecol does not have any its own infrastructure for production of rebars. They approach only those sick / low capacity firms who are not having adequate infrastructure for production of items because rate of product is important criteria in selection of firm inspite of quality of product.

- ii) Contracting firm don't have any control on production process of manufacturing firm. Contracting firms only consider the product not the quality of raw material of product. Manufacturing firms may procure raw material such as sponge iron from market sources (from low rates manufacturers) and produce the product using high quantity scrap of unknown chemistry.
- iii) Contracting firms authorize inspecting agency for passing the material and contracting firm does not have any check on the product passed by inspecting agency. If, inspecting agency conspires with product manufacturing firm, the test result may be prepared accordingly. In case of multiple production unit under contracting firm, traceability of the product will totally depend on the documents maintained by contracting firm. Contracting firm focus will be on marketing not on the quality of product.
- iv) Therefore, quality of product supplied by such firm's are under doubt. Recently, RDSO team visited one of the TMT reinforcement bars manufacturing firm M/s Mahalaxmi TMT Pvt. Ltd, Nagpur. Firm does not have any infrastructure for production of sponge iron i.e. raw material for production of TMT reinforcement bars. Firm procures sponge iron & scrap for manufacturing of billets thereafter TMT reinforcement bars. Scrap was found in abundance in firm premises. Testing equipments was also not found in working condition. However, firm producing TMT reinforcement bars for ESSAR TMT. SGS officials were found Issuing certificates inspite of not working of machine such as Spectrometer.

**25. Grievance Committee opined that Addl. Industrial Adviser, M/o Steel may examine the issue raised by Stecol International Private Ltd and submit the recommendations.**

**Issue raised by United Drilling Tools Ltd (UDT)**

26. UDT has requested for the following clarifications w.r.t. DMI&SP Policy:

- i. Is it bidder's responsibility to provide affidavit of self-certification for the minimum value addition as per the Form-1 in the revised DMI&SP Policy. If a bidder is procuring items from sub-vendors which are also specified in Appendix-A is bidders has to collect the same affidavit from the sub-vendors and submit it to the procuring agencies (PSUs) to ensure minimum value addition is maintained in items procured from sub-vendors.
- ii. Input steel material for connector / coupling is bloom or billets?

**27. Grievance Committee clarified the following:**

- i) It is bidder's responsibility to submit the affidavit of self-certification for the minimum value addition as per the Form-1 of the DMI&SP Policy and for their records they may take affidavit from sub-vendors whose products are also specified in appendix-A of the DMI&SP policy.**
- ii) Input material for the manufacturing of connector/ coupling is Bloom or Billet.**

### **Issue raised by Seamless Tube Manufacturers' Association of India (STMAI)**

28. STMAI has stated that list of the input material has not been issued with the revised DMI&SP Policy. This is giving rise to a lot of misinterpretations by various sources.
29. Representative of STMAI stated that Mother pipe/green pipe virtually means the pipe itself constitutes 80% of the total cost and 100% of the steel is to be used. If this is allowed as an import, it would mean that the steel being used is also 100% foreign steel and no real value addition in terms of Indian Steel is being used in the manufacturing of the product. This would circumvent the purpose of DMI&SP Policy.
30. STMAI has requested to issue the clarification regarding input material for seamless tube manufacturing as it was issued on 21<sup>st</sup> June, 2017 by the Standing Committee under DMI&SP Policy i.e. mother pipe / green pipe cannot be considered as an input material and input material is all the types of bloom/billet/rounds.
31. **Grievance Committee opined that MECON may examine the request raised by the STMAI and also examine whether input material is required for other products of Appendix of DMI&SP Policy and submit the recommendations within two weeks.**

### **Indian Stainless Seamless Pipe Manufacturer's Association (ISSMA)**

32. ISSMA has referred to the clarifications issued by the Standing Committee under the DMI&SP Policy on 21.06.2017 and requested to include the 'Bloom/Billet/Round Bars' as input raw material for manufacturer of stainless steel seamless pipes & tubes.
33. Representative of ISSMA stated that by withdrawing the requirement of manufacturing of Green Pipes (Seamless Pipes) in the country will help in cheap imports of stainless steel seamless and super alloy pipes and tubes from China, South Korea, Taiwan etc. They stated that value addition of 35% is extremely low for stainless steel pipes and tubes and can easily met by the traders. This will put the primary producers of stainless steel seamless and super alloy pipes and tubes into greater difficulties and make their built-in capacities of approximately 1 lakh Metric tonnes redundant.
34. **Grievance Committee opined that MECON may examine the request raised by the STMAI and submit the recommendations within two weeks.**

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

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**List of the officers attended the 12<sup>th</sup> Grievance Committee on DMI&SP Policy, held on 22.10.2019 at 03.00 P.M. under the Chairpersonship of Smt. Rasika Chaube, Additional Secretary, Ministry of Steel**

**Members of Grievance Committee**

- 1) Smt. Rasika Chaube, Additional Secretary, M/o Steel
- 2) Shri Aman Sharma, Director, M/o Steel
- 3) Shri Atul Bhatt, CMD , MECON Limited
- 4) Shri Paramjeet Singh, AIA, M/o Steel

**Ministry of Steel**

- 5) Shri Pritam S. Purkayastha, GM (TTD)/OSD
- 6) Shri Amit Singh, Manager, IDD
- 7) Shri Satish Kumar, S.O., IDD

**Representatives from Organizations/ Associations**

- 8) Shri A.K.Agrawal, GM,MECON
- 9) Shri Suranjan Das Gupta,Jt,G.M.,Essar Steel India Ltd.
- 10) Shri Gaurav Sharma,Head-Domestic Sales, Essar Steel India Ltd.
- 11) Shri Darshan Satghar,Director/National Sales Head,Stecol International
- 12) Shri V.Praveen Babu, General Manager,Oil country Tubular Ltd.
- 13) Shri S.Sarkar, Group Vice President, Maharashtra Seamless Ltd.
- 14) Dr. Kanal Gupta, Director, United Drilling Tools Ltd.
- 15) Shri Pramod Gupta,CMD, United Drilling tools Ltd.
- 16) Shri Hanna Dahdah, SVPC,NPCC
- 17) Shri Dharendra Mohan Sharma, G. Secy, IPMA
- 18) Shri Suresh Darak,President,Welspun Corp.Ltd.
- 19) Shri Vijay Kaul ,Regional Head,Ratnamani Metals & Tubes Ltd.
- 20) Shri Tarun Baldua, CEO, Surya Roshni Ltd.
- 21) Shri M.V.Iyer ED(Project), Gail India ltd.
- 22) Shri Saket Jha,ERU
- 23) Shri Ravindra Mohan Jain, GM(C&P), Gail India Ltd.
- 24) Shri Ankur Agnihotri, Sr.Manager, Jindal Saw Ltd.
- 25) Shri Jaya Shankar , Jindal Saw Ltd.
- 26) Shri Girish Jagtap,PPM,Sapura Energy
- 27) Shri K.P.Anup,Sr.Manager, AFCONS
- 28) Shri Saurabh Patel,Manager,AFCONS
- 29) Shri Suraj Agrawal,Manager-Proposal,SAPURA Energy
- 30) Shri Shri Ajay Kumar, CGM(M),ONGC
- 31) Shri Naveen Kumar Jain, CGM,ONGC
- 32) Shri D.R.Kamble, Group General Manager, ONGC
- 33) Shri M.K.Agrawal, GM(Production),ONGC
- 34) Shri.Shailesh Agrawal,Sr. DGM, L&T
- 35) Shri Mahadev S Kulkarni, DGM,L&T
- 36) Shri.Anindya Chaakladar, GM(M),SAIL
- 37) Shri Hemant Matreja,Sr.Manager Marketing,MSL

38) Smt. Sonia Khanna,GM(M),SAIL

39) Shri.N.B Kesavan, procurement Manager,NPCC