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No.8(3)/2007-IDW Part III  
GOVERNMENT OF INDIA  
MINISTRY OF STEEL

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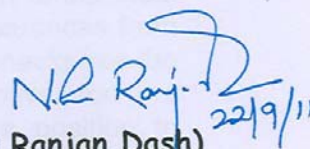
Dated September 21, 2011

OFFICE MEMORANDUM

Sub: Minutes of the Inter Ministerial Group (IMG) Meeting on steel investments in Orissa, held at Orissa Secretariat, Bhubenshwar on 5<sup>th</sup> August, 2011 - reg.

The undersigned is directed to forward herewith a copy of the minutes of the meeting of the Inter Ministerial Group (IMG) held on 05/8/2011 at Orissa Secretariat, Bhubenshwar, under the Chairmanship of Secretary (Steel) to consider various issues concerning major steel investments in the country. In this connection, it is requested to kindly upload the minutes of the meeting in the Ministry of Steels website.

Encls: As above.

  
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To

NIC, Ministry of Steel

**Minutes of the Inter Ministerial Group (IMG) Meeting on steel investments in Orissa, held at Orissa Secretariat, Bhubanswar on 5<sup>th</sup> August 2011.**

- 1.0 The meeting was chaired by Secretary (Steel). List of participants is annexed.
- 2.0 Secretary (Steel) welcomed the participants. He stated that the special session of the IMG is held at Bhubaneswar to discuss the issues concerning steel investments in the State of Orissa, as Orissa is one of the major steel investment destinations. A number of important steel projects such as Posco, Arcelor Mittal, JSPL, Essar Steel, Bhushan Steel & Power and Bhushan Steel etc; are at different stages of their commissioning. There are also issues related to iron ore resource allocations as Orissa has one of the highest and best grade of iron ore deposits in the country. He requested the investors to highlight their areas of concern for discussion during the meeting.
- 3.0 The following are summary of the issues highlighted by the steel investors present in the meeting:

**3.1 Posco India Limited**

The company has already acquired 568.91 acres of Govt. land in Jagtsinghpur district for its proposed 12 million tonne steel project in Orissa. It has received all statutory clearances from the Government of India (MoEF). The major bottlenecks are the issues of land acquisition and allocation of captive iron ore mines. The company informed that, it is in a position to commission its first phase of 3 million tonne plant within 3 years, after possession of land.

**3.2 Visa Steel**

Visa Steel has a 0.5 MTPA plant at Kalinga Nagar in Orissa, which is under expansion to 1 MTPA capacity. Visa listed out certain issues pertaining to their project and also on general policies of government:

- (i) While allocating mineral resources, investors who have already set up their capacity should be accorded priority over others.

- (ii) Iron Ore price is arbitrary and fluctuates too often, causing problem to the steel makers. There should be transparent approach to the pricing of iron ore, even for spot sale.
- (iii) Export of iron ore should be preferably banned or at least some restriction imposed.
- (iv) Tapering of coal linkage should be relaxed for the 'associate' category of companies in a joint allotment of coal block on 'Leader-Associate' basis arrangement, as the 'associate' companies have no direct role in coal block development.
- (v) Coal India Limited has increased its price for supply of coal, from coal linkages, to the captive power plants (CPPs) of steel units. This should be reviewed and revised.

### **3.3 Bhushan Steel Limited**

Bhushan Steel Limited has achieved a capacity of 3.0 million tonnes per annum at its Angul plant, for which the Company has made an investment of Rs. 15,000 Crores already. 31 mining lease applications of the Company are still pending with the State Government. The Company requested allotment of firm linkage of iron ore from Orissa Mining Corporation (OMC) and OMDC at long term prices. They also started that a provision should be made in law for preferential allocation of Iron Ore leases for captive use.

### **3.4 Steel Authority of India Limited (SAIL)**

Renewal of mining leases of SAIL in respect of Barsua-Kalta is pending with state government. The renewal of iron ore mining lease in respect of ML-232, ML-139 and ML-227 are pending for want of forest clearance. SAIL requested an early action on the applications. Hormotto iron ore mines in Keonjhar district was declared lapsed by Government of Orissa and has not been renewed yet. SAIL requested a reconsideration on the issue. CEO, RSP stated that SAIL proposed utilizing the spare sintering facility of Nilachal Ispat Nigam Limited (NINL) for conversion of iron ore fines into sinters for utilization at Rourkela. However, permission of Government of Orissa is necessary in terms of Mineral Concession rules.

Secretary (Steel & Mines). Government of Orissa informed that the application of SAIL has been forwarded to Ministry of Mines, Government of India for approval.

### **3.5 Orissa Minerals Development Corporation (OMDC)**

OMDC is holding six mines in Orissa, out of which three mines (Kolha-Roida, Dalki and Thakurani) were leased in the name of BPMEL. The other three mine (Belkundi, Bagiaburu and Bhadrasahi) are operated by OMDC. The renewal of mining leases of erstwhile BPMEL are to be renewed in the name of OMDC. All formalities for first stage forest clearance have been completed with regard to Thakurani, Belkundi, Bagiaburu mines, and in respect of Bhadrasahi mines except NoC under Forest Rights Act, rest of the formalities have been completed. CMD, OMDC requested that Government of Orissa may expedite the submission of 1<sup>st</sup> stage of forest clearance to MoEF at the earliest for three mines, and also expedite the process of forest clearance for other three mines.

CMD, OMDC also stated that, the Company agrees with the view of the State Government for supply of a fixed percentage of its production to value adders in Orissa. Chief Secretary, Orissa observed that a meeting be convened separately for discussion on all issues concerning OMDC.

### **3.6 Essar Steel Limited**

The commissioning of 6 million tonne pellet plant along with associated slurry pipeline work of Essar Steel Orissa Limited is in progress. The Paradip unit has been planned for a capacity of 12 million tonnes pellet plant and 6 million tonnes integrated steel plant. The representative of the Company requested for consideration allocation of iron ore resources in the State. Secretary (Steel & Mines), Orissa informed that the Company is yet to achieve 25% milestone in accordance with the policy of the state government for consideration for captive iron ore mines.

### **3.7 Jindal Steel & Power Limited (JSPL)**

The project has already acquired 5500 acres of land in Angul district and the Captive Power Plant is ready for commissioning.

The work of the integrated steel plant is at advanced stage and the Company is in a position to achieve 2 million tonnes capacity in its Angul plant by December 2012.

JSPL requested due consideration for allocation of Captive iron ore mines in the state to sustain its Orissa project. JSPL also requested the assistance of Ministry of Shipping in allocation of captive berth at Paradip. In order to make its Angul unit functional, the Company requested early completion of four laning of National Highway No. 42 between Angul and Sambalpur. JSPL also requested for construction of double Railway line between Talcher-Angul-Sambalpur railway sector and early completion of Angul-Sukinda railway line.

### **3.8 Bhushan Power & Steel Limited**

BPSL has an installed steel capacity of 1-2 million tonnes per annum at Lapanga along with 375 MW Captive Power Plant. The Company requested for allocation of iron ore mining lease to meet its requirement of the current production at its Lapanga plant. BPSL also state that it is in the process of expansion of its Orissa unit to 2.8 MTPA.

### **3.9 Arcelor Mittal India Limited**

Arcelor Mittal has proposed for a 12 million tonne integrated steel unit in Keonjhar district of Orissa. Out of 15 villages coming under its project area in Patna block of Keonjhar district, Gram Sabha meeting has been conducted for 8 villages only. The issue of notices under section 7(1) of Land Acquisition Act is under process. The Company stated that it has achieved all milestones set by the policy of Orissa Government, making it eligible for consideration of iron ore mines.

### **3.10 Tata Steel Limited**

Tata Steel has acquired nearly 3040.398 acres of land for its proposed 6 million tonnes per annum steel project in Orissa, out of the proposed 3500 acres. All major equipments required for the project have been ordered and physical execution of the plant is likely to commence soon. Tata Steel expects that, it will be in a position to complete the first phase of 3 million tonne capacity steel unit by December 2013.

4.0 Representatives of various Government agencies present in the meeting noted the issues raised by the steel investors and responded to the specific points, as follows:

#### 4.1 East Coast Railway

Land acquisition for construction of new Railway lines is taking longer time. Regarding the progress of Angul-Sukinda rail link, it was informed that 6(1) notification under the Land Acquisition Act, for acquisition of land has not yet been issued. Forest clearance bottlenecks have delayed the process of land acquisition. The representative of the East Cost Railway requested the state government to expedite the process involved in the acquisition of land, so that the sanctioned railway projects can be expedited.

#### 4.2 NHAI, Bhubaneswar Office

- (i) Four laning of Angul-Sambalpur line has been sanctioned under National Highway Development Project (NHDP) Phase-III. The job is under the process of tendering and physical work will commence soon. The time schedule for completion of the project is 4 years from the date of commencement.
- (ii) Proposal for four laning of Cuttack to Angul section of NH-42 will be submitted to the Project Approval Committee (PAC) by NHAI headquarters and Ministry of Road Transport & Highways.
- (iii) With regard to NH-200, the section of Chandikhol-Duburi-Talcher (137 Km.) has been sanctioned and land acquisition is already in process.
- (iv) For NH-215, Remuli-Rajamunda (106 Km.) section has been sanctioned and contract has been awarded already. Forest diversion clearance for the project has not been approved.

5.0 CMD, IDCO, Government of Orissa observed that the rail and road infrastructure development in Talcher and Angul area is very crucial from the point of view of the steel industry in the State. Considering the requirement of steel industry, 187 million tonnes of coal per annum will have to be evacuated. In addition, there will be traffic on account of the steel units coming up in the area with total capacity of nearly 20 million tonnes.

Both Railway and NHAI must initiate large scale plans to cater to this concentrated traffic originating or terminating in this cluster.

6.0 Secretary (Steel & Mines), Government of Orissa stated that total 22 steel investors in Orissa have achieved the required milestone to be eligible for consideration of captive iron ore mines. Out of these, 9 companies have been allocated iron ore mines in the State. Due to a large number of litigations, the state government is not in a position to dispose of other applications for allocation of mineral resources.

7.0 Chief Secretary, Government of Orissa stated that, iron ore linkage, allocation of iron ore blocks and land acquisition are three major issues which the investors have brought out during the discussion. Orissa Mining Corporation (OMC) is committed to supply iron ore from its own production, to the value adders in the state, on quantity assurance basis. The price of sale will, however, be based on the extant policy. He also observed that OMDC should evolve a policy for a committed percentage of iron ore supply from its production, to the value adders in the state on long term linkage basis.

He observed that Government of Orissa would convene a separate meeting to discuss the issues specific to OMDC.

Regarding issues of forest clearance, Chief Secretary observed that a clarity on processing of applications towards compliance of Forest Rights Act need to be evolved, by the Central Government.

8.0 Secretary (Steel) made his observations on the following points of discussion:

8.1 The draft MM (DR) Bill has already made provisions for according priority during bidding process for allocation of iron ore mines to value adders. However, a total ban on export of iron ore is not feasible. Conservation of iron ore in the country and encouraging domestic value addition has to be ensured through appropriate fiscal actions. An export duty of 20% already exists on iron ore export of all grades and sizes. Government of India is also encouraging Value addition of iron ore fines through beneficiation, pelletisation and sintering processes.

- 8.2 Under the present policy on iron ore, the supply price of iron ore from PSU Companies (such as NMDC) has to be market consistent.
- 8.3 Land Acquisition has become a critical issue for any industrial or commercial activity. Local farmers are increasingly expressing their unhappiness about the rehabilitations and compensation packages, and have recently raised Protests in many parts of the country. The support of displaced and affected people is most important to any large scale project, which can be gained not only through attractive compensation and rehabilitation packages, but also by way of spreading education, training and healthcare in the respective areas. If local population is convinced that there is an overall economic and social upliftment in their lives on account of a project being set up in the area, the support for any project is assured. Keeping all these factors in view, a new Land Acquisition and Rehabilitation Bill is being under discussion and will be soon placed before the Cabinet.
- 8.4 Forest clearance, both under the Forest (Conservation) Act and Forest Rights Act have become very critical in the path of steel projects. 3 to 7 years time is taken in issue of such clearances, causing long delays to the projects. A Group of Minister (GoM) is looking into the issue on the report of the Committee constituted under Chairmanship of Shri B.K. Chaturvedi, Member, Planning Commission.
- 9.0 The meeting ended with vote of thanks to the Chair and Chief Secretary, Government of Orissa.

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## Annexure

### List of Participants-

#### Government of India

##### Ministry of Steel

- |    |                  |                            |
|----|------------------|----------------------------|
| 1. | Shri P.K. Mishra | Secretary (Steel) in Chair |
| 2. | Shri N.R. Dash   | Director                   |

##### Ministry of Railways

- |    |                  |                        |
|----|------------------|------------------------|
| 1. | Shri B.K. Joshi  | CFTM, E-Co. Railway    |
| 2. | Shri Omkar Singh | CAO (C), E-Co. Railway |
| 3. | Shri J. Parida   | CPM/II/RVNL            |

##### Ministry of Environment & Forest

- |    |                    |                         |
|----|--------------------|-------------------------|
| 1. | Shri R.K. Dey      | Sr. CF                  |
| 2. | Shri Siddhanta Das | MS, OSPCB               |
| 3. | Shri S. Kerketta   | Additional Director (S) |

##### Ministry of Road Transport & Highways

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|----|-----------------|---|
| 1. | Shri A.K. Roy   | Project Director, NHAI,<br>Bhubaneshwar |
| 2. | Shri R.P. Panda | SECRU, Bhubaneshwar                     |

#### Government of Orissa

- |    |                   |                             |
|----|-------------------|-----------------------------|
| 1. | Shri B.K. Patnaik | Chief Secretary, Co-Chair   |
| 2. | Shri P. Patnaik   | CMD, IDCO                   |
| 3. | Shri R.N. Reddy   | Chief Conservator of Forest |
| 4. | Shri S.K. Ray     | Secretary (Works)           |
| 5. | Shri R.K. Sharma  | Secretary (Revenue)         |
| 6. | Shri Manoj Ahuja  | Secretary (Steel & Mines)   |

7. Shri C.J. Venugopal
8. Shri G.C. Roy
9. Shri M.R. Patnaik
10. Shri S.C. Naik

CMD, IPICOL  
Spl.-Secretary (Transport)  
Addl. Secretary (Steel & Mines)  
Addl. Secretary (Industry)

### Investors

#### SAIL

1. Shri B. Dhall,
2. Shri S.N. Singh

Executive Director (P&A), HQ  
CEO, RSP

#### RINL

1. Shri A.P. Choudhary
2. Shri T.K. Chand

CMD  
Director (Commercial)

#### Bird Group of Companies

1. Dr. Satish Chandra
2. Shri Sumanta Dhar

MD  
OMDC Barbil

#### Posco India

1. Mr. G.W. Sung
2. Mr. Y.K. Kim

MD  
Director

#### Bhushan Steel Limited

1. Shri Kapil Bhagat
2. Shri M. Dhar

Sr. GM  
AVP

#### Monnet Steel Limited

1. Shri M. Sharan

**Tata Steel Limited**

- |    |                |     |
|----|----------------|-----|
| 1. | Shri H. Jha    | VP  |
| 2. | Rajesh Chintak | CRF |

**Visa Steel Limited**

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|----|---------------------|----|
| 1. | Shri Vishal Agrawal | MD |
| 2. | Shri Rajnish Das    |    |

**Arcellor Mittal (India)**

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|----|---------------------|----|
| 1. | Shri Devinder Arora | GM |
|----|---------------------|----|

**Bhushan Power & Steel Limited**

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|----|-----------------|----------|
| 1. | Shri R.P. Goyal | Director |
| 2. | P.K. Mishra     | VP       |

**Essar Steel Limited**

- |    |                   |                  |
|----|-------------------|------------------|
| 1. | Shri R.K. Mohanty | VP               |
| 2. | Shri P.K. Gupta   | Project Director |
| 3. | Shri S.Dash       | JGM              |

**Jindal Steel & Power Limited**

- |    |                    |     |
|----|--------------------|-----|
| 1. | Shri Rajesh K. Jha | ED  |
| 2. | Shri Kapil Rawat   | EVP |