

Minutes of the Sixth meeting of the Standing Committee on DMI&SP Policy held under the Chairmanship of Dr. Aruna Sharma, Secretary (Steel) on 21/05/2018 in Steel Room, Udyog Bhawan, Ministry of Steel, New Delhi

1. The list of participants is attached at **Annexure-I**.
2. At the outset the Chairman welcomed the participants in the 6th meeting of the Standing Committee.
3. Joint Secretary, M/o Steel, introduced the issues raised by companies/association and apprised the outcome of the 6th meeting of the Grievance committee held on 12/04/2018.
4. On behalf of Ministry of Steel, MECON made a brief presentation on the issues raised by ONGC Ltd, Indian Oil Corporation Ltd. (IOCL) & Engineers (India) Ltd. (EIL), Ratnamani Metals & Tubes Ltd. (RMTL), Jindal Steel & Power Limited (JSPL), United Drilling Tools Ltd. (UDT) and Stainless Steel Pipes & Tubes Manufacturers' Association (SSPTMA).

Issue raised by ONGC:

5. ONGC has requested for waiver of 15 chrome & above grades of premium thread tubulars along with 25 Chrome premium thread tubing with cross overs and pub joints which are required for their operations in Mumbai Offshore & KG DWN 98/2 NELP Block located in KG offshore. According to them, 15 Chrome & above grades, being of higher quality than 13 Chrome, are not being manufactured in India. The high chrome martensitic stainless steel is designed for use under high temperature and high pressure in highly corrosive environment of deep wells of oil & gas. Earlier the Standing Committee in its 2nd meeting granted exemption for import of 13 chrome premium thread casing seamless pipes & tubings of all sizes for 1 year i.e. from 15/09/2017 to 14/09/2018. Jindal Saw Ltd. (JSL) stated that they have developed capability to supply 13 chrome premium thread tubulars up to 7". However, for 15 chrome & above, currently they do not have capability to manufacture. Ratnamani Metals & Tubes Ltd. stated that they are building the capability to manufacture 15 chrome & above grades and shall be ready to supply by January, 2019.

ONGC stated that for a new tender for 13 chrome 7" and 9 5/8" size casing floated in March 2018, M/s JSL did not quote even for development order, though they claim to have developed.

After listening of the views of manufacturer, the committee decided to grant waiver for 13 chrome & above grades of premium thread tubulars including 25 chrome and premium thread tubulars of all sizes for 1 year i.e. from 21/05/2018 to 20/05/2019. However, the committee also decided that as and when domestic capability is developed and the manufacturer is ready to supply, they should approach ONGC for enlistment as well as bid for the tender. ONGC shall provide the opportunity to the domestic manufacturer by giving 20% of the tendered quantity as developmental order subject to the manufacturer meeting the technical specification in terms of quality, cost and delivery. Once the developmental order is fulfilled to the full satisfaction of ONGC, from subsequent tender onwards, the said manufacturer(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.

Issue raised by Indian Oil Corporation Ltd. (IOCL) and Engineers (India) Ltd. (EIL):

6. IOCL & EIL informed that they are putting up projects in its various refineries to produce BS-VI fuel or any other products. As part of project procurement, specific grades of steel are required in the refineries. According to them, generally such specific grades of steel are not manufactured in India and have to be imported. At times, even if some of them are being manufactured, they are not being offered by domestic manufacturers, for the reason of quantity being very less. On this ground, they have requested for waiver of following grades of steel required for various refinery projects to produce BS-VI fuel or other products as well as assorted quantity of pipes less than 1000 meter as per grades mentioned below:
- i. A 106 Gr B carbon steel seamless pipe above 14”
 - ii. A312 Stainless steel seamless pipe above 8”
 - iii. A335 Alloy steel seamless pipe above 10”
 - iv. A335 Alloy steel pipe seamless with grade P91
 - v. Duplex/super duplex stainless steel pipe with Grade 32101, 31550, 32304, 31260, 32760, 32205, 31803, Super Austenitic 31254, 904L, Stainless steel 31050, 310MoLN, Ferritic & Martensitic Grade 420, 430, 446, 439
 - vi. Nickel & Nickel Alloy Grade 600 & 800 series and Monel Grades
 - vii. Copper Nickel pipes EEMUA – 144 UNS 7060X (90-10Cu-Ni)
 - viii. Grade A 333 with size above 6”

Maharashtra Seamless Ltd. (MSL) stated that for item no. i) above, they have the capability to supply pipes up to 20". For items no. iii) & iv) mentioned above, they are building capability to supply up to 16". As per Jindal Saw Ltd. (JSL), they have presently capability to supply item no. ii) grade of seamless stainless steel pipes up to 8" and building capability to supply higher sizes. Most of the stainless steel grades under item no. v) can be also supplied upto 4" sizes, for which they are building capability to supply even higher sizes.

According to Ratnamani, they have presently the capability to supply pipes under item no. ii) & v) up to 2 ½" and are in the process of expanding their manufacturing capacity to produce pipes up to 10". On item no. vi) & vii), though they do not fall under Iron & Steel products, as they are high Ni-Cr based super alloys having iron content between 3-10%, Ratnamani stated that they have developed capability to manufacture such alloys within the country and produce pipes & tubes of required sizes, which are hitherto being imported. Ratnamani requested for inclusion of alloy grades under item no. vi) & vii) in Appendix –A of the DMI&SP Policy, so that cheap sources of import from China and South Korea can be stopped.

While manufacturers explained their present capacity and capability and likely capability in future, IOCL & EIL requested that BS-VI fuel production related refineries projects are running on fast track with a very tight time schedule, monitored at the highest Govt. level, therefore, they can not wait for the capability to come up in the country. They also raised the difficulty in placing order to a single manufacturer of a specific product on account of single supplier issue.

Listening to views of the various stakeholders, Committee clarified and decided the following course of action:

- a) Referring to a circular issued by PMO and guideline issued by CVC, to promote domestic manufacturing, even if there is a single supplier, import of that product can not be allowed. In such cases, the project proponent should make use of their past price data with suitable indexation to price changes, to deal with the issue of price discovery/competitiveness with global level.
- b) So far as manufacturer(s) are concerned, Committee advised them to respond and participate in the bidding process even if the quantity offered is less, in order to take advantage under DMI&SP Policy and discourage import. For strengthening DMI&SP Policy, they can not be selective.

- c) All the pipe manufacturers for the specific grades as mentioned above, were given time up to 24th May, 2018 to submit their present capability of supplying pipes in different grades and sizes by way of Expression of Interest (EOIs) to IOCL & EIL. Based on EOIs, IOCL & EIL shall give developmental order to the tune of 20% of the tendered quantity subject to manufacturers bidding against the tender and meeting the various tender conditions which include complying with the technical specifications, quality, cost and delivery of supply.
- d) For future capability, as and when it gets developed and the manufacturer is ready to supply, it should approach the project proponent with their EOIs and secure preliminary registration for scrutiny of their facilities/products and qualify for bidding for developmental order.
- e) After successful execution of the developmental order, the domestic manufacturer shall be enlisted and registered for regular supply and accordingly, shall be eligible to bid for subsequent tenders.
- f) For alloy grades under item vi) & vii) above, though not under I&S category, Chairman assured that the matter shall be reviewed in its entirety to understand its implication and accordingly, a decision will be taken, as it involves amendment of the present policy.

The committee granted waiver for one year i.e. from 21/05/2018 to 20/05/2019 for items i) to v) & viii) subject to outcome of the decision at para- c above. For items vi) & vii), no waiver is necessary (as they do not fall under I&S category) until these items are included in Appendix-A of DMI&SP Policy.

Issue raised by Ratnamani Metals & Tubes Ltd. (RMTL):

- 7. Ratnamani Metals & Tubes Ltd. has requested for inclusion of welded titanium tubes and seamless Inconel and Incoloy tubes & pipes in Appendix-A of the DMI&SP policy, as according to them, such high grade alloy materials and metals are being imported into the country from countries like China, Korea, etc. RMTL seem to have developed capability and set up manufacturing facilities to produce above items under “Make in India” programme of Govt. of India.

Appendix-A of DMI&SP Policy, currently covers only Iron & Steel products, the above mentioned high alloy Ni-Cr based superalloys and Titanium metal do not fall under iron & steel category as iron content in superalloys range between 3-10%. Titanium in any case is not iron or steel.

It means if such request is to be considered, Appendix-A list need to be expanded with its implication in various other areas. The policy DMI&SP itself shall undergo amendment.

To look into the matter in its entire perspective, Committee assured that the above issue and request shall be reviewed by the technical team and accordingly, after deliberation, a decision in this regard shall be taken.

Issue raised by Jindal Steel & Power Ltd. (JSPL):

8. JSPL raised the issue of rejection of their bids for the tender for supply of 4213 tonnes of head hardened rails for Line - 7 Corridor [Andheri (East) – Dahisar (East)] of Mumbai Metro Rail Project of MMRDA, Mumbai on the following two counts :
 - a) Not meeting the minimum financial eligibility criteria (*JSPL has negative liquidity as per their balance sheet of FY16-17 and negative cash flow, which is not able to meet the minimum required cash flow of Rs. 4.39 Cr as per Tender Clause no. 1.1.4 C (i) of Financial Standing*).
 - b) JSPL not submitting the Banker's certificate in the format prescribed in Appendix 11 of the Bidding Form of the tender.

The Committee opined that a bidder has to meet the requirement of tender conditions and therefore, on the above points, the committee has nothing to do under DMI&SP Policy.

Issue raised by United Drilling Tools Ltd. (UDT):

9. United Drilling Tools Ltd. (UDT), a small scale enterprise, designs API grade seamless steel tubes – **connectors / couplings** to provide a long chain of casing pipes for drilling purpose in Oil Exploration and Production activities and supplies these products to ONGC. These products are required by Oil producing companies engaged in drilling operations such as ONGC, Oil India Ltd., Cairns Energy, Reliance Industries Ltd. (RIL), etc. Earlier these products were imported by ONGC which is now being designed and manufactured by UDT and being supplied to them. The requirement of such products in Oil PSUs comes to about Rs. 75-100 Cr per year. Besides UDT, General Electric is the only other Multinational company (operating in India) manufacturing the above products. Foreign companies from China, Indonesia, Singapore etc. are the competitors from abroad.

UDT informed that they are using blooms as inputs to manufacture couplings which are subsequently welded to pipes. As a result, the value addition is minimum 70 %.

UDT has requested for inclusion of **connectors/couplings** along with all types of pipes/tubes in the finished steel list by modifying Appendix-A of DMI&SP policy.

The above request raises following issues:

- i. The connectors/couplings are components/parts which go in the fitting of (long chain of) casing pipes for drilling purpose required by Oil exploration and production companies like ONGC, OIL, etc. The parts manufactured are in accordance with a specific technical specification of an oil producing company and are intended for an specific application. Any fitting /connection on a finished steel product, is part of a subsequent fabrication/processing activity to enable the assembled product to perform a specific function.
- ii. Such connectors/couplings do not come under finished steel product and are not covered under DMI&SP Policy.
- iii. If small parts/components etc. are allowed to be added in the Appendix-A list, it is likely to open a pandora's box where parts/components under different names (extremely difficult to identify) would also like to find a place in the list.
- iv. A clear difference must be understood in converting semi finished steel to finished steel product in large volumes and a finished steel product undergoing subsequent fabrication/processing activities to meet a specific service condition.
- v. The above issue has been clarified in the first meeting of Standing committee held on 21/06/2017 (Refer MOM- sl. No. 1 & 3 under ONGC). It was clearly decided that fixing of any kind of connectors to the finished steel products, here pipes, can not be considered as part of making value addition. Value addition has to be on the manufacturing of pipes.

The Committee feels that if UDT is using 70-80 % local content in the manufacture of connectors/couplings, etc., it may seek benefits under other policy of Govt. of India, say PP-LC Policy of MoP&NG.

Subsequently on the repeated request made by UDT, Chairman assured to look into the matter in its entirety and accordingly, decided to consider inclusion in Appendix-A of DMI&SP Policy. This again will call for policy amendment.

Issue raised by Stainless Steel Pipes & Tubes Manufacturers Association(SSPTMA):

10. The Association represents small size seamless stainless steel pipes & tubes manufacturing companies known as secondary processors and have been developed in clusters around Ahmedabad, Umbergaon near Valsad, Vadodara, Mumbai & Delhi. The industry requires seamless pipes of higher diameter (73 mm or higher), often referred to as mother pipes, as raw material or input material. The bigger pipes are reduced in size to smaller diameter and thickness through cold processing technique. As per the association, only two companies produce large dia stainless steel pipes in India. One is the multi-national company, who according to the association, mainly exports to its group companies and are not producing all grades of stainless steel in size 73 mm dia and above. The other Indian company, probably referring to Ratnamani Metals & Tubes Ltd., is not producing enough to cater to the requirement of the domestic industry. According to the association, the large diameter stainless steel pipes are not available in the country, particularly size greater than 73 mm. Therefore, they have requested for inclusion of mother pipes along with blooms by seeking amendment to Appendix-A of the DMI&SP policy.

The above request raises the following issues:

- a. In the very first meeting of Standing committee held on 21/06/2017 (Refer MOM- sl. No. 1 & 3 under ONGC), it has been clarified that mother pipes or green pipes can not be considered as an input material under DMI&SP Policy, as they are finished steel products manufactured from semi finished steel.
- b. Ratnamani Metals & Tubes have stated that they have the manufacturing capacity to produce 10,000-12,000 tonnes per month of stainless pipes up to 73 mm dia and as of now, only half of their capacity is getting utilized. According to them, they are in a position to meet the needs of the domestic market. However, as of now, they do not manufacture pipes of size greater than 73 mm.

Since SSPTMA did not participate in the Grievance Committee meeting held on 12/04/2018 and issues raised by it need further elaborate discussion, Chairman suggested that these issues shall be deliberated separately in subsequent Grievance Committee meeting before the matter is taken up in the Standing Committee.

Accordingly, the issues raised by SSPTMA along with presence of all stakeholders shall be discussed in the next Grievance Committee meeting as and when it is convened.

11. Jindal Stainless Limited raised the issue of manufacturing of metro coaches using stainless steel. They referred to the tendering clauses seeking progressive indigenization with local content and wanted to know whether such issue can be covered under DMI&SP Policy. Since the matter pertains to Ministry of Urban Development, it was advised that the issue should be brought to the notice of Grievance Committee in writing for detailed deliberations before bringing it directly to the Standing Committee.

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

Annexure- I

1. Dr. Aruna Sharma, Secretary, M/O Steel
2. Shri T. Srinivas, Joint Secretary, M/o Steel
3. Shri N. K. Wadhwa, Dy. Secretary, M/o Steel
4. Shri Paramjeet Singh, Additional Industrial Adviser, M/o Steel
5. Dr. T. Mukherjee, Technical Expert
6. Shri Atul Bhatt, CMD,MECON
7. Shri Pritam S Purkayastha, DGM / TTD & OSD to Secretary (Steel)
8. Shri R.K. Gupta, Under Secretary, M/o Steel
9. Shri S. P. Bist, Section Officer, M/o Steel
10. Shri Amit Singh, DM, M/o Steel
11. Shri A.K. Agrawal, GM(TS), MECON
12. Dr. Susmita Dasgupta, ERU/JPC
13. Shri Saket Kumar Jha, Consultant, ERU/JPC
14. Shri A. K. Dwivedi, Director (E), ONGC
15. Shri Ashwini Nagia, ED- Chief (MM), ONGC
16. Shri N.J. S. Hunjan, GGM(D)- Head (P&E), ONGC
17. Shri S. Vishwanathan, ED(MM), ONGC
18. Shri A K Mittal, GM, IOCL
19. Shri Manoj Bajaj, CGM (Project), IOCL
20. Shri A K Chaudhary, ED (SCM), EIL
21. Shri Rajeev Gupta, CGM (Projects), EIL
22. Shri Rajeev Kumar, Sr. GM, EIL
23. Shri Vijay Kumar Chama, EVP (S&M), Jindal Steel & Power Ltd.
24. Shri Sanjiv Dheer, VP-Business Head, Jindal Saw Ltd.
25. Shri Somdeep Chakraborty, Sr. Manager, Jindal Saw Ltd.
26. Shri Pramil Sirohi, Sr. GM (MHI), Jindal Saw Ltd.
27. Shri Gaurab Choudhury, V.P., Jindal Stainless Ltd.
28. Ms. Jalaja Menon, AGM, Jindal Stainless Ltd.
29. Shri S. Sarkar, GGM, Maharashtra Seamless Ltd.
30. Shri P H Bhatt, Business Head (SS Div.),Ratnamani Metals & Tubes Ltd.
31. Shri Vijay Kaul, Sr. GM, Ratnamani Metals & Tubes Ltd.
32. Shri Shanti Sanghvi, Director (Marketing), Ratnamani Metals & Tubes Ltd.
33. Shri Pramod Gupta, CMD, United Drilling Tools Ltd.
34. Shri Gyanveer Singh, VP (Marketing), United Drilling Tools Ltd.
35. Shri Ramesh Patel, Vice President, SSPTMA
36. Shri O.P. Somani, Head- Business , Maxim Tubes Co. Pvt. Ltd.
37. Shri Chirag Chandan, Director, Chandan Steel Ltd.
38. Dr. V. R. Krishnan, Consultant
39. Shri Surendra Sharma, Chairman, Steamline Industries Ltd., Member, SSPTMA
40. Shri Dinesh Sharma, A.R., Steamline Industries Ltd., Member, SSPTMA