

IMMEDIATE/MEETING NOTICE

File No.23011/1//2005-CPD

Government of India
Ministry of Coal

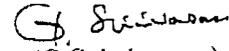
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New Delhi, the December 27, 2005

OFFICE MEMORANDUM

Subject : Minutes of the meeting of the Standing Linkage Committee (Long-term) on Sponge Iron Units held on 26.10.2005 at New Delhi.

The undersigned is directed to forward herewith the Minutes of the meeting of the Standing Linkage Committee (Long-Term) on Sponge Iron Units held on 26.10.2005 at New Delhi for information and necessary action.

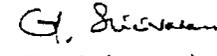

(G.Srinivasan)

Under Secretary to the Govt. of India.
Tele: 23384285

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|----|---|----------|
| 1. | Additional Secretary, Ministry of Coal | Chairman |
| 2. | Adviser(Energy), Planning Commission, Yojana Bhawan, New Delhi(Attn: Shri M.Satya Murti Jt. Adviser (Coal). | Member |
| 3. | Joint Secretary (LA), Ministry of Coal | Member |
| 4. | Joint Secretary, Ministry of Steel, Udyog Bhawan, New Delhi (Shri Ajoy Kumar, Room No. 296) | Member |
| 5. | Executive Director Traffic Transport(Steel) Ministry of Railways (Attn : Shri Mukul Saran Mathur, Director Transport Planning Rom No. 145) | Member |
| 6. | Chairman, Coal India Limited | Member |
| 7. | CMDs of BCCL, CCL, ECL, SECL, MCL, NCL, WCL | Members |
| 8. | Chairman/Managing Director, Singareni Collieries Company Limited, Hyderabad. A.P. | Member |

Copy for information :

- 1) PS to MOS(C&M)
- 2) Sr. PPS to Secretary(Coal), Ministry of Coal.
- 3) Director (CPD), Ministry of Coal
- 4) Director Marketing, CIL, 15-Park Street, Kolkata.
- 5) Chief General Manager(CP), CIL, 10-Netaji Subhas Rd., Kolkata.
- 6) Shri Krishan Kumar, OGM, CIL, Scope Complex, Lodi Road, New Delhi


(G.Srinivasan)

Under Secretary to the Govt. of India.

**MINUTES OF THE MEETING OF THE STANDING LINKAGE COMMITTEE
(LONG TERM) ON SPONGE IRON UNITS HELD ON 26TH OCTOBER 2005**

The list of participants is at **Annexure-I**.

2. Discussions were initiated by Additional Secretary (Coal) in the Chair who welcomed all participants to the meeting which, he conveyed, was basically to discuss proposals for coal linkages for sponge iron units. He noted that this was the first meeting of the Standing Linkage Committee for Sponge Iron, that was being held after transfer of the SLC from the Ministry of Steel to Coal. The time lag in holding the meeting was largely because of an expectation that there may be a change in policy on linkages as also the fact that most coal companies could offer no coal for new linkages.

3. The Chair pointed out that the meeting agenda had 84 proposals for coal linkages. Out of these, 2 cases had been already approved by the SLC functioning then in Ministry of Steel whilst 23 cases had been given adhoc approval by the Secretary (Steel) as Chairman of the then SLC but SLC(LT) had not ratified these cases. The linkage orders have not been issued for these 25 cases by the Coal Ministry. The remaining cases had been received for coal availability report from Ministry of Steel and coal companies had confirmed coal availability for these cases.

4. Meanwhile, a number of representations have been received from sponge iron units complaining that seniority of applicants have not been maintained. The Chair noted that due to multi-agencies in receipt and processing of applications, a uniform policy of maintaining seniority had apparently not been followed. Therefore, he expressed the need for formulating a clear policy on nomination of one centralized agency which will receive applications, grant seniority based on date of applications and then process them in consultation with all concerned.

5. Chairman, CIL informed that CIL had made recommendations in respect of 84 applicants based on coal availability at that point of time. Due to delay in holding SLC(LT) meeting for various reasons, the coal availability position has now changed. Further, he indicated that due to local pressure and State Government insistence, some Subsidiary companies had suggested granting of preferences to local units while allocating long term coal linkages. He cited the example of SECL where the Board of SECL had twice passed Resolutions recommending preference for local units. This was, however, not approved by CIL as it will not be in National interest. Further, in view of nearby location, transport costs involved etc. units on their own prefer coal companies which are nearer to their plants.

6. The representative of Ministry of Steel informed that during the last three years, there had been a sudden spurt of growth in Sponge Iron units. Sponge Iron units either used Coal or Natural Gas. In view of high cost of Natural Gas, they prefer coal for their plants, which has resulted in the sudden increase of demand. As regards procedure followed by them, it was indicated that they used to receive applications either directly or through Coal companies and Ministry of Coal. They scrutinized those applications based on seriousness of the applicant about setting up of the sponge iron plant. Different documentary evidences were called for. After getting satisfied about the progress of the implementation of the project, quantity of coal used to be assessed based on the norms of consumption of coal and thereafter the applications used to be referred to Ministry of Coal for confirmation of availability. The documents which were to be submitted by the unit included the following:-

- (i) Copy of Industrial Entrepreneur's Memorandum issued by DIPP;
- (ii) Copy of documents in respect of land possession (private or government);
- (iii) Copy of letter regarding power connection/arrangement;
- (iv) Copy of letter for NOC for pollution clearance issued by State Pollution Control Board or copy of application submitted to the State agencies seeking NOC for Pollution Clearance with a copy of fee deposited in this connection;
- (v) Original Engineering Consultant Certificate regarding implementation of the project, capacity to be installed and likely date of commissioning;
- (vi) Copy of letter from Commercial banks/Financial institutions regarding Financial Tie up.

If the applicant company claimed that the sponge iron kiln has already been commissioned then the following additional documents were also obtained to verify the claim of the company:-

- (i) Certificate from Chartered Engineer certifying the installed capacity of sponge iron
- (ii) Documentary evidences of Central Excise Duty/Sales tax paid.

7. He confirmed that all 186 applications (84 listed in the Agenda as well as 102 applications where coal availability has yet to be confirmed by coal companies) have been forwarded by them to Ministry of Coal for coal availability after completing the scrutiny. Further, there were about 170 applications pending with them since January, 2005, which are yet to be scrutinized by them.

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8. The representative of Ministry of Steel suggested that in view of the large number of applications of sponge iron units pending for coal allocation, in the first instance, in respect of these 186 cases, it may be preferable to give coal linkage to those units which already stand commissioned and are functioning. He further added that 25 cases which have already been approved by Secretary (Steel) on their files should be cleared. The representative of Ministry of Steel informed that one more proposal relating to M/s. Singhal Enterprises had been approved by Secretary(Steel) as the then Chairman of the SLC. Details were requested so that the case could be considered on its merits.

9. The Chairman, SLC (LT) indicated that in the case of LT linkage for CPPs and Cement plants, a provision had been included for Physical verification of plants before actual release of coal. Similar provision would also be made for Sponge Iron units. In the case of CPPs and Cement Plants, the Ministry of Power and DIPP respectively are verifying the credentials of those units and therefore, Ministry of Steel was requested to conduct similar exercise, before actual release of coal to sponge iron units are made. To this suggestion, the representative of Ministry of Steel informed that presently they do not have arrangements for conducting this exercise. However, they would internally discuss this issue and work out a mechanism to find out ways and means to carry out physical verification of units. It was decided during discussions that the mechanism to be put in place by Ministry of Steel for conducting physical verification of sponge iron units, before actual release of coal, would be acceptable to the Committee. However, the representative of Ministry of Steel informed that they would revert after consultation in this regard in their Ministry.

10. Chairman, SECL indicated that in the absence of a seniority number assigned to the applicant by CIL while forwarding it to SECL, based on date of receipt of applications in their company from CIL Headquarters, they used to fix inter-se seniority of applicants. Applications received on the same day were considered in one bunch and depending upon coal availability, recommendations conveyed to CIL. They had recommended 82 cases during 2004. He clarified that applications were not being received directly by SECL. Further, in view of the decision of their Board, preference had to be given to local units while making recommendations to CIL regarding coal availability. He said that some applicant senior in the list may have been excluded being located outside the state. He further added that there is a need for giving preferences to local units, as his company faces a lot of pressure from State Government and local population to provide coal linkages to them. This issue was deliberated upon and it was noted that in view of nearby location, transport costs involved etc. units are being set up close to coal mines and already getting preference. Restricting coal supplies, however, only to local units may create complications.

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11. CMD, WCL and representative of CCL pointed that no units had been considered for coal linkage in their area due to negative coal balance. In respect of coal from ECL, there have been representations from some units that their seniority had not been maintained. CMD, WCL and representative from ECL also pleaded for preference to local units.

12. The issue of grant of Tapering linkages to sponge iron units was also discussed by the Committee. It was noted that there were three applications, in respect of which the coal company has already indicated coal availability for grant of tapering linkages. These units had been allotted coal blocks and till such time they actually start commencement of production in those mines, they had applied for grant of coal linkages on adhoc basis. The Committee deliberated upon the need for formulation of a clear policy on the period for which such linkages should be considered. After discussions, it was felt that such adhoc linkages should be for a limited period of time only and suitable reduction of coal quantity on an annual basis based on mined coal quantity should be decided, on merits of each case.

13. During discussions, it was pointed out by the representative of Ministry of Steel that out of 25 applicants earlier approved by Secretary Steel for linkages, in some cases the source shown was different from what was approved in Ministry of Steel. It was clarified that to rationalize cross linkages, this change in source had been proposed. He suggested that as the original source had been accepted by the applicant and approved by Chairman, SLC(LT) of Ministry of Steel, it might be maintained. Based on this suggestion, the proposal for rationalization of some of those linkages were dropped and it was decided to maintain original source/coal company approved by SLC(LT) of Ministry of Steel.

14. The Representative of Ministry of Railways requested that while issuing long term linkages, it would be desirable to indicate not only the Coal companies from where coal would be sourced but also specific fields to the extent possible, so that Railways could plan their infrastructure suitably.

15. After discussions, the following decisions were taken by the Committee:-

- (a) In view of shortage of coal, it would not be possible to provide 100% satisfaction level to sponge iron units. Therefore, it was decided that only 60% of the quantity approved by Ministry of Steel would be agreed to. In case if during any quarter, the coal availability declines, SLC(ST) may appropriately reduce allocation for that period.

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- (b) The applicants, whose names appear in S.No.1 and 2 of the Agenda, in respect of which SLC(LT) of Ministry of Steel had already given approval for grant of long term linkages, long term coal linkage order for 60% quantity, be issued by the Ministry of Coal. The actual release of coal will only be made after getting confirmation from the Ministry of Steel that the sponge iron units are already commissioned and functioning.
- (c) The applicants, whose names appear in S.No.3 to 25 of the Agenda, in respect of which the Chairman of SLC(LT) of Ministry of Steel had given approval for grant of long term linkages on file, long term coal linkage for 60% quantity, is ratified by SLC(LT). The actual release of coal will only be made after getting confirmation from the Ministry of Steel that the sponge iron units are already commissioned and functioning.
- (d) In respect of units listed at S.No.26 to 84 in the Agenda, SLC(LT) decided to defer the decision as it emerged from the discussion that seniority of applicants may not have been maintained due to applying of the criterion of giving preference to local units in respect of SECL and ECL and CIL not forwarding applications of SECL and ECL in view of differing policy approaches in this matter and units from WCL and CCL not being considered at all.
- (e) CIL should reconfirm the number of applications pending with them (186). 25 applications out of these have been disposed off in this SLC(LT) meeting. The list of balance applications, seniority-wise, should be sent to Ministry of Coal by 31st October. CIL should reassess the availability of coal in respect of these balance applications. The Ministry of Steel should separately inform Ministry of Coal about the status of implementation of these units and the units which are already commissioned and operating and still waiting for coal linkage so that SLC(LT) can take a view on these applications.
- (f) All pending applications lying with Ministry of Steel would be forwarded to Ministry of Coal by 31st October, 2005. These applications would be given inter-se seniority by Ministry of Steel. Once these applications are received, they would be entered in a Register and given seniority, as recommended by Ministry of Steel and sent back to Ministry of Steel for scrutiny.
- (g) All future applications seeking long term coal linkages in respect of sponge iron units, to be received from 1st November, 2005 would be entertained only by Ministry of Coal. These applications would be registered in Ministry of Coal and given a serial number of seniority, based on date of their application and thereafter forwarded to Ministry of Steel for scrutiny.

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- (h) M/s. Gopal Govind Sponge Private Limited is presently linked to CCL for their linkage. The Hon'ble High Court of Kolkata in its Judgment dated 29.9.2003 had directed that in case of any future linkage, they should be given preference for transfer of their linkage to ECL. In view of directions of Hon'ble Court, it was decided to accept transfer of linkage of this consumer from CCL to ECL.
- (i) The Hon'ble High Court of Chattisgarh in their Judgment dated 12th August, 2005 in respect of WP No.3703/2005 passed an Order that the application of M/s. Satya Power & Ispat Limited for granting linkage of 1.4 MTPA for their sponge iron unit, may be decided in the next meeting of the SLC(LT) in accordance with law. This case was discussed by the Committee. It was noted that since there were many applications, who were senior to this applicant and were yet to be granted linkage, this application may be considered on the basis of seniority, when his turn comes up. Accordingly, a Speaking Order will be issued by Ministry of Coal, after ascertaining full facts from Ministry of Steel.

16. The statement at **Annexure-II** shows the details of sponge iron units recommended by the SLC(LT) for grant of long term coal linkages. Long term linkage orders would issue after confirmation of movement of coal by the Ministry of Railways.

ANNEXURE-I

**LIST OF PARTICIPANTS IN THE MEETING OF THE STANDING
LINKAGE COMMITTEE (LONG TERM) ON SPONGE IRON UNITS HELD
ON 26TH OCTOBER, 2005.**

Ministry of Coal, Shastri Bhawan, New Delhi-1100 01

1. Shri Pradeep Kumar, Additional Secretary(Coal) - Chairman
2. Shri Rajiv Sharma, Joint Secretary(LA)
3. Smt. Rinchen Tempo, Director(CPD)
4. Shri G. Srinivasan, Under Secretary(CPD)
5. Shri Chander Shekhar, Section Officer(CPD)

Ministry of Steel, Udvog Bhawan, New Delhi-1100 01

6. Shri D. Kashiva, Joint Industrial Adviser
7. Shri P.K. Singh, Dy. Secretary

Ministry of Railways, Rail Bhawan, New Delhi-1100 01

8. Shri M.S. Mathur, Dir(TP).

Planning Commission, Yojana Bhawan, New Delhi-1100 01

9. Shri Kishore Choudhary, Sr. Research Officer(Coal)

Coal India Limited, 10, N.S. Road, Kolkata-70001

10. Shri Shashi Kumar, Chairman
11. Shri Rangnath, Director(Marketing)
12. Shri P.R. Mandal, CGM(CP)
13. Shri H.K. Vaidya, GM(S&M)

SECL, Seepat Road, Bilaspur, Chhattisgarh-495001

14. Shri M.K.. Thapar, Chairman/Managing Director

WCL, Coal Estate, Civil Lines, Nagpur

15. Shri G.S. Chugh, Chairman/Managing Director
16. Shri Vijay Kachroo, CM(S&M)

ECL, Sanctoria, P.O. Dishergarh, Distt- Burdwan.WB-713333

17. Shri U.S. Upadhyay, Director(Tech.)
18. Shri P.K. Lala, Dy. SM

CCL, Darbhanga House Ranchi, Jharkhand-834001

19. Shri B.K. Sinha, Director(P&P)
20. Shri A.P. Singh, GM(S&M)

MCL, Jagriti Vihar, P.O. Akatpali, Burla, UCE,Sambalpur, Orissa

21. Shri B.R. Tripathi, CGM(Production & CP &D)

NCL, P.O. Singrauli, Distt- Sidhi , Singrauli, MP-486889

22. Shri A.C. Verma, Dy. G.M.(S&M)

CIL, Scope Complex, Lodhi Road, New Delhi-1100 03.

23. Shri K. Kumar, CGM(S&M)
24. Shri R.S. Kainth
25. Shri Sanjay Chawla, SE
26. Shri G.K. Vashishtha, SM

ANNEXURE-II

LIST OF SPONGE IRON UNITS APPROVED BY SLC(LT) FOR LONG TERM LINKAGE, SUBJECT TO CONFIRMATION OF MOVEMENT.

S.No.	Name of the Unit	Regd. Off. and Location of Plant	Capacity	Qty.	<i>(Quantity in Tonnes per annum)</i>		
					Qty. Approved by the Committee (60%)	Source	Grade
1	Shyam Sel Ltd. Palipur, Road, Dewandighi, Burdwan, West. Bengal., (3rd Kiln)	29, Ganesh Chandra Avenue, Kolkata.	15000	24000	14400	MCL	F
2	Palash Sponge Iron Pvt. Ltd P.O.Bharech Nagar, Hazari Bagh, Jharkhand. (subject to a decision on the transfer of linkage in respect of Shree Gopal Guvind Songe iron from CCL to ECL.)	C/O Premier Agencies Main Road, Camt. Hazari Bagh, Jharkhand.	7500	12000	7200	SECL	F
3	Satyam Iron & Steel Co. Pvt. Ltd At Mangalpur Industrial Estate, Ramiganj, WB	Chowk Bazar, Giridih -01, Jharkhand	30000	45000	27000	MCL	F
4	Sidhi Vinayak Sponge Iron Pvt. Ltd, Punji Pura, Gharghoda Road, Raigarh, CG	G.T. Road, Shahadra, Delhi-95	60000	96000	57600	SECL	F
5	M/S. Haldia Steels Ltd, (2 nd unit) Angadpur, Raturia Industrial Area Durgapur, Burdwan, WB	37, Shakespeare Sarani, Kolkata-17	30000	48000	28800	MCL	F
6	Shree Viranagana Steels Ltd Mouza - Uakerwadi, Vill. Heti, Umred Road, Nagpur	SS - 3, Golden Palace, Dharampeth, Nagpur - 440010	60000	96000	57600	SECL	F

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7	ASI Iron & Steel Co., Ltd. At Vill Dantiya Distt Purulia, WB	Aditya Towers, main road, Bitupur, Jamshedpur-01	30000	48000	28800	MCL	F
8	Mangal Sponge and Steel Pvt Ltd, Al Bilha, Distt Bilaspur, CG	Post Bilha-24, Distt Bilaspur, CG	15000	24000	14400	SECL	F
9	Kamal sponge & steel, Sagma, Distt-Satna MP	Kamal villas. Bandhavgarh colony, Satna-01 MP	30000	48000	28800	SECL	F
10	M/s. Bajrang Power and Ispat Ltd, Vill. Borjhara, distt-Raipur Chhattisgarh.	522/C, U.R.I.A Industrial Complex, Raipur-493221(CG)	105000	168000	100800	SECL	F
11	Grewal Associates (P) Ltd. Matkambeda, Distt Keonjhar, Orissa.	PB No. 44, Barbil, 758035, Distt. Keonjhar, Orissa	30000	48000	28800	SECL	F
12	Shree Nakoda Ispat Ltd, Siltara, Raipur (CS)	Near Railway Crossing, Moswa, PO, Shankar Nagar, Raipur, CS	65000	104000	62400	SECL	F
13	Indo Sponge, 13/13, Jagarha, Risedi Chowk Rajgamar Road, Korba, Chhattisgarh.	237, Indu Niwas, Kosabadi, PO- & Distt-Korba, CG	15000	24000	14400	SECL	F
14	Radha Madhav Industries Pvt. Ltd, Bodri Chakanna, Sakleri Road, Bilaspur, Chhattisgarh	1st floor commercial complex, Shriram towers, Vyapar Vihar, Bilaspur, CG	30000	48000	28800	SECL	F
15	M/s. M.B. Ispat Corpn. Ltd, Plot No. 1861, PO-Brojora, Distt. Bankura, West Bengal.	Shanti Niwas, P.O. Janturia II, Distt. Burdwan, West Bengal	30000	36000	21600	MCL	F
16	Ranivash Ispat (P) Ltd, Siltara Industrial Area, Raipur, CG	59/60, 1st Floor, I.G.V.P Cloth Market, Pandri, Raipur, CG	7500	12000	7200	SECL	F
17	M/s. S.A. Iron & Alloys Pvt. Ltd, Vill. Jiwanathpur, Distt- Chandauli, UP	37, Jawahar Nagar Extension, Bhelupur, Varanasi, UP	15000	24000	14400	SECL	F

18	Ma Amba sponge Iron Pvt Ltd. At Jemma, P.S.-Mejhia, Distt- Bankura, W.B.	G.T. Road, Bhiringee. Durgapur-13. W.B.	30000	48000	28800	MCL	F
19	Baldev Alloys (Pvt) Ltd Siltara P.O Dharsiva, Distt. Raipur, CS	Ring Road No.1 Lane Op. To Laxmi Devi Hospital, Vallabh Neagar, Sector,7 Near Sant Gyaneshwar School Ground, Opp. Chhugani House, Raipur. CG-01	30000	48000	28800	SECL	F
20	N.R. sponge Pvt Ltd. At Vill- Bahesar near Siltara Growth Centre, Phase-II, Raipur. CG	33-A. Light Industrial Area. Bhilai-26(CG)	30000	48000	28800	SECL	F
21	Salasar sponge and Power Ltd. Village Gervani. Ambikapur Road, 13th K.M. Stone, Raigarh, CG	2, Doongaji Colony, Raipur. CG	60000	96000	57600	SECL	F
22	J.R.G Credits & holdings Pvt. Ltd, P.H. No 90, R.C Dharsiva, Village Siltara, Distt. Raipur, CG	3811 Choubey Colony, Near Maharashtra Mandal, Raipur- 01 CG	30000	48000	28800	SECL	F
23	B.S. sponge Iron (P) Ltd, Tarama, P.O. Gerwano, Distt. Raigarh, CG	34-A Metcalfe Street, 4th Floor, Suit-4/F/1, Kolkata-13	60000	96000	57600	SECL	F
24	Shree Secta Ispat and Power Pvt Ltd, Vill Bomhara, Urla Guma Road, distt-Raipur,CG	Behind district Court, Mill Para, Dung 01, CG	30000	48000	28800	SECL	F
25	Shivalay ispat & Power Pvt Ltd, At Kara village, guma Urla Road, Distt - Raipur (CG)	Near Prajapita Bramha kumari Ashram Choubey Colony, Raipur-01 (CG)	30000	48000	28800	SECL	F