

NMDC LIMITED
[BASED ON C&AG REPORT NO.5 OF 2019 RELATING TO OPERATIONAL
PERFORMANCE OF NMDC Ltd.]

MINISTRY OF STEEL

COMMITTEE ON PUBLIC UNDERTAKINGS
(2022-23)

EIGHTEENTH REPORT
(SEVENTEENTH LOK SABHA)



LOK SABHA SECRETARIAT
NEW DELHI

EIGHTEENTH REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(2022-23)

(SEVENTEENTH LOK SABHA)

NMDC LIMITED
[BASED ON C&AG REPORT NO.5 OF 2019 RELATING TO OPERATIONAL PERFORMANCE OF
NMDC Ltd.]

MINISTRY OF STEEL
[BASED ON C&AG REPORT NO.5 OF 2019 RELATING TO OPERATIONAL PERFORMANCE OF
NMDC Ltd.]



Presented to Lok Sabha on 20 December, 2022

Laid in Rajya Sabha on 20 December, 2022

LOK SABHA SECRETARIAT
NEW DELHI

December, 2022/ Agrahayana 1944(Saka)

CPU No. 1039

Price : Rs.....

© 2022 By LOK SABHA SECRETARIAT

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (.....Edition) and Printed by the General Manager, Government of India Press, Minto Road, New Delhi-110 002.

C O N T E N T S		
		Page No.
	Composition of the Committee (2022-23)	vi
	Composition of the Committee (2021-22)	vii
	Composition of the Committee (2020-21)	viii
	Composition of the Committee (2019-20)	ix
	Introduction	x
	REPORT	
	PART-I	
	CHAPTER-I	
	INTRODUCTORY	
A	Background of the Company	1
B	Vision, Mission and Objectives	2
	CHAPTER-II	3
	PRODUCTION OF IRON ORE	3
A	Unrealistic target in Strategic Management Plan (SMP) and Revised SMP-Vision 2025	3
B	Execution of packages for development of Deposit-11B Mine	6
C	Execution of packages for development and production through Kumaraswamy Iron Ore Project (KIOP)	8
	CHAPTER-III	11
	DOUBLING OF RAILWAY LINE WORKS	11
A	Doubling of Kirandul-Kothavalasa (KK) Railway line from Jagdalpur to Kirandul	11
B	Doubling of Railway line between Jagdalpur and Ambagaon	12
	CHAPTER-IV	14
	DEMAND AND SALE OF IRON ORE	14
	Demand of Iron Ore	14
	CHAPTER-V	18
	ISSUES OF SCREENING PLANT AND ENVIRONMENTAL CLERANCES	18
A	Screening Plant-II at Kumaraswamy Iron Ore Project(KIOP)	18
B	Screening Plant-III at Kirandul Complex	19
	CHAPTER-VI	22

	DIVERSIFICATION ACTIVITIES	22
A	Setting up of integrated Steel Plant at Nagarnar, Chattisgarh	22
B	Sponge Iron India Limited, Paloncha, Telangana	26
	CHAPTER-VII	29
	STRATEGIC INVESTMENT IN JOINT VENTURES	29
A	Investment in International Coal Ventures Limited	29
B	Investment in Legacy Iron Ore Limited, Australia	30
	PART-II	32
	OBSERVATIONS/RECOMMENDATIONS	32
	APPENDIX	
I	Minutes of the Sitting of the Committee held on 27.10.21	42
II	Minutes of the Sitting of the Committee held on 14.12.21	45
III	Minutes of the Sitting of the Committee held on 14.12.21	48
IV	Minutes of the Sitting of the Committee held on 15.12.22	51

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2022-23)

Shri Santosh Kumar Gangwar - Chairperson

Members

Lok Sabha

2. Shri Sudip Banyopadhyay
3. Dr. Heena Vijaykumar Gavit
4. Shri Chandra Prakash Joshi
5. Smt. K. Kanimozhi
6. Shri Lavu Sri Krishna Devarayalu
7. Smt. PoonambenHematbhaiMaadam
8. Shri Arjunlal Meena
9. Shri Janardan Mishra
10. Shri Kinjarapu Ram Mohan Naidu
11. Dr. Arvind Kumar Sharma
12. Shri Ravneet Singh Bittu
13. Shri Sushil Kumar Singh
14. Shri Uday Pratap Singh
15. Shri Ramdas ChandrabhanjiTadas

Rajya Sabha

16. Shri Anil Desai
17. Ms. Indu Bala Goswami
18. Shri Syed Nasir Hussain
19. Dr. Anil Jain
20. Shri Prakash Javadekar
21. Dr. Amar Patnaik
22. Shri M. Shanmugam

SECRETARIAT

- | | | | |
|----|---------------------|---|---------------------|
| 1. | Shri V.K. Tripathi | - | Joint Secretary |
| 2. | Shri Santosh Kumar | - | Director |
| 3. | Shri G.C. Prasad | - | Additional Director |
| 4. | Smt. Mriganka Achal | - | Deputy Secretary |

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2021-22)

Shri Santosh Kumar Gangwar - Chairperson

Members

Lok Sabha

2. Shri Sudip Banyopadhyay
3. Dr. Heena Vijaykumar Gavit
4. Shri Chandra Prakash Joshi
5. Smt. K. Kanimozhi
6. Shri Lavu Sri Krishna Devarayalu
7. Smt. Poonamben Hematbhai Maadam
8. Shri Arjunlal Meena
9. Shri Janardan Mishra
10. Shri Kinjarapu Ram Mohan Naidu
11. Dr. Arvind Kumar Sharma
12. Shri Ravneet Singh Bittu
13. Shri Sushil Kumar Singh
14. Shri Uday Pratap Singh
15. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

16. Shri Anil Desai
17. Ms. Indu Bala Goswami
18. Shri Syed Nasir Hussain
19. Dr. Anil Jain
20. Shri Prakash Javadekar
21. Dr. Amar Patnaik
22. Shri M. Shanmugam

*** Shri Santosh Kumar Gangwar appointed as Chairperson, COPU w.e.f. 13 August, 2021 vice Smt. Meenakashi Lekhi appointed as Minister on 07 July, 2021.**

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2020-21)

Smt. Meenakshi Lekhi - ***Chairperson***

Members

Lok Sabha

2. Dr. Heena Vijaykumar Gavit
3. Shri Chandra Prakash Joshi
4. Smt. K. Kanimozhi
5. Shri Raghu Ramakrishna Raju Kanumuru
6. Smt. Poonamben Hematbhai Maadam
7. Shri Arjunlal Meena
8. Shri Janardan Mishra
9. Shri Kinjarapu Ram Mohan Naidu
10. Prof. Saugata Roy
11. Dr. Arvind Kumar Sharma
12. Shri Ravneet Singh
13. Shri Sushil Kumar Singh
14. Shri Uday Pratap Singh
15. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

16. Shri Prasanna Acharya
17. Shri Birendra Prasad Baishya
18. Shri Anil Desai
19. Shri Joginipally Santosh Kumar
20. Shri Om Prakash Mathur
21. Shri Surendra Singh Nagar
22. Shri M. Shanmugam

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2019-20)

Smt. Meenakshi Lekhi - ***Chairperson***

Members

Lok Sabha

2. Kunwar Danish Ali
3. Dr. Heena Vijaykumar Gavit
4. Shri Chandra Prakash Joshi
5. Smt. K. Kanimozhi
6. Shri Raghu Ramakrishna Raju Kanumuru
7. Smt. Poonamben Hematbhai Maadam
8. Shri Arjunlal Meena
9. Shri Janardan Mishra
10. Prof. Saugata Roy
11. Dr. Arvind Kumar Sharma
12. Shri Ravneet Singh Bittu
13. Shri Sushil Kumar Singh
14. Shri Uday Pratap Singh
15. Shri Ramdas ChandrabhanjiTadas

Rajya Sabha

16. Shri Prasanna Acharya
17. Dr. Anil Jain
18. Mohd. Ali Khan
19. Shri Om Prakash Mathur
20. Shri Mahesh Poddar
21. Dr. A.K. Selvaraj
22. Shri Surendra Singh Nagar

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2022-23) having been authorized by the Committee to submit the Report on their behalf, present this Eighteenth Report Based on 'C&AG Report No. 5 of 2019 relating to Operational Performance of NMDC Ltd'.

2. The Committee on Public Undertakings (2019-20),(2020-21),(2021-22)and (2022-23) selected the above said subject for detailed examination.

3. The Committee on Public Undertakings (2021-22) were initially briefed about the subject by the representatives of the C&AG on 27th October, 2021. The Committee then took evidence of the representatives of National Mineral Development Corporation Limited and Ministry of Steel on 14th December, 2021.

4. The Committee (2022-23) considered and adopted the Draft Report at their sitting held on 15th December, 2022.

5. The Committee wish to express their thanks to the representatives of National Mineral Development Corporation Limited and Ministry of Steel for tendering evidence before them and furnishing the requisite information in connection with examination of the subject.

6. The Committee would also like to place on record their appreciation for the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

7. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in bold letters in Part-II of the Report.

New Delhi:
15 December, 2022
24 Agrahanya,1944(S)

SANTOSH KUMAR GANGWAR
Chairperson
Committee on Public Undertakings

R E P O R T

PART – I

CHAPTER – I

INTRODUCTORY

A. Background of the Company

1.1 NMDC Limited is a Navratna Public Sector Enterprise under the Ministry of Steel. It is the single largest producer of iron ore in India. It was incorporated in November 1958 with the main objective of exploring the mineral resources in the Country. It owns and operates highly mechanized iron ore mines in Chhattisgarh & Karnataka and has its registered office at Hyderabad. The Company is considered to be one of the low-cost producers of iron ore in the world. It also operates the only mechanized diamond mine in India at Panna, Madhya Pradesh. The Company is diversifying into steel making and has undertaken several capital intensive projects to modernize and increase capacities to retain its domestic leadership and has also forayed overseas successfully. The products of the Company include Iron Ore, Iron Ore Pellets, Slimes and Rough Diamonds. The Company produces Iron ore through its open cast mines located at Kirandul (3 mines) and Bachel (2 mines) in Bailadila sector of Dantewada district in Chhattisgarh and at Donimalai (2 mines) in Bellary district of Karnataka. Apart from the production of Iron ore, the Company has taken several business diversification initiatives such as establishment of a Steel Plant at Nagarnar, Chhattisgarh, Diamond mining in Panna, Madhya Pradesh, setting up of a Captive Power Plant at Nagarnar, acquisition of a Sponge Iron unit at Paloncha, Telangana, establishment of a Pellet Plant at Donimalai, Karnataka, etc. Further, the Company has made investments in Joint Ventures with Central/State Government Undertakings and private companies in India and abroad for establishment of Steel Plants and development of Coal and Iron ore mines.

B. Vision, Mission and Objectives

1.2 Vision of NMDC is to emerge as a global environment friendly Mining Organization and also as a quality Steel producer with a positive thrust on Social Development. Mission is to maintain its leadership as the largest iron ore producer in India, while establishing

itself as a quality steel producer and expanding business by acquiring and operating various iron ore, coal and other mineral assets in India and abroad, rendering optimum satisfaction to all its stake holders.

1.3 The objectives of the Company are divided into two parts, namely, macro and micro objectives:

Macro objectives:

- To expand the operations in the areas of Mining and Mineral Processing to meet the growing demands from domestic and international Markets;
- Achieve international standards in per capita productivity, value addition and cost;
- To increase the iron ore production capacity to 67 MTPA by FY 2025;
- Setting up of Steel Plant at Nagarnar.

Micro objectives:

Achieve growth by:

- Expansion of existing mines
- Operating new mines fully owned by NMDC or in Joint Venture;
- Give thrust to exploration and exploitation of iron ore and other strategic & critical minerals;
- To maintain environment protection;
- To conserve mineral resources through scientific mining;
- To maintain high level of customer satisfaction;
- To improve the quality of life of people in general and socio economic environment in and around the mines in particular.

1.4 The Performance Audit Report on the operational performance of NMDC was covered by C&AG for the period 2012-13 to 2016-17. The C&AG in their Report No. 5 of 2019 examined the production, evacuation and sale of Iron ore, business diversification activities and investment in Joint Ventures by NMDC during the period 2012-13 to 2016-17. The Committee on Public Undertakings selected the aforesaid subject for examination and report during 2021-22. Before finalizing its report on the subject, the Committee heard the views of the representatives of C&AG, NMDC Ltd. and the Ministry of Steel. Based on the evidence of the representatives and written replies/information obtained on the subject, the Committee have made their observations and recommendations as given in Part-II of the report.

CHAPTER - II

PRODUCTION OF IRON ORE

A. Unrealistic targets in Strategic Management Plan (SMP) & Revised SMP- Vision 2025

2.1 C&AG in Para nos. 2.1.3 and 2.1.4 of their Audit Report No. 5 of 2019 had observed that NMDC in their Strategic Management Plan (SMP)- Vision 2025, had fixed over-ambitious targets in October 2015 for production of Iron ore viz. 75 MTPA by 2018-19 and 100 MTPA by 2021-22. The targets were fixed without giving due cognizance to adverse findings of the Consultant appointed for the purpose and without taking into consideration the declining trend in the domestic and international prices of Iron ore. Subsequently, the SMP was revised in September 2016 wherein the targeted production capacity was reduced to 50 MTPA and 67 MTPA by 2018-19 and 2021-22 respectively. However, the enabling action of setting up of various projects and infrastructure facilities to achieve the targeted production capacity were not in sync with the envisaged timelines.

2.2 With regard to Para No 2.1.3, the C&AG Report revealed that NMDC had a Corporate Plan upto the year 2009-10. Thereafter, no Corporate Plan was formulated till the year 2015-16. Instead, production and other targets were fixed annually. In a review meeting held on 27 October 2014, the Administrative Ministry suggested for preparation of a vision document "NMDC 2025" as the Company had intended to produce 75 MTPA by 2018-19 and 100 MPT by 2021-22. Subsequently, in January 2015, a Consultant, M/s Accenture, was appointed for a fee of Rs. 0.57 crore by the Company. The Consultant after assessing the existing customers in the domestic market, potential volume of exports and captive consumption, suggested in May 2015 that the intended objective of achievement of production of 75 MTPA and 100 MTPA would be difficult owing to the reasons stated below:

- The global trend of over production of Iron ore would persist till the year 2025;
- The over-supply scenario of Iron ore would persist for the next 5 to 10 years owing to slump in Steel production capacity;
- Even after taking into consideration the capacities of the proposed mines, the company would be able to achieve a production of 87 MTPA only,

against the envisaged 100 MTPA.

- To sell 75/100 MTPA the Company would need to look beyond the existing customers in domestic market for a volume of 29.2 MTPA and 45.2 MTPA over and above the requirement assessed for the Steel Plant that was being set up by the Company at Nagarnar, Chhattisgarh.

2.3 The Audit Report further revealed that despite the opinion of the Consultant, the Company in October 2015 proceeded with the SMP 2025 which envisaged to :-

- a) Increase the Iron ore mining capacity to 75 MTPA by 2018-19 and 100 MTPA by 2021- 22
- b) Strengthen the exploration activities and forward integration to value added business (Pellet and Steel)
- c) Strategically diversify into other commodities based on growth potential relevant to NMDC and having significance to the Country; and,
- d) Invest in other geographical locations selectively based on 'mining and business potential'.

2.4 Regarding Para 2.1.4, C&AG pointed out that the projections and assumptions in SMP were revisited in February 2016 on account of likely continuance of subdued market condition in the foreseeable future, downward revision of long term price forecast of Iron ore by analysts and substantial increase of domestic Iron ore supplies particularly from Odisha. It was stated that at the time of preparation of the original 'SMP – Vision 2025' in October 2015, the international Iron ore prices had already fallen from its peak price of US \$187 in February 2011 to US \$53 in October 2015 indicating a downward trend. Similarly, the international Steel prices also showed a declining trend as the prices fell to US \$268 per ton during October 2015 from a peak level of US \$548 per ton in April 2013. Similarly, domestic Iron ore price trend also showed that the prices were declining since November 2012 and the declining trend was continuing during October 2015.

2.5 When asked as to whether the Company achieved revised targeted production of 50 MTPA during 2018-19 to 2020-21 as fixed by them, NMDC in its written reply stated that the Company's iron ore production in financial years 2018-19, 2019-20 and 2020-21 were 32.36, 31.49 and 34.15 Million Tons respectively.

2.6 However, citing the performance of NMDC during financial years 2018-19, 2019-20

& 2020-21, the C&AG expressed their apprehension regarding the Company's claim on achieving 50 MTPA of production by financial year 2022-23 and questioned the role of the Company in revising its target every time from initial targeted year of 2018-19 without proper justification.

2.7 When asked as to what further action was taken to complete the setting up of various projects and infrastructure facilities to achieve the targeted production capacity as per timelines fixed in Strategic Management Plan (SMP), NMDC stated as under:-

“NMDC has made a comprehensive plan to produce 47 Million Tonnes of iron ore in the current financial year i.e. financial Year 2021-22 and has achieved cumulative production and sale figures of 24.37 Million Tonnes and 24.96 Million Tonnes respectively up to November 2021 in the first eight months of Financial Year, 2021-22. The Company has achieved a growth of 36% in production and 33% in sales over the Corresponding Period Last Year (CPLY).”

2.8 In response to the above reply of NMDC, C&AG contended that the actual quantity of iron ore lifted and the actual sold by the Company was always lesser than the allotted quantity and, therefore, the Company's submission that it would achieve a production and sale of 47 MT during 2021-22 may not hold good as the actual production during the first eight months was only 24.37 MT. Further, the doubling of Kothavalasa-Kirandul Railway Line was also not complete which would affect the evacuation of mined ore.

2.9 On the aforesaid issue, the representatives of Ministry of Steel while deposing before the Committee submitted as under:-

"सबसे पहले इनका जो स्ट्रेटेजिक मैनेजमेंट प्लान है, इनके प्लान के हिसाब से इन्होंने 67 मिलियन टन की बात की थी और हमने जब इनसे डिटेल मांगी थी तो उससे यह निकल कर आया था कि एग्जिस्टिंग माइन्स में से 52 मिलियन टन ब्राउन फील्ड बढ़ाएंगे और 15 मिलियन टन ग्रीन फील्ड बढ़ाएंगे। उसमें से इन लोगों को ग्रीन फील्ड मिलने में प्रॉब्लम हुई, चूँकि हमने कुछ माइन्स के लिए ओडिशा गवर्नमेंट से भी बात की थी। इनको ब्राउन फील्ड के एक्सपेंशन में समन्वय के लिए कहीं-कहीं पर प्रॉब्लम्स रहीं जैसे इनके इवैक्यूएशन इश्यूज थे, इसलिए ये उसको पूरा नहीं कर पाए। इसलिए हमने इनको 47 का रियलिस्टिक टारगेट दिया है। यह इनका एम ओ यू टारगेट है। ये उसमें से ऑलरेडी 24 मिलियन टन नवम्बर माह तक पूरा कर चुके हैं

। एक प्रश्न ऑडिटर्स ने पूछा था कि उन्होंने नवम्बर तक 24 मिलियन टन का टारगेट पूरा किया है तो अगले चार महीनों में 47 मिलियन टन के टारगेट तक कैसे पहुंच पाएंगे। हमने टारगेट देते समय इसका एनालिसिस किया था। इनका लास्ट क्वार्टर में सबसे ज्यादा प्रोडक्शन होता है। अगर हम पिछले साल का या उससे पहले का डेटा देखें तो 50 परसेंट प्रोडक्शन लास्ट क्वार्टर में हुआ था। "

2.10 As per the updated information furnished to the Committee, NMDC has produced 42.19 MPTA of iron ore during 2021-22.

B. Execution of packages for development of Deposit-11B mine

2.11 The C&AG in Para 2.3.1 of their report pointed out that the execution of all the packages for development of Deposit-11B mine in Bailadila sector was delayed beyond their scheduled completion dates. As a result, the project was still under implementation in March 2018 as against the scheduled completion time of June 2008. Against the installed capacity of 7 MTPA of the 11B mine, the Company could produce only 0.61 MTPA and 0.58 MTPA of Iron ore during the years 2015-16 and 2016-17 after commissioning the Crushing Plant and Downhill Conveyer System in August 2015, for want of screening facilities and non-completion of other package works.

2.12 The C&AG Report elaborated that in July 2005, NMDC awarded Engineering, Contract Procurement Services & Project Management and Construction Management Services (EPCM) contract to MECON Limited for Bailadila Iron Ore Deposit-11B. The scheduled completion period was 35 months from award of contract, i.e., by June 2008. The Consultant divided the total project into six main packages and four sub-packages. Audit observed that the Management/Ministry attributed the delay to change of technology from soil nailing technique to grouted nailing technique in package-III (Earth works) and to the site conditions which had a cascading effect on handing over of work fronts to other packages contractors. In addition, the delay was also attributed to the change in design, approval of drawings, local disturbances, inadequate deployment of men and material by contractors.

2.13 When asked about the completion of works related to all the packages as well as

the efforts made to complete the entire work, the NMDC in written replies submitted as under:-

“The works of all the packages were completed except structural /sheeting works involved in the construction of service centre facilities and erection of one Electric Overhead Travelling (EOT) Crane. Service Centre facilities sub-package i.e., structural works involved in the construction of Service Centre facilities, are nearing completion and Corrugated Galvanized Iron (CGI) roof sheeting work is expected to be completed by December, 2021. Balance erection of one EOT crane and commissioning of all the 04 EOT Cranes are expected to complete by March 2022. However, the non-completion of these works did not have any bearing on the operation of the 11B mine.”

2.14 In response to the NMDC’s reply, C&AG further observed as under:-

“NMDC’s reply does not mention about the Screening Plant III which is yet to be constructed and commissioned and full production of 7 MTPA from 11B Mine is not possible without completion of Screening Plant III to evacuate the production.”

2.15 When asked if the Company was able to produce 7 MTPA iron ore from Deposit 11B mines during 2018-19 to 2020-21, NMDC submitted as under :-

“From Deposit 11B, NMDC has produced 2.20 Million Tonnes in Financial Year 2018-19, 3.99 Million Tonnes in Financial Year 2019-20 and 4.49 Million Tonnes in Financial Year 2020-21. The linked Screening Plant (SP-III) is yet to be constructed and commissioned. Hence, the capacity of 7 Million Tonnes Per Annum couldn’t be achieved. The present quantity of Deposit 11B is being processed through Screening Plant-I & Screening Plant-II which are linked to adjacent mines of NMDC and with the commissioning of an additional screening line in Screening Plant-II in Financial Year 2020-21 the production of 11B will be further ramped up in the Financial Year 2021-22.”

2.16 With regard to the aforesaid reply, C&AG further contended as under:-

“Full production of 7 MTPA from 11B Mines is not possible without completion of Screening Plant III to evacuate the production. Non-availability of Screening Plant III has a direct impact on proposed production of 47 MT during 2021-22 due to lack of adequate evacuation facilities. Further, the doubling of Kothavalasa-Kirandul Railway Line is also not complete which will affect the evacuation of mined ore.”

2.17 When asked by what time the remaining two packages are expected to be completed and the efforts being made to complete the entire work, NMDC in a written reply informed as under:-

“Service Centre Facilities Package : The contract was terminated on risk & cost

and the work was divided into five sub-packages, out of which four packages were completed during Financial Year 2020-21 and the fifth sub-package is expected to complete by December, 2021.

Supply & Erection of EOT cranes Package : Balance erection of a Electric Overhead Travelling Crane (EOT) is expected to be completed by March, 2022.”

2.18 When asked about the action taken by the Company on delay in execution of packages on Deposit 11B where delays were attributed to inadequate estimation of drawings by Consultant, slow progress of work because of inadequate deployment of men and material and non-synchronization of other work and also whether any responsibility was fixed for the delay, NMDC in a written note submitted as under:-

“In respect of delay in submission of drawings, slow progress of work on account of inadequate deployment of men & material and non-synchronization of other works which led to delay in execution of works, Liquidated Damage (LD)/penalty was imposed on package contractors/Consultant, as per the contract.”

2.19 In response to the NMDC's reply, C&AG further observed as under:-

“The Company did not furnish any details of package-wise LD/ Penalty imposed on each Contractor/ Consultant except for three packages in respect of 11B Mine. Further, the same were realized or otherwise were also not provided. It also did not furnish the action taken on the employees of the Company who were responsible for the delays attributable to the Company”

2.20 On the issue of delayed work in Deposit 11B mines, the Ministry of Steel during oral evidence deposed before the Committee as under:-

"डिपॉजिट-11बी किरंदूल, छत्तीसगढ़ में है। हमारा इसमें से सात मिलियन टन प्रोडक्शन होना था और वर्ष 2008 में इसको शुरू हो जाना चाहिए था। लेकिन कुछ प्रॉब्लम्स आईं और उनकी वजह से यह शुरू नहीं हो पाया था। अब वर्ष 2019-20 में सात की जगह इन लोगों ने 4 मिलियन टन का प्रोडक्शन किया है। हम लोगों का यह वन ऑफ द मेजर टारगेट है, जिसे हम लोग मिनिस्ट्री में मॉनिटर करते हैं, as I mentioned through the dashboard, कि इसका प्रोडक्शन बढ़े। इसमें दो प्रॉब्लम्स आती हैं। इनको इसमें सात पैकेज बनाने थे। इन्होंने पांच पूरे कर लिए हैं, लेकिन अभी दो पैकेज नहीं हुए हैं। We are monitoring and we expect कि ये काम जल्दी हो जाए, जिससे हमारा 11बी डिपॉजिट, जिसमें सात मिलियन टन प्रोडक्शन हो सकता है।

यह पूरे प्रयास में करना है, जिससे इसमें तीन मिलियन टन और हो सके। टैस्ट ऑडिटर्स ने यह पॉइंट आउट किया है, क्योंकि इसी एरिया में स्क्रीनिंग प्लांट-3 लग रहा है। उनका कहना है कि वह साथ में रेडी नहीं हो पाएगा, जो कि होना चाहिए था। इससे 11बी को एक्टिवेट करने में मुश्किल होगी।”

सर, बात तो सही है, लेकिन स्क्रीनिंग प्लांट -3 में कुछ डेटा देते समय इन्होंने लैंड की फिगर गलत दे दी थी, जिसे मैं बाद में बताऊंगी। इसी वजह से वह वर्ष 2013 से डिले हुआ और हमें पांच साल का लॉस हो गया। हम लोगों की तरफ से एक चिट्ठी भी गई है कि जहां-जहां डिले हुआ है, वहां रेस्पॉसिबिलिटी फिक्स करके हमें रिपोर्ट दी जाए।

C. Execution of packages for development of and production through Kumaraswamy Iron Ore Project (KIOP)

2.21 C&AG, in Paras 2.3.2 and 2.3.3 of their report observed that as on March 2018, the execution of Kumaraswamy Iron Ore Project (KIOP) was still under implementation though the same was scheduled to be completed by March 2012. As such, the possibility of achieving the envisaged production target of 7 MTPA by 2018-19 as per the revised Strategic Management Plan-Vision 2025 by the Company seems to be remote. Further, due to non-availability of Screening Plant and Loading Plant with railway yard for KIOP, the Company had to resort to outsourcing of mining till the completion of the requisite facilities at KIOP Project, which was not an environment friendly step.

2.22 NMDC Management clarified that the delay in execution of project was attributable to both the Company and contractors. Further, the packages I & II were commissioned during May 2017 and Performance Guarantee Tests were conducted during December 2017. Approach road works was completed by July 2018. In order to secure sustainable environment friendly mining activities, the requirement of KIOP crushing plant, downhill conveyor and Screening Plant (SP-II) facilities were justified which would help the organization in the long run rather than outsourcing the production. The Management also stated that there were complaints from local villagers and objections from State Government which necessitated transporting the ore either through rail or conveyor which was the need of the hour.

2.23 The Ministry of Steel while agreeing to the Audit observation stated that the

transportation of ore by outsourcing contractors through tippers being not environmental friendly, and that NMDC switched to Departmental production by Rail via conveyor system. The Screening Plant works also could not take off as envisaged.

2.24 When asked to clarify if all the packages of KIOP were completed and whether the Company achieved production during 2018-19 to 2020-21 through outsourcing in KIOP, NMDC submitted as under:-

“All packages works have been completed. From Kumaraswamy Mines, NMDC produced 5.24 Million Tonnes in Financial Year 2018-19, 3.88 Million Tonnes in Financial Year 2019-20 and 3.82 Million Tonnes in Financial Year 2020-21 through outsourcing. NMDC produced 3.12 Million Tonnes in Financial Year 2019-20 and 3.18 Million Tonnes in Financial Year 2020-21 from Kumaraswamy Mines through Departmental Production.”

2.25 In the above context, the Audit further observed as under:-

“Full production through Departmental Production is possible upon construction of Screening Plant II only for which statutory clearance have not yet been received.”

2.26 On the aforesaid issue, the representatives of the Ministry of Steel during the course of oral evidence deposed before the Committee as under:

"सर, साउथ में कुमार स्वामी माइन्स का एक प्रोजेक्ट है, जिसमें टैस्ट ऑडिटर्स ने उसका जिक्र किया है। यह कुमारस्वामी आयरन ओर प्रोजेक्ट है। यह हमें वर्ष 2012 में कम्प्लीट करना था। इसमें हमारे पैकेजेस कम्प्लीट हो गए हैं। इसमें हम आधा आउटसोर्सिंग के थ्रू बना रहे हैं और आधा डिपार्टमेंटल प्रोडक्शन से बना रहे हैं। टैस्ट ऑडिट, सीएजी ने यह पॉइंट आउट किया है कि अगर यहां पर अपना स्क्रीनिंग प्लांट लग जाता तो हम खुद इसको बना सकते थे। That is a fact but the main pointed issue is कि आउटसोर्सिंग से हो रहा है, लेकिन सात मिलियन टन का प्रोडक्शन होना चाहिए था, वह पूरा प्रोडक्शन हो रहा है। यहां पर दो माइन्स हैं। एक डोनीमलाई है और दूसरी कुमारस्वामी है। ये दोनों मिलकर पूरा प्रोडक्शन कर रहे हैं।"

2.27 When asked about the current status of show-cause notice issued by the State

Pollution Control Board on Kumaraswamy Iron Ore Project, NMDC submitted as under:-

“No show cause notice was issued by State Pollution Control Board of Kumaraswamy Iron Ore Project.”

2.28 In the aforesaid context, Audit further observed as under:-

“This reply is not correct. Karnataka State Pollution Control Board issued a show cause notice in march 2018 on the violations made at Kumaraswamy Iron Ore Mine through production from outsourcing. The Company needs to explain whether the State Pollution Control Board upon submission of replies by the Company to the show cause notice has withdrawn the notice or otherwise. “

CHAPTER – III

DOUBLING OF RAILWAY LINE WORKS

A. Doubling of Kirandul-Kothavalasa (KK) Railway line from Jagdalpur to Kirandul

3.1 C&AG in Para 2.5.1 of their report observed that NMDC in order to enhance the evacuation facility for meeting the envisaged higher production targets, decided to take the work of doubling of Kirandul to Jagdalpur section of the KK railway line and entered into Memorandum of Understanding (MoU) with Railways in December 2012 with an estimated cost of Rs. 826.57 crore (2011-12 level) and subsequently revised (December 2015) to Rs. 1,160.83 crore to be executed and completed by the Railways by August 2018. The quantum of ore projected to be transported through this line was 12 MTPA. The doubling work was divided into three parts i.e. Jagdalpur to Silakjhor - 45.50 km, Silakjhor to Geedam - 52.734 km and Geedam to Kirandul - 52.228 km. The expenditure incurred by Railways amounting to Rs. 465.83 crore as against the amount of Rs. 525.00 crore deposited by the Company in December 2017 reflects overall financial progress of 40 *per cent* only. CAG further observed that:-

a) Despite the fact that 88 *per cent* of the project execution timelines had elapsed by December 2017, the overall physical progress of work was only 41.50 *per cent*. Further, out of the above three parts, the work on Jagdalpur to Silakjhor part was only completed while work in the other two parts was in their initial stages of execution (December 2017). {The project was scheduled to be completed by August 2018 i.e. within 68 months of entering into (December 2012) MOU with the Railways. Upto December 2017, 60 months had elapsed out of 68 months. This comes out to be 88 percent of the total time period of completion}.

b) The delay in completion of work is likely to adversely impact the Company's plans to enhance its evacuation capacity.

c) The MoU did not incorporate any provision for project monitoring mechanism except for the requirement of a monthly progress report from Railways, to be appended to the demands for further release of funds.

3.2 In response, NMDC during March 2018 informed C&AG that the work in respect of Kirandul to Silakjhor portion progressed only 16 *per cent* due to Naxal activities and the progress of work was monitored by Railways at Zonal, Division and Section Level and the

same was being informed to NMDC every month.

B. Doubling of Railway line between Jagdalpur and Ambagaon

3.3 Regarding the doubling of railway line between Jagdalpur to Ambagaon, C&AG in Para 2.5.2 of their report observed that the NMDC decided to take up the work of doubling of railway line between Jagdalpur and Ambagaon (25 km) to meet the requirement of handling the anticipated two fold increase in the volume of traffic on account of the upcoming Integrated Steel Plant at Nagarnar (NISP). Accordingly, the Company entered into an agreement with the Ministry of Railways (MoR) in August 2016 for execution of the project with an estimated cost of Rs. 257.75 crore under participative model with a completion period of 2.5 years i.e. by January 2019. The Company deposited an amount of Rs. 114 crore till December 2017. As per the progress report (December 2017) of Railways, the physical progress of 50% was in line with the time taken so far on the project.

3.4 The Ministry of Steel while indicating the status of the doubling of railway line from Kirandul to Jagdalpur informed CAG that the delays were attributed to extremists problems in the remote locations of work, issues in land diversions, forest clearances etc. The Ministry also informed that the Project was being monitored every month in 'PRAGATI' portal by PMO (Prime Minister Office) apart from being monitored by Railways.

3.5 When asked about the latest status of completion of the Kirandul to Jagdalpur section of Kirandul-Kothavalasa (KK) Railway line and the expected date of completion of the project, NMDC clarified as under:-

“Railway has divided the entire 150 km doubling work into 3 sections.

- a) Section-I (from Jagdalpur to Silakjhor) is 45 km and doubling is completed on 17.06.2017;
- b) Section-II (from Kirandul to Gidam) is 52 km and 8 km doubling is completed.
- c) Section-III (from Gidam to Silakjhor) is 53 km and 32 km doubling is completed.

3.6 NMDC further clarified that out of 150 km approximately, 85 km doubling is commissioned and works in balance 65 km is in progress. Progress in Section- II is 26% & Section-III is 86% respectively. The overall progress of work is 74%. The progress of work

was impacted due to 2nd wave of COVID-19 & extremist activities in the region. The Ministry have given the targeted date of completion by Railway upto December, 2022 as per the following schedule:-

- Between Dabpal-Kawargaon-Kaklur blocks of Section-III -21 km in Dec. 2021.
- Between Dantewada and Kamlur of Section-II - 12 km in June 2022.
- Between Kirandul and Bacheli of Section-II - 10 km in Sept. 2022.
- Between Bacheli–Bhansi–Kamlur blocks of Section-II - 22 km in Dec. 2022

3.7 In response to NMDC's aforesaid reply, C&AG further observed that despite non-completion of doubling of Kirandul-Kottavalasa line, the NMDC has envisaged producing and selling of 47 MT during 2021-22 and have not explained as to how they would evacuate the iron ore produced.

3.8 On the same issue during the course of evidence, the representatives of Ministry of Steel deposed before the Committee as under:-

"किरनदूल के एरिया से रिलेटिड एक और इश्यू सीएजी रिपोर्ट में है - डबलिंग ऑफ केके रेलवे लाइन। इस पूरी लाइन को तीन भागों में बांटा गया है। किरनदूल से कोथावालसा नाम की जगह है, यह लाइन वहां तक चलेगी। इसमें सैक्शन-1 कम्प्लीट हो चुका है। सैक्शन-2, जो किरनदूल से गीदम तक का है, इसमें 8 किलोमीटर कम्प्लीट है और 52 किलोमीटर में से बैलेंस बचा हुआ है। तीसरा गीदम से सिलकजोड़ी है। वहां पर भी हम लोगों का 53 में 32 किलोमीटर है। बेसिकली 150 किलोमीटर में से 85 किलोमीटर हो गया है, 65 किलोमीटर बचा हुआ है। हमारी इसमें एक्सपेक्टेड डेट दिसम्बर, 2022 है। हमारा रेलवे के साथ में रेगुलर लाइजन हो रहा है। इन्फैक्ट, रेलवे ने कई जगह वह बनाया था, लेकिन वह टूट गया है। मैं यहां पर बताना चाहूंगी कि सीएजी को यह कंसर्न है कि अगर किरनदूल की लाइन नहीं बनेगी और हम 11बी छत्तीसगढ़ की माइन्स में बढ़ा भी देते हैं, जैसे हम 47 को करेंगे तो हम उसको इवेक्यूट कैसे करेंगे। हम यहां पर बताना चाहेंगे और शायद सीएमडी ने भी बताया होगा कि किरनदूल की लाइन हम डबल कर रहे हैं। वहां ऑलरेडी सिंगल लाइन चल रही है। हम लोगों ने ज्यादा रेक की डिमांड की है। रेलवे ने वैरियस ऑकेजन हम लोगों को ज्यादा रेक दिए भी हैं, जिससे हम लोग निकाल पा रहे हैं। That will also supplement. अगर यह कभी extremist activities से impact होता है, तो we will have a parallel evacuation system in place. हम लोगों ने यह भी शुरू किया है।"

3.9 Regarding the construction of Railway lines and liaison with the concerned Ministries, the representatives of Ministry of Steel further deposed before the Committee as under:-

" जो पर्यावरण क्लीयरेंस और रेललाइन कंस्ट्रक्शन है, इसके बारे में मैं कहना चाहूंगी कि सैक्रेटरी रेग्यूलर एनवायरमेंट सैक्रेटरी को चिट्ठी लिखते हैं। इन्हें जो भी क्लीयरेंस मिली हैं, इसी वजह से मिली हैं। रेलवे लाइन कंस्ट्रक्शन के बारे में भी चाहे राव घाट की रेलवे लाइन हो या किरेंदुल की, इसके साथ रेलवे के साथ हमारी लगातार बातचीत होती है।"

CHAPTER - IV

DEMAND AND SALE OF IRON ORE

Demand of Iron Ore

4.1 C&AG in Para 2.7 of their Report observed that NMDC entered into long-term contracts valid for three to five years with customers assuring supply of agreed quantities of Iron ore, and these contracts were renewable on expiry of the validity period. Apart from the long-term customers, the Company supplied Iron ore to Chhattisgarh based Sponge Iron producers as per the recommendations of the State Investment Promotion Board of Chhattisgarh from time to time. The customer base of the Company as on 01 April 2012 included 27 Iron ore customers and 65 Sponge Iron companies. Major customers were Rashtriya Ispat Nigam Limited, Essar Steel Limited, JSW Steels Limited, JSW Ispat Limited etc. In addition, the Company also sold Iron ore in spot markets. The customer base of the Company in respect of Bailadila and Donimalai sectors during the five years period ending 31 March 2017 is detailed below:-

Sector	2012-13		2013-14		2014-15		2015-16		2016-17	
	Bld.	Dnm	Bld.	Dnm	Bld.	Dnm	Bld	Dnm	Bld	dnm
Customers excluding Chhattisgarh (CG) Customers*	21	34	22	32	33	32	19	51	20	51
CG customers recommended by SIPB	67	----	54	----	60	----	63	-----	41	---
Total	88	34	76	32	93	32	82	51	61	51

Bld-Bailadila; Dnm-Donimalai

* This include export customers of POSCO, South Korea and Japanese Steel Mills respectively.

4.2 When asked as to whether NMDC identified potential buyers of iron ore to sell the 50 MTPA of ore as envisaged by it, the Company, in their written replies informed as under:-

“NMDC sells iron ore produced from its Bailadila sector to end-use plants primarily through Long-Term Agreement (LTA) with the end-use plants from its Bailadila sector, Chhattisgarh. The sale of iron ore in the Karnataka sector is

through e-auction mode only, conducted by Monitoring Committee as per the directives of the Hon'ble Supreme Court. Further, at present NMDC has a Long-Term Agreement with about 85 iron & steel plants which comprises Integrated Steel plants, Secondary Steel Producers, Pellet & Sponge manufacturers for the sale of iron ore from the Bailadila sector. Considering the demand for iron ore, NMDC had registered demand of about 40-50 Million Tonnes annually from its customers in the Bailadila sector. There are no Long-Term Agreements in the Donimalai sector as the total sale is through auction mode only. Hence, the sale is dependent on the auction performance for the corresponding period. NMDC has been able to liquidate its production from the Donimalai complex over the years and with the existing customer base, NMDC can sell its entire production from its Donimalai complex. Also, considering the growing demand for iron ore, NMDC is inducting new customers by signing fresh Long-term contracts every year. Hence, NMDC can supply incremental quantity as per the production plan for the coming year. The iron ore-lump requirement given by customer during the year 2019-20 was about 12.57 MT.

4.3 The Audit also examined the allotted quantity and actual lifting of iron ore by the long term customers during the period 2018-19, 2019-20 and 2020-21 as given below:

(Qty. in Million Tonnes)

Year	Bailadila Sector			Donimalai sector			Overall difference in quantity lifted
	Allotted quantity	Lifted quantity	Difference	Permitted quantity by Supreme Court	Actual quantity lifted	Difference	
1	2	3	4 (2-3)	5	6	7 (5-6)	8(4+7)
2018-19	34.46	23.32	11.14	12.00	9.00	3.00	(14.14)
2019-20	35.94	24.50	11.44	12.00	7.10	4.90	(16.34)
2020-21	35.94	25.84	10.10	12.00	7.41	4.59	(14.69)

4.4 Regarding the mismatch between the allotted quantity and actual lifting of Iron ore in Bailadila Sector and Donimalai Sector of NMDC, the Audit observed as under:-

“From the above table, it is seen that the actual quantity lifted/sold was always lesser than the allotted quantity. Therefore, the Company’s contention that it would achieve a production and sale of 47 MT during 2021-22 may not hold good as the actual production during the first eight months was only 24.37 MT. Further, the doubling of Kothavalasa-Kirandul Railway Line is also not complete which will affect the evacuation of mined ore.”

4.5 In continuation of above, Audit further contended that considering the actual dispatch of iron ore against the allotted quantity for the period 2018-19 to 2020-21, the Company’s claim that there was registered demand of 40 to 50 MT from Bailadila sector lacks justification. Further, in view of export contracts for supply to Japan and South Korea not being renewed, it would be unlikely for NMDC to achieve the targeted production and

sale of 47 MT during 2021-22.

4.6 Besides, the representatives of Ministry of Steel, during the course of evidence too deposited before the Committee as under:-

"जो दूसरा इश्यू टेस्ट ऑडिट ने रज किया है, वह पोटेंशियल बायर्स के बारे में है। अगर ये मैटेरियल बना भी लेंगे तो किसे बेचेंगे। हम लोगों ने इसकी भी एक स्टडी की हुई है। छत्तीसगढ़ में स्पांज आयरन एसोसिएशन एक मेजर स्टेकहोल्डर है, जो हमेशा डिमाण्ड करते हैं कि उनको हमारे एनएमडीसी से सप्लाई नहीं मिल पा रही है। दूसरा, हम लोगों का जो नगरनार स्टील प्लांट बनने जा रहा है, उसमें हमारी रिक्वायरमेंट 5.8 से 6 मिलियन टन रेगुलर बेसिस पर होगी। भले ही यह कंपनी डिसइनवेस्टमेंट की कगार पर है, लेकिन हम लोगों को एक लॉग टर्म एग्रीमेंट देना है, ताकि जो भी उसे लेगा, उसे एक रेगुलर फ्लो मिलेगा। "

4.7 When asked whether NMDC identified the potential buyers of Iron ore to sell 67 MTPA of production of ore envisaged to be achieved by Financial Year 2024-25, NMDC in a written note dated 10.12. 2021 informed as under:-

"NMDC has been able to retain its customers over the years and is making all the efforts to induct new customers from its Bailadila sector. During FY 2020-21 & FY 2021-22 NMDC has inducted 12 New customers with a combined demand of about 10-12 Million Tonnes. In addition NMDC's Nagarnar Steel Plant (NISP) will have a requirement of about 4-5 Million Tonnes once full-scale production starts from the plant. With the empanelment of new customers and requirement of NISP, NMDC has a demand of about 54-58 Million Tonnes from its Bailadila sector. It has also been stated that The export of iron ore to Japan and South Korean Steel Mills has stopped as the Long-Term Agreement with these countries has not been renewed beyond FY 2020-21. NMDC is trying to increase the customer base and identify new customers from Karnataka and nearby states. Also, there is a ban on the export of iron ore from the Karnataka Region the only avenue left is the Iron & Sponge Units of the State. With a demand of about 54-58 Million Tonnes from the Bailadila sector & about 14 Million Tonnes from the Donimalai sector, NMDC has an ample demand to achieve 67 Million Tonnes sales by Financial Year 2024-25.

4.8 On the aforesaid issue, Audit expressed their apprehension that considering the actual lifting of iron ore by Bailadila customers during 2018-19 to 2020-21, it would be unlikely to achieve 67 MTPA by FY 2024-25 despite considering the projected demand of 4-5 MT towards Nagarnar Integrated Steel Plant. The Company has not furnished any details of lifting of iron ore by 10 new Long Term Customers against the projected demand

of 11.44 MT during the year 2021-22.

4.9 As per NMDC's Annual Report (2020-21), with the increase in demand for steel from developed economies (post-pandemic) & continuous increase in demand from China, steel prices have increased significantly in the first quarter of the year 2021-22 leading to an increase in demand for iron ore. Although the supply of iron ore from Brazil has improved, trade tensions between China and Australia have added up to the red-hot prices of iron ore. Iron ore prices for the benchmark 62% index were hovering around \$ 215-220/t during June-July' 21. Further, the prices of iron ore in the international market will remain under upward pressure in the near term, which will increase the demand for domestic ore.

4.10 NMDC in their Annual Report (2021-22) have also envisaged growth in domestic steel production on account of (i) supply gap created for Steel & Iron ore in the international market due to steel production curb in China, sanctions on Russia and damage to Ukraine in the war, and, (ii) increase in demand for high-grade ore worldwide considering environmental concerns, the demand for NMDC's iron ore is expected to increase as it is one of the best grades of ore in the world.

4.11 The Annual Report of the Company has also underlined that the Introduction of Auction rule has increased risks for NMDC as its major customers have acquired captive mines in mineral-rich states, mainly JSW Steel Ltd. and AM-NS India. Both JSW Steel Ltd. and AM-NS India have already started production from newly acquired mines are planned to increase it further in the near future. New tranches of auction likely to add further capacity of iron ore to steel players as well as other merchant players in near future. This is likely to adversely impact the market for NMDC over the medium to long term.

CHAPTER – V

ISSUES OF SCREENING PLANT AND ENVIRONMENTAL CLEARANCES

A. Screening Plant-II at Kumaraswamy Iron Ore Project (KIOP)

5.1 C&AG in Para 2.4.1 of their report observed that the Environmental Clearance (EC) for Screening Plant-II for Kumaraswamy Iron Ore Project (KIOP) was recommended in June 2017 by the Expert Appraisal Committee of the Ministry of Environment, Forest and Climate Change (MoEF&CC) subject to receipt of Stage-I Forest Clearance, after more than three years of application made in March 2014 by the Company. The delay was partly attributable to the Company as it failed to take prompt action for applying for revised Terms of Reference on account of increase in land requirement and submitted the requisite information to the Ministry of Environment, Forest and Climate Change very late. Further, the Forest Clearance which was applied for in December 2014 was awaited in March 2018 due to undue delay in conducting Differential Global Positioning System (DGPS) survey and non-submission of essential details sought by the Deputy Conservator of Forests, Bellary.

5.2 C&AG further clarified that in view of identification of additional reserves in Donimalai Iron ore Project (DIOP), the Company decided for construction of a second Screening Plant (SP-II) for Kumaraswamy Iron Ore Project (KIOP). MECON prepared the Techno-Economic Feasibility Report (TEFR) in June 2013 and due diligence was done on 12 September 2014 by PricewaterhouseCoopers (PwC), with an estimated cost of Rs. 399.75 crore. NMDC applied for Environmental Clearance (EC) for Screening Plant II for KIOP in March 2014. However, the EC for the Screening Plant-II for KIOP was received after more than three years of application made by the Company. Delay on part of State PCB in conducting Gram Sabha coupled with failure on part of the Company in taking prompt action for applying for revised Terms of Reference (ToR) and delay in submitting the required information to the MoEF&CC contributed significantly to the time taken in receipt of EC.

5.3 When asked about the present status of the application and whether the Company submitted the essential details sought by the Deputy Conservator of Forests (DLF), Bellary, NMDC in a written note informed as under:-

“The Company submitted the reply to DCF (Deputy Conservator of Forests), Ballari on 02 September 2021, 15 September 2021 and again on 07 October 2021 furnishing the details of alternative sites and justified the location of the project in forest land.”

5.4 On being asked as to whether the Company has obtained the Stage-I Forest Clearance, NMDC in a written reply informed as under:-

“The Company is in the process of obtaining Stage-I clearance and the reply of the shortcomings as was observed by the MoEF&C has been duly uploaded in the parivesh portal by CCF, Balleri on 20 November 2021.”

5.5 C&AG, commenting on the above, further observed that despite passing of seven years, the Company has not obtained even the Stage-I Forest Clearance for the Screening Plant II at Kumaraswamy Iron Ore Mine.

5.6 When asked whether Forest Clearance (FC) has been received by the Company. the representatives of the Ministry of Steel during the course of evidence on 14.12.2021 submitted as under:-

"सर, फॉरेस्ट क्लीयरेंस के बाद यह केस सीसीएफ के पास है। इन्होंने हमें बताया था कि पिछले हफ्ते ही इन लोगों की मीटिंग हुई है। इन्होंने टारगेट दिया है कि दिसम्बर अंत तक ये लोग जरूर पूरा कर देंगे।"

5.7 When the Committee drew attention that the delay has been for more than 7-8 years, the representatives of the Ministry of Steel accepted the delay and informed as under:-

“.....these are priority items for them and the projects are being monitored on a real time basis.”

B. Screening Plant-III at Kirandul Complex

5.8 In respect of Screening Plant-III at Kirandul Complex, C&AG in Para 2.4.2 of their Report observed that the Environmental Clearance (EC) was received by the Company in November 2013. However, the mistake in the area of the land mentioned in the Environmental Clearance as 65.936 hectares, against the land area of 74.236 hectares applied for, was not observed by the Company until it was pointed out in October 2016 by

the Chhattisgarh Environment Conservation Board (CECB) before issue of Consent for Establishment. The Company requested in December 2016 the Ministry of Environment, Forest and Climate Change (MoEF&CC) for issue of a revised Environmental Clearance which was received in March 2017. As a result, Consent for Establishment was granted by Chhattisgarh Environment Conservation Board (CECB)in July 2017. Thus, there was an avoidable delay of 38 months (from November 2013 to December 2016) on part of the Company.

5.9 As regards the awarding of contract orders for screening plant-III at Kirandul Complex, when asked whether all the orders on the contractors for setting up of Screening Plant-III have been placed, NMDC in a written reply informed as under:-

“work for Screening Plant III Project, Kirandul is being executed through eight (08) packages and as on date five (05), packages were awarded and two (02) packages are scheduled to be awarded by January 2022 and the other package i.e., procurement of Locomotive, will be initiated at an appropriate time based on the project progress.”

510 When asked about the scheduled date of completion of Screening Plant-III and the present progress against the scheduled date of completion, NMDC in a written note informed as under:-

“The scheduled commissioning of Screening Plant III is in the month of August, 2024 and they have also elaborated that during the execution of the Site development & construction water package, NMDC could not do blasting of hard rocks as Chhattisgarh Government Authorities have not given permission for blasting looking at the sensitiveness of the area. In view of the above, NMDC has considered other means i.e. using expansive cement mortar for breaking of the hard rock in place of blasting, which resulted in a time-consuming process. Hence, the work got delayed and accordingly time period has been extended for completion of site development work.”

5.11 On the aforesaid issues C&AG further observed that despite receipt of approval of Consent for Establishment in July 2017 for Screening Plant III, the Company is yet to award 2 packages out of 7 packages for construction of Screening Plant III. The Company did not envisage the likely requirements and compliance to the Government Directions beforehand like securing permission for blasting, etc. which have led to further delays.

5.12 The representatives of the Ministry of Steel, during the course of evidence further clarified as under:-

"इसके बाद स्क्रीनिंग प्लांट-3 का इश्यू है। उसमें मेन यह था कि यह ब्लास्टिंग से नहीं हो सकता था। इन लोगों ने इस बात का ध्यान दिया। इसमें एक्सपेंसिव सीमेंट मोर्टार प्रोसेस है, उनको इसमें कुछ करना था। इसमें इन लोगों की गलती है। We have crossed this hurdle. इन्होंने दो साल का टाइम दिया है। ये वर्ष 2024 तक कम्प्लीट कर लेंगे।"

CHAPTER – VI

DIVERSIFICATION ACTIVITIES

6.1 As part of its diversification drive, NMDC ventured into Diamond mining in Panna in the State of Madhya Pradesh as well as establishment of Steel Plants, Power Plant, Pellet Plant and acquisition of Sponge Iron Plant, etc. The Audit findings on the various diversification initiatives taken by the Company are elaborated in succeeding paragraphs.

A. Setting up of Integrated Steel Plant at Nagarnar, Chhattisgarh

6.2 CAG in their report National Steel Policy, 2005 projected a compounded annual growth rate of 7.3 percent of annual steel production during the period 2004-2020. In a review meeting held on 13 March 2008 by the Ministry of Steel, it was projected that it would require capital of Rs. 12,000 crore with debt-equity ratio of 2 : 1 (Rs 8000 crore for debt and Rs. 4000 crore towards equity) for establishment of 3 MTPA Steel plant. After discussing various options for setting up of the Plant, it was decided on 13 March 2008 that NMDC may set up the Plant on its own in view of its adequate cash reserves and easy access to the primary raw material i.e. iron ore. The Company informed the Ministry on 20 March 2008 that the entire cost of the Plant would be met through its internal sources. As decided, the Board approved the appointment of MECON Limited as Consultant in July 2008 for preparation of Techno Economic Feasibility Report (TEFR) for the project. MECON submitted its TEFR in December 2008. Subsequently, in March 2009, NMDC awarded the work of carrying out due diligence of TEFR submitted by MECON to PricewaterhouseCoopers who submitted the due diligence Report in May 2009. Accordingly, in January 2010, NMDC Board accorded approval for setting up the Nagarnar Integrated Steel Plant (NISP), Chhattisgarh. CAG observed in their report that NMDC was new in the field of establishment of Steel Plant and a DPR would have given a better insight and control to the Company in implementation of the project. The Detailed Project Report (DPR) is normally prepared based on the data and results obtained from studies. All vital aspects are covered in much greater detail in DPR. The basic difference between the TEFR and DPR is the level of accuracy and degree of detail.

6.3 C&AG in Para No. 3.1 of their Report observed that the Company in January 2010

proceeded with the establishment of an Integrated Steel Plant at Nagarnar, Chhattisgarh and awarded various packages based on the tentative details given in the Techno-Economic Feasibility Report (TEFR) instead of preparing a Detailed Project Report (DPR). As a result, the estimates were revised upwards and technical specifications were modified after the tenders were floated. This led to delays in tendering and award of packages. Further, the cost of the project was increased by 43% from the estimated cost of Rs. 15,525 crore to Rs. 22,196 crore. The increase in cost amounting to Rs. 6,671 crore included Rs. 3,842 crore on account of change in scope of work, which could have been avoided if the Company had prepared the Detailed Project Report (DPR). As on March 2018, the project was still under execution while it was scheduled for completion by March 2014.

6.4 When asked whether all the packages awarded for establishment of Integrated Steel Plant at Nagarnar were completed, NMDC in a written note submitted as under:-

“The last major infrastructure package awarded was Executive Director Works Building (Pkg-45) in January 2020 with scheduled completion as in 24 months by January, 2023. As such, all the awarded packages will be completed by March, 2023 (as per the PERT (Program Evaluation Review Technique) against network schedule of August, 21 is provided by Consultant M/s Mecon) and commissioning of the packages was delayed due to the COVID pandemic. It is to mention that Major technological packages and related auxiliary packages required for commissioning are on the verge of their construction completion and trial run of various equipment are in progress. Further, many units like Main Receiving Station (MRS), Plant Power Distribution System (PPDS) and Water Packages (17-01 & 17-02) have been commissioned.”

6.5 On the aforesaid issue C&AG in a written note further observed as under:-

“The Company expects likely completion of all packages of Nagarnar Integrated Steel Plant by March 2023. The fact remains that the Project was scheduled to be completed by March, 2014 and is yet to be completed.”

6.6 When asked to elaborate on the actions initiated against the defaulting contractors, NMDC on the issue of Raw Material Handling System explained as under:-

“M/s BHEL was awarded the RMHS (Raw Material Handling System) package with a completion period of 30 months up to 28.02.2014. Subsequently, M/s

Techpro and M/s Prasad were the agencies engaged directly by BHEL for the mechanical, structural and civil portion of the work who had defaulted in the timely execution of the RMHS work resulting in the overall delay of the package. M/s BHEL has initiated action against these agencies (Risk & Cost) and had awarded the incomplete portion of the work to the other agencies at the risk & cost of M/s Techpro & M/s Prasad. However, as M/s BHEL could not complete the work within the time schedule and hence time extensions were granted up to 30.06.2019. As the completion of RMHS was getting delayed affecting the commissioning of the plant, M/s BHEL work was terminated by NMDC with a view to get the work completed by NMDC at the risk and cost of the contractor i.e. M/s BHEL. On obtaining the commitment from M/s BHEL for completion, the contract was restored on 27.08.2019 and on restoration of the contract, M/s BHEL was showing good progress of the work which was however impacted due to pandemic restrictions. At present, the work in coal, coke, sinter product, ore routes are completed by M/s BHEL and other routes are also in line with the targeted plant commissioning schedule. Further, delay analysis by the third party is also under process and on finalization of attributable delays, LD (Liquidated Damage) will be imposed as applicable. As per the contract terms, any recovery of LD shall be effected from the amount payable to the contractor against commissioning, Performance Guarantee (PG test), Final Acceptance Certificate (FAC) & Performance Bank Guarantee (PBG) only and LD shall not be recovered from the running bills prior to these milestone payments. Accordingly, till date, no recoveries were effected, which shall be imposed and recovered on completion of work from the available payable amount of the contractors as per contract terms.”

6.7 On the issue of By Product Plant, NMDC further explained as under:-

“Considering the continuous failure in the commitments and poor performance by M/s Beekay Engg Corporation, a consortium member of By-Product Plant Package, contract between NMDC & M/s Beekay has been terminated on dated 13.10.2020 with a view to complete the balance work on Risk & cost of the Contractor as per the provision of Contract. Subsequently, MECON has been engaged by NMDC to complete the balance work of Beekay’s scope and the site progress is moving towards its completion.”

6.8 When asked to elaborate on the issue of Lime and Dolomite Calcined Plant, NMDC in a written note explained as under:-

“Considering the continuous failure in the commitments with respect to site progress to complete the balance work, the contract between NMDC and M/s Sinocalci, China (leader) and its consortium has been terminated on dated 06.11.2020 with a view to complete the balance work on Risk & cost of the

Contractor as per the provision of Contract. The process of engagement of alternate competent agency for completion of balance work is in progress by NMDC.”

6.9 As the estimates were revised upwards and technical specifications were modified after the tenders were floated on the basis of tentative details given in the Techno-Economic Feasibility Report (TEFR) only, and not on the basis of Detailed Project Report (DPR), the Committee wanted to know whether it could be possible for the Company to complete the entire project within the revised cost estimate of Rs. 23,140 crore. The Ministry of Steel clarified that Consultant MECON who prepared the original project cost and the revised cost of Rs. 23,140 crore confirmed that revised project cost may be enough to complete the steel plant project. Further, NMDC Board in its meeting held on 27.08.2020 has removed Rs 1200 crore considered towards the construction of township through CGHB from the estimated cost of Rs 23,140 and thus the estimated cost of the project becomes Rs 21,940 crore (considering the ongoing process of Demerger/disinvestment of Steel Plant).

6.10 When asked to clarify whether NMDC was not able to prepare a Detailed Project Report (DPR) on time before commencing the tender of various projects, the Company in a written note submitted as under:-

“NMDC had engaged M/s. MECON as a Consultant for preparation of Bankable Techno-Economic Feasibility Report (TEFR) wherein broad scope of various facilities along with the capital cost of the project was suggested (4th quarter, 2008). The due diligence of the TEFR (Techno-Economic Feasibility Report) was done by M/s. Price Waterhouse Coopers and the Board of Directors of NMDC approved the investment for setting up of steel plant at Nagarnar in the month of January 2010. Techno-Economic Feasibility Report (TEFR) provides a conceptual framework of the project with an assessment of available technologies, selection of appropriate technology in line with product mix. A broad assessment of facilities – both technological & services, preparation of materials, land, water, power and other infrastructures, estimation of volume of work. It also provided time schedule and cost including financial analysis based on the prices prevailing at the time of preparation of TEFR (Techno-Economic Feasibility Report). The report provides the basis for investment decision making, taking into account the funding arrangement. Generally, for the formulation of all Investment Proposals, Techno-Economic Feasibility Report (TEFR) is prepared and the Consultant explores all options with techno-economics to arrive at the cost-effective scheme. After obtaining “In-Principle” approval/investment decision for the project, detailed planning of time, resource

and methodology for all vital aspects of Project implementation are initiated by the Consultant. Subsequently, during the preparation of Technical Specification, each detail is worked out with the complete scope of work based on detailed engineering and some scope of work/facilities are added/deleted from the scope of work considered in the TEFR (Techno-Economic Feasibility Report). Some scope of work/facilities is also added/deleted during the tender discussion stage with the bidders/technology suppliers for better operation, maintenance, as a statutory requirement and layout etc. It is pertinent to mention that composite feasibility reports covering techno-economic portions for various SAIL plants (BSP, RSP, DSP) were also prepared by their Consultant MECON. As such the procedure of approval of projects based on TEFR is in practice and the same was followed in NMDC. As such, DPR (Detailed Project Report) was not prepared in the case of NMDC Steel Plant at Nagarnar and TEFR was prepared well before initiating the tendering process of various packages of the steel plant.

6.11 In continuation of above, the Audit further observed as below:-

“The non-preparation of Detailed Project Report led to modification/addition/deletion of technical specifications of various packages, scope changes, increase of additional packages which were not envisaged in Techno Economic Feasibility Report. This led to increase in project cost to Rs.23,140 crore when compared to originally approved cost of Rs.15,525 crore.”

6.12 The representatives of the Ministry of Steel during the course of evidence on 14 December 2021, before the Committee, on the same issue deposed as under:-

"नगरनार स्टील प्लांट में test audit का main observation है कि हम लोगों ने techno economic feasibility report के basis पर investment कर दिया है, हम लोगों ने DPR का वेट नहीं किया है। यह बात सही है कि जो इन्वेस्टमेंट वर्ष 2010 में हुआ है, वह techno economic report के basis पर हुआ है। अभी इस का disinvestment का process है और de-merger का कार्य चल रहा है। अभी de-merger के लिए जो parallel activity है, इस में हम लोगों के तीन packages थे। नगरनार स्टील प्लांट का काम delay हुआ है। इनके raw material handling system को BHEL देख रहा है। दूसरा, by-product plant जिसको बी.के. कंपनी देख रही है। तीसरा, इनका lime and calcification plant है। ये तीन प्लांट्स हैं। The CMD must have informed you. इसमें हम लोगों को मिनिस्ट्री के लेवल पर इतना इन्वाल्व होना पड़ा है, कि normally, हम लोग commercial decisions and commercial activities में नहीं करते हैं। हम लोग regular meeting करते हैं। In fact, हम लोगों ने contractors के साथ meeting करके we have got them on board. We are very hopeful कि मार्च 2023 में नगरनार स्टील प्लांट definitely commissioning process start हो जाएगा।"

B. Sponge Iron India Limited, Paloncha, Telangana

6.13 C&AG in Para 3.4 observed that the Company acquired loss making Sponge Iron India Limited in July 2010. The Sponge Iron production turned unviable due to higher cost of production and the losses of Sponge Iron Unit (SIU) accumulated to the tune of Rs.

194.77 crore as on 31 March 2017. The Company in its turnaround plan (01 October 2015) proposed to conduct a study for reduction in production cost and to utilize the available 428.98 acres of land for setting up of Thermal and Solar Power Plants which was yet to take off. The Company had not implemented the turnaround plan as envisaged and as of July 2017, the unit had idle staff strength of 167 (both executive and non-executive).

6.14 When asked to clarify whether the turnaround plan was implemented and if not, the reasons for the same; NMDC in a written reply stated as under:-

“Initially, in 2015 it was proposed for setting up of 660 MW Super critical Thermal Power Plant as a business alternative but the proposal was, later on, dropped as Telangana became a power surplus State in 2017. In 2018 M/s MN Dastur & Company was appointed to prepare a Pre-Feasibility Report on Setting up of 1.5 MTPA/Suitable Capacity Steel Plant or other Business Alternative at Sponge Iron Unit. The consultant had suggested that diversifying into the steel business will be a more profitable option and recommended setting up of CRM complex and ERW pipe mill as the better option for NMDC going forward. The proposal for the appointment of consultant for preparation of TEFR for setting up of Cold Rolling Mill (CRM) Complex and ERW Pipe Plant at SIU was deliberated internally as we are going for disinvestment of Steel Plant. Further investment in the downstream and value-added product was not considered for an investment decision.”

6.15 Besides, C&AG observed that the accumulated loss when the Plant was merged during 2010 was Rs. 29.14 crore which stands at Rs. 273.69 crore as on 31 March, 2021. When asked whether any further efforts were made for alternative use of available land at Sponge Iron Unit, Paloncha and whether any outsourcing agencies have been identified for exploring the possibilities to run the plant, NMDC in a written reply submitted as under:-

“Yes, an effort was made for Solar Power Plant. This is being further examined. To utilize the asset and to produce sponge iron for the consumption of the steel industry an Expression of Interest (EOI) for identifying interested Firms for leasing of SIU for the operation has been initiated. Despite multiple extensions of time, the response to EOI was poor and hence presently other proposals for the operation of the plant are being evaluated.”

6.16 When asked to furnish the details of the expenditure towards maintenance, salaries and wages of non-productive staff, office and administrative expenses, etc for the period

2018-19 to 2020-21, NMDC in a written reply stated as under:-

“Expenditure towards maintenance, salaries and wages of non-productive staff, office and administration expenses etc for the period 2018-19 to 2020-21, at SIU Paloncha are as follows:-

(Rs. in crore)

Year	Repair & Maintenance	Employee Benefit expenses	Other expenses	Total expenses
2018-19	1.01	27.18	2.68	34.20
2019-20	0.78	22.48	2.51	35.08
2020-21	1.44	15.90	2.24	20.72

6.17 In regard to above, the representatives of the Ministry of Steel during the course of evidence deposited before the Committee as under:-

"NMDC ने इसको वर्ष, 2010 में शुरू किया था, तो इन्होंने expect नहीं किया था कि high cost of production इतना unviable हो जाएगा। वहां पर इन्होंने पर एक thermal plant and solar plant लगाने का एक turnaround plan बनाया था। Then, the Telangana Government said that they have power surplus, तब उन्हें वहां पर वह बंद करना पड़ा। उसके बाद ये वहां पर Cold Rolling Mill लगाने जा रहे थे, तो वह भी ड्रॉप करना पड़ा, because it was decided by the Board कि जब आप एक steel plant को बेच रहे हैं, तो दूसरे स्टील प्लांट में एंटर नहीं करिए, तो इनको रोक दिया गया। अब इन्होंने इसको बेचने के लिए expression of Interest निकाला है। उस पर कोई response नहीं आया है, but we are trying our best, हम लोग उसको जितना भी monetize कर सकें।"

CHAPTER – VII

STRATEGIC INVESTMENT IN JOINT VENTURES

A. Investment in International Coal Ventures Ltd.

7.1 C&AG in Para 4.4 of their report observed that NMDC with the objective of securing Metallurgical Coking Coal and Thermal Coal supplies from overseas, a Special Purpose Vehicle (SPV) namely 'International Coal Ventures Limited (ICVL)' was formed in May 2009 wherein NMDC Limited was one of the participating Coal and Steel PSU. In July 2014, ICVL decided to acquire the ownership portion of Rio Tinto Plc., UK in the Coal mine and Coal assets located in Mozambique. The investment made by Company to the extent of Rs. 376.36 crore (on which there was no return so far) by relying upon the incorrect/improper and unrealistic business plan of ICVL for acquisition of loss making Mozambique mining assets was not prudent. The contention of NMDC that low cost operations at Mozambique would be viable was contradictory to the observations of the Internal Committee that the project was falling into the fourth quartile of the International Met-Coal industry cost curve. Also the report of Consultant of Tata Steel {JV partner in Rio Tinto Coal Mozambique(RTCM)} corroborated the fact that the asset was in a disadvantageous position as compared to its Australian peers.

7.2 When asked whether any further investments were made into International Coal Ventures Limited apart from the Rs. 376.36 crore already invested, NMDC in a written reply submitted as under :-

“NMDC has remitted to ICVL equity contribution of Rs. 2,50,22,620 (Two crore fifty lakh twenty two thousand six hundred twenty only) against the Cash Call letter no. ICVL /CS/2019/13 dated 5th September 2019 and the reminder letter no. ICVL/CS/Cash Call/2021dated 3rd August 2021.This cash call by ICVL was made to meet the expenditure budget of ICVL (International Coal Ventures Limited) and clear the outstanding liabilities as in absence of any other income, ICVL’s expenditure is met from the equity contribution from the Shareholders.”

7.3 When asked to clarify whether the International Coal Ventures Limited could wipe off any accumulated losses from the year 2018-19 to 2020-21, NMDC submitted the following information:-

“The consolidated financial results of ICVL as stated below:

(in Lacs INR)

Particulars	Fy2020-21	Fy 2019-20	Fy 2018-19
Retained Earnings	(47082.70)	(62520.90)	(53137.56)
Current Liabilities	30425.44	29726.44	28142.40
Current assets	19567.34	6927.00	8353.37
Profit/Loss for the year	15438	(9383.34)	(11421.48)
Networth	227610.01	236982.21	215609.71

As per the : audited Financial statement of the Mozambican Coal Mine registered as Minass de Benga Limitada (MBL), the accumulated losses stood as US\$ 998,638,604 as on 31st March 2021. And, a significant part of these losses was incurred by Rio Tinto and Tata towards Mine development, construction of Coal Handling & Preparation Plant (CHPP), purchase of rolling stock, rural resettlement, development of rail and port infrastructure etc. Also, the accumulated losses during 2020-21 had further increased as there was a negative EBIDTA in 2020-21 at MBL, thus there was no wipe off of accumulated losses. “

7.4 When asked to clarify whether there were any returns received from International Coal Ventures Limited during 2017-18 and 2018-19 as it had surplus operations, NMDC in a written note clarified as under:-

“NMDC has not received on its investment during 2017-18 and 2018-19. NMDC has neither booked any loss or profit in its book on account of its investment in ICVL. Against NMDC's investment of Rs. 376.36 crores, considering the NMDC's share of Net worth in ICVL the investment of NMDC in ICVL comes to Rs. 590.51 crores.”

7.5 On the aforesaid issue, Audit observed as under:-

“The information provided by the Company shows that operations of Benga Mine was having negative margin. Further, the objective of setting up of ICVL, i.e., import of coking coal to India did not take place despite huge investment. No dividend has been received in 2021.”

B. Investment in Legacy Iron Ore Limited, Australia

7.6 C&AG in Para No. 4.5 of their report had observed that the Company decided (May 2011) to acquire 50 *per cent* shares in Legacy Iron Ore Limited (LIOL), Australia to secure management control on the mining tenements that would be acquired by LIOL. The Company made a total investment in LIOL to the extent of Rs.168.53 crore (Aus \$31.01 million) despite the fact that the Consultant appointed for conducting evaluation study had opined that it was a negative Net Present Value (NPV) project and was a marginal asset in the short to medium term. The share value of LIOL eroded to 0.30 Aus cents per share

(3 November 2017) from the initial acquired price of 6.55 Aus cents per share. On account of this, the value of investment made by the Company also declined to Rs. 17.13 crore from Rs. 168.53 crore. Further, the Company was bound to spend Rs. 89.67 lakh annually till the year 2030 to retain the tenements in addition to the expenditure for development of infrastructure facilities.

7.7 When asked about the reasons for investing in the JV despite the consultant's negative opinion on the project, NMDC in a written note submitted as under:-

“M/s Mckinsey and Co did not give any negative opinion on the company. However, they had opined that Mt Bevan iron ore project is a marginal asset now and could potentially be strategic for NMDC in the long term i.e. 2030 onwards and asked to scale down the number of assets and concentrate on few prospective assets. Accordingly, Legacy had conducted exploration and further studies in its Gold assets i.e. Mt Celia and kept Mt Bevan for the future fulfilling the statutory requirements and is currently negotiating a joint venture agreement with Hancock Magnetite Pty Ltd for progressing the project forward.”

7.8 Contradicting the above, C&AG further observed as under:-

“The reply is not correct as it was recorded in the minutes of 473 Board meeting of NMDC held on 18 March 2014 that McKinsey & Co. already stated that Mt. Bevan is a marginal asset in short to medium term and in most forward looking scenarios, Mt Bevan is a negative NPV project in the next 8 to 10 years.”

PART - II

OBSERVATIONS / RECOMMENDATIONS

A. Overview

1. NMDC Limited is a Navaratna CPSU under the Ministry of Steel. It is the single largest producer of iron ore in India. It was incorporated in November 1958 with the main objective of exploring the mineral resources in the Country. The Company is considered to be one of the low-cost producers of iron ore in the world. It produces Iron ore through its highly mechanized open cast mines located at Kirandul (3 mines), Bachelii (2 mines) in Bailadila sector of Dantewada district in Chhattisgarh and through Donimalai (2 mines) in Bellari district of Karnataka. The production of the Company during 2021-22 was 42.19 million tons per annum (MTPA). Apart from the production of iron ore, the Company has taken several business diversification initiatives such as setting up of a Steel Plant and a captive power plant at Nagarnar, Chhattisgarh; acquisition of a Sponge Iron Unit at Paloncha, Telangana; establishment of a pellet plant at Donimalai, Karnataka, etc. The Company has also made investments in Joint Ventures with Central / State Government Undertakings and private companies in India and abroad for establishment of Steel Plants and development of Coal and Iron ore mines. NMDC also operates the only mechanized diamond mine in India at Panna, Madhya Pradesh. The Performance Audit Report No. 5 of 2019 of C&AG on 'Operational performance of NMDC Limited' deals with the production, evacuation and sale of iron ore, business diversification activities and investment in Joint Ventures by NMDC Limited during the period from 2012-13 to 2016-17. The findings of C&AG mostly relate to NMDC (i) not giving due weightage to the professional advice tendered by consultants in various projects resulting in avoidable delay, time and cost overruns in those projects, (ii) not carrying out due diligence beforehand resulting delay in execution of various work packages, (iii) non-addition of new marketing strategies and customers to match its production, (iv) avoidable delay in obtaining Environmental Clearance and Forest Clearance in various projects, (v) grave errors in documents going un-noticed by NMDC resulting in delay of important projects, (vi) relying heavily on Techno Economic Feasibility Report (TEFR) instead of Detailed project Report (DPR) while conceiving of projects leading to cost escalation and time overruns in commissioning of project, (vii) investments made in non-profitable Joint Ventures resulting in extra-financial burden on the Company, etc. The Committee on Public Undertakings examined the C&AG report and its observations are in consonance with the findings of the C&AG that are elaborated in succeeding paragraphs.

B. Fixing of Unrealistic target in Strategic Management Plant(SMP) -Vision 2025

2 The Committee observe that NMDC had a Corporate Plan upto the year 2009-10. Thereafter, no Corporate Plan was formulated till the year 2015-16. Instead, production and other targets were fixed annually. In a review meeting held on 27 October 2014, the Administrative Ministry had suggested for preparation of a vision document 'NMDC 2025' as the Company had intended to produce 75 million tons per annum (MTPA) by 2018-19 and 100 MTPA by 2021-22. Subsequently, in January 2015, a Consultant, namely, M/s Accenture was appointed for a fee of Rs. 0.57 Crore by NMDC to evaluate the intended production in the vision document. The Consultant, in May 2015, after assessing the

existing customers in the domestic market, potential volume of exports and captive consumption, suggested that the intended objective of achievement of production of 75 MTPA and 100 MTPA would be difficult. Yet, NMDC in October 2015, ignored the advice of the consultant and fixed over-ambitious target of 75 MTPA by 2018-19 and 100 MTPA by 2021-22 in its Strategic Management Plan (SMP) Vision 2025. However, sensing the subdued market condition, fall in international iron ore prices, NMDC revisited its SMP-Vision 2025 in September 2016 and lowered the target of iron ore production to 50 MTPA for 2018-19 and 67 MTPA for 2021-22. The Committee find that even this lowered target was on the higher side and NMDC failed to achieve the target of iron ore production during the financial years 2018-19, 2019-20 and 2020-21 which remained at 32.36, 31.49 and 34.15 MTPA respectively. The Ministry of Steel reviewed the situation and further lowered the target of iron ore production to 47 MTPA for financial 2021-22. The Committee note that even at this stage, the reduced target of 47 MTPA could not be achieved by NMDC and the Company could only produce 42.19 MTPA of iron ore during 2021-22. The Committee do not understand why NMDC ignored the suggestions of the consultant to whom it paid a fee of Rs. 0.57 crore which may be construed as wasteful, now appears to be thoughtless expenditure of public money. In the opinion of the Committee, the targets fixed by NMDC at different stages were over ambitious and irrational taking in view the unfavorable market condition, fall in international iron ore prices, unfinished projects related to doubling of various railway lines, inability in finding new potential customers, termination of long term agreements with some countries, delay in execution of various packages & enhancement facilities, etc. On an overall review of the position, the Committee note that against the initial target of 100 MTPA fixed by NMDC to be achieved by 2021-22, the Company could ultimately achieve only 42.19 MTPA of production. The Committee suggest that NMDC should seriously consider the professional advice given by consultants on time and undertake proper realistic assessment while fixing of various targets in future.

C. Delay in execution of Packages for development of Deposit-11B mine

3. The Committee note that Deposit 11B mine of Bailadila sector is located in Kirandul, Chhattisgarh. In July 2005, NMDC awarded Engineering, Contract Procurement Services & Project Management and Construction Management Services (EPCM) contract to MECON Limited to execute packages for development of Deposit 11B mine within 35 months i.e. by June 2008 in order to meet production of 7 MPTA of iron ore from the mine. The Committee find it shocking to note that the development of the mine remained incomplete even by March 2022 resulting in Deposit 11B mine only producing 2.20 MTPA during 2018-19, 3.99 MTPA during 2019-20 and 4.49 MTPA of iron ore during 2020-21

against the expected production target of 7 MPTA to be achieved by June 2008. Further, the Screening Plant III that was a part of the package was yet to be constructed and commissioned without which the full production of 7 MPTA could not be possible in Deposit 11B mine. NMDC attributed the delay to change in technology from soil nailing technique to grouted nailing technique in package III (Earth Works) and to the site conditions, change in design, approval of drawings, local disturbances, inadequate deployment of men and material by contractors, etc. Surprisingly, NMDC although stated to have levied liquidated Damage (LD) / penalty for the delay, did not furnish any details of package-wise LD/ penalty imposed on the contractor/ consultant in some of the packages to the Audit party during examination. NMDC also did not furnish the action taken on its employees who were responsible for the delays to the Audit party. The Committee find that the incidents of grave lapse on the technical wing of the Company such as failing to foresee averse circumstances or carry out due diligence before handing over the packages to the contractors resulted in delay of more than 14 years adversely impacted the performance of the Company. The Committee feel that had proper due diligence been carried out and punitive action taken against the officers responsible for untimely submission of drawings, erring contractors/ consultants, the delay of so many years and the adverse impact on the production of the Company could have been avoided. The Committee hope that NMDC would make all out efforts to complete the work of Screening Plant III without any further delay and the targeted production of 7 MPTA from Deposit 11B mine would be achieved.

D. Delay in Execution of Packages for development and production through Kumaraswamy Iron Ore Project (KIOP)

4. The Kumaraswamy Iron Ore Project (KIOP) is located in Bellari District of Karnataka and was envisaged to produce 7 MPTA of iron ore by 2018-19. As per audit findings, the revised schedule for completion of KIOP was March 2012 but the project remained incomplete even till March 2018. The Committee observe that although some of the packages were commissioned, some crucial packages like approach road works were still incomplete and due to non-existence of Screening Plant II and the Loading Plant with Railway Yard, NMDC had to resort to outsourcing of mining which was not an environment friendly step. The Company had produced 3.82 MPTA through outsourcing and 3.18 MPTA through Departmental Production during 2020-21 while the entire 7 MPTA of iron ore production should have been met through Departmental Production. The Committee are unhappy over the incorrect reply furnished to the C&AG and the Committee that no show cause notice was issued by the State Pollution Control Board (SPCB) to the Company. The Ministry of Steel agreed that the transportation of iron ore through outsourcing contractors by tippers was not an environment friendly step and the Screening Plant II was still incomplete as statutory clearances had not been received due to which KIOP could not take off as envisaged. The Committee recommend that extraordinary efforts be made by NMDC to obtain the statutory clearances so that Screening Plant II which has been delayed for more than 14 years can start and KIOP can begin Departmental production in-full instead of outsourcing of their activities.

E. Delay of the work related to the doubling of Kirandul-Kothavalasa (KK) Railway Lines between Jagdalpur to Kirandul and between Jagdalpur to Ambagaon

5. The Committee note that in order to enhance the evacuation facility for meeting the envisaged higher production targets, NMDC undertook two projects viz. (i) doubling of 150.45 km of the Jagdalpur to Kirandul section of the KK Railway line, and, (ii) doubling of 25 km Railway line section between Jagdalpur and Ambagaon. In the first project, NMDC entered into Memorandum of Understanding (MoU) with the Ministry of Railways in December 2012 with an estimated cost of Rs. 826.57 crore in 2011-12 that was subsequently revised in December 2015 to Rs. 1160.83 crore to execute and complete the doubling of the railway line by August 2018. However, the doubling work could not be completed by the scheduled date and as a result the enhancement in evacuation facility could not be done. As per the information furnished during December 2021 to the Committee, out of the 150 km of the Jagdalpur – Kirandul section, approximately 85 km doubling works was already commissioned and works in the remaining 65 km was under progress. In the second project, doubling of railway line section of 25 km between Jagdalpur and Ambagaon was taken up by NMDC with the Ministry of Railways in August 2016. The project was intended to meet the requirement of handling the anticipated two fold increase in the volume of traffic on account of the upcoming Integrated Steel Plant at Nagarnar (NISP). As per the agreement, the project was to be completed by January 2019. The Committee are dismayed to note that only 50 percent physical progress has been made so far in this project. NMDC attributed the delay in completion of the projects to extremists problems in remote locations of work, issues in land diversions, delay in forest clearances, etc. The Committee find that the delay in the first project has cost the public exchequer an avoidable expenditure of Rs. 334.26 crore due to cost escalations in the project. The Committee are, however, happy to note that apart from the regular monitoring done by the Ministry of Railways, the two projects are now also being monitored by the Prime Minister Office (PMO) every month through 'PRAGATI' portal. The Committee only hope that the doubling works of KK Railway line projects are completed without any further delay and the evacuation facilities envisaged for achieving higher production by the Company are met.

F. Increasing Customer base to meet increased production

6. The Committee observe that NMDC sells iron ore produced from its two sectors namely (i) Bailadila sector, and; (ii) Donimalai sector. In Bailadila sector, the Company sells its iron ore to end-use plants primarily through Long Term Agreement (LTA) with the end-use plants in the sector. NMDC at present has LTAs with about 85 iron & steel plants which comprises Integrated Steel Plants, Secondary Steel Producers, pellets & Sponge manufacturers for the sale of iron ore from the Bailadila sector. NMDC in December 2021 informed that presently there was a registered demand of iron ore of about 40 to 50 MTPA from Bailadila sector and it is expected to achieve the target of 67 MTPA sale of iron ore by the year 2024-25. However, on analysis of data on the quantity of total iron ore allotted and the total quantity of iron ore lifted during a period of 03 years i.e. from 2018-19 to 2020-21, the Committee find that the lifted quantity of iron ore was always 10 to 11 MTPA less than the allotted quantity implying that there was no commensurate demand of iron ore from the customers. The Committee further note that the export of iron ore to Japan and South Korean Steel Mills has stopped as the LTAs with these countries were not renewed beyond the financial year 2020-21. This has further adversely impacted the market of NMDC. NMDC contended that once the Nagarnar Integrated Steel Plant (ISP) would start its operation, additional demand of 4-5 MPTA would narrow the gap between the iron ore allotted and lifted. Yet, even after considering the expected demand of 4-5 MPTA from the Nagarnar

Integrated Steel Plant and with the termination of LTAs with Japan & South Korea, the Committee feel that the gap between the allotted and lifted quantity of iron ore has further widened. Ironically, in such a scenario, the Company has not met the long standing demand of iron ore from the Chhattisgarh Sponge Iron Associations which could have narrowed the gap between the quantity allotted and the quantity lifted. The Committee feel that unless the existing customer base is expanded, new long term customers inducted and LTAs with foreign customers renewed, the target of 67 MTPA by 2024-25 cannot be achieved. The Committee, therefore, desire that the demand of iron ore from Chhattisgarh based Sponge Iron producers be immediately met. Further, immediate expansion of customer base along with empanelment of new long term customers, renewing of LTAs with Japan, South Korea and other countries, need to be pursued vigorously if the target sale of 67 MPTA is to be achieved by 2024-25.

7. In the Donimalai sector, there are no Long Term Agreements(LTA) and iron ore is sold through e-auction mode only, conducted by Monitoring Committee as per the directives of Hon'ble Supreme Court. The sale in this sector is dependent on the auction performance for the corresponding period. NMDC has stated that they have been able to liquidate its production from the Donimalai complex over the years and with the existing customer base, the Company can sell its entire production from its Donimalai Complex. The Committee, however note that even in this sector, the lifted quantity was always 3 to 5 MTPA less than the allotted quantity during 2018-19 to 2020-21 implying that demand of iron ore from the customers was not commensurate. The Committee understand that introduction of the auction rule has increased the risks of NMDC as its major customers like JSW Steel Limited and AM-NS India have acquired captive mines in mineral-rich States and have already started production from the newly acquired mines & planned to increase it further in near future. The new tranches of auction are likely to add further capacity of iron ore to steel players as well as other merchant players in near future which is likely to adversely impact the market for NMDC over the long term. The Committee desire NMDC to take advantage of the increased demand for steel from developed economies in post pandemic period and the continuous rise in price of steel in international market which is expected to increase the demand of domestic iron ore. Further, NMDC needs to actively tackle private players, induct new customers and adopt robust marketing strategies if it has to remain and excel in the market.

G. Delay in obtaining of Environmental Clearance for Screening Plant-II of Kumaraswamy Iron Ore Project (KIOP)

8. The Committee note that in order to identify additional reserves in Donimalai Iron Ore Project (DIOP), NMDC decided for construction of a second Screening Plant (SP-II) at Kumaraswamy Iron Ore Project (KIOP). The Company applied for Environmental Clearance (EC) for the Screening Plant II in March 2014. However, the EC was received after more than 03 years of application made by the Company. The inordinate delay was attributable on the part of State Pollution Control Board (PCB) in conducting Gram Sabha coupled with failure on the part of NMDC in taking prompt action for applying for revised Terms of Reference (ToR) and delay in submitting the required information to the Ministry of Environment & Forests & Climatic Change (MoEF&CC). Similarly the Forest Clearance (FC) for the SP-II (Stage-I) which NMDC applied in December 2014, could not be received even after 7 years. The FC was held up due to delay in submission of Differential Global Positioning System (DGPS) map to Forest Department and resubmission of application for revision of ToR. During the course of evidence, the Ministry of Steel admitted the delay and submitted that these were priority items for them and work is now being monitored on real time basis. The Committee are, however, perturbed with the lackadaisical approach on the part of the management of the Company that failed in timely submission of documents to the

concerned authorities and pursue various clearances. The Committee feel that had some concrete monitoring mechanism been in place to keep track of the progress of work in various stages, the delay of so many years could have been avoided. The Committee, therefore, recommend that all-out efforts be made to obtain all the necessary statutory clearances to complete the Screening Plant II without any further delay to enable identification of additional reserves in Donimalai Iron Ore Project (DIOP) and enhancement of its capacity.

H. Avoidable delay in obtaining of Consent for Establishment (CFE) for Screening Plant-III at Kirandul Complex

9. The Committee note that the Environmental Clearance (EC) for the Screening Plant - III at Kirandul Complex was received by NMDC in November 2013. However, in the EC, the land area mentioned was 65,936 hectares instead of 74,236 hectares as applied for by the Company. The Committee find it shocking that this anomaly was not noticed by NMDC before October 2016 until it was pointed out by the Chhattisgarh Environment Conservation Board (CECB) to whom it applied for issue of Consent for Establishment (CEF). NMDC in December 2016 requested the Ministry of Environment, Forest and Climate Change (MoEF&CC) for issue of a revised EC which was received in March 2017. Eventually, the CEF was granted by CECB in July 2017 resulted in an avoidable delay of 38 months. The Committee deplore the way such grave error on crucial document went unnoticed by the NMDC Management for 3 years until it was pointed out by CECB. The Committee desire that a detailed administrative exercise be carried out to find out the causes for such grave lapse, fix responsibility and take punitive action on those found guilty. Simultaneously, a concrete fool-proof mechanism be developed to monitor timelines fixed for various work and detection of such errors at early stages so that unnecessary delays are avoided.

I. Delay in Kirandul project due to denial of permission for blasting

10. The Committee are informed that the work for the Screening Plant III Project, Kirandul is being executed through eight packages and as per the revised schedule, the project is to be completed by August 2024. The Committee however note that work in 2 packages is yet to be awarded. NMDC clarified that during execution of the site development & construction package, the Company could not do the blasting of hard rocks as Chhattisgarh Government Authorities did not permit them for blasting in view of the sensitiveness of the area. So the Company had to consider other means like using expansive cement mortar for breaking of the hard rock in place of blasting which resulted in a time-consuming process. The Committee do not understand how the Company failed to take stock of the ill consequences of carrying out blasting in a ecologically sensitive area. The Committee feel that proper due diligence was not done by NMDC at the time of conceiving the project, carrying out survey of the area, preparing the DPRs, etc otherwise such critical aspects could have been noticed beforehand and delay in the project would have been avoided. The Committee express their strong displeasure and desire NMDC to be more cautious in future.

J. Setting up of Integrated Steel Plant at Nagarnar, Chhattisgarh

11. The Committee note that in line with the National Steel Policy 2005, the Government in March 2008 decided that NMDC may set up a Steel Plant on its own in view that the Company had adequate cash reserves and easy access to the primary raw material i.e. iron ore. The Board of NMDC in July 2008 appointed MECON Limited as a Consultant for

preparation of Techno Economic Feasibility Report (TEFR) for the project which was submitted by MECON in December 2008. After carrying out due diligence, the Board of NMDC in January 2010 accorded approval for setting up the Nagarnar Integrated Steel Plant (NISP) in Chhattisgarh with an estimated cost of Rs. 15,525 crore. NISP was scheduled to be completed and commissioned by March 2014. The Committee, however are perturbed to note that the project was delayed as the work for the project was awarded on the basis of a tentative TEFR instead of a Detailed Project Report (DPR) which is more elaborate and accurate. The decision to depend on TEFR lead to revision of technical specifications, modification of tenders, time overruns and upward revision of estimated cost of the project from Rs. 15,525 crore to Rs. 22,196 crore. NMDC contended that preparation of DPRs has lost its relevance as its preparation is time consuming which further leads to increase in project time schedule and increase in cost of project, and also that many private players and steel companies in the past have executed their expansion projects/ new projects based on TEFR. The Committee, however, are not in agreement with the view of NMDC as even after proceeding with TEFR, the NISP project has been delayed for more than 8 years and the project is still incomplete. The Committee believe that TEFR lead to change in technical specifications in works and contracts particularly in 03 major works namely (i) Raw Material Handling System, (ii) By-Product Plant, and (iii) Line & Dolomite Calcined Plant leading to termination and re-awarding contracts to new contractors. Further, the cost of the NISP project escalated from 15, 525 crore to Rs. 22,196 crore and even after regular monitoring at Company and Ministry level, the NISP project is scheduled to be completed by March 2024 after an estimated delay of 9 years. The Committee are of the opinion that NMDC willingly erred in deciding not to prepare DPR in such a huge ambitious project although it was new in the field of establishment of steel plants and instead heavily depended on tentative TEFR that resulted in additional burden of Rs. 6671 crore on the public exchequer and time overrun of 9 years. The Committee are also apprehensive of cost overrun and time overruns in the project that has lead the Government to decide on the disinvestment/ demerger of NISP which is also simultaneously under process. The Committee only hope that with the constant monitoring by the Ministry of Steel, the project would be completed as per the revised schedule without any further cost and time overrun.

K. Sponge Iron Unit at Paloncha, Telengana

12. The Committee note that NMDC at the instance of Ministry of Steel, in July 2010, acquired a loss making Sponge Iron India Limited (SIIL) at Paloncha, Telangana. The sponge iron production turned unviable due to higher cost of production and the losses of SIIL accumulated to Rs. 194.77 crore in 2017 which further grew to Rs. 273.69 crore as on 31 March 2021. The Committee are disappointed to note that the turnaround plans of the sick Sponge Iron Unit, initially with the construction of a Super Critical Thermal Power Plant and then with a Cold Rolled Coil Unit have been shelved for different reasons by NMDC. As a measure of turnaround plan, the Company had intended to utilize the available land of 428 acres for setting up of Thermal and Solar Power Plants. The Committee are unhappy to note that although the Government had tried to sell the SIIL Unit by issuing expression of interest, there was no response. The Committee also find it surprising on the Government insisting to acquire a sick & loss making Sponge Iron Unit in July 2010 and would like to know the reasons therefor. The Committee are not aware of the turnaround plan of the Company to set up a Solar Power Plant to bring the Company out of losses. Since the loss of the Company are accumulating year after year and that there are no prospective buyers of the Unit, the Committee recommend that a concrete turnaround plan be drawn and implemented to bring SIIL Unit of Paloncha out of losses.

L. Investment by NMDC in non-profitable Joint Ventures

13. The Committee note that with the objective of sourcing Metallurgical Coking Coal and Thermal Coal supplies from overseas, a Special Purpose Vehicle (SPV) namely International Coal Ventures Limited (ICVL) was formed in May 2009. In July 2014, ICVL decided to acquire the ownership of coal mine and coal assets located in Mozambique. NMDC had invested Rs. 376.36 crore in ICVL. However, NMDC further remitted an equity contribution of over Rs. 2.50 crore to ICVL's to meet expenditure budget and also to clear the ICVL's outstanding liabilities. The Committee note that the NMDC has so far invested Rs. 590.51 crore in ICVL despite an adverse report of the consultant and the investment not yielded any returns so far. Similarly, NMDC in May 2011 acquired 50 percent shares in Legacy Iron Ore Limited (LIOL), Australia to secure management control on the mining tenements that would be acquired by LIOL. NMDC made a total investment of Rs. 168.53 crore in LIOL despite the fact that the consultant appointed for conducting the evaluation study had opined that it was a negative Net Present Value (NPV) project and was a marginal asset in the short to medium term. Further, due to erosion of the share value of LIOL, the value of investment made by NMDC declined from Rs. 168.53 crore to Rs. 17.13 crore. The Committee are disheartened to note that in both the cases, the investments were made by NMDC despite a negative opinion tendered by the Consultants and would like to know the reasons therefor. The Committee are of the view that NMDC should have given due cognizance to the opinion tendered by the project consultants before making any investment overseas. From the experience gained, the Committee expect NMDC to be more careful in making strategic investments in Joint Ventures in future.

New Delhi:
15 December, 2022
24 Agrahanya, 1944(S)

SANTOSH KUMAR GANGWAR
Chairperson
Committee on Public Undertakings

APPENDIX I
COMMITTEE ON PUBLIC UNDERTAKINGS
(2021-22)

MINUTES OF THE SIXTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 27th October, 2021 from 1605 hrs. to 1640 hrs. in Committee Room No. '2', Ground Floor, Block A, Extension to Parliament House Annexe (EPHA), New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lavu Sri Krishna Devarayalu
3. Smt. K. Kanimozhi
4. Shri Janardan Mishra
5. Shri Nama Nageswara Rao
6. Shri Sushil Kumar Singh
7. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

8. Shri Birendra Prasad Baishya
9. Shri Om Prakash Mathur
10. Shri K.C. Ramamurthy
11. Shri M. Shanmugam

SECRETARIAT

- | | | | |
|----|------------------------|---|---------------------|
| 1. | Shri R.C. Tiwari | - | Joint Secretary |
| 2. | Shri Srinivasulu Gunda | - | Director |
| 3. | Shri G.C. Prasad | - | Additional Director |

REPRESENTATIVES OF OFFICE OF COMPTROLLER AND AUDITOR GENERAL

1. Shri Raj Ganesh Viswanathan - Dy. Comptroller & Auditor General (Commercial, Coordination & Local Bodies) and Chairman, Audit Board
2. Shri M. S. Subrahmanyam - Director General of Commercial Audit, Hyderabad
3. Dr. Kavita Prasad - Director General (Commercial)-I
4. Ms. Ritika Bhatia - Director General (Commercial)-II
5. Shri Shailendra Vikram Singh - Principal Director (Parliamentary Committees)

2. At the outset, Chairperson welcomed the representatives of O/o C&AG and drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence before the Parliamentary Committees. The representatives of the O/o C&AG briefed the Committee on Performance Audit Report No. 12 of 2019 titled 'Assessment of Environmental Impact due to Mining Activities and its Mitigation in Coal India Limited and its Subsidiaries' thereby highlighting the glaring issues involved in extracting coal from Open Cast Mining (OCM) viz., environmental & social concerns, pollution and land degradation. It was also brought to the notice of the Committee that even after delay of more than 18 months since the tabling of Audit Report in Parliament in December, 2019, not even a single Action Taken Note has been submitted by the Ministry of Coal. Thereafter, the representative of C&AG made a Power Point Presentation on the subject explaining each aspect in detail.

3. Major issues covered in the presentation related to non-revision of Corporate Environmental Policy of Coal India Limited (CIL), Air Pollution related issues in the mining areas; Inadequate/absence of Air Quality Monitoring Stations (AQMS); Inordinate delay in installation of Continuous Ambient Air Quality Monitoring Stations; Supply of coal to power houses without beneficiation; Idle infrastructural facilities by CIL's subsidiaries; Water pollution; Excess levels of pollutants; Drainage of mine water without treatment; Zero discharge of untreated water; Treatment of acidic mine water;

Use of ground water without obtaining NOC; and Treatment of Over Burdened Dumps (OBD) & Plantations.

4. Thereafter, Chairperson and Members raised queries on various aspects and sought clarification on need for evaluation of environment policy, loss of human life and danger caused to the environment, clarification from the Ministry on whether they have accepted the recommendations made by the C&AG in letter and spirit, assessment of Centre-CIL relation in implementation of the Environmental Policy, role of the concerned States in implementation of the environment laws and need for comprehensive discussion on mining and thermal power plant activities. The representatives of the O/o C&AG responded to the queries raised by the Members and it was decided that the Ministry of Coal and CIL may be called to further clarify on the subject.

The Committee then adjourned.

/-----/

APPENDIX II

COMMITTEE ON PUBLIC UNDERTAKINGS **(2021-22)**

MINUTES OF THE FIFTEENTH SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 14th December, 2021 from 1500 hrs. to 1610 hrs. in Committee Room No. 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - Chairperson

MEMBERS

Lok Sabha

2. Dr. Heena Vijaykumar Gavit
3. Shri Chandra Prakash Joshi
4. Shri Arjunlal Meena
5. Shri Janardan Mishra
6. Shri Nama Nageswara Rao
7. Shri Sushil Kumar Singh
8. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

9. Shri Birendra Prasad Baishya
10. Shri K.C.Ramamurthy
11. M.Shanmugam

SECRETARIAT

- | | | | |
|----|------------------------|---|---------------------|
| 1. | Shri Srinivasulu Gunda | - | Director |
| 2. | Shri G.C. Prasad | - | Additional Director |
| 3. | Smt. Mriganka Achal | - | Deputy Secretary |

REPRESENTATIVES OF OFFICE OF COMPTROLLER AND AUDITOR GENERAL

1. Shri Raj Ganesh Viswanathan - Dy. Comptroller & Auditor General (Commercial, Coordination & Local Bodies) and Chairman, Audit Board
2. Dr. Kavita Prasad - Director General (Commercial)-I
3. Ms. Ritika Bhatia - Director General (Commercial)-II
4. Shri Shailendra Vikram Singh - Principal Director (Parliamentary Committee)

REPRESENTATIVES FROM NMDC

1. Shri Sumit Deb - Chairman-cum-Managing Director
2. Shri Amitava Mukherjee - Director (Finance)
3. Shri Somnath Nandi - Director (Technical)
4. Shri S.Surender - Executive Director (Engg. & Projects)

2. The Chairperson welcomed the Members and the officers of C&AG at the sitting convened to take evidence of representatives of NMDC and explained the agenda of the sittings.

(The representatives of NMDC were then called in.)

3. The Chairperson welcomed the representatives of NMDC and drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence before the Parliamentary Committees. Thereafter, representatives of NMDC briefed the Committee on 'Audit Report No. 5 of 2019 relating to Operational Performance of NMDC Limited' in detail. The issues touched upon, *inter-alia*, involved background of NMDC in relation to steel sector of the country, production in recent years, Profit Before Tax (PBT) and Profit After Tax (PAT) of the company & turn-over, obstacles in production due to weather conditions, non-obtaining of leases and Forest Clearances, delay in commissioning of integrated steel plant and screening plants, issues related to JVs of NMDC & closing down of JKMD, evacuation process for screening plant III and iron projects at Karnataka etc. The other important issues discussed were doubling of Kirandul-Kothavalasa (KK) railway-line, delay analysis and penalty recovery from contractors due to delay in work, iron-ore projects in Karnataka,

Donimalai pellet plant, alternative usage of land of a closed down sponge iron unit under NMDC and disposal of old diamond stock, etc.

4. The Members then raised various issues pertaining to role of NMDC vis-à-vis private players in steel sector, profit of NMDC in relation to increase in prices of iron ore, investment in international coal ventures, economic non-viability of projects, investment decision making inadequacies, rational behind setting unrealistic production targets by NMDC, delay in submission of drawings and in taking actions delinquent officials, reasons for acquiring a loss-making sponge iron project, notices received by NMDC from Central Pollution Control Board (CPCB) and State Pollution Control Boards (SPCBs), issues related to delayed obtaining of Environmental and Forest Clearances and deployment of valuers for disposal of unsold diamonds etc.

6. The representatives of the NMDC clarified issues on which information was readily available with them. In respect of some points for which information was not readily available, the Chairperson desired that written replies may be furnished to the Committee Secretariat within 10 days.

(The witnesses then withdrew.)

APPENDIX III

COMMITTEE ON PUBLIC UNDERTAKINGS
(2021-22)

MINUTES OF THE SIXTEENTH SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 14th December, 2021 from 1610 hrs. to 1700 hrs. in Committee Room No. 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - Chairperson

MEMBERS

Lok Sabha

2. Dr. Heena Vijaykumar Gavit
3. Shri Chandra Prakash Joshi
4. Shri Arjunlal Meena
5. Shri Janardan Mishra
6. Shri Nama Nageswara Rao
7. Shri Sushil Kumar Singh
8. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

9. Shri Birendra Prasad Baishya
10. Shri K.C. Ramamurthy
11. Shri M. Shanmugam

SECRETARIAT

- | | | | |
|----|------------------------|---|---------------------|
| 1. | Shri Srinivasulu Gunda | - | Director |
| 2. | Shri G.C. Prasad | - | Additional Director |
| 3. | Smt. Mriganka Achal | - | Deputy Secretary |

REPRESENTATIVES OF OFFICE OF COMPTROLLER AND AUDITOR GENERAL

1. Shri Raj Ganesh Viswanathan - Dy. Comptroller & Auditor General (Commercial, Coordination & Local Bodies) and Chairman, Audit Board
2. Dr. Kavita Prasad - Director General (Commercial)-I
3. Ms. Ritika Bhatia - Director General (Commercial)-II
4. Shri Shailendra Vikram Singh - Principal Director (Parliamentary Committee)

REPRESENTATIVES OF MINISTRY OF STEEL

1. Ms Rasika Chaube - Additional Secretary
2. Ms. Sukriti Likhi - Additional Secretary & Financial Advisor
3. Shri Gopalakrishnan G. - Deputy Secretary

2. At the outset, Chairperson welcomed the representatives of M/o of Steel and drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence before the Parliamentary Committees. Thereafter, representatives of Ministry of Steel briefed the Committee on 'Audit Report No. 5 of 2019 relating to Operational Performance of NMDC Limited' in detail. The issues touched upon, *inter-alia*, involved Strategic Management Plan (SMP), delays in execution of projects, reports sought by the Ministry for delayed projects, business decisions, role of NMDC in country's steel production, monitoring of production by the Ministry, CAPEX monitoring and monitoring through Dashboard and problems related to acquiring of Greenfield and expansion of Brownfield mines. The other important issues discussed were recent growth seen in crude steel production, increase in profit of NMDC, higher production in last quarters of financial years, potential buyers to NMDC produced iron ore, issues of Deposit 11B and Deposit 13 mines, stalling of project due to protest in Deposit 13, doubling of Kirandul-Kothavalasa (KK) railway lines and regular liaisoning with M/o Railways in this regard, sponge iron unit at Paloncha, a loss making unit, and problems related to its revival and unsold stock of diamonds since 2016.

3. Thereafter, Chairperson and Members sought clarifications from the representatives of Ministry of Steel on various aspects of NMDC as to the reasons for

delayed disposal of diamond stock and Ministry's role in it, co-ordination between Ministry of Steel and other Ministries regarding issues related to Environmental and Forest Clearances, cost of production of steel per unit and manpower in India vis-à-vis other steel producing countries, R&D in steel sector, plans for indigenous production of steel manufacturing equipments under 'Make-in-India', reasons for non-renewal of long- term contracts with Japan and South Korea and plans, if any, by the Ministry to renew the contracts etc.

4. The representatives of the Ministry of Steel clarified issues on which information was readily available with them. In respect of some points for which information was not readily available, the Chairperson directed that written replies may be furnished to the Committee Secretariat within 10 days.

The Committee then adjourned.

/-----/

APPENDIX IV
COMMITTEE ON PUBLIC UNDERTAKINGS
(2022-2023)

MINUTES OF THE TWENTY-SECOND SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 15th December, 2022 from 1530 Hrs. to 1705 Hrs. in Committee Room No. 1, Block A, Extension to Parliament House Annexe (EPHA), New Delhi.

PRESENT

Sh. Santosh Kumar Gangwar- Chairperson

MEMBERS

LOK SABHA

2. Sh. Sudip Bandyopadhyay
3. Dr. Heena Vijaykumar Gavit
4. Sh. Chandra Prakash Joshi
5. Sh. Lavu Sri Krishna Devarayalu
6. Sh. Arjun Lal Meena
7. Sh. Janardan Mishra
8. Sh. Sushil Kumar Singh
9. Sh. Uday Pratap Singh
10. Shri Ramdas Chandrabhanji Tadas

RAJYA SABHA

11. Ms. Indu Bala Goswami
12. Sh. Syed Nasir Hussain
13. Dr. Anil Jain
14. Dr. Amar Patnaik

