

NATIONAL ALUMINIUM COMPANY LIMITED

MINISTRY OF MINES

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2016-2017)**

SEVENTEENTH REPORT

(SIXTEENTH LOK SABHA)

**(Action taken by the Government on the Observations / Recommendations
contained in the Twelfth Report of the Committee on Public Undertakings on
National Aluminum Company Limited)**



LOK SABHA SECRETARIAT

NEW DELHI

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Presented to Lok Sabha on 9 February, 2017
Laid in Rajya Sabha on 9 February, 2017

LOK SABHA SECRETARIAT
NEW DELHI

February, 2017/ Magha, 1938 (Saka)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2016-17)

Shri Shanta Kumar - Chairperson

Members Lok Sabha

2. Shri L.K. Advani
3. Shri Ramesh Bais
4. Shri Biren Sing Engti
5. Dr. Khambhampati Haribabu
6. Shri Kristappa Nimmala
7. Shri Prahlad Singh Patel
8. Shri Shivaji A. Patil
9. Shri Ajay Nishad
10. Shri Ram Sinh Rathwa
11. Shri Narendra Keshav Sawaikar
12. Shri B. Senguttuvan
13. Shri Sushil Kumar Singh
14. Shri Kalikesh Narayan Singh Deo
15. Shri Rameshwar Teli

Rajya Sabha

16. Shri Narendra Budania
17. Shri Ram Narain Dudi
18. Shri Naresh Gujral
19. Shri Praful Patel
20. Shri A.K. Selvaraj
21. Shri Tapan Kumar Sen
22. Shri Ram Chandra Prasad Singh

Secretariat

- | | | | |
|----|---------------------|---|------------------|
| 1. | Smt. Sudesh Luthra | - | Joint Secretary |
| 2. | Smt. Anita B. Panda | - | Director |
| 3. | Shri G.C. Prasad | - | Deputy Secretary |

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Seventeenth Report on Action Taken by the Government on the Observations/Recommendations contained in the Twelfth Report of the Committee on Public Undertakings (Sixteenth Lok Sabha) on National Aluminum Company Limited.

2. The Twelfth Report of the Committee on Public Undertakings (2015-16) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 25 February, 2016. The Action taken Replies to all the 11 recommendations contained in the Report were received from the Ministry of Mines on 7 October, 2016.

3. The Committee considered and adopted the draft Report at their sitting held on 09 January, 2017.

4. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Seventeenth Report of the Committee (2016-2017) is given in Appendix II.

New Delhi
06 February, 2017
17 Magha, 1938(S)

SHANTA KUMAR
Chairperson,
Committee on Public Undertakings.

REPORT

CHAPTER I

This Report of the Committee deals with the action taken by the Government on the observations/recommendations contained in the Twelfth Report (Sixteenth Lok Sabha) of the Committee on Public Undertakings (2015-16) on "National Aluminum Company Limited" which was presented to Lok Sabha on the 25th February, 2016. It contained eleven observations/recommendations.

2. Action taken notes have been received from the Government in respect of all the eleven observations / recommendations contained in the Report. These have been categorized as follows:

- (i) Observations/Recommendations which have been accepted by the Government (Chapter II)
Sl. Nos. 1, 6, 7, 10, 11 (Total 5)
- (ii) Observation/Recommendation which the Committee do not desire to pursue in view of the Government's replies (Chapter III)
Nil
- (iii) Observation/Recommendation in respect of which reply of the Government had not been accepted by the Committee (Chapter IV)
Sl. Nos. 8 (Total 1)
- (iv) Observations/Recommendations to which the Government have furnished interim replies (Chapter V)
Sl. No. 2, 3, 4, 5 and 9 (Total 5)

3. The Committee desire that final replies on the observations/recommendations to which interim replies have been furnished should be expedited. They also desire that response to their comments in Chapter I of the Report should be furnished to them expeditiously.

4. The Committee will now deal with the action taken by the Government on some of the observations/recommendations in the succeeding paragraphs.

Delays leading to production loss

Recommendation Sl. No.7

5. The Committee in their Twelfth Report, had recommended the following with regard to delay leading to production loss :-

"The Committee observe that the Company has a well documented plan for inspection and maintenance of all its major equipment. They also have a Preventive Maintenance Planning System (PMPS) and Condition Based Maintenance System (CBS) through which maintenance activities are being planned and executed periodically. There is also an inspection by a third competent agency for Non Destructive Testing (NDT) every year. However, despite so many mechanisms in place, the Company could not take up the replacement of ageing LHS wire of cable belt in time, which was scheduled for November 2014 following the regular inspections since 2013 by the National Institute of Rock Mechanics (NIRM), a Government agency. The Company also failed to build up enough Bauxite stock at the Refinery which could have been used during the planned shut-down in November 2014 to replace the LHS wire. This resulted in 2.4 percent production loss out of total shortfall of 13.3 percent against the targeted production in FY 2014-15. The Committee note that the shut-down for replacement had to be delayed for five months i.e. upto April 2015 to build up sufficient Bauxite stock to run the refinery. NALCO, however, attributed the delay and loss principally to the Hud-hud Cyclone that struck in October 2014 paralysing the power transmission lines in the Mines. The Committee are not convinced with the reasons put-forth by the Company as the replacement of LHS wire was planned well in advance on the basis of report of NIRM which had inspected the LHS wire regularly since 2013. The Committee, therefore, advise that in future proper inspection and maintenance of machinery and equipment should be done at regular intervals and necessary arrangements for replacement or planned shut down should be carried out in time to mitigate avoidable losses to the Company. Further, the Committee are also unhappy to note the delay by NALCO in renewing the mining lease of North Block of

Panchpatmali Bauxite Mines, which had expired in November 2012, as well as for its failure to get the requisite clearances from the Ministry of Environment & Forest in time. While the Prime Minister's Office is already seized of the matter concerning speedier forest clearances, the Committee feel that timely action is required both by the Centre and State Governments to pursue the matter of having a 'deemed' extension of mine lease in favour of Companies like NALCO which are lease holders of a mine for a long period of time so that the production could be continued till the necessary procedural formalities are completed and the lease is renewed. The Committee desire the Ministry to examine the matter and report back."

6. The Ministry, in their action taken reply, have stated as follows :-

"Noted. All production units of NALCO are certified to ISO 9001 "Quality Management System (QMS)". Under QMS, necessary procedures, formats, instructions have been developed for proper inspection and maintenance of machinery/ equipment at regular intervals. QMS system also ensures arrangements of critical spares required for replacement in planned shutdown, which are taken care at regular intervals as per schedule.

The MMDR Act has been amended and has deemed to have come into force from 12th January, 2015. As per Section 8A (5) of the MMDR Amendment Act, 2015 - "Notwithstanding anything contained in sub-sections (2), (3) and sub-section (4), the period of lease granted before the date of commencement of the Mines and Minerals (Development and regulation) Amendment Act, 2015, where mineral is used for captive purpose, shall be extended and be deemed to have been extended up to a period ending on the 31st March, 2030 with effect from the date of expiry of the period of renewal last made or till the completion of renewal period, if any, or a period of fifty years from the date of grant of such lease, whichever is later, subject to the condition that all the terms and conditions of the lease have been complied with". The State Government is required to satisfy itself with regard to fulfilment of the terms and conditions of the lease before granting the extension under Section 8 A (5) of the Amendment Act."

7. The Committee note that all production units of NALCO are ISO 9001 certified and that Quality Management System (QMS) is now in place under which necessary procedures/ formats/ instructions have been developed for proper inspection and maintenance of machinery/ equipment at regular intervals. The Committee note with satisfaction the amendment to MMDR Act, deemed to have come into force from 12 January, 2015, whereby, the period of lease granted before the aforesaid Amendment Act, where mineral is used for captive purpose, shall be extended and be deemed to have been extended upto a period of renewal last made or till the completion of renewal period, if any, or a period of fifty years from the grant of such lease, whichever is later, subject to the condition that all the terms and conditions of the lease have been complied with. With the quality check systems in place and the matter of mining lease granted to NALCO settled now, the Committee feel that the Company is in a better position to handle/cope up with any exigencies regarding maintenance of machinery or shut down activity with enough bauxite stock to run its refinery in future without incurring any losses to them.

Value addition

Recommendation Sl. No.8

8. With regard to value addition, the Committee in their Twelfth Report, had recommended as follows :-

"The Committee note that in line with its expansion plans, over the years, apart from regular ingots, NALCO has added various value added products like wire rods, billets, strip castings and rolled products at smelter and special grade hydrate at its Alumina refinery. During 2014-15, the total production of the value added products was 37 percent of the total Aluminium production of NALCO. The 63 Committee have been informed that development of value added products is an ongoing process and the various grades alloys and products are developed based on the demand and specific requirements of the customers. The

Committee, however, note that the Company after observing the price trend in London Metal Exchange (LME), limited availability of linkage coal, decided to restrict the smelter metal capacity limiting to power generation through use of linkage Fuel Supply Agreement (FSA) coal only. As a result, during the month of May-June 2013, 198 Electrolytic pots were taken out of service which impacted the cast metal production and accordingly the volume of various value-added products was reduced keeping eye on realization from individual products. During their oral evidence, the Secretary (Mines) informed the Committee that NALCO can do much better to achieve global benchmarks by focusing on more value added products, among other things. The Committee have been informed that NALCO has formed a joint venture with Odisha Industrial Infrastructure Development Corporation (IDCO) to boost its downstream in Aluminium by setting up an Aluminium Park at Angul, Odisha. The Committee hope that with the formation of joint venture with IDCO and setting up of an Aluminium Park, the Company would enhance its value addition in the field of Aluminium alloys and rolled products and would like to be apprised about the developments in this regard."

9. The Ministry, in their action taken reply, have stated as follows :-

"NALCO and Odisha Industrial Infrastructure Development Corporation (IDCO) have formed a JV Company named "Angul Aluminium Park Pvt. Ltd. (AAPPL)" in July, 2010 for establishment of Aluminium Park at Angul for promotion of downstream industries in the state.

- In June, 2014, NALCO committed to supply 50,000 MT of metal supply to the Park for a period of 20 years.
- In Aug, 2015, the project has been granted central grant of Rs.33.44 crore under Modified Industrial Infrastructure Upgradation Scheme (MIUS) of Department of Industrial Policy & Promotion (DIPP), Govt. of India, out of the total project cost of Rs 99.60 crore (excluding the cost towards acquisition of land).

- Based on the request of Govt. of Odisha, DIPP in March, 2016 accorded in-principle approval to designate AAPPL as the State Implementing Agency (SIA) in place of IDCO for the development and management of the Park.
- Government of Odisha in April, 2016 has approved 51% equity of IDCO in AAPPL. Accordingly, NALCO's equity in the project would be 49%.
- Approx. 224 acre land has been acquired by IDCO for the project. Action has also been initiated by IDCO for inviting composite tender for infrastructure development for the park."

10. The Committee have been apprised that NALCO and Odisha Industrial Infrastructure Development Corporation (IDCO) have formed a Joint Venture Company named 'Angul Aluminium park Pvt. Ltd. (AAPPL)' in July 2010 for establishment of Aluminium Park at Angul for promotion of downstream industries in the State. Accordingly, IDCO has acquired 224 acre (approx.) land for the Park and the Department of Industrial Policy & Promotion, Government of India have designated AAPPL as the State Implementing Agency (SIA) for the development and management of the Park.

11. The Committee however find that the Joint Venture Company has been progressing very slowly. Now when approvals are in place and the 224 acre land has been acquired, the Committee hope that Angul Aluminium Park would see the light of the day. From the action taken notes the Committee find that NALCO's role seems to be only to supply 50,000 MT of metal for a period of 20 years. The Committee would like to be apprised as to how the setting up of Angul Aluminium Park would enhance Company's value addition in the field of Aluminium alloys and rolled products so as to enable the Company to compete with its private players in the market. Also the Ministry have chosen to remain silent on the Committee's original recommendation w.r.t. focusing on more value-added products by NALCO so as to achieve global benchmarks. The Committee desire the Ministry to furnish a detailed reply on the same.

Redefining the Company's Vision Document

Recommendation Sl. No. 10

12. The Committee, in Twelfth Report, had recommended the following with regard to redefining the Company's Vision Document :-

"The Committee note that NALCO had prepared a Vision Document plan in 2009, which addressed the course of operation to reach new markets abroad specifically in Indonesia & Iran. Feasibility study was also carried out for a 0.5 Million Tonne smelter in two phases alongwith a captive power plant of 1250 MW at an estimated cost of ₹ 16,500 crore. However, the plan could not materialize due to delay in coal mining project identified by NALCO for sourcing coal. Further, due to geo-political reasons, the project with Iran got shelved too. The volatile market conditions and continued slump in the market for Aluminium compelled NALCO to revisit the options to establish smelting operations in regions with cheap source of energy. With positive developments in Iran, NALCO has stated to have renewed its interest in Iran, including Indonesia and have also shortlisted Oman as a potential destination for which studies to ascertain the economic feasibility are underway. In the given scenario, the Committee are glad to learn that NALCO has decided to redefine its Vision Document plan to align with present day business environment and to leverage its strengths in the business of Aluminium production and power generation. As has been brought in an earlier observation, NALCO is mulling over engaging an expert of global repute for the same. The Committee agree that due to new challenges faced in the wake of considerable changes in the business environment in the country and impact of industrial activity, difficulties in land acquisition, growing gap between coal requirements and availability, legislative changes in land acquisition and R&R, the changed Companies Act, etc; the Corporate Plan of NALCO needs to be revisited so that potential markets both within the Country and abroad are not lost. The Committee, therefore, desire that an analytical comparative study on performance of its major competitors viz. HINDALCO and VEDANTA should be undertaken before revisiting and finalizing the Vision Document plan."

13. The Ministry, in their action taken reply, have stated as follows :-

"The bids received against the tender issued by NALCO for selection of a consultant for preparation of the company's 'Long Term Corporate Plan', are under evaluation by the company. The firm order is likely to be placed on the selected bidder by the end of November, 2016. The scope of work, inter alia included business environment scan, business opportunities (domestic and global), plausible scenarios and competitor's strategy. As suggested by the Committee, analytical study of Competitors performance shall be considered while finalizing Company's strategic plan."

14. Pursuant to the recommendation of the Committee for revisiting the Vision Document Plan as per the action taken reply, the selection of a consultant for preparation of the same is under evaluation by the Company and the firm order for the same was likely be placed by November, 2016. The Committee desire to be apprised of the progress made in this regard. Further, the Committee emphasise that the 'Long Term Corporate Plan' of the Company not only needs to be finalized at the earliest keeping in view the competition from various private players but also be implemented in true spirit.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation Sl. No.1

The Committee appreciate the fact that NALCO, a Navratna CPSE operating in the field of Alumina and Aluminium production, mining and power for the last 34 years, has since made India self sufficient in respect to requirement of Aluminium and Alumina. As regards its research and development activities, the Committee are further happy to note the Company's achievements in earning five patents and in activities like extraction of alumina from fly ash, development of glass ceramics from red mud (a waste material), reduction in D/C energy consumption etc., which are eco-friendly, as well as the fact that a Corporate level R&D centre of the Company at Bhubaneswar, Odisha is in advanced stage of completion. The Committee find that NALCO has two major competitors in the domestic market i.e HINDALCO Industries Ltd. and M/s. VEDANTA Ltd. with NALCO ranking at number three. NALCO contributes about 2 percent of world alumina production and only 0.6 percent of global Aluminium production, while VEDANTA and HINDALCO contribute about 1.6 percent and 1.5 percent in Aluminium and 0.9 percent and 2 percent in Alumina respectively. It is unfortunate to note that despite being in an advantageous position and having access to the best mineral resources, NALCO falls behind its competitor domestic Aluminium producing Companies. Therefore, the Committee exhort NALCO to make all out efforts so as to reach a leading position in the market. The Committee have been apprised that the Government of Odisha have recommended for allotment of Pottangi Bauxite Mines in favour of NALCO and the Company has already started project work of 1 million tonne at alumina refinery at Damanjodi, Odisha having project outlay of ₹ 5640 crore. The Government has also allocated Utkal 'D' & 'E' coal block mines to NALCO which has an estimated reserve of 200 million tonnes. NALCO has plans for setting up two Greenfield smelters of 5 lakh MT each at Indian and overseas locations. Notwithstanding the fact that HINDALCO is having business interest in copper & auto

segments and VEDANTA has business interest in zinc, oil & gas, copper, iron ore and Aluminium from where the two companies derive more profit and in view of NALCO's ambitious plans in Greenfield ventures, allotments in Bauxite and coal mining operations and availability of proper coal linkage to them now, the Committee hope that NALCO would emerge in a much better position globally and achieve leading position domestically. At the same time, the Committee have been apprised of certain thought provoking suggestions from NALCO to facilitate faster implementation of its ambitious growth plans, for instance more powers to be vested with their Board to select a JV partner or to form a JV Company or consortium among CPSEs, etc. The Committee desire that the Ministry of Mines should apprise the Department of Public Enterprises (DPE) of these suggestions and pursue it further. The Committee, in fact, are of the strong opinion that all CPSEs including NALCO must be supported suitably so as to provide level-playing field to withstand competition from the much aggressive private sector enterprises domestically and become 55 globally competitive. The Committee desire to be apprised of the action taken by the administrative Ministry of NALCO on the matter.

Reply of the Government

NALCO has always been making all out efforts to sell it's products in the domestic as well as overseas markets. In fact, the company has been practically selling the entire quantum of aluminium metal produced by it in any year. To illustrate the same, details pertaining to production and sales of metal for the past 5 years is given at Annexure-I.

During the financial year, 2016-17, in case of any increase in production volume, all efforts shall be made to achieve maximum sales so as to match the enhanced production quantity.

All out efforts are being made by NALCO so as to achieve 100 % capacity utilization of Smelter Plant by 2017-18.

The issue of establishing financial joint ventures has been examined by Department of Public Enterprises in the context of proliferation of Maharatna, Navratna

and Miniratna and it has been viewed that such deployment of public funds is made after due scrutiny and adequate justification to ensure that the decision for investment to set up joint ventures or subsidiary entities is in sync with the policy considerations and strategic needs of the Government and in conformity with the norms of fiscal prudence. DPE, vide their OM No. 18(60/2016-MGMT dated 10th August, 2016 has instructed that:

- (i) The proposal for establishing financial joint ventures and subsidiary entities will be presented to the Board of the concerned CPSE
- (ii) The concerned administrative Ministry/Department will obtain the concurrence of NITI Aayog for such proposals on a case- to -case basis and firm up its views on the proposals as the stakeholder for the Board's deliberations through its representatives on the Board for appropriate decision.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

Recommendation Sl. No.6

From the details of the targets of capacity utilization and actual production from 2010-11 till date, the Committee note that none of the products of NALCO could achieve the target capacity utilization in any year. Among the factors cited by NALCO for the low capacity utilization were the Hud-hud cyclone, incessant rains during monsoon, restriction in area of mining imposed by the Ministry of Environment & Forests for Stage-I forest clearance, receipt of poor quality of coal, labour problems, disturbances in power supply due to cyclone/rains, etc. which were stated to be beyond the control of the Company. The Committee feel that NALCO could have achieved higher capacity utilization had they taken measures within their control for instance timely maintenance of its machine parts. The Secretary, Ministry of Mines, however, apprised the Committee during evidence that the capacity utilization of the Company was deliberately kept low at 71 percent to optimize realization keeping in view the sluggish demand for the metal, depressed market situation, etc. This stand was supported further by citing the fact that the two major competitors of NALCO in Aluminium market viz. HINDALCO and VEDANTA could utilize only 62 percent and 38 percent respectively of their

installed capacity. Nonetheless, the Committee observe that one factor for the two competitors remaining on top could be that these companies have expanded their installed capacities aggressively in the last few years. The installed capacity of HINDALCO is 13.54 lakh MT and that of VEDANTA is 23.15 lakh MT while that of NALCO is only 4.60 lakh MT. In this backdrop, the Committee feel that there is a pressing need for the Company to increase its capacity. They have been informed that in order to expand their capacity, NALCO is actively pursuing its expansion plans in Aluminium sector by setting up two Greenfield smelters of the capacity of 5 lakh MT one each at an Indian and one overseas location, to take advantage of possible market opportunities in future. The refinery at Koraput (Damanjodi) is also planned for expansion. Further, the Government has allocated Utkal 'D' & 'E' coal blocks and NALCO has also obtained the mining lease of Pottangi Bauxite deposits in Odisha. With these positive developments, the Committee expect that the capacity utilization of the Company would be enhanced substantially in the near future. 61 They would like to be apprised of the enhancements of capacity of NALCO envisaged in the next five years.

Reply of the Government

- NALCO has shortlisted Iran, Oman and Indonesia to set up a 5 Lakh MTA greenfield aluminium smelter overseas. The Company has signed an MoU with Iranian Mines & Mining Industries Development & Renovation Organization (IMIDRO) during Hon'ble Prime Minister's visit to Iran in May,2016 to take forward the business cooperation and collaboration in Iran. Further, NALCO and IMIDRO have constituted a Joint Task Force to deliberate for a greenfield aluminium smelter or any other option like tolling arrangement with existing smelters in Iran.
- NALCO is exploring to set up a 5 Lakh MTPA aluminium smelter in India for which two locations are under evaluation - Sundargarh district of Odisha and Singrauli district of Madhya Pradesh (MP). Pre-Feasibility Report (PFR) for the smelter project in Odisha has been prepared. The Company is preparing a PFR for the smelter project in Madhya Pradesh. The Company shall take further decisions after assessing the project viability.

In addition adding a 5th potline in existing smelter is also being explored.

Details of enhancing capacity utilization is given at Annexure-II. It may kindly be noted that the global aluminium market price at London metal exchange (LME) dropped from \$1889/MT in FY 14-15 to \$1592/MT in FY15-16, thus dampening any effort to add new capacity. On global basis nearly 60% of aluminium smelters incurred cash loss in Q4 of 2015. However, NALCO has continued its efforts to add capacity. In Refinery segment, a new stream of 1 million TPA is being added at a project outlay of Rs 5540 crore, sourcing Bauxite from Pottangi Bauxite Deposits. The pre-project activities have started since December, 2014. On completion of the project, alumina refining capacity of NALCO will increase to 3.275 million ton from present 2.275 million ton. Acceptance to the terms and conditions stipulated for Mining Lease of Pottangi Bauxite Deposits has been submitted to Addl. Secretary, Steel and Mines, Govt. of Odisha on 08.08.2016. ML is awaited from Govt. of Odisha. Gudem & KR Konda Bauxite Deposits in Andhra Pradesh have been reserved for NALCO by Govt of India. These areas are Maoist infested preventing any physical activities. Hence, the proposed Alumina refinery project in Andhra Pradesh based on Bauxite supply from Gudem and KR Konda Deposits is not being pursued by the Company at present. Therefore, additionally the Company is requesting for allocation of Jarella mines in Andhra Pradesh based on which a 2 million ton per annum (TPA) Alumina Refinery is being contemplated. For aluminium smelter, the company is weighing all options for brownfield expansion of existing pot lines with higher amperage. The coal resources of Utkal-D & E would be utilised for capacity enhancement of existing smelter. Subject to financial viability, the Company is also exploring possibilities to set up Greenfield smelter projects in India with a vision to achieve 2 million ton per annum (TPA) Aluminium capacity in next 7 years. During the visit of Hon'ble Prime Minister to Iran in May'16, NALCO and IMIDRO have signed an MoU to jointly explore the possibility of setting up an Aluminium smelter in Iran with supply of alumina from NALCO's refinery in India. A Joint Task Force (JTF) comprising members from NALCO and IMIDRO has been formed to study the proposed business options and recommend further course of action. With improvement in availability of coal from domestic sources, including possibility of getting coal through bridge linkage mechanism, NALCO is planning to improve capacity utilization with effect from financial year 2017-18.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

Recommendation Sl. No.7

The Committee observe that the Company has a well documented plan for inspection and maintenance of all its major equipment. They also have a Preventive Maintenance Planning System (PMPS) and Condition Based Maintenance System (CBS) through which maintenance activities are being planned and executed periodically. There is also an inspection by a third competent agency for Non Destructive Testing (NDT) every year. However, despite so many mechanisms in place, the Company could not take up the replacement of ageing LHS wire of cable belt in time, which was scheduled for November 2014 following the regular inspections since 2013 by the National Institute of Rock Mechanics (NIRM), a Government agency. The Company also failed to build up enough Bauxite stock at the Refinery which could have been used during the planned shut-down in November 2014 to replace the LHS wire. This resulted in 2.4 percent production loss out of total shortfall of 13.3 percent against the targeted production in FY 2014-15. The Committee note that the shut-down for replacement had to be delayed for five months i.e. upto April 2015 to build up sufficient Bauxite stock to run the refinery. NALCO, however, attributed the delay and loss principally to the Hud-hud Cyclone that struck in October 2014 paralysing the power transmission lines in the Mines. The Committee are not convinced with the reasons put-forth by the Company as the replacement of LHS wire was planned well in advance on the basis of report of NIRM which had inspected the LHS wire regularly since 2013. The Committee, therefore, advise that in future proper inspection and maintenance of machinery and equipment should be done at regular intervals and necessary arrangements for replacement or planned shut down should be carried out in time to mitigate avoidable losses to the Company. Further, the Committee are also unhappy to note the delay by NALCO in renewing the mining lease of North Block of Panchpatmali Bauxite Mines, which had expired in November 2012, as well as for its failure to get the requisite clearances from the Ministry of Environment & Forest in time. While the Prime

Ministers Office is already been seized of the matter concerning speedier forest clearances, the Committee feel that timely action is required both by the Centre and State Governments to pursue the matter of having a 'deemed' extension of mine lease in favour of Companies like NALCO which are lease holders of a mine for a long period of time so that the production could be continued till the necessary procedural formalities are completed and the lease is renewed. The Committee desire the Ministry to examine the matter and report back.

Reply of the Government

Noted. All production units of NALCO are certified to ISO 9001 "Quality Management System (QMS)". Under QMS, necessary procedures, formats, instructions have been developed for proper inspection and maintenance of machinery/ equipment at regular intervals. QMS system also ensures arrangements of critical spares required for replacement in planned shutdown, which are taken care at regular intervals as per schedule.

The MMDR Act has been amended and has deemed to have come into force from 12th January, 2015. As per Section 8A (5) of the MMDR Amendment Act, 2015 - "Notwithstanding anything contained in sub-sections (2), (3) and sub-section (4), the period of lease granted before the date of commencement of the Mines and Minerals (Development and regulation) Amendment Act, 2015, where mineral is used for captive purpose, shall be extended and be deemed to have been extended up to a period ending on the 31st March, 2030 with effect from the date of expiry of the period of renewal last made or till the completion of renewal period, if any, or a period of fifty years from the date of grant of such lease, whichever is later, subject to the condition that all the terms and conditions of the lease have been complied with". The State Government is required to satisfy itself with regard to fulfilment of the terms and conditions of the lease before granting the extension under Section 8 A (5) of the Amendment Act.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

Recommendation Sl. No. 10

The Committee note that NALCO had prepared a Vision Document plan in 2009, which addressed the course of operation to reach new markets abroad specifically in Indonesia & Iran. Feasibility study was also carried out for a 0.5 Million Tonne smelter in two phases alongwith a captive power plant of 1250 MW at an estimated cost of ₹ 16,500 crore. However, the plan could not materialize due to delay in coal mining project identified by NALCO for sourcing coal. Further, due to geo-political reasons, the project with Iran got shelved too. The volatile market conditions and continued slump in the market for Aluminium compelled NALCO to revisit the options to establish smelting operations in regions with cheap source of energy. With positive developments in Iran, NALCO has stated to have renewed its interest in Iran, including Indonesia and have also shortlisted Oman as a potential destination for which studies to ascertain the economic feasibility are underway. In the given scenario, the Committee are glad to learn that NALCO has decided to redefine its Vision Document plan to align with present day business environment and to leverage its strengths in the business of Aluminium production and power generation. As has been brought in an earlier observation, NALCO is mulling over engaging an expert of global repute for the same. The Committee agree that due to new challenges faced in the wake of considerable changes in the business environment in the country and impact of industrial activity, difficulties in land acquisition, growing gap between coal requirements and availability, legislative changes in land acquisition and R&R, the changed Companies Act, etc; the Corporate Plan of NALCO needs to be revisited so that potential markets both within the Country and abroad are not lost. The Committee, therefore, desire that an analytical comparative study on performance of its major competitors viz. HINDALCO and VEDANTA should be undertaken before revisiting and finalizing the Vision Document plan.

Reply of the Government

The bids received against the tender issued by NALCO for selection of a consultant for preparation of the company's 'Long Term Corporate Plan', are under evaluation by the company. The firm order is likely to be placed on the selected bidder by the end of November, 2016. The scope of work, inter alia included business

environment scan, business opportunities (domestic and global), plausible scenarios and competitor's strategy. As suggested by the Committee, analytical study of Competitors performance shall be considered while finalizing Company's strategic plan.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

Recommendation Sl. No. 11

The Committee note that funds allocated for CSR by the Company are spent through the NALCO Foundation. Some CSR projects are taken up directly by the Company too. They however, observe from the Expenditure Statement submitted to them that NALCO has been spending more than the CSR allocations on its CSR activities every year since 2010-11. It is not clear as to how CSR expenditure is over and above the CSR allocations. The Committee require a clarification on the same. They further note that the CSR activities have been mostly carried out in the local area of operation of NALCO. Also the Company has spent CSR funds on activities such as promotion of sports & games, arts, crafts & culture etc. which do not seem to be in line with spirit of CSR activities, that is, is to help the poorest among the poor, particularly those in the remotest areas where the Government's reach is minimal. The Committee also observe that the CSR activities are being carried out in the local area, mainly for peripheral development activities on projects approved by the Rehabilitation & Periphery Development Advisory Committees (RPDACs). They have been informed that with the allocation of Pottangi Bauxite Mine to NALCO and subsequent starting of IMT Alumina refinery at Damanjodi, Odisha, NALCO would be spending additional ₹300 crore under CSR in the adjoining areas. In view of the fact that NALCO is a Navratna Company with its products being sold in domestic market all over India, the Committee opine the CSR activities of NALCO should not be confined to the local area alone. The Committee, therefore, desire that the Company may also carry out its CSR activities in other parts of the country where it does not have its presence. Further, CSR activities should be carefully selected so as to give priority to the poorest of the poor and the most backward areas of the country.

Reply of the Government:

As regards the query of Esteemed Committee about higher expenditure towards Corporate Social Responsibility (CSR) by NALCO during the period 2010-11 till 2014-15, the details are as under:

(Rs. in crores)

Year	Funds allocated for CSR(@2% average PAT)	Funds utilised for CSR including expenditure on education for peripheral village school students.
2010-11	16.28	16.55
2011-12	21.38	34.22
2012-13	16.99	30.99
2013-14	11.86	29.00
2014-15	20.14	19.09

It may kindly be noted that, utilization of CSR fund in 2010-11 & 2014-15 are in line with respective CSR allocations. For the year 2011-12, the Company has spent additional expenditure of Rs.10.94 crore on education for peripheral village school students at Company's Plant sites located at Angul and Koraput district of Odisha, which included two English medium schools & two vernacular schools. Besides that, NALCO had contributed Rs.1.00 crore to Chief Minister's Relief Fund of Odisha and also financial assistance of Rs.1.00 crore was extended to District Administration of Angul for construction of Sabhaghar at Angul. Similarly, in 2012-13 & 2013-14, NALCO had spent additional expenditure of Rs.13.21 crore & Rs.17.14 crore respectively towards education for peripheral village students in NALCO run schools at Company's Plant sites located at Angul and Koraput district of Odisha. Further, it may kindly be noted that, CSR activities by NALCO in the local area are carried out, mainly for peripheral development projects approved by Rehabilitation & Periphery Development Advisory Committees (RPDACs), consisting of local MLAs, MP, Collector, RDC, etc. With establishment of 'NALCO Foundation', w.e.f. July 2010, the CSR allocation has been 2% of PAT. Whereas NALCO Foundation is authorized to take up CSR activities in line with various applicable statutes like Companies Act, MMDR Act, etc.

As regards spending in other parts of Country towards CSR activities, the Company will consider the same. In recent past, the Company has taken up a few infrastructural development projects at Adarsh Gram Panchayat, Cheenor, Gwalior & Sirsod, Shivpuri in Madhya Pradesh, drinking water and sanitation project in Visakhapatnam district of Andhra Pradesh. As regards selection of CSR activities so as to give priority to the poorest of the poor and the most backward areas of the country, the Company will consider the same in future years.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Nil

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation SI. No.8

The Committee note that in line with its expansion plans, over the years, apart from regular ingots, NALCO has added various value added products like wire rods, billets, strip castings and rolled products at smelter and special grade hydrate at its Alumina refinery. During 2014-15, the total production of the value added products was 37 percent of the total Aluminium production of NALCO. The Committee have been informed that development of value added products is an ongoing process and the various grades alloys and products are developed based on the demand and specific requirements of the customers. The Committee, however, note that the Company after observing the price trend in London Metal Exchange (LME), limited availability of linkage coal, decided to restrict the smelter metal capacity limiting to power generation through use of linkage Fuel Supply Agreement (FSA) coal only. As a result, during the month of May-June 2013, 198 Electrolytic pots were taken out of service which impacted the cast metal production and accordingly the volume of various value-added products was reduced keeping eye on realization from individual products. During their oral evidence, the Secretary (Mines) informed the Committee that NALCO can do much better to achieve global benchmarks by focusing on more value added products, among other things. The Committee have been informed that NALCO has formed a joint venture with Odisha Industrial Infrastructure Development Corporation (IDCO) to boost its downstream in Aluminium by setting up an Aluminium Park at Angul, Odisha. The Committee hope that with the formation of joint venture with IDCO and setting up of an Aluminium Park, the Company would enhance its value addition in the field of Aluminium alloys and rolled products and would like to be apprised about the developments in this regard.

Reply of the Government:

- NALCO and Odisha Industrial Infrastructure Development Corporation (IDCO) have formed a JV Company named "Angul Aluminium Park Pvt. Ltd. (AAPPL)" in July,

2010 for establishment of Aluminium Park at Angul for promotion of downstream industries in the state.

- In Jun, 2014, NALCO committed to supply 50,000 MT of metal supply to the Park for a period of 20 years.
- In Aug, 2015, the project has been granted central grant of Rs.33.44 crore under Modified Industrial Infrastructure Upgradation Scheme (MIUS) of Department of Industrial Policy & Promotion (DIPP), Govt. of India, out of the total project cost of Rs 99.60 crore (excluding the cost towards acquisition of land).
- Based on the request of Govt. of Odisha, DIPP in March, 2016 accorded in-principle approval to designate AAPPL as the State Implementing Agency (SIA) in place of IDCO for the development and management of the Park.
- Govt of Odisha in April, 2016 has approved 51% equity of IDCO in AAPPL. Accordingly, NALCO's equity in the project would be 49%.
- Approx. 224 acre land has been acquired by IDCO for the project. Action has also been initiated by IDCO for inviting composite tender for infrastructure development for the park.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS TO WHICH THE GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation SI. No.2

The Committee note with serious concern that the import duties on Aluminium and Aluminium scrap are having an adverse impact on the profitability of NALCO's production business. As deposed by the Secretary (Mines), out of total Aluminium consumption in the country, 55 percent is met from Aluminium scrap and 45 percent through Aluminium, on which the import duties are 2.5 percent and 5 percent respectively, resulting in cheap imports from countries like China. Overall the price of Aluminium as per London Metal Exchange rates has also fallen in the last few years. These factors have led to NALCO and other domestic players running in loss as well as losing the drive to increase their capacity utilization since the investments on the same is not likely to lead to profits. As a result, the Companies including NALCO are going for cost-cutting measures as well as retrenchments and laying-off workers to survive. The Committee feel that apart from survival of Aluminium industry, this is an alarming scenario for factory workers too, and hence an urgent action from the Government is warranted. They have been given to understand that the Ministry of Mines has already been pursuing the matter to increase import duty to 10 percent on both Aluminium and Aluminium scrap with the Ministry of Finance as well as the Prime Minister's Office, on the basis of the argument that duty on all other non-ferrous metal scrap like Copper, Nickel, Lead, Tin and Zinc is at par with the prime metal. The Committee agree with the move in the interest of Aluminium Companies like NALCO since their domestic market must not be dominated by cheap metal and metal scrap imports. The Committee desire the Ministry of Mines to convey their recommendation to the Ministry of Finance and PMO. The Committee desire to be apprised of the progress on the matter in due course.

Reply of the Government:

Keeping in view of the survival of aluminium industry without compromising the interest of downstream industries, Ministry of Mines suggested Ministry of Finance that import duty on primary aluminium (HS code 7601) may be increased from 5% to 7.5%

and import duty on other products (HS 7603)(power), 7604(Bar/rod), 7605(wire), 7606(plate sheet) and HS 7607(Foil) may be increased from 5% to 7.5% and also duty on HS code 7608(Tubes and pipe)/7609(pipe fitting) may be increased from 7.5 to 10%. The import duty on scrape HS code 7602 may be continued at 2.5%. Ministry of Finance in their budget 2016-17 increased basic custom duty on primary aluminium products (HS Code No. 7601, 7603, 7604, 7605, 7606 and 7607) to 7.50% from 5% and on other aluminium products (HS Code No. 7608 and 7609) from 7.50% to 10%. Ministry of Mines is again considering to take further steps for survival of aluminium industry. For this purpose, several meetings have been held with the representatives of primary producers of aluminium as well as secondary producers of aluminium/downstream industries.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

Recommendation SI. No.3

The Committee note that out of the 16 posts of Board of Directors in NALCO, eight posts of part-time non-official (Independent) Directors are lying vacant. The persons to fill these posts are to be appointed by the Government of India through a Search Committee. Although, the Ministry is well aware of the clear-cut guidelines of the Department of Public Enterprises (DPE) for initiating the process well in advance for filling up of vacant posts, ironically, the Committee note that four posts of Directors in the Board have been lying vacant for more than a year. Since non-appointment of requisite number of non-official Directors is violation of the Companies Act 2013, the listing agreement with Stock Exchanges and DPE Guidelines on Corporate Governance, there appears to be an evident neglect and delay on the part of the Government in filling up the vacant posts. The Committee opine that key positions in NALCO should not be left vacant for a long time as it may jeopardise not only the decision making process but also the image of the Company globally and consequently will have adverse impact on the performance of the Company. The Committee were later informed that the Government has since sent a proposal for appointment of five candidates out of the current eight vacancies. The Committee emphasise that all the vacant posts in the Board of the Company be filled up immediately and that the Government should take

advance action to fill up the anticipated vacancies in the Board so that new incumbents are ready to take up the positions as soon as the vacancies arise.

Reply of the Government:

The Board of Directors of the Company has an optimum combination of Executive and Non-executive Directors i.e. 6(six) Executive Directors, 2(two) Non-executive official Directors and 8(eight) Non-executive non-official Directors (Independent Directors) till 20.3.2014. The Independent Directors ceased to hold office in a phased manner on completion of their tenure as per the appointment letters issued by Ministry of Mines, Govt. of India. The last cessation was of 2 (two) independent Directors w.e.f 10.7.2015.

05 (five) Independent Directors were subsequently appointed on the Board of the Company w.e.f 21.11.2015.

The authority for appointment of Directors vests with the President of India, the matter was taken up by NALCO with the Administrative Ministry i.e. Ministry of Mines, Govt. of India to expedite early appointment of balance required number of 3(three) Independent Directors on the Board of NALCO. The appointment of remaining 3 independent directors is under consideration in the Ministry of Mines.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

Recommendation Sl. No.4

The Committee are disappointed to note that despite being given the operational freedom as per their Navratna status, NALCO has allowed a substantial number of vacancies in both executive and nonexecutive categories to continue. The Committee find that in NALCO there is around 15.2 percent shortage of manpower in the Executive category and 18.45 percent shortage in the non-executive category. One of the reasons stated by the Company for the same is the decision of its Board to operate at 90 percent of its sanctioned strength so as to contain the labour cost. Even going by this parameter, the vacancies should have been kept at 10 percent of the total strength, which is not the case presently. The Committee note the measures being taken by the Company for filling up the vacancies which include initiating action for recruitment of

110 Graduate Engineer Trainees (GETs) & 20 Management Trainees (MTs), recruitment of 27 vacancies in Executive Cadre, 17 doctors, etc. NALCO is further taking action to engage 235 land oustees out of Substantially Affected Persons (SAP). The Committee are of the view that delay in filling of the vacancies would not only adversely affect the production output of the Company, but also the aspirations of the local tribal population as they feel that there might be resentment amongst the local community due to delay in filling up the vacancies from SAPs. In the light of the above, the Committee desire that action for filling up of the vacant positions, especially in operational areas, must be expedited.

Reply of the Government:

The Company in the meantime has taken initiatives to fill up the vacant posts in various areas and a total number of 103 posts in various areas have been filled up as indicated below:

- i) Executives/GETs - 66
- ii) Non-executives - 37

Recruitment action is also on hand in respect of 220 executives and non-executives as indicated below:

- i) Executives/GETs/MTs - 119
- ii) Non-executives - 101

All the identified 235 nos of Substantially Affected Persons (SAPs) have been asked for their option and nomination for availing rehabilitation benefits which also includes employment. Against the same as on date 57 nominations and options have been received and 8 nos have joined for employment through Skilled Upgradation Practical Training (SUPT) mode. The documents in respect of the balance are under verification for availing the rehabilitation benefit.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

Recommendation Sl. No.5

The Committee note that although the Net Sales of the Company have constantly increased since 2010-11, except in 2013-14, when the decrease in the price of

Aluminium metal impacted its sale, the profits of the Company have not increased commensurately. Interestingly, the Company has been able to achieve profit of ₹ 2118 crore in 2014-15 which is nearly three times higher than the target of ₹ 791 crore. In this connection, the Committee have been apprised that the profits of NALCO are not solely dependent on their Net Sales. Amongst other things, the turnover and Net Profit of the Company is also dependent on realization from domestic and export sales, prices of the metal at London Metal Exchange (LME), operating costs, input prices, expenses on maintenance and other administrative expenses of the Company. It has been argued that while NALCO is purely an Aluminium metal based Company, its competitors HINDALCO and VEDANTA are having business interest in zinc, oil & gas, copper, iron ore, etc., which attributes to larger profits in these segments for these Companies. The Committee also note that NALCO took a conscious strategic decision to reduce metal production/ sale through coal-fired power generation as it was run through imported coal which was not cost effective. Various cost-cutting measures introduced by NALCO to increase its profits have been noted by the Committee. They further note that although there has been a constant increase in the volume of exports of Calcined Alumina and Aluminium, since 2010-11, there was a sudden decline in exports during 2014-15, resulting from lesser production of Alumina & Aluminium metal and the Company's higher focus on sale of metal in domestic market, where realization is more. The Committee also note that though the MoU rating of the Company in 2013-14 declined to 'Very Good' from 'Excellent' in 2012-13, NALCO is expecting to achieve 'Excellent' rating in 2014-15, with regular and effective monitoring by the administrative Ministry, linkage of Coal, active pursuing of its expansion plans in the Aluminium sector, diversification in the field of wind power, solar power, nuclear power, caustic soda projects, etc. as well as by setting up of two Greenfield smelters at Indian and overseas locations to take advantage of possible market opportunities. In this background, the Committee hope that NALCO would now be in a position to be able to improve its performance substantially. They desire to be apprised of the financial performance of the Company at the action taken stage, resulting from these plans. They would also like to be apprised of the outcome of NALCO's proposal to engage a globally reputed

consultant to help in redefining its vision and corporate plan under the changed business scenario, and the targets fixed, if any, accordingly in future.

Reply of the Government:

The projects & activities planned for improving performance, which is detailed in the report of the Action taken by the Government on the recommendations contained in the Twelfth Report of the Committee on Public Undertakings (2015-16) on National Aluminium Co. Ltd. are in process of appraisal & implementation and revenue from these projects are expected to contribute in future years.

It may kindly be noted that the global aluminium market price at London Metal Exchange (LME) dropped from \$1889/MT in financial year 2014-15 to \$1592/MT in financial year 2015-16, i.e. by about 16%. Overcoming sluggish market sentiment, the company remained profitable all through financial year 2015-16 by focusing on its bauxite mining and alumina refining arm. The Company has achieved a net profit of Rs. 731 crore in 2015-16, whereas globally many aluminium producers incurred loss due to low price.

The achievements of NALCO in terms of physical performance in 2015-16 are as follows:

- a) Bauxite Mines have achieved highest ever Bauxite transportation of 63.40 lakh MT as against 57.39 lakh MT in previous year registering 10.5% of growth.
- b) Alumina Refinery has achieved highest ever alumina hydrate production of 19.53 lakh MT as against 18.51 lakh MT in previous year registering 5.5% of growth.
- c) Aluminium Smelter achieved cast metal production of 3.72 lakh MT against 3.27 lakh MT in previous year registering 13.8% of growth.
- d) Captive Power plant (CPP) achieved Net Power Generation of 5,841 MU as against 5,131 MU in previous year. CPP received 44.90 lakh MT from MCL/ CIL, i.e. 95.2% of linkage quantity & achieved 66.52% ash utilisation against 24% in previous year.
- e) Wind Power: The 50.4 MW Wind Power Plant, Gandikota, Andhra Pradesh & 47.6 MW Wind Power plant, Jaisalmer, Rajasthan generated 94.6 MU & 61.3 MU respectively.
- f) Total metal sale has been 3.72 lakh MT as against 3.26 lakh MT in last year registering 14% growth.
- g) The Company sold 1.32 lakh MT of value added products, which is 12% more compared to 1.18 lakh MT in previous year.

It may be mentioned that the Company is likely to achieve 'Excellent' MOU rating for the year financial year 2015-16 based on the assessment made by the Company.

Two wind power plants having total capacity of 100 MW are under implementation and the project is likely to be completed by December 2016. The 5th stream Alumina Refinery expansion project at Damanjodi having outlay of Rs.5540 crore, Caustic soda project having project outlay of Rs.1789 crore and Utkal-D&E coal mine project are under various stages of implementation.

Market Sentiment for NALCO remained high due to raw material securitisation, i.e. allocation of Utkal-D&E coal block and consent of Govt of Odisha for allocation of Pottangi bauxite mine in favour of NALCO.

As regards, engaging a globally reputed consultant; the bids received against the tender issued for selection of a consultant for preparation of the company's 'Long Term Corporate Plan', are under evaluation. The firm order is likely to be placed on the selected bidder by the end of November, 2016.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

Recommendation Sl. No.9

As Aluminium production is a high energy intensive activity, NALCO has ventured into power generation. In this context, the Company has already commissioned a 50.4 MW Wind Power project at Gankota, Andhra Pradesh, a 47.6 MW Wind Power project at Jaisalmer, Rajasthan and a 260 KWP rooftop solar power project in Bhubaneswar, Odisha. Further, the Committee note that NALCO has future plans for diversification of its operations in Wind Power, Solar Power, Nuclear Power etc. As per the plan, the Company is due to set up a 100 MW Wind Power project at the cost of ₹700 crore, at suitable locations in India. Since nuclear power will be the best source of energy in future, the Company is also forming Joint Venture with Nuclear Power Corporation of India Limited (NPCIL) for development of nuclear power projects, and Kakrapar Atomic Power Project has been selected as the first Joint Venture project of the NALCO. However, NALCO has not been able to contribute its equity portion as the project is yet to be allotted to the JVC by the Government of India. In the Caustic Soda

Project, the Company has planned to set up 2.7 LPA Caustic Soda plant including a 100 MW captive power plant at Dahej in Gujarat in Joint Venture with Gujarat Alkalies & Chemical Ltd. (GACL) and agreement has already been signed with GACL in June 2015. The Committee, have been apprised that diversification in wind power is a compulsion due to the Green Energy Regulation. As per the Regulation, energy has either to be produced or purchased by the Company. Since, production of power is comparatively cheaper, NALCO has diversified most of its activities in power which are stated to be providing good returns of 15 - 16 percent too. Further, the thermal power project which is being used for captive purpose will supplement the power needs of the Company. With the fast depleting coal and other mineral resources, the Committee opine that the 65 Company's diversification plans in the power sector, which are profitable too have become necessary for its own survival. They desire to be provided with the progress on the envisaged projects of NALCO at the action taken stage.

Reply of the Government:

Renewable Power:

- 50.4 MW Wind Power Plant at Jath, Sangli district, Maharashtra is under execution and project is expected to be commissioned by December, 2016.
- 50 MW Wind Power Plant at Devikot, Jaisalmer district, Rajasthan is under execution and project is expected to be commissioned by December, 2016.
- The Company plans to set up another Wind Power Plant of 50 MW capacity at any wind potential place in India.
- The Company has initiated action for selection of solar power developer for setting up of 20 MW Solar Power Plant in Madhya Pradesh.
- The Company also plans to set up 50 MW Solar Power Plant at any solar potential state in India.
- 50 kWp Rooftop Solar Power Plant at Nalco Research Technology Centre (NRTC) is under execution and is expected to be commissioned by October, 2016.
- Nuclear Power in JV with NPCIL:
- NPCIL in April, 2016 has intimated NALCO that Kakrapar Atomic Power Project (KAPP) – 3 & 4 projects need not be implemented through JVC and has proposed to explore the possibility for implementing any one of the Light Water Reactor (LWR) projects at Greenfield site with imported technology. The Company is examining the proposal.

Caustic Soda project:

- As a backward integration project, NALCO has formed a JV Company with Gujarat Alkalies and Chemicals Ltd (GACL) named “GACL-NALCO Alkalies & Chemicals Private Limited” on 4th December, 2015 to set up 2.7 lakh TPA caustic soda plant along with 100 MW captive power plant at an estimated project cost of Rs. 1789 crore in Dahej, Gujarat.
- The equity holding of GACL and NALCO are 60% and 40% respectively. NALCO’s investment at 40% equity contribution has been estimated to be Rs 215 crore considering debt-equity ratio of 70:30.
- Detailed Project Report (DPR) for the project was prepared considering a site adjacent to the existing Caustic Soda plant of GACL. However, due to constraints in obtaining statutory clearance for routing chlorine pipe, which is a by-product of the caustic soda manufacturing process, the project has been relocated to a new site in Dahej. Accordingly, the DPR is being updated for the new location.

[Ministry of Mines (OM No. 29(22)/2015-Met-I dated 07.10.2016)]

New Delhi
06 February, 2017
17 Magha, 1938(S)

SHANTA KUMAR
Chairperson,
Committee on Public Undertakings.

COMMITTEE ON PUBLIC UNDERTAKINGS
(2016-2017)

MINUTES OF THE SIXTEENTH SITTING OF THE COMMITTEE

The Committee sat on Monday, the 9th January 2017 from 1100 hrs to 1215 hrs in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri Ramesh Bais
4. Shri Kristappa Nimmala
5. Shri Prahlad Singh Patel
6. Shri Ajay Nishad
7. Shri Rameshwar Teli

Rajya Sabha

8. Shri Narendra Budania
9. Shri Ram Narain Dudi
10. Shri Naresh Gujral
11. Shri Praful Patel
12. Shri Ram Chandra Prasad Singh

SECRETARIAT

- | | | |
|----|---------------------|------------------|
| 1. | Smt. Sudesh Luthra | Joint Secretary |
| 2. | Smt. Anita B. Panda | Director |
| 3. | Shri G.C. Prasad | Deputy Secretary |

OFFICE OF C&AG

REPRESENTATIVES OF INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY LIMITED (IREDA)

2. At the outset, the Chairperson welcomed the members to the sitting of the Committee and informed them about the two agenda items to be considered by the Committee, i.e. (i) adoption of an action taken report and (ii) oral evidence of representatives of Indian Renewable Energy Development Agency Limited (IREDA) in connection with the examination of the subject 'Financing of Renewable Energy Projects by Indian Renewable Energy Agency Limited (IREDA) based on Performance Audit Report No. 12 of 2015'.

3. The Committee then took up for consideration the draft report on the action taken by the Government on the observations / recommendations contained in the twelfth report of the Committee on Public Undertakings (2015-16) on "National Aluminium Company Limited (NALCO)". The Committee adopted the draft report without any changes/modifications.

(The representatives of IREDA were then ushered in)

- | | | | | |
|----|------|-------|------|------|
| 4. | **** | ***** | **** | **** |
| 5. | **** | ***** | **** | **** |
| 6. | **** | ***** | **** | **** |

A verbatim record of the proceedings has been kept.

[The Committee then adjourned].

APPENDIX II

(Vide para 4 of the Introduction)

Analysis of the Action Taken by Government on the Observations/ Recommendations contained in the Twelfth Report of the Committee on Public Undertakings on National Aluminum Company Limited

I	Total number of recommendations	11
II	Observations/Recommendations that have been accepted by the Government [Para Nos. 1, 6, 7, 10 and 11] Percentage to total:	05 45.45
III	Observations/Recommendation which the Committee do not desire to pursue in view of Government's replies Percentage to total:	Nil
IV	Observation/Recommendation in respect of which replies of the Government had not been accepted by the Committee [Para No. 8] Percentage to total:	1 9.09
V	Observations/Recommendations in respect of which Government have furnished interim replies [Para Nos. 2, 3, 4, 5 and 9] Percentage to total:	05 45.45