

**UNFRUITFUL EXPENDITURE TOWARDS CONSTRUCTION
OF COPPER ORE TAILINGS BENEFICIATION PLANT
RELATING TO HINDUSTAN COPPER LIMITED (HCL)**
[Based on Audit Para No. 6.1 of C&AG Report No. 14 of 2021]

HINDUSTAN COPPER LIMITED (HCL)

MINISTRY OF MINES

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2023-24)**

TWENTY SECOND REPORT

(SEVENTEENTH LOK SABHA)



LOK SABHA SECRETARIAT

NEW DELHI

TWENTY SECOND REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (2023-24)

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HINDUSTAN COPPER LIMITED (HCL)

MINISTRY OF MINES



*Presented to Lok Sabha on 08 February, 2024
Laid in Rajya Sabha on 08 February, 2024*

**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2024/ Magha, 1945 (Saka)

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Shri Santosh Kumar Gangwar - *Chairperson*

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2. Shri Santosh Kumar - Director
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* Elected as a Member of the Committee on Public Undertakings (2023-24) for the un-expired portion of the term of the Committee vide Bulletin Part-II Para No. 7765 dated 19.12.2023 vice Shri Uday Pratap Singh resigned as Member of Lok Sabha w.e.f. 06.12.2023.

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-24) having been authorized by the Committee to submit the Report on their behalf, present this Twenty-Second Report on 'Unfruitful expenditure towards construction of Copper Ore Tailings Beneficiation Plant relating to Hindustan Copper Limited (HCL) (Based on Audit Para No. 6.1 of C&AG Report No. 14 of 2021)'.

2. The Committee on Public Undertakings (2022-23) had selected the said subject for detailed examination. As the examination of the subject remained inconclusive during the previous Committee term, the present Committee on Public Undertakings (2023-24) decided to carry forward the subject so as to complete the unfinished task.

3. The Committee on Public Undertakings (2022-23) was briefed about the subject by the representatives of the C&AG on 27th March, 2023. The Committee then took oral evidence of the representatives of Hindustan Copper Limited (HCL) and Ministry of Mines on 26th June, 2023.

4. The Committee (2023-24) considered and adopted the draft Report at their sitting held on 05th February, 2024.

5. The Committee wish to express their thanks to the representatives of Hindustan Copper Limited (HCL) and Ministry of Mines for tendering evidence before the Committee and furnishing the requisite information to them 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:
07 February, 2024
18 Magha, 1945 (S)

Santosh Kumar Gangwar
Chairperson
Committee on Public Undertakings

REPORT

PART-I

A. BACKGROUND

Copper, a malleable and ductile metallic element, is an excellent conductor of heat and electricity as well as being corrosion resistant and antimicrobial. Copper occurs naturally in the Earth's crust in a variety of forms. The global demand for copper continues to grow, and usage has more than tripled in the last 50 years. Demand of copper is increasing due to progress of implementation of electric vehicle worldwide with associated charging infrastructure, decarbonization policy push by US and EU and more and more emphasis on green energy to mitigate climate change. The antimicrobial properties of copper are finding newer application in view of global pandemic situation. Copper being the green metal has been considered as a core driver for moving the global economy toward net zero emissions. Copper has been termed as new oil. The global copper mine production and primary copper production remain flat during last three years and hence the secondary market for scrap copper will play an increasingly important role in meeting future growing demand. Virtually all products made from copper can be recycled and recycled copper loses none of its physical and chemical properties. Although copper recycling rates are already significant, with over a third of the world's copper currently produced via secondary markets.

2. India has limited copper ore reserve contributing about 0.31 % of world copper reserves. Mining production is just 0.2% of world's production, whereas refined copper production capacity is about 4% of world's production. HCL has access to around two-fifths of the copper ore reserves and resources in India with an average grade 0.99%. As on 1.4.2021, HCL has reserves of about 2.20 million tonnes in terms of copper metal and total reserves and resource of 6.18 million tonnes in terms of copper metal. There are three major players which dominate the copper industry in Indian markets. Hindustan Copper Ltd (HCL) in Public sector, M/s Hindalco Industries Ltd and M/s Sterlite Industries in Private Sector. It is reported that M/s Adani Group is installing custom copper smelter & refinery complex named as Kutch Copper Ltd of capacity of 1 million tonne in a phased manner. Refined

copper production in India has declined significantly due to permanent closure order issued to M/s Sterlite Industries for their Smelter/ refinery plant at Tuticorin by Tamilnadu Government in May, 2018. HCL is the only vertically integrated copper producer in the country which produces refined copper from its own mined ore. Their Copper ore tailing processing plant & nickel recovery project are waste to wealth project of the Company. HCL also sell scrap/obsolete/surplus items through e-auction from time to time. Solid waste like granulated slag, waste bricks and boiler ash are sold to the intended party whereas tailings and waste rock are safely stored. The waste thus stored is reused, recycled or disposed in an environmentally acceptable manner.

3. Copper ore Tailings are a mixture of water and finely ground rock that is left over once the mineral concentrate is removed. HCL is only company in India involved in mining of copper ore and further beneficiation i.e. production of Metal in Concentrate (MIC), no other private company is working in Copper Ore Tailing Beneficiation. Copper ore tailing (COT) beneficiation plant of Company was set up at Malanjkhand Copper Plant (MCP) unit for extraction of valuable minerals and metals from copper ore tailings with a capacity of 10000 tonnes per day (TPD) based on the sole technology provider M/s STPL. The intermittent trial run failed on number of occasions and the quality and quantity of products achieved at various stages were not as per the parameters envisaged in contract agreement. A preliminary notice was issued to the party to complete and commission the project. The party agreed to commission the plant, but the progress of the work at site was stopped due to lockdown for COVID-19 pandemic. The Company had extended the timeline upto August 31, 2020 for supply, erection of the thickener and commissioning of the plant. But the party failed to execute the contract and the contract got terminated with efflux of time. The present cost of the COT plant appearing in books of accounts under Capital Work In Progress (CWIP) is Rs. 15805.03 lakh as on 31.03.2021 after forfeiture of security deposit under the contract amounting to Rs. 849.27 lakh. The Company has appointed an independent registered valuer to evaluate the salvage value of the plant. The total salvage value assessed as per valuation report is Rs. 3027.09 lakh. Since the party has failed to execute the project under sole technology provider, the management has created a provision amounting to Rs. 12777.94 lakh,

being present cost of the plant under CWIP less salvage value.

4. C&AG looked into the disregard of the results/ findings of an ongoing pilot project at Khetri Copper Complex by the HCL management and hastening into construction of commercial Copper Ore Tailings Beneficiation Plant at Malanjkhand Copper Project (MCP) with unproven technology, rendering Rs. 158.05 crore unfruitful. In their Report No. 14 of 2021, C&AG had pointed out several deficiencies on the part of HCL Management. The Committee on Public Undertakings during their term 2022-23 and in 2023-24 selected Audit Para No. 6.1 of C&AG Report No. 14 of 2021 pertaining to Hindustan Copper Limited (HCL) regarding „unfruitful expenditure towards construction of Copper Ore Tailings beneficiation plant“ for examination and report to Parliament. The Committee during examination of the subject heard the views of officers of the C&AG, representatives of the Hindustan Copper Limited (HCL) and the Ministry of Mines before finalizing their Report. The detailed observations/recommendations of the Committee on the Audit Para have been given in bold type in Part-II of this Report.

B. AUDIT PARAGRAPH

(I) Unfruitful expenditure towards construction of Copper Ore Tailings Beneficiation Plant

5. As per para 6.1 of the C&AG Report No. 14 of 2021, Imprudent decision of Hindustan Copper Limited (HCL) to construct full scale Copper Ore Tailings (COT) beneficiation plant without adequately operating the pilot plant and verifying its feasibility/ success thereof, resulted in unfruitful expenditure of Rs.158.05 crores. The Company should analyze the lapses in decision taken for construction of commercial plant without considering the results/findings of the related pilot project.

6. HCL opted to utilize their by-product COT via the beneficiation process in order to recover valuable material such as gold and silver. As a result, the Company in January 2016, awarded a contract to M/s Star Trace Private Limited (STPL) after a competitive bidding process for the design, supply, civil work, installation, commissioning, and operation of a pilot plant at Khetri Copper Complex (KCC) with a capacity to treat 200 tonnes COT per day at a total value of Rs. 6.98 crore as a Research and Development (R&D) project, to be completed within 12 months from the date of commissioning. This pilot project was designed to assess the techno-commercial viability to take a decision on commercial installation on the basis of results. In May 2016, the Company decided to install a full-scale plant at Malanjkhand Copper Project (MCP) with a capacity to process 10,000 MT of COT per day based on the preliminary findings of the KCC pilot plant at the trial run stage. In January 2017, based on the Company's techno-commercial evaluation and SBICAP's financial appraisal of a full scale COT Beneficiation Plant, in March 2017 the Company awarded STPL a contract for Rs. 280 crore (including Rs. 85 crore for operation and maintenance of the above plant for two years) on a single tender basis for the establishment of a 3.29 million tonne per annum Copper Ore Tailings Beneficiation Plant at MCP, which was to be completed by November 2017.

(II) Audit Observations

7. The Company's techno-commercial evaluation of a full-scale Copper Ore Tailings Beneficiation Plant, as well as SBICAP's financial appraisal of the same,

was based on only three days of KCC pilot project performance. As a result, the Management's decision (May 2016) to establish a full scale plant at MCP prior to the completion of the pilot plant at KCC (June 2016), based on trial stage performance of the pilot plant, was imprudent and injudicious. Furthermore, no consideration was given to the pilot project's most recent results before making the decision to scale it up.

8. Despite two extensions and an additional expenditure of Rs. 2.06 crore, the pilot project failed to meet its objectives even after 33 months of operation and was deemed unviable on commercial and technical grounds by the performance evaluation committee (November 2018).

9. MCP Plant trial runs (August/October 2018) and reliability test runs (December 2018) failed to deliver the expected output. Three shift trial performed for 30 days (April 2019), without taking into account failed pilot project concluded in February 2019, was equally unsuccessful, but the Company accepted new commitment offered by STPL (June 2019), which was unjustifiable. The full scale plant at MCP was not completed even after a delay of 35 months (from November 2017 to October 2020).

10. While accepting the audit observation, HCL management in November 2020, stated that the Company's decision to build a full-scale COT Beneficiation Plant at MCP with a capacity of 3.29 MTPA without adequately operating the pilot plant was not prudent, which resulted in an unproductive expenditure of Rs. 158.05 crore.

11. HCL management thus disregarded the results/findings of an existing pilot project at KCC and rushed towards the development of a new commercial Copper Ore Tailings Beneficiation Plant at MCP with untested and proven technology which ultimately, as stated above, resulted in above loss of Rs.158.05 crore to the Company exchequer.

C. ISSUES EMERGED IN AUDIT OBSERVATIONS

(I) Need for setting up of Copper Ore Tailing beneficiation plant

a. Waste to Wealth Project of HCL

12. The Company sells its scrap/obsolete/surplus items through e auction from time to time. Solid waste like granulated slag, waste bricks and boiler ash are sold to the intended party whereas tailings and waste rock are safely stored. The waste thus stored is reused, recycled or disposed in an environmentally acceptable manner. Copper ore tailing processing plant & nickel recovery project are waste to wealth project of the company.”

13. The Company in their Annual Report (2016-17) regarding the waste management stated that:

“Currently, the Company recycles less than 5% of its waste generated internally. A good amount of copper bearing waste generated in TCP unit is recycled to HCL smelter plant. The copper waste of refinery and electrical workshop is also recycled back to smelter. The tailing of concentrator plant is partly backfilled in the mines. The Company sells the used oil, rubber scrap to the Government approved recyclers and these recyclers address environmental concerns while recycling or disposing the waste. A good amount of granulated copper slag (i.e. a waste of smelter plant) is sold for using as an alternative of sand blasting. New Technology to recover nickel, pure copper and acid from the spent electrolyte of ICC refinery – a waste stream has been commissioned in August 2016. The Company has planned to install a plant at MCP to recover valuable metals & minerals from the copper ore tailing, a waste generated from the concentrator plant”.

....

14. In their Annual Report (2021-22), with regard to waste management, the Company further added that:

„...provisions are being adopted to enhance percentage of recycling of products and waste. The tailing of concentrator plant is partly backfilled in the mines at ICC and action has been initiated to recycle the part of Copper ore tailing (a waste generated in the beneficiation process) as paste to fill up the void in the underground mine at MCP. The Company sells the used oil, rubber scrap to the Government approved recyclers and these recyclers address environmental concerns while recycling or disposing the waste.”

15. During the course of oral evidence before the Committee, the representative

of HCL deposited as under:

“खेतड़ी में हमारे स्मेल्टर्स थे, जो काफी पहले बंद हो चुके हैं। भारतीय कॉपर ओर में कॉपर का जो प्रजेंस है, वह 1 प्रतिशत है। इस तरह से, एक सौ टन कॉपर ओर में एक टन कॉपर की उपस्थिति रहती है। कॉपर ओर बेनिफिशिएशन प्रॉसेस के दौरान ही कॉपर ओर टेलिंग निकलती है, जिस पर हम चर्चा करेंगे। जब हम एक सौ टन कॉपर ओर को प्रॉसेस करते हैं, तो 96 टन वेस्ट जेनरेट होता है, जिसे हम कॉपर ओर टेलिंग कहते हैं, जिस पर आधारित यह नुकसान देने वाला प्लांट लगा था।”

16. When asked by the Committee about the proceeds out of sale of scrap to Government approved recyclers during the last 10 years, HCL in a written reply to the Committee submitted that:

“Rubber Scrap and used oil of basic value Rs 639.85 lakh was sold by HCL during last 10 years.”

17. HCL also submitted to the Committee that after closing the MCP COT plant, no other project was undertaken by the Company to generate wealth from waste. HCL has signed an MoU with IIT-ISM (Indian School of Mines) Dhanbad recently for collaboration in Geology, Mining and ore beneficiation area. However, neither any R&D project has started yet nor HCL has obtained any technology for copper beneficiation.

b. Other examples of such projects in India or Globally

18. When Committee enquired from HCL whether the Company undertook any studies or appointed any independent parties to carry out the studies to look into such niche technology elsewhere before planning to install Pilot Plant/MCP to recover valuable metals & minerals from the copper ore tailings, HCL, in a written reply submitted to the Committee that there are no records to establish that such niche technology was in use elsewhere. The Company further added that, from the records it is not found that Company undertook any studies or appointed any independent party to carry out the studies to look into such niche technology.

19. HCL stated to the Committee the potential benefits of setting up of Copper Ore tailings beneficiation plant as under:

Total Products recovered details	Quantity in tonnes
Copper Ore concentrate	360 Kg
Gold	1.1906 Kg
Silver	11.906 Kg
Silica Sand	5500 Kg
Total rejects	4079.98
Total	10000

20. HCL further submitted to the Committee that the proposed plant would have been achieved the following key performance parameters in operation:-

Minerals and metals recovery from MCP - COT				
Sl. No.	Metal/Mineral	Feed Grade	Tailings % Recovery	Concentrate Grade %
A	Copper	0.06%	30%	0.50%
B	Magnetite	2%	15%	50% +
C	Gold	0.15 ppm	63.5%	80% +
D	Silver	1.5 ppm	63.5%	80% +
E	Silica sand	80%	69%	95%

However, the contractor was not able to commission the plant.

21. On being asked the reasons for setting up the technology during the course of deposition, the representative of HCL gave the following justification:

“में यह भी बताना चाहूंगा कि फरवरी, 2013 में, केपटाउन में माइनिंग एग्जिबिशन हुई थी, तो तत्कालीन सीएमडी, एचसीएल ने उस एग्जिबिशन को अटेंड किया था और वहाँ उनकी मुलाकात मेसर्स एसटीपीएल के रेप्रजेंटेटिव से हुई थी, उसी दरम्यान उन लोगों ने यह निर्णय लिया था क्योंकि एसटीपीएल ने क्लेम किया था कि हम आपके कॉपर ओर टेलिंग से प्रेसियस मेटल गोल्ड और सिल्वर निकालकर देंगे। चूंकि हमारे यहाँ कॉपर ओर टेलिंग, वेस्ट के रूप में बहुतायत में उपलब्ध है, इसलिए उन लोगों ने डिसाइड किया और वापस आकर बोर्ड को भी सूचित किया और इन्होंने पायलट प्लांट बनाने के लिए बोर्ड को संज्ञान में लेकर खेतड़ी में पायलट प्लांट का निर्माण किया, जिसकी लागत करीब सात करोड़ रुपए की थी। पायलट प्लांट पर आधारित फुल स्केल प्लांट को मलाजखंड कॉपर ओर प्रोजेक्ट में लगाने की बात रखी गई।”

22. The Representative of HCL further elaborated on their decision to set up of the plant to retrieve Gold and Silver from Copper Ore Tailings with an unproven technology as follows:

“सर, चूंकि फर्स्ट टाइम कहीं पर ऐसा प्लांट लगाया जा रहा था, इसलिए टेक्नोलॉजी तो प्रूवेन नहीं थी, इसीलिए पहले ऐसे केस में पायलट प्लांट ही लगाया जाता है। इसलिए पायलट प्लांट लगाने का अप्रूवल देकर वही किया। लेकिन उसके रिजल्ट्स को बिना पूरी तरह एनालाइज किये और बिना एसेस किए फुल स्केल प्लांट लगाने के लिए आगे बढ़ गए। यही बात है, नहीं तो ऐसे केसेज में होता तो यही है कि पहले पायलट प्लांट लगाया जाता है।”

.....सर, मेरी जानकारी के अनुसार, कॉपर ओर टेलिंग से गोल्ड और सिल्वर प्राप्त करने का काम दुनिया में कहीं और नहीं चल रहा है।”

(II) Establishment of Pilot Project at Khetri Copper Complex (KCC)

a. Role of HCL and Ministry of Mines

23. As per the written response furnished to the Committee, HCL had initiated a project to extract minerals from COT lying at Malanjkhand Copper Project (MCP) and Khetri Copper Complex (KCC) after having established the potential of the project based on the inputs received from the initial examination and analysis. Therefore, a pilot plant with a capacity of processing 200 tons per day of tailings was established in KCC by M/s Star Trace Pvt. Ltd. (STPL), Chennai. The cost of the plant as per the contract was Rs. 5.9 crore plus a success fee of Rs. 1.5 crore. The pilot plant was based on the technology supplied by M/s STPL. Besides processing KCC tailings, around 1000 tons of MCP tailings was also processed in the Pilot plant. The matter was first placed for consideration of Sub Committee on Business Development (SCoBD) meeting held on 29.08.2013 and based on the recommendations of the SCoBD, a Global Expression of Interest (EoI) was floated. Out of eight applications received against the EoI floated by the Company for recovery of minerals and material from copper ore tailings at KCC, the said Committee in its meeting held on 28.07.2014 recommended short listing of M/s STPL, Chennai, as the only qualified party for the project who had solutions/technology for establishment of a pilot plant of capacity 100 tonnes per day at KCC. Accordingly, RFP was prepared by M/s Deloitte, consultant appointed for the project and was issued to the party i.e. M/s STPL and the bid was submitted on 3.4.2015. The party initially submitted a price bid of Rs.10.0 crore for 100 tonnes per

day(tpd) plant. After several rounds of negotiation the Company finalized the contract for pilot plant of 200 tpd instead of 100 tpd with a cost of Rs.5.9 crore plus a success fee of Rs.1.5 crore. The Contract Agreement was signed with M/s STPL on 30.12.2015. HCL further added that the approval of Board was not sought for installation of the Pilot plant at KCC. In fact, the Board was only informed regarding the RFP process without the details of short listing of bidder thereof at the 348th Board Meeting held on 1.12.2013 in which the information agenda regarding the EOI process for selection of suitable party for KCC COT Pilot Plant was placed before the Board for information, which the Board „noted“. Board was again appraised about the pilot plant in its 363rd meeting dated 30.5.2016, wherein approval was sought for installation of commercial plant at MCP.

24. The sequence of events setting up of pilot project at Khetri Copper Complex (KCC) is given below:

Sr No	Event	Date
1	Date of awarding the tender for KCC.	01.01.2016 (Contract signed)
2	Date of inauguration of the plant.	01.04.2016
3	Date of commissioning the plant.	24.06.2016
4	Date on which findings of Technical Feasibility Report were presented to the Board	16.01.2017 (367 th Board meeting)

25. During the course of deposition, representative of HCL clarified on the decision to set-up pilot project as under:

“सर, जब ये लोग एग्जिबिशन से लौटकर आए, तो बिज़नेस डेवलपमेंट पर बोर्ड की एक सब-कमेटी थी, उस पर इन लोगों ने अगस्त, 2013 में चर्चा की थी और इन्होंने एक एक्सप्रेसन ऑफ इंट्रेस्ट फ्लोट किया, जिसमें कॉपर ओर प्लांट को खेतड़ी में लगाने की बात हुई। Due diligence, इन लोगों ने इसे एक स्टार्टिंग पॉइंट बताया और चूंकि एक्सप्रेसन ऑफ इंट्रेस्ट दिया था, इसलिए उनका कहना था कि पार्टीज आएंगी, जो इस पर काम करती होंगी, लेकिन एसटीपीएल ऐसी एकलौती कम्पनी है, जो हम लोगों को पता चली थी, बात यह थी कि प्रूवेन टेक्नोलॉजी कहीं की थी ही नहीं। इसलिए एसटीपीएल को इन लोगों ने पायलट प्लांट बनाने का चांस दिया।”

26. Regarding the role of Ministry of Mines in setting up the Pilot project at KCC, HCL, submitted to the Committee that neither the then management

consulted Ministry of Mines before setting up of the pilot project at KCC and the Ministry had no role before setting up of pilot project. Nor did the HCL obtained the views of Ministry of Mines on the results and findings of the pilot project.

27. In this regard, the Ministry of Mines, during the course of verbal evidence, deposed before the Committee as under:

“I would like to say that the commercial operations of the pilot plant actually started in June and in May the Board resolution was passed even though it was officially inaugurated on 1st of April. That is true. It is not my job to defend anybody but reading the Board note, it says that initial results are encouraging. I would appreciate what you are saying. That is possibly misleading to say that. This is not in good faith. When you are saying initial results, you might be presuming that it is a few months or six months or whatever but it is actually three days. So, the intention of mala fide was very apparent. Whether „x“ or „y“ was also involved in the entire thing, it is difficult to say. We will check the inquiry report. But it was out and out a set up.”

28. When the Committee asked whether in the opinion of the Ministry, there was a laxity in discharging responsibility by the Government representatives on Board, the Ministry of Mines, submitted as below:

“It will be difficult to say that until I go through the inquiry report..... I will check whether he was under the ambit of the inquiry.

I, actually, checked that and they say, „based on the encouraging results of the pilot project,“, it would be in the fitness of things to see it because they are not technical people. They would have gone by what the technical report says. If it says this works and this is going to be the gold percentage, on that basis, they would have just made simple calculations.”

b. Grounds for choosing M/s STPL for pilot project at Khetri Copper Complex (KCC)

29. The Committee enquired from the HCL if there were other Companies in India/ abroad with expertise in this specific field and if those Companies were contacted by HCL management before awarding the contract of Pilot Project to M/s STPL, HCL in a written response to the Committee, clarified as under:

“From the chronology of the event, it appears that although there were responses against EOI, but as per evaluation undertaken

nobody had such technology in processing of COT. In fact, the proposal initiated on 09.11.2016 for open tender enquiry for installation and commencing of COT processing plant at MCP states that precedence for such works in past is not available.”

On the Contrary, Para No. 1.3 of item No. 363-B-16 of Agenda for Board Meeting of HCL held on 30.5-2016 mentioned that:

“The Sub Committee on Business Development in its meeting held on 28.07.2014 had recommended short listing of M/s Star Trace, Chennai, as the only qualified party for the project who has solutions/ technology for extraction of minerals from copper ore tails and recommended issue of RFP for establishment of a pilot plant of capacity 100 tonnes per day at Khetri Copper Complex for extraction of minerals from the copper ore tails.”

30. When asked by the Committee the ground for choosing KCC as site for the pilot project, HCL, in a written response, submitted as below:

“With the available records (Ref. visit report of the committee placed before SCoBD in the 2nd meeting dt. 28.11.2013), wherein it is mentioned that the party has lifted 30,000 tonnes of COT from Khetri and done some experiment for recovery of valuable mineral from it, and they have not lifted any material from MCP because of regulatory issues there. It seems that because of this background and also 1st SCoBD agenda dt. 27.08.2013 shows that there is need for creation of space at Khetri tailing pond besides the potential of profitability mentioned therein. These may be the reasons for setting up COT pilot plant at KCC.”

31. Regarding the credentials of M/s STPL based on which the Pilot project at KCC was awarded to the M/s STPL, HCL, in a written reply to the Committee, submitted to the Committee that:

“As per Records, (Agenda of Sub Committee of Board of Directors (SCoBD) meeting held on 29.08.2013), against a contract to sell tails (COT) in 2010 at the rate Rs. 26.40 per DMT, only 30,000 tonnes were lifted by M/s STPL. In the same SCoBD it is also stated that during INDABA mining conference and Exhibition at Cape town, South Africa in Feb”2013, a company (understood M/s STPL) had informed that they have requisite technology for extraction of Minerals from Copper Ore Tailings. Further, in the 348th Board meeting, it is stated that M/s STPL had carried out the necessary work at their end and had informed HCL that they have been able to recover Magnetite, Copper, Gold & Silver for COT of KCC origin and the balance can be used as a good source of Micronutrient &

Fertilizer fillers. However, there are no records available to justify such claims. In the SCoBD meeting on 28.11.2013, it is also stated that a committee had visited Chennai for inspecting the facilities of M/s STPL at Chennai. In course of discussion, M/s STPL had mentioned that the recovery of valuable mineral materials were achieved mainly by Magnetic & Gravity separator with more emphasis on dry process, wherever feasible. However, the details with regard to grade and process route for the valuable minerals will be shared after entering into agreement for conducting pilot scale studies. It thus appears that the claims of M/s STPL were mainly verbal with no documentary evidence for the same, prior to award the Pilot plant project.

Further as per record, 5th SCoBD minutes of the meeting (28.07.2014), "after deliberations, the Sub Committee recommended that the Business Plan for the proposed pilot plant of capacity upto 100 tonnes at Khetri Copper Complex for extraction of minerals from the copper ore tails be analyzed further with more details. The aim would be to have a more detailed and nuanced issue of RFP to M/s. Star Trace, Chennai, the short-listed qualified party. After receipt of offer from the party, the proposal may be resubmitted along with information regarding profitability, turnover of the short-listed qualified party (a copy of the statement of the firm from the RoC for the past 3 years would be good) and a copy of agreement signed by the party with Hutti Gold Mines for the jobs performed by them. Meanwhile, the Board of Directors may be informed about the status of the proposal in its next meeting."

But record shows that the recommendation of the SCoBD was not complied and instead, in the 13th SCoBD meeting dated 15.04.2016, the Committee noted that the Company had signed a contract agreement with M/s. Star Trace Pvt Ltd, Chennai, for setting up of 200 tons per day pilot plant facility at Khetri Copper Complex (KCC) for extracting minerals and materials from copper ore tails lying at Malanjkhand and Khetri.

Investigation by Vigilance shows that the files relating to pilot plant was not traceable hence further details could not be provided. Hence, no other details pertaining to the checking of credentials of M/s STPL are available.

(III) Setting up of Malanjkhand Copper Project (MCP)

a. Role of HCL and Ministry of Mines

32. Committee observe the following timeline with regard to setting up of COT plant at Malanjkhand Copper Project (MCP):

Sr No	Event	Date
1	The date of minutes of Board meetings in which decision to set up the MCP was taken	363rd Board meeting dated 30.5.2016 & 367th Board meeting dated 16.01.2017 wherein the decision to set up the COT project at MCP Unit was taken.
2	Date of awarding the tender for MCP	The date of signing the contract of COT project at MCP Unit was 20.3.2017 (LOI issued on 24.02.2017)
3	Date of inauguration of the plant	Project work at site started on 01.4.2017
4	Number of extensions given for setting up the plant	The scheduled completion date was 11.11.2017 and thereafter the time extension was granted upto 31.03.2018. The contractor was carrying out certain rectifications to commission the plant. The contract was terminated on 31.08.2020 with efflux of time.
5	Date of commissioning the plant	Not commissioned

33. HCL submitted to the Committee that in 363rd Board meeting dated 30.5.2016 and 367th Board meeting dated 16.01.2017, the decision to set up the COT project at MCP Unit was given by the Board unanimously and the representative(s) of Ministry in HCL Board also had no objections for setting up MCP COT plant in these meetings. HCL further submitted to the Committee that its Board is empowered to approve a capital expenditure on new projects upto Rs 500 crores and for this reason the subject proposal of setting up MCP COT plant may not have been sent to the Ministry for approval. The matter came to the notice of the Ministry when the Vigilance department submitted verification reports dated 29.11.2019 and 04.12.2019 on the matter of a complain having CVC reference.

34. As per the information furnished to the Committee the Board of Directors of HCL took the decision to set up the project at MCP on the following grounds:

“The matter was brought to the Board of Directors of HCL in its 363rd meeting held on 30.05.2016 with the results obtained from the processing of tailings of KCC and MCP. It was informed to the board that the initial assessment of the results was encouraging. One ton of tailings could deliver quantity of minerals as following:

Sl. No.	Parameter/ Element	In KCC Sample	In MCP Sample
1.	Copper (50% concentrate)	0.3%	0.1%
2.	Iron (50% concentrate)	3%	1%
3.	Gold (Au)	0.1 gram	0.5 gram
4.	Silver (Ag)	4 gram	4 gram

Based on the above, it was proposed in the agenda item 363-B-16 of

363rd Board meeting of HCL held on 30.05.2016 to install a commercial plant of capacity 10,000 tons per day at MCP, with an estimated cost of Rs. 285 crores. After deliberations, the Board accorded its approval for initiation of action for installation of the plant on EPC (Engineering, Procurement and Construction) mode through a tendering process. The Board also desired that cost benefit analysis of the proposed project to be submitted in the next Board meeting.

Accordingly, a Technical Feasibility Report (TFR) of the project was prepared in-house based on the results obtained from the pilot plant study conducted at Khetri Copper Complex and financial appraisal of the project has been done by M/s SBI Capital Markets Ltd. As per the TFR of the project, the MCP tailings contained following value of metals:

Sl. No.	Parameter/ Element	Value in Tailing
1.	Copper (Cu)	0.06 to 0.14 wt%
2.	Magnetite (Fe ₂ O ₃ +(upto 2% Fe ₃ O ₄))	10.69 wt %
3.	Gold (Au)	0.15 to 0.77 ppm
4.	Silver (Ag)	1.5 to 4.5 ppm
5.	Silica (SiO ₂)	82.76 wt %

The same were brought before the board in its 367th meeting held on 16.01.2017 and after deliberations the Board approved the financial appraisal for setting up of CoT plant based on M/s Star Trace technology at MCP with a capacity of 10,000 tons per day at an estimated cost of Rs. 200 crore and authorized CMD to finalize the award of contract on EPC basis for setting up of CoT processing plant to M/s Star Trace, Chennai being sole technology provider within the estimated cost of Rs. 200 crore with additional cost for operation and maintenance for two years after performance guarantee test.

35. The Ministry of Mines further submitted to the Committee that the TFR was based only on three days result and there was no justification for considering three days performance as sufficient.

36. HCL stated that they appointed SBI-CAP for financial appraisal of the project and the Company submitted the following written information regarding the same:

“In the available documents, nowhere criteria of selecting SBI-CAP for financial appraisal of the project is narrated. In the 363rd Board Meeting, the then Director (Operations) had sought approval of the Board for “an action may be initiated for installation of a commercial plant for the treatment of copper ore tails of capacity 10,000 MT per

day at Malanjkhand Copper Project on EPC mode with technology supplier M/s. Star Trace, Chennai". In the said agenda it was also stated that "the final proposal with all due diligence of the consultant appointed (M/s. SBI Caps) will be submitted for approval in the next meeting of the Board". However, record pertaining to criteria for choosing SBI-CAP is not available.

Although, it is also stated that the project will be independently assessed through SBI Caps and report of SBI Caps was also placed before the Board (unsigned draft report), it is noted from the „Important Notice" (part of the report) which was prepared *“on the basis of technical study and certifications provided by the Technical / Project Team of Hindustan Copper Limited”*. SBI Caps has also mentioned a „disclaimer" in their report which states – *“All assumptions and commercial inputs with regard to project cost, pricing, market size, investments, capacity utilization, etc. or any technical aspects have been obtained from the Project / Technical Team of the Company and consultants appointed by the Company for the “Information Memorandum” and in certain cases such inputs / assumptions have been modified as per updates provided by the Company Management. SBICAP has not carried out any due diligence independently in verifying the accuracy or veracity of any data mentioned in this Memorandum”*.

The financial analysis done by SBI-CAP as reported in the 367th Board meeting is as follows:

“the Internal Rate of Return (IRR) of the project is 47.79% with a payback period of 6 months only. For the purpose of financial projections useful life of the assets have been considered as 15 years. However, for the purpose of calculating the Project IRR have been considered till FY 2024 and terminal value / salvage value of assets have been considered as on 31st March 2024.”

37. The representatives of HCL, during the course of oral evidence, submitted the following regarding the hasty decision-making process in giving the approval for construction of full-scale plant at MCP:

“अब इसमें सबसे बड़ी खामी यह हुई थी कि जो पायलट प्लांट को चलाना था और उसकी जो कमिश्निंग करनी थी, जल्दबाजी में इन लोगों ने कमिश्निंग के पहले ही बोर्ड से फुल स्केल प्लांट लगाने का इन-प्रिंसिपल अप्रूवल ले लिया। इस तरह से, इन लोगों ने 280 करोड़ रुपए (इनक्लूडिंग ओ.एंड.एम. 86 करोड़ रुपए 2 वर्षों के लिए) का प्लांट लगाने का अप्रूवल लिया और सिंगल टेंडर पर इस पार्टी को दिया गया।

.....सर, बोर्ड के मिनट्स को देखने से ऐसा लगता है कि बहुत जल्दबाजी में सारे काम हुए। फाइल में नोटिंग्स देखने पर भी यह लगता है कि एक-एक दिन में कई सारे सिग्नेचर हुए। इस तरीके से इनका गलत इनटेंशन रहा होगा और ड्यू डिलिजेंस प्रॉपर्टी नहीं किया गया।

.....महोदय, फाइनेंशियल रिस्क के लिए कमेटी है और छह महीने में एक बार मीटिंग भी करती है और उस पर एक्शन टेकन भी होता है। यह प्रोजेक्ट इस तरह का हुआ कि असेस हो रहा है, बन रहा है, रेक्टिफिकेशन्स हो रहे हैं। जब तक फाइनल आउटपुट नहीं हुआ, उसके बाद सबके नोटिस में आया। बोर्ड को यह बताया गया कि इसके रिजल्ट्स अच्छे हैं और इस बेसेस पर फुल स्केप प्लांट लगा देना चाहिए।”

38. The representative of Ministry of HCL gave clarifications on the role played by its internal audit department as under:

“सर, कंपनी में इनटर्नल ऑडिट तो किया जाता है, लेकिन इनटर्नल ऑडिटर ने इस केस में सिर्फ डिले पर ही बात की, टैक्निकल इश्यू पर बात नहीं की। इस पर चर्चा नहीं हुई। प्रोजेक्ट डिले हो रहा है, इस पर केवल उन्होंने रिपोर्ट दी।”

39. The Ministry of Mines during the course of oral evidence, while giving clarifications on the lack of monitoring on their part, deposed before the Committee as under:

“सर, हमारे मंत्रालय की तरफ से संयुक्त सचिव के स्तर के एक अधिकारी बोर्ड में थे। हमने रिजॉल्यूशन बोर्ड की मिनट्स का ध्यान से अध्ययन किया है। उसमें यह कहीं नहीं लिखा गया है कि इस मेम्बर ने यह कहा या उस मेम्बर ने वह कहा। इसके अलावा, बोर्ड के समक्ष जब कोई भी विषय आता है, तब जिम्मेदारी उसके ऊपर होती है, जिसने बोर्ड नोट बनाया है कि वह सही तथ्य बोर्ड को प्रस्तुत करे। अगर वह तथ्य ही गलत है तो फिर तो जो निर्णय होगा, वह भी गलत ही होगा। इसलिए, प्राथमिक जिम्मेदारी उन पर है, जिन्होंने यह सारी सूचना बोर्ड के समक्ष निर्णय के लिए पेश की थी।

.....सर, मैं तथ्य देखकर आपको रिपोर्ट दे दूंगा। मैं उस समय नहीं था। मैं यह आश्वस्त कर सकता हूँ कि आज की तारीख में हम प्रोजेक्ट्स को मॉनीटर करते हैं।”

b. Awarding the project on single tender basis

40. Responding to the Committee's query about the circumstances/compulsions, under which HCL did not finalize a global open tender and instead went for awarding the project on 'single tender basis' to M/s STPL, Ministry of Mines, in a written response to the Committee, submitted that:

"As per the available information in the Ministry, it is stated that the tendering process began with the issuance of a Notice Inviting Tender (NIT) in November 2016. The deadline for bid submission was extended twice until December 27, 2016. Two bids were received on the opening date: one from M/s STPL in consortium with M/s Mycom Systems Trading and the other from M/s Larsen & Toubro Limited (L&T) in consortium with M/s DRA Africa Holdings Proprietary Limited.

After the receipt of the bids, the file was forwarded to the Deputy General Manager (Projects) for technical evaluation. It was noted that L&T had cited certain technical deviations in their bid and requested their withdrawal for further consideration. Communications regarding these deviations and clarifications were exchanged between HCL and L&T prior to the official noting.

In one of the communications, L&T mentioned a conflict of interest regarding M/s STPL, the pilot plant operator, being one of the bidders. They alleged that necessary data was not shared by M/s STPL, which had kept it confidential. L&T referred to a clause in the NIT related to conflicts of interest.

Taking note of the conflict of interest raised by L&T, the Chief Manager (M&C) recommended that the Technical Evaluation Committee (TEC) deliberate on the matter. The recommendation was approved, and the TEC meeting was held on January 14, 2017. The TEC observed that M/s STPL was the sole technology provider and had conducted trials through a pilot plant at Khetri Copper Complex (KCC). They recommended informing the Board about the stalemate in the project and exploring possibilities to proceed with M/s STPL as the only feasible alternative.

On the same day, the recommendation of the TEC was approved by the CMD of HCL. The board note was prepared in line with the TEC recommendation, and it was presented in the 367th Board Meeting on January 16, 2017. The board approved the award of the contract to M/s STPL on an EPC basis within the estimated cost, along with additional costs for operation and maintenance. The responsibility to finalize the contract was given to the CMD, and necessary communication was sent to the Director (Operations) for action.

Following the board approval, the Executive Director (M&C) submitted a note to the CMD proposing to float an enquiry on an

STE(Single Tender Enquiry) basis with M/s STPL.

Further, with regard to the above, this Ministry observed serious misconducts and issued charge sheet to Shri Santosh Sharma, Ex-CMD, HCL and Shri D.K. Mahajan, Ex-ED (M&C), HCL. Other officers of HCL were also issued major/minor penalty charge sheets on account of various irregularities, including irregular tender processes, presenting misleading information to the board based on the feasibility report prepared by the contractor instead of HCL and making irregular advance payments to the contractor.”

41. HCL have submitted the following reasons for not considering M/s L&T:

“Bid from M/s L&T had come with substantial deviations from the terms and conditions of RFP. The main deviations which were not in line with project requirement were as under:

Terms in RFP	L & T Offer
Project execution 8 months	16 months
Reclaiming old tailing from tailing dam	Not agreed. HCL to provide as per L&T bid
The performance guarantee	Not given (only capacity agreed)
The payment terms	Not agreed

Whereas, M/s STPL had accepted all the terms and conditions of RFP.”

42. The representative of HCL, during the oral evidence, further clarified on the tendering process as under:

“सर, इसमें पहले टेंडरिंग हुई थी। जो फर्स्ट अप्रूवल थी, वह थू टेंडरिंग मोड ही थी। इसलिए, टेंडर भी हुए थे। उसमें दो बिड्स आई थीं। एक एलएंडटी की कनशोरशियम के साथ में थी और इसके अलावा स्टार्टरेज की कनशोरशियम के साथ में थी। चूंकि एलएंडटी ने इसमें कुछ ऑब्जेक्शंस किए, उन्होंने यह लिखा कि इसमें हमें ड्रॉइंग्स वगैरह और पायलेट प्लांट की डिटेल नहीं पास-ऑन नहीं की गई है। जो दूसरी बिड एलएंडटी के साथ में ओपन हुई थी, वह उसी की है, जिसने पायलेट प्लांट लगाया, which is conflict of interest. इसलिए, उन्होंने ये सब ऑब्जेक्शंस रज किए, जिससे मैनेजमेंट को लगा कि बाद में शायद यह लिटिगेशन न हो जाए, क्योंकि इसमें कुछ लैकनाज़ हैं, इसलिए उन्होंने इसे कैंसल करके बोर्ड से सिंगल टेंडर की अप्रूवल ले ली।

....सर, रिकॉर्ड को देखने से तो ऐसा लगता है कि सबकी सहमति से सिंगल टेंडर कर दिया गया, क्योंकि जो पहला टेंडर था, एलएंडटी को तो मौका ही नहीं मिला और यह लगा कि आगे कहीं कोई कानूनी समस्या न हो, इसलिए उस टेंडर को ही डिस्चार्ज कर दिया गया और फ्रेश सिंगल टेंडर की अनुमति लेकर सिंगल टेंडर को अर्वार्ड कर दिया गया।

....सर, यह सिंगल टैंडर है। इसे सिंगल टैंडर से भिन्न नहीं माना जा सकता है।”

c. Disciplinary action against erring officials

43. The Committee asked whether the percentage of gold content in tailings was deliberately stated almost 20 times higher than the actual presence of gold, in order to make the project look attractive before the Board, the Ministry of Mines, in a written response, submitted as under:

"As per the information provided by HCL, the percentage of gold content was shown, higher than the actual, to the board. As per an earlier report dated 12.03.2015 of MCP lab, the gold content in MCP tailings was 0.02 ppm whereas it was presented to the board as 0.15 ppm - 0.77ppm. Three officers from HCL namely Shri Santosh Sharma, ex-CMD, Shri Vinay Kumar Singh, ex-GM & Unit Head and Shri Vivek Gupta, ex- AGM(IE) were identified for showing higher gold content and necessary disciplinary action have been already taken against them. A major penalty of „compulsory retirement“ has been imposed on Shri Vinay Kumar Singh and a penalty of „removal from service“ has been imposed on Shri Vivek Gupta. Further, the IO in the case of Shri Sharma has submitted his IR wherein they established presenting higher concentration of precious metal to Board instead of real data available in MCP's own laboratory.

Further, this Ministry, *vide* communication dated 22/02/2021 and 30/03/2021, had conveyed approval under Section 17A of the Prevention of the Corruption Act, 1988 to the CBI for investigation in the matter. CBI *vide* their letter dated 11.10.2022 informed that the said enquiry is concluded and FIR No. RC2172022A0007 dated 31.08.2022 has been registered under Section 120-B, 420 of IPC and Section 13(2) r/w 13(1)(d) of PC Act, 1988 against Shri Santosh Sharma, the then CMD, HCL and others.

44. During the course of oral evidence, HCL further submitted regarding the actions taken by the Company against the erring officials, as under:

“सर, यही राय है कि जिन लोगों ने यह काम किया है, जिनकी मिलीभगत से यह हुआ है, उनके ऊपर सख्त से सख्त कार्रवाई होनी चाहिए। जब यह कार्रवाई हम लोगों ने शुरू की, तो उस समय के सीएमडी, जो साउथ अफ्रीका गए थे, वे रिटायर हो गए थे।.....

.....सर, हम लोगों के यहां पेंशन नहीं थी, जो इसके लेकर आए थे, वे श्री दीवान थे, जो कि

काफी पहले रिटायर हो गए थे। उसके बाद श्री संतोष शर्मा जी आए, जो डायरेक्टर थे और बाद में सीएमडी बने। वे जब रिटायर हुए, उसके बाद उनके कुछ ड्यूज को रोका गया था और इंकवायरी चल रही थी। इंकवायरी की रिपोर्ट अभी रीसेन्टली सब्मिट हुई है। वे तो रिटायर होकर चले गए। एक एग्जिक्यूटिव डायरेक्टर – श्री महाजन भी थे, वे भी 31 दिसंबर, 2019 को रिटायर हो गए थे। उस दिन उनको भी एक चार्जशीट इश्यू हुई थी और उनके भी कुछ ड्यूज रुके थे। इसके अलावा जो और लोग थे, जो सर्विंग थे, जैसे एक जेनरल मैनेजर थे, जो मलंजखंड कॉपर प्रोजेक्ट में थे, उनसे कमपल्सरी रिटायरमेंट कराया गया था।

.... सर, उस समय जिन्होंने निर्णय लिया था, उन पर कार्रवाई हुई थी। चूंकि सीएमडी काफी पहले रिटायर हो गए थे, इसलिए कंपनी उन पर कार्रवाई नहीं कर सकती थी और मिनिस्ट्री भी कार्रवाई नहीं कर सकती थी, क्योंकि कई साल बीत चुके थे, उसका एक नियम है। उसके बाद जो लोग रिटायर हुए, श्री संतोष शर्मा, सीएमडी, जो 31 दिसंबर, 2019 को रिटायर हुए, तो मिनिस्ट्री ने उन पर कार्रवाई की और उनके कुछ ड्यूज रुके हुए हैं। इंकवायरी चली थी, जो कि अब कंप्लीट हो चुकी है। रिपोर्ट अभी बंद लिफाफे में है। साथ ही मैं जो एक एग्जिक्यूटिव डायरेक्टर थे, उन पर एक मेजर पैनाल्टी – प्रोसीडिंग हुई, जिसको मिनिस्ट्री ने किया, क्योंकि एग्जिक्यूटिव डायरेक्टर और उनसे ऊपर के पदों के अधिकारियों पर मिनिस्ट्री कार्रवाई को इनीशिएट करती है। अतः उन पर भी कार्रवाई हुई और उनके भी ड्यूज रुके हैं। वे भी सेम-डे रिटायर हुए थे।

...इसके अलावा हम लोगों ने भी इन्टर्नल कार्रवाई भी की। मलंजखंड कॉपर प्रोजेक्ट के जेनरल मैनेजर उसमें इन्वॉल्वड थे। जेनरल मैनेजर, फाइनेंस, एचसीएल भी इन्वॉल्वड थे और भी कई लोग थे। हमने जेनरल मैनेजर, मलंजखंड कॉपर प्रोजेक्ट को कमपल्सरी रिटायरमेंट दिया। (verbatim pg 7)

सर, श्री विनय सिंह तो कम्पल्सरी रिटायरमेंट में चले गए हैं। श्री विवेक त्रिपाठी, जो उसमें इन्वॉल्वड थे, उन पर मेजर पैनाल्टी लगाई गई थी और उनको टर्मिनेट कर दिया गया था। लेकिन उन्होंने अपील की और अपील करने के बाद वे अब लोअर ग्रेड में आकर अब फिर काम कर रहे हैं।

...सर, इसके अलावा हम लोगों ने कराया पुलिस स्टेशन में एक एफआईआर दर्ज करायी थी। सर, वर्ष 2022 में इनका एक ऑर्डर हुआ था, उसमें इन्होंने डेरैलिक्शन ऑफ ड्यूटी, एनसीएलएटी ने जो आरपी है, उनके अगेंस्ट में इन्होंने लिखा है that there was serious dereliction of duty. और आईबीबीआई ने इनको सूचित करने के लिए बोला है। यह लास्ट हुआ है।..... We will take action on that....

.....महोदय, टेक्नो फिजीबिलिटी रिपोर्ट में जो लोग थे, उन पर एक्शन लिया गया। उसमें तीन लोगों पर कार्रवाई हुई है। उनमें से एक पूर्व सीएमडी जिनकी

विभागीय कार्यवाही (मंत्रालय द्वारा) पूर्ण हो चुकी है और रिपोर्ट सबमिट कर दी गई है। दूसरे जीएम को कम्पलसरी रिटायरमेंट , एक एजीएम इंडस्ट्रीयल इंजीनियर को रिमूवल फ्रॉम सर्विस किया गया।

.....महोदय, चूंकि यह मैटर सीबीआई के पास चला गया है, इसलिए हम उनसे भी पूछ लेंगे।”

45. The representatives of the Ministry of Mines, during the course of oral evidence, gave further clarifications on the enquiries conducted against the erring officials:

“Sir, we have conducted an inquiry.

.....There are multiple inquiry officers. In the case of the main person who was piloting the project, inquiry officer was Mr. Sarangi..... This was conducted by the Chief Vigilance Officer of the HCL..... सर, सीवीओ ने यह इन्क्वायरी की है। श्री सरकार ने यह इन्क्वायरी की है। It is a very detailed inquiry report. उसमें साफ-साफ यह रेफ्लेक्ट हुआ है कि कौन-कौन जिम्मेदार है। In Board, there are large number of Members. But only few people were piloting the project and that has been identified in that. There are about nine officers who have been identified and accordingly, the action is being taken. Not all of them are responsible to the same extent. But we have taken action against all of them. 9 लोगों की आइडेंटिफिकेशन हुई है, but that is based on the detailed inquiry. Later on, the sanctioning was done....

..... सर, बोर्ड के प्रस्ताव में ऐसा कुछ नहीं लिखा है कि उन्होंने आपत्ति की।..... सर, इसकी हम जाँच कर लेंगे। वैसे तो सभी अफसरों की जाँच हुई थी, जो भी इसमें सम्मिलित थे।..... सर, जहां तक मुझे मालूम है, यह विषय मंत्रालय में नहीं आया था। जब सीवीसी की कंप्लेंट आई, तब यह विषय पहली बार मंत्रालय में आया।

....सर, जैसा कि आपको पता है कि यह बहुत ही गम्भीर मसला है और सरकार को 200 करोड़ रुपये का नुकसान हुआ है। इस विषय में जैसे ही विभाग को इसके बारे में पता चला, उसी समय इन्क्वायरी बिठायी गयी।

हमारा जो प्रोसीजर होता है, उसके हिसाब से विजिलेंस में इंकवायरी की गयी। जो भी दोषी लोग थे, उनके खिलाफ कार्रवाई की गयी है। इसमें कोई दो राय नहीं है या इसमें कोई संशय का स्थान नहीं है कि ऑडिट ने जो पाया है, वह बिल्कुल ठीक पाया है। ऑडिट ऑथोरिटीज़ ने भी बहुत अच्छा काम किया कि वे इस विषय को हमारी नजर में लाए। उसी हिसाब से हमने आगे कार्रवाई करते हुए जो अफसर थे, उनके खिलाफ कार्रवाई की है और इसके अलावा जो कंपनी है, उसके खिलाफ भी हमने कार्रवाई शुरू की है। सीबीआई को भी इसमें केस रजिस्टर करने के लिए कहा गया है।

(IV) Salvage value of the plant

46. HCL, in a written reply to the Committee, submitted that the COT plant at MCP could not be commissioned. On termination of the contract, HCL had encashed the Bank Guarantee of Rs.8.49 crore on 28.09.2020 against Security Deposit of the contract. The Company had also filed a claim of Rs.235.17 crore before the RP in the NCLT, Chennai against M/s STPL. the latest position as submitted by HCL to the Committee was as under :

"Hon"ble NCLAT vide its order dated 07.10.2021 has ordered for stay of Hon"ble NCLT order dated 09.08.2021 i.e. order for initiation of Corporate Insolvency Resolution Process (CIRP)."

47. HCL further submitted the following additional information regarding the actions taken by the Company against M/s STPL:

"HCL has initiated legal actions against M/s STPL. The legal actions taken by HCL in this regard are as under:

(i) HCL has filed a complaint at Karaya Police Station, Kolkata against M/s STPL Directors and others.

(ii) The Karaya Police Station, Kolkata lodged the FIR on 05.08.2022 only after the directions from the Hon"ble Court against M/s Star Trace Private Limited, based on the Petition of HCL.

(iii) HCL had taken up the matter with the Superintendent of Police, CBI, Jabalpur (MP) on 10th December, 2020. Thereafter, the CBI, New Delhi took up the Case.

(iv) The Contract with M/s STPL has been terminated on 31.08.2020.

(v) CBI, AC-II, New Delhi has registered RC vide FIR No. RC2172022A0007 dated 31.08.2022.

(vi) HCL has blacklisted M/s STPL.

(vii) HCL has issued a Notice of Rejection to M/s STPL on account of Unaccomplished/incomplete project.

(viii) HCL has issued a Notice for the Demand of Compensation towards costs and expenses incurred by HCL in respect of failed and/ or unaccomplished project.

(ix) HCL has filed a claim of Rs. 235.16 Cr for non-performance as per contractual terms & conditions, under Form-F "Proof of claim by Creditors (other than Financial Creditors & Operations Creditors) [Under Regulation 9A of the Insolvency & Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016]. "

48. HCL, during the course of oral evidence, submitted the following regarding the cost of plant at MCP:

“सर, हमने एक कमेटी गठित करके स्टडी करायी थी और इस तरीके के आरएंडडी प्रोजेक्ट्स को हम टेकअप नहीं कर रहे हैं, जो कि प्रूवन टेक्नोलॉजी के नहीं हैं और कंपनी की स्थिति भी ऐसी नहीं थी, उस समय भी नहीं थी और आगे भी नहीं रही कि हम लोग इस तरीके का वेंचर करें, कोई नई चीज पर इतना खर्च लें तो प्रॉपर ड्यू डिलिजेंस कराकर ही फ्यूचर में कभी होगा, यह एसओपी बनाने का काम हम लोगों ने किया है कि ऐसा हो कि भविष्य में जब इस तरह का खर्चा हो तो इस पर प्रॉपर ड्यू डिलिजेंस होना चाहिए। सर, एक मूल्यांकन कराया था और 30 करोड़ उन्होंने बताया था।.....

.... सर, 280 करोड़ रुपये (कर सहित) का ऑर्डर था। उसमें दो साल का ऑपरेशन एंड मेन्टेनेंस भी था। वह 85 करोड़ था। टोटल इंकलूडिंग दी टैक्स 195 करोड़ का प्रोजेक्ट था और उसमें जो काम किया था, उसके अग्रेस्ट में 165 करोड़ का क्लेम उनका था, उसके अग्रेस्ट में हम लोगों ने, 158 करोड़ (बेसिक भुगतान -बैंक गारंटी जो इनकैश की गई) का आउटफ्लो (पेमेंट लगभग 120 करोड़ , लायबिलिटी लगभग 39 करोड़ जो कि बुक्स ऑफ अकाउन्ट्स में है) है।

.... सर, हमारा आउटफ्लो हुआ है।....

*...सर, वह तो हुआ ही नहीं। ऑपरेशन एंड मेन्टिनेंस तो हुआ ही नहीं।
सर, बहुत सारा सिविल इंफ्रास्ट्रक्चर आदि तो रिकवर नहीं हो सकता।....
Sir, Design Engineering - Rs.8.50 crore, Equipment- Rs.132.84
crore, erection, commissioning - Rs.28.52 crore. All this
comes to Rs.169.85 crore. बाकी दो साल का ओएंडएम था”*

49. In a written response to the Committee, HCL, regarding the current value of the plant, submitted as under:

“As per the last valuation report dtd 26.03.2021 done by Government approved valuer, the valuation of the MCP COT Plant including building, factory sheds, plant and machinery is Rs. 30.27 crore.”

50. When asked by the Committee whether any timeline has been prepared by the Company to dispose of the COT plants constructed, HCL replied as under:

“The tendering action for appointment of an external agency to assess the usefulness of COT plant at MCP is under process and the due date of opening of the bid is 24.07.2023. It may be noted that the entire case is under litigation under various forums and hence prior permission may be required from concerned agencies.”

51. HCL, in a written information to the Committee, informed about the steps taken by the Company and the Ministry of Mines to ensure that such incidents are not repeated in the future:

“Ministry of Mines has issued advisory to HCL for systemic improvement vide letter no -F.No Vig A05/6/2019-Vig. 29/09/2022 which in turn has been circulated within the organization vide letter no HR/Disc Cell/2023 dated 05.01.2023 for compliance. HCL is framing SOP (Standard Operating Procedure) through a committee, to ensure proper due diligence before implementing any new project.”

PART- II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

OVERVIEW

The present Audit Para 6.1 of C&AG Report No. 14 of 2021, examined by the Committee is related to imprudent decision of Hindustan Copper Limited (HCL) to construct a full-scale Copper Ore Tailings (COT) beneficiation plant without adequately testing the pilot plant and verifying its feasibility or success. This decision led to a wasteful expenditure of Rs.158.05 crore. HCL chose to utilize their by-product, Copper Ore Tailings (COT), by employing a beneficiation process to recover valuable materials like gold and silver. In January 2016, the Company awarded a contract worth Rs. 6.98 crore to M/s Star Trace Private Limited (STPL) through a competitive bidding process. This contract involved the design, supply, civil work, installation, commissioning, and operation of a pilot plant at Khetri Copper Complex (KCC). The pilot plant was intended for Research and Development (R&D) purposes, with a capacity to process 200 tonnes of COT per day. The project was expected to be completed within 12 months from commissioning, aimed at assessing the technical and commercial viability for potential commercial installation based on the results.

2. Following the trial run stage of the KCC pilot plant, in May 2016, HCL decided to proceed with the establishment of a full-scale plant at Malanjkhand Copper Project (MCP). The full-scale plant was planned to handle 10,000 MT of COT per day, based on preliminary findings from the KCC pilot plant. Subsequently, in January 2017, after evaluating the technical and commercial aspects of the project and receiving financial appraisal from SBICAP, HCL awarded M/s STPL a contract worth Rs. 280 crore (including Rs. 85 crore for a two-year operation and maintenance period) for setting of a 3.29 million tonne per annum Copper Ore Tailings Beneficiation Plant at MCP. This contract was awarded on a single tender basis. The project was scheduled to be completed by November 2017. The Committee, before finalizing their observations in their

report heard the views of the officers from C&AG who conducted the Audit, and also the views of the representatives of HCL and Ministry of Mines. The evidence of the stakeholders, the information and clarifications submitted by them, and after internal deliberations led the Committee to arrive at the conclusions and make suggestions as mentioned in the succeeding paragraphs.

WASTE TO WEALTH PROJECT

3. The Committee note that the Waste to Wealth Project of HCL encompasses the Company's efforts to effectively manage and recover value from its waste streams. But the Committee find that in their Annual Reports, HCL have stated that they recycle less than 5% of their internally generated waste. During discussions with the Committee, representatives of HCL emphasized the prevalence of copper ore tailings in their operations. The HCL's plan to install a plant to recover metals and minerals from copper ore tailings, was a step towards utilizing COT and HCL should make efforts to recycle/process the remaining with due diligence for extracting of valuable materials.

4. The Committee suggest that the Company should conduct a detailed waste audit to identify all types of waste generated across HCL's operations to gain insights into waste composition, volume, and potential avenues for recovery. HCL should also focus towards developing a circular economy to focus on minimizing waste generation, maximizing recycling and reusing opportunities, and reducing dependence on landfill disposal. The Committee, therefore recommend the Company to judiciously invest in technology, innovation, upgradation and process optimization to enhance the recovery rates of valuable metals and materials from waste streams which can lead to increased revenue generation from waste products. They should also make efforts for transfer of technology from appropriate quarters with foolproof mechanism.

OTHER EXAMPLES OF SUCH PROJECTS IN INDIA OR GLOBALLY

5. The Committee are not happy to note that HCL justified their decision to proceed with the unproven technology based on claims from a specific company at a mining exhibition. HCL explained that due to the uniqueness of the project and the lack of precedent, a pilot plant was established for testing before considering full-scale implementation. HCL stated the absence of proven technology in this specific domain globally. However, the Company could not provide any information/record on the matter. The Committee, therefore, feel that before implementing the project of recovering valuable metals from copper ore tailings, the Company could have conducted research and due diligence for available technology/process. The Committee is not convinced with the version of HCL that no such information/study/work is available in the country or abroad and therefore awarded the work to M/s STPL without exploring the availability of the required technology. The Company's management, at any point of time did not consult the global copper mining leading companies. They also did not float Request for Proposal (RFP) for the purpose. It has come to the notice that certain copper mines in Mexico has conducted study for recovering the values in gold and silver out of copper tailings. The Committee, therefore, recommend that the Company should have explored global best practices, and Request for Proposal (RFP) for extracting gold and silver from copper tailings would have been floated after consulting such Companies. The Committee would like to know the reasons of such omissions.

ESTABLISHMENT OF PILOT PROJECT AT KHETRI

6. The Committee note that HCL initiated the project based on the potential identified through initial examination and analysis. The pilot plant was established at KCC in collaboration with M/s Star Trace Pvt. Ltd. (STPL), Chennai. This plant, with a cost of Rs. 5.9 crore along with a success fee of Rs. 1.5 crore, was based on technology provided by M/s STPL. The involvement of a single technology provider underscores the technical expertise required for

successful tailings processing. The timeline for the establishment and operation of the pilot plant is also crucial. The contract was signed on 01.01.2016, the plant was inaugurated on 01.04.2016, and it was commissioned on 24.06.2016. The Committee believe that these dates indicate a relatively hasty implementation process. The pilot plant was meant to evaluate the technical feasibility of the mineral extraction process. The findings of the Technical Feasibility Report were presented to the Board in the 367th Board meeting on 16.01.2017. This finding would have eventually formed the basis of decision-making process for setting up the full scale COT plant at MCP which has not done by HCL. This Committee would like to be apprised of the circumstances and reasons which compelled HCL to establish full fledged plant without waiting for results of Pilot Project.

7. The Committee are of the opinion that HCL should have conducted substantial comprehensive feasibility studies before initiating projects of such nature. A thorough assessment of technological viability, potential benefits, and alignment with the organization's goals should have also been carried out by the Company. The Committee believe that while the Ministry of Mines might not have had a direct role in setting up the pilot project, but their oversight/activities could have played a crucial role in ensuring projects to align with national mineral resource strategies and regulations. The Committee therefore, stress upon that the Government through their representatives in the Board should have kept a close watch over activities of PSU since their input and scrutiny are vital in ensuring that various projects of PSUs under the Ministry of Mines are in line with rules, regulations and standard practices. Further, whenever Standard Operating Procedure(SOP) is not available, they should stress upon formulation of SOP in a time bound manner.

GROUND'S FOR CHOOSING M/s STPL FOR KCC

8. From the information furnished to the Committee, it is clear that the decision to choose M/s Star Trace Pvt. Ltd. (STPL) for the pilot project at Khetri Copper Complex (KCC) is based on a series of considerations, including their claimed expertise, previous interactions, and self-claimed

technology capabilities. The Committee find that M/s STPL claimed themselves to have the requisite technology for extracting minerals from Copper Ore Tailings (COT), which was reportedly made during the INDABA Mining Conference and Exhibition at Cape town in South Africa and was never verified. The claimed technology primarily involved Magnetic & Gravity separators with an emphasis on dry processes. The Committee note that no documentary supporting these claims were asked for/made available before awarding the pilot project. The Committee feel, that if documents would have been shared with, the matter would have been resolved ab-initio which was not done by HCL. The Committee, therefore, desire that such issues in future be shared with Ministry in time for proper guidance/direction. The Committee take serious note on the fact that M/s STPL was chosen for the pilot project based on their claimed expertise and awarding project without documentary evidence to substantiate their claims raises concerns about the decision-making process. The Committee, further feel that a more rigorous evaluation and due diligence process, along with transparent documentation, would have enhanced the credibility and success of such projects. The Committee therefore, recommend that the selection of a company for a significant project should be based on comprehensive documentation, sufficient past experience and evidence of their claimed capabilities. The use of verbal claims should always be supported by technical documentation and studies. The Committee would like to be apprised of the reasons of such omissions.

9. Further, the choice of KCC as the site for the pilot project was influenced by various factors, including the lifting of 30,000 tonnes of COT from KCC by M/s STPL and the need for creating space at Khetri tailing pond. These considerations, along with the potential for profitability, were likely played a role in choosing KCC as the project site. The Committee further note that the Sub Committee of Board of Directors (SCoBD) meetings provided recommendations for analyzing the business plan and credentials of the short-listed qualified party, M/s STPL. The aim was to ensure a detailed evaluation before proceeding. However, the recommendations of SCoBD were not fully complied with, and instead, in the subsequent meeting held on 15.04.2016, SCoBD noted that the Company had signed a contract agreement with M/s.

Star Trace Pvt Ltd, Chennai, for setting up of 200 tons per day pilot plant facility at Khetri Copper Complex (KCC) for extracting minerals and materials from copper ore tailings lying at Malanjkhand and Khetri. The Committee would like to know the reason of not considering the recommendations of SCOBD and desire that due weightage should be accorded to the recommendations of sub-committees of BOD in future.

SETTING UP OF MALANJKHAND COPPER PROJECT (MCP)

10. Despite the initial assessment that showed promising results in terms of mineral content from tailings, in the firm opinion of the Committee, it is vital to acknowledge that the project's viability and sustainability should be evaluated based on comprehensive data and analysis. The use of a three-day result of the feasibility study raises questions on working of BOD and their reliability. The Committee, therefore, recommend that all future projects should undergo in-depth and required feasibility studies to ensure accurate projections and risk assessments, with due diligence and ward off misuse of money.

11. The Committee from the timeline of events infer that the decision to establish the MCP was taken through the 363rd and 367th Board meetings of HCL, with unanimous approval from the Board members. However, the Committee note that the proposal was not sent to the Ministry of Mines for approval due to the empowered authority of the HCL Board to approve capital expenditures up to Rs.500 crore. The Committee, therefore, desire that a proper SOP should be framed with checks and balances of power of Board for project upto Rs.500 crores, too, and there should be provision of proper Governmental scrutiny to prevent potential discrepancies.

12. The Committee observe that HCL's Internal Audit Department, in the case of MCP, focused primarily on the document review, and technical issues were not thoroughly assessed rather ignored. This raises concerns about the effectiveness of internal audits in identifying and mitigating potential technical risks. The Committee, therefore, desire that internal audit processes should include comprehensive technical issues too for addressing the issues/concerns in time.

13. The Committee note that HCL's hastiness in seeking Board approval for the full-scale MCP plant before commissioning of the pilot plant is a critical concern. To prevent such instances in the future, the Committee urge HCL that the Company should implement a stringent decision-making process with professional acumen that requires thorough commissioning, testing, and validation of pilot projects before seeking approval for large-scale installations. Further, the Ministry of Mines should also play a more active role in overseeing major projects initiated by HCL, especially when they involve significant investments and potential financial risks. Though the responsibility of accurate data and information lies with the HCL Board, yet the Ministry should actively scrutinize project proposals and ensure that due diligence is conducted before giving approvals. Regular monitoring and periodic reviews of projects at the level of the Ministry of Mines will prevent any hasty decisions particularly for projects more than 100 crores.

14. The Committee believe that the decision to engage SBI Capital Markets Ltd. (SBI-CAP) for financial appraisal was a step in the right direction. However, it is important to note that the scope of SBI-CAP's appraisal was based on inputs provided by HCL's Project and Technical teams. This indicates that SBI-CAP did not conduct an independent due diligence to verify the accuracy of the data. The Committee, would, therefore, like to be apprised as to why SBI-CAP did not undertake appraisal of project independently and desire that financial appraisals should involve an independent assessment of financial projections, cost-benefit analysis, and market trends to reach accurate financial conclusions and future projects undertaken by HCL and other similar organizations under the Ministry of Mines must be subjected to thorough scrutiny, transparent processes, and robust due diligence.

AWARDING THE PROJECT ON SINGLE TENDER BASIS

15. The Committee note that HCL received two bids for setting up of COT plant at MCP, one from M/s Star Trace Pvt. Ltd. (STPL) and another from M/s Larsen & Toubro Limited (L&T). The Committee observe from the information furnished by the Company that M/s L&T's bid contained substantial deviations from the terms and conditions of the Request for Proposal (RFP) including a

longer project execution timeline (16 months instead of the required 8 months), disagreement on the reclamation of old tailings from the tailing dam, absence of a performance guarantee, and differing payment terms. These deviations indicated that M/s L&T's bid did not fully align with the project's requirements. On the other hand, M/s STPL's bid adhered to all the terms and conditions of the RFP, indicating that they were willing to meet the project's specifications as outlined in the tender documents. The Committee further note that M/s L&T raised concerns about conflict of interest related to M/s STPL, the pilot plant operator, being one of the two bidders. M/s L&T also alleged that necessary data had not been shared by M/s STPL with them, which could impact the fairness of the bidding process. The Committee are of the view that this conflict of interest potentially compromised the integrity of the process of tendering.

16. The Committee note that the process in awarding contract was not properly documented. The decision to award a project on a 'single tender basis' should be well-documented and based on provisions of General Financial Rules for maintaining transparency and economy. The Committee, therefore, strongly urge HCL to ensure that the tendering process is conducted according to established guidelines, SOP, regulations and rules in future so that the same withstand the scrutiny of oversight agencies.

17. The Committee, further note that awarding the project to M/s STPL due to technical deviations in M/s L&T's bid was not proper. For this, Pre-bid Meeting(s) could have taken place and thereafter, a fresh tender could have been floated for maintaining transparency in accordance with established guidelines. The Committee, therefore, suggest the Ministry of Mines and the Company management to address irregularities, improve procurement processes, and ensure fair competition and maintaining public trust while undertaking public projects.

SALVAGE VALUE OF THE COT PLANT

18. The Committee note that the COT plant at MCP could not be commissioned and on termination of the contract, HCL had encashed the Bank Guarantee of Rs.8.49 crore on 28.09.2020 against Security Deposit of the contract and blacklisted M/s STPL which are positive steps indeed towards recovering costs associated with the terminated contract. The Committee also note that the Company had also filed a claim of Rs.235.17 crore before the Resolution Process in the NCLT, Chennai against M/s STPL, however, NCLAT vide its order dated 07.10.2021 ordered for stay on NCLT order dated 09.08.2021 for initiating Corporate Insolvency Resolution Process (CIRP). The Committee further note that the tendering action for appointment of an external agency to assess the usefulness of COT plant at MCP was under process and the due date of opening of the bid was 24.07.2023, and also acknowledge the fact that the entire case is under litigation under various forums for which prior permission are to be required from concerned agencies. The Committee desire that efforts should be made for vacation of stay by NCLAT and necessary permission should be taken for further action in the matter.

19. The Committee are of the opinion that HCL should continue its efforts to recover losses, make informed decisions about the plant's salvage value, prevent similar incidents in the future, and maintain transparency and compliance throughout the process. The Committee would also suggest the Company to continue to actively engage in legal proceedings to recover the claimed amount and any additional costs incurred and believe that HCL's approach of filing complaints, FIRs, and involving law enforcement agencies against M/s STPL Directors is necessary for holding parties accountable. The Committee further opine that the valuation report prepared by a Government-approved valuers or other accredited ones provide a credible and reliable estimation of the plant's value and this report should be utilized as a reference point for making informed decisions about the plant's future. Further, the ongoing tendering action to appoint an external agency to assess the usefulness of the COT plant is a crucial step.

20. The Committee have taken note of the fact that the Ministry of Mines issued an advisory to HCL for systematic improvements vide letter no.-F.No. Vig A05/6/2019-Vig. 29/09/2022 which in turn got circulated within the organization for compliance and HCL was framing SOP (Standard Operating Procedure) through a Committee, to ensure proper due diligence before implementing any new project. In this regard, the Committee hope that the SOP would be framed soon utilizing lessons from the fault of the Company which may serve as reference for other CPSUs in preventing such action by them. The Department of Public Enterprises, Department of Economic Affairs, Department of Financial Services, Department of Expenditure, Ministry of Corporate Affairs and other concerned Ministries/Departments having CPSUs may also be involved while framing SOP, if required.

Disciplinary Action against erring Officials

21. The Committee note that the setting up of COT plant at MCP was a case of deliberate misrepresentation of gold content in tailings to the Board of HCL, leading to a significant financial loss for the Government. Though the involvement of high-ranking officials, both serving and retired, has been identified and disciplinary actions with a criminal investigation have been initiated, the Committee note that some officials are scot free due to retirement rules. The situation underscores the need for stronger internal controls, transparent investigations, and reforms to ensure accountability even post-retirement. To address this issue, the Committee are of the view that it's crucial to ensure a thorough, transparent, and timely investigation by the CBI while pursuing recovery of Government losses. Change in retirement rules, strengthening internal controls, promoting ethical behaviour, and enhancing oversight mechanisms are necessary. The Committee also feel strongly that CPSUs cannot be left totally independent in making such an important decisions involving investments of large scale, otherwise such incidents would be coming again and again. At this stage, the role of the nodal Ministry

becomes important to create fool proof ways and means to keep a watch over their activities and take necessary and timely intervention. Therefore, the Committee urge both the Ministry of Mines and HCL to ensure proactive policy reviews, and continuous monitoring of actions against wrongdoers which will prevent future incidents and uphold transparency and accountability. The Committee would also like to be appraised of the status of the CBI case(s) registered in the matter of disciplinary action against the officers of HCL, particularly FIR No. RC2172022A0007 lodged on 31.08.2022 by CBI on the basis of its enquiry/investigation.

New Delhi:
07 February, 2024
18 Magha, 1945 (S)

Santosh Kumar Gangwar
Chairperson
Committee on Public Undertakings

ANNEXURES-I

COMMITTEE ON PUBLIC UNDERTAKINGS **(2022-23)**

MINUTES OF THE THIRTY- FIRST SITTING OF THE COMMITTEE

The Committee sat on Monday, the 27th March, 2023 from 1455 hrs. to 1535 hrs. in Committee Room „D“, Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - Chairperson

MEMBERS

Lok Sabha

2. Dr. Heena Vijaykumar Gavit
3. Smt. K. Kanimozhi
4. Shri Lavu Sri Krishna Devarayalu
5. Smt. Poonamben Hematbhai Maadam
6. Shri Arjunlal Meena
7. Shri Janardan Mishra
8. Shri Kinjarapu Ram Mohan Naidu
9. Shri Arvind Kumar Sharma
10. Shri Sushil Kumar Singh
11. Shri Uday Pratap Singh

Rajya Sabha

12. Shri Anil Desai
13. Ms. Indu Bala Goswami
14. Shri Syed Nasir Hussain
15. Dr. Anil Jain
16. Shri Prakash Javadekar
17. Dr. Amar Patnaik
18. Shri M. Shanmugam

SECRETARIAT

1.	Shri Chander Mohan	-	Joint Secretary
2.	Shri Santosh Kumar	-	Director
3.	Shri G.C. Dobhal	-	Additional Director
4.	Smt. Mriganka Achal	-	Deputy Secretary

REPRESENTATIVES OF OFFICE OF COMPTROLLER & AUDITOR **GENERAL**

1.	Shri Raj Ganesh Viswanathan	-	Dy. C&AG (Comm.) & Chairman Audit Board
2.	Dr. Kavita Prasad	-	Director General (Commercial Audit)
3.	Ms. Suparna Deb	-	Director General of Audit
4.	Shri B.R. Mondal	-	Director General (Parliamentary Committee)

2. At the outset, the Chairperson, COPU welcomed the Members and the representatives of the O/o C&AG and drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of briefing before the Parliamentary Committees. Thereafter, the representatives of O/o C&AG made a Power Point Presentation and briefed the Committee on 'Audit Para No. 6.1 of C&AG Report No. 14 of 2021 regarding unfruitful expenditure towards construction of Copper Ore Tailings Beneficiation Plant relating to Hindustan Copper Limited' highlighting the issues that led to unfruitful expenditure of Rs. 158.05 crore. The major reasons behind setting up the pilot project was to evaluate techno-commercial feasibility of Copper Ore Tailing Beneficiation Plant so that decision regarding setting up of commercial installation could be taken on the basis of the results achieved. The representatives of C&AG informed the Committee about the Action Taken Notes (ATNs), which was due in June 2022, has not been received till date.

3. Thereafter, the Chairperson and Members raised queries and sought clarifications on various aspects of the Audit Para which among other included the very concept of „beneficiation process“, the manner in which it occurs, the engagement of M/s Star Trace Private Limited on pilot project basis and commissioning of a full scale plant at Malanjkhanda Copper Project (MCP) when the Pilot Project was yet to be commissioned. The Members also sought clarification on two times extensions of the pilot project, additional expenditures incurred thereon, failure of pilot project at KCC in achieving its envisaged parameters even after 33

months operation, the commercial as well as technical failure of the projects etc. The Members sought further clarifications on the role of Company Management and M/o Mines in issuing guidelines for addressing the lapses in decision making for construction of commercial plant without considering the results/findings of the ongoing pilot project and actions taken against the responsible officers.

4. The representatives of the O/o C&AG responded to the queries except technical issues for which the Committee decided that the representatives of Hindustan Copper Limited (HCL) and Ministry of Mines be called for further detailed deliberations at a later date.

5. The Chairperson thanked the representatives of the O/o C&AG for briefing the Committee and sharing valuable information with the Committee on such an important subject.

The Committee, then, adjourned.

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ANNEXURES-II

COMMITTEE ON PUBLIC UNDERTAKINGS **(2023-24)**

MINUTES OF THE FOURTH SITTING OF THE COMMITTEE

The Committee sat on Monday, the 26th June, 2023 from 1130 hrs. to 1220 hrs. in Committee Room No. „2“, Ground Floor, Block A, Extension to Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - **Chairperson**

MEMBERS

Lok Sabha

2. Shri Lavu Sri Krishna Devarayalu
3. Shri Sushil Kumar Singh
4. Shri Uday Pratap Singh

Rajya Sabha

5. Dr. Anil Jain
6. Dr. Amar Patnaik
7. Shri V. Vijaysai Reddy

SECRETARIAT

1. Shri Santosh Kumar - Director
2. Shri G.C. Dobhal - Additional Director
3. Smt. Mriganka Achal - Deputy Secretary

OFFICE OF C&AG

1. Shri Raj Ganesh Viswanathan - Dy. C&AG (Commercial) & Chairman, Audit Board
2. Dr. Kavita Prasad - Director General (Commercial - I)
3. Shri B.R. Mondal - Director General (Parliamentary Committee)
4. Shri Atul Prakash - Principal Director

REPRESENTATIVES OF HINDUSTAN COPPER LIMITED (HCL)

1. Sh. Arun Kumar Shukla - CMD
2. Sh. Sanjay Panjiyar- Director (Operations)
3. Sh. Ghanshyam Sharma - Director (Finance)
4. Shri Ravi Gupta - GM (Finance)

2. The Chairperson welcomed the Members and the officers of C&AG at the sitting convened to take evidence of the representatives of Hindustan Copper Limited (HCL) in connection with examination of Audit Para No. 6.1 of C&AG Report No. 14 of 2021 pertaining to Hindustan Copper Limited (HCL) regarding „Unfruitful expenditure towards construction of Copper Ore Tailings Beneficiation Plant“. Representatives of C&AG made a brief presentation on the subject under consideration.

(The representatives of HCL were then called in.)

3. The Chairperson welcomed the representatives of HCL and drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence before the Parliamentary Committees. Hon^{ble} Chairperson enquired about the reasons behind investing in an unproven technology leading to unfruitful expenditure by the Company, steps taken by the Company for the recovery of the amount, initiatives by the Company to ensure such instances are not repeated in the future etc,

4. Thereafter, the representatives of the HCL made a presentation to the Committee on the subject under consideration. HCL, then, made submission on the observations by the Audit as to why the contract was awarded of the Malanjkhand Copper Project (MCP) has started before obtaining the findings of Pilot Project Khetri Copper Complex and that to a technically single bidder.

5. The Members, then, raised various issues pertaining to Audit findings such as the role of the Internal Audit Department of the Company, the reasons behind delays in remedial actions taken by the Company management etc.

6. The representatives of the HCL 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 Committee then adjourned.)

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ANNEXURES-III

COMMITTEE ON PUBLIC UNDERTAKINGS **(2023-24)**

MINUTES OF THE FIFTH SITTING OF THE COMMITTEE

The Committee sat on Monday, the 26th June, 2023 from 1225 hrs. to 1300 hrs. in Committee Room No. „2“, Ground Floor, Block A, Extension to Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - **Chairperson**

MEMBERS

Lok Sabha

2. Shri Lavu Sri Krishna Devarayalu
3. Shri Sushil Kumar Singh
4. Shri Uday Pratap Singh

Rajya Sabha

5. Dr. Anil Jain
6. Dr. Amar Patnaik
7. Shri V. Vijaysai Reddy
8. Shri Syed Nasir Hussain

SECRETARIAT

1. Shri Santosh Kumar - Director
2. Shri G.C. Dobhal - Additional Director
3. Smt. Mriganka Achal - Deputy Secretary

OFFICE OF C&AG

1. Shri Raj Ganesh Viswanathan - Dy. C&AG (Commercial) & Chairman, Audit Board
2. Dr. Kavita Prasad - Director General (Commercial - I)
3. Shri B.R. Mondal - Director General (Parliamentary Committee)
4. Shri Atul Prakash - Principal Director

REPRESENTATIVES OF MINISTRY OF MINES

1. Sh. Vivek Bharadwaj - Secretary
2. Sh. Upendra Chandra Joshi - Joint Secretary
3. Sh. Sanjeev Verma - Director

2. At the outset, the Chairperson welcomed the Members and the officers of C&AG at the sitting convened to take evidence of the representatives of Ministry of Mines in connection with examination of Audit Para No. 6.1 of C&AG Report No. 14 of 2021 pertaining to Hindustan Copper Limited (HCL) regarding „Unfruitful expenditure towards construction of Copper Ore Tailings Beneficiation Plant“.

(The representatives of Ministry of Mines were then called in.)

3. The Chairperson welcomed the representatives of Ministry of Mines and drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence before the Parliamentary Committees. Hon^{ble} Chairperson emphasized on important aspects of the subject under consideration and the lack of monitoring by the controlling Ministry. Chairperson while emphasizing on the role, responsibility and recovery by the Ministry; also enquired about why no independent authority was involved in preparation of Technical Feasibility Report (TFR).

4. Thereafter, the representatives of the Ministry gave clarification on various aspects of commissioning of Malanjkhand Copper Project (MCP) while the results from Khetri Copper Complex were still awaited. The representatives of the Ministry of Mines agreed that there might have been some apparent malafide intention in the case under consideration.

5. The Members, then, raised various issues such as the future of the defunct plants and their disposal, role of the Government nominee on the Board of Directors of HCL, steps taken by the Ministry for the recovery of money, future course of action of the Ministry so that such incidents are not repeated in the future, role of SBI Capital Markets in the financial appraisal of the project etc.

6. The representatives of the Ministry 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.

7. The Committee also discussed and decided to undertake a local study visit to Haridwar on 07, July 2023.

(The Committee then adjourned.)

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ANNEXURES-IV

COMMITTEE ON PUBLIC UNDERTAKINGS **(2023-24)**

MINUTES OF THE THIRTY FIRST SITTING OF THE COMMITTEE

The Committee sat on Monday, the 05th February, 2024 from 1500 hrs. to 1545 hrs. in Committee Room No. „2“, Ground Floor, Extension to Parliament House Annexe, New Delhi.

PRESENT

Shri Santosh Kumar Gangwar - **Chairperson**

MEMBERS

Lok Sabha

2. Shri Anil Firojiya
3. Dr. Heena Vijaykumar Gavit
4. Shri Janardan Mishra
5. Shri Nama Nageswara Rao
6. Shri Ravneet Singh Bittu
7. Shri Sushil Kumar Singh
8. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

9. Shri Syed Nasir Hussain
10. Dr. Anil Jain
11. Dr. Amar Patnaik
12. Shri V. Vijayasai Reddy
13. Shri Binoy Viswam

SECRETARIAT

1. Shri Neeraj Semwal - Joint Secretary
2. Smt. Jyochnamayi Sinha - Director
3. Smt. Mriganka Achal - Deputy Secretary

OFFICE OF C&AG

1. Shri Raj Ganesh Viswanathan - Dy. C&AG (Commercial) & Chairman, Audit Board
2. Shri Deepak Kapoor - Director General (Commercial)
3. Shri B.R. Mondal - Director General (Parliamentary Committee)

REPRESENTATIVES OF DEPARTMENT OF PUBLIC ENTERPRISES

1. Shri Ali Raza Rizvi - Secretary (Public Enterprises)
2. Shri Lucas L. Kamsuan - Joint Secretary (Administration)
3. Shri Mahender Kumar Jjjainia - Dy. Director General (Survey)

REPRESENTATIVES OF CONTROLLER GENERAL OF ACCOUNTS

1. Shri Shyam S. Dubey - Controller General of Accounts
2. Smt. Aastha Saxena Khatwani - Add. CGA
3. Smt. Tripti Patra Ghosh - Joint CGA
4. Shri Neeraj Kumar - Joint Director (NIC)

2. At the outset, the Chairperson welcomed the Members of the Committee and apprised them about the agenda for the sitting. The Committee then considered and adopted the draft report on „Unfruitful expenditure towards construction of Copper Ore Tailings Beneficiation Plant relating of Hindustan Copper Limited (HCL) in connection with its Based on C&AG Para No. 6.1 of C&AG Report No. 14 of 2021“ without any changes/modifications. The draft report was already sent to the C&AG and concerned Ministry/Department for factual verification in anticipation of presenting the report in Budget session, 2024 and the Chairperson had finalized the report on the basis of factual verification as suggested by C&AG and concerned Ministry/Department. The Committee authorized the Chairperson for presenting the report during the current session of the Parliament.

(The representatives of DPE and CGA were then called in.)

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XXX	XXX	XXX	XXX

The Committee, then, adjourned.

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