

**UNFRUITFUL EXPENDITURE TOWARDS CONSTRUCTION OF
COPPER ORE TAILINGS BENEFICIATION PLANT RELATING TO
HINDUSTAN COPPER LIMITED (HCL)**

[BASED ON PARA NO. 6.1 OF C&AG REPORT NO. 14 OF 2021]

HINDUSTAN COPPER LIMITED(HCL)

MINISTRY OF MINES

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2024-25)**

SEVENTH REPORT

EIGHTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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(2024-25)

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HINDUSTAN COPPER LIMITED (HCL)
MINISTRY OF MINES

(Action Taken by the Government on the Observations/Recommendations
contained in the Twenty-Second Report (17th Lok Sabha) on Audit Para No.
6.1 of C&AG Report No. 14 of 2021 relating to HCL)



Presented to Lok Sabha on 18 December, 2024

Laid in Rajya Sabha on 18 December, 2024

**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2024/ Agrahayana, 1946 (Saka)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2024-25)

Shri Baijayant Panda - *Chairperson*

Members

Lok Sabha

2. Shri Tariq Anwar
3. Shri Sudip Bandyopadhyay
4. Shri R.K. Chaudhary
5. Shri Chandra Prakash Joshi
6. Smt. K. Kanimozhi
7. Shri Kaushalendra Kumar
8. Shri Shankar Lalwani
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SECRETARIAT

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

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2024-25) having been authorized by the Committee to submit the Report on their behalf, present this Seventh Report on 'Action Taken by the Government on the Observations/ Recommendations contained in the Twenty Second Report (17th Lok Sabha) on 'HCL [based on Audit Para No. 6.1 of C&AG Report No.14 of 2021]'

2. The Twenty Second Report (17th Lok Sabha) of the Committee on Public Undertakings was presented to Lok Sabha and laid on the Table of Rajya Sabha on 08 February, 2024. The Action Taken Replies to all the 21 Recommendations contained in the Report were received from the HCL on 30 October, 2024.

3. The Committee considered and adopted the draft Report at their sitting held on 13th December, 2024. The Minutes of the sitting are given in Appendix- I

4. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Twenty Second Report of the Committee (17th Lok Sabha) is given in Appendix -II.

**New Delhi;
13 December, 2024
22 Agrahayana,1946(S)**

**BAIJAYANT PANDA,
Chairperson,
Committee on Public Undertakings**

R E P O R T

CHAPTER I

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the Twenty Second Report of the Committee on Public Undertaking 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; which was presented to Lok Sabha on 08.02.2024. It contained 21 observations/recommendations.

2. Action Taken notes have been received from the Government in respect the 19 observations/recommendations of the Committee and since the recommendation serial number 1 and 2 were introductory, the Ministry did not offer comments on those.

- | | |
|--|------------------------------|
| (i) Observation/Recommendations which have been accepted by the Government
Sl.Nos. 1,2,3,4,6,7,10,11,12,13,14,15,16,17 & 20 | (Chapter II)
(Total: 15) |
| (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies.
Nil... | (Chapter III)
(Total: 00) |
| (iii) Observations/Recommendations in respect of which replies of Government had not been accepted by the Committee and which require reiteration.
Sl.Nos. 5, 8 & 9 | (Chapter IV)
(Total:03) |
| iv) Observations/Recommendations to which the Government has furnished interim replies and final replies are still awaited.
Sl.Nos. 18, 19 & 21 | (Chapter V)
(Total:03) |

3. The Committee desires the Ministry of Mines to furnish final Action Taken Notes/replies in respect of observations/recommendations contained in Chapter I of the Report.

4. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations in succeeding paragraphs.

WASTE TO WEALTH PROJECT
Recommendation (Sl. No. 3 and 4)

5. The Committee in their Twenty Second Report, had recommended the following with regard to Waste to Wealth Project :

"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."

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

"In an effort towards waste utilization i.e. use of Copper Ore Tailings (COT), HCL has adopted Paste fill technology to recycle major part of the Copper Ore Tailings (COT) produced at MCP unit to fill the voids created in the underground mines. This will ensure stability of underground mining operations as well as increase the production/extraction of copper ore thus reducing the impact to the environment and ensuring sustainable operation. The Paste fill plant has been set up and will be commissioned shortly.

HCL has entrusted M/s MECON to evaluate the usefulness of the equipment installed in the COT plant. M/s MECON has submitted their report and they have inter-alia stated that "the major equipment has also got deteriorated and most of the process equipment installed in the said COT plant like spiral concentrator, Low intensity magnetic separator, etc., are not in a condition to work to meet the process requirement" and that "the existing COT plant as a whole can't be useful to produce desired products by modifying or replacing the individual equipment as mentioned in the present report. However, as recommended, HCL will start a fresh due diligence (EOI, consultant, etc.) for possibility of economically extracting any valuable materials from COT. Company has started to carry out quarterly sample analysis of Copper Ore and in this regard an official communication has been sent to all mining Units of HCL."

7. The Committee in their subsequent recommendation serial number 4, had recommended the following:

" 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..."

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

"As suggested, HCL proposes to 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. As guided, HCL also proposes to focus towards developing a circular economy to focus on minimizing waste generation, maximizing recycling and reusing opportunities, and reducing dependence on landfill disposal, as applicable. In future, after due diligence and waste audit, Company will accordingly 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. HCL has put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company. Company has started to carry out quarterly sample analysis of Copper Ore and in this regard an official communication has been sent to all mining Units of HCL. In addition, Paste Fill Plant will be commissioned shortly for recycling of waste into the voids of underground mine for sustainable mining."

9. The Committee acknowledge the steps taken by Hindustan Copper Limited (HCL) under the Waste to Wealth initiative but emphasize the need for enhanced commitment to waste recycling and value extraction from copper ore tailings (COT). The Committee note that HCL has implemented Paste fill technology to recycle a substantial part of its tailings, using them to stabilize underground mines. However, while this is a positive step toward sustainable waste management, the Committee encourage HCL to go further in exploring economically viable methods for material recovery from COT, as this could yield environmental and financial benefits.

The Committee also applaud HCL's intent to conduct a comprehensive waste audit to better understand waste composition, volumes, and recovery potential across its operations. In line with this, HCL's commitment to develop a circular economy model, focused on minimizing waste, maximizing recycling, and reducing landfill usage, aligns with the Committee's vision for sustainable resource utilization. The Committee urge HCL to expedite the waste audit and invest in the required technological upgrades, innovation, and process optimization to enhance recovery rates of valuable metals from waste streams.

This approach could position HCL as a leader in sustainable mining practices. Lastly, the Committee reiterate the importance of establishing a strong, results-driven framework within HCL's Standard Operating Procedure (SOP) to ensure these objectives are effectively met, yielding increased revenue from recycled waste and promoting responsible resource management across its operations.

OTHER EXAMPLES OF SUCH PROJECTS IN INDIA OR GLOBALLY

(Recommendation Serial No. 5)

10. The Committee in their recommendation no.5 questioned HCL's reliance on unproven technology and lack of due diligence and recommended that:

" 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."

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

"It is submitted that HCL agrees with the observation of the Committee. From the scrutiny of the records available, no reasons could be ascertained for such omission. However as submitted earlier, HCL has put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company".

12. The Committee take note of the Government's response regarding HCL's oversight in exploring global best practices and proven technologies before adopting new technology for metal recovery from copper ore tailings. However, the Committee find this reply unsatisfactory, as it does not adequately address

the core issue: the lack of a thorough technology assessment prior to project approval. The Committee reiterate that selecting unverified or inadequately supported technologies without consulting international benchmarks significantly increases the risks of technical and financial failure, as evidenced by HCL's experience with this project. While the recently implemented Standard Operating Procedure (SOP) now requires proven technology and a detailed feasibility analysis, the Committee advise that additional provisions be integrated into the SOP to enforce a mandatory global technology scan for projects involving untested methodologies. Specifically, HCL should conduct comprehensive research to identify successful, relevant technologies used by established global copper producers before finalizing its approach.

ESTABLISHMENT OF PILOT PROJECT AT KHETRI (Recommendation Serial No. 6 & 7)

13. The Committee had recommended the following with regard to establishment of pilot project at Khetri :

" 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."

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

"It appears that the then Management took the decision based on the preliminary results of the Pilot Plant. Presently, HCL has put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company."

15. The Committee in their subsequent recommendation no. 7, had recommended the following:

" 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."

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

"Presently, HCL has put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company which has been approved by the Board."

17. The Committee appreciate Hindustan Copper Limited's (HCL) implementation of a Standard Operating Procedure (SOP) for the adoption of new technology, especially in response to the concerns raised regarding the hastiness and limited feasibility analysis in past project decisions. This SOP is a step in the right direction to ensure a structured and transparent process for evaluating, approving, and implementing projects based on verified data and proven technology. The Committee acknowledge that the SOP now mandates data-supported justification, comprehensive feasibility studies, and external financial appraisals, all of which address critical factors in assessing a project's viability and alignment with HCL's long-term goals. However, the Committee advise that HCL apply these procedures rigorously, particularly with regard to the feasibility study requirements outlined in the SOP. Future projects should include detailed technical, environmental, and financial assessments, prepared in consultation with reputable external organizations, before they proceed to the approval stage. Furthermore, the Committee stress on the need for HCL to adopt technologies with a proven track record, as outlined in the SOP, to avoid high-risk investments and potential losses.

GROUNDNS FOR CHOOSING M/s STPL FOR KCC

(Recommendations No 8 and 9)

18. The Committee in their Twenty Second Report, had recommended the following on the grounds for choosing M/s STPL for KCC :

" 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."

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

"It is submitted that following the advice of the Committee, for implementation of any new technology-based project, HCL has already put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company. In addition, as advised, HCL will share the details of any such projects with Ministry in time for proper guidance/direction."

20. The Committee questioned overriding of SCoBD recommendations in KCC Pilot Plant Decision and recommended the following:

" 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 shortlisted 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 SCOBBD and desire that due weightage should be accorded to the recommendations of sub-committees of BOD in future.”

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

“It is submitted that HCL agrees to the observations of the Committee as above. In future, due weightage would be given to the recommendations of SCoBD.”

20. The Committee find the Government’s response to Recommendations 8 and 9 inadequate, as it fails to address the critical issue of transparency and rigor in selecting technology providers for strategic projects. In light of the Committee’s finding, it is concerning that HCL awarded a pilot project contract based on verbal claims and without sufficient documentary support or a thorough vetting of M/s Star Trace Pvt. Ltd.’s (STPL) technical capabilities. The absence of essential documentation during the selection process, along with a disregard for the Sub-Committee of the Board of Directors (SCoBD) recommendations, compromised the integrity of HCL’s decision-making process. While the new Standard Operating Procedure (SOP) includes requirements for transparent, documented procedures, the Committee urge HCL to explicitly enforce these standards by mandating detailed documentation and comprehensive technical credentials for all bidders. For any future projects, HCL must ensure that claims made by potential technology providers are verified through tangible evidence, including performance data and independent references, before awarding contracts. Furthermore, the Committee recommend that due consideration be given to the recommendations of internal committees, such as the SCoBD, whose oversight is vital to safeguard against potential misjudgments. To prevent future oversights, the Committee suggest that HCL’s SOP be strengthened with explicit steps for mandatory documentation and adherence to Board Committee recommendations.

SETTING UP OF MALANJKHAND COPPER PROJECT (MCP)

(Recommendation Serial No. 10,11,12,13 and 14)

21. The Committee questioned viability of project based on limited feasibility study and recommended the following with regard to setting up of Malanjkhand Copper Project (MCP):

“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.”

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

“It is submitted that HCL agrees with the observation of the Committee that all future projects to undergo in-depth and required feasibility studies to ensure accurate projections and risk assessments, with due diligence. For the same, HCL has already implemented a Board approved SOP for implementation/installation of new technology Projects/Plants in future which will comply the recommendation of the Committee.”

23. The Committee in their subsequent recommendation no. 11 suggested enhanced oversight for board-approved projects and recommended the following:

“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.”

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

“It is submitted that HCL has put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company which has been approved by the Board. The approved SOP has been shared with Ministry of Mines. Additionally, for any new technology project, having value more than Rs.100 Crore, it will be submitted to Ministry of Mines for consultation.”

25. The Committee recommended the following wr.t. the technical scrutiny in internal Audits:

“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.”

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

In compliance to the recommended by the Committee, the Company has included the comprehensive technical assessment of new projects in the scope of the agency appointed as Internal Auditor of the company.”

27. The Committee in recommendation No 13 warned against hasty decisions and recommended stricter oversight and recommended the following:

“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.”

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

It is submitted that as advised by Committee, for implementing a stringent decision- making process before seeking approval for large-scale installations, HCL has already implemented a Board approved SOP for implementation/installation of new technology Projects/Plants.

The Ministry of Mines is regularly conducting periodic reviews of various

projects being implemented in the Company. Additionally, for any new technology project having value more than Rs.100 Crore, it will be submitted to Ministry of Mines for consultation.

29. The Committee questioned independence of financial appraisal by SBI-CAP and recommended the following:

“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.”

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

“It is submitted that for future projects undertaken by HCL, in the scope of financial appraisals by external agencies, a clause would be included for an independent assessment of financial projections, cost-benefit analysis, and market trends to reach accurate financial conclusions as applicable.”

31. The Committee appreciate the efforts taken by Hindustan Copper Limited (HCL) to strengthen its project planning and oversight mechanisms in alignment with the newly adopted Standard Operating Procedure (SOP). The SOP's stipulations for pilot project validation and increased Ministry oversight for high-value projects also demonstrate HCL's commitment to preventing hasty, large-scale implementations without adequate testing and validation. The Committee note positively that HCL has committed to conducting comprehensive feasibility studies, including technical, environmental, and financial analyses, for all future projects. The Committee also applaud HCL's incorporation of an SOP for financial appraisals by external agencies, which will help provide unbiased evaluations of financial projections, cost-benefit analysis, and risk assessment, which, aligns well with the Committee's recommendation for independent financial oversight, enhancing the integrity of financial decision-making.

Furthermore, HCL's SOP now mandates regular internal audits that include technical assessments, a crucial step in early risk identification and mitigation. The Committee advise HCL to rigorously apply these audit practices to ensure continuous monitoring and improvement in project performance.

AWARDING THE PROJECT ON SINGLE TENDER BASIS

(Recommendation Serial No.15, 16 and 17)

32. The Committee in their recommendation no 15, highlighted the conflict of interest and procedural lapses in HCL's COT Plant Tender and recommended the following:

“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.”

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

“It is submitted that HCL agrees with the observation of the Committee and the issue pertaining to conflict of interest has been included in the SOP implemented with respect to new technology projects.”

34. The Committee in recommendation no.16 expressed the concerns over lack of documentation in HCL's Single Tender Process and gave the following recommendation:

“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.”

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

“It is submitted that HCL agrees with the observation of the Committee and is ensuring implementation of SOP, established guidelines, rules and regulations of tendering in Government portal like GeM and CPP Portal for maintaining transparency and economy.”

36. The Committee in recommendation no. 17 suggested the following Procedural Improvements to HCL:

“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.”

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

“It is submitted that HCL agrees with the observation of the Committee and will ensure compliance of the directives. This is to submit that in general, HCL conducts pre-bid meetings in case of new/specialized and high value contracts.”

38. The Committee recognize that HCL has now incorporated robust provisions within its SOP to address potential conflicts of interest, ensure comprehensive documentation, and maintain transparency in tendering practices. The Committee also note HCL’s commitment to following the General Financial Rules (GFR) for single-tender contracts and to using government portals like GeM and CPP for public tenders. These measures are expected to uphold transparency and facilitate independent scrutiny of the tendering process, thereby enhancing trust and accountability. Additionally, HCL’s practice of holding pre-bid meetings for high-value or complex contracts aligns with the SOP’s emphasis on thorough, transparent interactions with potential bidders. While these SOP improvements represent significant progress, the Committee

advises HCL to ensure rigorous adherence to these guidelines in all future procurements.

**SALVAGE VALUE OF THE COT PLANT
(Recommendation Serial No. 18 and 19)**

39. The Committee had given the following recommendation regarding the salvage value COT plant:

"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."

40. The Ministry, in their action taken reply, have submitted the following:-

"Stay by NCLAT was vacated by court order in the month of June 2023. However, INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (IBBA) vide its order dated 19.06.2023 suspended the Resolution Professional (RP) appointed in the CIRP of M/s STPL. HCL filed IA for appointment of new RP so that further CIRP proceedings could be started. NCLT vide order dated 06.11.2023 appointed new RP in the matter. New RP started claim verification of all the claimant and asked HCL to submit Form B in place of Form F. HCL submitted both the Forms on 30.01.2024 along with supporting documents. After several mail communications, RP vide mail dated 04.03.2024 informed that HCL's claim is placed as "Non-Acceptable". On 06.04.2024 HCL has filed an application with NCLT Chennai to direct the RP to accept the HCL's claim.

HCL has entrusted M/s MECON to evaluate the usefulness of the equipment installed in the COT plant at MCP (Work Order issued on 16 -

Oct-2023). M/s MECON has submitted their report and they have inter-alia stated that “the major equipment has also got deteriorated and most of the process equipment installed in the said COT plant like spiral concentrator, low intensity magnetic separator, etc., are not in a condition to work to meet the process requirement” and that “the existing COT plant as a whole can’t be useful to produce desired products by modifying or replacing the individual equipment as mentioned in the present report”.

HCL has planned to dispose-off the COT Plant in quick succession to maximize the salvage value of the unutilized assets. Therefore, HCL has requested CBI to give a No Object Certificate vide letter dated 06.09.2024.”.

41. The Committee in their subsequent recommendation (19th recommendation), had recommended as follows:

" 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."

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

“Regarding Legal proceedings to recover the claimed amount, HCL has filed the mediation application at Calcutta High Court mediation centre which is a pre requisite as per section 12A for filing a commercial (recovery) suit. In case directors of M/s STPL do not turn up for mediation or mediation failed, Commercial Court will admit the HCL’s Commercial/recovery suit. Directors of M/s STPL did not appear for mediation even after three notices, this the Mediation failed vide Mediation Centre notice dated 10.07.2024. HCL is now in process of filing the recovery suit.

Regarding filing complaints, FIRs, and involving law enforcement agencies against M/s STPL Directors, HCL had already lodged FIR on 05.08.2022 at Karaya Police Station, Kolkata. CBI is also enquiring the matter vide FIR dated 25.08.2022.

CBI has requested HCL to transfer the FIR lodged at Karaya Police Station to CBI, New Delhi. HCL has filed a petition in the month of Nov 2023 at H'ble Calcutta High Court for the same. Lastly matter was listed for hearing on 01.04.2024, however matter was not heard. HCL is trying to expedite the matter for early hearing. HCL on several occasions has mentioned the matter before the court for early hearing.

Regarding valuation report of the COT plant by a Govt approved valuer, the Company will take suitable action in due course of time after deliberation on the report submitted by M/s MECON on the usefulness of the COT plant".

DISCIPLINARY ACTION AGAINST ERRING OFFICIALS

(Recommendation Serial No. 21)

43. The Committee had given the following recommendations regarding the disciplinary action against the erring officials and the status of CBI cases:

" 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."

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

"The status of FIR lodged by CBI are as under:

CBI has requested HCL to transfer the FIR lodged at Karaya Police Station to CBI, New Delhi. HCL has filed a petition in the month of Nov 2023 at H'ble Calcutta High Court for the same. Lastly matter was listed for hearing on 01.04.2024, however the matter was not heard. HCL is trying to expedite the matter for early hearing. HCL on several occasions has mentioned the matter before the court for early hearing.

CBI, New Delhi has initiated detailed investigation and collected documents in respect of the above mentioned FIR."

45. The Committee take note of the Ministry's responses to recommendations 18, 19, and 21, and acknowledge the ongoing efforts by HCL to address these critical issues involving recovery of losses, salvage of assets, and accountability in project management. The Committee appreciate HCL's steps to recover dues through legal actions against M/s Star Trace Pvt. Ltd. (STPL), including claims filed with the National Company Law Tribunal (NCLT) and the initiation of disciplinary measures. HCL's attempts to maximize salvage value from the unutilized Copper Ore Tailings (COT) plant assets are also seen as positive moves towards mitigating the financial impacts of the project's termination. However, the Committee emphasize that the ultimate effectiveness of these actions will depend on consistent follow-through and transparency in reporting outcomes. The Committee therefore urge HCL to expedite the legal and recovery processes and keep the Committee updated on case developments, including mediation and court proceedings. In line with the new Standard Operating Procedure (SOP), which mandates a structured approach to asset recovery and financial assessment, the Committee recommend that HCL engage an accredited valuation agency to assess the residual value of the COT plant and use these findings to inform its salvage strategy. On the matter of accountability, the Committee stress the importance of prompt and thorough investigations, particularly in light of the criminal charges pending against certain individuals involved in the COT plant's mismanagement. While the Committee appreciate that disciplinary actions have been initiated, it underscores the need for enhanced internal controls and proactive measures to ensure post-retirement accountability, as per the SOP's recommendations. The Committee expect regular updates on the status of CBI investigations and anticipates a final, comprehensive report from HCL once these processes conclude, ensuring that lessons learned are incorporated to strengthen future project governance and prevent similar issues.

CHAPTER II
OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE
GOVERNMENT

HCL - OVERVIEW
Recommendations (Sl. No. 1 & 2)

1. 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 27 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
Recommendation (Sl. No. 3)

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.

Reply of the Government

In an effort towards waste utilization i.e. use of Copper Ore Tailings (COT), HCL has adopted Paste fill technology to recycle major part of the Copper Ore Tailings (COT) produced at MCP unit to fill the voids created in the underground mines. This will ensure stability of underground mining operations as well as increase the production/extraction of copper ore thus reducing the impact to the environment and ensuring sustainable operation. The Paste fill plant has been set up and will be commissioned shortly. HCL has entrusted M/s MECON to evaluate the usefulness of the equipment installed in the COT plant. M/s MECON has submitted their report and they have inter-alia stated that “the major equipment has also got deteriorated and most of the process equipment installed in the said COT plant like spiral concentrator, Low intensity magnetic separator, etc., are not in a condition to work to meet the process requirement” and that “the existing COT plant as a whole can’t be useful to produce desired products by modifying or replacing the individual equipment as mentioned in the present report”. However, as recommended, HCL will start a fresh due diligence (EOI, consultant, etc.) for possibility of economically extracting any valuable materials from COT. Company has started to carry out quarterly sample analysis of Copper Ore and in this regard an official communication has been sent to all mining Units of HCL.

[Ministry of Mines]

(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Remarks of the Office of C&AG

“No Comments.”.

[Ministry of Mines]

(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 9 of Chapter I of the Report)

Recommendation (Sl. No. 4)

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.

Reply of the Government

In an effort towards waste utilization i.e. use of Copper Ore Tailings (COT), HCL has adopted Paste fill technology to recycle major part of the Copper Ore Tailings (COT) produced at MCP unit to fill the voids created in the underground mines. This will ensure stability of underground mining operations as well as increase the production/extraction of copper ore thus reducing the impact to the environment and ensuring sustainable operation. The Paste fill plant has been set up and will be commissioned shortly. HCL has entrusted M/s MECON to evaluate the usefulness of the equipment installed in the COT plant. M/s MECON has submitted their report and they have inter-alia stated that “the major equipment has also got deteriorated and most of the process equipment installed in the said COT plant like spiral concentrator, Low intensity magnetic separator,

etc., are not in a condition to work to meet the process requirement” and that “the existing COT plant as a whole can’t be useful to produce desired products by modifying or replacing the individual equipment as mentioned in the present report”. However, as recommended, HCL will start a fresh due diligence (EOI, consultant, etc.) for possibility of economically extracting any valuable materials from COT. Company has started to carry out quarterly sample analysis of Copper Ore and in this regard an official communication has been sent to all mining Units of HCL.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Remarks of the Office of C&AG

“No Comments.”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 9 of Chapter I of the Report)

ESTABLISHMENT OF PILOT PROJECT AT KHETRI

Recommendation (Sl. Nos. 6)

5. 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.

Reply of the Government

It appears that the then Management took the decision based on the preliminary results of the Pilot Plant. Presently, HCL has put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Remarks of the Office of the C&AG

“Management did not furnish the justification behind hurried decision regarding the installation of COT plant.”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 17 of Chapter I of the Report)

Recommendation (Sl. No. 7)

6. 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.

Reply of the Government

Presently, HCL has put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company which has been approved by the Board.

[Ministry of Mines]
O.M. No. Met3-3/8/2023-METAL III dated

Vetting Remarks of the Office of the C&AG

“Management did not furnish the justification behind hurried decision regarding the installation of COT plant.”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee
(Please see para 17 of Chapter I of the Report)

SETTING UP OF MALANJKHAND COPPER PROJECT (MCP)

Recommendation (Sl. No. 10)

7. 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.

Reply of the Government

It is submitted that HCL agrees with the observation of the Committee that all future projects to undergo in-depth and required feasibility studies to ensure accurate projections and risk assessments, with due diligence. For the same, HCL has already implemented a Board approved SOP for implementation/installation of new technology Projects/Plants in future which will comply the recommendation of the Committee.

[Ministry of Mines]
O.M. No. Met3-3/8/2023-METAL III dated

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee
(Please see para 31 of Chapter I of the Report)

Recommendation (Sl. No. 11)

8 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.

Reply of the Government

It is submitted that HCL has put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company which has been approved by the Board. The approved SOP has been shared with Ministry of Mines. Additionally, for any new technology project, having value more than Rs.100 Crore, it will be submitted to Ministry of Mines for consultation.

[Ministry of Mines]

O.M. No. Met3-3/8/2023-METAL III dated

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]

(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 31 of Chapter I of the Report)

Recommendation (Sl. No. 12)

9. 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.

Reply of the Government

In compliance to the recommended by the Committee, the Company has included the comprehensive technical assessment of new projects in the scope of the agency appointed as Internal Auditor of the company.

[Ministry of Mines]

O.M. No. Met3-3/8/2023-METAL III dated

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 31 of Chapter I of the Report)

Recommendation (Sl. No. 13)

10. 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..

Reply of the Government

It is submitted that as advised by Committee, for implementing a stringent decision-making process before seeking approval for large-scale installations, HCL has already implemented a Board approved SOP for implementation/installation of new technology Projects/Plants. The Ministry of Mines is regularly conducting periodic reviews of various projects being implemented in the Company. Additionally, for any new technology project having value more than Rs.100 Crore, it will be submitted to Ministry of Mines for consultation.

[Ministry of Mines]
O.M. No. Met3-3/8/2023-METAL III dated

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 31 of Chapter I of the Report)

Recommendation (Sl. No. 14)

11. 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.

Reply of the Government

It is submitted that for future projects undertaken by HCL, in the scope of financial appraisals by external agencies, a clause would be included for an independent assessment of financial projections, cost-benefit analysis, and market trends to reach accurate financial conclusions as applicable.

[Ministry of Mines]
O.M. No. Met3-3/8/2023-METAL III dated

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 31 of Chapter I of the Report)

AWARDING THE PROJECT ON SINGLE TENDER BASIS

Recommendation (Sl. No. 15)

12. 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 33 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.

Reply of the Government

It is submitted that HCL agrees with the observation of the Committee and the issue pertaining to conflict of interest has been included in the SOP implemented with respect to new technology projects.

[Ministry of Mines]
O.M. No. Met3-3/8/2023-METAL III dated

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 38 of Chapter I of the Report)

Recommendation (Sl. No. 16)

13. 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.

Reply of the Government

It is submitted that HCL agrees with the observation of the Committee and is ensuring implementation of SOP, established guidelines, rules and regulations of tendering in Government portal like GeM and CPP Portal for maintaining transparency and economy.

[Ministry of Mines]
O.M. No. Met3-3/8/2023-METAL III dated

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee
(Please see para 38 of Chapter I of the Report)

Recommendation (Sl. No. 17)

14. 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.

Reply of the Government

It is submitted that HCL agrees with the observation of the Committee and will ensure compliance of the directives. This is to submit that in general, HCL conducts pre-bid meetings in case of new/specialized and high value contracts.

[Ministry of Mines]
O.M. No. Met3-3/8/2023-METAL III dated

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee
(Please see para 38 of Chapter I of the Report)

SALVAGE VALUE OF THE COT PLANT

Recommendation (Sl. No. 18)

15. 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.

Reply of the Government

Stay by NCLAT was vacated by court order in the month of June 2023. However, INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (IBBA) vide its order dated 19.06.2023 suspended the Resolution Professional (RP) appointed in the CIRP of M/s STPL. HCL filed IA for appointment of new RP so that further CIRP proceedings could be started. NCLT vide order dated 06.11.2023 appointed new RP in the matter. New RP started claim verification of all the claimant and asked HCL to submit Form B in place of Form F. HCL submitted both the Forms on 30.01.2024 along with supporting documents. After several mail communications, RP vide mail dated 04.03.2024 informed that HCL's claim is placed as "Non-Acceptable". On 06.04.2024 HCL has filed an application with NCLT Chennai to direct the RP to accept the HCL's claim. HCL has entrusted M/s MECON to evaluate the usefulness of the equipment installed in the COT plant at MCP (Work Order issued on 16 - Oct-2023). M/s MECON has submitted their report and they have inter-alia stated that "the major equipment has also got deteriorated and most of the process equipment installed in the said COT plant like spiral concentrator, low intensity magnetic separator, etc., are not in a condition to work to meet the process requirement" and that "the existing COT plant as a whole can't beuseful to produce desired products by modifying or replacing the individual equipment as mentioned in the present report". HCL has planned to dispose-off the COT Plant in quick succession to maximize the salvage value of the unutilized assets. Therefore, HCL has requested CBI to give a No Object Certificate vide letter dated 06.09.2024.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Remarks of the Office of the C&AG

"Factually verified and no further comments"

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 45 of Chapter I of the Report)

Recommendation (Sl. No. 19)

16. 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.

Reply of the Government

Regarding Legal proceedings to recover the claimed amount, HCL has filed the mediation application at Calcutta High Court mediation centre which is a pre requisite as per section 12A for filing a commercial (recovery) suit. In case directors of M/s STPL do not turn up for mediation or mediation failed, Commercial Court will admit the HCL's Commercial/recovery suit. Directors of M/s STPL did not appear for mediation even after three notices, this the Mediation failed vide Mediation Centre notice dated 10.07.2024. HCL is now in process of filing the recovery suit. Regarding filing complaints, FIRs, and involving law enforcement agencies against M/s STPL Directors , HCL had already lodged FIR on 05.08.2022 at Karaya Police Station, Kolkata. CBI is also enquiring the matter vide FIR dated 25.08.2022. CBI has requested HCL to transfer the FIR lodged at Karaya Police Station to CBI, New Delhi. HCL has filed a petition in the month of Nov 2023 at H'ble Calcutta High Court for the same. Lastly matter was listed for hearing on 01.04.2024, however matter was not heard. HCL is trying to expedite the matter for early hearing. HCL on several occasions has mentioned the matter before the court for early hearing. Regarding valuation report of the COT plant by a Govt approved valuer, the Company will take suitable action in due course of time after deliberation on the report submitted by M/s MECON on the usefulness of the COT plant.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 45 of Chapter I of the Report)

Disciplinary Action against erring Officials Recommendation (Sl. No. 21)

17. 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..

Reply of the Government

The status of FIR lodged by CBI are as under: CBI has requested HCL to transfer the FIR lodged at Karaya Police Station to CBI, New Delhi. HCL has filed a petition in the month of Nov 2023 at H'ble Calcutta High Court for the same. Lastly matter was listed for hearing on 01.04.2024, however the matter was not heard. HCL is trying to expedite the matter for early hearing. HCL on several occasions has mentioned the matter before the court for early hearing. CBI, New Delhi has initiated detailed investigation and collected documents in respect of the above mentioned FIR.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Remarks of the Office of the C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee
(Please see para 45 of Chapter I of the Report)

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 AND WHICH
REQUIRE REITERATION

OTHER EXAMPLES OF SUCH PROJECTS IN INDIA OR GLOBALLY

Recommendation (Sl. No. 5)

1. 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.

Reply of the Government

It is submitted that HCL agrees with the observation of the Committee. From the scrutiny of the records available, no reasons could be ascertained for such omission. However as submitted earlier, HCL has put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Remarks of the Office of the C&AG

"Factually verified and no further comments."

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee
(Please see para 12 of Chapter I of the Report)

GROUNDNS FOR CHOOSING M/s STPL FOR KCC

Recommendation (Sl. No. 8)

2. 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 30 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.

Reply of the Government

It is submitted that following the advice of the Committee, for implementation of any new technology based project, HCL has already put in place a Standard Operating Procedure (SOP) for adoption of new technology in the Company. In addition, as advised, HCL will share the details of any such projects with Ministry in time for proper guidance/direction.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Remarks of the Office of the C&AG

“The reasons behind the omission of comprehensive documentation, sufficient past experience and evidence before selection of M/s STPL were not Stated by the Company as desired by the Committee.”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee
(Please see para 20 of Chapter I of the Report)

Recommendation (Sl. No. 9)

3. 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.31 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.

Reply of the Government

It is submitted that HCL agrees to the observations of the Committee as above. In future, due weightage would be given to the recommendations of SCoBD.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Remarks of the Office of the C&AG

“The Company had not submitted any reasons of not considering the recommendations of 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 Board of Directors (SCoBD) meetings provided recommendations for analysing the business plan and credentials of the shortlisted 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 reasons 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.”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee
(Please see para 20 of Chapter I of the Report)

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS TO WHICH THE GOVERNMENT HAS FURNISHED INTERIM REPLIES AND REPLIES ARE STILL AWAITED

SALVAGE VALUE OF THE COT PLANT **Recommendation (Sl. No. 18)**

4. 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.

Reply of the Government

Stay by NCLAT was vacated by court order in the month of June 2023. However, INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (IBBA) vide its order dated 19.06.2023 suspended the Resolution Professional (RP) appointed in the CIRP of M/s STPL. HCL filed IA for appointment of new RP so that further CIRP proceedings could be started. NCLT vide order dated 06.11.2023 appointed new RP in the matter. New RP started claim verification of all the claimant and asked HCL to submit Form B in place of Form F. HCL submitted both the Forms on 30.01.2024 along with supporting documents. After several mail communications, RP vide mail dated 04.03.2024 informed that HCL's claim is placed as "Non-Acceptable". On 06.04.2024 HCL has filed an application with NCLT Chennai to direct the RP to accept the HCL's claim. HCL has entrusted M/s MECON to evaluate the usefulness of the equipment installed in the COT plant at MCP (Work Order issued on 16 - Oct-2023). M/s MECON has submitted their report and they have inter-alia stated that "the major equipment has also got deteriorated and most of the process equipment installed in the said COT plant like spiral concentrator, low intensity magnetic separator, etc., are not in a condition to work to meet the process requirement" and that "the existing COT plant as a whole can't be useful to produce desired products by modifying or replacing the individual equipment as mentioned in the present report". HCL has planned to dispose-off the COT Plant in quick succession to maximize the salvage value of the unutilized assets. Therefore, HCL has requested CBI to give a No Object Certificate vide letter dated 06.09.2024.

[Ministry of Mines]

(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Comments of the Office of C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 45 of Chapter I of the Report)

Recommendation (Sl. No. 19)

5. 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.

Reply of the Government

Regarding Legal proceedings to recover the claimed amount, HCL has filed the mediation application at Calcutta High Court mediation centre which is a pre requisite as per section 12A for filing a commercial (recovery) suit. In case directors of M/s STPL do not turn up for mediation or mediation failed, Commercial Court will admit the HCL's Commercial/recovery suit. Directors of M/s STPL did not appear for mediation even after three notices, this the Mediation failed vide Mediation Centre notice dated 10.07.2024. HCL is now in process of filing the recovery suit. Regarding filing complaints, FIRs, and involving law enforcement agencies against M/s STPL Directors , HCL had already lodged FIR on 05.08.2022 at Karaya Police Station, Kolkata. CBI is also enquiring the matter vide FIR dated 25.08.2022. CBI has requested HCL to transfer the FIR lodged at Karaya Police Station to CBI, New Delhi. HCL has filed a petition in the month of Nov 2023 at H'ble Calcutta High Court for the same. Lastly matter was listed for hearing on 01.04.2024, however matter was not heard. HCL is trying to expedite the matter for early hearing. HCL on several occasions has mentioned the matter before the court for early hearing. Regarding valuation report of the COT plant by a Govt approved valuer, the Company will take suitable action in due course of time after deliberation on the report submitted by M/s MECON on the usefulness of the COT plant.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Comments of the Office of C&AG

“Factually verified and no further comments”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee (Please see para 45 of Chapter I of the Report)

Recommendation (Sl. No. 21)

6. 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 wrong doers 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.

Reply of the Government

The status of FIR lodged by CBI are as under: CBI has requested HCL to transfer the FIR lodged at Karaya Police Station to CBI, New Delhi. HCL has filed a petition in the month of Nov 2023 at H'ble Calcutta High Court for the same. Lastly matter was listed for hearing on 01.04.2024, however the matter was not heard. HCL is trying to expedite the matter for early hearing. HCL on several occasions has mentioned the matter before the court for early hearing. CBI, New Delhi has initiated detailed investigation and collected documents in respect of the above mentioned FIR.

[Ministry of Mines]
(O.M. No. Met3-3/8/2023-METAL III dated)

Vetting Comments of the Office of C&AG

“Factually verified and no further comments.”

[Ministry of Mines]
(No. 548/CA-III/DGA(Mines)/ATN/14 of 2021/18-2022 Dated 30.10.2024)

Comments of the Committee
(Please see para 45 of Chapter I of the Report)

New Delhi;
13 December, 2024
22 Agrahayana, 1946(S)

BAIJAYANT PANDA,
Chairperson,
Committee on Public Undertakings

APPENDIX – I
COMMITTEE ON PUBLIC UNDERTAKINGS
(2024-25)

MINUTES OF THE EIGHTEENTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 13th December, 2024 from 1030 hrs. to 1040 hrs. in Room No. '147' (Chairperson's Chamber), Samvidhan Sadan, New Delhi.

PRESENT

Shri Baijayant Panda - Chairperson

MEMBERS

Lok Sabha

2. Shri R.K. Chaudhary
3. Shri Chandra Prakash Joshi
4. Shri Kaushalendra Kumar
5. Shri Shankar Lalwani
6. Shri B.Y. Raghavendra
7. Shri Mukesh Rajput
8. Shri Sukhjinder Singh Randhawa
9. Shri Kodikunnil Suresh

Rajya Sabha

10. Shri Neeraj Dangi
11. Dr. Bhagwat Karad
12. Shri Arun Singh

SECRETARIAT

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

2. The Hon'ble Chairperson briefly apprised the Members on the two draft Reports. The Committee then considered and adopted the following two draft reports, without any changes/modifications, on the following two selected subjects: -

- i. 'Bharat Sanchar Nigam Limited (BSNL) (Comprehensive Examination); and
- ii. Action Taken by the Government on the Observations/ Recommendations contained in the Twenty Second Report (17th Lok Sabha) 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 on].

3. The Committee authorized the Chairperson to finalize the draft Reports on the basis of factual verification as suggested by C&AG and concerned Ministry/Department and presenting the Reports during the ongoing session of Parliament.

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 Twenty Second Report of the Committee on
Public Undertakings (17th LS) 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)

I	Total number of recommendations		21
II	Observations/Recommendations that have been accepted by the Government [vide Recommendations [vide Recommendations at Sl. Nos. 1,2,3,4,6,7,10,11,12,13,14,15,16,17 & 20]	Total	- 15
		Percentage	-71.42%
III	Observations/Recommendation which the Committee do not desire to pursue in view of Government's replies. Nil	Total	- 00
		Percentage	-0.00%
IV	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and need reiteration. [vide Recommendations at Sl. Nos. 5,8 & 9]	Total	- 03
		Percentage	-14.29%
V	Observations/Recommendations to which the Government has furnished interim replies. [vide Recommendations at Sl. Nos. 18,19 & 21]	Total	- 03
		Percentage	-14.29%