

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1974-75)**

(FIFTH LOK SABHA)

SIXTIETH REPORT

**Action Taken by Government on the recommendations
contained in the Thirty-seventh Report of the Commit-
tee on Public Undertakings (Fifth Lok Sabha)**

**NATIONAL MINERAL DEVELOPMENT
CORPORATION LIMITED**

**(Ministry of Steel and Mines)
(Department of Steel)**



सत्यमेव जयते

**LOK SABHA SECRETARIAT
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ON ACTION TAKEN BY GOVERNMENT ON
THE RECOMMENDATIONS CONTAINED IN
THE THIRTY SEVENTH REPORT OF CPU
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COMMITTEE ON PUBLIC UNDERTAKINGS
(1974-75)

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*Elected w.e.f 28-11-1974 in the vacancy caused by appointment Shri H.M. Trivedi as Minister.

COMMITTEE ON PUBLIC UNDERTAKINGS
(1974-75)

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7. Shri Sriman Prafulla Goswami

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf present this Sixtieth Report on the Action Taken by Government on the recommendations contained in the Thirty-seventh Report of the Committee on Public Undertakings (Fifth Lok Sabha) on National Mineral Development Corporation Ltd.

2. The Thirty-seventh Report of the Committee was presented to Lok Sabha on the 27th April, 1973. Government furnished their replies indicating the action taken on the recommendations contained in that Report in batches and the last batch of replies was received on the 4th January, 1974. Further information in respect of some of the recommendations was called for by the Committee from the Government on the 19th November and 5th December, 1973 and replies to these were received from Government by the 12th February, 1975.

3. The replies of Government to the recommendations contained in the aforesaid report were considered by the Sub-Committee on Action Taken Reports at their sittings held on 19th October, 1974 and 7th January, 1975 respectively and approved.

4. The draft Action Taken Report was considered and adopted by the Committee of Public Undertakings at their sitting held on the 4th March, 1975. The Committee authorised the Chairman to finalise the Report and present it to Parliament.

5. The Report has been divided into the following five Chapters:—

- I. Report.
- II. Recommendations that have been accepted by Government.
- III. Recommendations which the Committee do not desire to pursue in view of Government's replies.
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.
- V. Recommendations in respect of which final replies of Government are still awaited.

6. An analysis of the Action Taken by Government on the recommendations contained in the Thirty-sixth Report of the Committee is given in Appendix V of this Report. It would be observed therefrom that out of 56 recommendations contained in the Report, 12 per cent have been accepted by the Government and the Committee do not desire to pursue 52 per cent of the recommendations in view of Government's replies. Replies in respect of 27 per cent of the recommendations have not been accepted by the Committee.

NEW DELHI:
April 3, 1975
Chaitra 13, 1897

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

Settlement of Selling Price of the Fines

(Recommendation Serial Nos. 9 and 16 and 19, Paragraphs 3.51, 3.103 and 4.20)

1. In recommendation at Paragraph 3.51 of their 37th Report, the Committee on Public Undertakings recommended that the Corporation/Ministry should resolve the differences with Bokaro Steel Limited and arrive at a reasonable settlement of the selling price of the beneficiated fines to Bokaro Steel Limited without any further delay.

2. In their reply (September, 1973), the Government stated that recommendation of the Committee had been noted and the National Mineral Development Corporation and Bokaro Steel Limited were requested to settle the selling price of the beneficiated fines as early as possible.

3. On further clarification, the Government in their reply (January, 1974) stated that the question of fixation of price for lumps, fines and beneficiated fines were still under consideration of the Steel Authority of India Limited. They proposed to hold a meeting during January, 1974 to finalise the issue.

4. In recommendation No. 16 (Paragraph No. 3.103), the Committee noted that so far no value had been allotted to the fines generated and which were transferred to Bokaro Steel Plant. The Committee strongly urged that the Corporation/Government should expedite the settlement of the price of iron ore or fines which would have a bearing on the cost of production of iron ore.

5. The Committee in their recommendation at Serial No. 19 (Paragraph 4.20) noted that NMDC which was already running in losses did not know the final financial implications of the modification scheme as there was a difference in the sale price claimed by NMDC and the price which Bokaro Steel Plant were prepared to pay. The difference had risen chiefly on account of the method of calculating depreciation and return on equity capital investment. The Committee were surprised that though the matter was referred to the Government/Bureau of Public Enterprises in December, 1969, even after a lapse of more than three years no final decision had been given in the matter. The Committee recommended that the matter should be settled without further delay. The Committee desired that the settlement of the price should be equitable and fair to both the NMDC and Bokaro Steel Plant.

6. The Ministry stated (October, 1973) that the matter was taken up by the N.M.D.C. with SAIL of which N.M.D.C. and Bokaro were subsidiaries.

7. On further clarification, the Government stated that the matter of fixation of price of lump, fines and beneficiated fines to be supplied to Bokaro Steel Plant was to be decided by the Steel Authority of India Limited, of which both the Corporations are subsidiaries. Necessary cost data had been submitted to SAIL.

8. The Government in their further reply (December, 1974) stated that for the year 1974-75 NMDC would be paid by Bokaro Steel Plant at the rate of Rs. 28.35 per tonne for iron ore lumps and Rs. 22.16 per tonne for fines plus royalty and cess as per actuals, FOR Kiruburu.

For supplies made to Bokaro prior to 1974-75 the price to be paid had not yet been finalised. Similarly, for supplies to be made from 1st April, 1975 onwards fresh price would be negotiated in due course.

9. The Committee note that the Government stated as early as in October, 1973 that the matter of fixation of price of lumps, fines and beneficiated fines to be supplied to Bokaro Steel Plant was to be decided by the Steel Authority of India to which the necessary cost data had been submitted and a meeting was to be held during January, 1974 for finalising the issue. The Committee are surprised to find that even now no decision has been taken in regard to supplies made prior to 1974-75 and prices have been fixed only in respect of lumps and fines supplied during 1974-75 and no rate has been fixed in respect of beneficiated fines. The Committee depreciate this long delay in the settlement of the price of the ore as this will have a bearing on the working results of the NMDC as well as the Bokaro Steel Plant. The Committee, therefore, like that this matter should be given priority and the prices of lumps, fines and beneficiated fines supplied prior to 1974-75 settled without any further delay. The Committee also recommend that SAIL and the Ministry should ensure that fixation of price of ore is settled well in time so that the liability on this account is clearly known both to BSL and N.M.D.C.

Plant and Machinery—Kiriburu Modification and Expansion Scheme

Recommendation Serial No. 18 (Paragraph 4.19)

10. The Committee found that the ratio of lump to fine had been stated to be varying from 44 : 56 to 55 : 45. The Committee pointed out that in such a vital matter there should be precision and certainty for it affects the entire pattern of production, the type of equipment required etc. The Committee hoped that the matter had at least now been settled leaving no room for doubt. The Committee suggested that the ratio of lump to fine should be such as would ensure the best utilisation of the iron ore resources at this mine consistent with the technological requirements of Bokaro and other steel plants.

11. The Government in their reply (October, 1973) stated that the observations of the Committee had been noted.

12. On clarification the Government in a further reply (February, 1974) stated that—

- (i) Present ratios were lump 44 per cent, fines 38 per cent and slime 18 per cent.
- (ii) There was no longer any dispute or variation so far as the lump fine ratio was concerned.
- (iii) The expansion and modification scheme had been specifically drawn up to yield products in quantities and specifications conforming to the actual requirements of BSL.

13. The Committee regret to note that there has not been any substantial improvement in the ratio of lump to fines as even now the ratio of lump to fines is of the order of lump 44 per cent, fine 38 per cent and slime 18 per cent. The Committee, therefore, reiterate their earlier recommendation regarding best utilisation of iron ore consistent with the technological requirements of Bokaro and other Steel Plants.

Plant and Machinery—Kiriburu Modification Scheme

Recommendation Serial No. 20 (Paragraph Nos. 4.21 and 4.22)

14. The Committee noted that according to the original schedule the Kiriburu Modification and Expansion Project was to be completed by February, 1972 and with this objective orders for plant and machinery were placed with the Heavy Engineering Corporation Limited. The Committee, however, found that H.E.C. had been changing its delivery schedules from time to time and according to the latest schedule even the critical items necessary for the completion of the project were expected to be delivered some time in March, 1973. As the delay in supply of the plant and machinery by H.E.C. had put off the schedule of Commissioning of the Kiriburu Modification and Expansion Plant, the Project was expected to be completed in November, 1973. The Committee, however, found from the Annual Report for 1971-72 that there had been further delay of about four months in the delivery of crusher and mobile equipment and the completion of the project would be further delayed till January, 1974.

The Committee were not at all happy with the frequent changes in the H.E.C.'s schedules of delivery of the plant and machinery which had upset the completion of the project and commissioning of the plant. The Committee would like that the Ministry of Steel to take up the matter with the Ministry of Heavy Industry to investigate the reasons of delay and take

an appropriate action and ensure that at least the latest schedules of delivery were firmly adhered to.

15. The Government in their reply (October, 1973) stated that the matter of delay in the delivery of equipment for the Kiriburu Mine by H.E.C. had been constantly under discussion both between the two Corporations and at the Government level. At a discussion held at Government level on 5th July, 1973, the Ministry of Heavy Industry indicated that it was making every effort to ensure the delivery of equipment by December, 1973. Taking into account the above schedule, the project was expected to be completed by October, 1974. It was ascertained from the Ministry (1st January, 1975) that the project was now expected to be completed by February, 1975.

16. The Committee are not happy to find that because of the delay in the delivery of equipment for the Kiriburu Mine by H.E.C., the date of completion of the Project is being shifted from time to time and the Project is now expected to be completed by February, 1975 i.e., after a delay of three years. The Committee expect that Government will ensure that at least now the latest delivery schedules of equipment by H.E.C. as adhered to.

Commissioning of the Plant (Imbalance in the Designing of the Mines and Plant) Bailadila (Deposit No. 14)

Recommendation Serial No. 23 (Paragraph 5.30)

17. The Committee noted that imbalance in the designing of the mine and plant had created excess capacity at a cost of Rs. 170 lakhs resulting in increased cost of production at 28 paise per tonne. The Committee noted that the Technical Committee (constituted in June, 1970) had held that a single line of crusher was in a position to treat enough ore to produce four million tonnes of sized ore per annum. The Chief of Iron Ore was, however, of the opinion that while crushing, conveying and loading section could handle 6 million tonnes of run of mine as against 5.5 million tonnes provided in the project report, the mine and screening sections were vulnerable points holding a capacity below that envisaged in the project report. The Committee were informed that one of the reasons for the imbalance was low lump recovery. The Committee also found that a Technical Committee appointed by NMDC in June, 1970 found that because of the low lump recovery it would be necessary for the Corporation to excavate 6.6 million tonnes as against 5.5 million tonnes envisaged in the project report, and to achieve this target, additional machinery at an estimated cost of Rs. 2.06 crores would be necessary. During evidence the Chairman, NMDC also admitted that there was over designing in the

crusher capacity and one crusher was standby. Moreover, they had to increase the production from 5.5 million to 6.5 million tonnes. The Committee were not happy at the lack of proper planning and designing of the capacities of the machinery which had not only cost the Exchequer Rs. 170 lakhs more but also increased the cost of production. The Committee did not find any justification for this costly lapse where a single line of crusher could have handled the entire production of the mine. The Committee therefore, recommended that this matter should be probed into by the Government and responsibility for the lapses fixed.

18. The Government in their reply (January, 1974) stated that as mentioned in reply to recommendation No. 22, the imbalance in the designing of the mine and plant was largely due to inexperience on the part of N.M.D.C. in developing a machinsed mine of the size of Bailadila (Deposit No. 14) mine. Specifically so far as the excess capacity in the crushing section was concerned, it may be mentioned that the production of the mine was tied with the longterm commitment with the Japanese Steel Mills. Government also considered that as a measure of abundant caution, it was better to have standby capacity in the crushing section rather than risk any major break-down in the main line which would seriously have affected production of lump ore. The excess capacity would not in any case remain idle in view of the fact that due to lower lump| fine ratio, the crushing section would now have to handle 6.6 million tonnes of run-of-mine ore.

19. On a further enquiry (20th January, 1975) the Ministry stated that the production at Bailadila Deposit No. 14 during 1972-73 and 1973-74 was as under:—

	<i>Mechancial Plant</i>	<i>Folat Ore</i>	(In lakh tonnes) <i>Total</i>
1972-73	20.37	17.02	38.39
1973-74	24.69	18.66	43.35

20. The Committee are not satisfied with the reply furnished by Government. The Committee find that the production during 1972-73 is only of the order of 3.7 million tonnes and during 1973-74, 4.3 million tonnes only. The Committee are still of the view that a single line of crusher could have handled the entire production of the mine and, therefore, reiterate that the matter should be probed into and the responsibility for the lapse fixed.

Settlement of Price of Ore

Recommendations Serial Nos. 27 and 52 (Paragraphs 5.69 and 5.70 and 12.17)

21. In their recommendation in paragraph 5.69 and 5.70 the Committee found that as compared to the project estimate of Rs. 6.14 per tonne for operating cost, the actual cost in Bailadila in 1971-72 was Rs. 12.48 per tonne, an increase of more than 100 per cent. It was pertinent to recall that the operating cost in Kiriburu—an older mine developed earlier for export to Japan was only Rs. 9.66 per tonne. The Committee pointed out as to why Bailadila which was developed later than Kiriburu should have a higher operating cost. In fact, gaining from the experience of Kiriburu, it should have been possible to effect substantial reduction in the operating cost. The Committee asked Government|NMDC to examine the matter in depth and take concerted measures to bring about reduction in the operating cost by improving efficiency and effecting economics in management.

The Committee also urged that both NMDC and MMTC should arrive at an early settlement of the price as this had an intimate effect on the financial position of the Corporation.

22. In their reply (October, 1973), the Government stated that the recommendation of the Committee regarding reduction of operating costs had been noted. The NMDC and MMTC had been requested to expedite the settlement of the price.

23. On further clarification, the Government in their reply stated that the recommendation regarding the need for examining in depth and taking concerted measures to bring about reduction in the operating cost had since been brought to the notice of the Ministry of Commerce and NMDC for necessary action *vide* O. M. 1/82/73-IOM, dated 24-10-1973.

As regards settlement of price, between the NMDC and MMTC, the MMTC had stated that "efforts are being made to arrive at an early settlement of price of iron ore."

24. In their recommendation at paragraph No. 12.17 the Committee noted that the sale of iron ore to Japanese Steel Mills in terms of agreement entered with them for the development of Kiriburu and Bailadila Mines was being made by the NMDC through the MMTC. In paragraph 77 of their 11th Report, the Committee suggested that the Corporation should work out its costs of exporting the ore independently and if the cost did not work out to be more than the commission paid to the MMTC it might be economical for the Corporation to take over the work from the MMTC.

This aspect was examined by the NMDC in 1969 and it came to the conclusion that if the funds to the extent of Rs. 2.3 crores were made available to the Corporation, it need not pay to the MMTC the element of the service charges representing "Finance obligations" excepting over-head expenses. The Committee found that already NMDC had paid Rs. 1.61 crores as commission charges to MMTC upto 1971-72. The Committee were informed that it was the policy of Government to canalise all export of iron ore through a separate trade agency which, in this case, was MMTC and so long as the NMDC was paid a fair price inclusive of adequate return on investment it should be advantageous to keep the trading activities with MMTC. The Committee also found that the question of price payable by MMTC in respect of ores exported through it, had been for long under dispute and it was only in October, 1971 that the Finance Secretary had given award about the fair price payable by MMTC, according to which the Corporation would be selling the Bailadila ore to MMTC on a FOR Vizag. Port basis w.e.f. 1-4-1971 and the existing price formula for Kiriburu ore might continue for 1971-72. Though the MMTC had accepted the award, the Committee found that NMDC had been making further representations on the award. The Committee were also informed that the matter was still under negotiations between the two Corporations. The Committee stressed that in the interest of improving the financial position of the Corporation, an early settlement of the price should be arrived at.

25. In a reply received (October, 1973), the Government stated that as the negotiations between NMDC and MMTC on the issue of price and other terms and conditions had not yielded any satisfactory conclusion, the Board of Directors of NMDC had decided that a Committee of three Directors of the NMDC should go into the question and suggest further course of action. The issues were accordingly being considered by the Committee of Directors and were expected to be taken up with MMTC/Government of India.

26. On clarification, the Government in a reply (February, 1974) stated that the matter was still under consideration of the Committee of Directors of NMDC. Further action would be taken on receipt of the report of the Committee of Directors.

27. The Ministry in their further reply (20-1-75) stated that NMDC and MMTC had arrived at a price settlement for the sale of Bailadila iron ore for the years 1971-72 to 1974-75. The prices agreed to were fixed to be as under:—

1971-72	Rs. 20.50 per DMT F.O.R. Vizag
1972-73 to 1973-74	Rs. 24.00 Do. Do.
1974-75	Rs. 25 per DMT

(Railway freight from Bailadila to Vizag will be on MMTC account).

It was stated that the MMTC had also since agreed, in principle, to an increase of Rs. 5.50 per DMT in the year 1974-75 price, with effect from the 1st September, 1974.

Under the long-term contract between MMTC and Japanese Steel Mills, a fixed price of \$9.72 per dry long tonne FOB Vizag. Inner Harbour, was agreed to. For shipments through the Outer Harbour scheduled to be constructed at Vizag. by 1-6-74, the FOB price was contracted to be \$10.30 per DLT. The contract provided for renegotiation of prices only in the event of a change in the IMF Dollar parity. Following the two successive Dollar devaluations in December, 1971 and February, 1973, the MMTC had negotiated revised prices of \$10.60 per DLT for shipments during 1972-73 and \$11.13 per DLT for shipment during 1973-74.

During the visit of MMTC delegation to Japan in October, 1974, negotiations for further price increase under the Bailadila ore contract were again taken up, on the basis of the upward movement in world prices of iron ore. Even though the long-term contract contained no escalation clause for such increases in prices, the MMTC delegation were successful in obtaining a further increase of \$2.25 per DLT for all shipments under the Bailadila contract with effect from 1-9-74. This increase was confirmed to be in line with the quantum of increase given by the Japanese Steel Mills to Australian suppliers of iron ore under similar contracts. MMTC also succeeded in obtaining from the Japanese Steel Mills a confirmation "to discuss the question of revision of prices, if during the remaining period of Bailadila iron ore contract, there occurs a noticeable change in the economic situation or in other connected factors, resulting in raising of prices of iron ore under similar contracts and consequent disparity in prices between Bailadila iron ore contract and these contracts.". Thus, while the original long-term contract did not provide for a general escalation clause and the price was open to discussion only in the event of a change in the IMF dollar parity, the MMTC have been successful in obtaining increase in price on other considerations also. Moreover, they had now been able to get the Japanese Steel Mills to agree to discuss revision of prices under the long-term contract as indicated above.

Chairman, NMDC was one of the members of the delegation which visited Japan for negotiating the long-term contract. The terms and conditions of the long-term contract were approved by Government. The negotiations conducted recently in October, 1974 were done by a team consisting of the Chairman and a Director from MMTC. NMDC were not associated with these discussions. The price issue having been satisfactorily settled, no further action on this is considered necessary."

28. The Committee note that NMDC and MMTC have now arrived at a settlement of the price for the sale of Bailadila iron ore for the years 1971-72 to 1974-75 and the MMTC has since agreed in principle to an increase of Rs. 5.50 per DMT in 1974-75 price w.e.f. the 1st September, 1974. The Committee have been informed that the issue of the price of iron ore being supplied to Japan has now been satisfactorily settled and the Japanese Steel Mills have not only agreed to a further increase for all shipments under the Bailadila contract with effect from 1-9-1974 but have also agreed to consider further revision of prices as and when circumstances warrant. Even if the past lapse is claimed to have been rectified to some extent, the Committee would like the Government to draw a lesson from this case and should, while entering into such contracts in future, ensure that the interests of the country are safeguarded.

Revised Project Estimates of Bailadila Deposit No. 5

Recommendation No. 29 (Paragraph 6.33)

29. The Committee noted that the revised estimates submitted to Government were found to be in excess of original estimates by about 33 per cent and the excesses were mainly under Plant and Machinery, civil and structural work establishment expenses, consultancy charges, and provision for future escalation. The Committee desired that Government should carefully go into the reasons for the excesses before the revised estimates were approved as any undue excess in the project cost was bound to affect adversely the financial viability of the project.

30. The Ministry stated (January, 1974) that the Ministry had addressed the NMDC for clarification on certain points relating to the revised cost estimates and after the clarification was received the matter would be examined in greater depth by SAIL before Government finally accorded sanction.

31. On further clarification, the Ministry stated (December, 1974) that:—

“the revised capital cost estimates for Bailadila Deposit No. 5 Project submitted by the NMDC in October, 1972 were returned by Government for a review to take into account the latest position. The revised estimates are still under consideration by NMDC/SAIL.”

32. The Committee regret to note that the revised capital cost estimates for Bailadila Deposit No. 5 Project which were originally submitted

by NMDC in 1972 to Government for sanction have not been finalised even after a lapse of more than two years. The Committee fail to understand as to how the Corporation has been allowed to continue to incur expenditure on the project in the absence of a sanction to the Revised Estimate. The Committee desire that the Government should carefully examine the Revised Estimate of the project keeping in view its financial viability, finalise the same without further delay and bring to the notice of Parliament any material deviations from the original estimates/or change in economics of the project. In this connection attention of the Ministry is also invited to the recommendation of the Committee on Public Undertakings in their 39th Report (5th L.S.) on Pyrites Phosphates and Chemicals Ltd. (Para 2.20).

Production performance—Diamonds Mines

Recommendation (Serial No. 32 (Paragraph 7.20 and 7.21)

33. The Committee noted that the actual production of diamonds from the two mines viz. Ramkheria and Majhgawan fell short of the original targets during the period from 1968-69 to 1971-72. Although the overall percentage of shortfall of production in the two projects together showed a declining trend from 44.0 per cent in 1968-69 to 14.10 per cent in 1971-72, the actual performance in Majhgawan exceeded the targets and the performance in Ramkheria mine fell very much below the targets. As admitted by the representative of Department of Mines during evidence, "the result is one deposit counter balances the poor performance of the other. National Mineral Development Corporation proposes that it should be closed down and Majhgawan expanded."

The Committee found that though the Ramkheria mine was taken up for exploitation on the basis of further prospecting and exploratory works done in consultation with the Foreign Consultants and the Indian Bureau of Mines it could not attain the targetted capacity and the performance was only about one-fourth of the target. The Committee, therefore, felt that even the further exploratory and prospective works were not done with the necessary care and caution with the result that the project was losing heavily. The Committee were not impressed with the statement of the Ministry that "one deposit counter balances the other". The Committee took a serious view of the undue haste with which the mine was taken up for exploitation without a thorough and careful techno-economic study of the project resulting in an infructuous expenditure.

The Committee strongly recommended that the entire matter should be thoroughly investigated by the Government as to the quantum of the loss and the responsibility for such costly lapses be also fixed.

34. In a reply received (December, 1973), the Government stated that the programme of prospecting and exploratory work on the Ramkheria Mine had been undertaken in full consultation with the foreign consultants and the results obtained had also been analysed and interpreted in consultation with them. It was only after this that it was decided to go forward with the working at the Ramkheria Mine. However, despite the maximum care and attention devoted to the prospecting and exploration operations, the incidence achieved was far lower than the assumed figure worked out mainly due to the deposit being in alluvial deposit which was inherently very difficult to estimate precisely.

NMDC had sent proposals to the Government for closing down the Ramkheria Mine, in view of the lower incidence and absence of adequate surface mining rights. These proposals were at present under consideration of the Government in consultation with Steel authority of India Ltd.

35. On further clarification, the Ministry in a reply (February, 1974) stated that the reasons for lower level of output than envisaged in the Project Report, and the consequent loss had already been explained in reply to recommendation No. 32 Government were therefore, of the view that scope for further investigation was limited and such investigation was not necessary.

It may also be mentioned that Panna Diamond Mining Project comprising of the two mines—Majhgawan and Ramkheria—incurred a net loss of Rs. 9.77 lakhs since the commencement of production in 1967-68 till 31st March, 1970. Ramkheria's share of loss till 31st March, 1970, could not be apportioned because separate records for each mine were not maintained. The proportion to share of loss sustained by Ramkheria mine in the past three years had been :—

1970-71	. . . . .	Rs. 9.47 lakhs.
1971-72	. . . . .	Rs. 15.75 lakhs.
1972-73	. . . . .	Rs. 16.98 lakhs.

36. On further reference the Ministry in a reply (December, 1974) stated that "since the mining at Ramkheria is not capable of economic operations, NMDC has proposed the closure of the mine. Simultaneously NMDC has also proposed the expansion of Majhgawan mine so that the cost of the mines could be further reduced to a point where it is possible to work without loss. The matter is under consideration of SAIL."

37. On further clarification, the Government in a reply (in December, 1974) stated that "the recommendation of NMDC for the closure of Ramkheria diamond mine is still under consideration of the Steel Authority of India Ltd."

38. The Committee are not convinced with the reply furnished by Government. The Committee regret to note that the question regarding closure of Ramkheria mine has been under consideration of the Government for over a year now, and still no decision has been taken by Government and SAIL. The Committee also note that because of uneconomic operation of this mine, the loss to end of 1972-73 has amounted to nearly Rs. 42 lakhs. The Committee are still of the view that the Ramkheria Mine was taken up for exploitation without a thorough and careful techno-economic study and therefore, reiterate that the entire matter should be thoroughly investigated and the responsibility for the loss fixed.

Imports of Rough Diamonds

Recommendation Serial No. 34 (Paragraph No. 7.37)

39. The Committee were not able to understand the rationale of canalising the import of rough diamonds through the NMDC who were primarily concerned with exploration and development of minerals. The Committee, observed that before appointing the NMDC as the canalising agency for import trade, Government had not issued specific guidelines in regard to the particular quality of rough diamonds to be imported keeping in view the demands of trade and requirements of the country but simply left the matter entirely in the hands of the Corporation with the result that the transaction had not only ended in a loss of Rs. 5.16 lakhs but the specific objective with which this task was undertaken was not fulfilled.

The Committee, therefore, urged that the entire deal should be thoroughly investigated and responsibilities for such costly lapses fixed. The Committee were now informed that the import and export of diamonds done by the NMDC had since been transferred to the MMTC. The Committee expected that that the MMTC would ensure that such costly lapses would not recur and imports of rough diamonds were made in consultation with consumers.

40. In their reply (October, 1973) the Ministry stated that recommendations of the Committee about further investigations into the entire deal had been noted for necessary action. The Committee's observations in regard to the issue of specific guidelines for the import of rough diamonds by the MMTC had been brought to the notice of the Ministry of Commerce.

Although the import of rough diamonds from Ghana resulted in a loss in the absence of adequate arrangements for assortment of the diamonds for sale to the Indian diamond trade, the totality of the import trade handled by the NMDC in rough diamonds had resulted in an overall profit.

41. On clarification the Ministry stated (4th January, 1975) that Government had decided to constitute a Committee to investigate into

the whole deal relating to the import of rough diamonds which had resulted in the loss of Rs. 5.16 lakhs and the fixation of responsibility for lapses, as recommended by the Committee on Public Undertakings.

42. The Committee regret to note that though the Government were requested as early as April, 1973 to conduct investigation into the deal of imports of rough diamonds, it is only now that Government decided after a lapse of over 1½ years to constitute a Committee to investigate the matter. The Committee deprecate this long delay on the part of Government in taking action in pursuance of their recommendation. The Committee would like that the investigation be completed without much delay and responsibility for the lapses fixed on the basis of the findings. The results of investigation and further action may be reported to the Parliament.

Economics of the Donimalai Project Settlement of Sale Price of Ore

Recommendation Serial No. 36 (Paragraph Nos. 8.17 and 8.18)

43. The Committee noted that while framing the Detailed Project Report, it was anticipated that Government's sanction would be received by December, 1968 and the Project would go into full production by 1973-74. The Committee found that Government had taken two years to approve the Detailed Project Report although they had communicated their approval in principle as early as January, 1969. The Committee also observed that on account of the delay of cost in the sanction of estimates, not only had the cost of project increased but the completion of the project had also been delayed by three years.

The Committee further observed that even the revised estimates approved by the Board in August, 1972 were still awaiting sanction by Government.

44. In a reply (October, 1973) the Government stated that the observation of the Committee had been noted. The revised cost estimates submitted by the NFDC were presently under examination.

45. The Ministry in their further reply (January, 1974) stated that this matter was presently under consideration of the Steel Authority of India Ltd. of which National Mineral Development Corporation was a subsidiary. SAIL was reported to be awaiting certain clarification from National Mineral Development Corporation.

46. On further clarification, the Ministry in a reply (December, 1974) informed the Committee that:

"The revised cost estimates of Donimalai project have been received from the Steel Authority of India Ltd. and will be placed before the Public Investment Board shortly and would thereafter be submitted to Cabinet for approval.

47. The Committee regret to note that even after more than two years, the revised estimates of the Project which had been approved in principle in January, 1969 are still pending sanction. The Committee urge that the revised estimates should be sanctioned without further delay after a careful examination of the economics of the project.

Inventory Control

Recommendation Serial Nos. 48 and 49 (Paragraph Nos. 11.13, 11.14 and 11.15)

48. In recommendation No. 48 (Paras 11.13 and 11.14) it was found that an 'Inventory Control Committee' was constituted by the Bureau of Public Enterprises. That Committee in its report submitted in January, 1972 had made certain recommendations regarding procedures of purchase and inventory control. The Secretaries Committee on Public Sector Enterprises which considered that report in May, 1972 decided that the Bureau of Public Enterprises should further review the inventory position in regard to NMDC's projects.

The Committee desired that Government/Bureau of Public Enterprises should complete the review without delay and fix suitable norms for the stores and spares consistent with the needs of production and development works of NMDC. The Committee were informed that stocks of about 70 per cent in the usage value were only being subject to thorough control and review. The Committee strongly urged that a thorough review of all the items of stocks should be undertaken half-yearly and action taken to reduce the inventory levels to avoid unnecessary accumulation of stores.

49. In their reply (27-11-73) the Ministry stated that the recommendations of the Committee had been brought to the notice of BPE and they had been requested to complete the review at an yearly date. The Committee's recommendations about half-yearly review of stocks had been brought to the notice of the NMDC and they had been instructed to take necessary action.

50. In their recommendation at paragraph 11.25 the Committee noted that in the Bailadila, Kiriburu and Panna Diamond Projects, stores of the value of Rs. 137.69 lakhs did not move for more than two years as on 31-3-1971 and stores of value of Rs. 227.98 lakhs did not move for more than one year as on 31-3-1971. The Committee also noted that Rs. 23.06 lakhs worth of stores including spares and construction and special parts were awaiting disposal as on 31-3-1972. The very fact that more than Rs. 3 crores worth of stores were not moving for over one two years only proved that sufficient care was not exercised before ordering purchases. The Committee were informed that periodical reviews were undertaken by the Storeholder to indentify non-moving and obsolete spares, lists were prepared and circulated to Sister Projects or the items were transferred to

other projects. The Committee were of the view that the review of stores should not be left to the storeholder but should be conducted systematically by an independent store officer/stock verification officer so that a systematic analysis of all the slow-moving/non-moving items was undertaken and items surplus to requirements were identified and timely action taken for their transfer to other projects, public undertakings where they could be more usefully utilised instead of allowing them to become obsolete to be ultimately written off as a loss. The Committee found that the shovel received by the Panna Diamond Project from Bailadila in January, 1968 on the plea of urgency for removal of over burden could not be utilised for want of certain repairs and had ultimately to be returned in May, 1969 to Bailadila without any use after more than 15 months. Even after the shovel was received back at Bailadila it could not be put to use and had to be declared as surplus. The Committee were not convinced about the plea of urgency for the transfer of equipment from Bailadila.

The Committee could not understand as to why the Corporation could not have verified the condition of the shovel even before it was transferred to Panna and why it had taken more than 15 months for Panna Project to return it to Bailadila. The Committee urged that this should be investigated in detail and report furnished to them.

The Committee felt concerned that, on the one hand, the Corporation was carrying heavy inventory of stores and a large amount of surplus stores were accumulated on the other hand common equipments like shovel remained unutilised for want of spares for repairs.

The Committee desired that the Corporation should undertake a thorough review of similar cases of Plant and Machinery which might be lying unutilised for want of spares or repairs of which may be uneconomical so that the Corporation might take immediate measures to bring them in working order or take action for their disposal to other undertakings.

The Committee suggested that the Inventory Control Committee on N.M.D.C. should also critically examine this aspect and suggest ways and means for adequate provisioning of spares and stores so that the machinery in the Corporation might not at any time remain unutilised on the plea of want of spares and affect production on this account.

51. The Government in their reply (December, 1973) stated that a Committee had been set up by the Chairman, NMDC to investigate into the transfer and utilisation of shovels from Bailadila to Panna. The Chairman of the NMDC had also set up another Committee on inventory control.

52. On further clarification the Ministry in a reply (December, 1974) stated that the Committee constituted to investigate into the transfer and utilisation of shovels from Bailadila to Panna, had examined all the relevant records. Its report was in the draft stage.

As regards the Committee on Inventory Control that Committee had submitted an interim report which was under examination of NMDC. Government had asked the Corporation to expedite its final report.

53. On further reference, the Ministry in their reply* (12-2-1975), stated that "the Report of the Committee on the transfer of shovel from Bailadila Deposit No. 14 Project to the Panna Diamond Project and back to Bailadila is likely to be considered by the Board of Directors of National Mineral Development Corporation at its meeting being held in this month."


54. The Committee are not happy at the dilatory manner with which this important issue was dealt with and even after almost two years no definite action has been taken in the matter.

INTERNAL AUDIT

Internal Audit

Recommendation Serial No. 56 (Paragraph No. 13.26)

55. The Committee noted that in spite of the instructions issued by Ministry of Finance (Bureau of Public Enterprises) in September, 1968 in pursuance of the recommendation by the Committee on Public Undertakings in their 15th Report (4th Lok Sabha) April, 1968) on 'Financial Management in Public Undertakings' that Internal Audit should include a critical, review of the system, procedures and operations as a whole, the Internal Audit Cell of the Corporation had not so far conducted any appraisal of the performance of the projects. The Committee were informed that only recently the Corporation sanctioned Internal Audit Cells for the operating mines at Kiriburu and Bailadila and action for evolving suitable operating standards for production initiated. The Committee recommended that Internal Audit Cells should be activated to discharge their functions and responsibilities so that the Management could take advantage of the reports of internal Audit in setting right the defects in the working of the Corporation.

*At the time of the factual verification, the Ministry of Steel have stated that "the Bureau of Public Enterprises have since received the inventories of the N.M.D.C. The latest position of inventories as also the implementation of the recommendations made by the Committee on Inventory Control" is indicated in their O.M. No. 27/16/72-BPE/MM dt. 13-3-1975. (not vetted  Audit)

56. The Government in their reply (November, 1973) stated that in order to have thorough Internal Audit, it had been decided that firms of Chartered Accountants should be appointed on year to year basis in each Unit of the Corporation for conducting Internal Audit. The Corporation had already appointed such firms for its major units viz. Kiriburu, Bailadila Deposit-14, Bailadila Deposit-5 and Donimalai projects and Head Office. Similar appointments for other units were also under consideration.

Another proposal now activitely under consideration of the NMDC was to constitute on integrated 'Operations Research and Evaluation Cell' comprising Industrial Engineers and Cost Accounts Officers to deal with performance, evaluation and operations research. This Cell would also facilitate performance appraisal of the projects.

57. The Committee note that a decision has been taken that a firm of Chartered Accountants should be appointed on a year-to-year basis in each unit of the Corporation for conducting Internal Audit. The Committee, however, feel that in the interest of improving the efficiency and providing necessary tool to the Management, the Corporation should develop an Internal Audit Wing of its own and place it on a permanent footing.

CHAPTER II

RECOMMENDATIONS ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee regret to note that against the target of 80 million tonnes for export to Japan only about 10.6 million tonnes from Kiriburu and 11.86 million tonnes from Bailadila till 31-3-1972 were exported and a revised agreement was entered into with the Japanese for the balance quantity.

The Committee were also informed that the export from Kiriburu had been stopped and that future exports would be from Bailadila.

The Committee are not convinced about the reasons adduced for non-fulfilment of the export targets *viz.*, the fines generated were more than anticipated, the lumps were not of the requisite grade and quality envisaged by IBM, that rail transport was not available in time and that Japanese ships had not kept up the schedule. The Committee feel that after a commitment was made with Japan, there should have been integrated planning and implementation to ensure that the export target was achieved.

The Committee feel that the steps now taken for despatch of ore to Japan at the level of Cabinet Secretary should have been taken many years earlier. At any rate now that it has been decided that the export commitment with Japan would be diverted to Bailadila the Committee need hardly stress that every care should be taken during this transit period to see that whatever commitment is made in respect of the quantity and quality of iron ore to be exported to Japan is honoured in letter and spirit. For this purpose the Committee would suggest that there should be an effective and close co-ordination of all the agencies concerned namely NMDC, MMTC, Railways, Ministry of Foreign Trade, etc. so that no bottlenecks are allowed to come in the way of export commitments. (Paragraph 2.18)

Reply of Government

The recommendation of the Committee is noted. All organisations such as National Mineral Development Corporation, Mineral & Metals Trading Corporation, Railways, Ministry of Commerce and Ministry of Shipping & Transport, who are involved in the production, despatch and export of iron ore to Japan have been requested to have effective

co-ordination with a view to ensure that the export commitment to Japan is fulfilled in all aspects. Incidentally it may be pointed out that a 'Central Control Room' has already been set up serviced by MMTC and generally weekly meetings are held with the representatives of the various organisations and the MMTC to review the day-to-day progress of production, despatch and shipment of iron ore. Remedial measures are taken wherever considered necessary. The Secretaries Committee on Iron Ore Exports also keeps an over-all watch over the iron ore exports and effects the necessary co-ordination at a high level. The recently constituted Iron Ore Board is also expected to provide the required institutional frame-work to achieve, among others, effective co-ordination in the iron ore export effort.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. 1(82)/73-IOM dt. 18/19-9-1973]

Recommendation (Serial No. 2)

The Committee note that selection of site for the Kiriburu Project was done in 1958 by a working group consisting of representatives of the Geological Survey of India, Indian Bureau of Mines, Government of Orissa and the Ministry of Finance and Civil Engineer and on the basis of the report submitted by the IBM (now part of the Geological Survey of India) after detailed drilling and geological investigations. The Committee note that the Report of IBM furnished geological data such as reserves, lump fine ratio, analysis of lump fine, etc. but gave no indication about the profitability of the project.

The Committee on Public Undertakings had in their 11th Report (1967-68) already observed that the nature of the geological strata was not correctly worked out in the I.B.M. Scheme. This resulted in an excess generation of fines and affected the whole economics of Kiriburu Project to a large extent, besides necessitating the purchase of extra machinery. In reply, the Government had stated 'in the case of projects taken up by the NMDC subsequently, the Corporation had been associating itself with the Geological Survey of India at the prospecting stage with a view to obviating the possibility of insufficient interpretation of geological strata. (Paragraph 3.19 and 3.20)

Reply of Government

The observation of the Committee have been noted. It may, however, be stated that information regarding profitability of a project/scheme is normally furnished in the Detailed Project Report and not in the Geological Reports prepared by the Geological Survey of India/Indian

Bureau of Mines which indicate mainly the geological data, such as estimated reserves, grade of ore, etc. Greater care is now being exercised in collection and interpretation of geological data.

[(Ministry of Steel & Mines) (Department of Steel) O.M. No. 1/82/73-IOM Dated 18/19-9-73].]

Recommendation (Serial No. 3)

While the Committee appreciate the idea of taking up the development of Kiriburu iron ore mines in the interest of developing the economy of this backward area, they feel that the objective has not been fully served as proper and adequate attention was not paid at the time of taking vital decisions about the machinery and equipment for Kiriburu Project, the man-power required, the assurance of production of lump and fine in proper proportions, disposal of fines, timely mining and shipping of ore with the result that Kiriburu not only failed to achieve the export target and win more orders but has resulted in loss with far-reaching adverse effect on the project as a whole.

The Committee see no reason why Government did not take the basic precautions of having an integrated techno-economic detailed study before entering into a firm sale agreement with Japan. They can see no justification for leaving the work of technological investigation exclusively to IBM without holding them responsible for the results which have accrued after the project was brought into production with the Japanese consultancy firm for not giving accurate advice either about purchase of equipment or about the cost of production. It is obvious that the reports submitted by both these bodies should have been critically scrutinised by Government. What surprises the Committee most is that the decision to set up the Projection was taken with the full knowledge of the fact that there was no likelihood of any profit while there was every likelihood of a loss.

The Committee hope that such costly lapses would not recur in future.
(Paragraph 3.21)

Reply of the Government

The observations of the Committee have been noted and are being brought to the notice of National Mineral Development Corporation, Mineral and Metals Trading Corporation, Steel Authority of India Ltd. the Ministry of Finance, Ministry of Commerce and the Public Investment Board.

[Ministry of Steel and Mines, (Department of Steel) O.M. No. 1/82/73-IOM Dated 18/9-73].]

Recommendation (Serial No. 6)

The Committee note that though the Detailed Project Report had envisaged the lump-fine ratio as 60:40 actually, the lump fine ratio ranged from 44.47 : 55.53 to 58.27 : 41.73 during the six years from 1964-65 to 1969-70. The lump fine ratio in 1970-71 and 1971-72 were, however, 55.16:44.84 and 54.91:09 respectively, thus indicating excess generation of fines during 1970-71 and 1971-72. The Committee were informed that from 1964-65 to 1971-72 the total reduction in cost that could have been achieved if the lump recovery had been envisaged in the Detailed Project Report was of the order of Rs. 65.61 lakhs. (Paragraph 3.48).

Reply of Government

The observations of the Committee have been noted.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. 1(82)/73-IOM
Dt. 18/19-9-1973].

Recommendation (Serial No. 7)

The Committee note that 4.88 million tonnes of fines have been accumulated upto 31-3-1972 and so far no value has been assigned to these fines. Though it was decided to dispose of the fines gradually to Bokaro Steel Plant, the fines could not be disposed of as the fines required for Bokaro were of different specifications. The Corporation, therefore, decided to beneficiate the fines to suit the requirements of Bokaro at a cost of Rs. 5.00 per tonnes (Approximately). (Paragraph No. 3.49).

Reply of Government

Noted.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. 1(82)/73-IOM
Dt. 18/19-9-73].

†*Further Reply of Government

The recommendation of the Committee has been noted.

Further as on 31-3-1973, 5.28 million tonnes of fines had accumulated and the beneficiation plant was expected to be commissioned only in November, 1974.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/(82)/73-IOM
Vol. II dated 13-1-1975].

Recommendation (Serial No. 13)

The Committee regret to note that even the utilisation of the dumpers in the Kiriburu Project is only of the order of 35 to 40 per cent as against the 50 to 60 per cent in other countries and this was mainly because of lack of availability of spares and not very much high standard of maintenance. The Committee need hardly stress that schedules and norms for repairs and maintenance should be fixed and advance action taken for procurement of spares etc. The Corporation should ensure that schedules for repairs and maintenance are strictly observed so that greater efficiency in utilisation of the machines may be attained.

(Paragraph No.3.80).

Reply of Government

The observations of the Committee have been noted. N.M.D.C. is giving special attention to the maintenance of equipment and in order to expedite the procurement of stores, it is maintaining liaison with the manufacturer with a view to obtaining supply of spares in time.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/(82)/73-IOM Dt. 18/19-9-73].

Further Information Called for by the Committee

Please state whether schedules/norms for the maintenance/repairs have been fixed and if so whether schedules/norms are strictly observed.

(L.S. Sectt. No. 14-PU/73 dt. 5-12-73).

*Further Reply of Government

Schedules/norms for preventive maintenance are already in existence. Personal attention of the Heads of Projects has again been drawn by NMDC to the necessity to adhere to the schedules. Periodical reports

*Not vetted by Audit.

†*At the time of factual verification, the Corporation stated that "For Civil and Structural Works, tenders were invited in April, 1974. Work was not awarded because poor response to invitation. Further it was apprehended that settlement of site adjacent to thickness may adversely affect proposed site for beneficiation plant Central Water and Power Commission have opined there is no fear of moving earth ever adversely affecting proposed site. As such tenders for civil and structural works have been re-invited. Beneficiation Plant now expected to be completed by second quarter of 1976.

have also been prescribed to enable the head office of NMDC to keep watch and take remedial measures when necessary.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/(82)/73-IOM
Dt. 7-2-74].

Recommendation (Serial No. 17)

The Committee find that the Government of India decided to divert the Kiriburu Ore to Bokaro Steel Plant in view of the long Railway lead having adverse effect on the profitability of ore of Kiriburu Mine. As the specifications of ore and fines required by the Bokaro were different from those produced by the Kiriburu Project, the Committee find that a Detailed Project Report for Modification and Expansion of the Project was prepared in December, 1965 and after some modifications and revision, sent to Government in November, 1968 for approval.

The Committee are greatly concerned to note that even after the decision was taken in 1965 that the production in Kiriburu should be modified so as to meet the requirements of the Bokaro Steel Plant and Rourkela Steel Plant, the process of investigation, preparation of detailed project reports and sanction took nearly three years from 1965 to 1968. The Committee feel that such investigations should be carried out with a sense of urgency and in complete coordination with the agencies concerned so as to avoid unnecessary back references.

(Paragraph No. 4.18).

***Reply of Government**

The observations of the Committee have been noted. In the case of new investigations like Meghataburu, Bailadila Deposit No. 4, etc., the NMDC is taking all possible steps to complete investigations within the shortest possible time.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/(82)/73-IOM
Dt. 12-10-73].

***Further Reply of Government**

The requirements of iron ore for the 4 million tonnes stage of the Bokaro Steel Plant have been considered in detail by the Barajamda Development Committee constituted by the Iron Ore Board. The deliberations of the Committee brought out that there would be a gap in the supplies of both lump and fines ore during the last two years of the 5th Plan period, before commencement of production from Meghataburu

In order to meet the gap in the requirements of Bokaro, supplies from Kiriburu mine are proposed to be supplemented by drawing iron ore from other sources in the Barajamda area, viz., Bolani, Noamandi and Gua.

The Barajamda Committee have also suggested that the possibility of deferring development of the Maghahataburu mine and meeting the additional requirements of fines for Bokaro from surplus fines available and likely to be generated at other mines, viz., Bolani, Barsua and Gua should be studied in detail. Accordingly, a Committee of experts from MECON, Bokaro Steel, NMDC and Railways has been constituted to examine this question and their report is expected in a few months time.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. 1(82)/73-IOM (Vol. II) dated 13-1-75].

Recommendation (Serial No. 21)

The Committee regret to note that the proposal for installation of a Beneficiation Plant was initially deferred by the Management although this was envisaged in the Project Report some time in August, 1969. The Committee also note that the Board of the Corporation had approved the scheme in August, 1972 and the plant is expected to be commissioned by November, 1974. The Committee regret to observe that the deferment of the decision initially and taking a decision after 3 years has not only delayed disposal of fines to Bokaro Steel Plant but would affect ultimately the capital expenditure of the Project.

The Committee strongly urge that at least now the Corporation should take suitable steps to ensure that the target date i.e., November, 1974, for the commissioning of the Plant is adhered to.

(Paragraph No. 4.26).

*Reply of Government

The recommendation of the Committee has been noted. The NMDC is making all efforts to ensure that the beneficiation plant at Kiriburu is commissioned by November, 1974.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. 1(82)/73-IOM dated 12-10-73]

Recommendation (Serial No. 33)

The Committee note that in accordance with the policy objective of Government, to import rough diamonds from abroad to counter, to the

*Please see Foot note under recommendation No. 7 (page 22).

extent possible, squeeze by foreign monopolistic suppliers on the Indian Trade, and to provide at least small quantities of rough diamonds to the Indian cutting and polishing trade at reasonable prices. The NMDC was nominated as the canalising agency for the import of rough diamonds to the extent of 10 per cent of the import replenishment. NMDC imported diamonds so that the Corporation may secure primary source in addition to the normal source and started importing rough diamonds from Ghana and German Democratic Republic—about Rs. 10 lakhs from Ghana and Rs. 15 lakhs from Germany. The Committee were informed that the basic assumption in making purchase from Ghana was that Indian diamond trade would extend cooperation to NMDC in buying the rough diamonds procured from Ghana. The assumption did not however, materialise as the trade immediately after purchase protested against Government policy to enter the diamond trade with the result that the bulk of the imported diamond trade had to be disposed of abroad and the whole transaction ended in a loss of more than Rs. 5.16 lakhs. after taking into account interest on capital to the extent of Rs. 4.36 lakhs and refund of customs duty. The Committee were also informed that the entire stock of diamonds imported from Ghana had since been disposed of.

The Committee also note that NMDC in order to meet the demands of canalisation and to ensure steady supplies entered into arrangements with a leading London firm for the import of rough diamonds on consignment basis, and this transaction yielded a profit of about Rs. 5.6 lakhs wiping off complete the loss sustained in the Ghana deal. (Paragraph 7.36 and 7.37).

Reply of Government

Noted.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73, dt. 12-10-73].

Recommendation (Serial No. 41)

The Committee hope that in view of the export commitment to Japan from the Bailadila Sector, the work on Bailadila—Deposit No. 4 would be accelerated.

(Paragraph No. 9.23)

*Reply of Government

The observations of the Committee have been noted.

[Ministry of steel & Mines, (Deptt. of Steel) O.M. No. 1/82/73-IOM dt. 12-12-73].

*Not vetted by Audit.

***Further Reply of Government**

The development of Deposit No. 4 at Bailadila is proposed to be undertaken to meet the requirements of iron ore for the new Steel plant to be constructed at Visakhapatnam. Due to constraint of resources, development of Bailadila 4 mine has not been included in the 5th Plan Schemes.

Export commitments to Japan are expected to be met from the working mine at Bailadila Deposit 14 and from the new mine under development at Deposit No. 5.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1(82)/73-IOM
(Vol. II) dt. 13-1-75].

Recommendation (Serial No. 42)

The Committee would like Government to take up the development of the Maghahataburu Project only after careful exploratory studies and assessment of the economics of the project to ensure supply of ore of appropriate quality and specification to Bokaro Steel Plant.

(Paragraph No. 9.25)

***Reply of Government**

The observations of the Committee have been noted.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM
dt. 12-10-73].

***Further Reply of Government**

Please see reply given against Serial No. 17.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/(82)/73-IOM
dt. 13-10-74].

..... **Recommendation (Serial No. 44)**

The Committee find that the Management reporting system at present followed by the Corporation is still stated to be in the evolutionary stage. The Committee suggest that the procedures may be streamlined and the reporting system organised in a systematic manner so that the system really enables the top management to have an overall control on the different wings as well as the aspects of the working of the organisation.

(Paragraph No. 10.10)

***Reply of Government**

The NMDC reported that the suggestions given by the Committee regarding the reporting system have already been taken up in a systematic manner. Further, the Corporation is introducing in Bailadila-14, a programme of "Management by Objectives" with the help of the Consultancy and Applied Research Division of the Administrative Staff College, Hyderabad. The scope of recommendations of the Consultants would include the reporting system providing for a meaningful flow of information between Head Office and the Project for the purpose of proper planning and effective control on the various aspects of the projects. Based on the experience at Bailadila-14, similar reporting systems with necessary modifications would be introduced in the other projects.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM
dt. 12-10-73].

Information Called for by the Committee

Pl. state the latest position

(L.S.S. O.M. No. 14-PU/73. dt. 5-12-74.)

***Further Reply of Government**

The NMDC has reported that the suggestion given by the Committee regarding the reporting system have already been taken up in systematic manner. The assistance of the Consultancy and Applied Research Division of Administrative Staff College of India was taken in May, 1973 for introducing "management by objectives" in Bailadila—14 Iron Ore Project. Their report was received in November, 1973. The scope of recommendation of the Consultants include the reporting system providing for meaningful flow of the information between the Head Office and the Projects for the performance of proper planning and effective control on the various aspects of the project.

The implementation is in progress. Based on experience on Bailadila—14, similar reporting system with necessary modifications would be introduced in other projects.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1 (82)/73-IOM
(Vol. II) dt. 13-1-75].

CHAPTER III

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

Recommendation (Serial No. 4)

The Committee regret to note from the actual services rendered by the Consultants that the project estimates prepared by them were inadequate and required a good deal of modifications with the result that the revised cost of project exceeded the original estimates by more than three crores of rupees. The Committee also regret to observe that the Consultant's Report was silent about the disposal of fines.

The Committee further note that the Japanese Consulting Institute were *inter alia* responsible for the performance of the plant erected in accordance with their design, were to complete the performance test for a period of two months either immediately after erection of the plant or as soon as they desired them to be done. Although the installation was completed in August, 1963 and the period of consultancy as extended till 4th October, 1965, Committee were informed that the stipulated tests were not completed even during this extended period. The Committee are constrained to observe that the additional expenditure of Rs. 2.26 lakhs incurred on account of extension of the consultancy period thus proved to be infructuous. The Committee hope that with the setting up of an agreement scrutinising cell in the Corporation, care will be taken to see that agreements, bonds etc. will in future be properly scrutinised keeping in view the instruction issued by the DPE in this regard.

(Paragraph 3.22)

Reply of Government

The observations of the Committee have been noted.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM,
dt. 18/19-9-73.]

Further Information called for by the Committee

Reasons for the additional expenditure of Rs. 2.26 lakhs on a/c of extension of the consultancy period may be indicated.

[L.S.S. No. 14-PU/73, dt. 22-12-73.]

*Further Reply of Government

According to the time schedule, the trial production was to commence in January/February, 1963 and technical guidance, supervision and actual mining operations were to be concluded by December, 1963. The plant installations at Kiriburu were virtually completed by November, 1963, but operations at the stipulated scale could not commence. The ore handling Plant at Vizag at that stage was not expected to be ready for export on the stipulated scale till the end of 1964. To ensure that the plant would not run into difficulties at the time of operating it at the optimum rate, continued assistance of the Consultants was considered necessary. The Corporation had, therefore, initially decided, in November, 1963, to extend the consultancy agreement from August 5, 1964 to August 4, 1965, This accounts for Rs. 2.02 lakhs out of Rs. 2.26 lakhs.

2. Excess generation of fines over and above the level estimated in the original Project Report, however, necessitated certain modification to the ore dressing plant. It was, therefore, considered necessary that Engineers from the consultants should be present at the site for technical guidance during the period when the modifications to the Plant were being carried out. The presence of Japanese Engineers was also considered necessary, in view of the operational problems likely to be faced during the first monsoon period and it was, therefore, decided to extend the consultancy for a further period of two man-months from 5-8-1965 to 4-10-1965.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM,
dt. 7-2-74.]

Recommendation (Serial No. 5)

The Committee regret to note that the Kiriburu Project could not attain the rated capacity even in 1971-72. The shortfall in production of lump ore varied from 14 per cent to 22 per cent during the years 1966-67 to 1970-71 and increased to 48 per cent in 1971-72. Even on the basis of run-of-mine handled, the shortfall in production ranged from 10 per cent to 19 per cent during the period from 1966-67 to 1971-72. The Committee also regret to observe that the shortfall in production during 1971-72 has resulted in an increase in cost of Rs. 1.88 per tonne and consequently the loss has also increased by Rs. 19.6 lakhs on account of the supplies made to Japan.

According to the Corporation the production had to be restricted due to the inadequate availability of shipping and railway facilities. The Committee, however, find that the production did not follow any set pattern.

*(Further Reply not vetted by Audit).

The Committee, therefore, find it difficult to accept the stand of the Corporation that its production was deliberately curtailed on this account. The Committee strongly recommend that the Corporation should have a coordinated programme of production in consultation with the Ministry of Railways without affecting the production targets.

(Paragraph 3.34 and 3.35)

Reply of Government

The observations/recommendations of the Committee have been noted and have been communicated to the National Mineral Development Corporation for compliance.

[Ministry of Steel & Mines, (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 18/19-9-73.]

Further Information called for by the Committee

What is the action taken for drawing a coordinated programme of production in consultation with the Railways.

[L.S.S. No. 14-PU/73, dt. 22-12-73.]

Further Reply of Government

Presently for Kiriburu, Coordination meetings take place alternately at Kiriburu and Bokaro, and are attended by the representatives of the NMDC, BSL and the Railways so that all concerned operations are coordinated.

2. Similarly in the case of Bailadila, the programme of production, despatches and shipment is drawn up in consultation with the Railways, MMTC, Deptt. of Steel and Ministry of Shipping and Transport. The implementation of the programme, with particular reference to solution of problems, that may be encountered, is reviewed monthly at the Central Control Room meetings, at which the agencies/organisations referred to above are represented and at Local Control Room meetings at Visakhapatnam, in which the NMDC, MMTC, Railways and the Port Trust participate. The local Control Room meetings are held generally once a week.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 7-2-74.]

***Further Reply of Government**

Against a target of 9.55 lakh tonnes, actual despatches were 6.59 lakh tonnes during 1973-74 from the Kiriburu mine. The Target could not be achieved mainly due to scaling down of the requirements by Bokaro and short supply of wagons due to adverse operating condition of the Railways.

[Ministry of Steel & Mines (Department of Steel) O. M. No. 1 (82)/73-IOM, (Vol. II) dt. 13-1-75.]

Recommendation (Serial No. 8)

The Committee note that if the lump recovery as envisaged in the Detailed Project Report had been achieved there would have been a reduction in cost to the extent of Rs. 65.61 lakhs from 1964-65 to 1971-72 and this constituted a loss to the Corporation. The Committee need hardly point out that this loss would be further increased by the cost of beneficiation of fines not to speak of the additional cost that may be involved in the acquisition and erection of plant and machinery for such beneficiation.

The Committee need hardly stress that to a considerable extent the economics of an iron ore plant depends on the commercial utilisation of fines.

(Paragraph No. 3.50)

Reply of Government

Noted.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 18/19-9-73.]

Further Information called for by the Committee

What steps have been taken for the commercial utilisation of fines
(L.S. Sectt. No. 14-PÜ/73 dt. 5-12-73.)

***Further Reply of Government**

After modification and expansion of the Kiriburu Iron Ore Mine, the entire fines produced there would be supplied to Bokaro Steel Plant.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 14-1-74.]

Recommendation (Serial No. 10)

The Committee note that the Detailed Project Report had recommended a total staff of 750 under different categories for the working of the mines at the rated capacity of 2 million tonnes of sized ore per annum. Subsequently, at the instance of the Management, the R. N. Singh Committee in 1964 and the Administrative Staff College in 1967 studied the staff position and recommended the suitable staff strength. The Committee find that the strength fixed by the Administrative Staff College in 1967 was higher than that fixed by the R. N. Singh Committee in 1964

*Not vetted by Audit.

as the former had taken into account the change in the lump fine ratio and its effect on the output per manshift.

The Committee regret to observe that even on the basis of revised strength as fixed by the Administrative Staff College, the Kiriburu Project had been carrying a large number of surplus staff and this had resulted in an additional expenditure of Rs. 33.76 lakhs from 1966-67 to 1971-72 and had caused an increase of 28 paise in the cost of production per tonne on an average. The Committee note that the Management are already seized of the problem and have taken various steps like voluntary retirement scheme, absorption of surplus workers in the new scheme, without creating industrial unrest, the Committee feel that the Management should tackle this problem and find an abiding solution. Meanwhile attempts should be made to deploy the surplus staff in such a way so as to reduce any loss to the project on this score.

(Paragraph No. 3.66)

Reply of Government

Noted.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM,
dt. 18/19-9-73.]

Further Information called for by the Committee

The Committee recommended that the Management should tackle the problem and find an abiding solution. The action taken by the NMDC in the matter may be indicated.

(L.S. Sectt. No. 14-PU/73-dt. 5-12-73.)

***Further Reply of Government**

The Detailed Project Report Provision of Staff Strength of 750 Nos. was revised to 1237 by Administrative Staff College in 1967 as stated in para 3.52 of the report. A further revision of staff strength to 1370 was approved by the Board in 1970. Against the approved staff strength of 1370, the present actual strength in the project is 1535 (including 184 on muster roll). The excess staff in the project is in the category of muster roll labour, who were employed, on daily rated basis during the time of construction. As stated in para 3.56 of the report these workers (mainly adivasis) though rendered surplus at the end of the construction phase could not be retrenched straightway especially as they had put in fairly long years of service in the project.

*Not vetted by Audit.

2. The problem of reducing the excess staff in the category of Muster Roll labour, in the Kiriburu Project is being tackled as suggested in the Committee's Report without creating any industrial unrest. NMDC has recently taken up the revision of the Voluntary Retirement Scheme to make it more attractive so that this may be availed of by the excess staff at the Project. Apart from above, Kiriburu project is also at present under expansion and the feasibility studies of Meghahatuburu and Malangtoli Iron Ore Deposits which are in the proximity of Kiriburu Mine, are in progress. The excess staff of Kiriburu would be considered by National Mineral Development Corporation for absorption in the above schemes.

[Ministry of Steel & Mines (Deptt. of Steel), O.M. No. 1/82/73-IOM
dt. 14-1-74.]

Recommendation (Serial No. 11)

The Committee note that in National Mineral Development Corporation the output per manshift ranged from 3.37 to 4.25 during the period from 1966-67 to 1970-71 compared to a rate of 5.39 based on the strength recommended by the Administrative Staff College and 8.89 indicated in the Detailed Project Report. The Committee were informed that the Detailed Project Report was based on a staff of 750 men for recovery of 2 million tonnes of lump ore and this had turned out to be unrealistic in actual practice. According to the Management, the sanctioned strength was 1370 for an output of 1.8 million tonnes only. The Committee were assured that the position is expected to improve with the removal of the constraints on production with increase in supplies to Bokaro.

The Committee view with concern the wide variation between the strength sanctioned by the Management and the strength indicated in the Detailed Project Report and suggest that the Management should work-out a realistic rate of output per manshift taking into account all the factors and ensure that the rates are adhered to by a stricter supervision and increase production.

(Paragraph No. 3.67).

Reply of Government

Noted and NMDC is being requested to take necessary further action.

[Ministry of Steel & Mines, (Deptt. of Steel), O.M. No. 1/82/73-IOM,
Dt. 18/19-9-73).

Further Information Called for by the Committee

What are the reasons for wide variation between the strength sanctioned by the Management and the strength indicated in DPR and what steps have been taken to work out a realistic rate of output per manshift.

[L.S. Sectt. No. 14-PU/73, Dt. 22-12-73.]

Further Reply of Government

The reasons for the wide variation between the strength sanctioned by the Management and the strength indicated in the DPR are broadly as follows:—

- (a) The Project Report manning pattern envisaged only a central maintenance section for the whole project, whereas in the actual operation, separate maintenance personnel were found necessary for crushing plant etc.
- (b) Even in the Central Mechanical and Electrical Maintenance sections adequate number of persons in the skilled as well as helping categories were not provided in the DPR.
- (c) In case of Medical and Public Health Departments, DPR provision for lower category staff for Sanitation Wing was very less.
- (d) DPR provided only a few posts for Stores purchase and supply function under the Finance Wing of the project, whereas re-orientation of the project's stores organisation was to be done, with proper manning for effective purchase and supply control.
- (e) In the case of Civil Section, the water supply installations which are being electrically operated, were not adequately manned in the DPR.
- (f) The Finance Wing manning in the DPR was inadequate for its clerical functions.
- (g) The Security Guards provided in the DPR were very much less and in the interest of the Project's safety this was to be increased considerably.
- (h) The canteen facilities, as required in the Mines Act and rules, were not envisaged in the DPR and manning was provided for the canteens.
- (i) Adequate number of posts in the helping category for Mines Department and staff for the Chemical Laboratory were not provided in the DPR.

- (j) The DPR, though envisaged some school facility, has not fully envisaged the requirements of Nursery, Middle and Higher Secondary School which are running in the Project.
- (k) As brought out in the Report of Sri R. N. Singh Committee which assessed the man-power requirement of Kiriburu, "the DPR assessment appears to be based on the working conditions obtaining in Japan and the higher standards of personnel efficiency prevailing in that country."
- (l) The DPR has not provided adequate number of leave reserve posts at all the necessary places.
- (m) The DPR provision of vehicle Drivers was restricted to the limited number of vehicles provided in the DPR. Later these vehicles were found to be inadequate for the operation of the project. As such with the increase in the number of vehicles, the drivers' strength was also increased.

2. The staff strength of 1370 actually sanctioned is related to an output per-man-shift of 5.39 tonnes of ROM ore. As the actual production at Kiriburu had tapered off because of the expansion and modification scheme and the reduction of the contractual commitment for export to Japan, it was not possible to achieve the OMS figure of 5.39 during the period of the actual expansion and modification of the Kiriburu Plant. After the scheme has been implemented in full, the OMS would increase progressively and reach the optimum. It would be relevant to mention that, when the expansion scheme is in optimum operation, the total man-power for the expanded mine and plant would be $1370+400=1770$, related to an output of 4.29 million tonnes per year, which would yield an actual OMS much in excess of 5.39 for the former Kiriburu mine.

Expansion and modification of the Project is now under way and is scheduled to be completed in October, 1974. Standard levels for OMS would be booked and prescribed after the plant production is stabilised some time in 1975.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 7-2-74, 31-1-75.]

Recommendation (Serial No. 12)

The Committee note that the Project Report had envisaged the availability factor of heavy mining machinery as 75 per cent on the basis of two shifts working for 275 days in a year. The Committee find that the percentage of machine shifts actually utilised for production to the total machine shifts theoretically available for production was 64.3 per cent in the case of dumpers and 48.9 per cent in the case of dozers during 1968-69. On the basis of percentage of the utilisation of two types of heavy mining machinery viz., dumpers and dozers, the Committee find that 5 out of 20

dumpers and 3 out of 8 dozers have been acquired in excess of requirements. The Committee were informed that "though the physical holding of dumpers was 20, two of them were of smaller capacity (iv. 15 tonnes) and hence could not be utilised for production since 1968-69 as they were not of the matching capacity with power shovels. Out of the remaining 18 dumpers three Euclid dumpers of 27 tonnes capacity were out of the production line since they met with accidents, two on 4-9-1968 and one on 7-12-69 and had been rendered unserviceable. The project had thus only 15 dumpers for actual utilisation.

The Committee are at a loss to understand as to why two dumpers of smaller capacity were at all purchased if they could not be utilised for production purposes and why these were lying unutilised since 1968-69 and why the dumpers which met with the accidents could not be made serviceable or disposed of to the best advantage of NMDC.

The Committee strongly recommend that the entire matter of purchase of dumpers should be thoroughly investigated and responsibility fixed for purchase of dumpers not of the required capacity and keeping them un-utilised since 1968-69. The Committee also recommend that the Corporation should immediately take steps to ensure that the surplus dumpers are usefully deployed on other projects taken up by the Corporation or diverted to other public undertakings with the help of Bureau of Public Enterprises.

[Paragraph No. 3.78 and 3.79.]

Reply of Government

The N.M.D.C. have stated that the two smaller capacity 15 ton dumpers were procured for over-burden removal and waste mining for use in conjunction with 2½ cu. yards shovels. In 1969 these dumpers were converted into water tankers and are in use as such. As the three large size dumpers which met with an accident were beyond economic repairs (the body chassis and frame having been twisted badly) they had to be disposed of. Out of the remaining 15 dumpers, 9 are working. Two had completed their economic life and were disposed of in open auction. Another four have also completed their economic life and are awaiting disposal action. On completion of the Kiriburu Expansion and Modification Scheme, the project would require 22 dumpers of 35 ton capacity for handling 6.5 million tonnes of run-of-mine and waste material per year. Since the total capacity of the existing dumper fleet (9 of 27 tonne capacity) is much less than this requirement and since some of these 9 dumpers are also due to complete their economic life shortly, the necessary replacement/additions will be affected from time to time. There is therefore, no surplus capacity of dumpers at Kiriburu at present.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM,
dt. 12-12-73.]

Further Information Called for by the Committee

What is the loss incurred in disposal of (a) three dumpers (large size) which met with accident; and

(b) other dumpers disposed of in auction.

[L.S. Sectt. No. 14-PU/73 dt. 5-12-73.]

*Further Reply of Government

No formal loss was incurred by the Corporation on disposal of dumpers since these were fully depreciated. 5 dumpers including the 3 that met with an accident were disposed of in auction.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM dt. 7-2-74.]

Recommendation (Serial No. 14)

The Committee note that Detailed Project Report envisaged power consumption at Rs. 0.073 per tonne. According to the Management this rate does not represent the cost of power consumption but the cost of power division in the maintenance section and the cost of power consumption should be 60 paise per tonne. The Committee regret to note that such facts were not brought to the notice of the Committee at the appropriate time. The Committee were also informed that at the existing rate of 14 paise per unit of power the consumption rate should be 86 paise per unit. The Committee regret to note that the actual cost of power consumption per tonne of ore during the years 1969-70, 1970-71 and 1971-72 was much in excess over the revised rate of 86 paise per unit.

The Committee note that the quantity of water consumption has increased from 8 cubic metre per minute to 10 cubic metre per minute. The Committee were informed that project estimate envisaged wet operations only for 4 months while in actual practice wet operations are to be conducted throughout the year.

The Committee, however, are not quite convinced that such excess consumption of water alone should account for the increased cost of power consumption. The Committee recommend that the Management should carefully analyse the causes for such excess consumption of power and the Management should take steps to instal power meters to control and have accurate readings for power consumption to identify the causes of excess consumption of power and take suitable remedial measures.

[Paragraph Nos. 3.91 and 3.92.]

*Reply of Government

The observations of the Committee have been noted. The N.M.D.C. is taking suitable steps to analyse carefully the causes of excess power

[*Not vetted by Audit.]

consumption and to control usage of power through installation of power metres and other devices.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM dt. 12-10-73.]

Further Information Called for by the Committee

Have the causes for excess consumption of power been enquired into and if so, details thereof. Have you fixed the time limit for installation of power meters and other devices?

[L.S. Sectt. No. 14-PU/73 dt. 5-12-73.]

***Further Reply of Government**

The NMDC has constituted a committee consisting of (a) General Manager, Kiriburu Iron Ore Mine; (b) Financial Adviser, Kiriburu Iron Ore Mine; and (c) Sc. Executive Engineer (Elec.), Kiriburu Iron Ore Mine to go into (i) the causes for excess consumption of power and the details thereof; (ii) the time limit for installation of power meters and other devices. The Committee will be headed by General Manager, Kiriburu Iron Ore Mine. The Committee has been asked to submit its report within one month of the receipt of the letter constituting the Committee.

The details will be known after receipt of the report of the Committee.
[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM dt. 7-2-74.]

Further Information Called for by the Committee

Has the Committee headed by the General Manager, Kiriburu Project submitted its report. If so, what are its findings and the action taken thereon.

[Lok Sabha Sectt. O.M. No. 14-PU/73 dt. 5-12-73.]

***Further Reply of Government**

The report of the Committee headed by the General Manager, Kiriburu Iron Ore Mines has been received by NMDC. The Committee has, in its report, worked out the rated consumption of electricity in each of the principal sectors of operation, viz. (a) direct mining crushing, washing, screening and loading; and (b) indirect operations such as repairs/workshop, general office, township, water supply, street-lighting, etc. The Committee has come to the conclusion that, with reference to the norms for electrical consumption so worked out the actual consumption has been reasonable (being broadly within the norms) and that there has been no excess consumption at the full operating level of the mine and plant. The

*Further reply not vetted by Audit.

*Not vetted by Audit.

Committee has further observed that, when the plant operates at a capacity substantially below the rated capacity, the consumption of electricity cannot decrease proportionately to output.

2. The Committee has, in order to minimise the consumption of electricity and to improve the load by achieving a more even spread of the load thereby decreasing the power cost, suggested following measures:

(1) Filling up of the water reservoirs and tanks provided for water storage in the plant and mill water work tank at the booster pump houses during the maintenance shift by running both the pumps simultaneously, if required;

(2) Carrying out waste-mining as far as possible during maintenance and/or idle shifts, thereby reducing the maximum load during the operational shift;

(3) Minimising the idle run of shovels and drills; and

(4) Economising street lighting in the township by providing a separate circuit for alternate poles, which could be switched off after 10 P.M.

Action is being taken on the above suggestions. The Project management is also proposing to fix norms for the modified and expanded Kiriburu Plant for which purpose, a detailed exercise will be made after the plant has been fully commissioned and production stabilised.

[Ministry of Steel and Mines (Deptt. of Steel) D.O. letter No. 1(83)/73-IOM Vol. 1.1 dt. 18/19-12-1974.]

Recommendation (Serial No. 15)

The Committee find that against the FOBT cost of Kiriburu iron ore at Rs. 10.44 per tonne and selling price of Rs. 36.70 envisaged in the Japanese Consulting Institute Report the FOBT cost has increased from Rs. 61.90 in 1967-68 to Rs. 73.10 in 1971-72 and correspondingly the selling price also increased from Rs. 56.94 in 1967-68 to Rs. 57.29 in 1971-72. The Committee regret to note that the loss per tonne has thus increased from Rs. 4.96 per tonne in 1967-68 to Rs. 15.8 per tonne in 1971-72. The Committee however find that among other reasons the increase in cost during 1971-72 was due to low level of production, increase in wage bill and increase in cost of procurement of stores, spares etc. The Committee need hardly stress that the Corporation should endeavour to bring down the mining cost by attaining the rated capacity of production with the maximum efficiency of labour.

[Paragraph No. 3.102.]

Reply of Government

Rs. 10.44 per tonne is the FOR cost estimated in the Detailed Project Report. The Kiriburu Mine and Plant are now being modified and expanded to meet the requirements of Bokaro Steel Plant. Once these are completed, the increased level of production is achieved due to off-take by Bokaro Steel Plant the cost is expected to come down.

[Min. of Steel and Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM dt. 12-10-73.]

Further Information Called for by the Committee

- (i) What is the total cost of modification of Mines and Plant. Have these been completed. If not, when are these expected to be done;
- (ii) How do the actual costs differ from the estimated cost; and
- (iii) Have the reasons for variations from estimated cost been analysed.
- (vi) What was the cost during 1972-73 and how does it compare with the cost during 1970-71 and 1971-72.

(L. S. Sectt. No. 14-PU/73 dt. 5-12-73)

*Further Reply of Government

- (i) The revised cost of the Kiriburu Expansion and Modification scheme is estimated to be Rs. 1551.26 lakhs. The estimates are under examination by the Steel Authority of India Limited. Trial runs with the Primary and Secondary Grushers ('A' Line) have been commenced and the entire scheme is expected to be completed by the last quarter of 1974.
- (ii) and (iii) Comparison of actual cost of modification and expansion to the estimated costs will be possible only after completion of the project.

(iv) Information is being collected and will be furnished.

[Ministry of Steel and Mines (Department of Steel), O.M. No. 1/82/73-IOM dt. 14-1-74.]

*Further Reply of Government

(i) to (iii) Already furnished.

*Not vetted by Audit.

At the time of the factual verification the Corporation stated that "the revised Estimates amounting to Rs. 1642.48 lakhs exclusive of Deferred expenditure are under consideration by Steel Authority of India Ltd. Because of the delay in the supply of equipment of HEC, the project has not yet been completed. Until the equipment is actually received no precise date for completion can be indicated."

(iv) A statement furnishing (cost data) the information as under:

KIRIBURU PROJECT

*COST SHEET

Production (Lakh M.T.)	1970-71						1971-72						1972-73					
	R.E.		Actual		R.E.		Actual		R.E.		Actual		R.E.		Actual			
1. Operation	5.52	6.20	7.26	8.44	10.54	14.25												
2. Services	2.15	2.33	2.65	3.64	5.12	7.20												
3. Social overheads	0.42	1.18	1.11	0.70	1.93	2.08												
4. Adm. overheads	1.17	0.80	1.40	3.37	3.15	3.99												
5. Share of head Office expenditure	0.54	0.77	0.80	0.94	1.44	1.26												
TOTAL:	9.80	11.28	13.22	17.09	22.18	28.78												
B. Royalty & Cess	1.75	1.56	1.75	1.54	1.55	2.04												
C. Interest on Government Loan		0.01	0.35	0.46	0.69	1.22												
D. Depreciation & Deferred Revenue Expenditure	4.42	3.95	4.52	5.89	7.06	14.09												
GRAND TOTAL:	15.97	16.80	19.84	24.98	31.48	46.13												

*The Cost of production in the years 1971-72 and 1972-73 is high because of restricted production due to (a) lesser commitment on account of exports; and (b) shutdown of the plant on account of modification and expansion of the Project. Estimated costs in 1975-76 the first year of full operations of the expanded project are expected to be Rs. 20.07 per ton excluding royalty and cess and interest on Government loan.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM dt. 7-2-74]

Recommendation (Serial No. 22)

The Committee note that on account of inadequate provisions/change in specifications an expenditure of Rs. 473.68 lakhs was incurred by management over above the provision made in the Detailed Project Report.

*Not vetted by Audit.

They also note that a committee of directors of the National Mineral Development Corporation had raised a number of points about this additional expenditure incurred including the following:

- (1) whether there has been an over-designing of capacity by the acquisition of a larger number of equipment than originally planned;
- (2) whether additional purchases have been made with the approval of the competent authority;
- (3) whether changes in the specifications had been made after examination of the relevant factors by appropriate technical authority; and
- (4) what is the increased in cost on account of each of the above factors.

The Committee of the Board of Directors had also desired that the matter should be reviewed further thoroughly.

The Committee are given to understand that subsequently the matter was gone into by the Financial Adviser of the Bailadila Iron Ore Project and his report is with the Government. The Committee would like to impress on Government that all aspects of the matter should be gone into as purchase of machinery in excess of requirement or creation of unbalanced excess capacity in certain sections have adverse effect of a recurring nature on the cost of production. The Committee are informed that it is already costing the NMDC Rs. 0.28 per tonne by way of additional cost at the rated capacity of 4 million tones per annum. The Committee would like Government to thoroughly probe the matter and fix responsibility including those of collaborators and of officers who were entrusted with the task of scrutinising the details before placing firm orders for machinery and equipment. The Committee would like to be informed of the action taken within the next three months.

(Paragraph Nos. 5.28 and 5.29)

Reply of Government

A Group consisting of officers of the Ministry of Steel & Mines (Department of Steel) and Ministry of Finance has examined the final revised cost estimate of Bailadila (Deposit No. 14) mine keeping in view the findings of the Committee of Directors of the National Mineral Development Corporation which had examined the revised cost estimate, as well as the report of the Financial Adviser of the Project on certain points brought out by the Committee of Directors. The report will be examined by Government on receipt.

It has to be appreciated that Bailadila (Deposit No. 14) mine was the first large mechanised mine involving excavation of 5.5 million tonnes of run-of-mine ore per annum (later increased to 6.6 million tonnes), the Project Report for which was prepared by the N.M.D.C. itself without any outside assistance/collaboration. Its first mechanised mine viz., Kiriburu, which was of a much lower capacity (3.3 million tonnes of run-of-mine ore per annum), was developed with the collaboration of a Japanese Consultant. The imbalance in the design and layout of the Bailadila (Deposit No. 14) mine with a much higher capacity than previous mine was largely a consequence of their lack of adequate experience of developing a large mechanised mine. Improvements were made by the Corporation in the course of developing the mine with a view to achieving the objective. Government do not, therefore, consider that any individual or individuals can be held responsible for the inadequate provisions/change of specifications.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-
IOC dated 4-1-1974.]

Recommendation (Serial No. 24)

The Committee find the original estimates approved by the Government for Rs. 15.75 crores in 1964 had under gone revision during the course of construction of the project; first in December, 1968 for Rs. 25.21 crores and again in September, 1971 for Rs. 29.70 crores and the Revised Estimates submitted to Government in November, 1971. The Committee also note that the excesses over the original estimates had been examined first by a Committee of Directors and later by the Financial Advisor of the Project and their reports also submitted to Government in January, 1970 and September, 1970 respectively. The Committee regret to note that these Reports are still under the consideration of Government alongwith the Revised Estimates. The Committee, however, find that Government had been releasing funds on the basis of Budget provision much in excess of the sanctioned estimate without approval of the Cabinet as required under the instructions issued by the Bureau of Public Enterprises, Ministry of Finance.

The Committee take a serious view of this lapse and strongly urge that the revised estimates should be gone into and sanction of the competent authority issued. The extent of revision and its implications on the economics of the Project should be specifically examined.

The Committee would also like Government/Corporation to review its mechanism of expenditure control to obviate recurrence.

(Paragraph No. 5.37)

Reply of Government

The recommendation of the Committee has been noted. As regards review of mechanism of expenditure control by the Government/Corporation to obviate recurrence, the recommendation is being brought to the notice of the Ministry of Finance (Bureau of Public Enterprises) for appropriate action.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM dated 4-1-1974.]

Recommendation (Serial No. 25)

The Committee are distressed to find that the production in Bailadila even after four years of commissioning of the plant has been below the original target of 4 million tonnes. Further, the percentage of lump ore recovered does not exceed 65 per cent as compared to 75 per cent envisaged in the Project Report.

The Committee cannot accept the plea that the DPR did not provide adequately for waste mining and the bench of required length as specified in the DPR could not be developed during construction due to non-availability of electric supply in time. The net result of all these factors has been that not only Bailadila has failed to achieve the targetted production and meet in full the commitments for export, but the cost of production has been much higher as compared to the original estimates and even Kiriburu mines, which had been developed earlier for similar exports to Japan. The Committee note that NMDC are now considering a proposal to utilise the fines by pelletisation with or without beneficiation and stress that the matter should be gone into most carefully having regard to the economics of the project.

The Committee would like the Management to spare no pains to increase recovery of lump ore and enhance efficiency in production in order to improve the economics of the project.

(Paragraph Nos. 5.26 & 5.57.)

Reply of Government

The recommendations of the Committee have been brought to the notice of the N.M.D.C.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-MIV (IOM) dated 27-11-1973.]

Information called for by the Committee

(i) Please state what steps have been taken by NMDC for increasing recovery of lump ore and enhance efficiency in production for the improvement of economics of the project.

(ii) What is the present position about the proposal for utilisation of fines by pelletisation with or without beneficiation? Have the economics of the project been examined and if so, with what results?

[Lok Sabha Secretariat No. 14-PU/73 dated 5-12-1973.]

***Further Reply of Government**

(i) The position has been explained in reply to S. No. 23 (Recommendation No. 55) of the supplementary list sent with Lok Sabha Sectt. O.M. No. 14-PU/73 dated 5-12-1973).

(ii) The NMDC had got a techno-economic feasibility study conducted by Dastur Co., for utilisation of fines from Bailadila deposit No. 14. This study of 1972 revealed that a 2 million tonnes pelletisation plant (assuming rail transport of finished pellets from Bailadila to Vizag Port) would incur a loss of Rs. 2 crores per annum.

NMDC under the guidance of a Working Group constituted by the Government to study the proposals for pelletising the fines from the Bailadila group of Mines, is considering transport of slurry through a pipeline. A preliminary study by EIL on the pipeline project revealed that both the capital and operating cost would be considerably more economic as compared to a second railway line. The existing single rail line's capacity would be fully utilised with the present export commitments of lump ore and the ore/sinter feed requirements of the proposed Vizag Steel Plant.

The pipeline project and the pelletisation proposals to utilise the fines from Bailadila group of Mines will be firmed up after the technical studies now being undertaken to determine the feasibility of this project, are completed.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM dated 7-2-1974.]

Further Information called for by the Committee

Please state the latest position.

[L. S. Sectt. O.M. No. 14-PU/73 dated 30-12-74.]

*Further Reply of Government

The proposal for setting up a pellet plant to utilise Bailadila fines has not been included in the draft Fifth Five Year Plan due to constrain of resources. The pros and cons of locating the pellet Plant near the Mine at Bailadila or near the Steel Plant/Port-at Vizag have to be examined after the techno-economic feasibility of transporting fines from Bailadila to Vizag in slurry form by pipeline, has been studied and established. Further progress could not be made since the project has not been included in the draft Fifth Plan.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM (Vol. II) dated 4-1-1975.]

Recommendation (Serial No. 26)

The Committee note that the Board of Directors in October, 1967 fixed the staff strength of the Bailadila Project at 800 on the Kiriburu Mines staffing pattern. Later in January, 1968 the Administrative Staff College, Hyderabad conducted a study of the requirements of the staff for the project and suggested a strength of 1173. As this study made by the Staff College "did not take into account adequately the staff requirements of certain departments like the Maintenance Department and three shifts working in the loading plant, the Board of Directors fixed the staff strength at 1546 in the light of experience gained in the working of the mine since April, 1968 and phased increase in the level of output". The Committee, however, note that the present strength of the project is 1691 about 10 per cent in excess of the strength approved by the Board after a comprehensive study.

The Committee regret to not that in spite of the excess staff, the output per-man-shift is less than the budgetted output from 1968-69 to 1971-72 except for one year. The Committee, therefore, recommend that concerted efforts should be made to improve the efficiency and maximise output so that the output per-manshift may increase cosistent with the staff employed. (Paragraph 5.62)

Reply of Government

The recommendations of the Committee have been brought to the notice of NMDC and they have been asked to improve the efficiency.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-MIV (IOM) dated 27-11-1973.]

*Not vetted by Audit.

Recommendation (Serial No. 28)

The Committee note that a decision was taken to execute the Bailadila Deposit No. 5 in two phases, the first phase with production of 2 million tonnes and the second phase for 4 million tonnes, to match the handling capacity of Vizag Port. Thereafter with the scheme for expansion of the Vizag Harbour, it was decided that it would be economical to develop a mine with a capacity of 4 million tonnes of sized ore. The Project feasibility report was examined in August, 1968 and it was found that mine would remain a losing venture for all time to come, and that the project would be losing at the rate of Rs. 2.25 per tonne, on the basis of the price to be received in respect of the supplies from Vizag Outer Harbour and that the price for the supply to the Japanese Steel Mills was firm for 10 years. The Committee were informed that the revised decision was taken after taking into account the development and the associated infrastructure of railway and port facilities and the interest of the Japanese Steel Mills.

The Committee are at a loss to understand as to how an investment decision on a Project with a capital outlay of more than Rs. 38 crores had been taken even with the full knowledge of the fact that it would be a losing venture for all times.

The Committee would like that Government should carefully analyse the various components of cost and take concerted measure to ensure that the cost of production and transport charges do not exceed the sale price which is fixed with reference to the international conditions. In fact with experience and large production, it should be possible for the Corporation to reduce the cost of production and increase the margin of profit so that it may act as an incentive for developing more mining areas, stepping up the exports and winning more foreign exchange.

(Paragraph Nos. 6.31 & 6.32.)

Reply of Government

The Committee's recommendation has been noted, for guidance in consideration of investment proposals in future.

The Japanese Steel Mills purchase iron ore from a number of countries. They are thus, in a position to obtain a common CIF price, *i.e.*, a uniform landed cost in Japan. This results in the FOB prices in India being fixed in relation to the common CIF price in Japan. In other words, there is hardly any scope for increase of price for Indian ore unilaterally.

The only other way to make export of iron ore profitable is to bring about cost reductions in mining railway transportation, port handling

and ocean transportation. The Committee's recommendations in this regard will be studied carefully.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM dt. 26-10-73.]

Further Information Called for by the Committee

The Committee desired to know the steps proposed to be taken to bring the cost reduction in mining, railway transportation, Port handling and ocean transportation with a view to make export of iron ore profitable.

(L.S. Sectt. O.M. No. 14/PU/73 dt. 5-12-74).

Further Reply of Government

As already stated in reply to recommendation No. 28 there is hardly any scope for increase of price for Indian Ore unilaterally. The authorities concerned with Railway Transport, Port charges and Ocean freight have been requested to reconsider their rates *vide* this Department's O.M. No. 1/82/73-IOM dated 24-10-1973. The position will be reviewed at the time the project goes into production.

As regards mining costs efforts will be made to keep these to the minimum when actual production starts.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM--Vol. II dated 14-1-74.]

In this connection the latest reply may be seen at recommendation No. 19.

Recommendation (Serial No. 30)

The Committee note that the original target date for completion of project was December, 1973 and the trial runs were to commence in early 1974 to synchronise with the completion of Vizag Outer Harbour. While the Committee were informed that the Outer Harbour at Vizag, is likely to be completed by May, 1974, the Committee regret to note the delay in the completion of the Bailadila No. 5 Project. According to the present indication the project is likely to be commissioned towards the end of 1974 only. The Committee were informed that even this target is subject to completion of the tunnel work entrusted to NPCC by March, 1974 and delivery schedule of plant and machinery by the Heavy Engineering Corporation Ltd. and NAMC on whom orders were placed even as early as March, 1969 being adhered to. The Committee were also informed that HEC would be able to complete the supply only in July/August, 1973.

The Committee view with concern that even the present anticipation for completion of the Bailadila No. 5 Project cannot be adhered to unless

the sister public undertakings are geared up to fulfil their contractual obligations to NMDC and adhere to their time schedules as otherwise the facilities provided by Vizag Outer Harbour would perhaps remain unutilised.

The Committee need hardly stress that Government/Public Undertakings should realise that once a contractual commitment is made with a foreign party, Government should ensure through concerted measures that the commitments are honoured so as to generate and sustain the confidence with the foreign parties. The Committee would also like Government/Corporation that, with their experience of mining in the other projects, they should use the latest technology and equipments so as to achieve production at an economic cost so that the prices may be competitive.

(Paragraph No. 6.34 & 6.35)

***Reply of Government**

The completion of Bailadila No. 5 is likely to be delayed beyond December 1973, due to further delay anticipated in the delivery of equipment by H.E.C. The matter regarding deliveries by H.E.C. was discussed at a high level and a meeting taken by Secretary Steel. Possibilities of import were also explored, and it was found that import will not, at this stage, expedite completion.

The observations of the Committee that Public Undertakings should ensure that commitments made to foreign parties are honoured, are being brought to the notice of B.P.E.

The Corporation endeavours to use the latest technology and equipments to the extent possible to achieve production at an economic cost so that the prices may be competitive.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-
IOC dated 12-10-1973.]

Further Information Called for by the Committee

(i) Copies of the instructions issued by Government regarding commitments made to foreign parties may be furnished.

(ii) What measures have been taken to expedite delivery of equipment by HEC?

[Lok Sabha Secretariat O.M. 14-Pu/73 dt. 5-12-73.]

Further Reply of Government

(i) Copies of instruction, when issued by BPE, will be furnished to the Committee.

(ii) The matter is constantly under review at a high level.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOC
dated 14-1-1974.]

***Further Reply of Government**

There has been further delay in the manufacture and supply of equipment by M/s. H.E.C. As per latest indications obtained from HEC, the first primary crusher, stacker, Reclaimer and Wagon Loader are expected to be delivered from January to June, 1975 and the second Primary Crusher by end of 1975. With regard to technical problems encountered in the drivage of the tunnel for the main down-bill conveyor, caused by loose strata conditions and water flow, arrangements have been tied up in consultation with M/s. NPCC for undertaking chemical grouting. Services of a Contractor with requisite resources and expertise have been secured to assist M/s. NPCC for completion of the tunnel. Taking into account the further delay in the supply of equipment by M/s. HEC, the Bailadila No. 5 Project is not now expected to be ready before March, 1976.

In order to minimise short-falls against the long-term Bailadila contract for exports to Japan, NMDC have taken several measures to supplement the output of the existing mine at Bailadila No. 14 by intensifying float ore mining on the neighbouring deposits. These measures were also discussed at the meetings of the Committee of Secretaries on Iron Ore Exports held in April and November, 1974. As a result of these measures, NMDC have assured a production of over 6 million tonnes during 1975-76 against anticipated exports of 4.3 million tonnes in 1974-75.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/(82)/73-IOM (Vol. II) dated 13-1-75.]

Recommendation (Serial No. 31)

The Committee regret to note that the work of construction of jeepable road as part of the road from Bailadila deposit No. 5 to deposit No. 14 through Galli Nullah was undertaken departmentally and tenders were invited in March, 1968 even without a sanctioned estimate for the work

*Reply not vetted by Audit. At the time of factual verification the Corporation stated that 'At the request of N.P.C.C. inlet face had been taken over from them in January, 1975 and awarded to M/s. R. J. Shah and Co. for chemical grouting and drive. The job on the outlet face continues with NPCC. Under their 12th revision of delivery schedule, HEC had promised to deliver the stacker by November, 1974 and Reclaimer and Wagon Leader by December 1974 (Ex-Ranchi). The supplies are yet to be made. HEC adheres to the delivery schedule no definite date for completion of the project can be indicated.

in spite of instructions from the Head Office that the estimate should be got approved from them as also from Government. The issue was examined in March, 1969 and it was concluded that a permanent road from Bachelu to deposit No. 5 would be of better functional utility and economical and therefore the idea to make the road from Bailadila No. 5 to Bailadila No. 14 was abandoned after already incurring an expenditure of Rs. 1.45 lakhs. Although the Corporation had sought to justify their action stating that but for this road, construction of HT line would be delayed and the road serves useful purposes, the Committee are not convinced as to why the General Manager of the Project should not have followed the prescribed procedure of taking prior sanction of estimates before incurring any expenditure on the road. The Committee feel that the explanation of the General Manager that he treated the letter communicating the approval of the draft NIT in January, 1968 as approval to the estimates, would seem to be an after thought. It is surprising that even after the headquarters had asked (in March, 1968) in the General Manager, the basis of preparation of the estimates, the General Manager persisted in saying that the headquarters has already vetted the papers long ago.

From a note received from the Ministry, the Committee note that it was decided by the NMDC to drop the construction of the above road as it would have served no useful purpose in the changed circumstances of the project and a Kutcha Road was required upto Galli Nullah for carrying out detailed survey for dam and laying of H.T. line. Therefore, the question of any approval of the work by the Board of the Government did not arise. As the Kutcha Road was required in any case its construction cannot be considered as irregular.

The Committee are not satisfied with the justification for the road as given by undertaking/Ministry and feel convinced that had adequate care and caution been exercised in planning, the expenditure of Rs. 1.45 lakhs incurred on the road could have been voided. (Paragraph 6.46).

Reply of Government

The observations of the Committee have been noted. The N.M.D.C. has been requested to take adequate care at the time of planning of a scheme to avoid incurring such unnecessary expenditure in future.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM dt. 12-10-73.]

Recommendation (Serial No. 35)

The Committee note that the actual cost of production of diamond per carat during 1968-69 was 127.5 per cent of the estimated cost based on original target production of 16000 carats for that year and 86.9 per cent of the revised cost based on revised target of 9000 carats.

The Committee regret to note that the cost per carat during 1969-70 and 1970-71 increased to 88 per cent and 99 per cent of the estimated cost based on the revised targets of 14000 and 20000 carats respectively.

The Committee recommend that the Corporation should spare no pains to improve their production performance in Panna and ensure that the cost of production compares favourably with international market prices. (Paragraph 7.43).

***Reply of Government**

The observations of the Committee in para 3 of the recommendation No. 35 have been brought to the notice of NMDC.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM, dt. 12-10-73.]

Recommendation (Serial No. 37)

The Committee also regret to add that so far no decision has been taken on the techno-economic feasibility report prepared by M/s. Dastur and Co., on beneficiation and pelletisation on Donimalai Iron Ore submitted by Corporation to Government in June, 1972.

The Committee need hardly stress that Government should not rush to take an investment decision on the project unless and until a thorough and critical analysis of the techno-economic feasibility report is made and Government are satisfied that the project would be financially viable. (Paragraphs 8.19 & 8.20).

Reply of Government

The observations of the Committee have been noted. The scheme for pelletisation of Donimalai fines, based on the Techno-Economic Feasibility Report prepared by Messrs Dastur & Co. and updated by NMDC, is currently under examination. The observations of the Committee will be brought to the notice of the Public Investment Board when the proposal is submitted to the Board.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM, dt. 12-10-73.]

Recommendation (Serial No. 38)

The Committee note that though the techno-economic studies were taken by Government, in the same ratio as originally accepted for the Corporation to prepare the detailed project report. During this period expenditure was incurred on 'care and maintenance basis' and this was agreed to be shared with the foreign collaborators till investment decision was taken by Government, in the same ratio as originally accepted for the period from June, 1970 to March, 1971, subsequently extended upto December, 1971. The collaborators declined to share any expenditure on

*Not vetted by Audit.

'care and maintenance' beyond December, 1971 and therefore 'care and maintenance' establishment was practically closed from May, 1972.

The Committee were informed (March, 1973) that Government have accorded investment decision in principle subject however, to a long term sales contract for a substantial quantity of the annual production. The Committee would, however, strike a note of caution that Government should undertake a careful and thorough evaluation of the technology and economics of transporting the concentrate of pellet feed through a pipeline in slurry form and exporting them in large slurry carriers before a long term sales agreement is considered.

The Committee need hardly stress that Government should learn a lesson from their past experience and ensure that the shortcomings which adversely affected the operation of the other projects do not recur.

(Paragraph 9.11)

***Reply of Government**

The recommendations of the Committee have been noted.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-MIV IOM, dt. 27-11-73.]

Further Reply of Government

It may be mentioned that following meetings of the Indo-Iran Joint Commission in early 1974 a decision has been taken to develop the Kudremukh Project for large scale exports of concentrated pellet feed with financial assistance from Iran under a special long term arrangement. Negotiations with Iran on the detailed terms of financing arrangements of long term supplies are in the final stage.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM (Vol. II), dt. 13-1-75.]

***Further Reply of Government**

In a subsequent reply, the Ministry stated:

"We have to state that in its present conception, the proposal for long term sales of Kudremukh iron ore to Iran visualises slurry transportation from the mines over a distance of about 60 Kms. to the vicinity of Mangalore port and shipment of dry concentrate, after settlement and dewatering, through a mechanical ore loading plant to be installed in Mangalore port. The earlier concept of ocean transportation in special slurry

carriers has been given up. The techno-economic feasibility of pipeline transportation from the mines to the port has been satisfactorily established."

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM (Vol. II), dated 13-1-75.]

Further Information called for by the Committee

It was stated by Government that "earlier concept of ocean transportation in special slurry carriers has been given up." Please state whether any expenditure was incurred on the earlier scheme and construction of the infrastructure. If so, details thereof?

(L.S. Sectt. O.M. No. 14-PU/73, dt. 31-1-1975)

Further Reply of Government

The Project Report prepared jointly by MARCONA Corporation and National Mineral Development Corporation at a cost of Rs. 110.38 lakhs included a multitude of technical investigations on mining, magnetic concentration, pilot plant studies, pipeline transportation from mine to port etc. The original scheme envisaged pumping of the concentrate in the form of slurry from mine to Mangalore port, by means of pipeline and loading of special slurry carriers at Mangalore for transportation to the foreign ports. The present scheme retains the concept of pipeline transportation from the mine to the port where the concentrate is now proposed to be shipped in dry form after settling. No expenditure has been incurred on the construction of any infrastructure for transport in special slurry carriers.

[Ministry of Steel & Mines (Department of Steel), O.M. No. 1(82)/73-IOM (Vol. II), dt. 12-2-1975]

Recommendation (Serial No. 39)

Needless to emphasise that the execution of this project should synchronise with the development of the hinterland of Mangalore which is being developed as a major port. Since this mine ore is for export purposes, the Committee need hardly point out that there should be close co-ordination with the Mangalore Port authorities from the very beginning so that the requisite facilities are developed in time.

(Paragraph 9.21).

Reply of Government

The exact form the Kundramukh Project is likely to take in the future has become uncertain owing to the decision of the Japanese Steel Industry, communicated in April, 1973, not to import pellet feed slurry into

*Not vetted by Audit.

Japan. If, the Project is revived in such form which will require utilisation of the Mangalore harbour the closet cooperation with the Port authorities will be maintained.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-MIV IOM,
dt. 27-11-73.]

Further Information called for by the Committee

Reasons for the decision not to import pellet feed slurry to Japan may be intimated. What is the latest position about the completion of Mangalore Port.

(L.S. Sectt. O.M. No. 14-PU/73, dt. 5-12-73.)

Further Reply of Government

The main market for Indian Iron Ore, in general, including pellet feed, is Japan. However, Japan is reported to have undertaken extensive legislative measures against air pollution by industries. One effect of this policy is obviously to discourage the establishment of new pellet plants in Japan. As a result of the growing concern against air pollution in Japan, it was reported at the meeting between NMDC, MARCONA and MON in March, 1973 that the Japanese Steel Mills are not likely to set up any more pellet plants and emphasis has shifted from the purchase of raw material namely pellet feed to the purchase of pellet itself.

The latest position regarding the Mangalore Harbour is being ascertained from the Ministry of Transport.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM,
dt. 14-1-74.]

*Further Reply not vetted by Audit.

Recommendation (Serial No. 40)

The Committee note that NMDC commenced the investigations of Mussoorie Rock Phosphate as early as October, 1968. Although the techno-economic studies were expected to be ready by October, 1969 and the Detailed Project Report by December, 1969, the techno-economic feasibility report had not been prepared by April, 1970. The Committee find that only the first stage of exploration operations of the project had so far been completed and the Ministry had agreed to give extension of time for the feasibility report upto December, 1971. The Committee note that in May, 1971, the Government had decided to transfer these operations to the newly formed Company viz., Pyrites,

Phosphates and Chemicals Ltd. The NMDC closed down the Project from 15-6-1971.

The Committee would strongly urge that Government/P.P.&C., should take immediate steps to examine the economics of the Project carefully and initiate further action for exploiting the mine, as otherwise the expenditure of more than Rs. 47 lakhs incurred by NMDC may become infructuous. The Committee would like to be kept informed of the action taken in the matter. (Paragraph No. 9.19)

Reply of Government

The recommendations of the Committee have been brought to the notice of the Ministry of Petroleum and Chemicals, which is administratively concerned with Pyrites, Phosphates and Chemicals Ltd., for appropriate action.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 13-10-73.]

Further Information called for by the Committee

Latest action taken by the Ministry of P.&C. may be intimated.

(L.S. Sectt. No. 14-PU/73, dt. 5-12-73.)

***Further Reply of Government**

A copy of letter No. 125/40/73-Fert. III, dated 23rd October, 1973 received from Ministry of P.&C. is attached (Appendix II).

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 14-1-74.]

Recommendation (Serial No. 43)

The Committee note that there is an office of the Commercial Manager of the Corporation at Bombay in charge of the imports and sales of diamonds, since the work of import and trade of diamonds has now been entrusted to MMTC, the Committee see no justification for the continuance of that office at Bombay. The Committee hope that with the transfer of the functions of this office to MMTC, the personnel of this office would also be simultaneously transferred along with the work.

(Paragraph No. 10.5)

Reply of Government

It has been reported by the NMDC that the members of staff of the Corporation dealing with trade in imported diamonds in Bombay have

been transferred to the MMTC alongwith their work. However, officers borne on the central cadre of the Corporation and engaged on the work, have been allowed to go out to MMTC on deputation and either get themselves absorbed in that organisation eventually or to revert to their cadre posts.

The officers and staff left behind in the Bombay office are as intimated by the NMDC, engaged on materials management work which was being performed by them even before the Commercial Division was shifted to Bombay from Delhi by the NMDC.

[Ministry of Steel & Mines (Department of Steel), O.M. No. 1(82)-73-IOM, dt. 13-10-73.]

Recommendation (Serial No. 45)

The Committee note that though a decision was taken by the Government of India towards the end of 1962 to shift the Headquarters of the Corporation, the Government had been changing their decisions from time to time and it was only after 9 years that a final decision has been taken to shift the headquarters to Hyderabad. The Committee are constrained to observe that these frequent changes in the decision had not only led to creation of assets worth rupees more than 11 lakhs at Faridabad but has resulted in additional expenditure on the shifting of the offices, rents of buildings at Hyderabad etc. In the opinion of the Committee, the headquarters of the Corporation should have been located centrally so that all the projects undertaken by it are easily accessible for supervision and effective control over their execution.

The Committee also recommend that the Corporation should take timely action for the disposal of the property at Faridabad in the best public interest to obviate the recurring expenses on staff deputed to look after the property and on its maintenance.

(Paragraph No. 10.25)

Reply of Government

The headquarters of the N.M.D.C., presently located at Hyderabad, is, by and large, considered to be adequate for servicing its projects in Orissa, Eastern and Western parts of Madhya Pradesh and Mysore.

2. Cabinet Secretariat has since decided to acquire NMDC's entire property at Faridabad. Necessary formalities are being finalised.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 13-10-73.]

Recommendation (Serial No. 46)

The Committee note that the stock of stores and spare parts of NMDC as on 31-3-1972 represented 157.1 months' consumption for production and development as compared to 78.3 months in 1970-71 and 53.9 months in 1969-70. The Committee also note that the closing balance of the stores in respect of Bailadila, Kiriburu and Panna Diamond projects as on 31-3-1972 represented 27.06, 33.19 and 17.15 months consumption of the stores and the inventory level showed an increasing trend in all the projects from 1969-70 to 1971-72. The Committee feel that with the experience of working of the project, the NMDC should not have found it difficult to fix realistic norms of levels of inventory separately for indigenous and imported items of stores and spares so as not to overburden the inventory.

(Paragraph No. 11.11)

***Reply of Government**

NMDC have informed that action has already been initiated to fix norms for indenting various spare parts.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. 1/82/73-IOM, dt. 27-11-73.]

Further Reply of Government

Attention is invited to reply to the recommendation at Sl. No. 49 and the remarks there against. After the results of the review by the Committee are received further action is proposed to be initiated by the NMDC for fixing norms etc.

[Ministry of Steel & Mines (Department of Steel), O.M. No. 1/82-73-IOM Vol. II, dt. 13-1-75.]

Recommendation (Serial No. 47)

The Committee also note that the purchase in Bailadila and Panna Diamond Projects were in excess of the years' consumption during 1970-71 and 1969-70 and 1970-71 respectively, thus further adding to the inventory of stores. With the introduction of data processing of stock levels, consumption etc., so that purchases may be made on realistic basis. The Committee need hardly stress that accumulation of inventory and excessive purchases result in unnecessary blocking of capital with consequential expenditure on storage, loss of interest etc.

(Paragraph No. 11.12)

Reply of Government

The recommendations of the Committee have been noted.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-MIV IOM, dt. 27-11-73.]

Recommendation (Serial No. 50)

The Committee regret to note that because of the failure of the Corporation in not initially obtaining the prior sanction/release of foreign exchange and the procedural delays in obtaining the various clearance thereafter, the Corporation suffered a loss of Rs. 1.06 lakhs in the transaction. The Committee are not convinced of the justification for the delay in this case. The Committee need hardly stress that the Corporation should have taken advance action for the settlement of formalities and secured sanction for foreign exchange in time. The Committee hope the Corporation would ensure that such delays do not recur in future.

(Paragraph No. 11.31)

Reply of Government

The recommendation of the Committee has been conveyed to the N.M.D.C. for strict compliance.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 12-10-73.]

Recommendation (Serial No. 51)

The Committee note that on the expiry of the contract for transport of cement from Jaimul Dhumtari to Kiriburu at 21.5 paise per ton mile, and from Jaimul Dhumtari to Bansi at 19 Paise per ton/mile, on 31-3-1966 two contracts were entered into at the rate of 27 paise per ton/mile on the basis of tenders invited from local firms across the table and after negotiation with the parties without association the earlier contractor on the plea of his poor performance. Though these contracts were required to be reviewed after three months, instead of reviewing them and inviting fresh tenders, the earlier contracts were extended upto 31-3-1967. It was only in April, 1967 that tenders were again invited when the rates obtained were 19.36 p. and 19.63 p. per ton/mile respectively. The Committee regret to note that non-invitation of tenders and failure to conduct the review from time to time has resulted in an avoidable extra expenditure of Rs. 2.4 lakhs to the Corporation.

The Committee are also at a loss to understand as to why no action was taken against earlier contractor for his poor performance. Apart from this, the Committee find that General Manager had been giving extension to the contracts in consultation, with the head-office without obtaining the approval of the Board as prescribed under the rules. And it was only as late as December, 1967 that *ex-post-facto* approval of the Board was obtained, the Committee take a serious view of the irregularities in the case and urge that Government should probe into them and take action against those responsible for the lapses.

(Paragraph No. 11.37)

Reply of Government

The recommendations of the Committee have been noted and action initiated to probe into the irregularities pointed out by the Committee.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dt. 12-10-73.]

Further Information called for by the Committee

Please state the latest position.

[L.S.S. O.M. 14-PU/73, dt. 14-10-74.]

*Further Reply of Government

The Board of Directors of NMDC have constituted a two-man Committee, consisting of one of its Directors and an outside expert, to make a full investigation of the case as recommended by the Committee on Public Undertakings. The report of the Committee is awaited. The Central Vigilance Commission is also investigating into this.

[Ministry of Steel & Mines (Deptt. of Steel), O.M. No. 1/82/73-IOM (VOL. II), dt. 13-1-1975.]

Recommendation (Serial No. 53)

The Committee are unhappy to find disquieting financial position of the Corporation which has accumulated a loss of Rs. 12.7 crores representing 21.5 per cent of the equity capital at the end of 31st March, 1972. The loss is mainly on account of loss of Rs. 801.90 lakhs in Kiriburu and Rs. 406.08 in Bailadila. The persistent bad performance of the Corporation from 1968-69 to 1971-72 should among other factors, be attributed to the fact that production at Kiriburu and Bailadila was much below the capacity. As may be seen from para 3.23 the Kiriburu mine is in fact operating only to one half of its capacity while Bailadila Plant operations have not shown substantial improvement of the two major mines. Kiriburu accounts for less than 1/4 of the total production of the NMDC but its profitability is entirely dependent upto the off-take of ore and fines by Bokaro Steel Plant and fixation of the sale price therefor.

(Paragraph No. 13.19)

*Further reply not vetted by Audit.

Further Information called for by the Committee

What is the latest position.

[L.S.S. O.M. No. 14-PU/73, dated 5-12-1973.]

Further Reply of Government

The following statement gives the physical performance and operating results of 1972-73 and 1973-74 of Kiriburu and Bailadila 14 Iron Ore Mine and Panna Diamond Mines.

	1972-73			1973-74		
	Kiri- buru	Bailadila Panna	Panna (Carats)	Kiri- buru	Bailadila Panna	Panna (Carats)
1. Production (Lakh Mt./Carat)	5.31	20.37 (Plant) 17.02 (Float)	19538 (Carats)	6.97	24.69 (Plant) 18.66 (Float)	1951 (Carats)
2. Rated capacity (Lakh Mt./Carat)	20.00	40.00	23250 (Carats)	20.00	40.00	23250 (Carats)
3. Capacity utilisation	26%	51%	84%	35%	62%	84%
4. Operating (+) Profit/(—) Loss for the year, excluding previous year adjustments and non-operating income (Rs. lakhs)	(-)135.90	(-)67.59	(-)18.16	(-)86.60	130.39	25.36
	Total loss (—)	221.65	Total profit	69.15		
5. Profit/Loss as per annual accounts including all adjustments (Rs. lakhs)	(-)63.42	(-)25.83	(-)29.69	(-)80.29	(+)224.11	(+)14.25
	Total loss (—)	118.94	Total profit	158.07		

It will be observed that the production at Both the Iron Ore Mines during 1973-74 was at higher level than in the year 1972-73. Continuous efforts are being made by NMDC to ensure operation of its mines at optimum level.

[Min. of Steel & Mines (Dep't. of Steel) O.M. No. 1(82)/73-IOM (Vol. II), dated 13-1-1975]

(*Further reply not vetted by Audit.)

At the time of factual verification, the Corporation stated that against operating Profit/Loss for the year excluding previous year adjustments and non-operating income. The following figures be substituted:—

	1972-73	(Rs. in lakhs) 1973-74
Kiriburu	(—) 138.80	(—) 87.11
Bailadila	(—) 74.00	(+) 114.25
Panna	(—) 20.39	(+) 23.85
Total	(—) 233.19	(+) 50.99

Recommendation (Serial No. 54)

On the export side apart from the low level of production in the two mines and consequent reduction in exports, the Committee find that the external payments like Railway freight, Port charges, export duty, commission etc., have also contributed to the loss. The Committee hope that the F.O.R. arrangements now agreed upon by MMTC as a result of the award of the Finance Secretary would help in improving the financial position of the Corporation.

As the Corporation have now gathered valuable experience in mining of ore, it should be possible to bring down the cost of production by adopting most efficient methods by developing production to the full potential. The Committee need hardly point out that as iron ore constitutes the main raw-material for the steel plants its supply at competitive rates would help the public sector to produce iron and steel at most competitive rates. As pointed out elsewhere in the report there is great scope for increasing export of iron ore to other countries particularly Japan and this can be done on a sustained and long-term basis only if the National Mineral Development Corporation are able to raise the ore at most competitive prices.

The Committee would like to be informed of the measures taken or proposed to be taken by the National Mineral Development Corporation to increase the efficiency of its production and to reduce its operating and overhead cost. (Paragraph Nos. 13.20 & 13.21)

Reply of Government

The recommendations of the Committee have been brought to the notice of NMDC. NMDC have informed that they have initiated following steps to improve the efficiency of its production and reduce its operating overhead costs:—

- (i) In the case of Bailadila-14, an incentive scheme has been introduced since 1970-71. This will be extended to other units gradually.
- (ii) "Management by Objectives" is being introduced at Bailadila-14, which will allocate clear cut responsibilities to individual officers to enable them to function more efficiently in their respective areas. Depending on its success at this project the scheme will be extended to other projects.

- (iii) **The Corporation is taking replacement action for old equipment and also steps to increase the availability of spares in the projects which will improve the availability of equipments.**
- (iv) **To utilise the fines produced at Bailadila-14 and Denimalai establishment of Pelletisation plants is under consideration. Consultants have been appointed to conduct studies on Pipeline transportation and Pelletisation.**
- (v) **Modifications to fine ore disposal system and commissioning of some additional equipments at Bailadila-14 are in progress. When these are completed; Plant Production at Bailadila-14 will increase.**

Besides, the Corporation is starting a nucleus 'Operations Research and Evaluation' cell at the head office to evolve norms for the various operational and maintenance activities in its production projects and to evaluate the actual performance with a view to improving the operations and evolve effective control measures. These measures should result in significant improvements towards the optimum utilisation of resources and thereby result in cost reduction.

[Ministry of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-MIV(IOM), dated 27-11-1973.]

***Further Reply of Government**

A production incentive scheme, based on lump ore production, was introduced in Bailadila-14 in the year 1970-71. This scheme adopted a lower production capacity than the rated level, as at that time, certain facilities and equipments, as per findings of the Technical Committee, were inadequate for achieving the rated production level. It was envisaged to revise the scheme later at a stage when the entire integrated scheme of mine, ore dressing and loading plants, with the additional equipment, men and facilities, would get geared up for higher production. Subsequent to the introduction of the incentive scheme, the working of the scheme was reviewed on many occasions. Although, certain equipments were added to the mine from time to time, the gearing up of the integrated system which is necessarily a gradual process, could not be achieved immediately. due to other inter-related problems like non-availability of imported items like steel cord belt (which was to be changed), delay in the process of strengthening the dumper platform and the modification of the ore disposal system etc. As such, addition of some equipment alone, in a highly mechanised and integrated mining complex, could not immediately result in

*Further reply not vetted by Audit.

increased production. The fine ore disposal scheme is yet to be completed by the contractors. Owing to these reasons, the yearly targets for production have to be gradually increased in tune with the total resources availability both within the organisation and the allied movement capabilities of Railway and ship loading operations at the Vizag port.

The upward revision of targets in the existing incentive scheme are considered only when chances for getting higher production from an overall system are bright and also when a systematic machinery exists for processing the higher production. Otherwise there is a danger of causing even frustrations and poor morale among the workers, if targets are set disproportionately high and the existing system does not provide commensurate support in all resources.

NMDC have already assessed the overall situation and are taking measures for revising the existing incentive schemes. As the new scheme would have to be negotiated with the operating trade unions over a length of time, this may take sometime.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1(82)/73-IOM (Vol. II),
dated 13-1-1975.]

Recommendation (Serial No. 55)

The Committee have pointed out elsewhere in the Report that the operational cost as well as over-heads of National Mineral Development Corporation particularly in Bailadila and other iron ore projects are excessive. The Committee feel that detailed costing of operations should be done by the Financial Adviser's organisation so as to assist the management in taking timely action to improve performance and effect economies.

(Paragraph No. 13.22)

Reply of Government

Steps are being taken by National Mineral Development Corporation to standardise cost and to introduce formal Budgetary Control.

[Ministry of Steel & Mines (Deptt. of Steel), O.M. No. 1/82/73-IOM,
dated 12-10-1973.]

Further Information called for by the Committee

Specific steps taken by NMDC to standardise cost and to introduce formal Budgetary control may please be indicated.

[Lok Sabha Sectt. O.M. No. 14-PU/73, dated 5-12-1973.]

***Further Reply of Government**

The NMDC has reported that reduction in the operating cost at Bailadila are being attempted by the following means:

- (a) The utilisation of the drills is being progressively increased;
- (b) the 35-ton dumpers are being progressively replaced by higher capacity 50-ton dumpers;
- (c) the dumper platform has been strengthened to take higher capacity dumpers;
- (d) the 'A' line of the crusher has been completely overhauled and the 'B' crusher is being taken up for similar overhaul, with a view to have more effective working hours;
- (e) the fine ore disposal system is being revamped to take care of the entire fine ore that would be generated, without over-loading the system;
- (f) the production from the mechanised plant is being stepped up during 1974-75 over the level fixed for 1973-74. The intention is that progressively 90 per cent of the designed capacity would be achieved in actual practice;
- (g) in addition, in order to keep the operating cost constantly under review and to ensure that expenditure is related to the actual requirements, budgetary control is being worked out in detail and would come into force with effect from 1st April, 1974.

2. As regards fixation of price for Bailadila ore, the matter has been discussed between NMDC and MMTC in the first week of December, 1973. Further discussions took place on January 1 & 2, 1974).

[Ministry of Steel & Mines (Deptt. of Steel), O.M. No. 1|82|73-IOM,
dated 7-2-1974.]

*Further reply not vetted by Audit. At the time of factual verification the Corporation stated that "Introduction of detailed budgetary control system at Bailadila is still under consideration. Price for Bailadila are upto 1974-75 has been settled with MMTC in respect of supplies from September 1, 1974 to March, 1975.

CHAPTER IV

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

Recommendation (Serial No. 9)

The Committee recommend that the Corporation/Ministry should resolve the differences with Bokaro Steel Limited and arrive at a reasonable Mineral Development Corporation and Bokaro Steel Limited have been Limited without any further delays.

(Paragraph 3.51)

*Reply of Government

The recommendation of the Committee has been noted and the National Mineral Development Corporation and Bokaro Steel Limited have been requested to settle the selling price of the beneficiated fines as early as possible.

[Ministry of Steel & Mines (Deptt. of Steel), O.M. No. 1/82/73-IOM, dated 18/19-9-1973.]

Further Information called for by the Committee

The Ministry have stated that NMDC and BSL have been requested to settle the selling price of the fines as early as possible. Please indicate the present position. Copies of the letter issued in this connection may be sent.

[L.S. Sectt. No. 14-PU/73, dated 5-12-1973.]

Further Reply of Government

A copy of the reply to recommendation No. 9 which was sent along with replies to recommendation 1-11 was sent to NMDC *vide* this Department's letter No. 1/82/73-IOM, dated 18th October, 1973.

Incidentally, as stated in reply to recommendations No. 16 and 21 the question of fixation of price for lumps, fines and beneficiated fines are still

*Not vetted by Audit.

under consideration of the Steel Authority of India Limited. They propose to hold a meeting during January, 1974 to finalise this issue.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. 1/82/73-IOM, Dated 14-1-1974]

***Further Reply of Government**

For the year 1974-75, NMDC will be paid by Bokaro Steel Plant at the rate of Rs. 28.35 per tonne for iron ore lump and Rs. 22.16 per tonne for fines plus royalty and cess as per actuals F.O.R. Kiriburu.

For supplies made to Bokaro prior to 1974-75, the price to be paid has not yet been finalised. Similarly, for supplies to be made from 1st April, 1975 onwards, fresh price will be negotiated in due course.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1(82)/73-IOM (Vol. II), dated 13-1-1975.]

Comments of the Committee

Please see para 9 of Chapter I of the Report.

Recommendation (Serial No. 16)

The Committee also note that so far no value has been allotted to the fines generated and which are transferred to Bokaro Steel Plant. The Committee strongly urge that the Corporation/Government should expedite the settlement of the price of iron ore of fines which will have a bearing on the cost of production of iron ore.

(Paragraph No. 3.103)

Reply of Government

The matter of fixation of price of lump, fines and beneficiated fines to be supplied to Bokaro Steel Plant is now to be decided by the Steel Authority of India Limited, of which both the Corporations are subsidiaries. Necessary cost data have been submitted to SAIL.

[Ministry of Steel & Mines (Deptt. of Steel), O.M. No. 1/82/73-IOC, dated 12-10-1973.]

Further Information called for by the Committee

The Ministry have stated that the matter of fixation of price of lump, fines etc., to be supplied to BSL is now to be decided by SAIL. Please state the latest position.

[L.S. Sectt. No. 14-PU/73, dated 5-12-1973.]

*Further reply not vetted by Audit.

Further Reply of Government

The present position has been stated in para 2 of reply question No. 5.
[Ministry of Steel & Mines (Deptt. of Steel), O.M. No. 1/82/73-IOM,
Dated 14-1-1974.]

*Further Reply of Government

The price to be paid by Bokaro Steel Plant for supply of lumps and fines by Kiriburu Project of NMDC for the year 1974-75 has since been settled.

Further reply to recommendations No. 9, 16 and 19 may be referred to.
[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1(82)/73-IOM (Vol. II),
dated 13-1-1975.]

Comments of the Committee

Please see para 9 of Chapter I of the Report.

Recommendation (Serial No. 18)

The Committee are greatly concerned to find that the ratio of lump to fine has been stated to be varying from 44 : 56 to 55 : 45. The Committee need hardly point out that in such a vital matter there should be precision and certainty for it affects the entire pattern of production, the type of equipment required etc. The Committee hope that the matter has at least now been settled leaving no room for doubt. The Committee need hardly point out that the ratio of lump to fine should be such as would ensure the best utilisation of the iron ore resources of this mine consistent with the technological requirements of Bokaro and other steel plants.

(Paragraph No. 4.19)

Reply of Government

The observations of the Committee are noted.

[Ministry of Steel & Mines (Deptt. of Steel), O.M. No. 1/82/73-IOM,
dated 12-10-1973.]

Further Information called for by the Committee

(i) What is the present ratio of lump and fine;

(*Further reply not vetted by Audit)

(ii) whether the dispute over variation of ratio has been settled.

(iii) What steps have been taken by NMDC to meet the specifications required by BSL/other parties.

[L.S. Sectt. No. 14-PU/73, dated 5-12-1973.]

Further Reply of Government

- (i) Present ratios are: lump 44 per cent, fines 38 per cent and slime 18 per cent.
- (ii) There is no longer any dispute or variation so far as the lump fine ratio is concerned.
- (iii) The expansion and modification scheme has been specifically drawn up to yield products in quantities and specifications conforming to the actual requirements of BSL.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 1/82/73-IOM dated 7-2-74.]

Comments of the Committee

Please see para 13 of Chapter I of the Report.

Recommendation (Serial No. 19)

The Committee are greatly concerned to note that NMDC which is already running in losses does not know the final financial implications of the modifications scheme as there is a difference in the sale price claimed by NMDC and the price which Bokaro Steel Plant are prepared to pay. The difference has arisen chiefly on account of the method of calculating depreciation and return on equity capital investment. The Committee are surprised that though the matter was referred to the Government/Bureau of Public Enterprises in December, 1969 even after a lapse of more than three years no final decision has been given in the matter. The Committee consider that the matter should be settled without further delay so that a clear picture emerges. The Committee have no doubt that in settling the prices, it would be ensured that it is equitable and fair to both the NMDC and Bokaro Steel Plant both of which are in public sector and under the same Ministry.

(Paragraph No. 4.20)

Reply of Government

As stated in reply to recommendation No. 16, the matter has been taken up by the NMDC with SAIL of which NMDC and Bokaro are subsidiaries.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 1/82/73-IOM dated 12-10-73.]

Further Reply called for by the Committee

Have the Ministry finalised the issue regarding fixation of the prices, if so, details thereof.

[Lok Sabha Secretariat O.M. No. 14-PU/73, dated 14-10-1974.]

*Further Reply of Government

For the year 1974-75 NMDC will be paid by Bokaro Steel Plant at the rate of Rs. 28.35 per tonne for iron ore lumps and Rs. 22.16 per tonne for fines plus Royalty and cess as per actuals, F.O.R. Kiriburu.

For supplies made to Bokaro prior to 1974-75, the price to be paid has not yet been finalised. Similarly, for supplies to be made from 1-4-1975 onwards fresh price will be negotiated in due course. (In this connection reply to recommendations Nos. 9 and 16 refers).

[Ministry of Steel & Mines, (Department of Steel) D.O. letter No. 1/82/73-IOM-Vol-II, dated 18/19.12.74.]

Comments of the Committee

Please see para 9 of Chapter 1 of the Report.

Recommendation (Serial No. 20)

The Committee note that according to the original schedule the Kiriburu Modification and Expansion Project was to be completed by February, 1972 and with this objective orders for plant and machinery were placed with the Heavy Engineering Corporation Ltd. The Committee, however, find that HEC has been changing its delivery schedules from time to time and according to the latest schedule even the critical items necessary for the completion of the project are expected to be delivered some time in March, 1973. As the delay in supply of the plant and machinery by HEC has put off the schedule of commissioning of the Kiriburu Modification and Expansion Plant, the project was expected to be completed in November, 1975. The Committee, however, find from the Annual Report for 1971-72 that there had been further delay of about four months in the delivery

*Further reply not vetted by Audit.

of crusher and mobile equipment and the completion of the project would be further delayed till January, 1974.

The Committee are not at all happy with the frequent changes in the H.E.C.'s schedules of delivery of the plant and machinery which had upset the completion of the project and commissioning of the plant. The Committee would like that the Department of Mines to take up the matter with the Ministry of Heavy Industry, investigate the reasons for delay and take appropriate action to ensure that at least the latest schedules of delivery are firmly adhered to.

(Paragraph No. 4.21 and 4.22)

***Reply of Government**

The matter of delay in the delivery of equipment for the Kiriburu mine by H.E.C. has been constantly under discussion both between the two Corporations and at the Government level. At a discussion held at Government level on 5-7-1973, the Ministry of Heavy Industry indicated that it is making every effort to ensure the delivery of equipment by December, 1973. Taking into account the above schedule, the project is expected to be completed by October, 1974.

*It was ascertained from the Ministry (1-1-1975) that the Project was now expected to be completed by February, 1975.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 1/82/73-IOM dated 12-10-1973.]

Comments of the Committee

Please see Para 16 of Chapter I of the Report.

Recommendation (Serial No. 23)

The Committee regret to note that imbalance in the designing of the mines and plant has created excess capacity at a cost of Rs. 170 lakhs resulting in increased cost of production at 28 paise per tonne. The Committee note that the Technical Committee (constituted in June, 1970) had held that a single line of crusher was in a position to treat enough ore to produce 4 million tonnes of sized ore per annum. The Chief of Iron Ore was, however, of the opinion that while crushing, conveying and loading section could handle 6 million tonnes of run of mine as against 5.5 million tonnes provided in the project report, the mine and screening sections were vulnerable points holding a capacity below that envisaged in the project report. The Committee were informed that one of the reasons for the imbalance was low lump recovery. The Committee also find that a technical committee appointed by NMDC in June, 1970 found that because of

*Not vetted by Audit.

the low lump recovery, it would be necessary for the Corporation to excavate 6.6 million tonnes as against 5.5 million tonnes envisaged in the project report and to achieve this target, additional machinery at an estimated cost of Rs. 2.06 crores would be necessary. During evidence the Chairman, NMDC also admitted that there was over designing in the crusher capacity and one crusher was standby. Moreover, they had to increase the production from 5.5 million tonnes to 6.5 million tonnes. The Committee are shocked at the lack of proper planning and designing of the capacities of the machinery which had not only cost the exchequer Rs. 170 lakhs more but also increased the cost of production. The Committee see no justification for this costly lapse where a single line of crusher could have handled the entire production of the mine. The Committee, therefore, recommend that this matter should be probed into by the Government and responsibility for the lapses fixed.

(Paragraph No. 5.30).

Reply of Government

As mentioned in reply to recommendation No. 22 the imbalance in the designing of the mine and plant was largely due to inexperience on the part of NMDC in developing a mechanised mine of the size of Bailadila (Deposit No. 14) mine. Specifically, so far as the excess capacity in the crushing section is concerned, it may be mentioned that the production of the mine is tied with the long-term commitment with the Japanese Steel Mills. Government also consider that as a measure of abundant caution, it was better to have standby capacity in the crushing section rather than risk any major breakdown in the main line which would seriously have affected production of lump ore. The excess capacity will not in any case remain idle in view of the fact that due to lower lump/fine ratio, the crushing section will now have to handle 6.6 million tonnes of run-of-mine ore.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 1/82/73-IOM dated 4-1-74.]

*Further Reply of Government

The production at Bailadila Deposit No. 14 during 1972-73 and 1973-74 was as under:—

	Mechanical Plant	Flot Ore	(In lakhs tonnes) Total
1972-73	20.37	17.02	37.39
1973-74	24.69	18.66	43.35

[Ministry of Steel & Mines (Department of Steel) OM. No. 1/82/73-IOM dated 20-1-1975.]

Comments of the Committee

Please see Para 20 of Chapter I of the Report.

*Not vetted by Audit.

Recommendation (Serial No. 27)

The Committee find that as compared to the project estimate of Rs. 6.14 per tonne for operating cost, the actual cost in Bailadila in 1971-72 was Rs. 12.48 per tonne, an increase of more than 100 per cent. It is pertinent to recall that the operating cost in Kiriburu an older mine developed earlier for export to Japan is only Rs. 9.66 per tonne. The Committee, therefore, are unable to appreciate why Bailadila which was developed later than Kiriburu should have a higher operating cost. In fact, gaining from the experience of Kiriburu, it should have been possible to effect substantial reduction in the operating cost. The Committee would like Government/NMDC to examine the matter in depth and take concerted measures to bring about reduction the operating cost by improving efficiency and effecting economics in management.

The Committee would also like that both NMDC and MMTC should arrive at an early settlement of the price as this has intimate effect on the financial position of the Corporation.

(Paragraph No. 5.69 and 5.70).

Reply of Government

The recommendation of the Committee regarding reduction of operating costs has been noted. The N.M.D.C. and M.M.T.C. have been requested to expedite the settlement of the price.

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 1/82/73-IOM dated 12-10-73]

Further Information Called for by the Committee

Please state the measures taken for reducing the operating cost. Also state the reactions of NMDC and MMTC regarding settlement of price.

(Lok Sabha Secretariat O.M. No. 14-PU/73, dated 5-12-1973.)

Further Reply of Government

The recommendation regarding the need for examining in depth and taking concerted measures to bring about reduction in the operating cost has since been brought to the Ministry of Commerce and NMDC for necessary action.

As regards settlement of price, between the NMDC and MMTC, the MMTC have stated that "efforts are being made to arrive at an early settlement of price of iron ore".

[Ministry of Steel & Mines, (Department of Steel) O.M. No. 1/82/73-IOM, dated 14-1-1974.]

Not vetted by Audit.

***Further Reply of Government**

The recommendation of the Committee regarding reduction of operating cost has been noted.

NMDC and MMTC have arrived at a price settlement for the sale of Bailadila iron ore for the year 1971-72 to 1974-75. The prices agreed are as under:—

1971-72	.	.	.	.	Rs. 20.50 per D. M. T. (FOR) Vizag*
1972-73	}	.	.	.	Rs. 24.00 „ „ (FOR) Vizag*
1973-74		.	.	.	
1974-75	.	.	.	.	Rs. 25.00 „ „ (FOR) Vizag*

***Railway freight in MMTC account**

(In this connection further reply to recommendation S. No. 52 refers)

Comments of the Committee

Please see para 28 of Chapter I of the Report.

Recommendation (Serial No. 29)

The Committee note that the revised estimates submitted to Government is in excess of original estimates by about 33 per cent and the excesses are mainly under Plant and Machinery, Civil and structural work. Establishment expenses, consultancy charges and provisions for future escalation. The Committee desire that Government should carefully go into the reasons for the excesses before the revised estimates are approved as any undue excess in the project cost is bound to affect adversely the financial viability of the project.

(Paragraph No. 6.33)

Reply of Government

Recommendation of the Committee have been noted.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM, dated 12-10-1973.]

Further Information Called for by the Committee

Have the reasons for excesses over the original estimates been examined and if so, what are their reactions?

(Lok Sabha Secretariat O.M. No. 14-PU/73, dated 5-12-1973.)

*Not vetted by Audit.

Further Reply of Government

The Ministry has addressed the NMDC for clarification on certain points relating to the revised cost estimates and after the clarification is received, the matter will be examined in greater depth by SAIL before Government finally accords sanction.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM, dated 14-1-1974.]

Further Information Called for by the Committee

The matter relating to the revised cost estimates was stated "to be examined by the SAIL before Government finally accord sanction". What is the latest position?

(Lok Sabha Secretariat O.M. No. 14-PU/73, dated 19-11-1974.)

*Further Reply of Government

The revised capital cost estimates for Bailadila Deposit No. 5 project submitted by the NMDC in October, 1972 were returned by Government for a review to take into account the latest position. The revised estimates are still under consideration by NMDC/SAIL.

[Ministry of Steel & Mines (Department of Steel) D.O. No. 1(82)/73-IOM, Vol. II, dated 18/19-12-1974.]

Comments of the Committee

Please see para 32 of Chapter I of the Report.

Recommendation (Serial No. 32)

The Committee note that the actual production of diamonds from the two mines viz., Ramkheria and Majhgawan fell short of the original targets during the period from 1968-69 to 1971-72. Although the overall percentage of shortfall of production in the two Projects together showed a declining trend from 44.8 per cent in 1968-69 to 14.10 per cent in 1971-72, the actual performance in Majhgawan exceeded the targets and performance of the Ramkheria mine fell very much below the targets. As admitted by the representative of Department of Mines during evidence, "the result is one deposit counter balances the poor performance of the other. National Mineral Development Corporation proposes that it should be closed down and Majhgawan expanded."

*(Further replies not vetted by Audit).

The Committee regret to find that through the Ramkheria mine was taken up for exploitation on the basis of further prospecting and exploratory works done in consultation with the Foreign Consultants and the Indian Bureau of Mines it could not attain the targetted capacity and the performance is only about one-fourth of the target. The Committee, therefore, feel that even the further exploratory and prospective works were not done with the necessary care and caution with the result that the project is losing heavily. The Committee are not impressed with the statement of the Ministry that "one deposit counter balances the other." The Committee take a serious view of the undue haste with which the mine was taken up for exploitation without a thorough and careful techno-economic study of the project resulting in an infructuous expenditure.

The Committee strongly recommend that the entire matter should be thoroughly investigated by the Government as to the quantum of the loss and the responsibility for such costly lapses be also fixed.

(Paragraph No. 7.20 and 7.21)

Reply of Government

The programme of prospecting and exploratory work on the Remkheria Mine and had been undertaken in full consultation with the foreign consultants and the results obtained had also been analysed and interpreted in consultation with them. It was only after this that it was decided to go forward with the working at the Ramkheria Mine. However, despite the maximum care and attention devoted to the prospecting and exploration operations, the incidence achieved was far lower than the assumed figure worked out mainly due to the deposit being an alluvial deposit which is inherently very difficult to estimate precisely.

N.M.D.C. have sent proposals to the Government for closing down the Ramkheria Mine, in view of lower incidence and absence of adequate surface mining rights. These proposals are at present under consideration of the Government in consultation with Steel Authority of India Ltd.

Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/78-IOM, dated 12-12-1973

Further Information Called for by the Committee

Committee recommended that the entire matter should be thoroughly investigated by the Government as to the quantum of loss and the responsibility for such costly lapses be also fixed. Please state:—

- (a) Whether the matter has been thoroughly investigated and if so with what results and ;
- (b) What is the quantum of loss suffered by the Ramkheria mines.

[L.S. Sectt. No. 14-PU/73 dated 22-12-1973.]

***Further Reply of Government**

Regarding part (a) of the additional information desired by Lok Sabha Secretariat, it may be mentioned that the reason for lower level of out put than envisaged in the Project Report, and the consequent loss has already been explained in reply to recommendation No. 32. Government are therefore, of the view that scope for further investigation is limited and such investigation is not necessary.

Regarding part (b), it may be mentioned that Panna Diamond Mining Project comprising of the two mines—Majhgawan and Ramkheria—incurred a net loss of Rs. 9.77 lakhs since the commencement of production in 1967-68 till 31st March, 1970. Ramkheria's share of loss till 31st March, 1970, could not be a proportionate because separate records for each mine were not maintained. The proportionate share of loss sustained by Ramkheria mine in the past three years has been:—

1970-71	. . . . .	Rs. 9.47 lakhs.
1971-72	. . . . .	Rs. 15.75 lakhs.
1972-73	. . . . .	Rs. 16.89 lakhs.
		Rs. 42.11 lakhs.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM, dated 7th February, 1974.]

Further called for by the Government

What concrete steps have been taken for reduction in cost of production of diamonds?

[L.S. 14-PU/73.]

[L.S. Sectt. No. 14-PU/73 dated 5th December, 1973.]

***Further Reply of Government**

Since the mining at Ramkheria is not capable of economic operations NMDC has proposed the closure of the mine simultaneously NMDC has also proposed the expansion of Majhgawan mine so that the costs of the mines could be further reduced to a point where it is possible to work without loss. The matter is under consideration of SAIL.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM, dated 7th December, 1974.]

***Further Reply of Government**

The recommendation of NMDC for the Ramkheria Diamond Mine is still under consideration of the Steel Authority of India Ltd.

[Ministry of Steel & Mines (Department of Steel) D.O. letter No. 1(82)/73-IOM Vol. II dated 18/19th December, 1974.]

(Comments of the Committee)

Please see Para 38 of Chapter I of the Report.

Recommendation (Serial No. 34)

The Committee are not able to understand the rationale of canalising the import of rough diamonds through the NMDC who are primarily concerned with exploration and development of minerals. The Committee are also distressed to note that before appointing the NMDC as the canalising agency for import trade, Government have not issued specific guidelines in regard to the particular quality of rough diamonds to be imported keeping in view the demands of trade and requirements of the country but simply left the matter entirely in the hands of the Corporation with the result that the transaction has not yet only ended in a loss of Rs. 5.16 lakhs but the specific objective with which this task was undertaken was not fulfilled.

The Committee would strongly urge that the entire deal should be thoroughly investigated and responsibilities for such costly lapses fixed. The Committee were now informed that the import and export of diamonds done by the NMDC has since been transferred to the NMDC. The Committee hope that the NMDC would ensure that such costly lapses do not recur and imports of rough diamonds are made in consultation with consumers.

(Paragraph 7.37.)

***Reply of Government**

Recommendations of the Committee about further investigations into the entire deal have been noted for necessary action. The Committee's observations in regard to the issue of specific guidelines for the import of rough diamonds by the NMDC have been brought to the notice of the Ministry of Commerce.

Although the import of rough diamonds from Ghana resulted in a loss in the absence of adequate arrangements for assortment of the diamonds

for sale to the Indian diamond trade, the totality of the import trade handled by the NMDC in rough diamonds has resulted in an overall profit.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 1/82/73-IOM dated 12th October, 1973.]

Further Information Called for by the Committee

It may be stated specifically as to what steps were taken to investigate into the entire deal as recommended by the committee and what action has been taken by the Ministry in this regard.

[L.S. Sectt. No. 14-PU/73, dated 5th December, 1973.]

Further Reply of Government

A copy of reply to recommendation No. 34 was forwarded to National Mineral Development Corporation Ltd. on 14th October, 1973. With the request to take appropriate action and report the progress made in the matter. The report is awaited. Further action will be taken on receipt of a report from National Mineral Development Corporation.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 1/82/73-IOM dated 14th January, 1974.]

Further Information Called for by the Committee

Have the Ministry/NMDC taken any action to conduct the investigation into the deal of imports of rough diamonds. If so was any report received by Government and what action has been taken thereon.

[L.S. Sectt. O.M. No. 14-PU/73, dated 30th December, 1974.]

***Further Reply of Government**

The Government have decided to constitute a Committee comprising the following:—

- (i) Shri R. K. Dang, Director, Department of Steel,
- (ii) Shri C. S. V. Rao, Director (Finance), NMDC,
- (iii) Shri I. M. Puri, Secretary, SAIL.

to investigate into the whole deal relating to the import of rough diamonds which had resulted in loss of Rs. 5.16 lakhs and the fixation of responsibility for lapses, as recommended by CCPU.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 1/82/73-IOM (Vol. II), dated 4th January, 1975.]

Comments of the Committee

Please see para 42 of Chapter I of the Report.

Recommendation (Serial No. 36)

The Committee note that while framing the Detailed Project Report, it was anticipated that Government's sanction would be received by December, 1968 and the Project would go into full production by 1973-74. The Committee regret to note that Government had taken two years to approve the Detailed Project Report although they had communicated their approval in principal as early as January, 1969. The Committee also regret to observe that on account of the delay in the sanction of estimates, not only has the cost of project increased but the completion of the project has also been delayed by three years.

The Committee further observe that even the revised estimate approved by the Board in August, 1972 are still awaiting sanction by Government.

(Paragraph Nos. 8.17 & 8.18).

Reply of Government

The observation of the Committee has been noted. The revised cost estimates submitted by the NMDC are presently under examination.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM, dated 12th October, 1973.]

Further Information called for by the Committee

What is the present position? Reasons of delay in sanctioning the revised cost estimates, the period by which the estimates are likely to be sanctioned by Government.

[L. S. Sectt. No. 14-PU/73 dated 5-12-1973]

* Further reply of Government

This matter is presently under consideration of the Steel Authority of India Ltd., of which National Mineral Development Corporation is a subsidiary. SAIL is reported to be awaiting certain clarifications from National Mineral Development Corporation.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, dated 14-1-1974.]

Further Reply called for by the Committee

The matter was stated to be under consideration by SAIL. Please state the latest position.

[L.S.S. O.M. No. 14-PU/73 dated 19-11-1974].

***Further Reply of Government**

The revised cost estimates of Donimalai Project have been received from the Steel Authority of India Ltd. and will be placed before the Public Investment Board shortly and would thereafter be submitted to Cabinet for approval.

[Min of Steel & Mines (Deptt. of Steel) D.O. letter No. 1/82/73-IOM, (Vol. II) dated 18th & 19th Dec., 1974]

Comments of the Committee

Pl. see para 47 of Chapter I of the Report.

Recommendation (Serial No. 48)

The Committee were informed that an "Inventory Control Committee" was constituted by the Bureau of Public Enterprises. That Committee in its report submitted in January, 1972 had made certain recommendations regarding procedures of purchase and inventory control. The Secretaries Committee on Public Sector Enterprises which considered that report in May, 1972 decided that the Bureau of Public Enterprises should further review the inventory position in regard to NMDC's projects.

The Committee would like the Government/Bureau of Public Enterprises should complete the review without delay and fix suitable norms for the stores and spares consistent with the needs of production and development works of NMDC. The Committee were informed that stocks of about 70 per cent in the usage value were only being subject to thorough control and review. The Committee strongly urge that a thorough review of all the items of stocks should be undertaken half-yearly and action taken to reduce the inventory levels to avoid unnecessary accumulation of stores.

(Paragraph No. 11.13 & 11.14)

Reply of Government

The recommendations of the Committee have been brought to the notice of BPE and they have been requested to complete the review at an early date. The Committee's recommendations about half-yearly

*Further replies not vetted by Audit.

review of stocks have been brought to the notice of the NMDC and they have been instructed to take necessary action.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/82/73-IOM dt. 27-11-1973]

(For further reply, please see reply to recommendation No. 49.)

Comments of the Committee

(Pl. see para 54 of Chapter I of the Report.)

Recommendation (Serial No. 49)

The Committee note that in the Bailadila, Kiriburu and Panna Diamond Projects, stores of the value of Rs. 137.69 lakhs did not move for more than two years as on 31-3-1971 and stores of Value of Rs. 227.98 lakhs did not move for more than one year as on 31-3-1971. The Committee also note that Rs. 23.6 lakhs worth of stores including spares and construction and special parts are awaiting disposal as on 31-3-1972. The very fact that more than Rs. 3 crores worth of stores are not moving for over one/two years only proves that sufficient care was not exercised before ordering purchases. The Committee were informed that periodical reviews are undertaken by the Storeholder to identify non-moving and obsolete spares, lists are prepared and circulated to Sister Projects or the items are transferred to other projects. The Committee are strongly of the view that the review of stores should not be left to the storeholder but should be conducted systematically by an independent store officer/stock verification officer so that a systematic analysis of all the slow-moving/non-moving items is undertaken and items surplus to requirements are identified and timely action taken for their transfer to other projects, public undertakings where they could be more usefully utilised instead of allowing them to become obsolete to be ultimately written off as a loss. The Committee also find that the shovel received by the Panna Diamond Project from Bailadila in January, 1968 on the plea of urgency for removal of over burden could not be utilised for want of certain repairs and had ultimately to be returned in May, 1969 to Bailadila without any use after more than 15 months. Even after the shovel was received back at Bailadila it could not put to use and had to be declared as surplus. The Committee are not convinced about the plea of urgency for the transfer of equipment from Bailadila.

The Committee fail to understand as to why the Corporation could not have verified the condition of the shovel even before it was transferred to Panna, and why it had taken more than 15 months for Panna project to return it to Bailadila. The Committee would like that this should be investigated in detail and report furnished to them.

@At the time of factual verification, the Ministry of Steel have stated that "the Bureau of Public Enterprises have since reviewed the inventories of the N.M.D.C. The latest portion of inventories as also the implementation of the recommendations made by the 'Committee on Inventory Control' is indicated in their O.M. No. 27/16/72-BPE/MM dated 13-3-1975—Copy endorsed Appendix.

The Committee feel concerned that, on the one hand, the Corporation is carrying heavy inventory of stores and a large amount of surplus stores are accumulated on the other hand, Common equipments like shovel remain unutilised for want of spares for repairs.

The Committee would like the Corporation to undertake a thorough review of similar cases of Plant and Machinery which may be lying unutilised for want of spares or repairs of which may be uneconomical so that the Corporation may take immediate measures to bring them in working order or take action for their disposal to other Undertakings.

The Committee suggest that the Inventory Control Committee on NMDC should also critically examine this aspect and suggest ways and means for adequate provisioning of spares and stores so that the machinery in the Corporation may not at any time remain unutilised on the plea of want of spares and production affected on this account.

(Paragraph No. 11.25)

Reply of Government

A Committee has been set up by the Chairman, NMDC to investigate into the transfer and utilisation of shovels from Bailadila to Panna. @A copy of the orders constituting a Committee is enclosed.

The Chairman of the NMDC has also set up another Committee on inventory control.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM dated 12-12-1973]

Further Information called for by the Committee

Has the Committee constituted to investigate into the transfer and utilisation of shovels from Bailadila to Panna, submitted its reports, if so, details thereof together with the action taken by Governments?

(ii) Has the Committee on 'Inventory Control' submitted its reports? If so, what are its findings together with the action taken by the Government? (L.S.S. O.M. No. 14-PU/73 dated 14-10-1974)

***Further Reply of Government**

(i) This Committee has examined all the relevant records. Its Report is in the draft stage.

*Not vetted by Audit.

@A copy of the order which also gives the terms of reference is attached (Appendices III & IV).

(ii) This Committee has submitted an interim report which is under examination of NMDC. The Committee has been asked to expedite its final report.

[Min. of Steel & Mines (Deptt. of Steel) D.O. No. 1/82-73-IOM. (Vol. II) dated 18/19-12-1974]

Further Information called for by the Committee

Action Taken in regard to the completion of review as directed by the BPE together with action taken by Government.

[L.S.S. O.M. No. 14-PU/73 dated 30-12-1974]

***Further reply of Government**

The Bureau of Public Enterprises has been asked to indicate the action taken by them to review the stock of NMDC. A report is awaited from the BPE in the matter.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, (Vol. II) dated 4-1-1975]

***Further reply of Government**

In a subsequent reply, the Ministry stated that the Report of the Committee on the transfer of shovels from Bailadila (Deposit, No. 14) Project to the Panna Diamond Project and back to Bailadila is likely to be considered by the Board of Directors of NMDC at its meeting being held in this month.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM, (Vol. II) dated 12-2-1975]

Comments of the Committee

Please see Para 54 of Chapter I of the Report.

Recommendation (Serial No. 52)

The Committee note that the sale of iron ore to Japanese Steel Mills in terms of agreement entered with them for the development of Kiriburu and Bailadila Mines is being made by the NMDC through the MMTC. In paragraph 77 of their 11th Report, the Committee suggested that the Corporation should work out its costs of exporting the ore independently and if the cost did not work out to be more than the Commission paid to the MMTC it might be economical for the Corporation to take over the work from the MMTC. This aspect was examined by the NMDC in 1969 and it came to the conclusion that if the funds to the extent of Rs. 2.3 crores were made available to the Corporation, it need not pay to the MMTC the element of the service charges representing "Finance obligations" excepting overhead expenses. The Committee find that already NMDC has paid Rs. 1.61 crores as commission charges to MMTC

*Not vetted by Audit.

upto 1971-72. The Committee were informed that it was the policy of Government to canalise all export of iron ore through a separate trade agency which, in this case, was MMTC and so long as the NMDC was paid a fair price inclusive of adequate return on investment it should be advantageous to keep the trading activities with MMTC. The Committee also find that the question of price payable by MMTC in respect of ores exported through it, has been for long under dispute and it was only in October, 1971 that the Finance Secretary had given award about the fair price payable by MMTC, according to which the Corporation would be selling the Bailadila ore to MMTC on a FOR Vizag. Port basis w.e.f. 1-4-1971 and the existing price formula for Kiriburu ore may continue for 1971-72. Though the MMTC had accepted the award, the Committee find that NMDC had been making further representations on the award. The Committee were also informed that the matter was still under negotiation between the two Corporations. The Committee need hardly stress that in the interest of improving the financial position of the Corporation, an early settlement of the price should be arrived at.

(Paragraph No. 12.17)

Reply of Government

As the negotiations between NMDC and MMTC on the issue of price and other terms and conditions have not yielded any satisfactory conclusion, the Board of Directors of NMDC have decided that a Committee of three Directors of the NMDC should go into the question and suggest further course of action. The issues are accordingly being considered by the Committee of Directors and are expected to be taken up with MMTC/ Government of India.

[Min. of Steel & Mines (Deptt. of Steel) O.M. No. 1/82/73-IOM dated 12-10-1973]

Further Information Called for by the Committee

Latest position about the settlement of price and other terms and conditions between NMDC and MMTC may please be stated.

(L.S. Sectt. No. 14-PU/73, dt. 5-12-73)

Further Reply of Government

The matter is still under consideration of the Committee of Directors of NMDC. Further action will be taken on receipt of the report of Committee Directors.

[Ministry of Steel & Mines (Deptt. of Steel) O.M No. 1/82/73-IOM dt. 14-1-74].

Further Information Called for by the Committee

(a) What is the latest position in regard to finalisation of price? What are the reasons for delay in the settlement of the prices?

(b) What are the terms and conditions of the contract for the supply of iron ore from the mines of NMDC to Jaipur in so far as the price is concerned?

(c) Is there any escalation clause in the contract?

(d) Had the NMDC any say in determining the price of iron ore committed to be sold to Jaipur. Please state the views expressed by the NMDC in this regard?

(e) Do not the Government feel that non-settlement of their price jeopardises the economics of both the undertakings—

NMDC and MMTC, and if so, what remedial measures have been/are proposed to be taken by Government?

(Paragraph No. 8.17 & 8.18)

***Further Reply of Government**

The NMDC and MMTC have arrived at a price settlement for the sale of Bailadila iron ore for the years 1971-72 to 1974-75. The prices agreed to are as under:—

1971-72	. . . . .	Rs. 20.50 per DMT F.O.R. Vizag
1972-73	. . . . .	Rs. 24.00 Do.
1973-74	. . . . .
1974-75	. . . . .	Rs. 25.00 Do.

(Railway freight from Bailadila to Vizag will be on MMTC account).

The MMTC has also since agreed, in principle, to an increase of Rs.5.50 per DMT in the year 1974-75 price with effect from the 1st September, 1974.

(b) & (c) Under the long term contract between MMTC and Japanese Steel Mills, a fixed price of \$ 9.73 per dry long tonne FOB Vizag Inner Harbour was agreed to. For shipments through the Outer Harbour scheduled to be constructed at Vizag by 1-6-1974, the FOB price was contracted to be \$ 10.30 per DMT. The contract provided for re-negotiation of prices only in event of a change in the IMF Dollar parity. Following the two successive Dollar devaluations in December, 1971 and February, 1973 the MMTC had negotiated revised prices of \$ 10.60 per DLT for shipments during 1972-73 and \$ 11.13 per DLT for shipments during 1973-74.

(*Further rep'y Not vetted by Audit).

During the visit of MMTC delegation to Japan in October, 1974, negotiations for further price increase under the Bailadila ore contract were again taken up, on the basis of the upward movement in world prices of Iron ore. Even though the long-term contract contained no escalation clause for such increases in price, the MMTC delegation were successful in obtaining a further increase of \$ 2.25 per DLT for all shipments under the Bailadila contract with effect from 1-9-1974. This increase was confirmed to be in line with the quantum of increase given by the Japanese Steel Mills to Australian suppliers of iron ore under similar contracts. MMTC also succeeded in obtaining from the Japanese Steel Mills a confirmation "to discuss the question of revision of prices, if during the remaining period of Bailadila iron ore contract, there occurs a noticeable change in the economic situation or in other connected factor resulting in rising of prices of iron ore under similar contracts and consequent disparity in prices between Bailadila iron ore contract and those contract. Thus, while the original long-term contract did not provide for a general escalation clause and the price was open to discussion only in the event of a change in the IMF dollar parity, the MMTC have been successful in obtaining increase in price, on other the considerations also. Moreover, they have now been able to get the Japanese Steel Mills to agree to discuss revisions of prices under the long term contract as indicated above.

(d) Chairman, NMDC was one of the members of the delegation which visited Japan for negotiating the long term contract. The terms and conditions of the long terms contract were approved by Government. The negotiations conducted recently in October, 1974 were done by a team consisting of the Chairman and a Director from MMTC. NMDC were not associated with these discussions.

(e) The price issue having been satisfactorily settled no further action on this is considered necessary.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 1/(82)/73-IOM dated 12-2-1975]

Comments of the Committee

Please see para 28 of Chapter I of the Report.

Recommendation (Serial No. 56)

The Committee regret to note that in spite of the instructions issued by Ministry of Finance (Bureau of Public Enterprises) in September, 1968 in pursuance of the recommendation by the Committee on Public Undertakings in their 15th Report (4th Lok Sabha—April, 1968) on "Financial Management in Public Undertakings" that Internal Audit should include a critical review of the system, procedures and operations as a whole, the

Internal Audit Cell of the Corporation has not so far conducted any appraisal of the performance of the projects. The Committee were informed that only recently the Corporation sanctioned Internal Audit Cells for the operations mines at Kiriburu and Bailadila and action for evolving suitable operation standards for production initiated. The Committee recommend that Internal Audit Cells should be activated to discharge their functions and responsibilities so that the Management can take advantage of the reports of Internal audit in setting right the defects in the working of the Corporation. (Paragraph No. 13.26)

Reply of Government

In order to have thorough Internal Audit, it has been decided that firms of Chartered Accountants should be appointed on year to year basis in each Unit of the Corporation for conducting Internal Audit. The Corporation has already appointed such firms for its major units viz., Kiriburu, Bailadila Deposit-14, Bailadila Deposit-5 and Donimalai products and Head Office. Similar appointments for other units are also under consideration.

Another proposal now actively under consideration of the NMDC is to constitute an integrated "Operations Research and Evaluation Cell" comprising Industrial Engineers and Cost Accounts Officers to deal with performance, evaluation and operations research. This Cell will also fix various norms for performance—input/output. This will ensure effective cost control and also facilitate performance appraisal of the projects.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 1/82/73-
IOM dated 27-11-1973]

Comments of the Committee

Please see para 57 of Chapter I of the Report.

CHAPTER V

**RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES
OF GOVERNMENT ARE STILL AWAITED**

—NIL—

NEW DELHI;

April, 3, 1975

Chaitra 13, 1897

NAWAL KISHORE SHARMA,

Chairman,

Committee on Public Undertakings.

APPENDIX I

(Vide Reply of Recommendation No. 30)

*Reply by Government to point No. 8 relating to Recommendation No. 30 of Committee on Public Undertakings.

(i) The recommendation of the Committee regarding commitments made to foreign parties was brought to the notice of Bureau of Public Enterprises. They have made the following observations:—

“Every enterprise and the concerned administrative Ministry have to be alived to the need for ensuring coordination between various public enterprises and honouring contractual commitments through concerted measures. Wherever necessary, advice and help is available from the monitoring cell of the Planning Commission in respect of the core sector and from BPE for other enterprises.”

(ii) Position regarding delivery of equipment by HEC reviewed in high level meeting taken by Secretary (Steel) in July, 1973 followed by a further meeting by the Secretary (Steel) on 1-1-1974 was confirmed to be as under:—

Primary Crushers	. 1 No. in March, 1974 1 No. in May, 1974
Secondary Crushers	. 1 No. in Nov., 1973 1 No. in January, 1974
Stacker	. 1 No. in June, 1974
Reclaimer	. 1 No. in June, 1974
Wagon Loader	. 1 No. of November, 1974

(b) In August this year Sr. Officers of NMDC visited HEC, Ranchi, HEC in the meeting had indicated the following delivery schedule to NMDC:—

(1) Stacker	. . . . . Nov., 1974
(2) Reclaimer	. . . . . Dec., 1974
(3) Wagon Loader	. . . . . Dec., 1974
(4) Secondary Crusher	. . . . . Nov.—Dec., 1974
(5) Primary Crusher	. . . . . Nov., 1974
(6) Secondary Primary Crusher	. . . . . April/June, 1975.

(c) During the first week of this month Sr. Technical Officer of NMDC again visited Ranchi to assess progress and also had meeting with HEC (At senior level). HEC this time did not commit to any revised delivery schedule and stated that they were doing their best and it is not possible to adhere to the delivery schedules as they had anticipated in August, 1974 and slippages have occurred on account of certain technical reasons. Assessment of NMDC about probable date of deliveries provided by HEC accord top priority is as under:—

Primary Crusher

- | | |
|------------------------------------|-------------------------------|
| (i) 1st Primary Crusher | End January—early Feb., 1975 |
| (ii) 2nd Primary Crusher | Not earlier than end of 1975. |

Secondary Crusher

- | | |
|---------------------------------|-----------------|
| 2nd Secondary Crusher | January, 1974 |
| Stacker | February, 1975 |
| Reclaimer | April, 1975 |
| Wagon Loader | May-June, 1975. |

(* Not vetted by Audit)

APPENDIX II

(Vide Recommendation No. 40)

Most Immediate/Committee on Public
Undertakings.....

No. 125/40/73-Fert. III

BHARAT SARKAR

(Government of India)

Petroleum Aur Rasayan Mantralaya
(Ministry of Petroleum and Chemicals)

New Delhi, the 23rd October, 1973

OFFICE MEMORANDUM

SUBJECT.—*37th Report of the Committee on Public Undertakings on the National Mineral Development Corporation—Recommendation No. 40.*

The undersigned is directed to refer to Ministry of Steel and Mines (Department of Steel) O.M. No. 1/82/73-IOM (MIV) dated 25/26th September, 1973 on the subject mentioned above and to send herewith a copy of the comments of pyrites Phosphates and Chemicals Limited in regard to recommendation No. 40 contained in the Committee on Public Undertakings' Report on National Mineral Development Corporation.

Sd/-

P. S. RAJPUT,

For Under Secretary to the Govt. of India.

Ministry of Steel and Mines,

(Deptt. of Steel—Shri P. N. Chopra—Under Secretary)

New Delhi.

Annexure

Comments on the letter No. 1/82/73-IOM (MIV) dated 25/26th September, 1973 from the Ministry of Steel and Mines, Department of Steel.

At the request of the Pyrites, Phosphates and Chemicals, the National Mineral Development Corporation forward to the Undertakings in August, 1973 the final report prepared on the investigation done on the re-rock-

phosphate deposits in Paritibha, Chamsari, Masrana, Durmala and Busti—Jalikhhal and Maldeota. This report, while commenting on the quality and the extent of the reserves, does not purport to give the details that are normally to be found in a techno-economic feasibility study/detailed project report. The report of National Mineral Development Corporation on the Mussorie Rock Phosphates and Chemicals Limited and steps are being taken towards the preparation of the techno-economic feasibility report. A definitive view would thereafter be possible about the economic viability of upgradation of the Mussorie rock phosphate to marketable quality.

APPENDIX III

(Vide replies to Recommendation Nos. 48 and 49)

NATIONAL MINERAL DEVELOPMENT CORPORATION LIMITED
MUKARRAMJAHAI ROAD : POST BOX NO. 195.
HYDERABAD—500001.

(Regd. Office: 109 & 109A, 1st Floor, Surva Kiran Building, Kasturba
Gandhi Marg, New Delhi-110001).

No. MM/COPU-37/1/73|96

Dated: November, 20, 1973.

OFFICE ORDER

In paragraph 11.25 (extract enclosed) of the 37th Report on the NMDC. The Committee on Public Undertakings have drawn attention to the heavy inventories of materials and stores held at the various Projects. In order to ensure that the Committee's recommendations are implemented with a due sense of urgency, the Chairman has constituted a Committee with the following composition and terms of reference:—

Composition:

Shri O. P. Vasudeva, Chief Planning and Investigations.

Shri M. R. Dev Raj, Material Manager.

Shri N. P. Mukherji, Chief Project Finance.

Terms of reference:

- (1) To make a systematic analysis of all the slow-moving/non-moving items of materials and stores held at each of the Projects in operation, namely, Kiriburu, Bailadila-14 and Panna;
- (2) based on such an analysis, to identify the items surplus to the requirements of the Project(s) concerned;
- (3) to make specific recommendations regarding the extent to which items surplus in a particular Project can be used in the other Projects in operation/under construction/feasibility areas of the Corporation; and
- (4) to draw up a list of surplus items which cannot be utilised in any of the Projects of the Corporation and would have to be sold to other public sector organisations or outside agencies.

2. The Committee will take up the study of Bailadila-14 first and submit its complete report on the status of inventory in that project by December 31, 1973; thereafter it will take up the Kiriburu Project and submit its report by January 31, 1974; and subsequently the Diamond Mining Project

will be covered and the report thereon will be submitted by February 28, 1974.

3. On receipt of the Committee's recommendations, the matter will be studied in detail by the Materials Management Division at the Head Office, who will then arrange to have discussions on each of the recommendations with the General Managers/Heads of the Projects and their principal officers and make suitable recommendations for consideration and approval by the Chairman regarding transfer of surplus items of materials and stores to other Projects or their disposal by sale.

4. Once the initial study in the aforesaid manner has been completed in respect of the Projects at Kiriburu, Bailadila-14 and Panna, the General Manager/Head of Project concerned would be responsible for bringing the study up-to-date and the position would be reviewed by the Materials Management Division every six months.

5. In addition to this general analysis with respect to slow-moving/non-moving items of materials and stores, the Committee would also undertake a thorough review of individual items of plant and machinery which may be lying at a particular project unutilised for want of spares, or the repairs of which may be uneconomical, so that the Corporation could take immediate steps to bring them to a working condition or take action for their disposal to other public sector undertakings. The Committee's findings in this behalf will also be submitted project-wise, as in the case of inventories. The Committee is requested to commence its deliberations immediately and complete its work on time.

BY ORDER

Sd/-

J. PADMANABHA IYER,

Chief Personnel Manager and Secretary.

Copy to:

1. Shri O. P. Vasudeva, CPI.
2. Shri M. R. Dev Raj, M.M.
3. Shri N. P. Mukherji, CPF.
4. General Manager, Bailadila-14.
5. General Manager, Kiriburu.
6. Sr. Mining Engineer In-charge, Panna.
7. Deputy Material Manager, Bailadila-14.
8. Deputy Material Manager, Kiriburu.
9. Deputy Material Manager, Panna.
10. C.F.A. (ii) Secretary to Chairman.
11. P. S. to Director (Planning).
12. P. S. to Director (Finance).

APPENDIX IV

(Vide Reply to Recommendation No. 49)

NATIONAL MINERAL DEVELOPMENT CORPORATION LIMITED
MUKARRAMJAHAI ROAD : HYDERABAD-500001.

No. MM/COPU-37/1/73-74|96

Dated November 20, 1973.

OFFICE ORDER

In paragraph 11.25 (extract enclosed) of their 37th report on the NMDC, the Committee on Public Undertakings have observed as follows:

"The Committee fail to understand as to why the Corporation could not have verified the condition of the shovel even before it was transferred to Panna, and why it had taken more than 15 months for Panna Project to return it to Bailadila. The Committee would like that this should be investigated in detail and report furnished to them."

Chairman has been pleased to constitute a Committee consisting of (1) Shri S. K. Khanna, Chief Industrial Engineer and (2) Shri N. P. Mukherji, Chief Project Finance, to go into the available records and submit a report on the aspects referred to by the Committee on Public Undertakings in the above recommendations. The Committee is requested to furnish its report by January 31, 1974.

Sd/-

(J. PADMANABHA IYER),

Chief Personnel Manager and Secretary.

Copy to:

1. Shri S. K. Khanna, Chief Industrial Engineer, NMDC Limited, Hyderabad.
2. Shri N. P. Mukherji, Chief Project Finance, NMDC Limited, Hyderabad.
3. General Manager, Bailadila-14.
4. Sr. Mining Engineer incharge, Panna.
5. Material Manager.

APPENDIX V

(*Vide Foot-Note at p. 82*)

No. 27|16|72-BPE|MM

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

Dated, New Delhi, the 13th March, 1975

OFFICE MEMORANDUM

SUB.—*Thirty Seventh Report of the Committee on Public undertakings on N.M.D.C.—Action taken on.*

The undersigned is directed to refer to the Ministry of Steel and Mines (Deptt. of Steel) New Delhi O.M. No. 1|82|73-IOM (Vol. II) dated 23-12-1974 on the subject cited above and to state that the inventories of NMDC have been reviewed and the latest position of inventories as also the implementation of the recommendations made by the Committee on Inventory Control is indicated below:

I. Implementation of COIC Recommendations

1. Fixation of norms:

On the basis of norms suggested by the Committee on Inventory Control NMDC have fixed levels wherever practicable. In regard to items where they were found impracticable due to change circumstances such as extended lead time and credit licences, the levels have been modified. The projects have been advised on the stock levels to be maintained for each category of stores.

2. Stocks out items :

Action has been taken by NMDC to prevent stock out of items by way of proper classification and also by fixing proper safety levels.

3. Re-organisation of Materials Management:

The re-organisation of materials management has been broadly approved by the Management and the positioning of staff is under process.

4. *Schedule for over-hauling:*

Action has already been taken by NMDC to draw out a programme for overhauling the equipments in consultation with the projects. The programme is so arranged that all the projects take up over-hauling of a similar equipment at the same time so that the the projects can forecast their requirements of spares to the Head Office. This will enable the Head Office to place bulk orders for similar equipments and consequently save lot of time and cost.

5. *Insurance/Standby spares:*

The projects have constituted a survey committee for reviewing the insurance and standby spares and to advise with regard to surplus stores.

6. *A. B. C. Analysis:*

The projects have completed A B C analysis of the stores which have been codified.

7. *Inspection of stores:*

Steps have already been taken by the projects to expedite the inspection of incoming materials.

8. *List of approved suppliers:*

NMDC have already taken action to form a Market Research Cell in the head office under the Materials Manager for registration, screening and maintenance of vendor performance card. A list of approved suppliers has been prepared. This process is going on to include more number of firms.

9. *Management reporting system:*

Proper management reporting system is being introduced and this will be supplemented with mechanisation by introducing IBM unit recording system.

10. *Arising and disposal of scrap:*

The project have been expedited and also action taken by them to have a separate cell for listing out scrap arising. surplus stores and obsolete stores meant for disposal.

11. *System of weighing iron ore:*

The matter is being looked into by the production wing of the unit and remedial measures are being taken.

12. Safety stock level:

The exercise of fixing up of stock level and safety levels on a scientific manner has already been completed at Bailadila-14 in regard to A B C category items. Similar action is being taken in other projects also.

13. Finding of Commonalities:

Considerable work has already been completed for finding the commonalities of spares between the various equipments and they have been segregated from the General Stores Vocabulary.

14. Ordering & Carrying Costs:

In regard to the computation of ordering and carrying cost a uniform system is being adopted by all the projects for working out the above costs.

15. Financial Checks:

The matter has already been examined by the management to reduce the number of financial checks so as to keep the lead time to the minimum.

16. Posing in Price Ledgers:

Action has been taken to ensure that price ledgers are pested up to date.

II. Inventory Holdings

The comparative figures of inventory *vis-a-vis* production in respect of 3 production units for the last two years are given below:—

Name of unit	Year	Value of Inventory	Cost of Production	Inventory in Mo. of month
Bailadila-14	1972-73	448.24	856.65	6.3
	1973-74	537.00	934.29	6.9
Kiriburu	1972-73	218.53	248.36	10.6
	1973-74	237.27	270.25	10.5
Panna	1972-73	92.17	72.35	15.3
	1973-74	87.44	94.13	11.1

The position in respect of each unit is further analysed below:

Bailadila-14

The inventory level has increased from 6.3 months cost of production in 1972-73 to 6.9 months during 1973-74. The increase is partly due to lesser production on account of troubles in gas generators etc. and partly because of the receipt of initial spares (at 15 per cent. of the value of main equipment) alongwith the eight LW-50 tonnes Dumpers and the

quantum of spares for shovels. Most of the spares are imported. These may be consumed during the next 2/3 years.

The unit has more or less achieved the levels suggested by the COIC for stores in transit and finished goods. However the present stock holding under spares is rather high. The stock held under spares includes insurance items as the same have not been segregated. This aspect is receiving the attention of the unit.

The total value of surplus items awaiting disposal as on 31st March, in 1972-73 to 10.5 months in 1973-74. The stock held under S.I.T. is of inventory level of this unit as soon as the review of non-moving items is completed and surplus items disposed off.

Kiriburu:

The inventory level has improved from 10.6 months cost of production in 1972-73 to 10.5 months in 1973-74. The stock held under S.I.T. is of the order of 0.1 months receipt and that of finished goods 1.2 months production which are well within the norms suggested by the Committee on Inventory Control.

The present stock holding under spares and stores other than spares is still high. Here also the insurance items have not been segregated and the stocks held under spares includes insurance spares. The work of segregation of insurance items is in hand.

Action is being taken to review the non-moving items and to dispose off the surpluses.

Panna:

Their inventory level has improved from 15.3 months cost of production in 1972-73 to 11.1 months in 1973-74. However, the present stock holding under spares and finished goods is considered to be high.

The unit is seized of the problem and the position is expected to improve further next year.

(Sd.) M. L. MONGIA,
Deputy Advisor (MM)

To

The Ministry of Steel and Mines,
Deptt. of Steel,
Udyog Bhavan, New Delhi.

*Not votted by Audit.

APPENDIX VI

(Vide Para 6 of Introduction)

Analysis of Action Taken by Government on the recommendations contained in the Thirty-Seventh Report of the Committee on Public Undertakings (5th Lok Sabha).

I. Total number of recommendations	56
II. Recommendations that have been accepted by Government (vide recommendations at Serial Nos. 1,2,3,6,7,13,17,21,33,41, 42,44.)	
Number	18
Percentage to total	
III. Recommendations which the Committee do not desire to pursue in view of the Government's reply (vide recommendations at Serial Nos. 4,5,8,10,11,12,14,15,22,24,25,26,28,30,31,35,37,38,39, 40,43,45,46,47,50,51,53,54,55).	
Number	29
Percentage to total	52%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide recommenda- tions at Serial Nos. 9,16,18,19,20,23,27,29,32,34,36,48,49,52,& 56) Number	15
Percentage of total	27%