

## Chapter-VI

### Conclusion and Recommendations

#### 6.1 Conclusion

As the largest producer of Iron ore in the country, the Company has been consistently performing well with a profit before tax of ₹4,293.68 crore on an income of ₹9,738.45 crore in 2016-17. On review of the operating performance of the Company covering the period 2012-17, there were, however, certain observations and concerns which are as follows.

The maximum allowed production capacity of the Company was at 37 million tons per annum (MTPA) upto 2015-16 and 44 MTPA during 2016-17. The capacity utilization fluctuated between 73 *per cent* (2012-13) and 82 *per cent* (2014-15) with corresponding shortfalls of 27 *per cent* and 18 *per cent* due to reasons viz., non-availability of Slurry pipeline, non-availability of screening facilities, saturation of stock pile, lack of orders from the customers etc. The SMP – Vision 2025 was framed with optimistic and ambitious targets. This was done despite the down trend projection in prices of iron ore and steel both at domestic and international markets. Though the Company envisaged various facilities (Complex-wise) for enhancing its production to 50 MTPA by 2018-19 and 67 MTPA by 2021-22, the timelines for completion of these facilities seems unrealistic which is reflected in the shortcomings in achieving its targets in terms of production and adherence to timeline as well.

Development of 11B mine in Bailadila Sector and Kumaraswamy Iron Ore Project in Donimalai Sector which were meant for augmenting production capacity were unduly delayed with reasons attributable to both Company/Consultant and Contractors. Though major packages of these projects were completed by August 2015 and May 2017 respectively, full capacity production could not be achieved due to non-installation of Screening Plants. There were delays (14 years) in obtaining statutory clearances in respect of Deposit-13 in Bailadila Sector which ultimately resulted in delay in development of the mine. The Company could not get the required statutory clearances for Screening Plant-II at Donimalai due to delay in submission of essential details sought by the Karnataka State Forest Department and for Screening Plant-III at Kirandul complex, which has taken nine years for obtaining statutory clearances owing to reasons attributable to the Company, the Ministry of Environment, Forest and Climate Change and Chhattisgarh State Forest Department. The evacuation capacity expansion project works remained incomplete or were yet to secure statutory clearances impeding the progress in achieving the targets set out in the revised SMP – Vision 2025.

The construction of Integrated Steel Plant at Nagarnar, Chhattisgarh scheduled to be completed by March 2014 encountered unreasonable delays which necessitated an upward revision of cost estimates for the project. Various reasons behind the delay have

been highlighted in this report of which non-preparation of Detailed Project Report has been underscored. There were inordinate delays in securing allotment of land for the Integrated Steel Plant in Karnataka. The delay of eight years in obtaining the title to land had a cascading effect in setting up of the Plant. The Company was yet to get mining lease for Ramandurg mine intended to use as a captive mine for this Integrated Steel Plant at Karnataka (March 2018).

Pellet Plant at Donimalai was commissioned in June 2017 against the scheduled completion date of March 2012, that too with a production achievement below six *per cent* of the installed capacity during 2017-18. Due to expiry of supplementary mining lease of Diamond Mine at Panna, Madhya Pradesh, the Company is faced with a situation where it would no longer be able to process the Tuff in its possession beyond 2020.

The Performance Audit also revealed that there were significant shortcomings in the joint venture projects embarked upon by the Company. The investment of ₹714 crore made in five Joint Venture Companies have not yielded any returns so far. The Company was yet to implement the recommendation of CAG in Report No. 20 of 2012-13 relating to fixation of timeframes with clear milestones for ongoing projects and as a result, the progress of the various projects underway continued to be plagued with time overruns despite the Company's claim that the projects and packages under execution were being monitored by Board level Sub-Committee.

## 6.2 Recommendations


- 1) The Company needs to factor in market trends while fixing the targets in its periodic plans so that the set targets are realistic and achievable.
- 2) The Company may ensure timely submission of required documentation and follow up with the concerned statutory authorities with a view to secure statutory clearances within the timelines prescribed.
- 3) The Company needs to conduct proper due diligence and pay due cognizance to the risk factors before embarking on national and international investment ventures.
- 4) The Company needs to strengthen its project execution mechanism / strategy to avoid delays in implementation of projects/construction works and to avoid time and cost overruns so that envisaged benefits are realized.
- 5) The Board of the Company may strengthen its monitoring mechanism with a view to ensure timely completion of projects.

**Response of the Ministry of Steel on the audit recommendations:**

The Ministry of Steel was in agreement with the Recommendations No. (2), (3) and (4) above. In respect of Recommendation No. (1), the Ministry stated that it is very difficult to forecast the exact market trends in advance in the Iron ore industry, in view of volatile market conditions. In respect of Recommendation No. (5), the Ministry stated that the Sub-Committee of Board of Directors reviews the progress of ongoing projects and gives its advice and remedial actions for completing the projects.

The above responses of the Ministry on Audit Recommendation Nos (1) and (5) have been duly considered and incorporated under the respective paras of this Report (Paras 2.1.4 and 5.1) along with further views of Audit thereon.

New Delhi  
Dated: 30 May 2019

  
(VENKATESH MOHAN)  
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Countersigned

New Delhi  
Dated: 31 May 2019

  
(RAJIV MEHRISHI)  
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