# CHAPTER V: DEPARTMENT OF COAL

## Central Coalfields Limited

### *5.1.1 Loss due to delayed repayment of ICICI loan*

**The Company suffered an avoidable loss of Rs.5.91 crore due to delay in foreclosing high interest bearing ICICI loan.**

Central Coalfields Limited (Company) entered into an agreement (January 2001) with M/s. ICICI Limited (ICICI) for a loan of Rs.100 crore at interest of 12.90 *per cent per annum* payable on quarterly rest basis. The loan was repayable by January 2006 in 16 equal quarterly instalments commencing from April 2002. As per the terms of the agreement, the outstanding amount of the loan could be repaid in full or in part before the due dates subject to approval and such terms as might be stipulated by ICICI including payment of prepayment premium.

In view of falling interest rates, the Company decided (April 2003) to explore the possibility of foreclosing the loan. On being approached (May 2003) by the Management for premature payment of the outstanding balance of Rs.68.75 crore, ICICI accepted (June 2003) the proposal subject to prepayment premium of Rs.2.92 crore. The prepayment amounting to Rs.73.27 crore[♣] was to be made within a week's time. However, the loan was not repaid on the grounds of non-availability of surplus fund and the difficulty in availability of refinance at a low interest rate (nine or less than nine *per cent*). But, in May 2004, the balance of the loan of Rs.43.75 crore together with the revised amount of prepayment premium of Rs.2.15 crore was paid by the Company from its surplus funds.

It was observed in Audit (October/November 2004) that the Company was required to pay apex charge, debt servicing charge, share of expenses of CMPDIL[♦] *etc.* to Coal India Limited (CIL), its holding company, which intimated to each subsidiary the annual fund requirement and monthly instalments of remittance. CIL indicated a fund requirement of Rs.419.23 crore from CCL for the year 2003-04 payable in monthly instalments of Rs.35 crore each. Audit examination revealed that as against the required remittance to CIL, the Company remitted a total amount of Rs.720 crore (including old current account dues of Rs.170.84 crore) during 2003-04. This included Rs.280 crore that was remitted to CIL between April and June 2003 when the Company was required to arrange for Rs.73.27 crore for prepayment and foreclosure of the ICICI loan as per the directive of its BOD.

Thus, the Management could plan and hold Rs.73.27 crore during April 2003 to June 2003 to foreclose the high interest bearing ICICI loan in time and avoid extra payment of Rs.5.91 crore[♥] to ICICI.

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[♣] ***Loan Rs.68.75 crore, prepayment premium Rs.2.92 crore and outstanding interest of Rs.1.60 crore***

[♦] ***Central Mine Planning and Design Institute Limited***

[♥] ***Avoidable interest Rs.6.68 crore less Rs.0.77 crore being the difference of prepayment premium of Rs.2.92 crore and Rs.2.15 crore***

The Management stated (March 2005) that considering the quantum of CIL dues (including old balance of Rs.1,504.26 crore) for the year 2003-04, it had prioritised payment of CIL dues at the first instance and as such had paid the entire available fund of Rs.720 crore on month to month basis during April 2003 to March 2004. It was also stated (June 2006) that keeping in view the role of CIL in financing the weaker subsidiaries, the Company had made the payment of Rs.349.29 crore (including long outstanding dues of Rs.170.84 crore) which was due to CIL as it had incurred the expenditure on behalf of the Company. CIL stated (October 2006) that the Company had failed to meet its debt service obligation to them till 2002-03 due to its poor financial position and had paid the arrear interest, arrear apex charges and other expenses due to them at its first opportunity in 2003-04. CIL was of the opinion that considering the financial position prevailing at that time, there was no delay in prepaying the ICICI loan.

The contention of the Company as well as CIL was not acceptable since the financial arrangement with CIL did not prevent the Management from exercising financial prudence to regulate the amount of remittance in consultation with CIL so as to avoid extra payment of the interest on ICICI loan since the Company had paid Rs.720 crore including Rs.170.84 crore pertaining to current account which did not attract any interest. Therefore, the decision of the Company only resulted in avoidable payment of interest amounting to Rs.5.91 crore to ICICI.

The matter was reported to the Ministry in November 2006; reply was awaited (January 2007).

### *5.1.2 Avoidable payment of transportation charges due to incorrect measurement of the route*

**The Company did not verify the shortest route and transported coal from Tarmi Open Cast Project under Dhori area to Kargali Washery using longer route during the period July 1999 to July 2003 incurring avoidable expenditure of Rs.1.55 crore.**

Central Coalfields Limited (Company) awarded contracts during July 1999 to January 2003 in favour of M/s. Sarweshwari Enterprise for transportation of raw coal from Tarmi Open Cast Project (SDQ-3)[♣] under Dhori area to Kargali Washery bunkers for washing purposes. The length of the route was certified by the Management as 15.75 km without any indication whether it was the shortest route. During the currency of these contracts, 9.34 lakh MT[♦] of raw coal was transported till July 2003 at the contractual rate varying from Rs.49.25 *per* MT to Rs.55.85 *per* MT. In the meantime, in view of discrepancies in route distance, the Area Management constituted (May 2003) a Committee for re-measurement of distance between SDQ-3 and Kargali Washery. The Committee observed (June 2003) that the actual distance should be 13.45 km and 14.70 km depending upon the unloading bunkers at the washery. The Committee also noticed that a shorter mine road measuring 11.05 km passing across the mine could be used in the dry season when coal was lifted from the lower benches.

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[♣] ***Selected Dhori Query number three***

[♦] ***Metric Tonne***

In the light of the above facts, the Area Management foreclosed the existing contract and awarded (July 2003) fresh contracts in favour of M/s. Sarweshwari Enterprise and M/s. Rama Transport Company for transportation of coal through the shorter route at the rate of Rs.39.14 *per* MT. It was noticed in Audit (November/December 2005) that subsequently all transportation contracts for transportation of raw coal to Kargali Washery bunkers were awarded through the shorter route including those during rainy seasons. However, neither the Management initiated any action to fix responsibility on the officials responsible for approving the longer route earlier, nor could it recover the excess payment made for the transportation by the longer route. Incidentally, the same firm continued to transport coal to Kargali Washery.

Thus, due to incorrect certification of the distance, the Company had to sustain a loss of Rs.1.55 crore during the period July 1999 to July 2003.

The Management stated (April 2006) that *suo moto* constitution of area team for verifying the route distance was an indication that they were already cautious about ensuring correct route and billing. They further stated that by using the upper route (longer route) the Company had not incurred any loss by way of excess payment to the transporter as it was not possible to approach the upper part working of the coal seam through the lower route. It was also stated that lower route was followed when the coal was being lifted from the lower seam.

The reply of the Management was not based on facts because coal produced from lower seam (F grade) only had been transported to Kargali Washery. The coal produced from upper and middle seams (W-III and W-IV grade) was linked to Kathara and Sawang Washeries and Tarmi Siding road dispatches respectively. Therefore, transportation of F grade coal from lower seam of SDQ-3 to Kargali Washery should have been made through the lower (shorter) route during the period July 1999 to July 2003 as was being done subsequently.

The matter was reported to the Ministry in November 2006; reply was awaited (January 2007).

### *5.1.3 Avoidable loss of Rs.1.48 crore due to failure to replace defective meters*

**Central Coalfields Limited neither replaced defective energy meters nor reduced contract demand of its closed mines of Hendegir Colliery thereby making avoidable payment of Rs.1.48 crore on energy bills for the period August 2001 to August 2006.**

Hendegir Block in Hendegir colliery of Central Coalfields Limited (Company) received electricity supply against a contract demand (CD) of 300 KVA. The mining activities on this block were suspended in July 1999. Based on a reassessment of the load requirement to keep the suspended mine and machinery in order and also for upkeep of the civic amenities, the colliery management applied to the Jharkhand State Electricity Board (JSEB)[♣] for reduction of CD to 200 KVA (March 2003).

[♣] ***Erstwhile Bihar State Electricity Board***

It was noticed in Audit (November 2004) that the energy meter installed for recording consumption at the supply point was defective and JSEB had been raising energy bills since 2003 on an average reading calculated on three months' consumption when the meter was working and demand charges based on the maximum demand of 226.60 KVA. The Company took up the issue of replacement of defective meter with JSEB only in June 2001 and persued it subsequently in a routine manner. Thus, the billing continued to be on the basis of the average recorded during the period when the mines were being worked and the Company paid excess energy charges of Rs.40.91 lakh♦ for the period between August 2001 and August 2006 compared to what would have been paid on the basis of the maximum demand of 200 KVA.

Similarly, mining activities in South Karanpura block were also suspended in March 2002 and the Management applied for reduction in CD to 200 KVA from 400 KVA in May 2003. In this mine also the energy meter was defective since July 1993 and energy charges were being billed at the maximum demand of 750 KVA. Consequently, the Company paid Rs. 1.07 crore♥ towards unconsumed energy charges between April 2004 and August 2006.

It was also noticed that in spite of the advice of the Area Management (July 2003), the Hendegir Project Management neither applied to JSEB for reduction of the CD in the prescribed format till February 2006 nor did it initiate any action for replacement of energy meters. On this being pointed out in Audit, the Management finally submitted the application in the proper format with requisite fee in March 2006. In the meantime, the Company continued to pay energy bills (August 2006) on an average basis. Thus, avoidable payment worked out to Rs.1.48 crore from August 2001 to August 2006.

While confirming the facts and figures, the Management stated (April 2006) that JSEB had agreed to reduce the CD and that verbal assurance was given by JSEB for replacement of defective meters. The Management also stated (February/December 2005) that the Colliery was not closed permanently and only mining operations were suspended temporarily. As the mining operations could not be started even after one year, it was decided to reassess the CD keeping in view the bare minimum load required for lay off period of the mine and to avoid penalty on account of overdrawing of power.

The reply of the Management was not acceptable for the following reasons:

(i) It did not take up the matter of replacement of defective meters with the Electric Inspector of Government of Bihar/Jharkhand in accordance with subsection (6) of section 26 of the Indian Electricity Act, 1910.

(ii) Scrutiny of records revealed that the local Management was aware that there was no property in Hendegir underground mine for further economical development.

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♦*Calculated on the basis of amount paid at 226.60 KVA (average reading of maximum demand) and amount payable on CD of 200 KVA after allowing two years for reassessment of load requirement and notice period for reduction in CD after the date of closing of the mine*

♥*Calculated on the basis of amount paid at 750 KVA (average reading of maximum demand) and amount payable on CD of 200 KVA after allowing two years for reassessment of load requirement and notice period for reduction in CD after the date of closing of the mine*

Thus, there were no justifiable reasons for taking such a long time in intimating JSEB for revision of the CD in respect of Hendegir Block.

Thus, the Company incurred an avoidable expenditure of Rs.1.48 crore due to its failure to get the CD reduced and the defective meters replaced. Further, the Company would continue to incur loss at the rate of Rs.52.17♠ lakh per year till the defective meters are replaced even if the CD is reduced to the desired level.

The matter was reported to the Ministry in October 2006; reply was awaited (January 2007).

### *5.1.4 Avoidable payment of minimum guaranteed energy charges*

**The Company did not revise the option for computation of minimum guaranteed energy charges from monthly to yearly basis, resulting in avoidable payment of Rs.1.19 crore.**

As per Clause 6 of the Electricity Tariff of Damodar Valley Corporation (DVC), High Tension Supply consumers were to guarantee and pay minimum guaranteed energy (MGE) charges per month or *per annum* depending upon the option given by them. For this purpose, DVC invited option from the consumers from time to time. Central Coalfields Limited (Company) opted for paying MGE charges on monthly computation basis in respect of the supply of power to North Karanpura and Piparwar Areas from North Karanpura sub-station.

Audit scrutiny (January 2004) of records available from April 1999 onwards, revealed that generally the actual monthly energy consumption was lower than MGE charges computed on monthly basis during April to July every year (excepting 2001-02) due to the machines being under maintenance during this period. Therefore, between 1999-2000 and 2005-06, the Company paid energy charges of Rs.1.19 crore towards 75 lakh units of unconsumed energy being the difference of MGE charges calculated on monthly basis and the actual energy consumption during these months. A review by Audit of the annual energy consumption pattern during these years♦ revealed that had MGE charges being computed on annual basis, the actual consumption would be more and there would be no payment for unconsumed energy. The Company, however, did not analyse this pattern and continued to pay MGE charges on monthly basis instead of revising its option to annual basis which was advantageous to the Company.

On this being pointed out by Audit, the Area Management stated (March 2005) that the matter would be referred to the Head Office for change of option for computing MGE charges from monthly basis to yearly basis. The Management further stated (June 2006) that the option for minimum guaranteed energy charges on monthly basis had been converted to yearly basis from the month of April 2006. At the same time, they also

♠ ***Difference of the amount actually paid and payable during 2005-06 i.e. Rs.88.60 lakh minus Rs.36.43 lakh = Rs.52.17 lakh***

♦ ***The annual consumption during 1999-00 to 2005-06 was 9.48, 9.58, 10.31, 10.49, 10.55, 10.59 and 10.52 crore units whereas MGE available for consumption on annual basis was 8.95, 8.93, 9.45, 9.13, 9.84, 9.82 and 7.40 crore units in the corresponding years.***

stated that due to variation of maximum demand during last seven years, it was technically difficult to assess whether the option for MGE charges on monthly basis or yearly basis would be economically beneficial to the Company.

The reply of the Management was not tenable since the pattern of energy consumption over the years clearly indicated that computation of MGE charges per year was advantageous to the Company. On the same being pointed out in Audit, the Company changed its option. The belated action of the Management to change the option for computation of MGE charges from monthly to yearly basis resulted in an avoidable payment of Rs.1.19 crore.

The matter was reported to the Ministry in October 2006; reply was awaited (January 2007).

### *5.1.5 Avoidable payment of energy charges due to incorrect assessment of contract demand for an incomplete project*

**The Company did not reassess the power requirement before entering into agreement with Bihar State Electricity Board in respect of an Integrated Water Supply Project the commissioning of which was uncertain due to law and order problems. An avoidable payment of Rs.59.69 lakh was made towards Annual Minimum Guarantee demand and energy charges during 2000-01 to 2004-05.**

Central Coalfields Limited (Company) approved (May 1980) an Integrated Water Supply Project (Project) for supply of six million gallons of clean water per day at Kuju and Hazaribagh areas at a capital cost of Rs.8.07 crore. The project was scheduled to be commissioned in June 1988. The implementation of the project was delayed mainly due to non availability of land, change in location of intake point and alignment of the raw water rising mains. The cost of the project was revised in November 1993 to Rs.16.14 crore with the revised completion date as March 1994. During the implementation of the project, substantial part of infrastructure developed earlier was stolen. Complaints were lodged with the police about frequent theft of pipes, equipment *etc.* As the project could not be completed even as per the revised schedule, Audit brought to the notice of Management and the Ministry concerned (March 1999) the blocking of funds of Rs.13.50 crore in the project. The Management assured (August 1999) commissioning of the project by 2000-01.

Subsequent scrutiny of records in Audit revealed (June 2005) that completion of the project became uncertain (January 2000) in view of deterioration in the law and order situation. Meanwhile, alternative sources of water were developed in respect of coal projects like Parej East, Jharkhand, Topa, Pundi *etc.* which detracted from the necessity of the Integrated Water Project. Despite the above situation, the Company entered into an agreement with Bihar State Electricity Board (BSEB) in May 2000 for supply of power to the project by a 33 KV line with the contract demand (CD) of 1,500 KVA, as envisaged initially. Scrutiny of records of power consumption revealed that actual demand ranged between 24 KVA and 192 KVA and the consumption ranged between 162 KWH and 19653 KWH during the period August 2000 to June 2001. Jharkhand State Electricity

Board (JSEB)[♦] started billing for demand charges based on 75 *per cent* of contract demand from July 2001 in view of low demand. Thereafter, the meter became defective in August 2001 and JSEB started billing power consumption charges on an average basis.

In addition, bills were also raised by JSEB for payment of Annual Minimum Guarantee (AMG) charges amounting to Rs.1.83 crore for the years 2000-01 to 2003-04, of which Rs.39.81 lakh constituting 50 *per cent* of the AMG for the years 2000-01 and 2001-02 was paid. The Company made provision for the remaining liability during 2005-06. The power supply was completely stopped (January 2004) due to theft of conductor poles, wire *etc.* and had not been resumed so far (June 2006). The request of the Management (March 2002) for reduction of the CD to 500 KVA was not acceded to by JSEB as it was unable to supply less than 1,000 KVA power at 33 KV. The CD was reduced to 1,000 KVA in August 2003. However, the billing continued at the pre-revised CD upto June 2004.

Audit observed that the commissioning of the project had become uncertain due to large scale thefts of the laid pipes (more than 200 FIRs were lodged with the police prior to the year 2000) as a result of the deteriorating law and order problem and alternative water sources were already being tapped prior to 2000. The Management could have accordingly reviewed the contract demand, thus, avoiding the payment of excess energy charges of Rs.59.69 lakh[♣].

The Management stated (December 2005 and June 2006) that, in view of the power requirements of the electrical installations, agreement for 1,500 KVA was signed for a period of three years. It was also stated that substantial power was consumed in some months as trial run was carried out for testing the pipe line. The reply of the Management was not acceptable in view of the fact that the uncertainty in completing the project was already known in early 2000 before finalisation of the agreement of power supply. Thus, due to contracting demand for electricity much in excess of the requirement for an uncertain project, the Company incurred an avoidable expenditure of Rs.59.69 lakh.

The matter was reported to the Ministry in November 2006; reply was awaited (January 2007).

## Neyveli Lignite Corporation Limited

### *5.2.1 Avoidable expenditure due to selection of an ineligible bidder*

**Selection of an ineligible bidder for supply of conveyor standard shiftable frames resulted in avoidable expenditure of Rs.3.14 crore.**

Neyveli Lignite Corporation Limited (Company) issued (December 2002) a Notice Inviting Tender (NIT) for supply of 782 conveyor standard shiftable frames of 2,000 mm in five lots for replacement and expansion in Mine-II. The Pre-Qualification

[♦] ***Erstwhile BSEB***

[♣] ***Worked out on the basis of difference of AMG for 2000-01 and 2001-02 and demand charges already paid vis-a-vis payable considering CD of 500 KVA plus demand and energy charges paid for the period when there was no supply due to theft of conductor and poles***

Requirements (PQR) stipulated that the bidder should have previous experience in the fabrication and supply of structural items, should own machineries and furnish documentary evidence of previous purchase orders and work completion reports in support of having supplied the material in the past.

Out of nine offers received, three firms offered to supply only part quantity. The remaining six accepted the delivery schedule stipulated in the tender enquiry. The Tender Committee (TC) recommended opening of the price covers of all the nine firms on the condition that in case any of the three firms offering to supply only part quantity emerged as lowest bidder, order could be placed on more than one source to meet the delivery schedule.

M/s. Uma Fabricators (Supplier), one of the three firms that offered to supply part quantity, quoted the lowest rate of Rs.48,738 per frame. The supplier offered (January 2003) to supply 101 frames in five lots against the requirement of 782 frames. The Company placed (October 2003) order for 101 frames at a landed cost of Rs.48,738 per frame on the supplier and entered into negotiation with the L2 bidder for supply of the remaining quantity. As other short listed tenderers were not willing to supply at the L1 rate, the Company issued another NIT (November 2003) for supply of 681 frames. As none of the bidders satisfied the pre qualification requirement, technical conditions and delivery schedule, the Company had to issue yet another NIT (April 2004) and finally placed an order (December 2004) for supply of the remaining 681 frames on M/s. Perfect Engineering Works, Chennai at a landed cost of Rs.95,647 per frame.

Scrutiny in Audit (October 2005) revealed that Uma Fabricators had failed to supply the entire ordered quantity in time on an earlier occasion (February 2000) also. Against 341 frames ordered then, it could supply only 95 frames. In response to NIT of December 2002, the firm had neither offered the full quantity nor accepted the delivery schedule as such their offer should have been rejected. In fact in the instant case also, the supplier finally supplied only 61 frames against 101 ordered. Moreover, at the time of evaluation of initial bids in October 2003, the Management was aware of the rising trend in steel prices. Therefore, the offer of the supplier should have been rejected and instead the offer of M/s. Ministar Engineering, the L2 bidder, at a landed cost of Rs.49,512 per frame should have been considered as they were fulfilling all the tender conditions. Thus, consideration of bidders not meeting the pre qualification requirement led to a loss of Rs.3.14 crore on 681 frames finally ordered on M/s. Perfect Engineering Works.

The Management stated (May 2006) that they presumed that the part quantity offered was the capacity that the supplier could supply to the Company and price bid was opened with the condition of allocating the balance to the next lowest bidder, if it became L1. They further added that due to steep increase in steel prices in 2003-04, none of the bidders came forward to match L1 rates.

The Management's reply was not tenable as offer of the supplier should not have been considered due to deviation from the tender conditions with regard to quantity to be supplied and also knowledge of its poor performance in the recent past. The basic requirement regarding the supplier's capability to produce had not also been checked.

Thus, selection of ineligible bidder for procurement of conveyor standard shiftable frames resulted in an avoidable expenditure of Rs.3.14 crore.

The matter was reported to the Ministry in November 2006; reply was awaited (January 2007).

### *5.2.2 Avoidable expenditure on procurement of steel cord belts*

**By not combining two purchase orders for identical material, Neyveli Lignite Corporation Limited lost the opportunity to save Rs.3.05 crore.**

Neyveli Lignite Corporation Limited (Company) initiated (November 2003) a proposal for procurement of 7,848 metres of 2,400 mm steel cord belts for 2004-05. While processing the requirement, the Company was aware of the earlier procurement action for purchase of steel cord belts of the same specification in Tender No. 4029W (NIT of April 2003) for the indents raised in 2002-03. The said tender was for the supply of 6,663 metres of 2,400 mm steel cord belts for use in Mines I and II. The BOD, while discussing the recommendations of the Tender Committee (TC) on NIT 4,029W for placing purchase order (PO) decided (January 2004) to invite revised price bids from shortlisted firms as the price was found high. The revised bids were invited (January 2004) and PO was placed on M/s. Phoenix Yule (March 2004) at the lowest negotiated rate of Rs.19,065 per metre (landed cost Rs.23,000 per metre).

Around the same time, another NIT 4,032A for the purchase of 7,848 metres of steel cord belts for 2004-05 was issued (March 2004) and the PO was placed on M/s. IMAS, Greece (October 2004) at the rate of Euro 300 per metre (landed cost Rs.26,889 per metre).

It was observed in Audit (October 2005) that requirement under NIT 4032A for 2004-05 was known in November 2003 and, therefore, could have been combined with the pending purchase action for the requirement under NIT 4,029W of 2002-03 at the point of inviting revised price bids in January 2004. The designated firm M/s. Phoenix Yule could have supplied the entire quantity as in a subsequent procurement made in September 2005, the Company placed an order on it for 22,000 metres of 2,400 mm steel cord belts. Thus, by processing the requirements through two separate tenders for the same material, the Company paid Rs.36.43 crore instead of Rs.33.38 crore for purchase of 14,511 metres of steel cord belts and lost the opportunity to save Rs.3.05 crore.

The Management stated (April 2006) that there was a time gap of one year in respect of all activities involved in the two tenders and hence they could not be seen as tenders for the same period. The Management further stated that tenders could be combined only if they were at the same stage and that NIT 4,029W was processed for the requirements of 2002-03 whereas NIT 4,032A related to the requirements of 2004-05.

The reply was not tenable as the material procured was identical and due to delay, the procurement under NIT 4,029W overlapped the procurement action for the subsequent period. Further, the Company’s own Purchase Manual provided for clubbing of tenders so as to get the most competitive and best prices. Failure to combine the tenders resulted in avoidable expenditure of Rs.3.05 crore.

The matter was reported to the Ministry in November 2006; reply was awaited (January 2007).

## Western Coalfields Limited

### *5.3.1 Avoidable expenditure due to non-construction of loading bunkers/hoppers*

**The Company incurred avoidable expenditure of Rs. four crore due to non-construction of loading bunkers/hoppers.**

Western Coalfields Limited (Company) engaged private contractors for loading of coal by pay loaders into trucks from coal handling plant (CHP) at its Ukni, Neeljay and Chargaon Open Cast mines. The Company made proposals for construction of twin bunkers of 100 MT capacity each at Ukni (December 2001), Neeljay and Chargaon mines (July 2003) in order to load coal directly into trucks.

It was observed in Audit (January 2005) that the Company took inordinate time in finalising the proposals for installing the bunkers/hoppers in these mines due to various reasons such as finalisation of the technical specifications. This was despite the fact that the Chief Vigilance Officer (CVO) of the Company had cautioned (April 2003) that the private business of loading might be hurting the Company due to the loading of better quality of coal against payment for inferior quality and had advised the Company to take remedial measures.

After a great deal of correspondence between the Company and the CMPDIL[♦] (consultant of the Company), the latter submitted (August, September and October 2005) designs for modification of CHP by providing two overhead hoppers/bunkers of 100 MT capacity at the mines with an estimated capital requirement of Rs.6.21 crore. The proposal for Neeljay was approved by the Company in December 2005 and that for Ukni and Chargaon mines in February 2006.

As such, due to inordinate delay in construction of loading bunkers/hoppers, the system of hiring pay loaders from private parties continued. During 2003-04 to 2005-06, the Company paid a sum of Rs.8.57 crore to the private parties for loading 130.32 lakh MT coal, which could have been avoided if load bunkers/hoppers had been installed at the three mines.

In respect of delay in construction of bunkers/hoppers at Ukni mine, the Management stated (August 2006) that finalisation of the scheme was delayed due to the consideration of product parameters, feasibility of the case and issues relating to crushing of coal. The reply was not acceptable as the Company had taken an unduly long time of 51 months, 32 months and 30 months in finalisation of the schemes for Ukni, Chargaon and Neeljay mines respectively. Further, the Company had itself worked out a net saving of Rs.2.61 crore *per annum* on installation of load bunkers against the present system of loading through pay loaders.

[♦] ***Central Mine Planning and Design Institute Limited***

Thus, the Company could not derive the benefits of saving as anticipated and incurred avoidable expenditure of Rs. four[♥] crore due to non-construction of loading bunkers/hoppers for more than three years.

The matter was reported to the Ministry in November 2006; reply was awaited (January 2007).

[♥] ***The amount has been arrived at after deducting the estimated operating cost (Rs.4.57 crore) of the bunkers/hoppers during the period of three years from 2003-04 to-2005-06.***