

CHAPTER V: MINISTRY OF COAL

Bharat Coking Coal Limited

5.1.1 Loss of Rs.9.35 crore due to pilferage of raw coal in transit

The Company suffered a loss of Rs.9.35 crore due to pilferage of raw coal during transit from collieries to Bhojudih washery during the period 2003-04 to 2006-2007.

The Bhojudih washery of Bharat Coking Coal Limited (Company) received raw coal by rail from the collieries located within 20 to 25 kilometres (kms) for beneficiation (washing) of coal. The raw coal was transported by the Railways at owner's risk and weighment of coal rakes at the loading point was acceptable for all purposes. In case coal was not weighed at the loading point, weighment at the unloading point (washery end) was acceptable. No norm for transit and handling losses in transportation of coal had been prescribed by the Company or the holding company (Coal India Limited).

Audit scrutiny (December 2005/August 2007) of the records of Bhojudih washery relating to coal receipts for the years 2003-04 to 2006-2007, revealed that against the quantity of 1.82 MMT¹ raw coal despatched from Burragarh and C K East collieries, the washery actually received 1.71 MMT coal resulting in shortage of 0.11 MMT coal. The overall shortages in the dispatched quantity of coal during transit increased year after year from 4.72 per cent (2003-04) to 7.31 per cent (2005-06) with a marginal decrease to 6.12 per cent during 2006-07. Further, rake-wise analysis conducted by Audit revealed major shortages ranging between 8.01 per cent and 21.10 per cent in 112 rakes out of 331 rakes supplied during 2004-05. Similar trend continued during 2005-06 and 2006-07 as shortages varied from 8.05 per cent to 27.34 per cent in respect of 185 rakes out of 465 rakes supplied and 8.03 per cent to 22.84 per cent in respect of 124 rakes out of 349 rakes supplied respectively. As transportation of coal was at owner's risk, no claim could be lodged with the Railways. In the absence of any norm for normal transit shortages being fixed by the Management, based on the norm of three per cent as accepted by the Ministry of Steel, the abnormal loss of coal in transit worked out to Rs.9.35 crore² in respect of 59,163 MT³ over a period of four years ending March 2007.

In response the Company stated (September 2006) that there were no transit shortages and the difference was on account of the different methods of weighment at loading (static weighbridge) and unloading points (in motion weighbridge). The maximum permissible error limit for a rake was (plus/minus) one per cent though both types of weighbridges were duly calibrated and certified. The Management's reply was not tenable because shortages had always been on a higher side and therefore, possibility of en route pilferage of coal could not be ruled out. In fact transit shortages had been a matter of concern between the washery and the collieries from 2001 to 2005 as evidenced

¹ Million Metric Tonne

² Calculated on the basis of average cost of sale of raw coal during 2003-04 to 2006-07

³ Metric Tonne

from the regular exchange of correspondence. However, the issue was not analysed further and suitable action taken at the appropriate level.

The Management further informed (June 2007) that CISF* had been engaged since January 2006 to escort the rakes at vulnerable points towards receiving end and as a result considerable reduction in shortages was noticed during 2006-07. The Ministry, while endorsing the views of the Company, stated (August 2007) that the Management was in the process of strengthening escorting by deployment of additional CISF personnel. It was also stated that the matter was also taken up with the Railways to check the coal pilferage en route.

The reply of the Management and the Ministry was not satisfactory since the reduction in shortages from 7.31 *per cent* in 2005-06 to 6.12 *per cent* in 2006-07 had been marginal. The matter needs more comprehensive measures to bring down and control transit losses and norms fixed after a careful study to monitor receipts of dispatched quantities of raw coal from collieries to the washery, at a distance of maximum 25 kms.

Central Coalfields Limited

5.2.1 Loss of revenue due to shortfall in dispatch of raw coal to Gidi washery

The Company sustained a revenue loss of Rs.29.27 crore during the years 2003-04 to 2006-07 due to shortfall in dispatch of raw coal feed to Gidi washery from the linked mines, thereby foregoing the price advantage in supplying washed coal.

Gidi washery (washery) of Central Coalfields Limited (Company) is a non-coking coal washery with a capacity to wash 25 lakh MT of raw coal *per year* for supply to power houses. The washery is supplied raw coal from three non-coking coal mines *viz.*, Saunda D, Urimari and Parej East. While supply of raw coal to the washery was discontinued from Saunda D mine since 2003-04 due to fire in the mine and from Parej East since 2005-06 to avoid transportation over a long distance, Urimari mine continued to supply raw coal to the washery based on an annual linkage programme.

Audit scrutiny revealed (November 2005) that despite availability of sufficient quantity of raw coal at the linked collieries, the supply to the washery was fixed at 15 lakh MT during 2003-04 and 2004-05, 17 lakh MT during 2005-06 and 14.80 lakh MT during 2006-07 against the annual capacity of 25 lakh MT. Actual annual dispatches of coal from Urimari and Parej East mines were 10.42 lakh MT (2003-04), 8.21 lakh MT (2004-05), 7.31 lakh MT (2005-06) and 7.44 lakh MT (2006-07). No supplies were made from Parej East during 2005-06. Thus, there was shortfall in supply of raw coal by 4.58 lakh MT (30.53 *per cent*), 6.79 lakh MT (45.27 *per cent*), 9.69 lakh MT (57 *per cent*) and 7.36 lakh MT (50 *per cent*), totalling to 28.42 lakh MT, from the annual linked quantity of the washery during 2003-04, 2004-05, 2005-06 and 2006-07, respectively. It was also observed that during the same period Parej East and Urimari mines supplied 60.77 lakh MT coal directly to power houses without getting it washed. The Management did not review the shortfalls or initiate any concrete action to correct the same till 2005-06 when supply from Parej East was restored to in 2006-07.

* Central Industrial Security Force

An analysis of realisable sale price¹ in Audit revealed that it ranged between Rs.520 and Rs.650 *per* MT during the years 2003-04 to 2006-07 for raw coal directly supplied to the power houses. On the other hand, washed coal² fetched a price ranging between Rs.677 and Rs.850 during the same period. Taking into account all variable costs like additional transportation, stores, *etc.*, for routing the coal through the washery, there was a distinct price advantage in supplying washed coal to the power houses. The Company could have earned additional revenue to the extent of Rs.29.27 crore³ during the year 2003-04 to 2006-07 in case raw coal was not dispatched to the power houses directly without washing. Thus, despite specific directives to supply the annual linked quantity and price advantage on sale of coal after washing, there was direct supply of raw coal from the mines to the power houses.

The Management stated (June 2007) that long distance involved in respect of Parej East mine and perennial transport problems at Urimari mine were the contributory factors for shortfalls in dispatch of raw coal. It was also stated that there was no loss in dispatch of raw coal directly to power houses from the Urimari mine and the Company in fact had saved Rs.36.09 crore as the contribution earned by the Urimari mine by selling raw coal direct to power houses was more than the contribution earned at the washery by sale of washed coal to power houses.

The arguments of the Management were not acceptable since transportation of coal was controllable being an important activity in the coal sector and the fact that during 2006-07 a quantity of five lakh MT was linked from Parej East which could have been resorted to earlier also. Further, Management's contention that it had saved Rs.36.09 crore in direct dispatch of the raw coal to the power houses was based on incorrect analysis as while calculating the contribution earned at the washery, fixed cost of production at Urimari mine was considered; the same was not considered at the time of calculating contribution in respect of direct dispatches from Urimari mine. Thus, the comparison was based on unequal parameters. Dispatch of coal to the washery would have earned more revenue to the extent by Rs.29.27 crore by selling washed coal to the power houses at higher rates.

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

Coal India Limited

5.3.1 Short-recovery of burnt oil in subsidiaries of Coal India Limited

Recovery of burnt oil below the achievable level of 47.70 per cent by seven subsidiaries of Coal India Limited resulted in loss of revenue to the extent of Rs.55.30 crore during the period from 2002-03 to 2006-07. Moreover, spilling of toxic waste would cause irreparable damage to the environment.

¹ *Excluding royalty and Stowing Excise Duty*

² *Washed coal has higher sale price due to lower ash content*

³ *Worked out on the basis of differential realisable sale price per MT of raw coal and washed coal, reduced by variable cost per MT at Gidi washery, multiplied by shortfalls in dispatch of raw coal to Gidi washery*

Coal India Limited (CIL) is engaged in development and utilisation of coal reserves, the prime source of energy for the nation. It presently contributes about 85 *per cent* of the total coal production in India and operates through seven subsidiaries¹. Heavy earth moving machinery (HEMM) is significant to extraction of coal and the major HEMM commonly used by the subsidiaries for opencast efficient mining operations are dragline, shovel, dumper, dozer and drill. Lubricating oil (engine oil, transmission oil, hydraulic/compressor oil and other oils like gear oil, brake oil and transformer oil) is used in the engines of these equipments and is drained out during oil change and other maintenance activities after specified hours of operation. The drained out oil (burnt oil) has disposable value and all the subsidiaries of CIL sold it regularly except for ECL which uses the burnt oil for its internal consumption. Further, the used lubricant being a major water pollutant was classified (July 1989) as a hazardous waste by the Ministry of Environment and Forests (MOEF) and the Management is required to adhere to proper handling and disposal procedures.

In order to fix the norm for recovery of burnt oil, Mahanadi Coalfields Limited (MCL) conducted (March 2004) an Industrial Engineering Study (IED). As per the study, recovery levels from 47.70 *per cent* (minimum) to 59.20 *per cent* (maximum) were considered achievable with reference to total quantity of lubricants issued. The study also highlighted that the recovery of burnt oil was not satisfactory due to negligence and improper infrastructure and lack of norms, guidance, *etc.* The Western Coalfields Limited (WCL) also conducted (June 2004) a general study in this regard based on which much lower norms for recovery of burnt oil ranging between 21.16 *per cent* and 23.65 *per cent* were fixed based on the HEMM deployment in different projects. The remaining subsidiaries did not conduct any study on this aspect. It was noticed in Audit (August/September 2007) that of the seven subsidiaries, three subsidiaries (BCCL, ECL and SECL) did not fix any norm while in MCL, CCL and NCL, the norm for recovery of burnt oil was fixed at 50 and 55² *per cent*.

5.3.1.1 Variations in recovery of burnt oil

Review in Audit revealed (August/September 2007) that recovery of the burnt oil in all the subsidiaries was far below the norms fixed by four subsidiaries including the low norms adopted by WCL during 2002-03 to 2006-07 as evident from the following table:

¹ Northern Coalfields Limited (NCL), Mahanadi Coalfields Limited (MCL), Eastern Coalfields Limited (ECL), Bharat Coking Coal Limited (BCCL), Central Coalfields Limited (CCL), Western Coalfields Limited (WCL), South Eastern Coalfields Limited (SECL) are the coal producing subsidiaries of Coal India Limited.

² MCL 50 *per cent* (2004-05) and 55 *per cent* (2005-06), NCL and CCL 50 *per cent*

(Quantity in lakh litre and recovery in per cent)

| Particulars | NCL | MCL | SECL | ECL | WCL | CCL | BCCL | OVERALL |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2002-03 | | | | | | | | |
| Lub. oil issued | 51.74 | 17.49 | 32.28 | 22.51 | 50.38 | 29.85 | 20.63 | 224.88 |
| Used oil recovered | 14.84 | 2.46 | 5.42 | 1.95 | 3.65 | 4.16 | 0.64 | 33.12 |
| Recovery | 28.68 | 14.07 | 16.79 | 8.66 | 7.24 | 13.94 | 3.10 | 14.73 |
| 2003-04 | | | | | | | | |
| Lub. oil issued | 55.42 | 21.91 | 33.36 | 22.73 | 54.83 | 29.99 | 20.52 | 238.76 |
| Used oil recovered | 16.28 | 2.41 | 6.40 | 2.20 | 3.74 | 2.49 | 0.92 | 34.44 |
| Recovery | 29.38 | 11.00 | 19.18 | 9.68 | 6.82 | 8.30 | 4.48 | 14.42 |
| 2004-05 | | | | | | | | |
| Lub. oil issued | 55.88 | 20.90 | 33.60 | 23.65 | 58.83 | 32.54 | 26.35 | 251.75 |
| Used oil recovered | 18.72 | 2.71 | 6.84 | 2.31 | 4.48 | 2.06 | 1.11 | 38.23 |
| Recovery | 33.50 | 12.97 | 20.36 | 9.77 | 7.62 | 6.33 | 4.21 | 15.19 |
| 2005-06 | | | | | | | | |
| Lub. oil issued | 56.94 | 20.41 | 33.98 | 22.61 | 56.30 | 32.31 | 24.37 | 246.92 |
| Used oil recovered | 18.92 | 3.35 | 6.40 | 2.52 | 5.29 | 1.83 | 1.64 | 39.95 |
| Recovery | 33.23 | 16.41 | 18.83 | 11.15 | 9.40 | 5.66 | 6.73 | 16.18 |
| 2006-07 | | | | | | | | |
| Lub. oil issued | 58.18 | 18.80 | 31.69 | 20.03 | 54.75 | 31.08 | 21.26 | 235.79 |
| Used oil recovered | 19.58 | 3.67 | 5.41 | 2.87 | 6.21 | 1.39 | 2.35 | 41.48 |
| Recovery | 33.65 | 19.52 | 17.07 | 14.33 | 11.34 | 4.47 | 11.05 | 17.59 |

It would be seen from the above table that the overall recovery position of burnt oil in seven subsidiaries ranged from 14.42 per cent in 2003-04 to 17.59 per cent in 2006-07 against the achievable norm of 47.70 per cent determined by MCL as a result of an engineering study. Among the subsidiaries, recovery was lowest in BCCL ranging between 3.10 per cent and 6.73 per cent during 2002-03 to 2005-06 though it increased to 11.05 per cent in 2006-07. Recovery of burnt oil was highest in NCL which varied from 28.68 per cent to 33.65 per cent during the period reviewed in Audit. Taken in totality, it was noticed (August/September 2007) that during the years 2002-03 to 2006-07, against the total lubricant oil issued (1,198.10 lakh litre) in respect of the seven subsidiaries, recovery (187.22 lakh litre) of burnt oil actually was only 15.62 per cent; a recovery factor which was significantly low in comparison to the minimum achievable norm of 47.70 per cent (571.49 lakh litre) as per the IED study conducted by MCL.

Thus, there was shortfall in recovery to the extent of 384.27 lakh litre involving a loss of Rs.55.30 crore during 2002-03 to 2006-07 based on the average disposal value of the burnt oil.

5.3.1.2 Factors contributing towards low recovery

Subsidiaries considered hydraulic equipments (like excavator and shovel) as the major cause for loss of oil due to leakage. A study conducted by WCL determined the recovery factor of hydraulic oil from 17.44 *per cent* to 18.98 *per cent*, while achievable recovery was considered as 20.30 *per cent* by MCL. In the absence of detailed records, the category wise recovery of burnt oil actually made by the subsidiaries could not be ascertained in Audit. Based on the information made available by the subsidiaries for the period 2002-03 to 2006-07, NCL's recovery rate for hydraulic oil was as high as 39.77 *per cent* (2006-07) in respect of its Jhingurda project and MCL achieved a recovery rate of 23.71 *per cent* (2003-04) in respect of Samaleswari project. WCL however, could recover only two to three *per cent* in respect of Wani North Area. This indicated that higher rate of recovery was possible in respect of hydraulic oil.

The other reasons given for poor recovery of burnt oil by various subsidiaries were as under:

- (i) drainage of oil caused by sudden rupture of hose assembly and 'O' rings of the running machines;
- (ii) wastage during change of failed components;
- (iii) lack of proper drainage facility; and
- (iv) inadequate storage facility.

The records of the subsidiaries were examined in Audit to further analyse the factors contributing towards poor recovery of burnt oil and the measures that could possibly be taken to improve its recovery. The results of examination are summarised below:

- (i) To check drainage of burnt oil due to failure of hose assembly, seals 'O' rings, *etc.*, of the running machines, the subsidiaries were required to set systems and controls for maintaining safety stock for parts, vigilant inspection of hoses, procurement of good quality/genuine parts, and proper supervision to check incidences of hose failure. It was noticed in Audit that there was no supervision in the second and night shifts to check incidences of failure of hose/'O' ring/other parts in WCL. In addition, WCL suffered from lack of safety stock of these items at its units/regional stores.
- (ii) In most of the cases reviewed, open cast projects (OCPs) were not adequately equipped with mechanical devices like wheel mounted trolley with pump and mechanical telescopic connecting funnel (MTCF) for draining out burnt oil. In WCL and ECL, of 36 and 17 OCPs, respectively such types of devices were available in only two OCPs each of WCL (Ukni and Niljai) and ECL (Sonapur Bazari and Rajmahal); wheel mounted trolleys were available in only five big projects of the total 37 projects of CCL and no project was equipped with MTCF for draining out burnt oil. NCL was equipped with wheel mounted trolley for collecting drained burnt oil leading to better recovery of burnt oil. Thus, lack of suitable equipments adversely affected recovery of burnt oil.

- (iii) Lack of infrastructure like underground storage tanks and portable oil trolleys for collection and storage of burnt oil were also factors responsible for low recovery of burnt oil. In WCL, underground storage sump for collection of burnt oil was available only at Sasti, Ukni, Niljai and New Majri projects and in 32¹ projects burnt oil was kept in barrels. In CCL wear and tear of drums used for storage at project level was noticed in Audit. Lack of proper storage facility was also noticed at Sharda and Baiga projects of the 11² projects of SECL reviewed on collection of information.
- (iv) Theft, spillage, mis-handling, negligence, *etc.*, also contributed to low recovery of burnt oil. In SECL (Dhanpur OCP), 38 cases were registered for theft of 7,660 litre lubricating oil during 2004-05 to 2006-07. Instance of theft were also noticed in WCL (Umred area) during April 2006.
- (v) In WCL lack of awareness regarding importance of recovery of burnt oil among workers was also noticed.

5.3.1.3 Environmental considerations

Hazardous Waste (Management and Handling) Rules, 1989 (Section 9) require maintenance of records for collection, receipt, treatment, transport, storage and disposal of hazardous waste. It was noticed in Audit that ECL Management was not aware of the MOEF notifications while BCCL stated that the MOEF notifications were yet to be complied with. The leakage of used lubricants into the environment cause land contamination leading to water pollution. No subsidiary had carried out any study on the extent of leakage of used lubricant into the environment and its impact. As such environmental implications could not be ascertained. No action had been taken by any of the subsidiaries to arrest the harmful impact of burnt oil on the environment except CCL and NCL where oil and grease treatment plants and affluent treatment plants had been constructed at workshops.

5.3.1.4 Conclusion and recommendations

From the foregoing paragraphs, it is evident that overall recovery of burnt oil had been poor with significant variance across different subsidiaries of CIL having almost identical topography³ and climatic condition⁴ and using similar types of HEMM. The reasons to which under recovery was attributed were largely controllable by creating infrastructural facilities, effective monitoring, adopting preventive measures, ensuring adequate awareness. There was also a need to adopt measures and establish treatment plants to mitigate risk to environment from hazardous waste.

¹ Ballarpur, N Dhoptala, Gauri-I, Gauri-II, Pauni, Bhatadi, Durgapur, H Lalpeth, Padmapur, Chargaon, Dhorwasa, Navin Kunada, Telwasa, N Majri-SEC-A, Gondegaon, Kamptee, Junad, Kolarpimpri, Pimpalgaon, Umrer Extn, Umrer, Naigaon, Ghugus, Mungoli, KDL Gaon, Neeljai (S), N Sethia, Chhnda, Shivpuri-R, Bhajpani, Barkui and Ghorawari-2.

² Sharda, Amlai, Dhanpuri, Baga, Kurasia, Chirimiri, Rajnagar, Jamuna, Dipka, Manikpur and Gevra

³ Undulating – hilly rugged (NCL), 100-1,000 metre above sea level (MCL), gently undulating 298-550 metre above the mean sea level (SECL), rough terrain (WCL)

⁴ Maximum temperature 48^o C (NCL), 50^o C (MCL), 48^o C (SECL), 49^o C (WCL)

The matter was reported to the Management and the Ministry in September 2007; replies were awaited (November 2007).

Mahanadi Coalfields Limited

5.4.1 Non-recovery of actual transportation charges

The Company charged lower rates of transportation of coal from customers resulting in short-recovery of Rs.3.67 crore in Hingula area during the period from 2002-03 to 2006-07.

According to the coal price notification effective from February 2001, coal companies were to charge transportation cost at the rate of Rs.30 *per* MT for distance of more than 3 but upto 10 kms and at the rate of Rs.50 *per* MT for distance of more than 10 but upto 20 kms for carrying coal from colliery to railway siding. In case, the distance exceeded 20 kms, the actual transportation cost was to be recovered from the customers.

The Hingula Area of Mahanadi Coalfields Limited (Company) did not have its own railway siding and coal produced by the surface miner at the Hingula open cast project (OCP) was transported, for dispatch to customers, to railway sidings at Jagannath or Bharatpur at a distance of 20 to 24 kms and 15 to 17 kms, respectively. Considering the poor off take of coal by the customers due to production of lower (F) grade coal at Hingula OCP and its higher transportation charges, the Management of the Company approached the Board of Directors (BOD) with a proposal to exempt customers from recovery of actual transportation charges beyond 20 kms distance as contemplated in the price notification as a strategic marketing policy. The BOD approved (August 2002) the proposal, stating that this could be applied in those cases where distance from surface of the quarry to the railway siding was upto a maximum of 20 kms. The transportation cost from face of the quarry to the surface of the quarry was to be borne by the Company.

Audit scrutiny revealed (March 2006) that though the distance from surface of the quarry to the railway siding exceeded 20 kms at the Hingula OCP, the Company recovered Rs.50 *per* MT instead of recovering actual transportation charges during the period from 2002-03 to 2006-07 for transporting 17.34 lakh MT coal. The Company recovered Rs.8.67 crore during the above period against the actual transportation charges of Rs.12.34 crore which was in contravention of the BOD decision and thereby sustained a loss of Rs.3.67 crore. It was also observed that this concession had an impact on the sale only in 2003-04 when it increased from 5.61 lakh MT in 2002-03 to 11.41 lakh MT in 2003-04. During 2004-05 no supplies were made beyond the 20 kms limit and coal transported during 2005-06 and 2006-07 was 27,274 MT and 5,180 MT, respectively, which was not substantial. Thus, there was no material impact of this concession from 2004-05 onwards. The matter was reported to the Management in March 2006.

The Management accepted (June 2007) the Audit viewpoint and stated (October 2007) that supplementary bills had been raised against the customers for recovery of the balance amount.

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

Neyveli Lignite Corporation Limited

5.5.1 Avoidable expenditure due to re-tendering

Neyveli Lignite Corporation Limited resorted to re-tendering for design, supply, erection and commissioning of a sub-station despite the Tender Committee's recommendations to place the order on the lowest bidder against the original tender. This resulted in an avoidable expenditure of Rs.3.55 crore.

Neyveli Lignite Corporation Limited (Company) floated (January 2005) a Press Tender Enquiry (PTE) for supply and erection of 120 MVA Sub-station for Mine-II Expansion at an estimated cost of Rs.16 crore (base April 2003). Four firms responded and based on techno commercial conditions, two firms were finally short-listed (September 2005). The negotiated evaluated cost quoted by the two short-listed firms viz., M/s. Larsen & Toubro Limited (L&T) and M/s. Siemens was Rs.25.28 crore and Rs.29.73 crore, respectively.

In April 2005 the Company updated the cost estimates to Rs.22.13 crore against the original estimates of Rs.16 crore. As such the evaluated site cost of M/s. L&T was 58.02 *per cent* and 14.26 *per cent* higher than the original estimated cost and the updated estimates, respectively. The Tender Committee in its deliberations noted that the prices had further increased between April 2005 and August 2005 and a re-tender might result in higher prices. Tender Committee also noted that the cost of transformers had increased by Rs.2.29 crore after estimates were updated in April 2005 and if this increase was also considered the evaluated site cost of lowest bidder was only three *per cent* higher than the updated cost (Rs.24.42 crore). It, therefore, recommended (September 2005) placing the order on M/s. L&T (L1) at the evaluated site cost of Rs.25.28 crore. The Board of Directors of the Company however, ignored the advice of the Tender Committee and decided (October 2005) to invite fresh tenders.

Limited tender enquiry (re-tender) was issued (November 2005) only to the four firms that had responded to the previous PTE. The Company again updated (December 2005) the cost estimates, which worked out to Rs.27.22 crore. Tender Committee recommended (February 2006) placing the order on M/s. Siemens (L1) at a negotiated evaluated site cost of Rs.28.83 crore, which was higher by 5.93 *per cent* than the last updated estimated cost (December 2005) of Rs.27.22 crore. The order was placed on M/s. Siemens at an aggregated cost of Rs.28.83 crore in March 2006. Thus, the Company's decision to re-tender resulted in an additional expenditure of Rs.3.55 crore.

The Management replied (April 2007) that re-tendering was resorted to as the lowest quoted price was 58.02 *per cent* higher than the estimated cost of Rs.16 crore and 14.26 *per cent* higher when compared with the updated estimates of Rs.22.13 crore. They further stated that bids in the re-tender may increase or decrease depending upon the market conditions and competition.

The reply of the Company was not tenable as the updated estimates indicated an upward trend in prices as noted by the Tender Committee whose recommendations were ignored by the Board. Moreover, competition was limited as the re-tendering was to the same set of firms who had responded initially. Further, the evaluated site cost of Rs.28.83 crore of M/s. Siemens was 30.28 *per cent* higher than the updated estimates of Rs.22.13 crore

(April 2005) as compared to earlier evaluated site cost of Rs.25.28 crore of M/s. L&T, which was only 14.26 *per cent* higher.

Thus, the Company's decision to re-tender against the Tender Committee's recommendations resulted in an avoidable expenditure of Rs.3.55 crore.

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