CAG pulls up Hindustan Copper on performance shortfall; Mines Ministry says 'issues addressed'

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The CAG has pulled up Hindustan Copper Ltd, a CPSE under the Ministry of Mines, for shortfall in performance. It has pointed to failure to take-up "any greenfield exploration in the last three decades", slowdown in production and delay in submitting expansion plans.

The report was presented before Parliament earlier this week. A Mines Ministry official told *businessline* that the Ministry was aware of the observations and corrective action had already been taken. "A reply was submitted timely to the CAG for closure," the official said.

Hindustan Copper is the only copper mining company in the country, having access to approximately 80 per cent of India's reserves.

The report mentions that there has been a shift in business strategy from sale of refined copper to sale of copper concentrate.

Audit observed that HCL did not take up any greenfield exploration in the last three decades. Also, Brownfield exploration activities "were deficient" and HCL had not yet completed lateral and depth exploration of its existing mines in prescribed time.

Since 2010, there were eight applications for greenfield exploration, which had was approved by the Ministry.

In its reply, the Mines Ministry said, GSI, IBM & MECL do the mapping on regional scale and after initial studies they define deposits. Post discovery of Malanjkhand copper deposit in 1966, no economically viable deposits, in terms of grade and volume has been reported by GSI or other agencies.

The Ministry response mentioned, due to financial condition of HCL, the Budget for exploration was limited till FY22. However subsequently the exploration budget has been increased to ₹50 crore -₹60 crore

PRODUCTION PLANS

The audit report notes that HCL planned to increase its mining capacity from 3.39 million tonnes per annum (mtpa) to 12.20 mtpa by FY17. But the increase was just to the tune of 5.20 mtpa "mainly due to multiple lapses by the management in areas of planning, execution and monitoring."

"Lack of development of Khetri Phase-II compelled the management to undertake activities which would cause avoidable expenditure of approximately ₹139.55 crore," it said.

"The decision of the Management to award the work order for development of underground mines at Malanjkhand for ₹1,176.12 crore to a blacklisted contractor with strained financial condition was not prudent. Only 50 per cent of the work was completed after spending ₹606.83 crore (excluding escalation) and further ₹1,107.73 crore was required to complete the remaining work.

The expected cost escalation of the project stood at ₹538.44 crore," the report noted.

HARD CONDITIONS

In reply, the Mines Ministry said, the faults, folds, dyke, joints and fissures and various other geological features are different geo-mining conditions and it is difficult to predict the exact extent of the same in any underground mine.

"The contract could not be completed in due course of time due to extreme bad ground and faulty plane encountered, which was beyond the control of HCL," it said adding that as an alternative plan conceived in 2020 (and vetted by IIIT Kharagpur), - through track to trackless mining - contract was already awarded in September 2022.

CVC GUIDELINES

On appointment of the alleged blacklisted contractor, the Mines Ministry clarified that Request for Qualification for shortlisting of bidders were carried out. And HCL had framed financial eligibility criteria "as per the CVC guidelines dated December 17, 2020". "Howerver, HCL has incorporated various other financial eligibility criteria like positive net worth, bid capacity, etc in the subsequent tenders," it stated.