

## EXCERPTS FROM PERFORMANCE AUDIT REPORT ON MINISTRY OF STEEL

### MAJOR FINDINGS OF TRANSACTION AUDIT OF SAIL

- ❑ The Company increased/extended the limit of unsecured credit to two private parties without verifying their creditworthiness and ignoring the evaluation by Credit Rating and Monitoring Cell of the Company, which resulted in non realisation of Rs 14.55 crore.
- ❑ Due to not carrying out the scheduled overhaul of Air Separation Unit, the Company had to incur an extra expenditure of Rs.7.93 crore on purchase of oxygen from outside source.
- ❑ The Company issued cheques to Railways without ensuring adequacy of funds with the banks, which resulted in their dishonour and avoidable payment of surcharge of Rs.15.46 crore.
- ❑ Improper planning in installation of de-dusting system at Bokaro Steel Plant resulted in rendering an investment of Rs.4.92 crore as idle and infructuous.
- ❑ Shifting of two furnaces from Visvesvaraya Iron and Steel Plant to Bokaro Steel Plant without evaluating the techno-economic viability of the project resulted in loss of Rs.2.98 crore to the Company.
- ❑ The Company procured bearings from a private party at higher rates resulting in undue favour to that party involving extra expenditure of Rs. 1.65 crore.
- ❑ Due to short utilisation of in-house capacity of wheel and axle plant of Durgapur Steel Plant and getting the machining jobs done through outside agencies, the Company suffered a loss of Rs.9.30 crore.
- ❑ The Company suffered a loss of Rs.92.76 lakh on procurement of Ladle additive compound due to placing the repeat orders on a private firm without following the tender procedure.
- ❑ Due to switchover from using the limestone of Company's own captive mine at Kuteshwar to limestone purchased from Jaisalmer, the Company suffered a loss of Rs.37.32 crore during 2000-01 and 2001-02.
- ❑ Computerised Combustion Control System installed at Bokaro Steel Plant at the cost of Rs.7.08 crore is lying idle due to non rectification of defects by the supplier.
- ❑ Salem Steel Plant extended unsecured credit (March/April 2000) to M/s Master Strips Private Ltd., Bangalore in violation of credit policy of the Company which resulted in non-recovery of dues of Rs.3.97 crore.
- ❑ Salem Steel Plant extended unsecured credit during December 1999 to April 2000 to M/s Sahil Steel Tubes Private Ltd., Bangalore on the strength of corporate guarantee and post dated cheques without verifying the creditworthiness of the customer. This resulted in non-recovery of dues amounting to Rs.1.98 crore.

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Commercial

### REVIEW ON WORKING OF MECON LTD.

- ❑ MECON Ltd. was incorporated in May 1978 as Metallurgical and Engineering Consultants (India) Ltd. with the main objective to help the development of iron and steel industries in the Public Sector and later on diversified its activities to emerge as a multi-disciplinary agency providing complete engineering, procurement and construction services. The Company is functioning without Chairman-cum-Managing Director since February 2002 and without Director (Finance) since inception.
- ❑ The Company had suffered losses during all the five years ending 31 March 2003.

- ❑ The Company lost several bids due to wrong calculation in estimates and quoting of high rates. It could secure only 38.83 per cent and 35.29 per cent of consultancy and supply jobs respectively. Even in execution of jobs, the Company suffered loss of Rs.102.91 crore in consultancy jobs and Rs.48.95 crore in supply jobs during five years ending 31 March 2003.
- ❑ The Company diversified (1983) its activities to non-steel sector also but it had suffered loss of Rs.74.70 crore during five years ending 31 March 2003 in execution of these jobs.

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#### **REVIEW ON OFF-LOADING OF CONTRACTS BY HINDUSTAN STEELWORKS CONSTRUCTION LTD.**

- ❑ Hindustan Steelworks Construction Ltd. (Company) was incorporated in June 1964 as a wholly owned Government Company with main objective of creating indigenous capacity and capability for construction of steel plants in the country. The Company had suffered losses during all the five years ending 31 March 2003. Accumulated loss of the Company as on 31 March 2003 was Rs.982.54 crore.
- ❑ Though the Company was incorporated mainly for construction of steel plants, it could not secure sufficient jobs from steel plants and the Company had taken up the works in other areas of civil works etc. The orders secured from steel plants ranged between 16.6 per cent and 29.9 per cent of the total orders secured by the Company even though the manpower for steel plants was in the range of 81.3 per cent to 86.7 per cent. The management had not taken any action for redeployment of the workforce.
- ❑ For execution of works secured by the Company, 91.6 to 93.4 per cent of the works were got executed through contractors/piece rate workers and only a small portion of the work was executed departmentally. The works were awarded to private parties on single tender basis and open tender system was adopted for awarding the contracts only in ltd. cases.

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#### **RASHTRIYA ISPAT NIGAM LTD.**

- ❑ RINL incurred avoidable payment of surcharge of Rs.1.67 crore due to its failure to maintain correct power factor.
- ❑ RINL paid avoidable penal levy of Rs. one crore in March 2000 towards compensatory afforestation charges in violation of Forest Conservation Act.

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#### **MSTC LTD.**

- ❑ Decision of MSTC to sell material to a loss making State Government Company on credit in April 1997 without any financial guarantee led to a loss due to non recovery of sale consideration and interest amounting to Rs.8.49 crore.

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#### **KUDREMU KH IRON ORE COMPANY LTD.**

- ❑ The Company incurred an infructuous expenditure of Rs.1.42 crore on creation of excess storage capacity besides avoidable payment of Rs. 96.46 lakh towards service charges to Indian Oil Corporation Ltd. due to delay in completion of storage tank.

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