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4	Chapter II (Report No. CA-.23 of 2009-10) Para 2.7.1	Implementation of CoalNet Implementation of Phase-I of the CoalNet project was scheduled to be completed by July 2002, which was later extended to March 2003 and then December 2004. Phase-II was to be completed by March 2005, but later extended to March 2006. It was noticed that (i) As per Work Order, under Phase-1, 13 modules were to be implemented in each of the subsidiaries and the Company Hqr. aggregating to 117 modules. But only 21 Modules' were implemented as in April 2008. In spite of this, an amount of Rs. 6.55 crore was paid to IIT for implementation of Phase-1 against total contracted amount of Rs.8.95 crore for Phase-I; and. (ii) Out of ten modules to be installed in 36 areas of different subsidiaries under Phase-11 only the MMS Module was implemented in eight stores of	(i) As per Work Order under phase-I , 13 modules (inclusive of B2B Portal and MOC Reports) were to be implemented at CIL HQ and those Subsidiary Hqs who opt for implementation for total package or part their of (ref.clause1 annex-D of the work order). CMPDI opted for 3 modules, WCL for 5 modules, NCL for 6 modules and ECL for 7 modules whereas BCCL, CCL and MCL opted for implementation of all the modules. Thus, the total modules for implementation at CIL Hq and subsidiary Hqs works out to 73 (ie 13x4 +3+5+6+7) and not 13 modules X 9 locations, which comes to 117modules. Out of 73 modules, 72 modules were implemented.(ref annex-A). Thus, payment as observed, was not made only for implementation of 21 modules. . However CoalNet being an integrated packages all the modules were available at locations while it was implemented. Besides MMS implementation at eight stores of CCL, MMS, Sales, Finance and Production modules were also implemented at 8 locations of BCCL as on Oct.2006. ECL had 2 locations only in which 9 modules and 3 modules respectively were implemented as on Oct. 2006. In MCL it was at different stages of implementation at 3 sites out of 10, as on Nov.2007 (i) There was no delay in procurement of Oracle as back end database, as observed. It was procured along with server. (ii) The software was primarily designed for CIL Hq. with its scalability up to colliery/ project level. During implementation at subsidiary level customization followed by

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		CCL though an amount of Rs 4.11crore was paid to IIT as on March 2008. The reasons for the delays are as follows: i. Though the work order for Phase I was placed on July 3, 2001, the Company took 17 months in selection of back-end database for CoalNet as Oracle. The actual work of implementation in subsidiaries started between October 2003 and September 2004 only. ii. The software was not thoroughly tested before implementation at the site which resulted in number of bugs in the software. Further, frequent changes of personnel in IIT team hindered the process of implementation. In absence of any provision in the Work Order the company could not enforce IIT to deploy manpower on continuous basis. iii. According to Clause 14 of the work order dated 3 July 2001 placed on IIT, User Training and Maintenance Training would have to be imparted. But it was noticed in audit that no training was provided in MCL, WCL and CCL. iv. No effective mechanism was developed to monitor and supervise the development and implementation of different milestones of the project either at Company headquarters or at subsidiary company. In ECL non-availability of servers delayed the implementation. In NCL, no bridging	testing was done at respective subsidiaries before live run. Work order had provision for manpower deployment and IIT was always forced to deploy manpower on continuous basis. (iii) Hands on training was conducted by IIT. (iv) Nodal Managers for various modules were nominated by each user departments, who interacted with IIT during study, development and implementation stages. Progress on the project was reviewed in regular/monthly GM (Systems) meeting followed by review in CMDs' meet. The different mile stones were constantly reviewed by respective GM (Systems). For NCL's bridge programme, IIT was informed to develop for interface with IBS. At WCL, IIT withdrew support in June, 2007 and left without handing over any support documents. WAN connectivity between Area to HQ to BCCL has been introduced. WAN at BCCL has been implemented. Due to withdrawal of IIT support integration of the system between stores could not be done.

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		programme was developed to make their ERP solution (IBS) compatible with CoalNet In WCL, CoalNet became non-functional in July 2007 due to crash of application server because accepted standard procedure was not being followed for back up of data. It was also noticed that due to non-implementation of WAN connectivity among the areas under CoalNet Phase-II, stores worth Rs. 17.21 lakh lying for more than five years as on 31 March 2008 at Lodna area of BCCL could not be utilised by other areas needing these and while Katras Area of BCCL purchased the same.	
5	3.1.1(Report No.CA.24 of 2009-10)	The Eastern Coalfields Limited sold coal to the units of NTPC below the notified grade price under Coal Supply Agreement and sustained a loss of Rs. 136.63 crore during the last three years till March, 2008. In addition, terms and conditions of the agreement were not reviewed after a period of five years as contemplated in the agreement to arrest the loss.	ATN furnished by ECL was found unsatisfactory and incomplete. GM(IA)/Actg., ECL was again requested on 04.02.2010 followed by a reminder dated 23.02.2010 to furnish ATN immediately. Reply from ECL is awaited.
6	3.1.2((Report No.CA.24 of 2009-10)	ECL Management stopped dispatch of steam coal from different collieries and sold the same as ROM coal and thereby sustained a loss of Rs. 1.65 crore, though the instruction issued by the Ministry of Coal for dispatch of	ATN furnished by ECL was found unsatisfactory and incomplete. GM(IA)/Actg., ECL was again requested on 04.02.2010 followed by a reminder dated 23.02.2010 to furnish ATN immediately. Reply from ECL is awaited.

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		cent percent crushed coal by 31st March, 2005 to the consumers did not contain any direction to stop supply to steam coal.	
7	3.2.1(Report No.CA.24 of 2009-10)	The Board of Directors (Board) of the Neyveli Lignite Corporation Limited (company) approved (July 2001) replacement of 8000 ton per hour (TPH) spreader and tripper (S&T) with 11000 TPH S&T at an estimated cost of Rs.34.68 crore and Rs.13.54 crore respectively to match the capacity of the rejuvenated bucket wheel excavators(BWE) in the bottom bench of Mine I. The Board directed the Company not to maintain separated inventory of spares as the Company had five such S&T. The company issued (May2004/June2005)a letter of award (LOA) to M/s MANTAKEAF Fordertechnik GmbH, Germany and M/s Thyssenkrupp Industries (I) Private Limited, Pune for design. manufacture , supply, erection and commissioning of spreader for Rs.40.51 crore and tripper for Rs.30.52 crore including spares for Rs.5.35 crore and Rs.5.10crore respectively. The spreader including its spares was taken over in August 2007 at the landed cost of Rs.45.83 crore. The erection of tripper was in progress (August 2007).	Since the Bottom bench spreader and tripper became aged and was due for replacement, it was proposed to go for replacement. While doing so taking into consideration the interchangeability of spares and standardization it was decided to replace spreader of higher capacity similar to other five spreaders which will meet the requirement of both operational and maintenance needs. In 1983, the theoretical capacity fixed by HRC (Hanumantha Rao Committee) was 3693TPH.However for the new generation 700 L Bucket Wheel Excavators the theoretical capacity of 2730 M3 per hour has been designed which works out to 5460 TPH. If two excavators work on the theoretical capacity for a few minutes , and if the strata condition is favourable it may give rise to spurt load which may damage the conveyors, spreader and tripper if it is not properly designed. Hence 11,000 T per hour spreader and tripper has been proposed to handle above such bottom bench excavation. With regard to procurement of spares, it is submitted that : a) All the spares available for the other 11000 TPH spreaders can not be used for this spreader on one to one basis except certain standardized spares such as idlers, track components, lubrication system components etc., b)Regarding procurement of spares for tripper for bottom bench of Mine I , most of the items like tract tension tumblers, drive tumbler , travel gear box assembly , rollers, pulleys , lubrication items etc. available in the existing 11000 TPH CMT working in Mine I are not interchangeable with the CMT being supplied by M/s Krupp on one to one basis. The present 11000 TPH CMT has deviations in the basic components like track tension tumbler , drive tumbler, travel gear box assembly etc., in the design stage itself and are not interchangeable with available spares of Mine I & II and hence procurement of spares had been made by including minimum spares required for the initial period of operation of the 11000 TPH CMT as per Board approval.

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		Audit observed (January 2008) that Thermal Power Station-I required only 6.50 million metric ton (MMT) lignite to generate electricity at 85 per cent load factor. The output in Mine-I consistently exceeded 6.90 MMT during 1997-1998 to 2006-07. The feasibility report (July 1987) for Mine-I expansion up to 10.5 MMT recommended 8000 TPH S&T for bottom bench. Hence, replacement of 8000 TPH by 11000 TPH S&T at an additional cost of Rs.15.75 crore was not justified. Besides, the Company ignored the Board's direction for exclusion of spares and released LOA on the suppliers for supply of S&T with spares for Rs.10.45crore. The procurement of S&T of higher capacity than required along with spares resulted in avoidable additional expenditure of Rs.26.20 crore (differential cost, reckoned on weight difference, of Spreader Rs.11.31 crore and Tripper Rs.4.44 crore plus cost of spares Rs.10.45 crore). The Management stated (May 2008) that the theoretical capacity of 700 litre BWE was around 2730 loose cubic metre per hour and hence for	It is also submitted that the board was informed in the note for approval that a separate inventory of spares and stores need not have to be maintained and also to that extent there will be considerable reduction and in the capital cost as well means the common standardized spares mentioned above. The estimated cost of Rs.34.68 crores submitted to the board itself includes cost of spares (The estimated of Rs.34.68 cr was arrived on proportionate weight basis from the cost of Mine IA Spreader including spares) The extract from the Board resolution is reproduced. "RESOLVED 1) To replace the spreader 320-8000 TPH with a higher capacity spreader of 11000 TPH with receiving boom supported by crawlers at an estimated cost of Rs.34.68 Crores. 2) To replace the crawler mounted Tripper car 8000 TPH with a higher capacity crawler Mounted Tripper car of 11,000 TPH at an estimated cost of Rs.13.54 crores. 3) To go for Global tender for the procurement of spreader and Tripper car". Hence it may be noted that Sub committee of Directors, who had the delegated powers for the procurement of 1 No 11,000 TPH Spreader was also informed the amount to be spent on procurement of spares to be included along with purchase of the main equipment (Spreader). In view of above , the para may please be treated as settled.

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		two 700 litre BWE's it would be 5460 loose cubic metre per hour which worked out to 10920 TPH. Hence , the S&T of 11000 TPH was required according to the design of the system and the same was procured for standardization so as to facilitate interchange at the times of need in other benches. They added that the approved cost of S&T for replacement included cost of spares and the spares referred to by the Board were long term spares and not initial spares. Special maintenance tools were normally procured with all new machines. The Ministry while endorsing (October2008) the views of the Management stated that the spares for 11000 TPH S&T were not interchangeable on one to one basis and it was necessary to procure the spares along with the main equipment. The reply was not tenable as the theoretical capacity calculated by Management was not in consonance with the capacity of 700litre BWE's fixed by Hanumantha Rao Committee in 1983 which fixed the theoretical capacity at 3693 TPH(or 7386 TPH for two BWE's) and achievable capacity at 1478 TPH respectively. Also, the Company adopted	

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		achievable capacity of 700 litre BWE as 1500 TPH for determination of target for lignite production. Taking this into account, two BWE's could give maximum theoretical production of 7,386 TPH and maximum achievable production of 3,000 TPH. Therefore, the existing S&T system of 8000 TPH was more than sufficient and the procurement of higher capacity system was not warranted. The Company had not carried out any cost benefit analysis to establish the benefits expected out of standardization. It could not use old spares as S&T of different design was purchased in deviation of Board's directive. Further, inclusion of value of spares in the estimates submitted to the Board for approval cannot be construed as approval for procurement especially in view of the Board's directions not to procure spares along with S&T and cost of special maintenance tools have not been included in the value of these spares.	

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8	3..2.2(Report No.CA.24 of 2009-10)	Neyveli Lignite Coropration Limited (Company) planned (August 2003) to out source over burden (OB)removal and produce lignite departmentally from its lignite mines linked to 250MW thermal power project at Barsingsar, Rajasthan. The Rajasthan Mines and Minerals Limited had been operating through outsourcing of both OB and lignite since 1994-95. The Company assessed the manpower required for its lignite mine and thermal power project as 260 and 200 respectively and also planned (August 2003) to construct quarters for them. The Government of India (GOI) approved (December 2004)the project at Barsingsar at a cost of Rs.1368.25 crore. Keeping in view the level of housing satisfaction and quarters already available, the company issued (March 2006)work orders for construction of 302 quarters (124 for Mines and 178 for Thermal) which were completed and taken over in September 2007. Audit observed(November 2007) that the Ministry of Coal had issued (June 2005)guidelines for including an option of total outsourcing in all the proposals and recommendations for new projects. However, while	It is confirmed that 302 No. of Quarters have been constructed and taken over in Sept.2007 as against the provision of 299 No. of Quarters in the feasibility report. The reasons for the excess construction of 03 quarters is due to the fact that in the project cost estimate the No. of A, B & C Quarters proposed was 278 and the No. of D type Quarters was 21. Since the A, B and C type quarters are built in blocks of 04 and D type in blocks of 02. approval of Empowered Committee of Directors of NLC was obtained for construction of 280 Nos. of A, B, & C and 22 Nos. of D type Quarters. As per the GOI guidelines dated 07.06.2005 referred, total outsourcing in new projects should be considered as one of the variants for considerations by GOI. This guideline was issued after the sanction of the Barsingsar Lignite Mine (Dec,2004) . Even-though this guideline is applicable for new projects, it may be noted that a review of the economics and advantages of lignite production through department and outsourcing options was carried out. After obtaining the Board approval in Sept-2007, the mandatory review was taken up and subsequently the Revised Cost Estimate proposal for both Barsingsar Mine Project and Barsingsar Thermal Power Project was submitted to MOC for approval in Oct-2007. The original Feasibility Report was prepared in 2002 for Departmental working only (both OB and Lignite Excavation) and submitted to MOC for approval. Subsequently, to bring down the cost, Revised project cost estimate (RCE- Aug, 2003) for the option of OB removal by outsourcing and Lignite mining departmentally has been prepared and submitted to GOI. Prior to sanctioning the project, GOI has deliberated the option of outsourcing as practiced in neighboring mines. Most of the neighboring mines are doing merchant sales only wherein the Barsingsar mines has to feed the pit head TPS and hence the outsourcing practice of these neighboring mines could not be compared. Besides the quality parameters, uninterrupted supply to TPS was deliberated in detail. After considering the option of outsourcing in depth and obtaining all clearances from PIB, IMG and CCEA, GOI sanctioned the Barsingsar Project with the option of OB outsourcing and Lignite departmentally in Dec, 2004. Subsequently NLC started the project construction activities. As per the above sanction, construction of residential buildings had been completed during the period 2006-07. Hence there is no possibility of taking into account of the directive of the GOI letter dated 07.06.05 during the preparation of Feasibility Report for Barsingsar Mine Project.

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		awarding (March 2006) the work of construction of quarters the Company did not take into account the prevailing practice of outsourcing both OB removal and lignite production. The Company also did not review its decision of production of lignite departmentally in the light of guidelines issued by the Ministry in June 2005.The Company reviewed (February 2007) the status of the project as of January 2007and found a steep increase of 37 per cent in the project cost. It then decided (September 2007) to outsource the lignite production to contain the project cost. Thereafter the manpower requirement was re-assessed as 90 (against 260) which brought down the requirement of quarters to 21 for mines. Thus, the Company's belated decision(September 2007) of outsourcing the lignite production resulted in avoidable construction of 134 quarters valuing Rs.5.59 crore, which have remained unoccupied since September 2007. The Management stated (May 2008) that prior to the construction of quarters, accommodation had to be hired for executives at Bikaner which was 30 kilometres away from the	However, based on the progress and confidence gained by the company in outsourcing of OB removal, the proposal of RCE with lignite outsourcing was submitted to MOC in Oct, 2007 (even-though the above mentioned guidelines dated 07.06.05 is to consider total outsourcing for new projects) in order to avoid the project cost increase and in the interest of company and not on after thoughts. In the Feasibility Reports for the Mines and Power Station, the requirement of quarters for CISF, Fire Personnel, Hospital and School Staff was not envisaged because it was assumed that the staff for these services would be employed on contract basis. After taking up the project for implementation it was felt that deployment of CISF only will be suitable to meet the security requirement of the Thermal Plant and Mines which are spread over around 24 sq. Km and located very close to the Line of Actual Control (Border).Ministry Of Home Affairs has already been requested to post 152 CISF personnel for the project. Providing residential accommodation (Married and Bachelor) to the members of the force according to their eligibility is one of the conditions prescribed by The Director General, CISF for induction of the force. For fire service and hospital it has been decided to deploy departmental manpower. School building has already been constructed in the township considering the difficulty in commuting children to Bikaner, the nearest town 30KM away from the project site. The Kendriya Vidyalaya Sangathan has been requested to run the school. The Sangathan insists for provision of accommodation for all its staff. In view of the above, the audit may note that though the Feasibility Report did not envisage, the requirement of quarters for the above personnel is unavoidable. It is also submitted that Construction activities started immediately on sanction of the project, Executives were posted to work at site in Jan.2005, and there was need for quarters since then. The strength of construction manpower was on the increase and just before completion of the Township in Sep.2007 the company had to hire accommodation and arrange transport for the additional executives who could not be accommodated in the temporary colony. The crisis got resolved on allotment of quarters in Sep.2007. The status of actual allotment as on date (23.09.2009) and program for future allotment are given below.

<table>
<tr><th>S.No.</th><th>Para No/Report No.</th><th>Brief Subject</th><th>Present status of Action Taken Report</th></tr>
<tr><td></td><td></td><td>project site resulting in incurring of expenditure on transportation. The quarters were constructed to accommodate the executives posted at site to oversee the construction activities of the project situated in the remote area where proper private accommodation was not available. It added that the excess quarters would be provided to other bodies like security (CISF), fire service, education, amenities etc. While endorsing Management's reply, the Ministry stated (October 2008) that 134 quarters were lying vacant as of September 2008.

The reply was not tenable as while preparing the feasibility report the Company neither planned total outsourcing in line with all the state owned lignite PSUs in Gujarat and Rajasthan nor did it review promptly the economics of operations after the GOI directive of June 2005. This had resulted in 134 extra quarters which were lying un-occupied as of October 2008. The 16 quarters allotted to contractors will also become vacant on completion of the project resulting in 150 vacant quarters costing Rs.7.43 crore.</td><td>
<table>
<tr><th>S. No.</th><th>Type</th><th>Total QRT Rs</th><th>Alloted For Emp-loyees</th><th>Allotted For Contra-ctors</th><th>Total ALotted.</th><th>Vacant Quarters For immediate future use</th></tr>
<tr><td>1</td><td>A</td><td>100</td><td>34</td><td>0</td><td>34</td><td>66</td></tr>
<tr><td>2</td><td>B</td><td>100</td><td>73</td><td>14</td><td>87</td><td>13</td></tr>
<tr><td>3</td><td>C</td><td>80</td><td>74</td><td>0</td><td>74</td><td>6</td></tr>
<tr><td>4</td><td>D</td><td>22</td><td>19</td><td>0</td><td>19</td><td>3</td></tr>
<tr><td></td><td>Total</td><td>302</td><td>200</td><td>14</td><td>214</td><td>88</td></tr>
</table>
The following are also submitted:

1.As observed above, the vacant Quarters are required for allotment to the teaching and Non- teaching staff of Kendriya vidyalaya Sangathan (KVS), Jaipur. A team of officials from KVS has made a preliminary survey of the primary school building on 23.07.2008 based on which an MOU has been signed. NLC is required to provide 100% residential accommodation on priority basis.

2. 142 Nos. of CISF personnel will be positioned shortly at Barsingsar Project. NLC is required to provide family Quarters to 82 personnel and bachelor accommodation for 60 CISF personnel.

3. Further, to cater to the Canteen requirements of the Barsingsar Project employees of NLC, it is proposed to out source among the societies of the Indian Coffee House. It is contemplated in the proposal that NLC will provide housing accommodation to 27 employees of the prospective successful society. Taking into of the above scenario the requirement of Quarters as on date is as under.
<table>
<tr><td>Employees</td><td>200</td></tr>
<tr><td>Contractors</td><td>14</td></tr>
<tr><td>CISF</td><td>82</td></tr>
<tr><td>School Staff</td><td>10</td></tr>
<tr><td>Canteen Staff</td><td>27</td></tr>
<tr><td>Total</td><td>333</td></tr>
</table>
</td></tr>
</table>

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			5.It is to be mentioned that the Barsingsar thermal Power Plant is in the advanced stage of erection and it is proposed to synchronize the first unit of 125 MW by 20.10.2009. The Quarters are required for additional deployment of manpower during Operation and Maintenance stage. After commissioning of the 2nd Unit of 125 MW Thermal Power Plant there will not be any vacant Quarters. In view of the above it is submitted that the observation of Audit that NLC has constructed excess Quarters in Barsingsar Project may please be considered as settled.
9	3..2..3(Report No.CA.24 of 2009-10)	Neyveli Lignite Corporation Limited (Company) placed an order (June 2006) on M/s Ranjit Construction Company, Ahmedabad (Contractor) for removal of 630 lakh cubic metre (cu.m.) overburden (OB), over a period of seven years from its lignite mines at Barsingsar at the rate of Rs.45.51 per cu.m. The total value of the contract was Rs.286.71 crore. In its offer the Contractor had worked out (January 2006) the requirement of diesel at 900 litre per day for operating one crawler mounted shovel for excavation and 350litre per day for one tipper for the transportation of OB. The firm deployed six crawler mounted shovels for excavation and 29 tippers for transportation of OB and the requirement of diesel worked out to 15.55 kilolitre (KL) per day. Audit scrutiny revealed (January 2007)that while determining (May 2006) the rate of Rs.45.51 per cu.m.	The facts and figures of Audit are generally in order except the contention of audit that the Company should have invited bids by specifying direct purchase of diesel instead of retail purchase. Had wholesale rate of diesel been adopted, cost of diesel would be cheaper by Rs.0.70 to Rs.1.12 per litre during the period August 2006 to May 2008. As diesel being a major component, various options like procurement of diesel by NLC and supplying of diesel to the contractor was considered. But this was ruled out as any delay in procurement of diesel or short supply will result in complication in execution of the work. Adopting of whole sale price was also discussed. But it was ascertained from M/s IOC and M/s HPCL that any customer can purchase form the oil companies on whole sale rate basis only if the customer is having storage facilities and valid explosive license for storing the 'B' class products (petrol , diesel etc.) in his name. Otherwise the customer has to purchase diesel only from the nearest retail outlet for operating his equipments. Hence, wholesale rate of diesel can be adopted only in the case of bidders, who possess the storage facilities and valid explosive license. This shall obviously reduce the number of bidders for the tender of this nature of work which will result in lesser competition. However the tender document didn't preclude the bidder in adopting the whole sale price for any material. Besides the estimate was prepared for internal reference and as a matter of precaution, not revealed in the tender. The bid being competitive, the lowest price offered by the qualified bidders shall alone be considered for the evaluation of Tender. Hence the question of specifying direct purchase of diesel or any other material on whole sale price/retail price doesn't arise. It is also the prerogative of the bidder to adopt the prices of individual items/materials/equipments/consumables etc to quote the competitive price for the bid.

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		for OB removal the Company had adopted the retail rate of diesel at 33.30 per litre and had included Rs.24.79 towards cost of diesel (Rs.6.66 per cu.m. for excavation and Rs.18.13 per cu.m. for transportation). As the cost of diesel constituted more than fifty percent of the rate allowed to the Contractor for OB removal the Company should have invited bids by specifying direct procurement of diesel from the Oil Marketing Companies (OMCs) to achieve cost reduction. The rate of diesel would have decreased by Rs.0.70 to Rs.1.12 per litre if the direct procurement was resorted to. Thus , by not availing the option of cheaper mode of procurement of diesel, the Company incurred extra expenditure of Rs.1.22 crore till May 2008 on excavation of 192.11 lakh cu.m. of OB. The Management stated (February 2007) that a customer could procure diesel directly from the OMCs only if they had storage facilities and valid explosive licence in their name. Therefore, this condition was not considered as it would restrict the number of bidders. It added (June 2007) that the Contractor had	It is submitted that the Firm M/s. Ranjit Build Con. (Formerly Ranjit construction Co.) is using 3 Mobile Tankers for feeding the diesel to the Crawler Mounted Equipments deployed in the mines, by incurring extra cost. The Firm M/s. Ranjit Build Con. is purchasing diesel at Retail Price. Besides, it is reported that because of heavy Diesel demand at present, the firm is paying premium to get diesel @ Rs.37.92. As per information collected by NLC from M/s Mahavir Auto (Authorised Bharat Petroleum Dealer) Udhairamsar, the rate of diesel is Rs.37.92 per litre as on 18.08.2008. Hence the fact that using of Mobile Tanker does not confirm that diesel is purchased in bulk at Whole Sale Rate. In fact Mobile Tankers are used only to feed the Crawler Mounted Equipments deployed in the mines. In respect of diesel price variation, the retail price of diesel is adopted and any premium paid to get diesel, the extra cost incurred for using Mobile Tankers etc., are not considered. In view of the above facts, the contention of Audit that "by not availing the option of cheaper mode of purchase of Diesel, the Company had so far incurred extra expenditure of Rs.1.22 Crores till May, 2008 for Excavation of 192.11 Lakh Cu. m of OB", does not arise and hence there is no excess payment. Under the above circumstances the observations of the audit may be treated as settled.

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		incurred extra cost for the use of mobile tanker for supply of diesel to the equipment. The Ministry endorsed (October 2008) the views of the Management. The reply was not tenable as limited response to tender had the condition of direct procurement of diesel from the OMCs been included was only a presumption of the Company. It had failed even to attempt cost control on this major component of the cost of the OB removal. Direct procurement from the OMCs would also have obviated the necessity of deploying mobile tanker as the OMCs provide pump facilities to consumers with minimum antipated combined motor spirit /diesel demand of 20 KL per month. Since the contract was for a period of seven years, the Company should consider remedial measures to cut the cost of removal of the balance 437.89 lakh cu.m. of OB.	