

CHAPTER X: MINISTRY OF MINES

Hindustan Copper Limited

10.1 Excess payment of royalty

In respect of Khetri mine where processing of mineral was carried out within the leased area, the Company paid royalty on metal-in-ore produced instead of metal-in-concentrate resulting in excess payment of royalty of ₹ 4.97 crore.

Hindustan Copper Limited (the Company) has a copper mine along with a concentrator plant in its Khetri Mining Lease area located at Khetri Copper Complex, Rajasthan. Ore is extracted from the mines and the same is processed in concentrator plant to produce processed mineral (metal-in-concentrate). Copper is extracted after such concentrate is processed further in smelter and refinery. As per the provision^v of the Mineral Concession Rules, 1960, in case the mineral is processed within the leased area, royalty is chargeable on the processed mineral removed from the lease area. However, the Company was paying royalty on the basis of metal present in the ore extracted from its Khetri mine and not on the metal-in-concentrate. This resulted in excess payment of royalty as the quantity of metal content in ore is more than that of metal-in-concentrate.

Such excess payment of royalty was pointed out by audit in February 2013. The Company took rectification measures from March 2013 onwards and royalty is now being paid on the processed mineral (metal-in-concentrate). In the meantime, the Company produced 3887776 MT of ore from its Khetri mine during the period from April 2005 to February 2013 and paid royalty of ₹ 45.56 crore based on 37297 MT metal content in the ore instead of metal-in-concentrate of 33302 MT which resulted in excess payment of royalty amounting to ₹ 4.97 crore during the above period.

The Company stated (October 2013) that during April, 2005 to February, 2013 royalty has been paid on copper in ore produced as per Govt. of India Gazette notification nos. GSR 713 (E) dated 12 September, 2000 & No. GSR 574(A) dated 13 August, 2009 and there was no excess payment of royalty.

The contention is not tenable as the Gazette notifications dated 12 September 2000 and 13 August 2009 pertained to rates of royalty whereas the audit observation relates to charging of royalty for minerals which are subjected to processing. Rule 64 B of Mineral Concession Rules, 1960 clearly specifies that in case processing of ore is carried out within the leased area, royalty is chargeable only on processed mineral. The excess payment of royalty was pointed out in audit in February 2013. The Company took rectification measures from March 2013 onwards.

^v Clause 1 of Rule 64 B of the Mineral Concession Rules, 1960 (as amended up to 26.07.2012)

Thus, the Company made an excess payment of royalty amounting to ₹ 4.97 crore for its Khetri Mines during the period, April 2005 to February 2013.

The matter was reported to the Ministry in November 2013; their reply was awaited (March 2014).