

## **Uniform Policy for Identification of Obsolete Items and their Disposal**

1. **Preamble:** This Policy is meant for the sale/disposal of identified/declared obsolete items amongst non-moving items.

### **2. Definitions:**

- i. Non-moving Items: Those items which have not moved for last 5 years and above are to be considered as non-moving items.
- ii. Obsolete Items: Those non-moving items which have been identified/declared as non- moving for any of the following reasons:
  - a. Non-moving due to technology up-gradation / standardization.
  - b. Non-moving because the Equipment / Machines for which the items are meant are no longer in use at respective Subsidiaries.

All those non-moving items, which have been identified/declared by Technical Dept. of the concerned Subsidiary to be falling into the above two categories (2.ii.a & 2.ii.b), are to be considered as obsolete items.

### **3. Disposal Process:**

#### **3.1 Identification of Obsolete items amongst Non-Moving Items**

- 3.1.1 SO (MM)/ In-charge of MM will be the Nodal Officer for the process of Identification of Obsolete items amongst Non-Moving Items in the areas under the purview of Regional Stores as well as Unit Stores of the Area. In-Charge of Central Stores shall act as Nodal Officer for the concerned Central Stores.
- 3.1.2 SO (MM)/ In-charge of MM will propose for constitution of Committee, duly nominated by concerned Staff Officers/ HoD of the Areas for the process of identification of Obsolete items amongst Non-Moving Items in the areas under the purview of respective Regional Store/ Unit Store of Area duly approved by Area General Manager.

In case of Central Stores, the In-Charge of Central Stores will be approving authority for constitution of committee comprising existing inspecting authorities of concerned Technical department, Finance executives nominated for Central Stores or seeking nomination from the concerned HOD. In case of In-Charge self-nominated in the committee, the constitution shall be approved by GM(MM)/Stores-HOD/GM(MM)-Stores/GM(MM)-HOD holding administrative control of Central Stores.

The Committee will consist of the following members:

- a. Depot Officer of Central/ Regional Store/ Unit Store as the case may be
- b. Officer from Concerned Technical Division - not less than E-5 Rank (if any officer of specified rank is not available then below rank officer but not lower than E – 3 Rank can be considered)
- c. Officer from Finance Division – not less than E-5 Rank (if any officer of specified rank is not available then below rank officer but not lower than E – 3 Rank can be considered)

- 3.1.3 Depot Officer of respective Store along with Finance Officer from the Central Accounts from the respective Area will generate the list of Non-Moving items from SAP/ERP (which have not moved for more than 5 years) of that area/unit under his purview in hard copy as well as soft copy and submit the same to the constituted committee. The committee will segregate the list of items with respect to department and equipment (Make & Model) specific.
- 3.1.4 After segregation, the physical verification will be carried out by the Committee for availability of obsolete items amongst Non-Moving Items (Equipment, Make & Model specific).
- 3.1.5 During the process of Physical verification, if some items are not found available/ not identified physically then a separate list will be prepared for these items and the same will be excluded from the above segregated list.
- 3.1.6 The respective Custodians / Store Keepers of Central/ Regional Stores/Unit Stores shall assist the committee and sign on the physical list of Non-moving/Obsolete items.
- 3.1.7 The Spares including Assemblies, Sub-Assemblies such as Engines, Transmissions, Torque Converters, Electrical items, Motors etc. which have already been declared earlier as Obsolete items by CIL if any, the same may be kept separately for initiating Disposal action after physical verification.
- 3.1.8 The Committee recommendations should be submitted to the concerned Technical HoDs of the Area for declaration of obsolescence and get approved by the Area General Manager/ In-charge of Central Store through SO (MM)/ In-charge of MM and Area Finance Manager with respect to their areas. The recommendation of Central Stores will be submitted to the concerned Technical HoD of the subsidiary, at this stage itself, for declaration of obsolescence at Central Stores.
- 3.1.9 This entire process of identification of department specific categorization of Obsolete items amongst Non-Moving items should be completed in all the stores of Subsidiaries (Regional/Unit/Central Stores) in 30 days from the constitution of the Committee. Constitution of committee shall be ensured by the SO (MM)/In-Charge MM/In-Charge Central Stores, preferably within 10 days of circulation of policy.
- 3.1.10 In case of CMPDI, the Regional Institute shall be considered as 'Area' and the Regional Director as 'Area General Manager'.

## **3.2 Circulation of list of proposed Obsolete items within the areas of Subsidiary**

- 3.2.1 After the approval of Area General Manager/ In-charge of Central Store, SO (MM)s/ In-charge of MM/In-Charge of Central Stores will circulate the declared list of obsolete items to SO (MM)s/ In-charge of MM of all other areas/Central Stores of their subsidiary in the excel format encompassing relevant details viz. Name of Eqpt. – Make & Model, Description of Spares/ Items, Part number, Quantity, Value, Department, Class, Category etc., for getting the confirmation of utilization of the items amongst the circulated list. Specific confirmation regarding availability of those equipment and

utilization of spares which have been declared as spareable/ obsolete shall have to be obtained mandatorily from other areas.

- 3.2.2 Concerned SO (MM)/ In-charge of MM will coordinate with concerned SO (Technical)/ In-charge of Technical about the utilization of items which have been declared as spareable/obsolete, else SO (Technical)/ In-charge of Technical will confirm that none of the items are utilizable by their area.
- 3.2.3 Both SO (Technical)/ In-charge of Technical and SO (MM)/ In-charge of MM will be responsible in communicating the above confirmation. The process of submitting requirement for utilization /non-utilization should be completed in 15 days.

### **3.3 Communicating the final list of items after receipt of list of items for gainful utilization**

- 3.3.1 After receiving confirmation from other areas within the subsidiary, necessary action for issuing items or keeping it separately, may be taken by the area. After completion of this activity all the areas shall prepare the final updated list of Area level Obsolete items, Equipment Make & Model wise and Department-Wise. The final list of items should exclude the items demanded by other areas for utilization and also the spares of Equipment already declared as obsolete at CIL level, if any. The reply from all areas shall be mandatory.

After confirmation of requirement of gainful utilization/ Non requirement, SO (MM)/ In-charge of MM/ In-Charge of Central Stores will submit the final list to GM (MM)-Stores/ HOD (Stores) of Subsidiary HQ. The list to be submitted by the area to GM (MM)-Stores/ HOD (Stores) shall be pre-segregated department-wise, Equipment Make & Model wise.

- 3.3.2 If timely collection of requirements of items by other areas is not effected, the items may be kept separately and excluded from the final list to be submitted to GM (MM)-Stores/ HOD (Stores).
- 3.3.3 GM (MM)-Stores/ HOD (Stores) at Subsidiary HQ will arrange to compile the list received from all areas into Department specific and communicate the same to those concerned Technical HoDs at Subsidiary (HQ) for declaration of obsolescence at Subsidiary level. The concerned technical HODs vis E&M, Excv., Safety, E&T, Systems etc. shall carry out in-depth analysis of the department wise categorized list, based on obsolescence due to technology upgradation/ standardization, equipment/ machines/ Assemblies, Sub-Assemblies such as Engines, Transmissions, Torque Converters, Electrical items, Motors etc. being no longer in use in that subsidiary. Based on the above analysis, the final list of department wise obsolete items (equipment, model and make wise) shall be compiled by the concerned technical department and all such lists of the technical departments, will be compiled by MM (Stores Department) at subsidiary level.
- 3.3.4 After the declaration of obsolescence at subsidiary level, the final list will be compiled at MM Department of Subsidiary HQ. This process should be completed in 30 days.

### **3.4 Communicating the Obsolete items declared at a Subsidiary Level among other Subsidiaries**

- 3.4.1 The items which have been declared obsolete at a Subsidiary level will be circulated to GM (MM)-Stores/ HOD (Stores) of other Subsidiaries for gainful utilization of any items.
- 3.4.2 The items which have already been declared earlier as Obsolete items by CIL (HQ) are not required to be circulated among Subsidiaries.
- 3.4.3 The GM (MM)-Stores/ HOD (Stores) of the Subsidiary shall submit the list received from different subsidiaries, to their concerned Technical HoDs, for getting the confirmation of utilization of the items amongst the circulated list. Specific confirmation from other subsidiaries shall be mandatory regarding availability of those equipment and utilization of spares which have been declared as sporable/ obsolete for utilization of any of the items from the circulated list else Technical HoDs will confirm that none of the items pertaining to their department, are utilizable by their subsidiary. Concerned Technical HoDs shall also be responsible for timely confirmation of utilization of the items amongst the circulated list, after carrying out the necessary exercise, as prescribed above, within subsidiary circulation and requisite analysis.
- 3.4.4 GM (MM)-Stores/ HOD (Stores) will act as Nodal Officer for this process and the concerned Technical HOD of Subsidiary HQ will also co-ordinate and jointly ensure to complete this process within 30 days from the date of receipt.
- 3.4.5 After the receipt of requirement/confirmation of utilization/non requirement from other subsidiaries, the final list of obsolete items amongst Non-moving items with categorization/area wise location shall be forwarded to Internal Audit Department along with intimation to the respective areas. The respective areas shall co-ordinate with Internal Audit Department for expeditious completion of verification, certification of the list with respect to location, quantity and book value. This list shall again be physically signed by the custodian/Store Keeper In-Charge (of any cadre) of the respective Central Stores/R-Stores/Unit Stores, representative of Internal Audit Department and Depot Officer of respective Central/Regional/Unit Stores.
- 3.4.6 This final certified list, duly signed by the concerned, shall be forwarded back to MM Stores department of subsidiary HQ. The area/stores In-Charge and his team shall make necessary arrangement for segregation and keeping separately/packed in boxes/safe custody of the listed items at their specified location
- 3.4.7 The certified final list consisting of Equipment details with Model and Make only whose spares declared obsolete at respective Subsidiaries will be submitted to Engineering & Equipment Division of CIL HQ through MM Division of CIL (HQ) for declaration of obsolete items across CIL as a whole; However, items declared obsolete due to technology upgradation by a subsidiary despite the fact that machine is running in any of the Subsidiaries shall be considered obsolete as per the certification of that subsidiary and confirmation of non-requirement in other Subsidiaries.

If timely collection of requirements of items by a subsidiary is not effected, the items may be kept separately and excluded from the list.

- 3.5** There are industries other than CIL which are involved in similar mining activities with similar fleet of running equipment and may therefore be requiring these obsolete items declared at respective Subsidiaries for maintaining their existing fleet. Considering this scenario, before initiating disposal action against this certified list of obsolete items as scrap items, the list shall first be flashed on the website of respective Subsidiaries, in the form of notice, indicating that the concerned subsidiary shall be putting on block the auction of their spares of obsolete Equipment on the website of forward auction service providers and prospective bidders may regularly visit the website of forward auction service providers for the purpose of participation in the auction. As due diligence/site inspection by the prospective bidders towards physical condition and availability of items of their requirement, may involve some extra time, minimum time of thirty days (30) may be allowed from the date of auction notice by the service providers to the date of start of auction, on their platform.
- 3.6** Sale/Disposal of the items on the pattern of stepwise reduction, as provided for in Clause 5.1 (w.r.t. non-hazardous items) of CIL's Policy for Disposal of Scrap will be carried out; However, certified-book-value shall be taken as reference (Reserve Value) for stepwise reduction with at least 15 days of interval between each step/attempt/auction, as detailed below:
- a. First Attempt: The list of such certified obsolete items shall be forwarded to the Service Provider for disposal through e-Auction. Sale of those items shall be concluded in favour of H1 bidder for which the H1 price offered by the H1 bidder is more than or equal to 90% of the certified book value.
  - b. Second Attempt: The remaining items, which could not be sold in first auction, shall be put up for e-auction for the second time. In the second auction, sale of those items shall be concluded in favour of H1 bidder for which the H1 price offered by the H1 bidder is more than or equal to 85% of the certified book value.
  - c. Third Attempt: In case items remain unsold even after two auctions, such items shall be put up for e-auction for the third time. In the third auction, sale of those items shall be concluded in favour of H1 bidder for which the H1 price offered by the H1 bidder is more than or equal to 80% of the certified book value.
  - d. Also, as large quantity of items shall not be feasible for disposal on forward E-Auction platforms, this process can be initiated in phased manner, with subsidiary's decision for selection of number of items may be around fifty (50) items in each LOT of forward auction, clearly indicating the make and model of the equipment or lot size will be fixed in consultation with the Service provider of respective Subsidiary.
- 3.7** In the eventuality of sale/disposal on the basis of certified book value through above e-auctions, other aspects such as material value deposit, delivery, penalty, approval-level etc., shall all be in line with the provisions provided for in CIL's 'Uniform Policy for Disposal of Scrap'. In short, overall framework within which governance of all such activities is managed shall always remain as per Service Provider of respective Subsidiaries and CIL's 'Uniform Policy for Disposal of Scrap'. A 'Notice' to this effect that such list of obsolete items has been hosted on the website of such service provider for sale/disposal on the basis of book-value shall be displayed/run on respective Subsidiary's website also with a request for interested buyers to visit the said website of the Service

Provider. However, the “Book Value” of each items shall become the “Reserve Value” and shall be kept confidential for the prospective bidders, during the course of forward auction, as being done in the existing ‘Uniform Policy for Disposal of Scrap’. The “Reserve Value” of each item shall be filled into the portal of service provider by MM executive and Associate Finance two to three days before auction (shall remain confidential for bidders till completion of the auction).

**3.8** Thus, after exhausting three attempts for sale/disposal on the basis of certified book value, balance items of the certified list shall be put up to the Committee of Functional Directors (CFDs) of concerned Subsidiary for approval to treat/declare them as scrap. Subsequently, the same shall be put up to Board of the concerned Subsidiary to write off from the Books of Accounts.

**3.9** After balance items of the certified list are declared/treated as scrap, post competent approval, they will become liable to be disposed of as scrap in line with the provisions in CIL’s Uniform Policy for Disposal of Scrap, currently being used for disposal of scrap of different categories.

#### **4. Identification of Non-Moving Unused Consumable Items amongst Non-Moving items**

**4.1** The Committee Constituted at Clause 3.1.2 will segregate the consumable items and they will be kept separately in broad categories like Pipe Fittings, Tyre and Tubes, Bearings, Cables, Beltings, Batteries, Light Fittings, Lubricants, Safety items etc.

**4.2** The action for circulation of list of Non-Moving Consumable items shall be taken up separately and not to be clubbed with the action suggested for Spares for Obsolete items amongst Non-Moving items.

**4.3** The Subsequent process of Identification and Declaration as Not Used shall be carried out as per the above guidelines mentioned in Clause 3 of this Policy. However, the final list of Not Used items will be declared at Subsidiary level only. The same is not required to be sent to CIL (HQ) for the purpose of declaration as Not Used items.

**4.4** Consumable items which have been confirmed Not Used by all the subsidiaries, after prescribed circulation, shall be considered for disposal.

**4.5** The process of disposal and scrapping of Not Used consumable items amongst Non-Moving items will be same as the process of disposal of spares of obsolete items amongst Non-Moving items.

#### **5 Flagging of Obsolete Items**

**5.1** All such identified obsolete items amongst Non-Moving items including consumables are required to be flagged in SAP to prevent the possibility of raising new PR/Indent in SAP, so that no such items are procured after identification of obsolete items for disposal, even due to inadvertence.

**5.2** In case, such flagged items are requisitioned for alternative use within the organization, approval of Area GM of the stock holding Unit may be obtained before issuing such items,

citing the purpose of alternative usage of that item. Such transaction of alternative use does not result in change of status of the item and the item shall remain flagged as obsolete.

## **6 Frequency/Follow-up:**

- 6.1** The SO (MM)/ In-charge of MM of the Area shall be the Nodal Officer for all the processes to be executed and controlled at Area level. He shall co-ordinate with the committee, respective Regional Stores/Units, respective Technical and Finance HODs of the Area and apprise the AGM regularly about the progress of the process, to ensure effective implementation and timely execution. In-Charge of Central Stores shall also co-ordinate with concerned departments/committee and regularly apprise the progress to GM (MM)-Stores/ HOD (Stores).
  - 6.2** This exercise shall be carried out / repeated once in every two years to prevent accumulation of obsolete items from non-moving items. The so identified obsolete items shall be put up for disposal in line with the procedures spelt out in the proposed Policy.
- 7** In case of any procedural changes/interpretation with respect to Uniform Policy for Identification of Obsolete items and their Disposal, Chairman, CIL shall be the Competent Authority.