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STANDING COMMITTEE ON  
COAL AND STEEL (2013-2014)  
FIFTEENTH LOK SABHA

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**MINISTRY OF STEEL**

**"FUNCTIONING OF MSTC LTD."**

**[Action Taken by the Government on the Observations/  
Recommendations contained in the Fortieth Report of the  
Standing Committee on Coal and Steel (Fifteenth Lok Sabha)]**



**FORTY-EIGHTH REPORT**

**LOK SABHA SECRETARIAT  
NEW DELHI  
DECEMBER, 2013/AGRAHAYANA, 1935(Saka)**

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**[Action Taken by the Government on the Observations/  
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**Presented to Lok Sabha on 17.12.2013**

**Laid in Rajya Sabha on 17.12.2013**



**LOK SABHA SECRETARIAT  
NEW DELHI  
December, 2013/Agrahayana 1935 (Saka)**

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**COMPOSITION OF THE STANDING COMMITTEE ON COAL AND STEEL(2013-14)**

**Shri Kalyan Banerjee - Chairman**

**Name of the Member**

**Lok Sabha**

2. Shri Hansraj Gangaram Ahir
3. Shri Sanjay Bhoi
4. Shri Bansa Gopal Choudhary
5. Smt. Jyoti Dhurve
6. Shri Ganeshrao Nagorao Dudhgaonkar
7. Shri Sabbam Hari
8. Shri Vishwa Mohan Kumar
9. Shri Yashbant N.S. Laguri
10. Shri Pakauri Lal
11. Shri Babu Lal Marandi
12. Shri Govind Prasad Mishra
13. Shri Rajaram Pal
14. Kumari Saroj Pandey
15. Shri Gajendra Singh Rajukhedi
16. Shri K.R.G. Reddy
17. Shri Pashupati Nath Singh
18. Smt. Rajesh Nandini Singh
19. Shri Uday Pratap Singh
20. Shri K. Shivkumar alias J.K. Ritheesh
21. Shri O

**Sabha**

22. Shri
- 23.
- 24.
- 25.
26. Shri
- 27.
28. Shri
29. Shri
30. Shri
- 31.

SECRETARIAT

1. Shri Shiv Singh - Director
2. Shri Arvind Sharma - Additional Director

## **INTRODUCTION**

I, the Chairman, Standing Committee on Coal and Steel having been authorised by the Committee to present the Report on their behalf, present this Forty-Eighth Report (Fifteenth Lok Sabha) on Action Taken by the Government on the observations/recommendations contained in the Fortieth Report of the Standing Committee on Coal and Steel (Fifteenth Lok Sabha) on "Functioning of MSTC Ltd." pertaining to the Ministry of Steel.

2. The Fortieth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel was presented to Lok Sabha on 29<sup>th</sup> August, 2013. Replies of the Government to all the observations/recommendations contained in the Report were received on 4<sup>th</sup> November, 2013.

3. The Standing Committee on Coal and Steel considered and adopted this Report at their sitting held on 10.12.2013.

4. An analysis on the Action Taken by the Government on the observations/recommendation contained in the Fortieth Report (Fifteenth Lok Sabha) of the Committee is given at **Annexure-II.**

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Chapter-I of the Report.

**NEW DELHI;  
16 December, 2013  
25 Agrahayana, 1935(Saka)**

**KALYAN BANERJEE  
Chairman  
Standing Committee on Coal and Steel**

## **REPORT**

### **CHAPTER – I**

This Report of the Standing Committee on Coal and Steel deals with Action Taken by the Government on the Observations/Recommendations contained in the Fortieth Report (Fifteenth Lok Sabha) of the Standing Committee on Coal and Steel on "Functioning of MSTC Ltd." relating to the Ministry of Steel which was presented to Lok Sabha on 29.08.2013 and laid in Rajya Sabha on 29.08.2013.

2. The Action Taken replies have been received from the Ministry of Steel in respect of all the 16 Observations/Recommendations contained in the Report on 4<sup>th</sup> November, 2013. These have been categorised as follows:

- (i) Observations/Recommendations that have been accepted by the Government:  
Sl. Nos.1, 2, 3, 4, 5, 7, 12, 14, 15 and 16

Total – 10  
(Chapter II)

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government:  
Sl. No. 6

Total – 01  
(Chapter III)

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee:  
Sl. Nos. 8 and 13

Total – 02  
(Chapter IV)

- (iv) Observations/Recommendations in respect of which final replies of the Government are still awaited:

Sl. No. 9, 10 and 11

Total – 03  
(Chapter V)



**3. The Committee trust that utmost importance would be given to implementation of the Observations/Recommendations accepted by the Government. In case, where it is not possible for the Ministry to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee desire that further Action Taken notes on the Observations/Recommendations contained in Chapter-I and final Action Taken Replies to the Recommendations contained in Chapter-V of this Report be furnished to them at an early date.**

4. The Committee will now deal with the Action Taken by the Ministry on some of their observations/recommendations made in the Fortieth Report.

**A. LEVEL PLAYING FIELD FOR PUBLIC AND PRIVATE SECTOR COMPANIES**

**Recommendation Serial No. 8**

5. The Committee noted that MSTC had been facing stiff competition in volume of business in e-commerce services due to increasing service charges and challenges from private sector service providers who were quoting lower rates. Although most of the PSUs and Government Departments were availing the services of MSTC on nomination basis, of late some PSUs are selecting service provider through tendering wherein small players having no infrastructure and expertise quote very low rates and get the tender. Taking note of the fact that in a number of cases, Works/Purchase/Consultancy contracts by Government of India/PSUs were awarded on nomination basis, CVC had issued guidelines (Circular No. 15.5.2006 dated 9.5.2006) whereby the practice of award of works to PSUs on nomination basis by Govt. of India/PSUs had been asked to be reviewed forthwith to bring greater transparency and accountability in award of such contracts. The Ministry had also shown its reluctance in the matter by citing the CVC guidelines. Although, the Committee had taken note of the present policy of the Government wherein it was not mandatory to award work from one PSU to another PSU and particularly

when the Company like MSTC Ltd. was consistently earning profit, the Committee felt that the State Governments and PSUs should continue to award work to MSTC on nomination basis as was being done by them hitherto. As pointed by MSTC Ltd., that some companies having no IT infrastructure and expertise also grab contracts at much lower service charges which otherwise cannot sustain with profound financial health of the Company as at times it may not cover minimum expenditure incurred, the Committee would like the Government to fix minimum service charges to avoid unhealthy competition as these private players were not bound to comply with CVC guidelines. The Committee also recommended that not only CVC guidelines, but all other Government of India Guidelines including guidelines issued by the Dept. of Electronics for e-commerce must also be part of open tenders floated by PSUs for e-commerce services to ensure level playing fields both for PSUs like MSTC Ltd. and private players. The Committee desired that matter be taken up by Ministry of Steel/MSTC Ltd. at appropriate level in the Government to ensure compliance of their recommendation.

6. The Ministry of Steel in their action taken replies have furnished as follows:-

"When the Ministry of Steel/MSTC approach other Departments/Organizations for giving e-auction/ e-procurement work to MSTC, compliance of guidelines of Ministry of Information Technology/ CVC etc. by MSTC is highlighted."

**7. Taking note of the fact that some companies having no IT infrastructure and expertise grab e-commerce contracts at much lower service charges which otherwise cannot sustain with profound financial health of the company as at times it may not cover minimum expenditure incurred, the Committee had recommended that Government should fix minimum services charges to avoid unhealthy competition. The Committee had also recommended that not only CVC Guidelines but all other Government of India Guidelines including those issued by the Departments of Electronics for e-commerce must also be part of open tenders floated by different departments/PSUs for e-commerce services to ensure level playing fields both for PSUs like**

**MSTC Ltd. and private players. They are, however, concerned to note that the reply of the Government is silent on the same. While reiterating their earlier recommendation, the Committee desire that the Ministry of Steel should immediately take up the matter at the appropriate level in the Government to fix minimum service charges and also ensure that all departments/organizations issue e-auction tenders complying with guidelines of Ministry of Information and Technology/CVC and this should not be highlighted by MSTC Ltd. itself while participating in bids for e-auction/e-procurement works. Performance of e-auction by MSTC is highly satisfactory.**

**B. STATUS OF RECOVERY AGAINST EXPORT OF GOLD JEWELLERY**

**Recommendation Serial Nos. 9, 10 & 11**

8. The Committee noted that during 2007, MSTC Ltd. had entered into a new business of export of gems and gold jewellery on post shipment basis. MSTC Ltd. exported plain gold jewellery worth Rs. 260.63 crore backed by the Export Credit Guarantee Corporation (ECGC) policy to Dubai based buyers in 2007-08 against which full recoveries were made. During 2008-09, jewellery worth Rs 638 Crore was exported to 47 foreign buyers through 6 associates based in Mumbai. The Committee also noted that the jewellery exported during 2008-2009, the foreign buyers failed to make payment amounting to Rs. 598.63 crore against the exports citing economic slow down as the main reason. Total export outstanding was Rs. 600 Crore from 46 foreign buyers against which a total amount of Rs. 475 Crore (upto 80% of the export value) was paid to 6 associate suppliers. The Committee further noted that as per Govt. of India, Exim Policy, ECGC's insurance was mandatory before any agency took up export on Document Against Acceptance (DAA). The Corporation had also initiated cases against all the foreign buyers – 44 in UAE and one each in Kuwait and Singapore. The Committee found that adequate safeguards were not taken by MSTC Ltd. before venturing into a new territory of business and no elaborate study about the risk involved and credentials of those with whom business had to be transacted was carefully carried out by the

Company. Moreover, as the foreign buyers cited economic slowdown as the main reason for failing to make payment, the Committee also felt that MSTC Ltd. had not properly analyzed the demand of gold jewellery in foreign markets before venturing into export business. The Committee felt that this vital aspect was conveniently overlooked by MSTC Ltd. The Committee felt that had due diligence been taken in this matter, the situation would have been different. Taking note of the fact that Committee on Public Undertaking of Parliament had already examined the audit observations on the issue and had submitted a Report to Parliament on 30 April, 2013, the Committee while endorsing the observation made by them (Committee on Public Undertaking) would also like to be apprised of the latest development like recovery of payments as well as corrective steps taken so that no such misadventure business activities do not recur in future.

9. The Committee found that MSTC Ltd. had reportedly taken the Export Credit Guarantee Corporation's insurance policy and got all its exporters verified from Export Credit Guarantee Corporation (ECGC) before undertaking exports in United Arab Emirates (UAE) and elsewhere as per limits approved by ECGC. Despite this, on occurrence of default, ECGC refused to settle the claim. In pursuance of this, Secretary, Ministry of Steel had reportedly written to Secretary, Ministry of Commerce on 14/03/2013 proposing a joint meeting along with CMD, ECGC and CMD, MSTC Ltd. for expeditious settlement of MSTC's Claim by ECGC and avoiding costly litigation. The Committee were further informed that Secretary, Commerce vide letter dated 04/04/2013 forwarded a note from ECGC giving reasons for rejection of MSTC's claim expressing difficulties to re-consider the decision. MSTC Ltd. had since forwarded its comments on ECGC's contention to Ministry of Steel on 03/05/2013. Though, the matter had been taken up with National Consumer Disputes Redressal Commission (NCDRC) in 2010 and was reported to be at procedural stage, the Committee desired expeditious settlement of the matter by according top priority by all concerned. The Committee recommended that a joint meeting of Secretary Steel, Secretary Commerce alongwith CMD, MSTC Ltd. and representatives of Export Credit Guarantee Corporation should be

held immediately to resolve contentious issues and an amicable solution be arrived at in the matter.

10. The Committee had also been given to understand that MSTC Ltd. had invoked arbitration proceeding against all the 6 Associate Suppliers through whom exports were done. Out of six arbitration cases against the Associate Suppliers, awards had been received in respect of three cases, all in favour of MSTC Ltd. for a total amount of Rs. 347.23 crore. Arbitration for remaining three associates was in different stages of hearing. The Committee would like to be apprised of the receipt of Rs. 347.23 crore as awarded to them in arbitration process and the latest progress in respect of remaining 3 associate suppliers.

11. The Ministry of Steel in their action taken replies have furnished as follows:-

**"Status of Recovery of Outstanding for Export of Gold Jewellery as on 29.09.2013"**

**i. Cases against Foreign buyers:-**

MSTC has received 43 (Forty three) decrees (42 in UAE & 1 in Singapore) in it's favour amounting to Rs. USD **131,690,479** /- equivalent to Rs. **672.30** Cr (approx) towards its claim against 46 Foreign Buyers.

MSTC has given instructions to M/s Al Shamsi & Partners, MSTC's advocates in Dubai to proceed on execution of all the cases after publication of the judgment by the court. The execution cases are under progress in various stages.

The following foreign Buyers have gone on appeal against the judgment and the progress of such cases is detailed below:

<b>Sl. No.</b>	<b>Name of the Buyer</b>	<b>Remarks</b>
1.	Al Sidra Jewellery.	Expert has submitted his report & the Court posted the next hearing to the 20.10.2013 for both parties to submit comments on the Expert's Report.
2.	Hadir Projects & Environment Systems.	The court rejected their appeal and upheld the judgment at the court of First Instance. However, MSTC is yet to receive the copy of the text of the

		judgment.
3.	Mine Gold & Jewellery.	The Court adjourned the hearing to the 30.10.2013 for the Expert to submit his supplementary report.
4.	Zeeba Gems Ltd.	The court adjourned the hearing to the 09.10.2013 to join the file from the court of First Instance to the Appeal Court file.
5.	Ghanim Trading.	MSTC filed an appeal at the cassation court and the number allocated is 482/2013. The court did not fix the date of hearing yet.
6.	Golden Place Jewellery LLC	The opposite side has filed an Appeal and the Number allocated is 1022 of 2013. The first hearing has been posted to the 31.07.2013, wherein they had submitted their detailed Memorandum of Appeal. MSTC has submitted memorandum to the court. Posted for judgment on 2.10.2013.

**ii. Status of Arbitration Cases as on 12.09.2013:-**

Out of the 6 Arbitration cases filed against Associate Suppliers, MSTC has so far received 3 Awards in our favour as detailed below:

<b>Sl. No.</b>	<b>Name of Associate Suppliers</b>	<b>Date of Award</b>	<b>Award value</b>
1	Space Mercantile Company Pvt. Ltd.	15.03.2013	Rs. 277.72 cr.
2	Joshi Bullion Gems & Jewellery Pvt. Ltd.	16.07.2012	Rs. 53.29 cr.
3	Bond Gems Private Limited	14.02.2012	Rs. 16.22 cr.

All the cases are put to execution.

The progress of the other three arbitration cases are in various stages of hearing.

**iii. Cases against ECGC before NCDRC:-**

MSTC has filed cases against Export Credit Guarantee Corporation in the Natural Consumer Dispute Redressal Commission for refusal of their claim. MSTC has filed new affidavit based on internal notings of ECGC which has been accepted by Commission. On the basis of submission by ECGC, the Hon'ble Commission further

directed to submit copy of charge sheet by CBI alongwith all documents. The next date of hearing is on 28.10.2013.

Meanwhile, Ministry of Steel has requested the Ministry of Commerce to settle the issue amicably, but latter refused on the ground that the matter is under investigation of CBI and Enforcement Directorate.

**iv. Status of Pen Urban Co-Operative Bank, Pune:-**

Two separate cases have been filed in the Bombay High Court after the mandatory expiry of two months after notice in writing has been delivered, against

- 1) Pen Bank with Ushma Jewellery on 12.12.2012; and
- 2) Pen Bank with Space Mercantile on 21.12.2012.

Both the cases are for encashment of the BGs and FDRs issued by the bank in favour of MSTC totaling to Rs. 162 cr.

**v. Legal Case for Sale of Mortgaged Properties-M/s Ushma Jewellery:-**

- a) The notice of motion appeared before the Hon'ble Bombay High Court on 03.10.2012, upon hearing the arguments of the advocates appearing for the defendants and Shri Setalwad, Sr Counsel of MSTC, the Hon'ble court was pleased to grant ad-interim reliefs in favour of MSTC. The case was adjourned for hearing on 30.10.2012 before which the defendants have been directed to file their replies. The Hon'ble court during the course of hearing has observed that the prima facie case has been made out by the plaintiffs for grant ad-interim reliefs regarding the properties. However, the Hon'ble Court has not listed the case on 30.10.2012 for hearing. As the case was not listed thereafter, MSTC had taken out Notice of Motion for expeditious hearing. The suit was listed for hearing on 17.6.2013 before the Hon'ble High Court when Sr. Counsel and Additional Attorney General Shri Kivic Setalwad appeared on MSTC behalf and argued on the point of jurisdiction. The Hon'ble Court was pleased to pass order stating that unless the Defendant moved Application for revocation the jurisdiction issued stands decided in favour of MSTC. The court also ordered that the ad-interim stay granted on the properties shall continue.
- b) As advised by our Solicitors J&P we have issued public notice through our Solicitors in local news papers in Marathi, Hindi, English & Gujarati, informing public at large, the details of

properties mortgaged with MSTC and mortgage rights as well as the order passed by the Bombay High Court Suit No.2123 of 2011.

- c) In Bombay High Court Suit No.2123 of 2011 we have filed fresh Affidavit-in-Support, bringing on record the Criminal Writ Petition No.339 of 2012 and the order of Hon'ble Bombay High Court as well as re-rejoinder to the Affidavit-in-reply filed by Defendants.

**vi. Recoveries:-**

MSTC and Ministry of Steel are constantly monitoring the progress of all cases for recovery of dues. As a result of constant follow-up action recoveries made/judgments & documents available with MSTC are as below:

Sl. No.	Particulars	Dues recovered in cash Rs. in cr.	Awards, Decrees and recoverable dues with MSTC Rs. in cr.
i.	Money received by MSTC through remittance from foreign buyers ( <i>already considered in the calculation of the outstanding of 598.63 Cr.</i> )	39.00	-
ii.	Interest on FD	13.00	-
iii.	FDR & BG*	-	162.00
iv.	Original title deeds of Properties in Raigarh District, with MSTC- properties mortgaged in favour of MSTC as collateral security by M/s Ushma Gem & Jewellery Ltd. (as per IT approved valuer)	-	39.00
v.	43(Forty three) Decrees in favour of MSTC awarded by Singapore and UAE Courts.	-	672.30(US\$134460315) (at national exchange rate of USD 1=Rs.50)
vi.	Three Arbitration award in favour of MSTC.	-	347.23
	<b>Total</b>	<b>52.00</b>	<b>1220.53</b>

\* Later not honoured by Pen Bank as the bank is under administrative control of RBI directions under Section 35A of the Banking Regulation Act, 1949 since 23.09.2010.

Note: The Decrees are being pursued for execution but this will require sustained and pursuing costly legal actions due to



time consuming legal process in India and concerned countries.

**12. The Committee are unhappy to note that although the Ministry of Steel have forwarded the Action Taken Replies on 4.11.2013, the status of recovery of outstandings for gold jewellery exports has been submitted as on 29.09.2013. The progress of such cases indicate that in case of Al Sidra Jewellery, the next hearing was reported to be on 20.10.2013. In case of another buyer, Mine Gold and Jewellery, the next hearing was reported to be on 30.10.2013 and for Golden Place Jewellery, LLC, the judgment was expected on 2.10.2013. The Committee cannot but deplore the casual approach of the Ministry in furnishing unsatisfactory replies and desire that the Government must have ensured that the replies must be thoroughly scrutinized before they are submitted for information and consideration by them. The Committee, therefore, while reiterating that all out efforts be made by the Ministry of Steel/MSTC Ltd. for recovery of outstanding and also recommend that updated information of progress made in all cases for recovering of outstandings for export of gold jewellery be furnished to the Committee at the earliest.**

**C. FUNCTIONING OF FSNL**

**Recommendation Serial Nos. 12 & 15**

13. The Committee noted that FSNL, a subsidiary company of MSTC Ltd. was set up with the main objective of processing of steel mill slag and other refuse for the recovery of iron and steel scrap and other metallics. Besides, FSNL had diversified its business into warehouse management and also making efforts to get into mining business. The Committee felt

that the mission of FSNL to generate 'wealth from waste' was a noble one as the focus was on maximizing recovery from waste material generated by iron and steel making and other manufacturing processes. The Committee appreciated the fact that due to FSNL's operation of recovery of metallics and processing of slag for recycling, the Corporation was lending a helping hand in conservation and saving natural resources and protection of the environment. The Committee were also happy to note that in pursuance of the above, FSNL had implemented ISO 14001 certification for environmental management system to make its entire operation environment friendly. The Committee would like to be apprised of the progress made by FSNL in entering into the mining business so far.

14. The Committee while noting the details of agreements/contracts signed by FSNL during last 3 years find that only one agreement had been signed by FSNL with a Government organization Rail Wheel Factory, Yelahanka, Karnataka and 7 agreements had been signed with PSUs for recovery/processing and handling of Iron and Steel scrap. The Committee felt that this was too low with just 2 contracts per year. The Committee also noted that 5 of these contracts had expired on March 2013, one in May, 2013 and the other two will expire by July and September 2013. Moreover, no agreement had been signed by FSNL with any private company. The Committee felt that FSNL needed to persuade not only the Government Companies but also the private companies in their endeavour to expand their client base. The Committee felt that there was an urgent need that FSNL adopted vigorous marketing strategies to stay in competition. For this, the Committee felt that a core group should be created within FSNL with the sole motive of Business Development. The Committee had learnt that FSNL had diversified its business into Warehouse Management and was also making effort for diversification into the mining business. While endorsing the diversification plan of FSNL to sustain in the market, the Committee desired that all out efforts should be made by FSNL to venture into new business territories alongwith maintaining its core business competence.

15. The Ministry of Steel in their action taken replies have furnished as follows:-

"FSNL has submitted Expression of Interest (EOI) to SAIL Refractory Company Ltd. Salem for over burden removal of their Magnesite Mine.

FSNL is functioning within the premises of steel plants of SAIL and RINL for executing the job relating to slag processing, metal scrap recovery etc., It is fully dependent on these steel plants for its sustenance. Since the FSNL's core competence in scrap recovery/ slag processing, it will be continued to function as a separate company. However, diversification plans have been initiated to secure business in other allied areas of its functioning. FSNL is rendering warehouse management service for MSTC pledged material at 28 sites in consultation with their holding company MSTC Ltd. In addition, FSNL is exploring the feasibility of overburden removal of magnesite mines of SAIL Refractory Company Ltd., Salem."

**16. While observing that FSNL's operation of recovery of metallics and process of slag for re-cycling is lending a helping hand in conservation and saving natural resources, the Committee had desired to know the progress made by FSNL in entering into the mining business. In their Action Taken Reply, the Ministry of Steel have informed the Committee that though FSNL has diversification plans to secure business in other allied areas of its functioning and besides rendering warehouse management service for MSTC at 28 sites, the company has submitted Expression of Interest to SAIL Refractory Company Ltd., Salem for over burden removal of their magnesite mine. The Committee would like to be apprised of the income generated by FSNL from warehouse management services and present status of Expression of Interest submitted by the company for over burden removal of magnesite mine of SAIL Refractory Company Ltd., Salem.**

### **Recommendation Serial No.13**

17. The Committee were perturbed to note that though total income of the Company had grown from Rs. 158.61 crore in 2009-10 to Rs. 185.79 crore in 2012-13, the profit after tax has fallen from Rs. 4.18 crore to 0.62 crore in 2012-113 . What had further dismayed the Committee was that the profit after tax during 2012-13 was 0.62 crore against the projected target of Rs. 4.85 crore. Although, FSNL had submitted to the Committee that profitability of the company gradually decreased due to increase in cost of diesel, other consumables and wages, the Committee felt that these factors should be well considered and accordingly service charges be levied by the Company to attain financial sustainability. The Committee were of the firm view that sound business principles should always be the guiding factors for any commercial entity. The Committee recommended that the Ministry of Steel should take appropriate measures to ensure that minimum service charges levied by a Company be fixed with suitable escalation formula. This would ensure the sustainability of a Company engaged in such an important mission of "Waste to Metal".

18. The Ministry of Steel in their action taken replies have furnished as follows:-

"The Steel Authority of India Ltd.(SAIL) is taking work from FSNL at the old rates effective from 1.10.2011. Renewal of long term contract of FSNL with SAIL with effect from 1.4.2013 has not yet been finalized. In the absence of the workable service charge rate effective from 1.4.2013, FSNL is continuing to incur heavy financial losses due to abnormal increase in input cost like 40% increase in prices of diesel, lubricants and wages etc.,. To make the operational FSNL economically viable and sustainable, hike and services charge rates with annual escalation commensurate with increase in input cost is to be considered immediately. Wholesale Price Index (WPI) based increases rates on the same line has been done in the past has to be agreed by the SAIL for sustainable operation by FSNL in the steel plants of SAIL. It may be stated that Rashtriya Ispat Nigam Ltd. (RINL) has renewed its work contract with FSNL , allowing WPI based escalation in service charge rates, for a period of 36 months w.e.f. 1.11.2011. Since SAIL and RINL both are under the Ministry of Steel, the SAIL has been requested to consider adopting the model work agreement as has been agreed to between FSNL and RINL."

**19. The Committee are perturbed to note that the Ministry of Steel have not taken any steps to ensure that minimum service charges be fixed with suitable escalation formula to ensure sustainability of a company like FSNL which is engaged in an important mission of 'Waste to Metal'. The Committee have been given to understand that though RINL has renewed its work contracts with FSNL allowing wholesale price index base escalation in service charge rates for a period of 36 months w.e.f. 1.11.2011, what has further dismayed the Committee is the fact that the renewal of long term contract by FSNL with SAIL w.e.f. 1.04.2013 has not yet been finalized and in the absence of workable service charge rate, the company is continuing to incur heavy financial losses due to abnormal increase in input cost of about 40%. The Committee, therefore, desire that Ministry of Steel should immediately give necessary instructions to SAIL for renewal of long term contract allowing wholesale price index based escalation formula for service charges to be levied by FSNL and the Committee be apprised of the same.**

## **CHAPTER –II**

### **OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **INTRODUCTORY**

##### **Recommendation Serial No.1**

The Committee note that Metal Scrap Trading Corporation Limited (MSTC Ltd.) was set up in 1964 for the purpose of regulating export of ferrous scrap from the country and in 1974 it was made a subsidiary of Steel Authority of India Limited (SAIL). The Corporation was later in 1982-83 converted into an independent Public Undertaking under the Ministry of Steel. The Committee also note that although during 1998, the Government had recommended complete disinvestment of the Company as it was heading towards operating losses, MSTC did a turn around and since 1998-99, the Company consistently improved its performance both in terms of volume of business and net profit (PAT). The Committee have also been informed that MSTC was awarded Mini Ratna Category II status in 2002 followed by category I status in 2005. Further, during 2007-08 the status of the company was upgraded from schedule C to schedule B and the Company is expected to be upgraded to Schedule A as a proposal to this effect is reported to be under active consideration of the Government. MoU ratings of the Company since 2007 have always been excellent or very good. The Committee have dealt with some of the aspects like functioning, diversification activities, manpower, environmental conservation and control of pollution/contamination with regard to disposal of ferrous and non-ferrous scrap etc. by MSTC Ltd. and FSNL, subsidiary of MSTC Ltd. in the succeeding paragraphs of this Report.

The Committee observe that MSTC Ltd. has diversified its trading operations and these operations of the Company which were earlier limited to shredded scrap, HMS, Pellets, Lam Coke etc. have been expanded to Billets, Pellets, Bloom, DRI, Ingot, CLO, Coke, Coal, Copper-wire, HR Coil, CR Coil, Iron Ore, Manganese Ore, Naptha, Crude Oil etc. The diversification was reportedly done to distribute risk due to product price fluctuation and changing demand profile of the industry. Also during the last 3 years MSTC Ltd. has gradually increased the volume of e-commerce business to sustain consistent growth in profit. The Committee note that the total volume of business during the last 4-5 years has shown a steady increase and from Rs. 12739 crore in 2009-2010, the business grew to Rs. 25030 crore in 2012-2013. The Committee further note that MSTC is diligently engaged in the business of providing full fledged e-commerce services which include e-auction and e-procurement which are facilitated by the state of art infrastructure and in-house capability of development and customization of software to suit the requirement of consumers. The Committee also note that during the last 3 years MSTC has signed a total number of 288 new agreements which include 70 agreements with Central PSU's, 69 with state PSUs, 71 agreements with Central Government Departments, 31 with State Government Departments and 47 agreements with private companies. The prominent

principals of MSTC Ltd. include Prime Minister's office, New Delhi, Government of NCT of Delhi, Tirupati Tirumala Devasthanam(TTD), Tirupati, Reliance Communication Ltd., Mumbai, Shipping Corporation of India Ltd. etc. While appreciating the increased volume of e-trading work, the Committee expect the Organization to step up their efforts for maintaining sustainability.

#### **Action Taken**

MSTC is signing MOUs with State Governments and PSUs for e-auction of chrome ore, agriculture produce, land and properties.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

#### **Recommendation Serial No.2.**

While reviewing the manpower of MSTC Ltd., the Committee observe that as on 31.3.2013 there are 168 number of executives and 151 number of non-executives in the Company. The Committee note that the strength of executives in Northern Regional Office, Western Regional Office, Southern Regional Office and Bangalore Region Office are the same as that of non-executive employees. The Committee have been informed that the reason for shortfall in non-executive employees is that there is no direct recruitment in Group 'B' services. The Committee feel that for proper functioning of an organization, ideally the number of non-executives should exceed the number of executives and therefore, recommend, that this aspect be looked into while framing rules and fresh recruitments be made for filling all the vacant posts in the organization. The Committee are also unhappy to note that there is no ex-servicemen recruited in the organization as on date and expect the Government/MSTC Ltd. to ensure recruitment of desired quota for rehabilitation of ex-servicemen who also bring integrity and discipline at the workplace. The Committee desire that proper attention should be given in this regard during the next recruitment and the Committee be apprised of the action taken in the matter in due course.

#### **Action Taken**

The functioning of the Company has gone through a sea change since its inception. MSTC worked first as a scrap export regulatory body and then import canalizing agent. Thereafter, due to the change in the Government policy towards a liberalized economy, the very fibre of the Company has changed to a market driven competitive entity. As a result, the orientation as well as skill mix required of the manpower for competing in the market has also changed. In such a scenario, aggressive marketing efforts are required to be made, which has to be done primarily by the executives only. Besides, during earlier times when MSTC was the canalizing agent, there were a lot of typing and other clerical jobs. Due to computerization and the factors mentioned above, the requirement of non-executive manpower has gone down in the Company. As such, functioning of MSTC has become essentially officer-oriented. In fact, some eligible and suitable non-executives have also been promoted as

executives for effective utilization of existing manpower and this is also a reason for relative increase in executive manpower.

Nevertheless, whenever requirement has been felt, recruitment has taken place in non-executive category. It may be pointed out that as per Recruitment Rule of the Company, Group B is filled up through promotion only and the induction level of Ministerial posts is Group C (viz. Junior Assistant-cum-Typist/Junior Computer Assistant/Junior Stenographer). During the last 5 years, 33 no. of non-executive posts have already been filled up. Besides, as stated above, with a view to providing career growth to the employees, 14 non-executive employees were promoted to the executive cadre over the last 5 years. However, the point regarding recruitment of ex-servicemen has been noted and appropriate action shall be taken in future recruitments.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

### **Recommendation Serial No.3**

The Committee have been given to understand that there are less number of female employees as compared to male employees which is matter of serious concern. The Committee would like MSTC to give fair representation to female employees in the organization in order to remove the gender bias.

#### **Action Taken**

The female representation in MSTC is around 16%. Recruitment of both executives and non-executives is done through open advertisement. Selection is done on the basis of same standards, giving equal opportunities to candidates of both genders. Therefore, there is no gender bias in the Company. However, the concern on the issue has been noted for appropriate action.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

### **Recommendation Serial No.4**

The Committee observe that the CSR expenditure by MSTC Ltd. was Rs. 100.13 lakh and Rs. 166.38 lakh during 2010-11, and 2011-12 respectively. However, the Committee are dismayed to note that during 2012-13 against an outlay of Rs. 354 lakh, only Rs. 128.28 lakh could be spent by the Company. The Committee further note that during 2010-11, out of total budgetary allocation of Rs. 100.13 lakh for CSR, only Rs. 19.71 lakh & Rs. 11.82 lakh were spent for health and education respectively. Similarly during 2011-12, only Rs. 16.96 lakh and Rs. 4.30 lakh were spent for health and education out of a total amount of Rs. 166.38 lakh spent on CSR activities by MSTC Ltd. Again, during 2012-13, out of a total amount of Rs. 128.28 lakh spent on CSR activities only Rs. 8.10 lakh and Rs. 1.19 lakh were spent on health & education respectively. The Committee are unhappy to note that though MSTC has



drawn up a clear cut policy framework prioritizing CSR activities to be undertaken by the organization, yet lower budgetary allocations were earmarked for the most important sectors of health and education. The Committee feel that no doubt that Company's spending on CSR activities like village uplift, solar light, skill development, infrastructure, environment protection, etc. is in no way less important, but at the same time the Committee desire that health and education should be accorded priority.

#### **Action Taken**

MSTC had contributed to various projects for creating educational facilities for poor and under privileged children, home and school for disabled children, mentally retarded children during the year 2012-13. The recommendation of the Committee has been noted and appropriate action shall be taken in future CSR activities. A Board level CSR Committee is looking after the CSR activities of the company. As per DPE guidelines, MSTC constituted a Nodal Committee to look after CSR activities. The Nodal Committee is headed by Chief General Manager (CGM)(HR) of the Company. Periodically this committee puts up projects after due diligence, to Board level committee for approval or otherwise. During the year 2012-13 MSTC contributed towards construction of road, installation of hand pumps and Solar lights, skill development training etc. in association with Gram Panchayat. However, the concern of the Committee on the issue has been noted for appropriate action.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

#### **Recommendation Serial No.5**

While appreciating that MSTC Ltd. has in-house and external training programme for officers deputed to oversee CSR activities, the Committee feel that a dedicated separate cell be created in the organization. At the same time, the Committee recommend that people's representatives who are more aware of the ground realities and the requirement of the local people must be involved while finalizing and executing the CSR activities by MSTC Ltd.

#### **Action Taken**

The concern on the issue has been noted for appropriate action.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

#### **Recommendation Serial No.7**

The Committee are happy to note that MSTC has various proposals lined up for the future in diverse areas. Among the various proposals for future one is sale of Tea through MSTC by United Plants Association of South India(UPASI) which is an apex body of planters of Tea, Coffee, Rubber, Pepper and Cardamom. State Governments of Odisha and Andhra Pradesh have also decided to utilize e-auction services of MSTC. The Committee also note that MSTC has decided to set up a new shredding

plant in the country for shredding of used cars, buses, scooters for the dual purpose of adding value and for recycling of scrap. The Committee appreciate the hard work done by MSTC which is helping the Company to sustain itself in this highly competitive environment where survival of PSUs can be challenging unless concerted efforts are made in this direction.

### **Action Taken**

Matter of record, no comments.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

### **Recommendation Serial No.12**

The Committee note that FSNL, a subsidiary company of MSTC Ltd. was set up with the main objective of processing of steel mill slag and other refuse for the recovery of iron and steel scrap and other metallics. Besides, FSNL has diversified its business into warehouse management and also making efforts to get into mining business. The Committee feel that the mission of FSNL to generate 'wealth from waste' is a noble one as the focus is on maximizing recovery from waste material generated by iron and steel making and other manufacturing processes. The Committee appreciate the fact that due to FSNL's operation of recovery of metallics and processing of slag for recycling, the Corporation is lending a helping hand in conservation and saving natural resources and protection of the environment. The Committee are also happy to note that in pursuance of the above, FSNL has implemented ISO 14001 certification for environmental management system to make its entire operation environment friendly. The Committee would, however, like to be apprised of the progress made by FSNL in entering into the mining business so far.

### **Action Taken**

FSNL has submitted Expression of Interest (EOI) to SAIL Refractory Company Ltd. Salem for over burden removal of their Magnesite Mine.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

### **Comments of the Committee**

(Please see para 16 of Chapter I of the Report)

### **Recommendation Serial No.14**

The Committee would also like FSNL to focus on reducing input costs and emphasis should be given on maximizing output for better sustainability by resorting to proper maintenance & servicing of equipments, identification and closure of uneconomic activities and control of administrative expenses. To enhance its efficiency and output the Committee feel that FSNL should also identify and phase out the worn out old equipments and replace them with new equipments with latest technology.

### **Action Taken**

The FSNL has been replacing the old machinery and equipments from time to time. Procurement action has been initiated to procure the following equipments in 2013-14 :-

i)	Dumper (35 Ton)	-	9 Nos.
ii)	Dozer	-	2 Nos.
iii)	Excavator (45 Ton)	-	3 Nos.
iv)	Excavator (30 Ton )	-	2 Nos.
v)	Excavator(19 Ton)	-	3 Nos.
vi)	Loader (3 Cu.M)	-	2 No.

These machinery and equipments will be deployed in various worksites of FSNL.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

### **Recommendation Serial No.15**

The Committee while noting the details of agreements/contracts signed by FSNL during last 3 years find that only one agreement has been signed by FSNL with a Government organization Rail Wheel Factory, Yelahanka, Karnataka and 7 agreements have been signed with PSUs for recovery/processing and handling of Iron and Steel scrap. The Committee feel that this is too low with just 2 contracts per year. The Committee also note that 5 of these contracts have expired on March 2013, one in May, 2013 and the other two will expire by July and September 2013. Moreover, no agreement has been signed by FSNL with any private company. The Committee feel that FSNL needs to persuade not only the Government Companies but also the private companies in their endeavour to expand their client base. The Committee feel that there is an urgent need that FSNL adopts vigorous marketing strategies to stay in competition. For this, the Committee feel that a core group should be created within FSNL with the sole motive of Business Development. The Committee have learnt that FSNL has diversified its business into Warehouse Management and is also making effort for diversification into the mining business. While endorsing the diversification plan of FSNL to sustain in the market, the Committee desire that all out efforts should be made by FSNL to venture into new business territories alongwith maintaining its core business competence.

### **Action Taken**

FSNL is functioning within the premises of steel plants of SAIL and RINL for executing the job relating to slag processing, metal scrap recovery etc., It is fully dependent on these steel plants for its sustenance. Since the FSNL's core competence in scrap recovery/ slag processing, it will be continued to function as a separate company. However, diversification plans have been initiated to secure business in other allied areas of its functioning. FSNL is rendering warehouse

management service for MSTC pledged material at 28 sites in consultation with their holding company MSTC Ltd. In addition, FSNL is exploring the feasibility of overburden removal of magnasite mines of SAIL Refractory Company Ltd., Salem.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

### **Comments of the Committee**

(Please see para 16 of Chapter I of the Report)

### **Recommendation Serial No.16**

As regards the constraints faced by FSNL, the Committee have been informed that during the year 2002, when the steel industry was facing recession, the Company had to agree to the condition of SAIL not to increase its service charges for the next 3 years. Even during renewal of agreement in 2005, there was a nominal increase in service charge and escalation was also limited to only 5%. Due to nominal service charges FSNL was reported to have suffered a loss of about Rs. 3 crore annually. The Committee note that the MoU with SAIL regarding recovery/processing and handling of iron, steel scrap and slag jobs at all the SAIL plants has since expired on 31.3.2012. In order to maintain the continuity of jobs, though the SAIL units of Rourkela and Bhilai have extended the existing agreements on adhoc basis from 1.4.2013 to 30.6.2013, agreements with other units of SAIL like Burnpur, Durgapur and Bokaro are yet to be finalized. In the absence of long term agreement with SAIL, which otherwise would have provided FSNL the adequate financial security, the Ministry has apprised the Committee that the Company is unable to plan and project its expansion, investment and equipment rehabilitation programme. While observing that FSNL has no firm agreements of work in its kitty, the Committee strongly recommend the Government to intervene in the matter and work out an amicable solution to bail out FSNL from this crisis by giving necessary direction to SAIL & RINL to enter into long term agreement with FSNL to keep it afloat in the business. At the same time, the Committee desire that FSNL should also persuade other PSUs and private companies besides SAIL and RINL for obtaining more work orders in order to maintain its sustainability in the market lest other players should edge it out of the market.

### **Action Taken**

The Ministry of Steel has requested the SAIL to renew the long term contract of FSNL for scrap recovery and slag processing in their steel plants based on WPI based service charge rates. FSNL also favours a business plan for utilization of slag accumulated in the steel plants for road making, railway blast and building material as a substitute of stone chips to preserve the natural resources.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

## **CHAPTER – III**

### **RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

#### **Recommendation Serial No.6**

The Committee note that MSTC facilitates use of waste and obsolete materials which have lost their primary use through the process of recycling. This reduces not only the cost of production but also conserves energy and saves the space which the waste or rejected materials would otherwise occupy. The Committee have been given to understand that the Company also makes consistent efforts through its e-commerce portal to protect the environment from hazardous waste material by facilitating its collection in lots and thereafter selling it to competent agencies for recycling and safe disposal. The Committee also note that using scrap in production process saves the naturally occurring minerals which are prime raw materials for metal production. Further, precious resources like coal, electricity and manpower are also conserved which also helps in reducing production cost. Besides, MSTC also conducts auction for disposal of rejected/mixed oils, waste petro-products and non metal scrap. These are then recycled and substantial value is recovered from waste. While appreciating the concern MSTC has for the environment, the Committee feel that adequate care should be taken while handling this waste so that it does not harm the personnel handling the same. For this, proper and regular in house training programmes should be conducted from time to time for the employees involved in such processes. For bulk sustainable handling, competent agencies should be involved so that the risk factor is minimal.

#### **Action Taken**

MSTC conducts e-Auction for disposal of hazardous waste materials like waste oil, battery scrap, slag etc. for a number of government owned companies. The scope of work for MSTC includes providing online services for smooth disposal of the materials. MSTC also ensures that the materials are sold only to those State Pollution Control Board (SPCB) registered users/recyclers who have valid license for handling such hazardous materials. The registered buyers for such items have to file returns regularly for having recycled in eco-friendly manner. MSTC does not handle any such material itself and hence people are not subjected to any risk associated with physical handling of the materials.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

## **CHAPTER – IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

#### **Recommendation Serial No.8**

The Committee note that MSTC has been facing stiff competition in volume of business in e-commerce services due to increasing service charges and challenges from private sector service providers who are quoting lower rates. Although most of the PSUs and Government Departments are availing the services of MSTC on nomination basis, of late some PSUs are selecting service provider through tendering wherein small players having no infrastructure and expertise quote very low rates and get the tender. Taking note of the fact that in a number of cases, Works/Purchase/Consultancy contracts by Government of India/PSUs are awarded on nomination basis, CVC had issued guidelines (Circular No. 15.5.2006 dated 9.5.2006) whereby the practice of award of works to PSUs on nomination basis by Govt. of India/PSUs has been asked to be reviewed forthwith to bring greater transparency and accountability in award of such contracts. The Ministry have also shown its reluctance in the matter by citing the CVC guidelines. Although, the Committee have taken note of the present policy of the Government wherein it is not mandatory to award work from one PSU to another PSU and particularly when the Company like MSTC Ltd. is consistently earning profit, the Committee feel that the State Governments and PSUs should continue to award work to MSTC on nomination basis as was being done by them hitherto. As pointed by MSTC Ltd., that some companies having no IT infrastructure and expertise also grab contracts at much lower service charges which otherwise cannot sustain with profound financial health of the Company as at times it may not cover minimum expenditure incurred, the Committee would like the Government to fix minimum service charges to avoid unhealthy competition as these private players are not bound to comply with CVC guidelines. The Committee also recommend that not only CVC guidelines, but all other Government of India Guidelines including guidelines issued by the Dept. of Electronics for e-commerce services to ensure level playing fields both for PSUs like MSTC Ltd. and private players. The Committee, therefore, desire that matter be taken up by Ministry of Steel/MSTC Ltd. at appropriate level in the Government to ensure compliance of their recommendation.

#### **Action Taken**

When the Ministry of Steel/MSTC approach other Departments/Organizations for giving e-auction/ e-procurement work to MSTC, compliance of guidelines of Ministry of Information Technology/ CVC etc. by MSTC is highlighted.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

#### **Comments of the Committee**

(Please see para 7 of Chapter I of the Report)

### **Recommendation Serial No.13**

The Committee are perturbed to note that though total income of the Company has grown from Rs. 158.61 crore in 2009-10 to Rs. 185.79 crore in 2012-13, the profit after tax has fallen from Rs. 4.18 crore to 0.62 crore in 2012-13. What has further dismayed the Committee is that the profit after tax during 2012-13 is 0.62 crore against the projected target of Rs. 4.85 crore. Although, FSNL has submitted to the Committee that profitability of the company gradually decreased due to increase in cost of diesel, other consumables and wages, the Committee feel that these factors should be well considered and accordingly service charges be levied by the Company to attain financial sustainability. The Committee are of the firm view that sound business principles should always be the guiding factors for any commercial entity. The Committee, therefore, recommend that the Ministry of Steel should take appropriate measures to ensure that minimum service charges levied by a Company be fixed with suitable escalation formula. This will ensure the sustainability of a Company engaged in such an important mission of "Waste to Metal".

#### **Action Taken**

The Steel Authority of India Ltd.(SAIL) is taking work from FSNL at the old rates effective from 1.10.2011. Renewal of long term contract of FSNL with SAIL with effect from 1.4.2013 has not yet been finalized. In the absence of the workable service charge rate effective from 1.4.2013, FSNL is continuing to incur heavy financial losses due to abnormal increase in input cost like 40% increase in prices of diesel, lubricants and wages etc.,. To make the operational FSNL economically viable and sustainable, hike and services charge rates with annual escalation commensurate with increase in input cost is to be considered immediately. Wholesale Price Index (WPI) based increases rates on the same line has been done in the past has to be agreed by the SAIL for sustainable operation by FSNL in the steel plants of SAIL. It may be stated that Rashtriya Ispat Nigam Ltd. (RINL) has renewed its work contract with FSNL, allowing WPI based escalation in service charge rates, for a period of 36 months w.e.f. 1.11.2011. Since SAIL and RINL both are under the Ministry of Steel, the SAIL has been requested to consider adopting the model work agreement as has been agreed to between FSNL and RINL.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

#### **Comments of the Committee**

(Please see para 19 of Chapter I of the Report)

## **CHAPTER – V**

### **OBSERVATIONS/RECOMMENDATION IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED**

#### **Recommendation Serial No.9**

The Committee note that during 2007, MSTC Ltd. had entered into a new business of export of gems and gold jewellery on post shipment basis. MSTC Ltd. exported plain gold jewellery worth Rs. 260.63 crore backed by the Export Credit Guarantee Corporation (ECGC) policy to Dubai based buyers in 2007-08 against which full recoveries were made. During 2008-09, jewellery worth Rs 638 Crore was exported to 47 foreign buyers through 6 associates based in Mumbai. The Committee also note that the jewellery exported during 2008-2009, the foreign buyers failed to make payment amounting to Rs. 598.63 crore against the exports citing economic slow down as the main reason. Total export outstanding was Rs. 600 Crore from 46 foreign buyers against which a total amount of Rs. 475 Crore (upto 80% of the export value) was paid to 6 associate suppliers. The Committee further note that as per Govt. of India, Exim Policy, ECGC's insurance was mandatory before any agency took up export on Document Against Acceptance (DAA). The Corporation has also initiated cases against all the foreign buyers – 44 in UAE and one each in Kuwait and Singapore. The Committee find that adequate safeguards were not taken by MSTC Ltd. before venturing into a new territory of business and no elaborate study about the risk involved and credentials of those with whom business has to be transacted was carefully carried out by the Company. Moreover, as the foreign buyers cited economic slowdown as the main reason for failing to make payment, the Committee also feel that MSTC Ltd. had not properly analyzed the demand of gold jewellery in foreign markets before venturing into export business. The Committee feel that this vital aspect was conveniently overlooked by MSTC Ltd. The Committee feel that had due diligence been taken in this matter, the situation would have been different. Taking note of the fact that Committee on Public Undertaking of Parliament has already examined the audit observations on the issue and had submitted a Report to Parliament on 30 April, 2013, the Committee while endorsing the observation made by them (Committee on Public Undertaking) would also like to be apprised of the latest development like recovery of payments as well as corrective steps taken so that no such misadventure business activities do not recur in future.

#### **Recommendation Serial No.10**

The Committee find that MSTC Ltd. had reportedly took the Export Credit Guarantee Corporation's insurance policy and got all its exporters verified from Export Credit Guarantee Corporation (ECGC) before undertaking exports in United Arab Emirates (UAE) and elsewhere as per limits approved by ECGC. Despite this, on occurrence of default, ECGC refused to settle the claim. In pursuance of this, Secretary, Ministry of Steel has reportedly written to Secretary, Ministry of Commerce on 14/03/2013 proposing a joint meeting along with CMD, ECGC and CMD, MSTC Ltd. for expeditious settlement of MSTC's Claim by ECGC and avoiding costly litigation. The Committee were further informed that



Secretary, Commerce vide letter dated 04/04/2013 forwarded a note from ECGC giving reasons for rejection of MSTC's claim expressing difficulties to re-consider the decision. MSTC Ltd. has since forwarded its comments on ECGC's contention to Ministry of Steel on 03/05/2013. Though, the matter has been taken up with National Consumer Disputes Redressal Commission (NCDRC) in 2010 and is reported to be at procedural stage, the Committee desire expeditious settlement of the matter by according top priority by all concerned. The Committee, therefore, recommend that a joint meeting of Secretary Steel, Secretary Commerce alongwith CMD, MSTC Ltd. and representatives of Export Credit Guarantee Corporation should be held immediately to resolve contentious issues and an amicable solution be arrived at in the matter.

### **Recommendation Serial No.11**

The Committee have also been given to understand that MSTC Ltd. has invoked arbitration proceeding against all the 6 Associate Suppliers through whom exports were done. Out of six arbitration cases against the Associate Suppliers, awards have been received in respect of three cases, all in favour of MSTC Ltd. for a total amount of Rs. 347.23 crore. Arbitration for remaining three associates is in different stages of hearing. The Committee would like to be apprised of the receipt of Rs. 347.23 crore as awarded to them in arbitration process and the latest progress in respect of remaining 3 associate suppliers.

### **Action Taken**

#### **Status of Recovery of Outstanding for Export of Gold Jewellery as on 29.09.2013**

#### **i. Cases against Foreign buyers:-**

MSTC has received 43 (Forty three) decrees (42 in UAE & 1 in Singapore) in it's favour amounting to Rs. USD **131,690,479** /- equivalent to Rs. **672.30** Cr (approx) towards its claim against 46 Foreign Buyers.

MSTC has given instructions to M/s Al Shamsi & Partners, MSTC's advocates in Dubai to proceed on execution of all the cases after publication of the judgment by the court. The execution cases are under progress in various stages.

The following foreign Buyers have gone on appeal against the judgment and the progress of such cases is detailed below:

<b>Sl. No.</b>	<b>Name of the Buyer</b>	<b>Remarks</b>
1.	Al Sidra Jewellery.	Expert has submitted his report & the Court posted the next hearing to the 20.10.2013 for both parties to submit comments on the Expert's Report.
2.	Hadir Projects & Environment Systems.	The court rejected their appeal and upheld the judgment at the court of First Instance. However, MSTC is yet to receive the copy of the text of the judgment.

3.	Mine Gold & Jewellery.	The Court adjourned the hearing to the 30.10.2013 for the Expert to submit his supplementary report.
4.	Zeeba Gems Ltd.	The court adjourned the hearing to the 09.10.2013 to join the file from the court of First Instance to the Appeal Court file.
5.	Ghanim Trading.	MSTC filed an appeal at the cassation court and the number allocated is 482/2013. The court did not fix the date of hearing yet.
6.	Golden Place Jewellery LLC	The opposite side has filed an Appeal and the Number allocated is 1022 of 2013. The first hearing has been posted to the 31.07.2013, wherein they had submitted their detailed Memorandum of Appeal. MSTC has submitted memorandum to the court. Posted for judgment on 2.10.2013.

**ii. Status of Arbitration Cases as on 12.09.2013:-**

Out of the 6 Arbitration cases filed against Associate Suppliers, MSTC has so far received 3 Awards in our favour as detailed below:

Sl. No.	Name of Associate Suppliers	Date of Award	Award value
1	Space Mercantile Company Pvt. Ltd.	15.03.2013	Rs. 277.72 cr.
2	Joshi Bullion Gems & Jewellery Pvt. Ltd.	16.07.2012	Rs. 53.29 cr.
3	Bond Gems Private Limited	14.02.2012	Rs. 16.22 cr.

All the cases are put to execution.

The progress of the other three arbitration cases are in various stages of hearing.

**iii. Cases against ECGC before NCDRC:-**

MSTC has filed cases against Export Credit Guarantee Corporation in the Natural Consumer Dispute Redressal Commission for refusal of their claim. MSTC has filed new affidavit based on internal notings of ECGC which has been accepted by Commission. On the basis of submission by ECGC, the Hon'ble Commission further directed to submit copy of charge sheet by CBI alongwith all documents. The next date of hearing is on 28.10.2013.

Meanwhile, Ministry of Steel has requested the Ministry of Commerce to settle the issue amicably, but latter refused on the ground that the matter is under investigation of CBI and Enforcement Directorate.

**iv. Status of Pen Urban Co-Operative Bank, Pune:-**

Two separate cases have been filed in the Bombay High Court after the mandatory expiry of two months after notice in writing has been delivered, against

- 1) Pen Bank with Ushma Jewellery on 12.12.2012; and

2) Pen Bank with Space Mercantile on 21.12.2012.

Both the cases are for encashment of the BGs and FDRs issued by the bank in favour of MSTC totalling to Rs. 162 cr.

**v. Legal Case for Sale of Mortgaged Properties–M/s Ushma Jewellery:-**

- a) The notice of motion appeared before the Hon'ble Bombay High Court on 03.10.2012, upon hearing the arguments of the advocates appearing for the defendants and Shri Setalwad, Sr Counsel of MSTC, the Hon'ble court was pleased to grant ad-interim reliefs in favour of MSTC. The case was adjourned for hearing on 30.10.2012 before which the defendants have been directed to file their replies. The Hon'ble court during the course of hearing has observed that the prima facie case has been made out by the plaintiffs for grant ad-interim reliefs regarding the properties. However, the Hon'ble Court has not listed the case on 30.10.2012 for hearing. As the case was not listed thereafter, MSTC had taken out Notice of Motion for expeditious hearing. The suit was listed for hearing on 17.6.2013 before the Hon'ble High Court when Sr. Counsel and Additional Attorney General Shri Kivic Setalwad appeared on MSTC behalf and argued on the point of jurisdiction. The Hon'ble Court was pleased to pass order stating that unless the Defendant moved Application for revocation the jurisdiction issued stands decided in favour of MSTC. The court also ordered that the ad-interim stay granted on the properties shall continue.
- b) As advised by our Solicitors J&P we have issued public notice through our Solicitors in local news papers in Marathi, Hindi, English & Gujarati, informing public at large, the details of properties mortgaged with MSTC and mortgage rights as well as the order passed by the Bombay High Court Suit No.2123 of 2011.
- c) In Bombay High Court Suit No.2123 of 2011 we have filed fresh Affidavit-in-Support, bringing on record the Criminal Writ Petition No.339 of 2012 and the order of Hon'ble Bombay High Court as well as re-rejoinder to the Affidavit-in-reply filed by Defendants.

**vi. Recoveries:-**

MSTC and Ministry of Steel are constantly monitoring the progress of all cases for recovery of dues. As a result of constant follow-up action recoveries made/judgments & documents available with MSTC are as below:

Sl. No.	Particulars	Dues recovered in cash Rs. in cr.	Awards, Decrees and recoverable dues with MSTC Rs. in cr.
i.	Money received by MSTC through remittance from foreign buyers ( <i>already considered in the calculation of the outstanding of 598.63 Cr.</i> )	39.00	-
ii.	Interest on FD	13.00	-
iii.	FDR & BG*	-	162.00
iv.	Original title deeds of Properties in Raigarh District, with MSTC- properties mortgaged in favour of MSTC as collateral security by M/s Ushma Gem & Jewellery Ltd. (as per IT approved valuer)	-	39.00
v.	43(Forty three) Decrees in favour of MSTC awarded by Singapore and UAE Courts.	-	672.30(US\$134460315) (at national exchange rate of USD 1=Rs.50)
vi.	Three Arbitration award in favour of MSTC.	-	347.23
	<b>Total</b>	<b>52.00</b>	<b>1220.53</b>

\* Later not honored by Pen Bank as the bank is under administrative control of RBI directions under Section 35A of the Banking Regulation Act, 1949 since 23.09.2010.

Note: The Decrees are being pursued for execution but this will require sustained and pursuing costly legal actions due to time consuming legal process in India and concerned countries.

[Ministry of Steel O.M. No.11014(4)/2013 dated 04.11.2013]

#### **Comments of the Committee**

(Please see para 12 of Chapter I of the Report)

**NEW DELHI;**  
 \_\_\_ December, 2013  
 \_\_\_ Agrahayana, 1935 (Saka)

**KALYAN BANERJEE**  
 Chairman  
 Standing Committee on Coal and Steel

**ANNEXURE-I**

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON COAL AND STEEL HELD ON 10 DECEMBER, 2013 IN COMMITTEE ROOM 'E', PARLIAMENT HOUSE ANNEXE, NEW DELHI.**

The Committee sat from 1530 hrs. to 1600 hrs.

**PRESENT**

**Shri Kalyan Banerjee - Chairman**

**LOK SABHA**

2. Shri Hansraj G. Ahir
3. Shri Ganeshrao Nagorao Dudhgaonkar
4. Shri Vishwa Mohan Kumar
5. Shri Yashbant N.S. Laguri
6. Shri Pakauri Lal
7. Shri K.R.G. Reddy
8. Shri Pashupati Nath Singh

**RAJYA SABHA**

9. Shri Ali Anwar Ansari
10. Shri T. Rathinavel
11. Shri Sanjay Raut

**SECRETARIAT**

1. Shri Arvind Sharma - Deputy Secretary

2. At the outset, Chairman welcomed the Members to the sitting of the Committee.

3. The Committee thereafter took up for consideration the following Draft Action Taken Reports:-

- (i) \*\* \*\* \*\* \*\*
- (ii) \*\* \*\* \*\*

(iii) Draft Action Taken Report on “Functioning of MSTC Ltd.” relating to the Ministry of Steel

(iv) \*\* \*\* \*\* \*\*

(v) \*\* \*\* \*\* \*\*

(vi) \*\* \*\* \*\* \*\*

4. The Committee adopted the Reports without any changes/modifications. The Committee then authorized the Chairman to finalise the Reports on the basis of factual verification from the concerned Ministry and present the same to both the Houses of Parliament.

***The Committee then adjourned.***

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\*\*Do not pertain to this Report.

**ANNEXURE-II**  
**(Vide Para IV of Introduction)**

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE  
RECOMMENDATIONS CONTAINED IN THE FORTIETH REPORT  
OF THE STANDING COMMITTEE ON COAL AND STEEL**

I.	Total No. of Recommendations made	16
II.	Recommendations that have been accepted by the Government <i>(vide recommendation at Sl. Nos. 1, 2, 3, 4, 5, 7, 12, 14, 15 and 16)</i>	10
	Percentage of total	62.5%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies( <i>vide Recommendation at Sl. No. 6</i> )	01
	Percentage of total	06%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee <i>(vide recommendation at Sl. Nos. 8 and 13)</i>	02
	Percentage of total	12.5%
V.	Recommendations in respect of which final replies of the Government are still awaited ( <i>vide recommendation at Sl. Nos. 9, 10 and 11</i> )	03
	Percentage of total	19%