SIXTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (2001-2002)

(THIRTEENTH LOK SABHA)

MMTC LIMITED—TRADE IN GOLD (IMPORT OF GOLD BY MMTC)

MINISTRY OF COMMERCE AND INDUSTRY (DEPARTMENT OF COMMERCE)

Presented to Lok Sabha on—— 30.7.2001

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LOK SABHA SECRETARIAT
NEW DELHI

July, 2001/Sravana, 1923(S)

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(2001-2002)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Sixth Report on MMTC Ltd.—Trade in Gold (Import of Gold by MMTC).

2. The Committee's examination of the subject was based on Audit Paragraph No. 6.3 in the Report on Union Government (Commercial) of the Comptroller & Auditor General (No. 3 of 1998) of India. As the Committee propose to deal with various aspects of the problem in detail, the Committee have split the results of their examination into three different reports viz. Import of Gold, Issue of Gold and Export of Gold. The present Report deals with the Import of Gold by MMTC Ltd.

3. The Committee took evidence of the representatives of MMTC Limited on 23rd November, 1998. The Committee discussed the various issues of the Audit Paragraph with the officials of C&AG on 15th March, 1999. The Committee further took evidence of the representatives of MMTC Ltd. & Ministry of Finance (Department of Revenue—Central Board of Excise and Customs) on 1st April, 1999. They all took evidence of the representatives of MMTC Ltd., Ministry of Finance (Department of Revenue—CBEC) and Ministry of Commerce on 23rd June, 2000.

4. The Committee on Public Undertakings (2001-2002) considered and adopted the Report at their sitting held on 21st June, 2001.

5. The Committee feel obliged to the Members of the Committee on Public Undertakings (1998-99) and (2000-2001) for the useful work done by them in taking evidence and sifting information. They would also like to place on record their sense of deep appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. The Committee wish to express their thanks to the Ministry of Commerce, Ministry of Finance (Department of Revenue—CBEC) and MMTC Ltd. for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank to the representatives of these departments/ undertaking who appeared for evidence and placed their considered views before the Committee.

7. The Committee would also like to place on record their appreciation for the valuable assistance rendered to them by the Comptroller and Auditor General of India.

NEW DELHI;
July 23, 2001
Sravana 1, 1923 (*S*)

VIJAY KUMAR MALHOTRA
Chairman,
Committee on Public Undertakings.

CHAPTER I

IMPORT OF GOLD BY MMTC

Introduction

Gems and jewellery exports constitute a substantive part of Indian exports. Keeping in view untapped potential in this segment, the Government of India in furtherance of the objectives envisaged under the Exim Policy 1988-91 assigned PSUs including MMTC an important and pioneering role in the Gold Trade Scheme under the Exim Policy 1992-97. This was obviously a deliberate decision to minimise the chance of the scheme being misused, a possibility which could not be ruled out keeping in view the immense demand for the commodity in the domestic market and its susceptibility to black marketing.

2. MMTC Ltd. a Government of India enterprise (formerly known as Minerals and Metals Trading Corporation of India Ltd.) was established in 1963 as Government of India enterprise. MMTC has been handling export of minerals and imports of Metals, industrial raw materials and fertilizers for the Industry, trade and agriculture sectors. MMTC started trading in gold in 1986 under the existing schemes of the Handicrafts & Handlooms Exports Corporation of India Limited/State Bank of India, which involved exporting jewellery through its business associates. Simultaneously, in terms of the decision taken in the 198th Board of Directors Meeting held on 30 August 1986, MMTC (Company) liaised actively with Government in policy matters relating to establishment of special export-oriented jewellery complexes notified by Government under Export Import (Exim) Policy 1985-88. MMTC was assigned the role as a nominated agency to make available duty-free gold to the exporters of the country in terms of the Exim Policy provisions. Since 1988-89, MMTC has been the biggest supplier of gold to the exporters in the country. Such an import at globally competitive rate with 'off-the-shelf' delivery has enabled the exporters to get duty-free gold readily available which helped increase export of jewellery from the country.

Schemes of Gold Trade

3. MMTC traded actively under the following schemes formulated by the Government of India (GOI) under Exim Policy 1988-91 and 1992-97:

(i) Scheme for export under Domestic Tariff Area (Para 88C of Exim Policy 1992-97)

This scheme for export promotion and replenishment of gold was included in Exim Policy 1988-91 as well as 1992-97. MMTC was declared nominated agency for trade under this scheme for supply of gold in DTA only under Exim Policy 1992-97. This scheme was operated through various Regional Offices (ROs) and Sub Regional Offices (SROs) except SEEPZ and Noida Export Processing Zone (NEPZ).

(ii) Scheme of export from Export Oriented Unit (EOU)/Export Processing Zone(EPZ) complexes (Para 88 E of Exim Policy 1992-97)

According to the provisions of this scheme formulated under Exim Policy 1988-91 and continued in 1992-97, gold of 0.995 or 0.999 fineness could be made available to units in the 100 per cent EOU/EPZ complexes. MMTC operated this scheme through its offices at Jhandewalan (N.Delhi), NEPZ (Noida) and SPEEZ (Mumbai) for import and supply of gold to units.

(iii) Scheme of export of jewellery against gold supplied by foreign buyers (para 88A of Exim Policy 1992-97)

This scheme was included in Exim Policy 1988-91 as well as 1992-97. The foreign buyers could supply gold in advance, free of charge for manufacture and ultimate export of jewellery where export orders are placed on nominated agencies *viz.* MMTC/HHEC/STC or any other agency nominated by GOI. Exports could be made by the nominated agencies either directly or through their associates. This scheme was operated by MMTC from its SRO Jhandewalan.

(iv) Scheme of export for display/sale at approved exhibitions (Para 88B of Exim Policy 1992-97)

The scheme was included in the Exim Policy 1988-91 and 1992-97. Under the scheme, jewellery could be exported for holding exhibitions abroad and unsold jewellery was to be brought back to India within 45 days. Fresh gold was required to be imported to replenish the stock sold. This scheme was also operated by MMTC from SRO Jhandewalan.

The details of gold imported under various schemes referred to above are as under.

(Quantity of gold in kgs.)

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	Total
Import	200	800	1000	2400	9300	13660	17985	20140	20611	86096
Issue	134	680	1082	2466	8376	13626	17920	20221	20820	85325
Export	134	680	1082	2397	8300	13353	17865	19966	19954	83731
Closing Stock	66	186	104	38	962	996	1061	980	771	771

Import Procedure for Gold/Precious Stones

4. The detailed procedure for import of gold and precious stones has been laid down in the Circular No. 23/87 dated 26.11.87 issued by collector of customs, New Delhi. According to this circular, the gold and precious stones will be imported by air and will arrive at IGI Airport. On arrival, these goods shall be escorted by IFO of the Customs department to the strong room of the Airport Authority *i.e.* IAAI. The package shall be duly sealed with the Customs seal and deposited with IAAI.

5. The importer shall file a bill of entry for warehousing with the Customs at the Air Cargo Unit, IGI Airport alongwith the relevant documents including invoice, packing list, airway bill, purity certificate etc. The invoice under which gold and semi precious stones are imported should separately mention the purity as well as weight in case of gold of different purity. The customs appraiser shall inspect the package and verify the customs seal and senders' seal, if any, and thereafter assess the Bill of Entry (without physical examination of the goods). The appraiser shall also sign the documents inspected by him. The goods shall be handed over to the MMTC for escorting and depositing the same to the concerned bonder's at Jewellery Complex. The MMTC on behalf of the bonder's shall execute a bond with the customs at Air Cargo Unit for the safe transit of the goods to the Jewellery Complex. On arrival of the sealed parcel at the bonder's premises, in the Jewellery Complex, all the import documents alongwith the sealed parcel will be presented by the MMTC to the Customs. The examiner/appraiser posted at the Jewellery complex shall check the seal and examine the goods with reference to the relevant invoice, packing list etc. already signed by the Customs appraiser at the Air Cargo Unit. If found in order, the appraiser shall allow bonding of goods for manufacture in bond. He will also make necessary entries in the General Bond Register. However, before such bonding is allowed, the bonder shall execute the following bonds with the Customs at the Jewellery Complex:—

(a) a bond under Section 59 of the Customs Act, 1962 for storage of the goods.

(b) a bond under Section 65 of the Customs Act, 1962 for manufacture-in-bond; and

(c) a bond in terms of the relevant notification as applicable for export of the finished products.

The imported gold/precious stones will be stored in the bonder's locker at the Jewellery Complex.

On receipt of the goods at the complex and the bonding thereof, the Customs at the Air Cargo Unit should be informed about the actual receipt of the goods for the purpose of cancellation of the transit bond executed by MMTC at the said Air Cargo Unit.

Import of Gold by the Companies

6. According to Audit, 86096 Kg. of Gold was imported by MMTC under above schemes during the period 1988-89 to 1996-97. The Company entered into independent contracts for import of gold with two Swiss Banks *viz.* Union Bank of Switzerland (UBS) and Credit Suisse.

(a) Contract with Union Bank of Switzerland

7. In August, 1984, the Company received a proposal from the Bank of Nova Scotia through the Ministry of Commerce (Ministry), offering to function as one of the outlets for replenishment of gold to exporters. The Company informed the Ministry that on the basis of discussions held by the Company officials led by Director (Metals) with leading bullion firms in London, it proposed in February 1985 to enter into an

agreement with Bank of Nova Scotia for the supply of gold on consignment basis. According to the Audit this proposal remained un-actioned in the Ministry and was allowed to lapse despite the offer having been extended by the Bank of Nova Scotia up to December 1985.

In this regard Chairman, MMTC, during evidence stated :

> "The offer was not allowed to be lapsed. They were referred to the Government for examination. Since a number of agencies were involved, since it was related to the commissioning of the Jhandewalan complex, and since quite a few other issues were related, action for proceeding with that particular offer could not have been taken and it expired. Immediately thereafter, MMTC asked for offers from more than five or six people."

8. The Committee wanted to know the specific reasons for not taking any action by the Ministry on the proposal submitted by the company, the Company stated that they were not aware of any reasons in this regard.

9. Asked as to whether the Company approached the Ministry for expediting the said proposal, the Company in their written reply informed the Committee that they remained in constant touch with the Ministry.

10. The Committee desired to know the reasons for not processing the offer of Bank of Nova Scotia, the Ministry of Commerce in their written reply has stated that the proposal of Bank of Nova Scotia received in February, 1985 could not have been processed earlier as the Scheme for import of gold and its supply to the jewellery exporters was notified in June 1988 only. However, MMTC *vide* their letter dated 31.5.85 did advise Bank of Nova Scotia that gold scheme was under consideration of the Government and had requested them to extend validity of their offer. Bank of Nova Scotia had also in their subsequent communication of 10.2.86 agreed to make fresh offer after Government of India notifications about the scheme were in place. When the draft schemes for import of gold on consignment basis and for issue to the exporters on loan basis had taken some concrete shape, MMTC invited fresh offers from various foreign Banks including the Bank of Nova Scotia, in November 1986. It would thus be seen that the offer of Bank of Nova Scotia received in 1985 was dealt by MMTC and was not just allowed to lapse.

11. According to Audit the Ministry did not offer to Audit any explanation as to the reasons which prevented it from processing the offer of Bank of Nova Scotia to a logical end nor did it indicate why it did not direct the company to obtain fresh quotations immediately after the Bank of Nova Scotia had expired in December, 1985.

12. In reply to a query the Ministry informed the Committee that these offers were evaluated by MMTC on commercial considerations for final selection of the competitive bid.

(b) Selection of Banks for Import of Gold

13. As per Audit, in November 1986 the Company invited fresh offers from five foreign Banks *viz.* Bank of Nova Scotia, Credit Suisse, Republic Bank of New York

(Hong Kong), Mat Dist. Limited (London) and Mase Ag (London) for supply of gold on consignment basis. The message calling for offers was communicated to one of the five banks through M/s. Shattaf Trading Company, Dubai (Shattaf). The firm was also kept informed in December 1986 by the Company of its plan to visit Switzerland in January 1987 for discussion and finalisation of the agreement.

14. The Committee enquired why the message calling for fresh offers of gold from five banks was routed through M/s. Shattaf Trading Company in Dubai and why the Company did not go to London to get the offers as it was done in August, 1984 and also the payment, if any, made to Shattaf Company for this purpose, the Company in the post evidence replies has stated that as per records, on 19.11.86 it was decided to elicit offers for supply of gold on loan and on consignment basis from Bank of Nova Scotia, Credit Suisse, Republic Bank of New York (Hongkong), Matx Dist. Limited, London and Mase Ag, London (Subsidiary of West Pack Bank). Only the communication eliciting offer from Credit Suisse had been telexed through M/s. Shattaf Trading Company. Subsequently, offer from UBS in addition to the five banks had also been received directly by MMTC. As per available records no interest of M/s. Shattaf Trading Company in the selection of supplier could be found. No payment was made to M/s. Shattaf Trading Company by MMTC at any time.

15. In this regard the CMD of the company during evidence stated :

> "We are not aware any such role of M/s. Shattaf. Let me draw the attention of the Committee to the fact that this was a case of 1985-86. We can only fall back on the records available to us in our company. None of us, who is here, was present at that point of time. Certainly, from records we could not find any relationship of Shattaf Trading Company in this particular deal with MMTC. What we could find out from the records is that they happened to be one of the biggest Jewellers in Dubai dealing with UBS, Nova Scotia, Credit Suisse and other people. When they came to know, possibly, that we are also looking into a consignment agency arrangement, they just , made a reference that we may also tap them. They happened to be one of the supply sources. That is what we could dig out from the file of 1985-86. In so far as we are concerned we do not deal with Shattaf. We deal directly with the Bank which supplies gold to us. Shattaf is nobody so far as we are concerned."

16. Asked as to whether the UBS was originally addressed to send in their offer alongwith the five foreign Banks in November, 1986, the Company in their written reply has informed that the UBS was not addressed in November 1986, to elicit an offer from them for supply of gold. However their offer was received directly by MMTC *vide* their telex dated 28.11.1986.

17. The Committee wanted to know why UBS was selected and who had suggested the name of UBS, the C.M.D., MMTC during evidence stated :

> "The UBS had offered a different facility of providing a consignment of one tonne of gold without any commitment from MMTC or guarantee from MMTC at our trust and goodwill for delivery of gold to the exporters by MMTC. This was a different scheme altogether.

There was a scheme for Jhandewalan being talked about in 1985 by the Government saying that MMTC should consider sponsoring a 100% export-oriented jewellery complex in Delhi. That was being talked about. In that process, we were simultaneously looking for a supply source who could give us gold without having been bought by us for purchases to be made on a price to be fixed by other units to whom we will give the gold later on. A kind of a dialogue was going on. UBS is a renowned name."

18. Asked to indicate the interest of M/s. Shattaf Trading Company in the deal, it was informed that M/s. Shattaf Trading Company, one of the leading importers of gold jewellery from Export Oriented Unit Complexes in Delhi and Mumbai, were obviously aware of MMTC's entry into gold import and supply to the exporters in the country. They volunteered to recommend the name of Credit Suisse and Union Bank of Switzerland to MMTC based on their experience. MMTC did not approach any wholesale jewellers in Dubai.

19. According to Audit, the Management of the company and Ministry have furnished contradictory statements in regard to the involvement of M/s Shattaf. Management of the company had informed in July 1987 that Shattaf was involved because they were leading wholesale jewellers in Dubai and the firm was "perhaps" buying gold from the aforesaid banks. While the Ministry had stated that the offers were received by MMTC directly and not through Shattaf. The Ministry however, qualified the statement by averring that since Shattaf was aware of MMTC's entry into gold import, they had voluntarily recommended the names of UBS and Credit Suisse to MMTC based on their own experience. It is thus evident that UBS was not one of those banks whom the Company had invited to give an offer. Even the offer of UBS was received by MMTC four days after the receipt of other offers on the initiative of Shattaf.

20. Audit, during evidence, also placed before the Committee the following telex messages which were exchanged between MMTC and M/s Shattaf which established the dealing between MMTC and M/s Shattaf.

"(i) *From Shattaf to MMTC on 20th December, 1986*

Attention Mrs. G Bhan. Please advise whether you have taken any decision regarding loan and consignment gold stock offers forwarded by us.

(ii) *Statement from MMTC – Telex to Dubai on 22nd December, 1986*

Please refer your telex of 20th instant. We have telexed Union Bank of Switzerland Zurich and Credit Suisse Zurich regarding loan and consignment gold to MMTC. MMTC delegation plans to visit these banks somewhere in the third week of January 1987 for discussion and for finalising the matter."

21. Asked why was the UBS not among those five parties, the CMD during evidence stated :

"The invitations for five banks were also for getting supplies on spot basis."

22. The witness added:

"It is not a question of our inviting. They did not quote for it. The offers were obtained.

When enquired whether it was a public tender, the CMD informed the Committee that it was not a public tender."

23. Asked, any letter whether addressed to the UBS for any kind of offer, the witness during evidence stated:

"In the five offers' the UBS is there."

24. The Committee pointed out during evidence that only five parties *viz* Nova Scotia, Credit Suisse, Republic Bank of New York, MatDist Ltd, London and Mase, London were contacted for eliciting offers for supply of Gold on loan and on consignment basis to the MMTC, why UBS was not contacted even though it was very renowned party and the company had to give a commitment to them (UBS) not to purchase gold from any one else without their (UBS) permission and also why tender procedure was not adopted instead of selecting one of five parties, the witness during evidence stated :

"The offer received for gold supply was on loan basis and on consignment basis."

25. In regard to the selection among five parties the witness informed that no one was selected from five parties. However, in reply to a query the witness added :

"On records is only one reference (of UBS) i.e. in way back in 1985. when the scheme was contemplated by MMTC for Jhandewalan operation in 1985. The first offer was dealing with the UBS. They (UBS) said this is the way. We are operating on consignment basis. You may kindly consider "There is something on the record way back in 1985."

26. Asked whether Shattaf had introduced UBS, or he was only an intermediary, the witness of the company during evidence informed :

"Shattaf mentioned that they were dealing with UBS on consignment basis. There was no intermediary. Our dealing is directly with the Bank."

27. The witness added :

"Initially the record said that we are talking to UBS. But later on the offers were obtained. At the first time, the discussions were there, it was the second time that the offers were obtained in which the UBS were present. Their offers were also taken. The offers were both for the consignment agency and the decision for loan agreement. The decision on the file was based on the comparative analysis. The best terms were available from UBS. Why was it not offered to others is not available on record."

28. When asked whether the company should have gone to the others with the terms offered by UBS for negotiations, the witness stated that it should have been talked with others.

29. The Committee enquired whether the Ministry had examined the aspect of associating M/s. Shattaf in the selection of UBS by MMTC, the Ministry in their written reply has stated that the file No. 10/22/86-EP(LSG) dealing with this matter being an old file could not be traced and as such it is not possible to specifically state if this issue was examined in the Ministry. However, the basic function of the Ministry

are to frame policies, procedures, etc., keeping in view the aims and objectives of the overall export policies of Government of India. The commercial aspects of any trade proposal are examined by the agency actually engaged in trade. Accordingly the decision in this case was taken by M/s. MMTC at their own level.

30. The Committee wanted to know why the records relating to selection of UBS was not available in the Ministry. the Ministry in written reply has stated that being old documents, the same could not be traced in the Ministry. However as soon as a reference was received from the Audit Department regarding production of documents relating to selection of Union Bank of Switzerland, MMTC was requested to provide all the relevant documents regarding selection of Union Bank of Switzerland (UBS) to the Audit Department at the earliest. Accordingly MMTC on 14/8/97 furnished all the relevant documents to the Audit Department. Since as per the directions of Ministry of Commerce, MMTC was also to obtain comments of Reserve Bank of India (RBI) on its gold consignment scheme, Audit Department was requested to obtain further details in the matter from RBI. Therefore it can be seen that though the documents relating to selection of UBS by MMTC for sourcing of gold were/are not available in the Ministry of Commerce, sincere efforts were made to make the relevant documents available to the Audit Department through the MMTC and RBI.

31. Regarding non availability of file in the Ministry. the Secretary, Ministry of Commerce during evidence stated :

> "An inquiry was instituted on the loss of files by the Chief Vigilance Officer of the Ministry by my predecessor. They were unable to locate this file but we can try to collect some of the papers that have gone this side and that side."

32. According to the Audit, a team of company's representatives visited Switzerland in January, 1987 to hold discussions with UBS whereafter the company informed the Ministry in March 1987 that the proposal of UBS was the most attractive one. The contract with UBS was finalised in August 1988 with the approval of the Ministries of Commerce and Finance. Records produced to Audit in this regard merely indicated the comparative position of the offers received. Analysis of various offers leading to selection of UBS as the successful bidder was not available in the records produced to audit. An examination of comparative terms quoted by UBS and Bank of Nova Scotia in regard to supply of gold on loan basis indicated that by offering rate of interest at 1.75% per annum, the Bank of Nova Scotia had a clear edge over UBS which had quoted an interest rate of 2.5% per annum. The contract was awarded to UBS without any manifest effort to negotiate with Bank of Nova Scotia.

33. Asked whether any analysis or comparative study of various offers received by the Company was made before selecting UBS and how UBS was selected which quoted higher rate of interest i.e. 2.5% per annum against 1.75% quoted by Nova Scotia, the Company in a written reply has stated that a comparative analysis of the various offers received was made by MMTC before selecting UBS. The consignment facility offered by Bank of Nova Scotia did not compare favourably with that of Union Bank of Switzerland. While the transportation of gold from Bank of Nova Scotia, London, worked out US $ 1.30 per Tr. Oz approximately, Union Bank of Switzerland had quoted a premium of $1.16 per Tr. Oz only. Further the consignment period was restricted to only 60 days by Bank of Nova Scotia whereas, Union Bank of Switzerland

had offered consignment facility without any restriction on the period. The requirement of furnishing guarantee was also dropped by Union Bank of Switzerland. As regards the loan facility, Bank of Nova Scotia had offered a rate of 1.75% per annum but this was restricted to a period of 90 days. For longer periods, interest rates are usually higher due to higher risk exposure. Under the Exim Policy, the exporters could keep the gold on loan for a period of 120 days in the case of Domestic Tariff Area and longer in the case of Export Processing Zones/Export Oriented Unit Complexes. The Union Bank of Switzerland, on the other hand, had offered a flat rate of 2.5% per annum irrespective of the loan period. Thus to assess correct position, the rates quoted by the two banks needed to be compared after taking into account all the conditionalities. The offer of Bank of Nova Scotia both in respect of consignment facility as well as loan, therefore, was assessed to be not better than the offer received from Union Bank of Switzerland.

34. Asked to indicate the details of the analysis of various offers for supply of gold leading to the selection of UBS as the successful bidder, before making the comparative statement, the Company in the post evidence replies has stated that as per records available, there is no record of analysis of the offers before making the comparative statement.

35. The Committee desired to know the rate at which Bank of Nova Scotia offered to supply gold on consignment basis in August 1984 and what were the rates quoted by leading Bullion Firm in London, the Ministry in the post evidence replies has stated that as informed by the company, the bank of Nova Scotia had offered the loan rate of 1.5% per annum based on a 360 days year for the actual number of days borrowed on the value of the gold determined as the weighted offer price of the daily London AM fixing price and the daily loan balance as the weighing factor. MMTC has also informed that at the time an offer was also received from the Republic National Bank of New York, Hong Kong, on 30.10.84 where the rate of interest from the date of shipment of the gold to MMTC was quoted at 1% per annum. On 20.4.85 an offer was also received from Matlist, London, for supply of gold on loan, however, the rate of interest was not quoted.

36. The Committee wanted to know the last date of receipt of bids, and dates on when the bids were received, the procedure for opening of Bids etc., the Company in their written reply has stated that in terms of the telex message sent by MMTC to the gold suppliers on 19.11.86, the last date for receipt of offers was 24.11.86. The offers were received as follows :

24.11.86	Receipt of offer of Bank of Nova Scotia by telex by modification of their earlier offer dated 9.11.86.
24.11.86	The Republic National Bank of New York, Hong Kong, sent a telex stating that their offer would be sent shortly.
24.11.86	The Credit Suisse Bank sent a telex offer.
25.11.86	The Bank of Nova Scotia intimated higher costing by telex further to their telex of 24.11.86.
28.11.86	Union Bank of Switzerland, Zurich, submitted their telex offer.

28.11.86	City Bank NA, New York, submitted their telex offer.
28.11.86	The Republic National Bank of New York, Hong Kong, submitted their telex offer.

Mase AG, London declined to submit their offer. However, they reiterated their offer of 1.8.86. The date of their telex message is not available on the message.

As mentioned above, all offers were received directly by MMTC by telex.

37. The Committee wanted to know as to whether any negotiations were held with M/s. Bank of Nova Scotia who offered lower rate of interest, the Company in their written reply has stated that no negotiations were conducted with Bank of Nova Scotia, as their terms both in respect of consignment as well as loan were not the most economical……

38. In this regard the Ministry has informed that MMTC has reported that the Bank of Nova Scotia had restricted the loan period to 90 days only whereas there was no such restriction of time period in the offer of Union Bank of Switzerland (UBS). Moreover, at the time of converting loan into purchases by MMTC, the offer of Bank of Nova Scotia would not be competitive *vis-à-vis* UBS offer.

39. It has also been informed by MMTC that no negotiations were held with UBS for reduction of rate of interest to the level of Bank of Nova Scotia as the packages these two offers were not comparable.

40. According to Audit the Ministry's argument that the rate quoted by Bank of Nova Scotia was restricted to a period of only 90 days* is not tenable because in the normal course, the jewellery units to whom the gold was issued had to export the jewellery within a period of three months. In such a situation, therefore, the question of paying interest on gold loaned by any of the bidders beyond the period of 90 days was irrelevant for the purpose of comparative evaluation of the bids.

41. Asked to furnish the reasons for accepting varying rate of interest and on how many occasions the interest paid had exceeded 2.5% per annum, the company had informed that rate of interest varies from time to time based on the lease rate prevailing in the Bullion Market over the world. This is the international commercial practice for bullion. In the Union Bank of Switzerland agreement, the rate of interest was reduced to 2.4%[£] per annum. Subsequently, depending upon the international gold lease rates, the interest rates have been going up. Currently, MMTC is paying £ interest @ 3.4% per annum to Union Bank of Switzerland.

*Ministry of Commerce and MMTC Ltd. have clarified that in terms of REP Circular 22/88 dated 15.6.1998, exporters were allowed two further extensions of 3 months each totalling 180 days beyond the normal period of 90 days, to export subject to payment of certain prescribed penalty amount. While commenting on it, Audit has stated that the further extensions of time for effecting the exports in terms of REP Circular No. 22/88 dated 15.6.1988, are subject to payment of penalties by those exporting units who fail to effect the exports of Jewellery in the normal period of 90 days. this cannot be considered a normal situation as such failures would be exceptional instances. Such extensions are also not granted suo moto and may be given on an application to be made by the export unit. As such, the discrepancy pointed out by the Ministry/ MMTC Ltd. does not relate to a normal situation.

£ MMTC Ltd. clarified that the rate of interest of 3.40% paid to UBS relates to the period 1998.

42. In this regard, Ministry in the post evidence reply has informed that MMTC has informed that in the agreement required by MMTC with UBS on 30.3.88, the clause No.2 relating to interest on gold supplied on loan read as follows :

> "The interest rates shall be calculated on the basis of 360 days a year and the term annum and quarterly shall be construed accordingly, the term month shall mean 30 days.
>
> Interest on the gold loan is due and payable quarterly @ 2.4% per annum. This rate is valid until further notice interest is payable in US dollars."

As per above clause the rate of 2.4% per annum was accepted by MMTC till further notice. It may be added that as per internationally accepted norms, gold loan rates are derived by bullion banks on the basis of gold lease rates which, though are known to be steady, have seen major fluctuations, the last one being in October, 1999 at which time the gold loan rates briefly went as high as 11% for a few days. As per present arrangements with suppliers namely Union Bank of Switzerland, Credit Suisse, First Boston Bank and Bank of Nova Scotia, the interest rates can be revised by them at the beginning of each quarter. The interest rate presently is 2.7% per annum.

Restrictive clause in the agreement with UBS

43. As per Audit, the Company accepted a peculiar condition of unspecified significance, while executing the agreement with UBS. According to this condition the Company was precluded from executing contract for further issue of gold loan from Government/other Financial Institutions/Banks/other parties without making full disclosure and taking prior written permission from UBS'. As MMTC had not negotiated with other banks, acceptance of these clauses in the agreement with UBS had compromised the standard of Transparency in awarding the contract.

44. Asked to indicate the basis for inclusion of this clause while executing the agreement, the Committee have been informed by the company that the clause regarding executing further contract for issue of gold loan from Government/other institutions/banks/other parties, without making full disclosure and taking prior written permission from Union Bank of Switzerland, was provided in the draft agreement sent to MMTC by Union Bank of Switzerland. Therefore, there is no change between the draft and the agreement signed with Union Bank of Switzerland in this regard.

45. The Committee wanted to know as to how the award of contract could be said to be transparent, when such clauses were included in the agreement. The company, in the written reply, has stated that the offer of Union Bank of Switzerland was found to be most economical both in regard to gold consignment facility as well as loan period facility. The clause in question did exist in the initial draft agreement itself.

46. In this regard the Company, in their post evidence replies, added that UBS had extended the gold loan facility to MMTC amounting the Swiss Franc 15 million by sanctioning a credit line on the basis of the financial performance of MMTC and its

existing financial liabilities. No security by way of bank guarantee or Government guarantee or letter of credit had to be given by MMTC to UBS to avail the gold loan facility. In such a case the lender, as in the case of all banks, has to necessarily exercise control on increase of liabilities by the borrower. It may be added that the agreement was examined clause by clause by RBI as well as the Department of Economic Affairs and only after their approval it was signed by MMTC.

47. In this regard the Ministry in their post evidence reply has informed that the restrictive clause regarding not entering into loan agreement with other Banks/ Institution had been dropped by the UBS in December, 1997.

48. The Committee wanted to know, whether the implication of having the contract with UBS with the specific clause were examined by the Ministry, the Ministry in their written reply has stated that the file No. 10/22/86-EP(LSG) dealing with this matter being an old file is not traceable. However, it is understood that the Ministry of Commerce had only given an approval for the consignment scheme for supply of gold and the finalisation of the Union Bank of Switzerland (UBS) as a supplier of gold was done by M/s MMTC at their own level purely on their commercial consideration, the offer of UBS was most attractive and was therefore selected by MMTC.

49. Asked about the action taken for fixing the responsibility in their case by the Ministry, the Ministry has informed that as regards fixing of responsibility in the matter it is stated that file bearing No. 10/22/86-EP(LSG) being a more than a decade old file, could have most probably been weeded out. However, attempts were made to trace the file in the section and the Record Room of the Ministry where the old files were sent for storage. Inspite of all our efforts, the file could not be traced either in the section or the Record Room of the Ministry.

50. In regard to the standard of Transparency in execution of deal with UBS, the Ministry has informed that the Ministry of Commerce & Industry had only given an approval for the consignment scheme for supply of gold and the finalisation of the Union Bank of Switzerland (UBS) as a supplier of gold was done by M/s MMTC at their own level purely on their commercial considerations.

51. The Ministry has further informed that after analysing the overall package offered by all the banks, the offer of UBS was selected by MMTC. A comparative statement of offers as received from all the banks for supply of gold to MMTC is at *(Annexure I)*.

Contract with Credit Suisse

52. According to Audit in August 1994, MMTC felt that total dependence on UBS would not be in their interest as it perceived that supplies from UBS were becoming erratic and the quantity supplied by UBS had also fallen short of indented quantity. Further, since it believed that for the same premium as was being paid to UBS, better terms could be obtained from other sources, the Company decided to diversify the source of gold supplies. Based on offers received from six banks (Bank of Nova Scotia, London; Deutche bank, Frankfurt, Royal Bank of Canada, Rotchild, Singapore; EPIC International, Singapore and PAMP Financial Services, Switzerland) MMTC

entered in October, 1994 into an agreement with Credit Suisse for import of gold on consignment basis to be issued to jewellery exporting units on outright purchase basis.

53. The Committee wanted to know the basis on which the company had concluded that the supplies from UBS were erratic insignificant and not in the interest of the Company, the Company in the written reply has stated that quantity of gold to be imported was increasing over the years owing to the higher demands from importers. It was, therefore, not possible for any single bank to cater to full requirements in different denominations, such as TT Bars, KG Bars etc. owing to constraints of availability of stocks with them as well as shipping schedules. Keeping in view the increased demands and in order to ensure uninterrupted supply of gold to the exporters, imports were made from other sources as well.

54. Asked what was the total quantity of gold supplied by the UBS and in how many cases the supply was not effected in time, the Company in the post evidence replies has stated that between 1988-89 and 1994-95, MMTC imported a total quantity of 27360 kgs of gold from UBS. The agreement did not specify any period for effecting supplies by UBS and therefore no penal action could be taken against them for delays.

55. About the terms and conditions for short listing of six banks, and finally selecting Credit Suisse Bank, the company in their written reply has stated that offers were invited from those banks who were members of London Bullion Market Association. The agreement with Credit Suisse was finalised, as their offer was found to be better than the others. Broadly, the terms of contract were similar to those as with Union Bank of Switzerland for supply of gold on consignment basis. However, Credit Suisse offer was to issue gold to exporters on 'outright purchase' basis only and loan facility as with Union Bank of Switzerland was not offered.

56. Audit has pointed out that despite above arrangement, MMTC continued purchasing gold from UBS at higher premium (US $ 1.05 per tr.oz for delivery at Bombay); US $ 1.15 per tr.oz for delivery at Delhi; US $ 1.25 Per tr OZ for delivery at Madras and US $ 1.30 per tr.oz for delivery at Calcutta (1 kg.= 32.1507425 tr.oz) for issue to the jewellery manufacturing units on outright sale basis. Jhandewalan accounted for about 50% of the gold transactions of the company and functioned under the direct supervision of the corporate office. The records of this SRO under one scheme (DTA scheme) for one year (1995-96) alone were checked in audit. The test check revealed that, out of 4348 kg. of gold issued on outright sale basis, only 2150 kgs. were imported from Credit Suisse. The balance quantity was issued from the gold imported from UBS. The Audit had observed that had the company purchased entire gold from Credit Suisse, it could have avoided the additional premium of Rs.10.04 lakh paid by it to UBS under one scheme alone. The overall saving for all the schemes and for all the units for the entire period under review would have been significantly higher.

57. In regard to this observation of Audit the Ministry had informed the Audit that there was no net out go of revenue from MMTC on account of additional premium paid to UBS, in view of the recovery of the amount from the exporters, who in turn

would have recovered the same from the foreign buyers. According to Audit, the reply of the company defies the very rationale for calling for quotations and importing gold from the supplier who offered the best terms.

58. The Committee desired to know as to why did the company continue to purchase gold from UBS when the price offered by Credit Suisse was cheaper than UBS and also the supply of gold was erratic and inadequate the company in written reply has informed that the Credit Suisse was introduced not as a replacement of Union Bank of Switzerland but as an additional source of gold supply. MMTC was enjoying consignment facility from Union Bank of Switzerland for unlimited period without any extra cost/fee. Therefore, UBS supply source was more flexible. Owing to time lag in delivery by Credit Suisse, and that too for supply on outright purchases basis, there were occasions when gold was not in stock with MMTC and for servicing demand of exporters, gold per force had to be drawn from UBS ready stock. Further, arrangement with Credit Suisse was finalised in the middle of year during 1994-95 and actual delivery commenced in September, 1994. During this period, supply perforce was drawn from UBS. During 1996-97 and 1997-98, however, the delivery to Jhandewalan was more from Credit Suisse as can be been seen from table below :

Year	UBS	Credit Suisse
1996-97	1115 kg.	4225 kg.
1997-98	1782 kg.	5857 kg.

59. In this regard the Company in their post evidence reply has further informed that the Credit Suisse Bank had sanctioned a limit to MMTC for supply of gold on consignment basis at Bombay only. Further the supply was only for sale of gold on outright basis and no loan facility was offered. While continuous effort are made by MMTC to secure the best international rates for its customers in all the commodities including gold, at that time UBS had offered a reduction in premium from US$ 1.40 to 1.35 for TT Bar and from US $ 1.15 to 1.05 for one kg bar w.e.f. 25.7.94 as against premium offered by Credit Suisse of US $ 1.25 for TT Bar and US $ 0.75 for one kg. bar. However, the price of gold which constitutes 99.6% of the total price paid to the suppliers was the same for both Credit Suisse and UBS. It may be seen from the above that the additional source of supply of gold empanelled by MMTC namely Credit Suisse Bank, could under no circumstances meet the requirements of MMTC in full and it was therefore necessary to continue obtaining supplies from UBS to meet the requirements for gold on loan at all the centres of gold supplies of MMTC.

60. The Committee wanted to know whether any exercise was made to find out the money that could be saved, had the entire quantity of gold for all units for entire period been purchased from Credit Suisse instead of UBS, the Company in a written reply has stated that as the demand for gold was increasing year after year, it would not have been possible for any single bank to cater to the increasing demands for gold. Therefore, the entire quantity of gold could not have been procured from a single source. Apart from the premium, ready availability from stocks and longer consignment period also would be a financial factor.

Inter Gold (India) Pvt. Ltd.

61. According to Audit MMTC was associated with setting up of the Santacruz Electronics Export Processing Zone (SEEPZ) at Bombay, where it sponsored the establishment of one Jewellery Unit *viz.* Inter Gold (India) Pvt. Ltd.

62. Asked to furnish the specific reason for sponsoring the establishment of only one Unit and constitution of Board of Directors of M/s Inter Gold Pvt. Ltd. during 1985-86, the company in their written reply has stated that against the then estimated annual world trade in gold jewellery, both plain and studded, of about Rs. 30,000 crores, India's export of gold jewellery was about Rs. 17 crores in 1979-80 rising to Rs. 83.8 crores in 1983-84 and about Rs. 85 crores in 1984-85. Besides, the country's export in these years mostly conformed to traditional Indian jewellery, predominantly manual limited to Middle-East and Indian settlements elsewhere, whereas the biggest share of world trade was accounted for by the mechanised gold jewellery and the sophisticated consumer segment in USA and Western Europe. Keeping the large gap in volume and huge potential for Indian jewellery in the world markets, MMTC had been considering the prospects of promoting manufacture and export of modern mechanised studded jewellery in collaboration with Indian diamond merchants. M/s. Intergold Pvt. Ltd. established its machine made and diamond studded manufacturing unit at SEEPZ. It was incorporated on 20.5.85. As a part of its strategy and promotional efforts to support the export sector which is recognised a thrust area by Government and for boosting exports through MMTC, the Board of Directors of MMTC considered advancing interest-bearing loan of Rs. 1 crore to this unit. The loan was disbursed in 1987 and fully re-paid alongwith interest in 1990. The list of Directors of M/s. Intergold for the year 1985-86 onward is placed at Annexure-II. The exports of the Units through MMTC amounted to Rs. 420.54 crores during the period 1988-89 to 1994-95.

63. Asked to furnish the name of any ex-official of the company who was in the Board at the time when MMTC sponsored the establishment of Inter Gold Pvt. Ltd. In SEEPZ, Mumbai, the company in written reply has stated that Shri Amar Nath, the then Group General Manager of MMTC at Mumbai superannuated from the services of MMTC on 30.4.87. Shri Amar Nath joined as Director of that company on 10.6.87 (as per list of Directors of the company – *Annexure-II*)

64. When the Committee drew the attention of the representatives of MMTC to a fact that Amar Nath, the Sr. G.M. of MMTC in 1984 was the person incharge of giving £ licence to Inter Gold and after his retirement he became the member of Board of Director (of Inter Gold), the Chairman MMTC during evidence stated :

> "He continued with MMTC until 30th April, 1987. In 1986, the approval of giving Rs. 1 crore loan was taken by the Board of Director (MMTC). Mr. Amarnath has joined Inter Gold on 10th June, 1987."

He added :

> "that he was an employee in 1984 is a fact."

65. Asked to furnish, the quantity of gold issued year-wise since 1988-89 and the export made against the gold issued to M/s. Inter Gold, the company in

£ MMTC Ltd. has clarified that at no time there was any requirement of giving any licence by MMTC to Intergold.

their written reply has stated that the quantity of gold issued and exports made through MMTC since 1988-89 to 1994-95, by M/s. Inter Gold was as indicated below:—

Year	Gold Issued (Qty./Kgs.)	Exports (Rs./Cr.)
1988-89	-	1.66
1989-90	52	23.95
1990-91	65	28.82
1991-92	234	51.84
1992-93	438	76.23
1993-94	335	88.35
1994-95	550	149.69
1995-96	230	Nil*
Total	1674	420.54

* The value of export includes gold imported directly by the party also from 1995-96 the party stopped export of jewellery through MMTC.

It may be clarified that the quantity of gold issued to this unit had been fully exported and there is no default in this behalf.

66. A quantity of 230 Kgs. gold was issued to M/s. Inter Gold Pvt. Ltd. in 1995-96. However, the unit stopped exports through MMTC and made exports directly amounting to Rs. 193.83 crores in 1995-96.

67. It is seen that the value of exports shown against the figure of gold issued to M/s. Inter Gold is much higher than the likely export value of such gold. Asked to explain this discrepancy the company has stated that M/s. Intergold are also exporters of cut and polished diamonds as well as jewellery made from gold and precious stones including diamonds. Therefore their exports include the value of precious stones apart from their labour charges, profit etc. and as such the value of their exports has to be much higher than the value of gold supplied by MMTC to them.

68. The Committee wanted to know whether there were other gold Jewellery exporting units in existence in the SEEPZ and why assistance was not provided to them, the company in their written reply has stated that MMTC was not associated with the setting up of the Santacruz Electronics Export Processing Zone, Mumbai (SEEPZ). The zone had been set up for electronic export industry much before the introduction of jewellery units in this zone and the entry of MMTC as a gold supplier to such units in 1988.

69. During 1986-87 the following units had been allotted built-up sheds or land in SEEPZ.

(1) Intergold India Limited

(2) Su-raj Diamonds

(3) B.V. Jewels

(4) R.B. Jewellery

(5) R. Dalpat Lal & Company

(6) Fine Jewellery

70. MMTC Board of Directors had approved a scheme for providing export promotion loan to such units who guaranteed a minimum export turnover of Rs. 5 crores in three years with 20% of guaranteed amount to be achieved in the very first year after the date of commissioning of the unit apart from purchasing their entire requirement of gold from MMTC. This loan was to be provided by MMTC to such units for purchase of equipment and accessories for jewellery manufacture. The debt equity ratio was also to be maintained at 3:1 at any point time. It may be seen that advancing of the export promotion loan had conditions attached to it as per the approval of the MMTC Board of Directors.

71. In view of the small number of operative units (one of which, M/s R. Dalpat Lal & Company never commenced operations) and the close interaction of MMTC's officials with all such units, being the sole supplier of gold on 'off the shelf' basis in the zone, details of this scheme would have been known to all the units, who however, either did not require such loan or were unable to meet the conditions prescribed by MMTC.

72. Asked to furnish the names of Directors of Inter Gold and share holding for the period 1985-86 to 1991-92, the company has furnished the list of Directors and share holdings for the period 1985-86 to 1991-92 (Annexure II). From the perusal of the list it is seen that Mohd. Shataff of Sharjah UAE was one of the Directors of the company.

73. The Committee wanted to know as to whether the Shataff trading company had 40% share in the Inter Gold Pvt. Ltd., the company in a written reply has stated that as per the available records there was a proposal to set up a modern machine making jewellery manufacturing project in Mumbai with equity participation with M/s Shattaf Trading Company, Dubai. This proposal however could not materialise, as the foreign collaborator lost interest in the project due to delay in setting up the project.

74. Mr. Mohammed Shattaf was one of the Directors during the period from 2.9.85 till 23.10.86, as could be seen from the list of Directors enclosed. Mr. Mohammed Shattaf did not have any share holding in the Company during this period. In a note furnished by MMTC to the Committee, it was clarified that Mr. Mohd Shattaff of Sharjah, UAE, a Director of Inter Gold was also one of the partners of M/s Shattaff Trading Company through whom the message to bid for offers for import of gold was sent by MMTC to one of the five banks in November, 1986.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

Recommendation No. 1

Offer from Bank of Nova Scotia for Gold Import

The Committee note that under the successive Exim Policies beginning from the term 1985-88 onwards, MMTC has been trading in gold to help export of jewellery. Under various schemes of the Exim Policies, MMTC was to import gold and supply it to approved gold jewellery manufacturing units which were mainly 100% Export Oriented Units and also those situated in the Export Processing Zones apart from those in Domestic Tariff Area MMTC could give gold to these units on loan basis or on outright sale basis subject to the condition that the export of jewellery made out of this imported gold was made within three months from the date of sale or loan. Under the various schemes, 86,096 kgs. of gold was imported by MMTC during the period of 9 years beginning with 1988-89 and ending with the year 1996-97. Out of this, 83,731 kgs. of gold jewellery was stated to have been exported out of the country upto 1996-97. The Committee find that in order to import gold for supply under various schemes, advance action was started in 1984 itself so that the schemes under Exim Policy of 1985-88 could be implemented without any delay. The Committee note that in February, 1985, MMTC proposed to the Ministry of Commerce for approval, their decision to enter into an agreement with Bank of Nova Scotia for supply of gold on consignment basis. But the Ministry of Commerce did not take any positive action on the proposal and in November 1986, fresh offers were invited from five foreign banks, although the bank of Nova Scotia extended its offer upto December 1985. The Ministry did not offer any explanation to Audit as to what prevented it from processing the offer of Nova Scotia Bank to a logical end. According to Audit, this offer was allowed to lapse, despite its extension upto December 1985. However, the Ministry sought to explain to the Committee stating that this could not have been processed earlier, as the Schemes for Import of Gold were notified in June 1988 only. The Committee are not convinced with the reply of the Ministry and its attempt to portray this episode as a separate incident in isolation, in view of the developments later in the matter of import of gold which reveal special favours shown to another supplier of gold who came into the scene through an unsolicited intermediary and the Committee cannot but help come to the conclusion that there appears to be a design behind this move to deliberately scuttle a reasonable offer in order to accommodate another firm on some extraneous considerations. The Committee wish to point out here that the unsolicited intermediary firm, was one M/s. Inter Gold (India) Ltd., which also incidentally had one Shri Amarnath, a Senior Group General Manager of MMTC in it as a Director and this firm received a loan of Rupees One Crore from MMTC. Interestingly, Shri Amarnath who became a Director in the Board of Directors of M/s. Inter Gold (India) Ltd. in June 1987

shares his postal address with one Ms Usha Khandwala who had been a Director of this company since 23 August 1985 and the date of incorporation of this firm was 20 May, 1985.

The Committee are of the view that if the offer of Bank of Nova Scotia was too early to merit any processing in view of the fact that gold imports schemes came into being only in June, 1988, then on the same count, the offers invited in 1986 from five foreign banks were also too premature to merit any consideration, although a flimsy excuse has been cited that the draft gold import schemes took some concrete shape by then. The Committee cannot buy this argument further in view of the fact that MMTC has been importing gold for various schemes from 1986 onwards under the Exim Policy of 1985-88 and there was no unreasonable haste in calling for offers in the year 1985 itself for the schemes meant for the year 1985-88. The Committee, therefore, feel that there was a pre-meditated deliberate design behind this seemingly innocuous isolated incident, which requires a thorough probing by an independent authority such as the Chief Vigilance Commissioner and the Central Bureau of Investigation to get at the truth.

Recommendation No. 2

Involvement of Unsolicited Intermediary in Gold Imports

The Committee find that in 1986, MMTC invited fresh offers for supply of gold from five foreign banks, namely, Bank of Nova Scotia, Credit Suisse, Republic Bank of New York (Hong Kong), Mat Dist. Limited (London) and Mase Ag (London). The Committee further find that another bank, namely, M/s Union Bank of Switzerland (UBS) was not at all addressed by MMTC in the matter. Despite no communication sent to UBS, the Bank sent its offer uninvited four days after the receipt of other offers. The Audit have observed that the offer of UBS was on the initiative of M/s. Shattaff Trading Company, Dubai (Shattaff) – who was initially involved in the bid, as the message calling for offers were communicated to one of the five banks mentioned above through Shattaff. The circumstances in which the services of Shattaff were solicited were not on record. Since Shattaff had no formal business relationship with MMTC and was not working for any overt consideration, their involvement in the process leading to the finalisation of agreement with 'UBS for the import of gold was unusual'. Besides this, the firm Shattaff was also kept informed by MMTC of its plans to visit Switzerland in January 1987 to finalise the arrangements for import of gold into India. In July 1997, MMTC informed Audit that Shattaff was involved in the matter, as the firm was 'perhaps' buying gold from various banks. The Ministry of Commerce informed the Audit that the offers were received by MMTC directly and not through Shattaff.

The Ministry further added that since Shattaff was aware of the MMTC's entry into gold import, they had voluntarily recommended the name of Union Bank of Switzerland to MMTC based on their own experience. The Committee fail to understand as to why the message calling for the offers to one of the five banks should be routed through M/s. Shattaff of Dubai, as though the bank never had any postal address of its own. The Committee further note that on an earlier occasion when the offer from Bank of Nova Scotia was processed MMTC visited London, to discuss matters with the leading bullion firms in London whereas in the present case they sought to visit Switzerland and had intimated this fact to M/s. Shattaff. The Committee wonder as to why M/s. Shattaff should be involved in the matter when the management of MMTC was unsure of the status of M/s. Shattaff and have made a statement that Shattaff was 'perhaps' buying gold from the banks referred to above. The Committee also are at a loss to know as to why similar firms who have the like standing of Shattaff in Dubai and elsewhere were not approached in the matter to facilitate the trade inquiries. The most surprising thing in the whole episode is that M/s. Shattaff trading company did not seem to have received any fee or payment for their services and the services obviously had been rendered 'free of cost'. The Committee have every reason to believe under these circumstances that M/s. Shattaff trading company had some pecuniary interest in the matter and their link with M/s. Inter Gold India Ltd. in which a senior officer of MMTC was also a Director definitely indicates that apart from M/s. Shattaff, there were many others whose interests have been looked after by this deal. The involvement of M/s. Shattaff trading company in Dubai in the whole matter excites suspicion in the mind of the Committee and to their utter surprise they find that the Ministry of Commerce had never bothered to question the involvement of M/s. Shattaff in the whole deal. It is also a matter for consideration as to why initially UBS bank was not addressed at all in the matter, although later on the MMTC maintained during evidence that Union Bank of Switzerland was a renowned name. The Committee are convinced that M/s. Shattaff trading company which was engaged by MMTC to communicate a message about gold import did not maintain any commercial confidentiality and had committed breach of trust by leaking out the details of the offer to UBS. The Committee, therefore, find no substance in the statement of MMTC that 'Shattaff is nobody so far as we are concerned' made during evidence. The Committee condemn the way the company has sought to explain the arrangement away stating that Shattaff had just made a reference to MMTC to help them tap another source with whom M/s. Shattaff had been having dealings. In this connection, the Committee wish to point out that it is not an accepted practice in any trading/dealing by governmental organisations to accept uninvited offers, especially, where the mode of transaction was not through a public tender. The Ministry of Commerce, when asked to explain their role in the matter, had sought to wriggle out of the situation stating that the basic function of the Ministry was to frame policies and procedures, while the commercial aspects of the trade proposals are examined by the agency concerned and accordingly the Ministry had nothing to say about the decision taken by MMTC at its own level. Besides, the Ministry had stated that the file relating to this matter in the Ministry was untraceable, it being an old document. Although an inquiry was instituted in the Ministry about the loss of file it could not be still located. The Committee find that the involvement of M/s. Shattaff trading company in the matter of import of gold has remained an unexplained mystery and no positive action was taken to find out the real motive of their involvement by any authority in the Ministry. The Committee, therefore, recommend that a thorough probe into the matter should be undertaken to find out the circumstances under which this firm came to be engaged and to find out if their involvement was a *bona fide* business requirement. The Committee further recommend that responsibility should be fixed for the loss of file concerned in the Ministry and efforts should be made to reconstruct the file in order to get the total picture.

Recommendation No. 3

Selection of Union Bank of Switzerland for Supply of Gold

The Committee note that the Union Bank of Swizerland was finally selected for supply of gold although they submitted their offer four days after the other banks have sent their offers and no invitation was sent to UBS to participate in the bid by MMTC. The Committee have been informed that a team of the representatives of MMTC visited Switzerland in January 1987 to hold discussions with UBS and thereafter MMTC informed the Ministry of Commerce in March 1987 that the proposal of UBS was the most attractive one. Subsequently, the contract with UBS was finalised in August 1988 with the approval of the Ministry of Commerce and also the Ministry of Finance. When the Audit demanded the details of analysis of the various offers leading to the selection of UBS as the successful bidder, the relevant papers were not available in the records produced to the Audit. However, the Audit examined only some papers indicating the comparative position of the offers received. On an examination of the comparative terms quoted by UBS and by the Bank of Nova Scotia, the Audit found that the Bank of Nova Scotia had a clear edge over UBS in respect of the interest rate offered. The Audit found that the contract was awarded to UBS, which had quoted an interest rate of 2.5 per cent per annum, although the Bank of Nova Scotia offered a rate of interest at 1.75 per cent per annum. According to the Audit, the contract was awarded to UBS without any manifest effort to negotiate with the Bank of Nova Scotia to get the best of the terms of trade. The offer of Bank of Nova Scotia stipulated that a rate of 1.75 per cent per annum will be charged for a period of 90 days only and interest on gold loaned beyond the period of 90 days would be charged at rates higher than 1.75 per cent per annum. The Audit found that UBS had actually charged rates of interest which exceeded 2.5 per cent on several occasions, although they had quoted a flat interest rate of 2.5 per cent per annum. MMTC had tried to explain to the Committee stating that UBS was selected in view of the consideration that the consignment facility offered by Bank of Nova Scotia did not compare favourably with that of Union Bank of Switzerland. It was further explained that the consignment period was restricted to only 60 days by Bank of Nova Scotia, while the Union Bank of Switzerland had offered consignment facility without any restriction on that period.

The requirement of furnishing the guarantee was also dropped by Union Bank of Switzerland. MMTC tried to justify the agreement stating that the exporters under the Exim Policy could keep the gold on loan for a period of 120 days and beyond in respect of certain schemes which would have necessitated payment to Bank of Nova Scotia at rates higher than 1.75 per cent per annum beyond the period of 90 days. MMTC also stated that the Union Bank of Switzerland offered a flat rate of 2.5 per cent per annum irrespective of the loan period. Therefore, MMTC stated that the offer of Bank of Nova Scotia both in respect of consignment facility as well as loan facility was found by them not better than the offer of UBS.

The Committee note that the acceptance of the rate of interest at 2.5 per cent stipulated by UBS had made the company pay interest at the higher rate of 2.5 per cent for the first 90 days as most of the jewellery units in the normal course would have to export the jewellery within a period of three months from the date of issue of gold to them. Since Bank of Nova Scotia stipulated only 1.75 per cent rate of interest for the first 90 days, which is the normal period for exporting the gold back, the Committee feel that the consideration shown to this clause was completely irrelevant for the purpose of making comparative evaluation of bids. Again the Committee feel that MMTC had accepted an unreasonable condition from UBS that the rate of interest could be modified at any point of time, as this implies that there was no outer/upper limit on the rate of interest that could be imposed, whereas in the offer of Bank of Nova Scotia the maximum limit itself was a definite at 2.5 per cent per annum. The Committee wish to point out that even this rate of interest could have been negotiated with the Bank of Nova Scotia as it had earlier offered in 1984 a rate of interest of only 1.5 per cent in August 1984 which they sought to retain it till the end of December, 1985 through an extension. Had the earlier offer of Bank of Nova Scotia been kept alive or had MMTC negotiated with the Bank of Nova Scotia citing their earlier offer, the Committee feel that MMTC could have obtained a better deal. The Committee also wish to point out that on 30 October, 1984, even Republic National Bank of New York, Hongkong quoted a rate of interest of one per cent per annum, which could have been used to negotiate favourably with the Bank of Nova Scotia.

The Committee, therefore, do not approve of accepting any term of unlimited interest liability which had been incorporated in the agreement executed with UBS. The Committee wish to point out that there had been no consistency about the approach in deciding the source of supply of gold, as they found that the Company visited London Bullion Market in the year 1984, while in the year 1987 they visited only Switzerland to negotiate with only one bank, and further, in August 1994, they addressed only those banks which were the members of London Bullion Market Association.

The Committee, therefore, come to the conclusion that special favours have been shown to the Union Bank of Switzerland who was obviously recommended by Shattaff Trading Company, putting our interest to a great disadvantage in the matter of payment of interest in this deal. The Committee recommend that the circumstances under which the UBS was selected should be thoroughly probed by an independent authority, preferably by the CVC/CBI and they desire that a statement should be submitted to the Committee about the action taken in this matter within three months of presentation of this Report.

Recommendation No. 4

Restrictive Clause in the Agreement with UBS

The Committee note that MMTC accepted a peculiar condition of unspecified significance in their agreement with UBS according to which the company was prevented from executing any contract for obtaining gold further from any other party without making full disclosure to UBS and if it is to be done, it should be done only after taking prior written permission from UBS. Besides this, there was no penal clause provided to take care of delays in effecting supplies by UBS, which later on became quite erratic. The Committee further note that the restrictive clause regarding not entering into loan agreement with any other banks/parties had been dropped by UBS in December 1997. The Ministry of Commerce when asked to explain as to why such a clause was included, stated that File No.10/22/86-EP(LSG) dealing with this matter, being an old file was not traceable and the Ministry of Commerce, however, had given their approval for the proposal of MMTC only in principle, leaving out all matters of commercial consideration purely to the discretion of MMTC. When asked about the action taken for fixing responsibility in the matter of loss of file, the Ministry stated that the file being an old one could have most probably been weeded out and attempts were made to trace the file in the section concerned and in the record room of the Ministry, which did not produce any positive results. The Committee have been further informed by MMTC that the clause in question did exit in the initial draft agreement itself and had been accepted on the ground that a lender has to necessarily exercise control on the increase of liabilities on the borrower and the RBI and the Deptt. of Economic Affairs had already examined the agreement clause-by-clause and only after their approval, it was signed by MMTC.

The Committee wish to point out that the very fact that this restrictive clause was dropped by the Bank in December, 1997 amply shows that there was no compulsive reason in including this kind of restrictive clause in the agreement initially, as commercial considerations do not drastically change in such deals. The Committee are of the opinion that there was complete lack of transparency in the manner in which the entire agreement with UBS was executed, compromising the interests of the company for some possible unexplained extraneous considerations and therefore a thorough probe is recommended by an independent authority in this matter.

Recommendation No. 5

Continued Imports from UBS even after signing contract with credit Suisse Bank

The Committee have been informed that the supply of gold by UBS became erratic and many a times they could not supply the full quantity that was indented. Therefore, in August, 1994 MMTC felt that total dependence on UBS would not be in the interest of MMTC. Since MMTC believed that better terms could be obtained from other banks, if they diversify the source of gold supplies for the same premium as was being paid to UBS, in October, 1994, It invited offers from six banks which were members of London Bullion Market Association.

The Committee have been informed that out of the six offers received, the offer from Credit Suisse Bank was found to be better than that of the others and it was broadly on the same lines as that of the other existing arrangements with the UBS. The only difference was that the Credit Suisse Bank did not offer loan facility and the gold was to be imported from them on outright purchase basis. However, the Committee find that the premium charged by UBS was higher than the premium charged by Credit Suisse Bank, entailing payment of additional amount to UBS, if MMTC were to continue their imports from them. The Committee have been informed that MMTC continued to import gold from UBS at a higher premium, although they had entered into a fresh agreement with Credit Suisse Bank for supplies at a lower premium. A test check conducted by Audit of the records of only one Sub-Regional Office at Jhandewalan and that too only for one year, (*i.e.* 1995-96) revealed that out of 4348 kgs. of gold imported, only 2150 kgs. were supplied by Credit Suisse Bank, leaving a balance of 2198 kgs. of gold imported from UBS.

The Audit had observed that the continued gold import from UBS in this case resulted in payment of an additional premium of Rs. 10.04 lakhs under one scheme for one office for one year alone. Had the entire gold been purchased from Credit Suisse Bank instead of UBS for all other schemes for all other units for the entire period after entering into contract from October 1984 onwards, MMTC could have avoided payment of a significantly very high sums by way of additional premium, which right now the Committee are unable to hazard a guess. The Committee also note with concern the attempts by MMTC to evade the question of supply of details about the number of times the supply of gold was delayed by UBS and the extent to which the supply was short of the indented quantity. The only way the MMTC sought to justify the continued purchase was by stating that ready availability from stocks for longer consignment period was the deciding financial factor for obtaining gold from UBS. The Committee wish to point out that this argument of ready availability from stocks contradicts the earlier stand taken by MMTC that the supply from UBS became erratic in October, 1994 to justify their steps to diversify the source of supply.

The Committee also note another argument of MMTC that the demand for gold was increasing year after year and it would not have been possible for any single bank to cater to the increasing demands for gold under various schemes. The Committee wonder as to why more than one alternate sources of supply could not be identified, if the entire quantity of gold could not have been procured from a single source. If MMTC could have arrangements, with Credit Suisse Bank apart from UBS for supply of gold, nothing prevented them from negotiating with other banks as well to obtain appropriate terms, as MMTC admittedly held a view that for the same premium as was being paid to UBS better terms could be obtained from other sources. The Committee wish to point out that further in the year 1996-97 and also in 1997-98, MMTC continued to import significant quantities (1115 kgs. and 1782 kgs. respectively) from UBS, which clearly reveals the continued patronage of the bank by MMTC for certain unexplained reasons. The Committee are unable to view this continued purchase from UBS as an independent happening and they are inclined to consider it only as an episode in a continuing plot, which was conceived mainly with a view to favour a particular foreign bank continuously from the year 1988 onwards despite bad track records and, even after finding other sources of supply in October, 1994. The Committee wonder that alternate sources of supply may have been found out only to demonstrate to UBS that they should feel obliged to MMTC management who kept alive their agreement, despite having other sources and the Committee here feel that there is something more that what meets the eye in the entire deal. The Committee, therefore, are convinced that this is a fit case for a thorough inquiry by an independent authority and recommend to the Government that appropriate action should be initiated by them to satisfy themselves that there was no ulterior motive in securing continued supplies of gold from UBS.

Recommendation No. 6

The Missing File

The Committee have been informed that necessary papers regarding import of gold could not be made available to Audit for examination due to the fact that the relevant file was untraceable in the Ministry of Commerce. The Committee have been informed that the file still remained untraceable and nobody could be held responsible for the missing of the file. The Ministry also are not sure whether the file had been weeded out at all, as they had stated in their reply that it could have most probably been weeded out. The Committee have been further informed by the Ministry that attempts were made to trace the file in the Section and in the Record Room which did not produce any positive results. The Committee wonder as to how such sensitive files involving important decisions taken by Government could have been classified as files that could be weeded out, especially, when such transactions are subjected to detailed scrutiny by the Audit. The Committee also wonder as to how the Ministry could launch its search efforts when they felt that the file could have been weeded out. It is an established practice of office management that every file in a section is properly entered in a file register and when action is complete, its fate about its retention is decided and proper entries are made in the file register, if they are to be weeded out. It is obvious from this episode that the Ministry of Commerce does not have a proper system of records management and there have been no regular system of checks through inspections by senior officers about the status of record management, despite, Government orders existing on the subject and there was complete abdication of responsibility on the part of officers in senior supervisory capacities in the Ministries which had been taken advantage of by unscrupulous elements to ensure their escape from many wrong doings. The Committee take a very serious note of the manner in which the Ministry of Commerce is being managed in respect of affairs of record management and in the observance of office procedure and desire that appropriate action should be initiated to fix responsibility on the senior most officer who dealt with the subject at a level not below the rank of Joint Secretary and also to initiate remedial measures in the Ministry at least from now on so that such unfortunate incidences do not recur which could be taken advantage of by wrong doers.

NEW DELHI;
July 23, 2001
Sravana 1, 1923 *(S)*

VIJAY KUMAR MALHOTRA,
Chairman,
Committee on Public Undertakings

Annexure I
(*Vide* Para No. 51)

COMPARATIVE STATEMENT OF OFFERS RECEIVED FOR SUPPLY OF GOLD ON CONSIGNMENT

S. No	Name of Bank	Purity	Guarantee	Premium	Commission	Replenishment	Remarks	Cost
1.	Credit Suisse, Zurich 24.11.86	.995	SBI for 120% for one year + variation margin if if any	CIF Mumbai Airport US $ 1.25/ ounce	US $ 0.25/ ounce	In lots of minimum 50 kgs.		Gold on interest basis. Interest charges not specified
2.	Union Bank of Switzerland 21.11.86	-do-	-do-	CIF Bombay Airport US $ 1.10 / ounce	-do-			
3.	Republic National Bank of Singapore, Newyork & Hong Kong 20.11.86	0.999 (.995) on request	SBI or RBI	US $ 1.40/ ounce (will increase in case of US $ 400/ ounce). CIF Bombay Airport			Minimum shipment must be 233 kgs.	
4.	Bank of Nova Scotia, Bombay 12.11.86	.995 or above	GOI or SBI	FOB basis (port of discharge) Cost of insurance and freight= £ 16,000 per tonne app. US $ 0.5/ ounce Separate charges for re-making to specifications of 1 kg bar indicated @ .50/ per ounce to be charged on actual basis	Replenishment at US $ 0.25/ ounce (can vary depending on market condition)			No fee for first 60 days. May be extended at bank option at the rate of 5/6%. Fees may also be paid in any convertible currency or gold bullion. MMTC to pay all taxes and duties.
5.	City Bank, London							

COMPARATIVE STATEMENT OF OFFERS RECEIVED FOR GOLD ON LOAN BASIS

S. No.	Name of Bank	Purity	Guarantee	Loan rate	Premium	Commission	Validity	Remarks
1.	Credit Suisse, Zurich 24.11.86	.995	SBI covering 120% of gold value for one year + variation margin	3% per annum payable in gold	CIF Bombay US $ 1.25/ ounce payable immediately	US $ 0.25/ ounce	6 months	Offer upto Jan 31st 1987
2.	Union Bank of Switzerland 28.11.86	-do-	SBI Bombay covering 120% of gold value	2.5% per annum payable in gold	CIF Bombay US $ 1.10/ounce payable immediately	-do-	6 month	Offer upto Jan. 3rd 1987
3.	Republic National Bank of NY, HK & Singapore 20.11.86	0.999 (.995) on request	SBI or RBI	1% per annum to increase by 0.25% every two weeks to a maximum of 3% payable in gold or purchase price of loco London gold	1.40 US$/ ounce			Mini Shipment 233 kgs
4.	Bank of Nova Scotia, Bombay 12.11.86		GOI or SBI	1.75% subject to 90 days call. Commence from the drawn from the consignment				If the fee is paid in gold bullion, 30 days notice required. All fees to be free of withhold tax or other deduction.
5.	City Bank, London England	.995 or above		2.25% per annum	1.5 US$		6 months	Payment within 2 days Transportation costs and insurance will be 60 cents of US $ per ounce.

Annexure II
(*Vide* Para No. 63)

INTER GOLD (INDIA) LTD.

LIST OF DIRECTORS AND THEIR SHARE HOLDINGS

Date of Incorporation: 20.05.1995

List of Directors and their share holdings for the period 20.5.1985 to 31.3.1988

Name	Address	Date of appointment	Date of Resignation	No of Equity Shares hold (Face value of Rs. 100/- each)
Mr. Suresh Chokel	27. Middlefield London, N.W.U.	20.5.85	23.8.85	
Mr. Romi Chokel	213, Maker Towers A Cuffe Parade, Colba Bombay-5	20.5.85	23.8.85	
Mr. Vinod D. Mehta	50, Shantiniketan Society Surat Diary Road Surat 305 000	20.5.85	2.9.85	
Mr.Hareshkumar Tanna	18/4, Fanaswadi Moti Building Bombay-2	20.5.85	2.8.85	(Transferred on 2.1.88 and hence from 2.1.88)
Mr. Krishna Murari Goenka	501, Kinga Apartment Juhu Tara Road Mumbai-400049	23.8.85		
Mrs. Usha Khandwala	Vaibhavi, Ashok Nagar, Society, NS 10th Road Guru Nanak Road, JVPD Scheme, Bombay-49	23.8.85		
Mr. Baboolal M. Siroya	Somaiya Shopping Centre Sainath Road, Malad (W) Bombay - 400 089	2.9.85		
Mr. Bakhtawaramal B. Siroya	P.O. No. 574 Sharjah, U.A.E	2.9.85		
Mr. Dhoerajmal B. Siroya	P.O. No. 574 Sharjah, U.A.E.	2.9.85		
Mr. Harilal D.Soni	P.O. No. 574 Sharjah, U.A.E.	2.9.85		
Mr. Mohammed Shattaf	P.O. No. 574 Sharjah, U.A.E.	2.9.85		

INTER GOLD (INDIA) LTD.

Date of Incorporation: 20.05.1985

List of Directors and their share holdings for the period 1.4.1986 to 13.3.1987

Name	Address	Date of appointment	Date of Resignation	No of Equity Shares held (Face value of Rs. 100/- each)
Mr. Krishna Murari Goenka	501, Kinga Apartment Juhu Tara Road, Bombay – 400 049	23.8.85	—	1289 (Out of this 1289 shares were held beneficially by a firm of which he was a Partner)
Mrs. Usha Khandwala	Vaibhavi, Ashok Nagar, Society, NS 10th Road Guru Nanak Road, JVPO Scheme, Bombay-49	23.8.85		
Mr. Baboolal M. Siroya	Somaiya Shopping Centre Sainath Road, Malad (W) Bombay – 400 069	2.9.86		
Mr. Bakhtawaramal B. Siroya	P.O. No. 574 Sharjah, U.A.E	2.9.85 17.11.1986	23.10.1986	
Mr. Dhoerajmal B. Siroya	P.O. No. 574 Sharjah, U.A.E.	2.9.85 17.11.1986	23.10.1986	
Mr. Harilal D. Soni	P.O. No. 574 Sharjah, U.A.E.	2.9.85 17.11.1986	23.10.1986	
Mr. Mohammed Shattaf	P.O. No. 574 Sharjah, U.A.E	2.9.85	23.10.1986	
Mr. Sanjay Siroya	101, Kalpavriksha Apts. 27, Ridge Road, Bombay – 400 006	23.10.86		
Mrs. Madhukanta Soni	Garden View, Flat 901, 8, Harkness Road, Malabar Hill, Bombay 26	17.11.85		

INTER GOLD (INDIA) LTD.

Date of Incorporation: 20.05.1985

List of Directors and their share holdings for the period 1.4.1987 to 31.3.1988

Name	Address	Date of appointment	Date of Resignation	No of Equity Shares held (Face value of Rs. 100/- each)
Mr. Krishna Murari Goenka	501, Kings Apartment Juhu Tara Road, Bombay – 400 049	23.8.85	—	16498 (Beneficially owned by a firm of which he was a Partner)
Mrs. Usha Khandwala	Vaibhavi, Ashok Nagar, Society, NS 10th Road, Guru Nanak Road, JVPO Scheme, Bombay-49	23.8.85	10.6.87	
Mr. Baboolal M. Siroya	Somaiya Shopping Centre Sainath Road, Malad (W) Bombay – 400 069	2.9.85	10.6.87	
Mr. Bakhtawaramal B. Siroya	P.O. No. 574 Sharjah, U.A.B	17.11.86	30.5.87	
Mr. Dheerajmal B. Siroya	P.O. No. 574 Sharjah, U.A.B.	17.11.86	30.5.87	
Mr. Harilal D.Soni	P.O. No. 574 Sharjah, U.A.B.	17.11.86	30.5.87	
Mr. Sanjay Siroya	101, Kalpavrikaha Apts. 27, Ridge Road, Bombay – 400 006	23.10.86	30.5.87	
Mrs. Madhukanta Soni	Garden View, Flat 901, 8, Harkness Road, Malabar Hill, Bombay 26	17.11.86	30.5.87	
Mr. Arun R. Mehta	2A, Swapna Lok 57, Laxmibhai Jagmohandas Marg, Bombay – 6	2.6.87		7750
Mr. Harshad R Mehta	91/101, Vijay Deep 31, Ridge Road, Bombay – 6	2.6.87		3000
Mr. Rajeev Sheth	Villa Ramona, 37 A, Napean Sea Road Bombay 6	2.6.87		750
Mr. Amar Nath	Vaibhavi, Ashoknagar SocietyNS, 10th Road, JVPD Scheme, Bombay – 40	10.6.87		NIL
Mr. Kishoribhai Zaveri	48, Golf Links, New Delhi	10.6.87		NIL
Mr. Nandkishore Zaveri	48, Golf Links, New Delhi	10.6.87		NIL

INTER GOLD (INDIA) LTD.

Date of Incorporation: 20.05.1985

List of Directors and their share holdings for the period 1.4.1988 to 31.3.1989

Name	Address	Date of appointment	Date of Resignation	No of Equity Shares held (Face value of Rs. 100/- each)
Mr. Krishna Murari Goenka	501, Kings Apartment Juhu Tara Road, Bombay – 400 049	23.8.85		(Beneficially owned by a firm of which he is a Partner)
Mr. Arun R. Mehta	2A, Swapna Lok 57, Laxmibhai Jagmohandas Marg, Bombay – 6	2.6.87		9250
Mr. Harshad R Mehta	91/101, Vijay Deep 31, Ridge Road, Bombay – 6	2.6.87		4000
Mr. Rajeev V. Sheth	Villa Ramona, 37 A, Napean Sea Road, Bombay – 6	2.6.87	26.11.1988	NIL
Mr. Amar Nath	Vaibhavi, Ashoknagar Society NS, 10th Road, JVPD Scheme, Bombay– 40	10.6.87		NIL
Mr. Kishoribhai Zaveri	48, Golf Links, New Delhi	10.6.87	26.9.1988	NIL
Mr. Nandkishore Zaveri	48, Golf Links, New Delhi	10.6.87	1.9.1988	NIL

INTER GOLD (INDIA) LTD.

Date of Incorporation: 20.05.1985

List of Directors and their share holdings for the period 1.4.1989 to 31.3.1990

Name	Address	Date of Appointment	Date of Resignation	No. of Equity Shares held (Face value of Rs. 100/- each)
Mr. Krishna Murali Goenka	501, Kings Apartment Juhu Tara Road, Bombay – 400049	23.8.85		5413 (Beneficially owned by a firm of which he is a Partner)
Mr. Arun R. Mehta	2A, Swapna Lok 57, Laxmibhai Jagmohandas Marg, Bombay-6	2.6.87		11,550
Mr. Harshad R. Mehta	91/101, Vijay Deep 31, Ridge Road, Bombay-6	2.6.87		5,538
Mr. Amar Nath	Vaibhavi, Ashoknagar Society, NS, 10th Road JVPD Scheme, Bombay-49	10.6.87		5,000
Mr. Rajeev V. Sheth	Villa Ramona, 37A Napean Sea Road, Bombay-6	2.2.1990		500
Mr. Shrenik Zaveri	Geetanjali 73/75, Walkeshwar Road, Bombay-400006	2.2.1990		3,000

INTER GOLD (INDIA) LTD.

Date of Incorporation: 20.05.1985

List of Directors and their share holdings for the period 1.04.1990 to 31.3.1991

Name	Address	Date of Appointment	Date of Resignation	No. of Equity Shares held (Face value of Rs. 100/- each)
Mr. Krishna Murali Goenka	501, Kings Apartment Juhu Tara Road, Bombay – 40004	23.8.85		5413 (Beneficially owned by a firm of which he is a Partner)
Mr. Arun R. Mehta	2A, Swapna Lok 57, Laxmibhai Jagmohandas Marg, Bombay-6	2.8.87		11,500
Mr. Harshad R. Mehta	91/101, Vijay Deep 31, Ridge Road, Bombay-6	2.6.87		5,388
Mr. Amar Nath	Vaibhavi, Ashoknagar Society, N5, 10th Road, JVPD Scheme, Bombay-49	10.6.87		1,500
Mr. Rajeev V. Sheth	Villa Ramona, 37A, Napean Sea Road, Bombay-6	2.2.1990		500
Mr. Shreenik Zaveri	Geetanjali 73/75, Walkeshwar Road, Bombay-400006	2.2.1990		3,000
Mr. Pramod Goenka	Janki Kutir, Vaibhav Bldg. Near Prithivi Theatre, Juhu Church Road, Juhu Bombay-49	8.9.1990		NIL
Mr. Russell A. Mehta	2A, Swapna Lok 57, Laxmibhai Jagmohandas Marg, Bombay-6	8.9.1990		2,869

INTER GOLD (INDIA) LTD.

Date of Incorporation: 20.05.1985

List of Directors and their share holdings for the period 1.04.1991 to 31.3.1992

Name	Address	Date of Appointment	Date of Resignation	No. of Equity Shares held (Face value of Rs. 100/- each)
Mr. Krishna Murali Goenka	501, Kings Apartment Juhu Tara Road, Bombay – 400040	23.8.85		5413 (Beneficially owned by a firm of which he is a Partner)
Mr. Arun R. Mehta	2A, Swapna Lok 57, Laxmibhai Jagmohandas Marg, Bombay-6	2.6.87	-	11,000
Mr. Harshad R. Mehta	91/101, Vijay Deep 31, Ridge Road, Bombay-6	2.6.87		5,388
Mr. Amar Nath	Vaibhavi, Ashoknagar Society, NS, 10th Road, JVPD Scheme, Bombay-49	10.6.87		1,500
Mr. Rajeev V. Sheth	Villa Ramona, 37A, Nepean Sea Road, Bombay-6	2.2.1990		15,000
Mr. Shamik Zaveri	Geetanjali 73/75, Walkeshwar Road Bombay-400006	2.2.1990		3,750
Mr. Pramod Goenka	Janki Kutir, Vaibhav Bldg. Near Prithvi Theatre, Juhu Church Road, Juhu Bombay-49	8.9.1990		NIL
Mr. Russell A. Mehta	2A, Swapna Lok 57, Laxmibhai Jagmohandas Marg, Bombay-6	8.9.1990		2,869

ANNEXURE III

MINUTES OF SIXTH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 23RD NOVEMBER, 1998

The Committee sat from 1500 hrs to 1650 hrs.

PRESENT

Shri Manbendra Shah—*Chairman*

MEMBERS

2. Shri Lal Muni Chaubey
3. Smt. Sheela Gautam
4. Shri R. Sambasiva Rao
5. Shri Tarit Baran Topdar
6. Shri Ranian Prasad Yadav
7. Shri Gopalsinh G. Solanki
8. Shri Jibon Roy
9. Shri Yerra Narayanaswamy

SECRETARIAT

1. Shri Joginder Singh — *Jt. Secretary*
2. Shri P.K. Grover — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*

Office of the Comptroller & Auditor General of India

1. Shri A.K. Chakrabarti — Chairman, Audit Board
2. Shri B.B. Pandit — Member Secretary, Audit Board
3. Ms. Melashri Prasad — Ex-officio Member, Audit Board-I
4. Shri G. Bhattacharjee — Asstt. C&AG (C)
5. Shri C.A. Bodh — Director

Representatives of MMTC Ltd.

1. Shri S.D. Kapoor — Chairman-cum-Mg. Director
2. Shri P.N. Sharma — Director (F)
3. Shri Vidya Aieer — Executive Director (Vig.)
4. Shri Manohar Lal — Chief General Manager

2. The Committee took evidence of the representatives of Minerals & Metals Trading Corporation Ltd. in connection with examination of MMTC Ltd-Trading in Gold. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

ANNEXURE IV

MINUTES OF 16TH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 15TH MARCH, 1999

The Committee sat from 1500 hrs to 1550 hrs.

Shri Manbendra Shah — *Chairman*

MEMBERS

2. Shri Lal Muni Chaubey
3. Shri Vinod Khanna
4. Shri P.R. Kyndiah
5. Shri Vilas Muttemwar
6. Shri Tarit Baran Topdar
7. Shri Balram Singh Yadav
8. Dr. Gopalrao Vithalrao Patil
9. Shri Gopalsinh G. Solanki

SECRETARIAT

1. Shri Joginder Singh, — *Jt. Secretary*
2. Shri P.K. Grover — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*

Office of the Comptroller & Auditor General of India

1. Shri V.K. Shunglu — Comptroller & Auditor General of India
2. Shri A.K. Chakrabarti — Dy. Comptroller & Auditor General of India
3. Shri B.B. Pandit — Principal Director
4. Smt. Maleshri Prasad — Principal Director
5. Shri G. Bhattacharjee — Asstt. C&AG
6. Shri Angrup Bodh — Director

2. The Committee held discussions on issues relating to examination of Minerals & Metals Trading Corporation Limited—Trading in Gold contained in Para No. 6.3 of Report No. 3 of C&AG (Commercial) of 1998. During the discussion C&AG offered to furnish their comments on the replies furnished by MMTC Ltd. It was also decided that status report of the cases referred tto Directorate of Enforcement/Directorate of Revenue Intelligence by MMTC as mentioned in the replies of MMTC may be obtained.

The Comsmittee then adjourned.

ANNEXURE V

MINUTES OF 19TH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 1ST APRIL, 1999

The Committee sat from 11.00 hrs. to 1235 hrs.

Shri Manbendra Shah —*Chairman*

MEMBERS

2. Shri Sudip Bandyopadhyay
3. Shri Lal Muni Chaubey
4. Smt. Sheela Gautam
5. Smt. Geeta Mukherjee
6. Shri Vilas Muttemwar
7. Shri R. Sambasiva Rao
8. Shri H.P. Singh
9. Shri Surender Singh
10. Shri Tarit Baran Topdar
11. Dr. Gopalrao Vithalrao Patil
12. Shri Ranjan Prasad Yadav
13. Shri H. Hanumanthappa
14. Shri Jitendra Prasada
15. Shri Jibon Roy
16. Shri Yerra Narayanaswamy

SECRETARIAT

1. Shri Joginder Singh — *Jt Secretary*
2. Shri P.K. Grover — *Deputy Secretary*
3. Shri R.C. Kakkar—*Under Secretary*

Representatives of Office of the Comptroller & Auditor General of India

1. Shri A.K. Chakrabarti — Chairman, Audit Board
2. Shri B.B. Pandit — Member Secretary, Audit Board
3. Shri A.K. Balni — Pr. Director (Customs)
4. Shri G. Bhattacharjee — Asstt. C&AG (C)

Representatives of Minerals & Metals Trading Corporation Ltd.

1. Shri S.D. Kapoor — Chairman-cum-Managing Director
2. Shri P.N. Sharma — Director (Finance)
3. Shri Shri Vidya Ajeer — Executive Director (Vig)
4. Shri Manohar Lal — Chief General Manager

Representatives of Ministry of Finance
(Deptt. of Revenue—Central Board of Excise & Customs)

1. Shri J. A. Chowdhary — Secretary (Revenue)
2. Shri S D Mohile — Chairman (CBEC)
3. Shri Sukumar Shankar — Member (Customs)
4. Shri S C Choudhury — Director (Customs)
5. Shri P K Mohanty —Deputy Secretary (Customs)

The Committee took evidence of the representatives of Minerals & Metals Trading Corporation Ltd. and Ministry of Finance (Deptt. of Revenue—Central Board of Excise & Customs) in connection with examination of Minerals & Metals Trading Corporation Ltd—Trading in Gold. After some discussion it was decided that written replies to lists of points may be called for from CBEC, MMTC and Ministry of Commerce and the next sitting of the Committee on this subject may be held after receipt of replies from the concerned Departments.

3. The Committee also decided to postpone their sitting scheduled to be held in the afternoon of 1st April, 1999 to take evidence of the representatives of the Ministry of Commerce.

4. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

ANNEXURE VI

MINUTES OF 5TH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 23RD JUNE, 2000

The Committee sat from 1030 hrs. to 1200 hrs.

Prof. Vijay Kumar Malhotra—*Chairman*

MEMBERS

Lok Sabha

1. Maj. Gen. (Retd.) B.C. Khanduri
2. Shri Rajiv Pratap Rudy

Rajya Sabha

3. Shrimati Ambika Soni
4. Shri Ranjan Prasad Yadav
5. Shri B.P. Singhal
6. Shri Satishchandra Sitaram Pradhan

SECRETARIAT

1. Shri S. Bal Shekar—*Director*
2. Shri R.C. Kakkar—*Under Secretary*
3. Shri Raj Kumar—*Under Secretary*

Representatives of MMTC

1. Shri S.D. Kapoor—Chairman & Mg. Director
2. Shri Sanjiv Batra—Director (Marketing)
3. Shri P.N. Sharma—Director (Finance)
4. Smt. Sachi Choudhary—CVO
5. Shri Anand Trivedi—GM
6. Shri Ashok Sharma—GM
7. Shri S. Guruswami—GM
8. Shri Sunir Khurana—GM

Office of the Comptroller & Auditor General of India

1. Shri A.K. Chakrabarty—Dy. CAG (Commercial)
2. Shri B.B. Pandit—Pr. Director (Commercial)
3. Mrs. Maleshri Prasad—Pr. Dir of Coml. Audit of MAB-I
4. Mrs. Meena Chaturvedi—Director (Commercial)
5. Shri S.K. Bahri—Pr. Dir (INDT)

At the outset, the Committee was briefed by audit in connection with the examination of MMTC Limited—Trade in Gold.

2. The Chairman then welcomed the representatives of Minerals and Metals Trading Corporation Ltd. to the sitting of the Committee.

3. The Committee took evidence of the representatives of MMTC in connection with the examination of MMTC Limited—Trade in Gold.

The Committee then adjourned.

ANNEXURE VII

MINUTES OF 6TH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 23RD JUNE, 2000

The Committee sat from 1200 hrs to 1245 hrs.

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

1. Maj. Gen. (Retd.) B.C. Khanduri
2. Shri Rajiv Pratap Rudy

Rajya Sabha

3. Shrimati Ambika Soni
4. Sh. Ranjan Prasad Yadav
5. Sh. B.P. Singhal
6. Sh. Satishchandra Sitaram Pradhan

SECRETARIAT

1. Sh. S. Bal Shekar — *Director*
2. Sh. R.C. Kakkar — *Under Secretary*
3. Sh. Raj Kumar — *Under Secretary*

Representatives of M/O Finance (Deptt. of Revenue) — CBEC

1. Sh. B.P. Verma — Chairman, CBEC
2. Sh. K.L. Verma — Member (Customs)
3. Sh. S.P. Srivastava — C.C. (Customs)
4. Sh. B.K. Gupta — Comm (Customs)
5. Sh. Krishan Kant — Commr
6. Sh. P.K. Mohanty — Deputy Secretary

Office of the Comptroller & Auditor General of India

1. Sh. A.K. Chakrabarty — Dy. CAG (Commercial)
2. Sh. B.B. Pandit — Pr. Director (Commercial)
3. Mrs. Maleshri Prasad — Pr. Dir. of Coml. Audit of MAB-I
4. Mrs. Meena Chaturvedi — Director (Commercial)
5. Sh. S.K. Bahri — Pr. Dir (INDT)

At the outset, the Chairman welcomed the representatives of Ministry of Finance (Deptt. of Revenue-CBEC) to the sitting of the Committee.

2. The Committee then took evidence of the representatives of Ministry of Finance (Deptt. of Revenue—CBEC) in connection with the examination of MMTC Limited—Trade in Gold.

3. The Committee took serious view of the absence of Additional Secretary, Ministry of Finance, Department of Revenue during the sitting of the Committee and decided to seek explanation from the Ministry of Finance for his absence.

The Committee then adjourned.

ANNEXURE VIII

MINUTES OF 7TH SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 23RD JUNE, 2000

The Committee sat from 1245 hrs to 1330 hrs.

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

1. Maj Gen (Retd) B.C. Khanduri
2. Shri Rajiv Pratap Rudy

Rajya Sabha

3. Shrimati Ambika Soni
4. Sh. Ranjan Prasad Yadav
5. Sh. B.P. Singhal
6. Sh. Satishchandra Sitaram Pradhan

SECRETARIAT

1. Sh. S. Bal Shekar — *Director*
2. Sh. R.C. Kakkar — *Under Secretary*
3. Sh. Raj Kumar — *Under Secretary*

Representatives of M/O Commerce

1. Sh. Prabir Sengupta — Commerce Secretary
2. Sh. V. K. Duggal — Additional Secretary
3. Sh. R. P. Aggarwal — Joint Secretary
4. Smt. Mitali Madhusmita — Deputy Secretary

Office of the Comptroller & Auditor General of India

1. Sh. A.K. Chakrabarty — Dy. CAG (Commercial)
2. Sh. B.B. Pandit — Pr. Director (Commercial)
3. Mrs. Maleshri Prasad — Pr. Dir. of Coml. Audit of MAB-I
4. Mrs. Meena Chaturvedi — Director (Commercial)
5. Sh. S.K. Bahri — Pr. Dir. (INDT)

At the outset, the Chairman welcomed the representatives of Ministry of Commerce to the sitting of the Committee.

2. The Committee then took evidence of the representatives of Ministry of Commerce in connection with the examination of MMTC Limited-Trade in Gold.

The Committee then adjourned.

ANNEXURE IX

MINUTES OF THE 3RD SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 21ST JUNE, 2001

The Committee sat from 1600 hrs. of 1645 hrs.

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBER

Lok Sabha

2. Shri Sudip Bandyopadhyay
3. Shri Ram Tahal Chaudhary
4. Shri Shiv Raj Singh Chauhan
5. Shrimati Sangeeta Kumari Singh Deo
6. Shri K.E. Krishnamurthy
7. Shri Vilas Muttemwar
8. Shri Dinesh Chandra Yadav

Rajya Sabha

9. Shri Suresh Kalmadi
10. Shri K. Kalavenkata Rao
11. Shri Jibon Roy
12. Shri B.P. Singhal
13. Smt. Ambika Soni

SECRETARIAT

1. Shri S. Bal Shekar — *Director*
2. Shri L.N. Gaur — *Under Secretary*
3. Shri Raj Kumar — *Under Secretary*

Office of the Comptroller and Auditor General of India

1. Ms. Revathi Bedi — Member, Audit Board-III, New Delhi
2. Ms. Geetali Tare — Director (Commercial)

The Committee considered the Draft Report on MMTC Ltd.-Trade in Gold (Import of Gold by MMTC) and adopted the same without any modification.

(The officers of C&AG then withdrew.)

2. ** ** ** **

3. The Committee authorised the Chairman to finalise the Report on the basis of factual verification by Ministries/Departments concerned and present the same to Parliament.

The Committee then adjourned to meet again at 1100 hrs. on 22nd June, 2001.