

**STEEL AUTHORITY OF INDIA LIMITED—
IMPORT OF DEFECTIVE BILLETS
MINISTRIES OF STEEL AND COMMERCE**

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1992-93**

TENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

SIXTEENTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1992-93)

(TENTH LOK SABHA)

STEEL AUTHORITY OF INDIA LIMITED
IMPORT OF DEFECTIVE BILLETS

(MINISTRIES OF STEEL AND COMMERCE)

**[Action taken by Government on the recommendations
contained in the 1st Report of the Committee on Public
Undertakings (Tenth Lok Sabha)]**



Presented to Lok Sabha on } 30 April 1993
Laid in Rajya Sabha on }

LOK SABHA SECRETARIAT
NEW DELHI

April, 1993/Chaitra, 1915 (Saka)

C.P.U. No. 710

Price: Rs. 9/-

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Published Under Rule 382 of the Rules of Procedure and Conduct of
Business Lok Sabha (Seventh Edition) and Printed by Manager, Govt.
of India Press (PLU), Minto Road, New Delhi.

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*Not appended. One copy laid on the Table of the House and one copy placed in Parliament Library.

COMMITTEE ON PUBLIC UNDERTAKINGS
(1992-93)

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CTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON
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(1992-93)

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8. Smt. Kamla Sinha

INTRODUCTION

1. the **Chairman**, Committee on Public Undertakings having been authorised by **the** Committee to submit the Report on their behalf, present this Sixteenth Report (Tenth Lok Sabha) on Action taken by Government on the recommendations contained in the 1st Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Steel Authority of India Limited—Import of defective billets.

2. The 1st Report of the Committee on Public Undertakings was presented to Lok Sabha on 10th December, 1991. Replies of the Government to all the recommendations contained in the Report were received on 26th March, 1993. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 23rd April, 1993.

3. An analysis of the action taken by Government on the recommendations contained in the 1st Report (1991-92) of the Committee is given in Appendix VI.

NEW DELHI;
April 27, 1993

Chaitra 7, 1915 (Saka)

A.R. ANTULAY
Chairman
Committee on Public Undertakings

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the first Report (Tenth Lok Sabha) of the Committee on Public Undertakings on Steel Authority of India Limited—Import of defective billets which was presented to Lok Sabha on 10th December, 1991.

2. Action taken notes have been received from the Ministries of Commerce, Steel, Industry and Finance in respect of all the 9 recommendations contained in the Report. These have been categorised as follows:

- (i) Recommendations/observations that have been accepted by Government:
Sl. Nos. 2, 5, 6, 7 and 9
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's reply:
Sl. No. 3
- (iii) Recommendations/observations in respect of which replies of Government have not been accepted by the Committee:
Sl. Nos. 1 and 4
- (iv) Recommendations/observations in respect of which final reply of Government is still awaited:
Sl. No. 8

3. The Committee are glad to place on record their appreciation for prompt action taken by Ministries/Undertakings on some of the recommendations of the Committee. The Committee in this connection note (i) the guidelines issued by the Reserve Bank of India regarding import under letters of credit (Recommendation Sl. No. 5); (ii) Streamlining of procedure by MMTC regarding handling of Shipment/ Verification of documents (Recommendation Sl. No. 6); and (iii) revision of guidelines by SAIL in regard to documentation clearance and handling of import of steel/plant cargo (Recommendations Sl. No. 6) issued at the instance of the Committee. The Committee are also happy to note that import of Steel items has since been decanalised in line with the recommendation of the Committee (Recommendation Sl. No. 9).

4. The Committee desire that final reply in respect of recommendation Sl. No. 8 for which only interim reply has been given by Government should be furnished to the Committee expeditiously after getting the same vetted by Audit.

5. The Committee will now deal with the action taken by Government on some of the other recommendations of the Committee.

Recommendation No. 1 (Paragraph No. 2.1)

6. The Committee had observed that the billets imported by MMTC for the use of SAIL did not conform to the contracted specifications and that the entire quantity of billets costing about Rs. 18.27 crores was found totally unsuitable for rolling at Bhilai Steel Plant.

7. The Ministry of Commerce have stated in their reply as under:

“Out of 35,000 tonnes of billets, SAIL used about 25,000 tonnes and Railways about 10,000 tonnes. A joint team of supplier's producing mill and MMTC visited Bhilai Steel Plant in July '86. No rolling was done in their presence to prove unsuitability of the billets. Even some technical details required by the team were not given. No documentary evidence whatsoever had been given by SAIL to show unsuitability of the billets.”

8. The explanation of the Ministry of Commerce is not convincing. Whatever be the position regarding subsequent utilisation of the imported billets, the fact remains that the billets imported by MMTC for the use of SAIL were not in accordance with the specifications and that MMTC as canalising agency failed in this respect.

Recommendation No. 4 (Paragraph Nos. 2.5 and 2.6)

9. Taking note of the fact that inspection agency instead of being appointed on behalf of MMTC or SAIL was appointed on behalf of the supplier, the Committee had desired that responsibility for this serious lapse be fixed and compliance reported within three months.

10. The Ministry of Commerce have stated in their reply that while no direct communication was sent to the inspection agency, they were aware of the requirement of the purchase order. The Ministry have stated that in future, direct communication would be sent by the MMTC to the inspection agency as an additional precaution. On the question of fixing responsibility for the lapse, the Ministry have stated as under:

“CMD, MMTC was requested to fix the responsibility for the lapse pointed out by the Committee and he has reported that in view of the above position, none of the MMTC's officials who handled this case was a defaulter.”

11. It is not clear as to what had been the established practice in regard to appointment of agency for pre-shipment inspection. If the MMTC's practice was to appoint directly it raises the question why there was deviation from the practice in the instant case and who was responsible for the same. It is obvious from the Ministry's reply that no probe has been

made on these lines. The Committee would urge that an enquiry should be initiated immediately and if any malafide action/negligence of duty is established, appropriate action be taken against those found guilty.

Recommendation No. 6 (Paragraph Nos. 2.10 and 2.11)

12. The Committee had observed that though there was sufficient time at the disposal of both MMTC and SAIL for making proper scrutiny of the documents, neither SAIL nor MMTC cared to detect the discrepancies which resulted in avoidable loss. The Committee, therefore, *inter-alia*, recommended that the concerned administrative Ministries to conduct a through probe into the circumstances under which appropriate action was not taken by MMTC as well as SAIL in fixing responsibility on the defaulting officials.

13. The Ministry of Steel have stated in their reply that on the basis of the findings of the enquiry conducted in June, 1988 by the Chief Vigilance Officer of SAIL, it was concluded that prima-facie no malafide on the part of officials of SAIL could be established and it was decided by the competent authority that the matter need not be followed up further from the vigilance angle.

14. The Ministry of Commerce in this connection have stated in their reply as under:

“SAIL had given an undertaking to MMTC on 15.3.1986 clearly providing that retirement of documents as well as clearance of material is their sole responsibility. It was on the basis of this undertaking that they were given an authority letter to establish a direct L/C so that they have full knowledge of the contents of the L/C, the documents required and also the verification of such documents. Obviously, this could not be done by SAIL.”

15. The Committee regret that the Ministry of Steel have drawn satisfaction from the fact that no malafide on the part of officials of SAIL could be established. It has not been clarified whether the enquiry revealed negligence of duty by officials of SAIL, if so, who were found guilty of negligenc of duty and whether any disciplinary proceedings were initiated against them. The Committee would await an explanation in this regard. If no action had been taken on these lines, the Committee would urge that the same should be done immediately keeping in view the need to prevent such acts of negligence in future.

16. As regards the question of fixing responsibility for the lapses by officials in MMTC, the reply of the Ministry of Commerce is not convincing. MMTC cannot absolve itself of its responsibilities merely because SAIL had given an undertaking to clear the material. As pointed out by the Committee earlier the officials of MMTC clearly failed in their duty to check whether the advance copy of documents received by them was

in order or not. The Committee wonder why the Ministry of Commerce should shy away from getting the matter probed. The Committee reiterate that the matter should be enquired into without further loss of time and the officials guilty of 'negligence of duty' punished.

Recommendation Sl. No. 8 (Paragraph Nos. 2.14 to 2.16)

17. Expressing their displeasure that the dispute between MMTC and SAIL regarding settlement of claims has been hanging fire for too long, the Committee felt that the dispute could and should have been resolved quickly by arbitration in terms of BPE's new guidelines. They also desired that the Administrative Ministry should immediately take up the matter at the highest level for setting up the Permanent Machinery of Arbitration as stipulated in BPE Guidelines for settling all disputes. The Committee also desired that once a dispute arises, it must be finally resolved through arbitration within six months.

18. The Ministry of Commerce in their reply have stated as under:—

"The Department of Public Enterprises (DPE) had set up an arbitration machinery and invited both SAIL and MMTC for hearing. While the representatives of MMTC attended the meetings held on 4.12.1990 and 16.1.1991, SAIL's representatives did not turn up. DPE had, therefore, to close the case till the outcome of the case between MMTC and M/s Daval, France was known.

As any arbitration between SAIL and MMTC would have adversely affected MMTC's stand in the case and would also have jeopardised common interest of MMTC and SAIL vis-a-vis foreign party i.e. M/s Daval, France, the MMTC has been of the view that it would be prudent and in the national interest to await the award of arbitration proceedings between MMTC and M/s Daval, France before sorting out dispute between MMTC and SAIL through arbitration.

This Ministry has been supporting this view of MMTC. However, Secretary, Ministry of Steel took up the matter with the Cabinet Secretariat who directed Department of Public Enterprises to issue a directive to this Ministry and MMTC to initiate and settle the dispute between M/s MMTC and M/s SAIL immediately without waiting for the finalisation of arbitration proceedings between MMTC and M/s Daval, France as that may take a long time.

This Ministry accordingly directed MMTC to agree to the initiation of the arbitration proceedings and give a written consent for arbitration by arbitrator of Permanent Machinery of Arbitrators."

19. The Committee cannot but express their unhappiness on the inordinate delay in referring the dispute to the arbitration authority. In spite of the Committee's specific recommendation that once a dispute arises, it must be finally resolved through arbitration within six months, the Ministry of Commerce/MMTC have taken over 13 months after presentation of the

Committee's report just to give a consent for arbitration by arbitrator of Permanent Machinery of Arbitrators (PMA). Whatever be the reasons for the delay, the fact only reflects poorly on the functioning of the Ministry of Commerce/MMTC. The Committee desire that atleast now the dispute between SAIL and MMTC will be settled amicably with the help of PMA and Committee apprised of the outcome.

CHAPTER II
RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY
GOVERNMENT

Recommendation Serial No. 2 (Paragraph No. 2.2)

The Committee note that according to custom classifications, if the copper percentage is 0.4% or more than the billet is classified as alloy steel and additional duty is levied. Therefore, for 1477 tonnes of billets which contained .04% copper, SAIL had to pay an avoidable customs duty of Rs. 22.68 lakhs. According to SAIL copper was an element which was not stipulated to be present in the billets as per the specifications given by them to MMTC. MMTC admitted that specifications given by SAIL did not envisage presence of copper in the steel billets. They also agreed that the contractor had violated contractual obligations for which he had been immediately put on notice and an amount of Rs. 29.62 lakhs had been recovered from him by invoking the performance guarantee.

Reply of the Ministry of Commerce

Ministry of Commerce have no comments except that the copper content mentioned in the Paragraph 2.2 may be read as 0.4% instead of 0.04%.

[Ministry of Commerce O.M. No. 21(76)/91-FT(M&O) dated 2.3.93]

Recommendation Serial No. 5 (Paragraph Nos. 2.7 to 2.9)

The Committee find that on the basis of letter of authority issued by MMTC, SAIL established a letter of credit with State Bank of India in favour of firm 'A' (M/s. Daval France). The firm presented the shipping documents to SBI, Paris, which released the payment to the firm and debited SAIL's account on 19.6.1986 for full value of the materials amounting to Rs. 9.74 crores. On receipt of the shipping documents from SBI, Calcutta, SAIL noticed that billets did not conform to the contracted specifications according to the accompanying certificate of analysis. The payment was released by SBI although the specification declared in the shipping documents differed from those given in the annexure to the letter of credit. When this matter was taken up with the SBI, the bank contended that the discrepancies were purely of technical nature and did not fall within the purview of the bank for consideration. In the opinion of CMD, MMTC, "No great technical expertise was required to find out whether the goods were in conformity with the specifications because the copper element and other elements were clearly laid down and inspection certificate is presented to the bank to make sure that goods conform to specifications and it is on this basis that the bank can release payment." He also added that, "The bank is the custodian of the money of SAIL and as custodian, the bank

is expected to exercise all caution to safeguard the interest of the customer or the client'. In this connection, Secretary, Department of Steel also expressed the view that it was incorrect for the bank to say that it is a technical matter. The bank releases the payment on comparison of documents. The banker has the obligation and responsibility to check conformity of the documents which come to him, with the letter of credit and see whether the specifications are properly followed or not. Therefore in his view it is the State Bank of India at Paris which had made a major error. When the Committee solicited the opinion of Department of Economic Affairs (Banking Division), in this connection, the Additional Secretary of the Department stated that the bank had acted in accordance with the normal banking practice and there had been no error in negotiating the LC. The inspecting agency of SAIL, Secretary General De Surveillance (SGS) gave a certificate specifically stating that the quality and quantity of goods had been found to be in conformity with the L.C. terms and since Bank is not a technical organisation they would go by the report of the inspecting agency. According to him in dealing with such documents, they are guided by 'Uniform Customs and Practices for Documentary Credit (UCPDC) issued by International Chamber of Commerce. Subsequently at the behest of the Committee, the Department of Economic Affairs (Banking Division) got the whole issue examined by Reserve Bank of India from the point of view of international banking practice. On the basis of in-depth examination of the matter by RBI also, it was concluded that SBI had complied with the relevant provisions of Uniform Customs and Practices for Documentary Credits (UCPDC) while negotiating documents relating to the transaction under reference. They were of the opinion that no irregularities/error or haste on the part of the Bank in honouring the commitment under the letter of credit could be attributable.

The Committee after having examined the report of the Reserve Bank of India however find that as per the Article 15 of the UCPDC, the SBI was supposed to have examined all documents with reasonable care to ascertain that they appear on their face to be in accordance with the terms & conditions of credit. Although the annexure IV (a) to the letter of credit provided that the billets should conform to Indian Standard 2830/75-SB-2 but it did not stipulate the presence of copper, silicon and chrome in the billets, which made them unacceptable to SAIL and unsuitable for rolling them into light structures.

The Committee, are therefore of the view that the State Bank of India especially their Paris Branch did not exercise reasonable care in comparing the documents properly and even the Calcutta branch of SBI did not care

to contact SAIL/MMTC to clarify the discrepancy in the documents. In their zeal to meet the time stipulation, they released the payment after expiry of 15 days i.e. on 11 June, 1986. The Committee, therefore, strongly feel that SBI has failed to act as the custodian of their clients' money. Instead they protected their own interest by releasing the payment to the foreign party without ensuring themselves about the conformity of the documents with the letter of credit. The Committee would like the Government to issue necessary instructions to the banks to be more vigilant while making final payment to the foreign party on the basis of shipping documents.

Reply of the Ministry of Finance

The matter was taken up with the Reserve Bank of India to issue the necessary instructions on the lines indicated by the Committee in para 2.9 of the Report. RBI have since instructed the banks to act as custodians of their constituents' money and exercise reasonable precaution and care in comparing the documents with circumspection so as to safeguard the interest of their clientele. RBI have further instructed that the payments should be released to the foreign parties only after ensuring that the documents are strictly in conformity with the terms of L/Cs. A copy of the circular No DBOD No. EFC. 130/18.03/150/92 dated April 28, 1992 and December 29, 1992 are at Appendix II.

[Ministry of Finance (Department of Economic Affairs) O.M. No. 14(72)/91-IF-L/88 Dated 14.1.1993]

Recommendation Serial No. 6 (Paragraph Nos. 2.10 & 2.11)

The Committee note that Steal Authority of India opened a letter of credit with State Bank of India on the basis of letter of authority issued by MMTC. As per the stipulation of letter of credit, a set of documents was required to be sent by baneficiary to Visakhapatnam office of MMTC which was the Canalising agency within 5 days from the date of shipment which was 27th May, 1986. According to the scrutiny made by the Reserve Bank of India and submitted to the Committee through the Ministry of Economic Affairs, the foreign sellers have stated to have certified having complied with the stipulation as per the certificate. This certificate was presented to the nagotiating bank (Paris Branch of State Bank Of India) one of the documents evidencing compliance with the terms of letter of credit. Therefore, the advance set of documents would have been received by the concerned office of MMTC latest by 6th June, 1986. In this connection CMD, MMTC stated that in the present case after having taken indemnity from SAIL, they permitted them to have financial arrangement with the Bank and there is no contract relationship between MMTC and State Bank of India. It is only between State Basnk of India and SAIL. SBI however, should not have released the payment once the documents were before them which showed very clearly that goods did not conform to specifications. As soon as the documents were received these

were simply passed on to SAIL with the hope that SAIL would see the discrepancy. It was however admitted by CMD, MMTC that at that point of time they could have found out the discrepancy and drawn attention of SAIL which they failed to do. The Secretary, Department of Steel also opined that the advance copy of the non-negotiable documents should have reached the hands of the buyer within 5 days of the ship leaving and MMTC, should have checked it as it was their responsibility. According to SAIL, advance copies of the non-negotiable documents were received by them on 11th June, 1986 at Vizag. The ship arrived on 14th and normally the documents are received earlier than the arrival of the ship. The man at Vizag, however, failed in their duties as their first duty was to check whether the advance copy of the documents received by them was in order or not. On the other hand, out of their eagerness to save demurrage they deposited all the documents and by the time they came to know about it, it was too late. The Secretary, Department of Steel admitted, however, that the period from 11th to 19th was crucial when the payment by the bank could have been stopped. And there was a clear omission on the part of SAIL. He, however, informed the Committee that though the guidelines for handling the shipment are there but the same do not provide for exceptions like the present case and these need to be renewed.

The Committee are constrained to observe that though there was sufficient time at the disposal of both MMTC and SAIL for making proper scrutiny of the documents, neither SAIL nor MMTC cared to detect the discrepancies which resulted in avoidable loss that too of foreign exchange. They deprecate the casual approach adopted by SAIL and MMTC involving huge sum of amounts. They also express their strong displeasure over the manner in which the MMTC has attempted to wriggle out by putting the blame across the doors of the bank and the SAIL. They are of the firm view that MMTC being a canalising agency it was primarily their responsibility to ensure that atleast the documents reached SAIL within 5 days of the ship leaving as per the stipulation mentioned in the letter of credit. They also take a serious note of the fact that so far no enquiry has been instituted either by SAIL or MMTC with a view to fix responsibility. They, therefore, recommend that the concerned administrative Ministries to conduct a thorough probe into the circumstances under which appropriate action was not taken by MMTC as well as SAIL in fixing responsibility on the defaulting officials. They would also desire that as pointed out by the Secretary, Department of Steel the guidelines relating to handling of shipment should be reviewed and made more exhaustive with a view to covering up exceptional cases also. They also desire to be apprised of the outcome of enquiries as well as the revised guidelines within 3 months from the presentation of this report to the Parliament.

Reply of the Ministry of Steel

In line with the recommendation of the Committee on Public Undertakings, SAIL has reviewed the guidelines relating to handling of shipment of imported steel to ports and made the same more comprehensive so as to cover cases of exceptional nature also, especially those cases where the imported quality of materials is not in conformity with the goods required to be imported. A copy of the revised guidelines is at Appendix III*

As regards COPU's recommendation regarding administrative Ministry's conducting a probe into the circumstances under which appropriate action was not taken by the SAIL in fixing responsibility on defaulting officials, it is stated that in March, 1987 the then Iron & Steel Controller had brought to the notice of this Ministry certain facts regarding the import of defective billets received by SAIL. Based on these facts, the Chief Vigilance Officer of this Ministry requested SAIL to conduct a preliminary enquiry into the whole matter and furnish facts of the case. In June, 1988 the Chief Vigilance Officer of SAIL conducted a detailed enquiry and furnished his report to this Ministry. On the basis of the findings of the enquiry report, it was concluded by the Chief Vigilance Officer of this Ministry that prima-facie no malafide on the part of officials of SAIL could be established, and subsequently the whole matter had become a subject of commercial dispute between SAIL/MMTC and SBI and was under reference to arbitration. It was therefore decided by the competent authority that the matter need not be followed up further from vigilance angle. Thus a confidential enquiry was carried out both by Ministry of Steel and SAIL, into circumstances under which this import had taken place.

[Ministry of Steel OM No. SC-14(1)/91-DII dated 19-2-93]

Reply of the Ministry of Commerce

The contract and L/C specified that suppliers should despatch documents by air mail within a period of seven days from the date of shipment. In this case, shipment was effected on 27.5.1986 and advance set of documents was despatched vide supplier's letter dated 29.5.86 i.e. within two days from shipment. The documents, however, were actually received on 11.6.1986 at MMTC's Vizag Office and handed over to SAIL on the same date. There was no provision in the contract or in the L/C that advance set of documents should be received by SAIL within 5 days of shipment.

SAIL had given an undertaking to MMTC on 15.3.1986 clearly providing that retirement of documents as well as clearance of material is their sole

* Not appended. One copy laid on the Table of the House and one copy placed in Parliament Library.

responsibility. It was on the basis of this undertaking that they were given an authority letter to establish a direct L/C so that they have full knowledge of the contents of the L/C, the documents required and also the verification of such documents. Obviously, this could not be done by SAIL.

Notwithstanding the above position, MMTC has stream-lined the procedure relating to handling of shipment/verification of documents to ensure that such cases do not recur. A copy of the instructions issued to this effect is at Appendix IV.

[Ministry of Commerce OM No. SC-21(76)/91-FT(M&D) dated 2.3.93]

Comments of the Committee

[Please see paragraphs No. 15 and 16 of Chapter I of the report]

Recommendation Serial No. 7 (Paragraph No. 2.12 & 2.13)

The Committee find that after the rejection of entire consignment of 35,000 tonnes by SAIL, they informed MMTC in their letter dated 26th June, 1986 that the materials were not in conformity with the specification to which SAIL had placed the indent on MMTC. SAIL had requested MMTC to take back the billets and replace them, and also compensate SAIL for the losses and expenditure incurred as a result of this transaction. According to SAIL, they had again re-emphasised these requests in their letters dated 3.7.86, 25.7.86 and 5.8.86. The Department of Steel has also attempted to pave way for a solution by agreeing to the diversion of the disputed billets in the domestic market and also a replacement import. No expeditious and concrete action was stated to have been taken by MMTC against these requests and decisions. The inter-ministerial meeting was held on 9.9.86 as a result of continuous demand raised by SAIL and in the meeting it was decided that MMTC should go in for physical replacement of quantity that has not been used by SAIL and was lying at Vizag Port as well at Bhilai Steel Plant. MMTC agreed to take prompt action for replacement of 35,000 tonnes and import additional quantities against import clearance accorded by Iron & Steel Controller. As a follow-up of the inter-ministerial meeting at the instance of SAIL, a meeting with MMTC was arranged at the office of SAIL on 17.10.86 for discussing the modalities and disposal of billets. Though SAIL had confirmed promptly these discussions vide their letter dated 24.10.86 no concrete measure was taken by MMTC for expeditious disposal of the billets. In the meantime SAIL lifted about 22747 tonnes of billets and utilized these in their plants other than Bhilai Steel Plant. MMTC could give full despatch advice only on 19.1.87 for a quantity of 10,000 MT as against which SAIL delivered 9950 tonnes. According to SAIL, MMTC could not take any action for the disposal of balance quantity of 2253 tonnes of billets lying at Vizag and could only inform by end of October, 1987 that they wanted SAIL to divert this quantity also to Railways. As the raw material situation was critical at SAIL plants, they had to utilize

their residual stock of billets also by diverting them to Durgapur, under advice to MMTC. As such, out of the total quantity of 35,000 MT about 9950 MT were delivered to Railways and remaining 25,050 MT were consumed by SAIL themselves. As per SAIL, the billets were utilised by them to mitigate the mounting losses on this account. On this issue, the Ministry of Commerce informed Audit that had SAIL not lifted the material and allowed MMTC to sell the remaining quantity also, it would have been possible for MMTC to recover the entire cost by sale proceeds. The CMD, MMTC during evidence *inter-alia* however admitted that like Railways, they found other buyers also but all this took little time because these imported billets could be sold only to parties having import licenses for this purpose with clearance from Iron & Steel Controller.

The Committee regret to note that MMTC failed to take prompt action for replacement as well as disposal of the billets and thereby caused undue hardship to their consumers i.e. Steel Authority of India who were left with no other alternative but to use the billets in the other steel plants. They find this to be a poor reflection on the working of MMTC. The Committee would desire that if at all MMTC have to discharge the functions of a canalising agency efficiently they must try to remove the drawbacks inherent in their system so that their customers are not made to suffer and incur heavy losses in future on account of the lapses committed by them. Every Public Undertaking must endeavour to live upto the expectations of public. It should inspire confidence in its straight and fair dealings—be that MMTC, SAIL or any other Public Undertaking either while dealing with the sister undertaking in the public sector or with any other private party; be the dealing with customers, suppliers, dealers or parties, individuals in any other category having anything to do with the public undertaking—of public or private sector. The approach and aptitude of every public undertaking with public undertaking or private parties should always be just fair, reasonable and equitable and none—customer, supplier or any dealer with any public Undertaking—should be made to suffer and incur losses for the lapses of Public Undertakings. Public confidence in fairness of Public Undertaking should be considered to be the very foundation of public accountability of public undertaking. Any act on its part which will undermine public confidence in it should, in deed, warrant severe censure. The Committee desire, therefore, that a regular monitoring machinery should be set up by the Public Undertakings jointly in groups or separately to avoid such pitfalls as in the instant case, within three months and the results thereof be intimated to this Committee accordingly.

Reply of Ministry of Industry (Deptt. Public Enterprises)

The Govt. agree with the recommendation of the Committee of public Undertakings. The administrative Ministries / Departments have been requested by DPE to issue suitable instructions to the PSEs under their administrative control to have regular monitoring machinery as suggested by COPU and send action taken report to COPU as desired by them.

[Department of Public Enterprises OM No. DPE / 6(1) / 92-Fin.
dt. 7.1.1993]

Reply of Ministry of Commerce

On being informed by SAIL on 20.6.86 that billets were unacceptable, MMTC arranged a visit of suppliers technical representatives to assess the quality and provide a solution to techno economic difficulties faced by SAIL. Fresh offers obtained by MMTC were referred to SAIL vide messages dated 1.8.86, 6.8.86, 7.8.86 and 8.8.86. No response was received from SAIL confirming finalisation of purchase. Thereafter, immediate action was taken to contact other potential consumers. Each end-user having import clearance in excess of 1,000 MT was contacted individually by MMTC. As a result of these efforts, Railways agreed to take 10,000 MTs in November, 1986. SAIL, however, delayed finalisation of the modalities for disposal and even after the procedure was agreed in December, 1986, delivery of 9950 MTs was affected from the month of March, 1987 to May, 1987. Subsequently, another lot of 2300 MT was sold to Railways in July'87 but SAIL did not deliver the same and used it themselves. SAIL sent intimation to MMTC regarding use of these billets by their own plants only after MMTC had already sold 10,000 MT to Railways and efforts were being made for disposal of the remaining quantity to other end-users.

As earlier stated, most of the items hitherto for canalised through the MMTC have since been decanalised under the Liberalised Trade & Economic Policy. The only items which continue to be canalised for import through MMTC are MOP and urea which are being imported strictly as per the specifications and delivery schedule indicated by the Ministry of Agriculture. However, the recommendation of the Committee regarding regular monitoring machinery to be set up by the Public Undertakings either jointly in groups or separately to avoid such pitfalls as in the instant case is being considered in consultation with the MMTC in the context of a very large number of items having been decanalised since July'91.

[Ministry of Commerce O.M. No. 21(76)/91-FT (M&O) dated 2.3.93]

Recommendation Serial No. 9 (Paragraphs No. 2.17 & 2.18)

The Committee note that import of steel was being done by SAIL directly prior to 1985. It was after 1985 that MMTC came into picture as a canalising agency. The Committee also note that all along SAIL through their administrative Ministry has been opposing the very idea of canalisation through MMTC. The Chairman, SAIL while expressing his ideas on canalisation of steel items through MMTC stated that steel is not a commodity which can be bulked and purchased in a canalised fashion. Beside SAIL is the largest producer of steel in this country, they produce 60% of India's steel requirements and control 70% of steel producing capacity. In a situation like this, to have another organisation or intermediate group of organisations would not be correct. The consumers in this country should be allowed to have free access to purchase of raw materials and should be able to buy things subject to Rules and Procedures for such inputs. In his view, in the present system of canalisation such type of problems as elucidated in the above mentioned paras are bound to be there. The Committee also wanted to know the views of Secretary, Department of Steel in this regard. He too stated that when large quantities of material is to be purchased by user himself it should not be canalised, SAIL should directly buy. By canalising one more agency has been brought in between. Canalisation serves a purpose only where number of small firms are involved and the country benefits by centralised buying, but bulk material purchased by the actual user should be left to the user himself particularly when it is Public Sector Undertaking. But besides SAIL, there are other bulk consumers such as Railways and also private rolling parties. Interest of all consumers small or big, public and private is to be kept in view within the larger framework. In the circumstances, the Committee desire the Government to constitute a Committee to assess the advantages and disadvantages of canalisation and to make recommendations within a period of three months and the Committee also desire to be apprised of the same.

The Committee after finding that in the instant case MMTC have failed in discharging their responsibilities as a canalising agency, are also inclined to agree with the above observations made by the Chairman, SAIL and Secretary, (Department of Steel). They would, therefore, desire that the justification of canalisation of import of bulk quantities like steel through another agency like MMTC should be, as indicated above, thoroughly re-examined as the present instance clearly demonstrates that the canalising agency has not been able to discharge its functions effectively.

Reply of the Ministry of Commerce

As a part of the structural adjustments and policy reforms, import of steel items, non-ferrous metals, industrial raw materials etc. has been decanalised. The only items which continue to be canalised through MMTC are MOP and urea and import thereof is being organised by the MMTC strictly as per the specifications and delivery schedule indicated by the Ministry of Agriculture. With the Presentation of Union Budget for 1993-94 and consequential changes in the Import & Export Policy, further items may be decanalised and the constitution of a Committee to assess the advantages and disadvantages of canalisation at this stage may, therefore, not serve any purpose.

[Ministry of Commerce OM No. 21(76)/91-FT(M&O) dated 2.3.93]

CHAPTER III

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

Recommendation Serial No. 3 (Paragraphs No. 2.3 & 2.4)

The Committee find that in regard to the sources of supplies for billets, although MMTC showed the tender results of all the four parties including their names, prices, quantities, delivery schedules etc. to SAIL, their opinion was not ascertained before placing the order for these billets on firm 'A' by MMTC. According to SAIL, it would have been better if they as end-users would have been involved in the selection process. But in the present canalising process, the canalising agency has the final decision in regard to placement of order and selection of the sources of supply.

The Committee regret to note that MMTC as a canalising agency failed to procure billets of desired specifications which resulted in causing not only avoidable loss to SAIL but also failed to serve the purpose of rolling them into light structures for which these were imported. They are of the view that had the opinion of the end-user been obtained before placing the order on firm 'A' the present unpleasant situation could have been avoided. They would, therefore, recommend that in cases where imports of huge quantities are involved, the end users should invariably be actively involved in approving the sources of supplies, so that not only the causes of complaints could be removed but the material of desired quality and specification is procured. In case the canalising process which is presently being followed requires to be amended, that the same should be suitably amended by the Government.

Reply of the Ministry of Commerce

Before the placement of orders, all the offers were shown to SAIL and were discussed extensively with Shri R.K. Rastogi, Shri Basak and Shri Dutta of SAIL. There was no objection from SAIL to any supply source. In fact, even after receiving SAIL's confirmation to a price of US \$ 219.50 PMT, MMTC got a further reduction in prices and could conclude contracts at US \$ 216.50 PMT.

As per the procedure followed by the MMTC when import of steel items was canalised through it, the end-users were totally involved at every stage as under:—

- (a) Tenders were floated exactly incorporating the end-users' requirements.

- (b) Offers received were shown to end-users and their recommendations obtained before the placement of orders.
- (c) End-users's recommendations and competitiveness of the offers were the main criteria for selection of supply source.
- (d) Copies of contracts were sent to end-users and their advice was sought for any changes required.

Import of steel items, non-ferrous metals, industrial raw materials, ammonia, phosphoric acid, DAP etc. has since been decanalised as a part of the structural adjustment and policy reforms. The only items that continue to be canalised for import through the MMTC at present are MOP and Urea and import thereof is being effected by the MMTC as per the specifications and delivery schedule indicated by the Ministry of Agriculture. The canalisation process being followed in respect of these items does not require any amendment as no such complaint as in the instant case has so far been reported.

[Ministry of Commerce O.M. No. 21(76)/91-FT(M&O) dated 2.3.93]

CHAPTER IV
RECOMMENDATIONS IN RESPECT OF WHICH REPLIES
OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY
THE COMMITTEE

Recommendation Serial No. 1 (Paragraph No. 2.1)

Against an indent of Steel Authority of India Ltd. (SAIL), the Minerals and Metals Trading Corporation (MMTC) acting as canalising agency, placed a purchase order in March, 1986 on Firm 'A' of France for import of 35,000 tonnes of billets to be manufactured and supplied from Turkey. The specifications of the billets required for rolling at the Bhilai Steel Plant were detailed in the purchase order. On the basis of letter of authority issued by MMTC, SAIL established a letter of credit with State Bank of India in favour of firm 'A'. The cargo containing entire quantity of 35,000 tonne billets arrived at Visakhapatnam by mid June, 1986. The firm presented the shipping documents to SBI, Paris, which released the payment to the firm and debited SAIL's account on 19.6.1986 for full value of the materials amounting to Rs. 9.74 crores. On receipt of the shipping documents from SBI, Calcutta, SAIL noticed that the billets did not conform to the contracted specifications according to the accompanying certificates of analysis. The entire quantity of billets costing about Rs. 18.27 crores including customs duty etc. was found totally unsuitable for rolling at Bhilai Steel Plant and was, therefore, rejected.

Reply of the Ministry of Commerce

Out of 35,000 tonnes of billets, SAIL used about 25,000 tonnes and railways about 10,000 tonnes. A joint team of supplier's producing mill and MMTC visited Bhilai Steel Plant in July' 86. No rolling was done in their presence to prove unsuitability of the billets. Even some technical details required by the team were not given. No documentary evidence whatsoever had been given by SAIL to show unsuitability of the billets. SAIL was reluctant not only to provide evidence of unsuitability but also to return the material for sale to any other consumer.

[Ministry of Commerce O.M. No. 21(76)/91-FT(M&O) dated 2.3.93]

Comments of the Committee

Recommendation Serial No. 4 (Paragraphs No. 2.5 & 2.6)

The Committee further note that the purchase order placed by MMTC on firm 'A' of France provided for mills analysis and test certificates for each lot as well as certificate of an independent agency for inspection to be carried out before the discharge from the manufacturing mills. Although

SAIL had paid an amount of Rs. 6.67 lakhs towards inspection charges, the inspection was not done on behalf of firm 'A' and not on behalf of MMTC or SAIL. As per clause 45.5 of the purchase order, the buyer had the right to have the material inspected before shipment. According to SAIL the inspection certificate accompanying the other documents received by them indicated that the material did not conform to the contractual specifications. The purchase order has stipulated the role of inspection agency correctly and the inspection was satisfactorily embodied in the document, therefore they had thought that their interest would be protected but in actual practice the course of events took a different turn. In this connection MMTC informed the Committee that they had indicated in the purchase order itself that SGS be appointed as independent agency called 3rd party inspection agency independent of both supplier and buyer. Accordingly the seller (M/s. Daval, France) appointed SGS as inspection agency which carried out the inspection. According to them in the inspection certificate a reference was also made of the purchase order placed by MMTC. However, they admitted that the inspection as pointed out by audit had been made on behalf of M/s. Daval, France and this was on account of the fact that at that time the transaction took place simultaneously. M/s. Daval bought from Turkish Mill and therefore at that point of time M/s. Daval was the buyer and Turkey was the seller and simultaneously MMTC bought from M/s. Daval. This was done by MMTC to avoid payment to be made out of letter of credit. If they had appointed inspection agency directly they would have to pay directly out of the letter of credit and clearance would also be required from Reserve Bank of India as a result of which payment would get delayed by one or two years.

The Committee are surprised to note that inspecting agency instead of being appointed on behalf of MMTC or SAIL was appointed on behalf of the supplier itself that is firm 'A'. They are not convinced at all with the grounds put forward by MMTC for having not appointed an inspection agency directly and more so when the money had been paid specifically for this purpose by SAIL. The result has been that the Inspection Agency did not look after the interests of MMTC who had made the payment but of the French firm. They feel that the provision of payment to inspection agency directly could have been provided for by MMTC well in advance after having anticipated the ensuing problems. They are of the firm view that there is a definite lapse on the part of MMTC in this regard and they have failed miserably in discharging their responsibilities as a canaliser and a buyer. No effort seems to have been made by them to ensure that the material purchased is of the specified quality with the result that substantial pecuniary loss has been caused to SAIL. They, therefore,

desire the Government to fix the responsibility of this serious lapse and compliance reported within a period of three months.

Reply of the Ministry of Commerce

The purchase order issued by MMTC provided for specifications strictly as per SAIL's requirement. The purchase order provided for supplies conforming to IS:2830/75 SB-2 quality (FE 410). The chemical composition mentioned in the purchase order did not include any copper content.

MMTC appointed a world renowned inspection agency, namely SGS for third party inspection prior to shipment. In their certificate, they had clearly indicated MMTC's purchase order No. and the specifications to be as per IS:2830/75 (FE 410) SB-2 quality. Their certification, however, was absolutely incorrect as the material shipped with copper 0.40% Max, did not conform to the IS:2830/75 specifications. SGS were given notice by MMTC and further action is being taken for their lapse. While no direct communication was sent to SGS, they were aware of the requirement of the purchase order and IS:2830 specifications. In future, direct communication will be sent by the MMTC to the inspection agency as an additional precaution.

CMD, MMTC was requested to fix the responsibility for the lapse pointed out by the Committee and he has reported that in view of the above position, none of the MMTC's official who handled this case was a defaulter.

[Ministry of Commerce O.M. No. 21(76)/91-FT(M&O) dated 2.3.93]

Comments of the Committee

(Please see paragraph 11 of Chapter-I of the report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation Serial No. 8 (Paragraphs No. 2.14 to 2.16)

The Committee note that as against the earlier claim lodged on 18.9.87 on firm for Rs. 598.74 lakhs which was the amount of earlier claim of SAIL on MMTC, SAIL have since revised their claim to Rs. 461.51 lakhs. This claim was stated to have been revised by SAIL after utilising 25050 tonnes of billets in their plants (other than Bhilai Steel Plant) and selling the remaining quantity of 9950 tonnes to Railways. The claim was stated to have been filed by MMTC against the firm "A" (M/s. Daval, France) in the arbitration proceedings initiated by firm 'A'. The dispute between the two agencies viz. MMTC and SAIL was yet to be resolved because as per the new guidelines of the Bureau of Public Enterprises, the dispute between two public undertakings should be settled by the arbitration machinery—Permanent Machinery of Arbitrators. Although Ministry of Steel & Mines (Department of Steel) have reminded the BPE three times but the permanent machinery has not been set up so far. In this connection, both SAIL and MMTC agreed that this issue may be settled at level of administrative Ministries instead of prolonging it.

The Committee find that this matter was brought to the notice of the Ministry only on 30.6.1986 in the context of SAIL's aversion to canalisation of import of steel through MMTC. Subsequently on the persistent request of SAIL a meeting was arranged by Department of Steel in September'86 to settle this dispute. According to Secretary, Deptt. of Steel, this was all as far as Government intervention in the matter at that time was concerned. In his view and in the opinion of the Department this was a commercial transaction which public sector undertakings undertake day in and day out and administrative Ministries do not interfere in such matters. He, however, admitted that in such cases where normal procedure of settlement do not bear fruit within a reasonable time, and the value of dispute is much the administrative Ministries at the higher level should have got together to resolve the problem. The Committee also find that although SBI was also involved in the transaction but the Ministry of Finance was never invited to participate in the inter-Ministerial meeting nor did SAIL ever deal with them directly.

The Committee regret to note that despite the fact that a total claim lodged by SAIL against MMTC amounts to Rs. 4.62 crores, the meeting of administrative Ministry took place only once sometime in the month of September'86 and that too at the instance of the SAIL, and yet what

further dismays the Committee is the fact that though SBI was also involved, yet association of Ministry of Finance was never considered at any level. The Committee, therefore, are of the opinion that the Administrative Ministry have also failed to discharge their administrative responsibility in this regard. As result of inaction on the part of the Ministry the matter is still pending settlement. The Committee, therefore, desire that the new guidelines of Bureau of Public Enterprises regarding disputes between two Public Undertakings, in the instant case, between MMTC and SAIL, should also be uniformly applied to all such disputes to which one party is public undertaking. In other words, the new guidelines be applied not only to disputes between one public undertaking and another but to all disputes between one public undertaking no one hand and any other private party on the other. The Committee are pained to find that this dispute between two Public Undertakings has been hanging fire for too long; it could and should have been resolved quickly by arbitration in terms of BPE's new guidelines. They also desire that the Administrative Ministry should immediately take up the matter at the highest level for setting up the Permanent Machinery of Arbitration as stipulated in BPE Guidelines for settling all disputes. The Committee desire that once a dispute arises, it must be finally resolved through arbitration within six months.

Reply of the Ministry of Steel

In line with the recommendations of the Committee on Public Undertakings this Ministry had taken up the matter at Secretary's level with the Deptt. of Public Enterprises for setting up of the Permanent Machinery of the Arbitration immediately, with a view to getting the disputes settled at the earliest. The Deptt. of Public Enterprises has intimated that the Commerce Ministry/MMTC have been requested by them to intimate their written consent for arbitration by the Arbitrator of the Permanent Machinery for Arbitration with a view to settle the dispute early.

[Ministry of Steel OM No. SC-14 (1)/91-D.II Dated 19.2.93]

Reply of the Ministry of Industry (Deptt. of Public Enterprises)

M/s. Steel Authority of India Limited has referred the dispute between M/s. Steel Authority of India Limited and M/s. Minerals and Metals Trading Corporation of India Limited arising due to supply of 35,000 MTs defective mild Steel billets. The amount involved is Rs. 461.51 lakhs. M/s MMTC has not given written consent for initiation of arbitration proceeding so far as required in the absence of written arbitration clause in contract, on the plea that an arbitration proceeding between M/s. MMTC and M/s. Daval, France is going on this subject and initiation of arbitration proceedings between M/s. MMTC and M/s. SAIL will affect the arbitration proceedings between M/s. MMTC and M/s. Daval,

France. Secretary, Ministry of Commerce was requested to ask M/s. MMTC to agree for initiation of arbitration proceedings by Arbitrator of Permanent Machinery of Arbitrators set up in Department of Public Enterprises, Ministry of Commerce have asked M/s. MMTC to agree for initiation of arbitration proceedings but no formal consent has come from M/s. MMTC so far.

[Department of Public Enterprises, O.M.No. BPE15/2/88-FIN dated 2.2.93]

Reply of the Ministry of Commerce

The Department of Public Enterprise (DPE) had set up an arbitration machinery and invited both SAIL and MMTC for hearing. While the representatives of MMTC attended the meetings held on 4.12.1990 and 16.1.1991, SAIL's representatives did not turn up. DPE had, therefore, to close the case till the outcome of the case between MMTC and M/s. Daval, France was known.

As any arbitration between SAIL and MMTC would have adversely affected MMTC's stand in the case and would also have jeopardised common interest of MMTC and SAIL *vis a vis* foreign party *i.e.* M/s. Daval, France, the MMTC has been of the view that it would be prudent and in the national interest to await the award of arbitration proceedings between MMTC and M/s. Daval, France before sorting out dispute between MMTC and SAIL through arbitration.

This Ministry has been supporting this view of MMTC. However, Secretary, Ministry of Steel took up the matter with the Cabinet Secretariat who directed Department of Public Enterprises to issue a directive to this Ministry and MMTC to initiate and settle the dispute between M/s. MMTC and M/s. SAIL immediately without waiting for the finalisation of arbitration proceedings between MMTC and M/s. Daval, France as that may take a long time.

This Ministry accordingly directed MMTC to agree to the initiation of the arbitration proceedings and give a written consent for arbitration by arbitrator of Permanent Machinery of Arbitrators. Copy of MMTC's letter No. MMTC. Dir (RK)/Steel/2/87/93 dated 3.2.1993 in this regard is at appendix V.

[Ministry of Commerce O.M. No. 21 (76)/91—FT (M&O) dated 23.3.93]

Comments of the Committee

(Please see paragraph 19 of chapter 1 of the report)

NEW DELHI;
April 27, 1993

A.R.ANTULAY,
Chairman,
Committee on Public Undertakings.

APPENDIX I

*Minutes of the 56th sitting of the Committee on Public Undertakings held on
23rd April, 1993*

The Committee sat from 15.30 hrs. to 17.30 hrs.

PRESENT

Shri V. Narayanasamy— *In the Chair*

MEMBERS

2. Shri Rudrasen Choudhary
3. Shrimati Bibhu Kumari Devi
4. Shri Madan Lal Khurana
5. Shri Sushil Chandra Varma
6. Shri V.S. Vijayaraghvan
7. Shri Santosh Kumar Sahu

SECRETARIAT

1. Shri T.R. Sharma — *Under Secretary*
2. Shri P.K. Grover — *Assistant Director*
3. Shri A.L. Martin — *Assistant Director*

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri N. Sivasubramanian — *Dy. C & AG (Commercial)-cum-
Chairman Audit Board*

In the absence of Chairman, the Committee chose Shri V. Narayanasamy to act as Chairman for the sitting under Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

2. The Committee first considered the following audit based Action Taken Reports and adopted the same:

- | | | | | | | |
|------|--|----|----|----|----|----|
| (i) | ** | ** | ** | ** | ** | ** |
| (ii) | Draft Report on Action Taken by Government on the recommendations contained in 1st Report of Committee on Public Undertakings (1991-92) on Steel Authority of India Limited-Import of defective billets. | | | | | |
| 3. | ** | | ** | ** | | ** |
| 4. | ** | | ** | ** | | ** |

**Minutes relating to consideration of other reports are kept separately.

5. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification and audit (in respect of reports mentioned in Para 2) and by the Ministry/Undertaking concerned and to present the same to parliament.

The Committee then adjourned

APPENDIX II

Copies of RBI Circulars addressed to the Chief Executives of all concerned banks.

(Vide reply to recommendation Sl. No. 5)

No. DBOD. No. BC/130/18.03.150/92 dt. 28 April, 1992

Dear Sir,

Import under Letters of Credit

The Committee on Public Undertakings appointed by Government of India in their recent report have expressed the view that in the case of import of goods under LCs the banks should be very vigilant while making payment to the overseas suppliers on the basis of shipping documents. The banks should act as custodian of their constituent's money and exercise reasonable precaution and care in comparing the documents with circumspection so as to safeguard the interest of clientele. The payments should be released to the foreign parties only after ensuring that the documents are strictly in conformity with the terms of LCs. You may please advise all your concerned branches accordingly.

Yours faithfully,

Sd/-
(S.K. Rane)
(Deputy Chief Officer)

No. DBOD. No. BC/60/8.03.150/92 dated 28 December, 1992

Import under Letters of Credit

Please refer to our letter DBOD. No. BC. 130/18.0.3.150/92 dated 28 April, 1992 on the captioned subject. We advise that the words "The Committee on public undertakings appointed by Government of India" may please be amended to read as "The Committee on Public Undertakings."

Yours faithfully,
Sd/-
(V.P. BARVE)

Deputy Chief Officer

APPENDIX IV

Copy of MMTC (STEEL DIVISION) Circular

No. MMTC/Steel/Billets/COPU/91 dated 5.6.92

(Vide reply of Ministry of Commerce to recommendation Sl. No. 6)

Circular

All Sections in the Steel Division at the Corporate Office and the concerned Sections handling shipment/verification of documents at the Regional Offices are hereby advised to take proper care in the scrutiny/examination of shipping documents and sign the documents in token before transfer of the same takes place under the 'Highseas Sale' arrangement.

2. While effecting 'Highseas' deliveries to the customers and at the time of transferring shipping documents, the Regional Offices should also obtain proper receipt of documents from the customer confirming that the documents obtained from MMTC have been found in order.

3. The dealing sections in the Steel Division should also examine advance set of documents and should any discrepancy comes to the notice *vis-a-vis* P.O./LC conditions, enduser(s)/negotiating bank should be suitable advised for withholding the payment.

4. In consultation with endusers, an independent Inspection Agency should be nominated. This Inspection Agency should be given proper written instructions in the form of a contract for conducting the supervision as per the Purchase Contract.

Sd/-

(S.M. REGE)

Chief General Manager (Steel)

APPENDIX V

Copy of MMTC D.O. No.: MMTC: DIR(RK):Steel: 2:93 dated 3.2.1993

(Vide reply of Ministry of Commerce to recommendation No. 8)

Dear Shri Narasimhan,

Kindly refer to your DO No. BPE/15(2)/88-FIN(SU) dated January 21, 1993 regarding proposed arbitration proceedings before Permanent Machinery of Arbitration (PMA) between SAIL and MMTC arising out of import of 35,000 MT of mild billets by MMTC on behalf of SAIL.

In view of the decision of Ministry of Commerce and your directions, we hereby give our consent for reference of the aforesaid dispute to arbitration by PMA.

With Regards,

Yours sincerely,

Sd/-

(R. KHOSLA)

Mr. T.S. Narasimhan,
Joint Secretary (Finance),
Ministry of Industry,
Deptt. of Public Enterprises,
NEW DELHI.

APPENDIX VI

(Vide Para 3 of the Introduction)

Analysis of the Action Taken by the Government on the recommendations contained in the First Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Steel Authority of India Limited—Import of defective billets.

I. Total Number of recommendations	9
II. Recommendations that have been accepted by the Government (vide recommendations at Sl. Nos. 2, 5, 6, 7 and 9)	5
Percentage to total	56%
III. Recommendation which the Committee do not desire to pursue in view of the Government's reply (vide recommendation Sl. No. 3)	1
Percentage to total	11%
IV. Recommendations in respect of which replies of the Government have not been accepted by the Committee (vide recommendations Sl. No. 1 and 4)	2
Percentage to total	22%
V. Recommendation in respect of which final reply of the Government is still awaited (vide recommendation at Sl. No. 8)	1
Percentage to total	11%