

SEVENTEENTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS

(1992-93)

(TENTH LOK SABHA)

DISPOSAL OF SCRAP OF PUBLIC UNDERTAKINGS
THROUGH METAL SCRAP TRADE CORPORATION
LIMITED / OTHER PUBLIC UNDERTAKINGS

(MINISTRY OF STEEL)



Presented to Lok Sabha and Laid in Rajya Sabha on 30.4.1993.

LOK SABHA SECRETARIAT
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COMMITTEE ON PUBLIC UNDERTAKINGS
(1992-93)

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*Ceased to be a Member of the Committee consequent on appointment as Minister in the Council of Ministers w.e.f. 18th January, 1993.

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this 17th Report on 'Disposal of Scrap of Public Undertakings through Metal Scrap Trade Corporation Ltd. / Other Public Undertakings'.

2. There are about 250 public sector undertakings (PSUs) in different sectors viz. production, marketing, refining, transportation etc. PSUs engaged in production generate some scrap through their production process on regular basis. All PSUs generate miscellaneous scrap in the form of old and obsolete machines, un-serviceable spares etc. One of the PSUs, viz. Metal Scrap Trade Corporation Ltd. is engaged in disposal of various types of scrap of PSUs and other Government Departments. In view of huge scrap potential of various PSUs the Committee selected to examine the 'Disposal of Scrap of Public Undertakings through Metal Scrap Trade Corporation Ltd. / Other Public Undertakings'.

3. The Committee took evidence of the representatives of Metal Scrap Trade Corporation Ltd. on 3rd February, 1993. To know the procedure adopted by various PSUs for disposal of their scrap, the Committee took evidence of the representatives of Steel Authority of India Ltd., Indian Iron & Steel Co. Ltd., Kudremukh Iron Ore Co. Ltd., Bharat Gold Mines Ltd., Hindustan Copper Ltd., Oil & Natural Gas Commission, Indian Oil Corporation Ltd., Balmer Lawrie & Co. Ltd., Indian Petro-Chemicals Corporation Ltd., Rashtriya Chemicals & Fertilizers Ltd., Indian Telephone Industries Ltd., Bharat Heavy Electricals Ltd., HMT Ltd., Heavy Engineering Corporation Ltd., Mining and Allied Machinery Corporation Ltd., Bharat Electronics Ltd., Shipping Corporation of India Ltd. and Delhi Transport Corporation Ltd. on 16th and 17th February, 1993. The Committee also took evidence of the representatives of the Ministry of Steel on 18th March, 1993.

4. The Committee considered and adopted the Report at their sitting held on 23rd April, 1993.

5. The Committee feel obliged to the Members of the Committee on Public Undertakings (1992-93) for the useful work done by them in taking evidence and sifting information which forms the basis of this Report. They would also like to place on record their appreciation of the valuable 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 Steel, MSTC and other PSUs for placing before them the material and

information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of Ministry of Steel, MSTC and Other PSUs who appeared for evidence and assisted the Committee by placing their considered views before them.

NEW DELHI;
April 27, 1993

Vaisakha 7, 1915 (Saka)

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

PART I

BACKGROUND ANALYSIS

CHAPTER I

OBJECTIVES AND OBLIGATIONS

A. Historical Background

Metal Scrap Trade Corporation Limited (MSTC) was incorporated as a public limited company under the Companies Act, 1956 in the year 1964. In February, 1974 the Company was made a subsidiary of Steel Authority of India Limited (SAIL). In 1982 MSTC was delinked from SAIL and was converted into a Government of India Company transferring the shares of SAIL in the name of President of India. At the time of formation of the Company, it was engaged in export of Iron and Steel scrap, as also mill scale and alloy steel scrap as a canalising agency during the period 1965-79. However, after the starting of Mini Steel Plants the availability of surplus scrap became short and export activities ceased.

1.2 Subsequently, from 1981 onwards import of scrap became necessary to meet shortage of scrap in the country and MSTC stated its activities as the canalising agents for import of different types of melting scrap, alloy steel scrap, sponge iron etc. The Company was also a canalising agency for ship-breaking activities. With the decanalisation of import of scrap and ship-breaking since February, 1992 and August, 1991 respectively under the policy of the Government, the Company has shifted its emphasis to domestic scrap trade. At present not a single item is canalised for import through MSTC. MSTC, however, is continuing its import of steel melting scrap in competition with other importers. Presently the mission of MSTC is to meet to the maximum extent possible requirement of scraps including substitutes of secondary steel sector. It also aims to assist domestic organisations in efficient marketing of scrap and secondary arisings. Infact MSTC procures and trades in all types of scrap. It also acts as a selling or purchase and / or handling agents.

B. Objectives and Obligations

1.3 According to the Ministry of Steel, the main objectives of MSTC are as under:

- (i) To promote concerted action in the matter of movement of scrap within India and also its import / export in conformity with the policy of the Government.

- (ii) to promote and develop measures for increased and improved collection of scrap within the country;
- (iii) to support, protect, maintain, increase and promote export of scrap;
- (iv) to ensure supplies of scrap to India users on such terms as may be determined from time to time;
- (v) to undertake manufacturing activities allied to the steel industry.

1.4 When the Committee enquired as to what extent the company had achieved its main objectives so far, the Chairman, MSTC stated in his evidence as follows:

"I would trace the origin and history of the company in the year 1964, when our country was having surplus availability of scrap. At that time, a small company was formed in the name of MSTC. It was formed as a small modest firm consisting of certain private individuals and also MSTC. Over a period of time, it has grown from strength to strength and it has reached the level today. In the long history of this Corporation of about 27 years, it has faced ups and downs in the form of demands in the country and the nature of the services required from the company. It was started with the main objective of export of scrap which was surplus in the country. Subsequently, the surplus became a shortage. It was established for importing scrap with the assistance and directives of the Government of India. It has serviced a large number of Mini Steel Plants and Induction Furnace over the years which have been able to produce a lot of steel in the country. In 1978 when we found that the exports of scrap have declined practically to a negligible level and imports have not picked up, it was thought that it is better to diversify part of the activities of the Company. As a first step, a Selling Agency Agreement was signed with the Steel Authority of India of which we were a subsidiary. At that time, the Steel Plants were offering a large quantity of Steel scrap and cast iron scrap Steel Scraps were used in various units. Gradually, in the course of the years, we found that there is a possibility of providing a service to these and other Government undertakings."

1.5 In accordance with the guidelines issued by Department of Public Enterprises (erstwhile Bureau of Public Enterprises) in 1979 and 1983 all public undertakings were required to frame their micro objectives consistent with the broad objectives spelt out in the Government of India Industrial Policy Statement of December, 1977 and get them approved by the administrative Ministry to facilitate meaningful evaluation of the enterprises by Government. During the course of examination of the Ministry of Steel, the Committee pointed out that the objectives of MSTC

were worded in general terms and enquired whether the objectives were framed as per DPE guidelines. The Ministry of Steel stated in a note as follows:

“The main objectives of MSTC as given... are included in the Memorandum of Association of MSTC which has been approved by the Government. While these objectives are not strictly in accordance with the guidelines of 1979 and 1983, specified micro targets of performance are now being set from year to year for the company. From the year 1991-92, both physical and financial targets of performance have been jointly negotiated on an annual-basis between the company and the Government and are included in the Memorandum of Understanding (MOU) which is vetted by the *Ad-hoc* Task Force in the Department of Public enterprises.”

1.6 When the Committee enquired how in the absence of micro-objectives, MSTC's performance was being reviewed by the Ministry, the Secretary, Ministry of Steel stated in evidence:

“In the last two years, we have stated an exercise of an Annual Memorandum of Understanding (MOU). We are giving detailed objectives and targets also and a review of performance is made at the end of the year.”

1.7 When asked to spell out the main objectives incorporated in MOU, the witness stated:

“In the MOU, we have got Part I on Missions and Objectives of the Company. Apart from the physical & financial targets we have got a chapter on missions and objectives of the company. The Mission of MSTC is to meet, to the maximum extent possible, the scrap requirement of the secondary steel sector utilising the foreign exchange made available for this purpose by the Government of India. It is also required to help other public sector undertakings and Government departments in efficient disposal of scrap secondary arising, etc. Then we have short term objectives and long term objectives. This is in 1991-92 when it was still a canalised agent. In 1992-93 it has undergone some change. The mission of MSTC is to meet to the maximum extent possible the requirement of scrap including substitute of the secondary steel sector. It also aims to assist domestic organisations in efficient marketing of scrap and secondary arisings.

Then we have again short-term and long term objectives. Short-term objectives are to undertake import of scrap or substitute at competitive prices and to distributes them efficiently and equitably to the user and to plan and organise marketing of scrap and secondary arisings, unserviceable stores, etc. of Government departments and organisations both in the public sector and the private sector.”

CHAPTER II

DISPOSAL OF SCRAP OF PSUs BY MSTC

A. Volume of scrap generation in Public Undertakings

2.1 There are about 250 Central Undertakings in different sectors viz. production, marketing, refining, transportation etc. PSUs engaged in production generate some scrap through their production process on regular basis. All PSUs generate miscellaneous scrap, in the form of unserviceable items like used fixtures/furnitures, old machines etc. Quantum of generation of such scrap, however may not be on a regular basis. The information received from all Public Undertakings regarding scrap generation is categorised as under:

(i) Number of Public Undertaking which generate scrap through production process.	87
(ii) Number of Public Undertakings which are not production units or whose production process do not generate scrap.	146
(iii) Number of Public Undertakings from which information is still awaited.	18

2.2 In order to know the quantum of scrap generated by the public undertakings, the Committee sought details of scrap generated by PSUs during the year 1991-92.

The information received from the various PSUs indicates as under:
(Rs. in crores)

(i) Scrap generated by 87 PSUs through production process and sold during 1991-92	577.07
(ii) Miscellaneous scrap of 26 PSUs sold during 1991-92	61.89

(Details of misc. scrap were however, not sought from all PSUs)

The above scrap was disposed of by the respective PSUs through tenders/auction/MSTC. Steel Plants also sell some of their scrap to actual users, mainly small scale units, on fixed price basis.

B. Financial Performance of MSTC

2.3 In the past being canalising agency for export/imports of steel scrap and ship-breaking activities, MSTC had concentrated on these activities. MSTC also started domestic trade activity in scrap disposal in 1978. In case of imports, MSTC buys and sells materials and sale price constitutes the main part of the turnover which comprises of purchase price and service charges. In case of domestic sales, MSTC acts as selling agent for others.

Therefore, value of items sold is not taken into account in the turnover and only the amount received as service charges on domestic trade is included in the turnover. The following table shows the financial performance of MSTC during the last 3 years:

		(Rs. in lakhs)		
		1989-90	1990-91	1991-92
I	Turnover	71429.55	48346.10	14125.83
II	Gross Income:			
	(i) Foreign Trade (FT) Service Charges	1621.58	1162.87	282.99
	(ii) Domestic trade (DT) Service Charges	188.52	233.50	392.79
	(iii) Other income	494.15	565.32	646.66
	Total Gross Income	2304.25	1961.69	1322.44
	Net profit (after tax)	633.40	550.48	340.17

2.4 The main reason for sharp decline in turnover (from Rs. 714.29 crores in 1989-90 to Rs. 141.26 crores in 1991-92) was attributed by MSTC to less availability of foreign exchange on account of which MSTC could not import steel scrap to the extent it was done in earlier years.

2.5 In this connection Chairman, MSTC stated during evidence:

“Previously, we used to be the canalising agency. That has been decanalised for over two years. We are not importing ships. The little scrap which we were importing has also been decanalised.”

2.6 As regards the financial performance during the current year viz. 1992-93, the Ministry of Steel stated in a written note as follows:

“The estimated turnover of the company during 1992-93 will be more than in 1991-92. Against the revised Budget estimates of a total turnover of Rs. 284.48 crores during 1992-93 the company has already achieved Rs. 282.93 crores upto February, 1993. Due to demand sluggishness in the domestic market there is likely to be a decrease in domestic trade during 1992-93 as compared to the budgetted target. Upto February, 1993 the company has achieved a service charge income of Rs. 3.06 crores (volume of sales Rs. 170 crores) as against an overall target of service charge income of Rs. 4.30 crores (volume of sales Rs. 215 crores). However, the overall profit target of the company of Rs. 7.40 crores for the year 1992-93 is likely to be exceeded.”

C. Scrap Disposal by MSTC

2.7 Domestic Trade division of MSTC handles disposal of ferrous and non-ferrous scrap materials, surplus/unserviceable/rejected equipments/spares/machinery etc. and miscellaneous other surplus or rejected items on

behalf of public sector units and Government Department by way of auctions, tender and/or fixed price sales. For this purpose MSTC has entered into selling agency agreement with various PSUs and Government Departments. For services to its principals in DT activities, MSTC collects service charges which normally vary from 2% to 10% depending upon a sale value and other factors.

2.8 The following table shows the scrap disposed of by MSTC during the last 3 years:

Units	1991-92	1990-91	1989-90
(i) Steel plants			
(a) Fixed Price Sale			
Quantity (000 tons)	118.253	41.000	22.000
Approx. value (Rs. crores)	43.27	9.320	9.400
(b) Auction Sale			
Value (Rs. crores)	36.450	37.960	34.720
(ii) Defence (Value in Rs. crores)			
(a) Army	31.00	20.75	20.09
(b) Navy	5.23	3.65	9.54
(c) Air Force	4.25	2.45	3.99
(iii) Ordnance Factories			
Value in Rs. Crores	2.60	4.28	7.12
(iv) ONGC (Value Rs. in Crores)	8.16	5.60	3.00
(v) Others (Value Rs. in Crores)	77.52	56.31	32.54
Total (Value Rs. in Crores)	208.48	140.32	120.40

2.9 During the course of evidence the Committee pointed out that MSTC's share in scrap disposal by various PSUs was very low. Asked whether MSTC had ever assessed the quantum of scrap generated by the public sector undertakings, the Chairman MSTC replied:

"I entirely agree with you. I would like to submit that we have taken steps now to assess the availability for each of the units. From this year we are going to do this."

2.10 When further pointed out that this was being done after the Committee had taken up this subject for examination the witness admitted "We have just started."

2.11 The Committee observed that scrap generation by PSUs was much more as compared to scrap handled by MSTC and there was scope to take

more scrap business from various PSUs. In this connection MSTC stated in a written note:

“Till 1990-91 canalised imports were the main activity. As such domestic trade received a lower priority. However, due to fall in imports in 1991-92, more attention was given to increase the domestic trade activities. It is true that total generation of scrap routed through MSTC for disposal was very less compared to the total availability of scrap arisings of these units. Although MSTC made attempts from time to time to bring more PSUs under the selling agency agreements, such attempts met with limited success only. There is scope for increasing the business in this area and we are still trying to get more PSUs.”

2.12 On being pointed out by the Committee that the company had not given much attention to domestic trade division, the Chairman, MSTC stated during evidence:

“I agree with you that we could have a little more emphasis on domestic sales. this organisation was predominantly concerned with international sales till 1991-92 and we were concentrating on the import of scrap. Now we have undergone a dramatic change in 1991-92 in terms of reduced foreign exchange relating to import business. We have now started looking at the domestic market. I would therefore request this august body to give us some time to shift our focus from foreign trade to the domestic trade. Despite fact that we have done a better job in 1991-92, we hope to do still better job this year; and we have taken certain basic decisions like opening of yards in the port areas, buying the scrap, etc. We are looking into the processing facilities for this and in a couple of years, we will be able to give a better scheme for meeting the needs of the consumers all over the country.”

2.13 When the Committee enquired whether the Company had necessary expertise to deal with various types of scrap, MSTC stated in a written note:

“The Corporation has acquired knowledge and expertise in dealing various types of scrap available in the country. It has many executives with educational background in engineering, economics, commerce and chartered accountancy, many executives have also been selected from integrated steel plants. During the working for the last 28 years in the field of scrap the Corporation has acquired substantial knowledge, information and expertise in-house in regard to scrap procurement and disposal.”

2.14 As regards the constraints/difficulties faced by MSTC in securing more scrap business from various Public Sector Undertakings, MSTC stated in a written note as follows:

“The Major constraints are given below:

(a) MSTC has not been appointed as sole selling agent for these units and the units are also at liberty to sell their scrap materials of their own.

(b) MSTC's set up/infrastructure is not adequate to handle the entire scrap arising of all these units located at different parts of the country. It will be done in a phased manner which is being done now.

(c) Arising of scrap and disposal at many PSUs are small e.g. Banks/ Insurance Companies, Financial Institutions/Development Promotional Institutes/Trading Companies, ECGC etc.

The major scrap arising units in Govt. sectors are Railways, port Authorities, Defence, Integrated Steel Plants, Oil & Coal sector and Engineering Plants/Units.

In respect of Railways they have their own set up and, in spite of MSTC's efforts, the business has not been given to MSTC so far on a regular basis.

In case of Ports, MSTC got response from one Port Trust i.e. Kandla Port Trust Authorities, although total business routed through MSTC so far is very small.

In respect of Defence, MSTC is not the sole selling agent for all categories of scrap and the units are also at liberty to sell other scrap materials on their own.

Defence units are also pressing MSTC to reduce the existing service charges further and to hold auctions in all cases as the defence units are spread all over the country.

In case of Oil & Coal sector units, many of the units are located in far-off places where disposals are difficult.....In addition, many organisations do not have sufficient scrap arising per year and conducting tender/auction for such units are uneconomical.”

2.15 In this connection the Chairman MSTC further stated during evidence:

“Each unit wants that they will have a sort of right to sell the materials on their own. Many of the units are saying that the other problem that we are facing is that we have multiple unit organisations like the BHEL where although we entered into an agreement with the corporate offices, but they want to enter into an agreement unit-wise. We had also requested for sole selling agency agreement with these units but they have not agreed it. They have retained the right of

simultaneously selling the materials directly. This is definitely undermining our position.”

2.16 Asked about the steps taken to secure more scrap business from PSUs, MSTC stated in a written note as under:

“MSTC’s selling agency agreements vary between 2/3 years informally the public undertakings are approached with regard to offering the business to MSTC. After discussions, formal letters are exchanged and agreements for selling agency are signed.....Till recently selling agency agreements were being signed at Calcutta but subsequently this has been decentralised and our regional offices have been asked to identify potential units for whom we can extend our selling agency services. Reasonably good generation of disposable scrap and long term benefit of MSTC are considered while taking new units. There are lot of other organisations which generate relatively less quantity of scrap; we are not trying to sell the scrap of these units as the volume of sale is very low. MSTC have approached about sixty new units/PUs requesting them to entrust the job of disposal of scrap/obsolete store of those units, but rspnse is not encouraging.”

2.17 The Committee pointed out the Railways were converting their narrow gauge into broad gauge and in this process huge scrap would be generated. Asked whether the Ministry of Railways were approached to secure substantial scrap for MSTC from them, the Steel Secretary stated:—

“We addressed the Ministry of Railways in Oct. 91. They had already replied to MSTC that the Railways had a well established and integrated Materials Management Department. It is almost a century old. One of the aims of this Organisation is disposal of Scrap. They have shown no interest. They feel that they can do it themselves.”

2.18 The Committee wanted to know whether the Company had requested the Ministry of Steel to convince other Ministries/Govt. Departments to give scrap business only to MSTC, MSTC stated in a written reply:

“MSTC had been following up with various Public Sector undertakings directly. We have kept the administrative Ministry informed and are getting business like Public Sector Steel Plants, Defence etc. directly. However, these selling agency conctracts are basically of commercial nature. There is not matter of policy issue. Nor there is any directive from the Government that scrap could be disposed through MSTC only. It is a matter of pride for MSTC that 108 PSUs/Government Deptts. etc. are routing their scrap through use.”

2.19 In this connection the Steel Ministry stated that they had taken up the matter with other Ministries.

2.20 The Committee also wanted to know whether the Company had ever approached the Dept. of public Enterprises (DPE) to issue guidelines to all PSUs to give scrap business only to MSTC, MSTC stated in a note as follows:—

“The Corporation has not yet taken up with the Department of public Enterprises. However, the Corporation may approach the Department of Public Enterprises for issuing guidelines to all Public Undertakings to entrust scrap business through the Corporation. MSTC would prefer to do business on the basis of mutual agreement rather than through directives of Government of India.”

2.21 When enquired about the system of disposal of complaints from the customer PSUs, MSTC stated in a note that from time to time Government Undertakings had been complaining to MSTC about the need for specific improvements to be made with regard to faster lifting of materials, miximising realisation, obtaining orders for larger quantities etc.

2.22 These problems were stated to have been sorted out by MSTC form time to time in the following manner:—

“MSTC officials met the Chief Executive personally or other officers and took steps to sort out the problems regarding speedy disposal of materials, getting bulk orders, ensuring faster delivery etc. MSTC have also taken some remedial measures, such as, holding auctions at different places, constituting a Task Force with representatives of principals to assess the market prices and fix the prices quickly. Of late, we have started meeting representatives of the principals at different centres with a view to sort out some of the complaints. We have also tried to increase the number of participants in the tender/auction by giving wide publicity through newspapers. Tender/auction notices are also being forwarded to consumers and traders in different parts of the country through their Associations and MSTC's Regional/Branch offices.”

2.23 Asked whether any centralised register was maintained by the company for this purpose, MSTC replied in a note that in the past no register had been kept to record the complaints received from the Company's principals. This had however been introduced recently.

2.24 In the context of objectives of MSTC (which inter alia provide for processing/conversion of scrap) the Committee wanted to know whether the company converts some scrap into end products. MSTC replied in a written note:

“Corporation does not physically process and convert the scrap further. Basically it acts as selling agents and supplies the scrap to various local customers and actual-users located in different States. There is enough mechanism for converting the ferrous and other items of non-ferrous scrap e.g. zinc, copper, old/used rejected equipments etc. which are not homogeneous and as such the Corporation is not

equipped to handle them. Such scraps are spread over the country in small quantities at different points of time."

2.25 Since the Company was not having any R&D unit the Committee pointed out that a research unit was necessary for finding ways and means of better use of scrap. The Chairman MSTC in this connection stated during evidence:—

"So far as R&D is concerned keeping in mind the background in which it was functioning earlier, we have not paid any attention to it nor do we feel that its utilisation was necessary. But, we will look into the matter as to how the utilisation of the scrap will be improved."

He however, informed that he would take steps to improve R&D work.

D. Role of the Administrative Ministry

2.26 During the course of examining of the Ministry the Committee pointed out that there had been steep fall in MSTC's turnover from Rs. 714.92 crores in 1989-90 to Rs. 141.25 crores in 1991-92 due to foreign exchange crunch and decanalisation of import of scrap. Asked whether the Ministry had issued any instructions/directions to the Company to concentrate on domestic trade activities, the Ministry of Steel replied in a written note as follows:—

"The Ministry does feel concerned about sharp decline in the turnover of the company. The Ministry has been advising MSTC to give increasing attention to domestic trade in the Review meetings held from December, 1990 onwards. Minutes of the review meeting held by Secretary (Steel) in December, 1990 clearly record that, 'It was, therefore, necessary that MSTC should also think of ways of strengthening its domestic operations to sustain its viability. In this area, the operations of MSTC and its subsidiary, FSNL should be properly coordinated and synchronised. While FSNL could continue with recovery of scrap in the integrated steel plants, MSTC could look after the marketing and sales.'

Subsequently, in October, 1991, CMD/MSTC stated that the Corporation was looking into ways in which it can maintain its level of operations with the decline in foreign trade. These measures included strengthening of domestic trade operations for which some discussions had already been held with the Defence Ministry. The Corporation was also looking into manufacture of pig iron/sponge iron.

In June, 1992 on the basis of a specific query from Secretary (Steel) on the measures taken by MSTC in the post-decanalisation scenario to ensure its future viability CMD stated that in the new trade climate, increasing attention was being given to domestic trade operations which had increased by 48% during 1991-92 as compared to the previous years. These operations would constitute an important part of MSTC's activities and generate profits independent of foreign trade.

It is thus seen that there was a clear appreciation in the Ministry and also in MSTC that the company needed to devote more attention to domestic trade in view of decanalisation of import of scrap and ships for breaking."

2.27 When the Committee enquired about the effect of decanalisation of import activities of MSTC on the viability of the company, Steel Secretary, replied during evidence:

"So far, it has not very seriously affected the performance. It has brought down the turnover. But, it continues to be a profitable Company. Last year, in 1991-92 it made a profit of Rs. 6.86 crores before tax and Rs. 3.4 crores after tax. This year, it has reached a profit level of Rs. 7.3 crores so far. The net profit after tax is expected to be about Rs. 4 crores this year. The profit may come down. But, still it is a profitable company."

2.28 Asked about the impact of review meetings done by the Ministry, the Steel Secretary stated:

"Every three months, we do review their performance. At the end of the year, we review the performance against the Mou. This is done independently by a task force in the Department of Public Enterprises. Marks are awarded to all enterprises which enter into memorandum of understanding. Quarterly meetings are held from 1992-93. Prior to that only annual meetings were held. The Company has approached about 60 organisations. They have been able to add about 15 customers. They will continue this effort. The volume of business increased from Rs. 140 crores in 1990-91 to Rs. 208 crores in 1991-92.

...This year, it will be a little short of Rs. 200 crores."

2.29 As regard the future of the Company, the Steel Secretary stated:

"The question you have raised is whether this Corporation deserves to exist and whether it has a useful role. My reply would be that this is a Corporation which has developed a certain expertise in this line having functioned for 15-20 years. It has developed a clientele also. As on today, it is working on a profit. It has got substantial reserves. Therefore, in a competitive environment it should be able to survive by offering good service at a reasonable cost."

He added:

"I would agree with you that is why we are not in favour of any directives to public sector organisations."

2.30 In reply to a query whether the Ministry had ever considered issuing guidelines to all PSUs to dispose of their scrap through MSTC, the Steel Ministry replied in a written note as follows:

“In the context of liberalisation and opening of many areas of the private sector, public enterprises are now expected to function on commercial principles. Thus, in the view of the Ministry, it may not be feasible to issue a specific directive to any PSU to market its scrap through MSTC. However, if MSTC performs well, the PSUs themselves should be inclined to engage the services of MSTC for disposal of their scrap.”

2.31 The Committee pointed out that one of the objectives of MSTC was to meet the requirements of secondary steel. Asked about the reasons for not meeting the requirements fully by MSTC, the Steel Secretary stated:

“This Company is now not a monopoly Company in the sense that secondary sector is free to import scrap of its own. It is on OGL and they can buy the foreign exchange and import scrap. They are not obliged to pass through this Company as was the case till February, 1992. Now, by giving good service and by giving a good price, they can retain this market. Today the total import of scrap in the country is about 2.5 million tonnes.”

2.32 Asked about the share of MSTC in total scrap imports, the witness stated that the share of the Company was about 6 lakh tonnes which was about 20 to 25 percent.

2.33 Giving the total requirement of scrap in the country and the volume of imports; the Steel Secretary stated:

“The total requirement of scrap is estimated at seven million tonnes. Out of this, indigenous generation is about three million tonnes. Substitution by sponge iron may be upto 1.5 million tonnes. So, the balance of 2.5 million tonnes has to be imported.”

2.34 When asked about the steps taken to supply sufficient scrap to small scale units, the Steel Secretary stated:

“So far as small-scale industries are concerned those who are located near the steel plants, are getting allotted scrap by SAIL on the recommendations of the Industries Department of the State where the Plant is located.”

2.35 As regards supply of scrap to the small scale units located far away from Steel Plants, the witness stated:

“Distribution of steel to small scale industries is monitored by the Development Commissioner for Iron and Steel.”

2.36 With respect to the basis of price for supply of scrap to small scale units the witness informed "The local market prices will determine the price".

2.37 When asked about the supply of imported scrap to small scale units, he stated:

"Actually, this company has been catering to the needs of the mini-steel sector. After de-canalisation, many of them are purchasing on their own directly."

Man Power Planning

2.38 At the end of March 1992, the total manpower strength of MSTC was 273. The Committee wanted to know whether any scientific study had been conducted by the Ministry or through some specialised institution to know the actual manpower requirement of the company. The Ministry of Steel stated in a written note as follows:

"MSTC commissioned a specialised agency, Foundation for Organisation Research (FORE), to conduct a manpower study in 1983-84. The existing staff strength is in line with the recommendations made by FORE. However, another study by M/S. S.B. Billimoria & Co. Consultants, has been commissioned recently by the Board of MSTC to enable MSTC to face the challenge in the changed scenario. The results of the study which have been recently made available indicate that the existing strength will have to be increased in case the corporate plan is to be implemented."

2.39 On being pointed out by the Committee that some of the PSUs found it cheaper to dispose of their scrap directly instead of selling through MSTC, the Ministry of Steel stated:

MSTC does not dispose of scrap through agents. As a public sector undertaking its cost of operation tends to be slightly higher because of higher wages, social welfare benefits to employees and less procedural flexibility. For providing effective service, some minimal costs have to be incurred and these are reflected in MSTC's operations. Nevertheless, the fact that MSTC has been getting increasing business from PSUs indicates that MSTC has a reputation for reliability and fair dealing."

2.40 The Committee also wanted to know whether the Ministry was satisfied about the cost effective measures taken by MSTC to keep its overheads to the minimum. The Ministry of Steel replied in a written note as follows:

The Ministry has observed that the overhead expenses have been kept in check and in the case of domestic operational expenses they have come down from 60% in 1989-90 to 49% in 1991-92. During the current year as against the targetted expenditure of Rs. 3.91 crores upto January, 1993, the actual expenditure has been less at Rs. 3.47 crores. It has also been observed the MSTC has qualified cost and

Chartered Accountant who are consistently monitoring expenditure. The size of the company has been kept within reasonable limits and in the last two years manpower has been kept under control with the actual strength being less than the sanctioned strength. Employees remunerations account for 40% of the total expenditure of the Company in 1992-93."

E. Future Plans

(i) Opening of new stockyards.

2.41 Besides its Head Office at Calcutta, the Company is having regional offices at Delhi, Bombay, Madras and Bangalore and three sub-regional offices at Vizag, Madras and Hyderabad. In regard to location of stockyards, MSTC stated in a note as follows:

"Presently, MSTC is handling only one stockyard for imported scrap at Vizag. It will be opening another stockyard shortly at Madras for storing imported scrap. There are plans to open yards at Bombay and Kandla. During last two years, Vizag stockyard handled 18,376.51 MT. Capacity for the yards at Vizag & Madras Stockyards is estimated 24000 tonnes and 10000 tonnes respectively. Capacity of the Yards is considered adequate for the time being keeping in view the direct despatches to parties from Port."

2.42 In this connection, the Steel Secretary stated during evidence:

"At present, MSTC has no stockyard in Vizag and Madras. They have plans to open in Kandla, Bombay, Bhavnagar, Calcutta and Bhopal."

2.43 Asked whether there were any plans to open any stockyard in northern region, the witness stated:

"This is a small organisation which has not only 273 employees. To overstretch it at this stage, will not be worthwhile. It will run into loss."

2.44 On being further pointed out about the great demand of scrap in Northern States, the witness replied:

"We will ask them to undertake a study."

(ii) Capital restructuring of MSTC

2.45 As regards constraints faced by the Company in fulfilling its objectives, MSTC stated in a note as follows:

"MSTC is a small company with a small capital base and has limited number of branches. Due to large number of tenders/auctions being held every month the volume of monitoring and follow up with PSUs is a constraint. Availability of capital being limited, continuous import of scrap has created problems in finding adequate fund for larger import."

2.46 In reply to a question, the Chairman MSTC stated during evidence:

“It is a fact that our existence is being threatened. That is why we want to expand our activities.”

2.47 Regarding restructuring of the Company's capital, the Ministry of Steel replied in a note:

“MSTC has sent a proposal recently to restructure and expand its capital base so that its activities can be increased and adequate funds raised for expanding commercial activities and other diversification plans.”

2.48 As to the reaction of the Government to the above proposals, the Ministry of Steel replied in a note:-

“The rationale of restructuring is usually to rehabilitate sick companies. Here the proposal of the Company is to raise capital with a view to expand its activities. Since the Company has substantial reserves, it does not appear to need Government subscription to further capital at this stage. However, if the corporate plan calls for substantial investment in new projects, the Government can consider the company's proposal keeping in view budgetary constraints.”

2.49 Explaining the Government view point further, the Steel Secretary stated during evidence:-

“So far as monetary constraint is concerned, I think it should not be a serious problem because earlier MSTC used to get suppliers credit for import of scrap and they were using the supplier credit and extending credit to their own party in turn may be for three or six month period. Lately, they have been investing their own money and they have saved the interest on suppliers credit as well as exchange risk which might result from that. So, I do not think that availability of capital to increase trade would be a serious problem but if they need it, they may resort to domestic borrowing also which will increase their cost.”

2.50 When enquired about opening of new depots, to increase their net work, the witness stated:-

“In a competitive environment, the Corporation should be cautious in extending this net work because what looks a promising business today may not be of the nature later. If you once set up a unit, you know that in the Government or in the public sector, it cannot be closed down. So, one has to be very cautious in extending the network. It has to be accompanied by a very thorough market survey and assessment of the potential. Otherwise, I would not recommend rapid expansion. Cautious policy would be better to see that this organisation remains profitable.”

(iii) Corporate Plan

2.51 It came out during the examination of MSTC that it had appointed M/S. S.B. Billimoria & Co. Management Consultant, Calcutta as Consultant to help the company to formulate a Corporate Plan. The Consultant had submitted a Report giving various valuable suggestions for the long, medium and short term proposals. Asked about the latest position in respect of preparation of Corporation Plan for MSTC, the Ministry of Steel stated in note:

“The Company has prepared a corporate plan which has been approved by the Board of Directors. This has been submitted for preliminary information of the Government. Specific proposals for approval of the Government are expected to be submitted shortly.”

2.52 When enquired about the salient features of the draft Corporate Plan, the Ministry of Steel stated in a written reply that the Corporate Plan envisages three specific phases in the expansion/development of the Company i.e. short-term, medium-term, and long term:

- (a) In the short-term (1-2 years) it is proposed that the company continue to carry on activities in the following areas:—
 - (i) Import and domestic trading to continue with additional services and value addition.
 - (ii) Take up shipbreaking activities.
 - (iii) Set up scrap yards at two additional ports.
 - (iv) Set up information and advisory services.
 - (v) Enter the area of merchant export.
- (b) In the medium-term (3-5 years) it is proposed that the company set up more processing cum-stockyards.
- (c) In the long-term (above 5 years) it is proposed that the company enter into the manufacture of products like sponge iron, pig iron, etc. as well as environment management pollution control and wastes management.

CHAPTER III

RECOVERY OF SCRAP BY FERRO SCRAP NIGAM LIMITED

3.1 MSTC is also having a subsidiary company viz. Ferro Scrap Nigam Limited (FSNL). FSNL was incorporated on 28th March, 1979 in order to take over the running business of Heckett Engineering Company, a Division of Harsco Corporation, USA, as per the terms of Foreign Exchange Regulations Act, 1973. MSTC holds 60% of equity while 40% of equity is held by Harsco Corporation, USA.

The Company undertakes recovery & processing of scrap from slag and refuse dumps in the steel plants. The scrap recovered is returned to steel plants for recycling/disposal and the company is paid processing charges at varying rates on the quantity of scrap recovered, depending on the category of scrap. The Company has its Units in Bhilai, Rourkela, Bokaro & Durgapur Steel Plants of SAIL. It has also its units at IISCO and Visakhapatnam Steel Plants.

3.2 The total manpower strength of the Company as on 31st March, 1992 was 1175. The following table shows the physical & financial performance of the Company during the last 3 years:

(Rs. in lakhs)

	1989-90	1990-91	1991-92
(i) Profit after tax	443.31	568.83	672.42
(ii) Value of Production	3106.18	3006.33	3722.95

3.3 In reply to a question whether FSNL was taking MSTC's/assistance in purchasing/selling of scrap, MSTC replied in a note:

“FSNL is basically engaged in taking scrap from the Slag Dumps, Steel Melting Shops of the steel plants through their own equipments. They do not buy any scrap from the Steel Plants. In addition to such recovery, they also do certain amount of processing of scrap, such as cutting, bundling etc. The steel scrap are basically used by the Steel Plants and some quantities of surplus scrap, mostly cast iron are sold by them on the basis of orders procured by MSTC.”

3.4 In the context of direction of the Ministry of Steel that MSTC would sell the scrap collected by FSNL, the Committee pointed out that scrap collected by FSNL was reused by Steel Plants. To this, the Steel Secretary stated during evidence:

“They can improve their turnover. This was suggestion given to them.”

3.5 When enquired about the necessity of a separate company for scrap collection, the witness replied:

“The Ferro Scrap Nigam Limited is an organisation which specialises in collection and recovery of scrap in steel plants..... The recovery of scrap requires a high technology and an American technology was procured. This Company was incorporated on 28.3.1979 to take over running operations of the Heckett Engineering Company, India Branch, a division of M/s Harsco Limited of the United States....Even in other countries this function is done by Specialist organisation.”

He also added:

“In fact, the technology is constantly evolving. Now-a-days the Japanese and the Chinese are offering very advanced technology in which they claim the recovery percentage is much higher.”

3.6 In regard to availability of expertise in the Company, the witness stated:

“This expertise is available substantially with its subsidiary (FSNL). They are having the technology to recover scrap and they are doing it properly in integrated steel plants. In fact, this technology is further advancing and there is a need to get more inputs of the latest technology. FSNL and MSTC have been negotiating with the American collaborator for further import of technology. The difficulty has been that the American collaborator wants a very high price and negotiations are still going on. But at the present level, the organisation is not lacking technological know-how. There are certain limitations imposed on this organisation because it is a small body and I think that is one of its advantages as well as disadvantages.”

CHAPTER IV

DISPOSAL OF SCRAP BY PUBLIC UNDERTAKINGS— SELECTED CASES

4.1 In order to have an idea about the scrap disposal procedure adopted by the public sector undertakings, the Committee examined the scrap disposal system of the following public undertakings:—

Sl. No.	Name of Public Undertakings	Value of scrap sold (Rs. in lakhs)			Mode of Disposal
		Scrap generated through production process	Misc. scrap	Scrap sold through MSTC (Rs. in lakhs)	
(1)	(2)	(3)	(4)	(5)	(6)
1.	Steel Authority of India Limited	38,354.00	—	4327 (Fixed price sales) 3645	MSTC/ Actual user
2.	Indian Iron & Steel Co. Limited	4,831.00	—	(Auction)	
3.	Rashtriya Ispat Nigam Limited	939.79	8.59	620.59	MSTC/ Tender
4.	Kudremukh Iron Ore Co. Limited	*	142.39	—	Tender
5.	Bharat Gold Mines Limited	73.53	—	—	Tender
6.	Hindustan Copper Limited	226.00	322.00	—	Tender
7.	Oil & Natural Gas Commission	*	1570.31	816.44	Tender/ MSTC
8.	Indian Oil Corporation Limited	89.97	980.00	—	Tender/ MSTC
9.	Balmer Lawrie & Co. Limited	935.02	0.55	—	Tender/ Actual user

* Does not generate scrap through its production process.

Salient points which emerged during the examination of the above undertakings are detailed in succeeding paragraphs.

(1)	(2)	(3)	(4)	(5)	(6)
10.	Indian Petro Chemicals Corpn. Limited	1,070.00	245.72	—	Tender
11.	Rashtriya Chemicals & Fertilizers Ltd.	*	229.49	—	Tender
12.	Indian Telephone Industries Limited	389.67	—	85%	MSTC/ Tender
13.	Bharat Heavy Electricals Limited	4,396.00	N.A.	1,972.00	MSTC/ Tender
14.	HMT Limited	627.00	117.05	29.31	MSTC/ Tender
15.	Heavy Engineering Corporation Ltd.	122.00	82.90	72.90	MSTC/ Tender
16.	Mining and Allied Machinery Corpn. Ltd.	77.15	8.14	38.89	MSTC/ Tender
17.	Bharat Electronics Ltd.	220.00	92.73	90.95%	MSTC/ Tender
18.	Shipping Corporation of India Ltd.	*	2.07 (Misc) 2,606.37 (old ships)		Tender
19.	Delhi Transport Corporation Ltd.	342.00	—	—	Tender

* Does not generate scrap through its production process.

Salient points which emerged during the examination of the above undertakings are detailed in succeeding paragraphs.

1. Steel Authority of India Limited

4.2 SAIL is the biggest scrap generating PSU. During the years 1989-90, 1990-91 and 1991-92 it sold scrap worth over Rs. 1000 crores. During the course of evidence of the representatives of SAIL the Committee enquired about the quantum of scrap generated in steel plants. To this the Chairman, SAIL stated:

“More than 80 percent of the steel scrap is internally used in the process of manufacture of steel. It is only the balance which would be available, if at all, for sale outside. That is the current situation. As the years go by, in the next three or four years, we would be mostly consuming all the scrap. We would ourselves require scrap from the market after sometime, because as the steel output goes up,

our requirement of scrap would be more. Therefore, the basic point is SAIL is not a scrap producer; it arises in the process of steel and iron making.

In the year 1991-92, the total arising of scrap was about 2.6 million tonnes. Out of that, we have consumed internally approximately about two million tonnes of scrap. It means that about 600 thousand tonnes of scrap was available for sale. In the coming year, this quantity will become less and less."

4.3 Asked about the reasons for fall in scrap generation, Chairman, SAIL replied:

"Arising of scrap depends upon the technology. We get better yield from continuous casting. Continuous casting has come in Bhilai and will come in Durgapur and Bokaro in next few years."

4.4 When asked about the procedure adopted to dispose of the scrap, the witness stated:

"Wherever we give it to the actual user direct, the user has to be certified by the Director, Small Industries Corporation that they have the capacity to process this much scrap. A portion of scrap is sold through public undertaking, MSTC. Very little quantity is sold through the trader. Normally we give it to the actual users directly.....These are the basic parameters of our policy."

4.5 When the Committee enquired how SAIL determined the requirement of scrap of different small scale units. the Chairman, SAIL stated:

"There are industries in every state. We supply them directly as per their requirement on the recommendation of the State Industrial Corporation subject to availability. Only then we supply to the traders. If there is a complaint about violation of policy-guidelines, we do examine that complaint."

4.6 On being pointed out about giving scrap to some selected parties only, the witness *inter-alia* stated:—

"We have laid down in the policy that 80 percent should be supplied to the actual users and only 20% to the traders."

4.7 The Committee further pointed out that during the years 1989-90, 1990-91 and 1991-92 SAIL sold scrap worth over Rs. 1000 crores and out of scrap worth Rs. 383 crores sold in 1991-92, the share of MSTC was Rs. 79.72 crores only. Asked about the reasons for a very low share of MSTC, Chairman, SAIL stated:

"Sir, there is no question of supplying them less quantity. MSTC can not use more, that is our complaint. If they have more capacity, we have no difficulty in supplying them more. Regional industries depend on scrap. If we do not supply it to them, they could suffer. MSTC was buying it from IISCO. But they got very less price. Now when they are supplying directly, they are

getting very good price. They say that they should get at least as much as they are getting through direct a sale so that SAIL also does not suffer losses and MSTC also earns profit."

4.8 In this connection SAIL also submitted details of the tonnage offered to MSTC by the SAIL Plants and corresponding orders booked by MSTC as under:

(Quantity in 000 MT)

Year	Tonnage offered	Tonnage sold
1989-90	78.54	17.65
1990-91	90.36	32.65
1991-92	123.25	94.03
1992-93 (upto Dec. 92)	122.37	50.01

4.9 When asked about the system of disposal of scrap SAIL would like to adopt in future, the witness stated:—

"We would like to have the freedom to sell wherever we are able to get a better price. If the MSTC can do it better, we will give it."

4.10 In reply to a future query, the witness replied:—

"As the years go by, when the technology improves, the scrap availability would be less. As far as MSTC is concerned, it is not our inability of give them business but it is their inability to perform. We cannot keep the scarp in stock and wait for them to come and take it. The MSTC must perform. They are doing business only to the extent of 50/55 per cent."

4.11 When asked to spell out the reasons due to which SAIL was not giving much scrap business to MSTC particularly when MSTC had been a subsidiary of SAIL for several years, the Ministry of Steel stated in a note:

"SAIL have intimated that as per SAIL's corporate policy, in the following cases scrap is sold/transferred directly by SAIL plants either on the basis of fixed price (which is periodically reviewed) or through tender/auction:

- (i) Sale to SSI Units of the State in which steel plants are located.
- (ii) Steel Plant fabricators as appointed by the steel plant management.
- (iii) Transfer/sale to other units or subsidiaries of SAIL.
- (iv) Industrial and rerollable scrap not covered by SAIL's agreement with MSTC.

The remaining scrap is being offered to MSTC from time to time. MSTC has been steadily increasing the quantity of disposal from SAIL plants, particularly in the last few years when foreign trade decreased due to difficulties in import of scrap. Now that import of

scrap has been decanalised, the Ministry has asked MSTC to give increasing attention to domestic trade and MSTC has taken the initiative to get more business from SAIL and ther public sector enterprises.”

2. Indian Iron & Steel Company Limited (IISCO)

IISCO is a subsidiary company of Steel Authority of India Lignited. Disposal of scrap by the Company during the year 1991-92 was as under:—

Mode of disposal	Rs. in Crores.
(i) Registered customers/consumers/traders as per past off-take, including Mini Steel Plant.	34.14
(ii) Auction	6.19
(iii) Transfer to SAIL Plants	7.98
(iv) MSTC	NIL
Total	48.31

4.13 In regard to scrap disposal by Steel Plants (Department of Steel) had issued the Ministry of Steel & Mines guidelines *vide* their O.M. dated 16th April, 1984, which was addressed to CMD's/MD's of SAIL, IISCO and MSTC which is reproduced below:—

“that the matters relating to the disposal of Iron and Steel Melting Scrap Arising from SAIL Plants including IISCO have been under considerations in consultation with SAIL and MSTC. The following decisions have been taken in regard to the arisings of the melting scrap of Iron and Steel.

- (a) Entire arising from all Steel Plants including IISCO will be disposed of through MSTC.
- (b) MSTC will honour the commitments of the Steel Plants to supply this material to—
 - (i) SSI Units of the State in which the Plants are located; and
 - (ii) Steel Plant Fabricators, if any recommended by the Plant authorities concerned.
- (c) Steel Plants would furnish a broad indication of availability of the materials three months prior to the commencement of each quarter, MSTC will ensure that orders to cover a minimum of 75% of the quantities so indicated are secured 30 days before the commencement of the relevant quarter. In case MSTC is unable to secure orders for the requisite quantity of arisings, Steel Plants would be free to dispose of the balance material directly at prices to be determined by them.

- (d) The prices at which the orders are to be secured by MSTC will be determined by the Standing Committee on prices. The Composition of this Committee would be decided by SAIL (CMO) IISCO/MSTC and would include representatives of all concerned at a sufficiently senior level to enable it to take decisions expeditiously.
- (e) In order to ensure efficient functioning of this arrangement and effective servicing of the consumers, MSTC will make arrangements for opening of its offices either directly or through its subsidiary at all Steel Plants.
- (f) The agreements among MSTC, SAIL and IISCO to give effect to above arrangements would be on commercial lines with suitable penalty clauses applicable to all parties. The details of the agreements would be worked out by SAIL, IISCO and MSTC among themselves.
- (g) The arrangements indicated above would be reviewed by Government after one year.

It is requested that action may kindly be taken by all concerned to give effect to the above arrangements as early as possible under intimation to this Department."

4.14 On being enquired whether the Company sought assistance of MSTC for its scrap disposal, the Company stated in a note:—

"IISCO sought the assistance of MSTC from June 1977, to sell the scrap arising from the Plant. This continued without any problem till June, 1981.

MSTC's share during the last three years was nil. However, MSTC during the period June, 1981 to June, 1984 could not provide adequate disposals as per the generation. IISCO, Sales Department took parallel action to book orders for the balance quantity. Details furnished below indicates the bookings/despaches against orders booked by MSTC & IISCO Sales Department.

(Quantity in M.T.)

	1981-82		1982-83		1983-84	
	MSTC	IISCO	MSTC	IISCO	MSTC	IISCO
Total	63845	1789	53578	9719	31824	61469
% of Desp.	97.3	2.7	84.6	15.4	34.1	65.9

The above figures indicate the fall in performance of MSTC during 1981-82. IISCO Sales Department gradually took over from MSTC

by providing disposals to the Plant to take care of the despatches.”

4.15 As regards the disposal of scrap disposal after the Government guidelines issued on April, 1984, the Company stated in a note:

“MSTC as per the directive sold a total quantity of 55020 MT during the year 1984-85 that is 49.0% of the despatches. Similarly during 1985-86 their share was 42421 MT that is only 37. 1% of despatches.

Since MSTC was not able to provide disposals for the entire arising of scrap being generated by the Plant, IISCO continued to sell scrap through its own sales organisation at Calcutta without any additional cost. It also helped IISCO in reducing losses by avoiding payment of commission to MSTC, which it could not afford.”

4.16 During examination of the Ministry the Committee pointed out that IISCO was not giving any scarp business to MSTC since 1985-86 which was contrary to the guidelines issued by the Ministry. Asked about the circumstances under which IISCO had failed to honour the guidelines, the Ministry of Steel stated in a written reply:

“The earlier selling agency agreement between MSTC and IISCO expired on 2.5.1982 and thereafter pending extension of the agreement, MSTC continued to render selling agency services to IISCO upto 1986. However, these services were stopped thereafter because no agreement could be reached between the two companies regarding payment of service charges.”

4.17 Asked whether any review of the policy laid down in April, 1984 was done by the Ministry, the Ministry stated in a note:

“After the issue of these guidelines, MSTC and SAIL entered into direct negotiations for finalising a new selling agency agreement which was eventually signed on 23.9.1985 i.e. one and a half years after the issue of the guidelines. No specific review was done because negotiations were in progress between the two Undertakings.”

3. Rashtriya Ispat Nigam Limited

4.18 During the year 1991-92, RINL sold scrap worth Rs.939.79 lakhs. Enquired about the share of MSTC out of this scrap, RINL stated in a written reply as follows:—

“During 1991-92, 14,402 of cast iron runner scrap valued at Rs. 6.12 crores was sold through MSTC. Entire steel scrap was reserved for internal consumption in SMS. Accordingly, there was no disposal of steel scrap. In addition, used refractory bricks were sold for a value of Rs. 8.59 lakhs through MSTC.”

4.19 The Committee further enquired whether whole scrap could not be disposed of through MSTC. RINL replied in a note:—

“Disposal of scrap through MSTC is not cost effective. The necessary skill and expertise is now available in house. However, for specialised jobs like auction etc. MSTC can be considered along with such other agencies.”

4.20 As regards utilisation of MSTC services in future, the Company stated in a note:—

“Yes, since 1985 MSTC's services have been utilised continuously. The present agreement is valid upto 1993 for steel scrap and August, 1993 for cast scrap. The skill and expertise is presently available in house and hence it is proposed to review the arrangement for continuing their services after expiry of present agreement.”

4. Kudremukh Iron Ore & Co. Ltd.

4.21 Production process of the Company does not generate scrap. The miscellaneous scrap consists of worn out parts of machinery and replaced old structures. Explaining the system of disposal of such scrap in the Company, a representative of the Company stated during evidence as follows:—

“We are essentially an Iron Ore Mining Company involved in the mining of iron ore and selling of our product in the export market. We do not produce any scrap nor do we consume any scrap. Our total arisings of scrap during the last three years 1989-90, 1990-91 and 1991-92 have been of the order of Rs.78 lakhs, Rs.48 lakhs and 142 lakhs respectively.”

4.22 On being asked by the Committee whether the company was ever approached by MSTC offering their services, the witness stated:

“Periodically from the year 1984 to 1991, we had some communications from the MSTC about lending their services for disposal.”

5. Bharat Gold Mines Limited

4.23 The Company is generating its scrap which arises out of mining activity primarily. Asked about system of disposal of scrap, the Managing Director of the Company replied during evidence:—

“We have a reserve Committee, comprising of the representatives viz. Chief of Stores, Finances and Engineering services. They fix up the reserve price for certain items of the scrap. When we find out estimated value of the scrap is over Rs. 2 lakhs, we go in for open tenders. When it is below Rs. 2 lakhs, we resort to limited tenders. Now, after advertising, we have collected the best price and we have been disposing of the scrap to the competitive

bidders. In the last three years we have generated about Rs. 32 lakhs worth scrap in the years 1989-90; in 1990-91, it was Rs. 34 lakhs worth and in 1991-92, it was Rs.74 lakhs worth. The increase in the third years has been primarily because of the extra materials we could salvage from the mines and also because of the slight increase in the market price of the scrap."

4.24 when the Committee enquired whether MSTC had approached the Company offering their services, BGML replied in a note:—

"MSTC vide their letter No. MDT/MSTC/SAA/POL/7218(7) dated 2.7.1991 requested BGML to utilise their services in disposal of scrap. The details of terms and conditions for utilising their services were sought by BGML vide letter D.O. No. CSI/Disposal/92-93 dated 29.7.1991 for which a reply is yet to be received. On receipt of the detailed terms and conditions from MSTC, BGML would consider utilising their services."

6. Hindustan Copper Limited

4.25 Explaining the scrap generation and its mode of disposal, CMD, HCL stated during evidence as follows:—

"We have two types of scraps. One is copper bearing scrap. Bulk of it is pure copper in the form of mould. We fix the price every month alongwith our finished product and circulate it to our customers. Ten percent of it has impurity. When we have sufficient quantity, we call for tenders. We give it in the press. A tender Committee is formed. It fixes the base price keeping in view the copper content and other relevant factors. Depending on the offers received, the Committee makes its recommendations which are accepted finally by the Chairman of the Company.

We have the miscellaneous scrap in the form of old drilled rods, used rubber tyres, etc. We have no difficulty so far in the disposal of the scrap."

4.26 When specifically asked whether the Company was ever approached by MSTC offering their services to dispose of their various types of scrap, HCL replied in a note as follows:—

"MSTC approached HCL in 1984-85 when after discussions they were awarded a contract for disposal of scrap in 1985 for one year. MSTC has again approached us in July 1991 when they were invited for discussions when have not take place as yet. However, as in the case of copper bearing scrap, we have also not come across any difficulty in disposal of miscellaneous scrap departmentally and the quantity being quite low, we have not felt the necessity of taking outside help."

7. Oil and Natural Gas Commission

4.27 ONGC does not generate scrap through its production process. However, some misc. scrap is generated in ONGC which include unserviceable stores and spares, packing boxes, empty containers and POL drums, surplus as also unwanted stores and spares, machinery, equipment and vehicles, which are unserviceable beyond economic repairs etc.

The average annual quantum of miscellaneous scrap generated in ONGC is to the tune of Rs.14.00 crores approximately. Apart from miscellaneous scrap, some sludge is obtained while cleaning the oil storage tanks.

4.28 Asked about the system of disposal of scrap in the Commission, ONGC replied in a note:—

“The Commission has laid down procedure for disposal for scrap/ unserviceable items. As per procedure the material for disposal is considered by a Survey Board for condemnation and thereafter the reserve price of the material is fixed by another Survey Board. After fixation of reserve price, the material is approved for disposal as per laid down tendering procedure.

In addition, ONGC has executed Selling Agency contract with M/s Metal Scrap Trade Corporation (MSTC) for disposal of scrap. As per the contract, Metal Scrap Trade Corporation received @ 2.25% on each sale concluded. The existing contract is valid upto September, 19, 1994.”

4.29 Explaining it further, Chairman ONGC stated during evidence:—

“.....Basically the disposal is done through tender, we also utilising the services of MSTC for disposal of our material and we give them service charges for the work which they do for us. Sludge is disposed of through open tender.”

4.30 In reply to a question about share of MSTC out of the total sale of scrap, ONGC informed in note that the value of disposal done through MSTC during 1991-92 was Rs. 816.44 lakhs out of total scrap of Rs. 1570.31 lakhs.

4.31 ONGC has also stated that the share of MSTC in scrap disposal by the Commission has increased from 17.15% in 1989-90 to 51.99% in 1991-92. The value of sludge sold during the years 1989-90, 1990-91 and 1991-92 was Rs.110.17 lakhs, Rs.101.35 lakhs and was Rs.28.64 lakhs respectively.

8. Indian Oil Corporation Limited

4.32 The generation of scrap in IOC through production process is in the form of empty bitumen drums and Lube barrels. The sale price of these items during the year 1991-92 was Rs. 89.97 lakhs only. The miscellaneous scrap generated in the refinery and marketing division during the year was worth Rs.980 lakhs.

4.33 Elaborating the procedure for disposal of above scrap, a representative of IOC stated during evidence as follows:

“In IOC, there are two divisions; one is Pipelines and Refineries Division and the other is Marketing Division. Process scrap is the sludge created in our Refineries and Pipelines Division and that is a very small quantity; the other miscellaneous scrap is metallic and non-metallic scrap, as far as the Refineries are concerned. In the last three years, we have disposed of miscellaneous scrap amounting to Rs.8.5 crores; out of it, the share of MSTC is Rs.4.4 crores which is more than 50 per cent. Rest of scrap is disposed of through approved auctioners. In our refineries like Mathura Refinery and in the Eastern sector, like Haldia Refinery, total scrap is dealt through MSTC. But in other refineries, presence of MSTC perhaps is not strong. We have issued the circulars and sent copies of Public Tenders to MSTC. But they have not responded. In fact we are keen that we should sell our scrap through MSTC. Last year in Digboi refinery, we offered scrap worth less than Rs. 20 lakhs to MSTC. They did not accept it saying they would not accept less than Rs. 20 lakhs. That is why we had to go through public tender.”

4.34 Regarding the sale of scrap arising in marketing division IOC stated in a note as under:

“In Marketing Division, about 70% of miscellaneous scrap sold during the last 3 years comprised of unserviceable LPG equipment viz. cylinders, valves and PRs. This was disposed of from a number of LPG bottling plants spread all over the country. Similarly the remaining scrap comprising of unserviceable barrels and other metallic and non-metallic scrap items, was also disposed of from numerous locations and its quantity at each of the locations was invariably limited. It was therefore, disposed of by inviting tenders as per laid down procedure. To try out disposal of miscellaneous scrap through MSTC in Marketing Division, a trial order was placed in November, 1990 for disposal of 20.63 MTs of PRs and the performance was not satisfactory as ultimately the disposal took 20 months.”

9. Balmer Lawrie & Co. Ltd.

4.35 Explaining the quantum of scrap and its disposal system in the company, Managing Director. BLC stated during evidence as follows:

“The scraps in Balmer Lawrie were generated primarily from its manufacturing activities in Engineering such as Steel Drums and Barrels, LPG Cylinders, Marine Freight Containers, etc. There was no significant generation of scrap in Company’s Chemical units such as Lubes and Greases, Leather Chemicals, etc. During the last three years, the scrap generated in Company’s unit has been of the order of about Rs. 25 crores i.e. at an average of approx. Rs. 8 crores per year. The system of disposal of scrap in the Company is through quarterly “Public Tender” and the highest bidder is awarded the contract for a period of three months. However, since substantial quantity of scrap is generated in manufacturing units on a daily basis, the same has to be removed by the contractor simultaneously. If such scraps are not removed on a day to day basis, the resultant congestion on the shop floor would adversely affect the productivity and performance of the unit. MSTC had not participated in the Company’s Public Tender during the last three years and they do not figure in these transactions.”

4.36 The Committee wanted to know whether MSTC was approached for seeking their services for scrap disposal, the witness stated:

“I am afraid we have not approached MSTC ourselves. They have also not participated in any of the public tenders which is adequately advertised in every quarter in three or four newspapers. This scrap is generated in our units in Bombay, Calcutta, Madras, Mathura and Cochin.”

4.37 On being pointed out that MSTC was also a public sector undertaking dealing in scrap business only, the witness replied:

“Basically I see no reason why this scrap should not be sold to a sister PSU if they match the highest bidder. However, it may be noted that the nature of company’s operation is such that scrap is generated in manufacturing units on daily basis and the same has to be removed simultaneously to avoid adverse effect on productivity. If MSTC agrees to operate on these terms, there is no reason why we should not support them.”

10. Indian Petro-Chemical Corporation Limited

4.38 During the year 1991-92 IPCL sold scrap (generated through production process) worth Rs. 1070 lakhs. As regards its disposal, IPCL stated in a written reply:

“We are normally selling to the actual users/processors based on their past performance.”

4.39 When enquired that instead of selling it to actual users, would it not be profitable to sell it through MSTC or open tenders, a representative of IPCL stated in evidence:

“These scrap are process inevitables, or due to break down of equipment, run away reaction, power failure etc. These are not scrap but off grade products. The prices of these off-grade products have some relevance to the prime material price.”

4.40 The Committee further wanted to know the system of disposal of miscellaneous scrap (other than scrap from production process). The representative of IPCL stated in evidence:

“There is miscellaneous scrap which is disposed of as per the auction system. We are appointing Government recognised auctioners to do the auction of these materials. In 1990-91 we disposed of about Rs. 2.46 crores scrap and in 1991-92 also similar value of scrap was disposed of by us. They current contract is expiring in Februry, 1993. M/s MSTC have approached us in may, 1992 to undertake this work. We are awaiting the terms and conditions of their services and would cosnider on retaining them.”

11. Rashtriya Chemicals and Fertilizers Ltd.

4.41 RCF does not generate scrap through its production process. The Company however, sold miscellaneous scrap worth Rs. 229.49 lakhs during 1991-92. Asked about the items which are sold as scrap the CMD, RCF stated during evidence:

“We do not generate any scrap during processing or manufacturing fertilizer or industrial product. Whatever scrap that we are having are in the nature of metal scrap and they are mainly MS scrap or stainless steel scrap or brass scrap or aluminium scrap. There, the majority of them are metal scrap.

Secondly, the type of scrap that is generated is the used drums. We purchase some oil in drums and so on. After using the oil, the empty drums are being sold.

Thirdly, we get some of our raw materials or chemicals packed in Jute or gunny bags. After getting these materials, we sell these gunny bags. When we buy these materials, there are some wrappings. Those wrappings are also being sold. These constitute major scraps in RCF. These are sold by means of auctions or public tenders.”

4.42 The Committee wanted to know whether MSTC had approached the company offering their services in this regard. CMD, RCF stated:

“In the year 1983-84, MSTC approached RCF for sale of metal scrap on behalf of RCF. They were taking the material at 5 per cent commission. After that they have not approached us.”

4.43 On being pointed out that RCF should prefer MSTC being a public sector Company, the witness stated:

“We will definitely prefer to have MSTC, if they are willing to take the metal scrap. If they are not willing, then we can not do anything.”

12. Indian Telephones Industries Limited

4.44 During the year 1991-92 ITI sold scrap worth Rs. 389.67 lakhs. This includes scrap generated through production process as also the miscellaneous scrap (about Rs. 100 lakhs). As regards its disposal, CMD, ITI stated during evidence:

“In some places, we are utilising the services of some agencies for the disposal of the scrap, in some places, we are directly doing it. Out of the total sale of scrap by the Company, 85 per cent is through MSTC.”

13. Bharat Heavy Electrical Limited

4.45 During the year 1991-92, BHEL sold scrap worth Rs. 4396 lakhs and out of this, scrap worth Rs. 1972 lakhs was disposed of through MSTC. MSTC's share which was Rs. 154 lakhs only in 1989-90 has increased to this level. Explaining the system of scrap disposal in BHEL, a representative of the Company stated during evidence as follows:

“Actually, we have a contract with MSTC. MSTC was not doing the work for us upto 1990-91. In 1991-92, our internal vigilance have studied all the BHEL units in the country and told that we should go through MSTC because the procedure will be common and that there will be advantage. So, we called MSTC and gave them the work. We negotiated the commission also and fixed up the work. So, MSTC was able to improve the sales only in 1991-92. Equally, the scrap sales which is about Rs. 40 to Rs. 45 crore adds to our profits in the organisation.

One of the units in BHEL was not accepting to believe that profits will be better if we give it to MSTC. So, in the management, we decided to work with MSTC in all other units for one year and then we will compare the results and if things are all right, we will decide accordingly. Last year, we found that sales from the Bhopal unit was good. After comparing the performance of the MSTC and our own working in Bhopal, we have come to the conclusion that it hardly matters, either we give it to MSTC or we ourselves dispose them.”

He also added:

“We, therefore, see to it that to the extent possible only MSTC handles our scrap.”

4.46 To a query whether the company found any difficulty in dealing with MSTC, a representative of the company stated:

“We are quite satisfied with the performance of the MSTC. We are able to get the contractual rate in terms of their commission of service charges; although it is little more than the market rate. For instance we can dispose of the scrap at an average of 1.5 per cent and the MSTC because of this agreement, charges us 3 per cent. I think on the whole we are satisfied with their performance although they are not able to lift our total scrap. We use a large amount of our scrap in our country foundry plants.”

He further added:

“We are still disposing of our scrap through institutions other than MSTC also. Today the difficulty is much less but it is still there. We have offered this to MSTC but either they have got some organisational problem or they are not able to get the market. A large quantity still remains which they cannot lift.”

4.47 To another query on the subject/representative of the Company replied:

“The MSTC does not have its office in Bhopal. Our scrap generation is fairly large in Bhopal. So, we cannot kept waiting for these people to come to Bhopal and lift our scrap.”

14. HMT Limited

4.48 During the year 1991-92 HMT sold scrap worth Rs. 6.27 crores generated through its production process. It came out during evidence that out of this scrap valuing Rs. 29.31 lakhs only was sold through MSTC. Asked about the reasons for very low share of MSTC, Chairman, HMT stated as follows:

“In fact most of our scrap is sold through open tender. There are small scraps in which MSTC would not be interested. We find that the charges of MSTC are quite high. So we really try to sell it ourselves. MSTC commission is 5% for sale, between Rs. 5 lakhs and Rs. 25/- lakhs and 10% for one time charge. As against that, we find that we hardly spend about 0.75%. In some areas, we normally get some kind of complaints of some foulplay. At such time, we definitely give to MSTC. Otherwise, we do it through public tenders.”

4.49 When asked whether to Company faced any problems in dealing with MSTC, the witness replied:

“Very little of our scrap really goes to MSTC but I have not received any complaint. In our lamps division at Hyderabad, we have some glass scrap and some wire scrap etc. We have approached MSTC but this is a very small business. They do not show much inclination. They have not come back during the last four months. They do not find that it is remunerative.”

15. Heavy Engineering Corporation Limited

4.50 During the year 1991-92 the mode of disposal of scrap by HEC was as under:

		Mode of disposal
(i) Scrap generated through production process	Rs. 122 lakhs	MSTC
(ii) Miscellaneous scrap	Rs. 82.90 lakhs	Rs. 72.26 lakhs (MSTC) Rs. 10.64 lakhs (Direct)

4.51 When enquired about the advantages or disadvantages in selling the scrap through MSTC, a representative of the Company stated:

“We have been giving them opportunity for the disposal of the items like slack coal, steel scrap etc. which arise from the foundry. There are advantages as well as disadvantages involved in this. The disadvantage is that they take a long time. The time-factor has been too much. They have taken two months to five months to finalise the deal. They have taken the time of 6 months to 30 months to complete a deal.”

Asked about the present system, the witness stated:

“Uptil 1991-92 we used to auction through MSTC but now we have directly invited tenders for auction.”

4.53 When further enquired about the reasons for selling the scrap directly and not through MSTC which was the system earlier, the witness replied:—

“We had given three tenders for finalisation. One for Slack Coal, one for Steel Slack and one for Manganese, but due to less prices in the market, the party backed out and because our items are accumulating, therefore, we have now decided to auction directly.”

He added:

“Our items are accumulating. As coal catches fire everyday then it has got risk. Therefore, we want to dispose it of immediately. At present we have a stock of 14 thousand tonnes. That is why we invited open tenders.”

16. Mining and Allied Machinery Coporation Limited

4.54 MAMC sold scrap worth Rs. 77.15 lakhs during 1991-92. Out of this, scrap worth Rs. 38.89 lakhs was disposed of through MSTC. Asked about the procedure adopted in the Company for scrap disposal, CMD, MAMC stated as follows:—

“We normally sell scrap directly to steel plants (Alloy Plants) and through direct negotiations because we also buy lot of Steel from them. We have an arrangement whereby we get the prevailing market price for the scrap. The scrap which is not cleaned and segregated is sold through the MSTC. Over the years, we have built up business with them. Then we have scrap from the project site which we sell through open tenders. We cannot allow our scrap to accumulate and get deteriorated.

We have a lot of old machine tools for replacement. Where we cannot get retention price by sale through auction we resort to open tenders. On one occasion, we got a better price. We have brought to the notice of the MSTC the necessity to expand vendors and improve their vendor rating system.

Over the years, we find that although we do have to pay slightly more to MSTC, I think it is better to do it through MSTC because they have an established procedure.

Where we cannot find right vendors against auction through MSTC we do sell ourselves by open tender. In fact, recently, we have sold scrap through MSTC.”

17. Bharat Electronics Limited

4.55 During the year 1991-92 BEL sold scrap (generated through production process) worth Rs. 220 lakhs. Besides, it sold miscellaneous scrap worth Rs. 92.73 lakh during the year.

4.56 Asked about the mode of disposal of the above scrap, the CMD, BEL stated:—

“We have been selling almost 90% to 95% through MSTC. In the Bangalore Complex for the metal scrap which was generated through the production process was not sold earlier through MSTC because we were selling through open tender before it even accumulated. We had an advance tendering system. As soon as scrap is accumulated, every month it is sold at a fixed rate. We are now doing it through MSTC only.”

18. Shipping Corporation of India Ltd.

4.57 SCI does not generate scrap through itsf services. However, old ships are sold as scarp. The value of old ships disposed of during the years 1989-90, 1990-91 and 1991-92 was Rs. 7.16 crores, Rs. 4.50 crores and Rs. 26.06 crores respectively. SCI did not utilise the services of MSTC for the job. Prior to 1987, MSTC was a canalising agency for ship-breaking. Asked about the system of disposal of old ships/vessels etc, SCI stated in a written note:

“In the year 1987, Government decanalised scrapping of Indian flag ships and the SCI scrapped its ships directly through the shipbreakers registered with MSTC. There are about 160 registered shipbreakers with MSTC varies from time to time. Until recently, the ships could have been sold only to Indian shipbreakers registered with MSTC. Since June 1992 Government has allowed Indian flag ships to be sold for scrapping internationally. SCI advertises the tender notice for scrapping the vessel in various leading newspapers in India and abroad. Simultaneously SCI also informs MSTC and shipbreakers association at Bombay and Alang (Gujarat) for wider publicity.”

Explaining further, CMD, SCI stated during evidence:

Sir, the thing is that we are not a processing industry and we do not generate scrap regularly. When the ships outline their lives, we sell them. This is a huge affair. Till 1987, it was done through MSTC. After that, the Government decanalisedf and told us that we can sell it directly.”

4.59 Regarding the miscellaneous scrap, the witness stated;

“We normally have office generated scrap like old furniture, cars, typewriters etc. worth about Rs. 2-3 lakhs, and similarly the ships also generate scrap worth about Rs. 2-3 lakhs. The scrap generated in the ship is sold at various ports of the world and in the Indian ports through tenders. We take at least three quotations and in major ports we take annually quotation/tender and we entrust the job to a firm which will remove this scrap.”

4.60 When the Committee further enquired whether the Company had ever approached MSTC to dispose of their miscellaneous scrap, the CMD, SCI replied:

“Sir, the thing is that it has got a very less value and the MSTC would not be interested in buying the same. They cannot even process it.”

19. Delhi Transport Corporation Limited

4.61 During the year 1991-92, DTC sold scrap worth Rs. 342 lakhs. It was sold through open tenders. The Committee enquired about the share of MSTC out of the above sales. CMD, DTC replied:

“MSTC dealt with our sale of scrap in 1985. We sold 632 buses through them. The experience has been very unfortunate. When the Hon. Chairman, COPU suggested we told the MSTC were given three months time by COPU. Please dispose of the vehicles. Out of these remaining they could dispose of only 500 buses till December, 1992 after a period of six months. 78 buses are still pending to be disposed of we sell the scrap on our own 578 buses which remained with me were occupying a lot of space for seven years. I had to face C&AG and everyone to explain why these buses have not been disposed of.”

RECOMMENDATIONS/CONCLUSIONS OF THE COMMITTEE

1. The Committee note that in terms of Department of Public Enterprises (erstwhile Bureau of Public Enterprises) guidelines issued in 1979 and 1983 each public undertaking was required to formulate with the specific approval of the administrative Ministry, a statement of objectives and obligations which should *inter alia* lay down the broad principals for determining the precise financial and economic obligations of the undertaking in the matter of creation of various reserves, responsibility of self-financing, the anticipated returns on capital employed and the basis for working out national wage and pricing policies. The Committee regret to note that Metal Scrap Trade Corporation Limited (MSTC) has not yet framed its specific micro objectives in terms of the above DPE guidelines. The argument put forward by the Steel Secretary that the specific micro targets of the Company are now given in Memorandum of Understanding (MOU) which is being signed with the Company for the last two years is hardly convincing. The Committee wonder how in the absence of specific micro objectives the Ministry has been reviewing the performance of MSTC during its existence of nearly 30 years. The Committee, therefore, recommend that specific micro-objectives of MSTC should be framed as per DPE guidelines and got approved by the Ministry without any further delay.

2. MSTC was incorporated as a Government Company as far back as in 1964. In February 1974 the Company was made a subsidiary of Steel Authority of India Limited (SAIL). In 1981-82 the Company became an independent Government of India Company. The Committee are surprised to find that even though the Company has several objectives included in its Memorandum of Association, the main activity of the Company has been changing from time to time. For instance till eighties the main activity of the Company was export of scrap. In view of increase in indigenous demand for scrap, the exports ceased and the Company started import of scrap. Since 1981, the Company had been working as a canalising agency for import of steel scrap and ship-breaking activities till early 1992 when these activities were decanalised. Because of its past rich experience in this field MSTC can undoubtedly still handle these activities in a competitive market. The Committee trust that now onwards, the Company will give attention to all activities so as to fulfil its various objectives.

3. The Committee regret to note that even though MSTC started domestic trade activities in scrap disposal in 1978, this function of the Company has

been a neglected area of operation so far. Decanalisation of import activities and foreign exchange crunch which caused sharp decline in turnover of the Company from Rs. 714.29 crores in 1989-90 to Rs. 141.25 crores in 1991-92 has forced the Company now to concentrate more on domestic trade activities. The decline in turnover of the Company had a telling effect on its profitability when its net profit (after tax) sharply declined from Rs. 6.33 crores in 1989-90 to Rs. 3.40 crores in 1991-92. The Committee desire that the Company should take appropriate action to strengthen and gear up its Domestic Trade Division to check its falling turnover and profitability.

4. The Committee regret to note that MSTC being a PSU itself for the last three decades and engaged solely in handling scrap business has not done any assessment or survey about the volume and value of scrap generation in various Public Sector Undertakings which are about 250 in number. It was only when the Committee took up the subject for examination that MSTC decided to assess the volume of scrap generation in PSUs. The Committee recommend that MSTC should work out some action plan to regularly assess the quantum of scrap generation in various PSUs. Needless to say that the Company should vigorously take follow up action with the respective public undertakings to secure scrap business from them.

5. There are about 250 Public Sector Undertakings (PSUs) in different sectors viz. production, marketing, refining, transportation etc. PSUs engaged in production generate some scrap through their production process on regular basis. All PSUs generate miscellaneous scrap in the form of old and obsolete machines/spares etc. The details received from various PSUs reveal that during the year 1991-92, 87 PSUs sold scrap (generated through production process) worth Rs. 577 crores. Similarly 26 PSUs sold miscellaneous scrap worth Rs. 62 crores during the year. Looking to the magnitude of the scrap availability in the PSUs the Committee are dismayed to learn that volume of the scrap disposed of by MSTC during the years 1989-90, 1990-91 and 1991-92 was only of Rs. 120 crores, Rs. 140 crores and Rs. 208 crores respectively which includes scrap from PSUs and other Government Departments like Defence etc. It is really disconcerting to note that value of scrap disposal by MSTC in 1992-93 was expected to be less than Rs. 200 crores which will be lower than the performance achieved during the previous year. The Company had informed the Committee that the total generation of scrap routed through it for disposal was much less compared to the total availability of scrap arisings in PSUs. Admittedly the Company has not exploited the huge scrap potential of various PSUs. In the changed environment of decanalisation of import of scrap and ships for breaking the Committee need hardly emphasise that for its survival the Company would have to explore all avenues with all PSUs, besides Government Departments, to secure more scrap business. The Committee desire that in future the Ministry should include in the MOU separate targets for domestic trade and all out efforts should be made to achieve the same. The Committee trust that with the expertise and trained manpower available, it should not be a difficult task for the Company.

6. The Committee regret to note that even though MSTC receive several complaints from its customers, no central register had been maintained in the past for the purpose. Reportedly, MSTC has now started maintaining a central register to record the complaints. The Committee were informed that the nature of complaints received from various PSUs related to the specific improvements to be made with regard to disposal of scrap, faster lifting of materials, maximum realisation, etc. MSTC is reported to have been taken certain steps to remove these complaints. The Committee feel that these are the important areas where concerted efforts of MSTC would bring considerable improvement in their services resulting in more scrap business from the concerned customers.

7. The Committee were informed by MSTC that each undertaking has a right to sell their scrap materials on their own. On the question of issuing Government guidelines to PSUs to give scrap business only to MSTC, the Company as also the administrative Ministry informed the Committee that in the context of liberalisation policy of the Government such guidelines may not be feasible and MSTC would prefer to do business on commercial principles rather than through directives of the Government. While the Committee agree with the view point expressed by the Ministry and MSTC, they are still of the opinion that since MSTC is a sister public sector undertaking, concerted efforts need to be made both by the Ministry and MSTC to create awareness in the Public Sector and the Government for need of giving maximum business to MSTC. The Committee would like to be apprised of the action taken in this regard.

8. The Committee were informed by MSTC that steps were now being taken to increase the domestic trade. Recently MSTC had approached 60 new units and 15 of them had agreed to give their scrap business to the Company. Similarly certain functions of MSTC have been decentralised. For instance selling agency agreements with PSUs/other customers which used to be signed at Head Office, could now be signed by respective regional offices of the Company. The Committee are of the view that besides these steps efforts should be made to improve the service to customers so that more and more units are tempted to engage MSTC for disposal of their scrap.

9. The Committee note that small scale units located near the public sector steel plants get scrap from the respective steel plants on the recommendations of the Industries Department of the concerned State. The small scale units at other places get scrap from the market or use imported scrap. About 2.5 million tonne steel scrap is imported annually in the country to meet the gap between demand and indigenous availability. Out of this MSTC alone import about 20% to 25%. To supply the imported scrap to needy small scale units MSTC had opened stockyards at Vizag and Madras. The Company has also plans to open new stockyards at Kandla,

Bombay, Bhavnagar, Calcutta and Bhopal. The Committee desire that these stockyards should be set up in a time bound programme. The Committee would also like the MSTC to open more stockyards in the areas where small scale units are experiencing difficulty in getting adequate scrap to run their units.

10. The Committee were informed by MSTC that it was a small company with a small capital base and limited number of branches. With the limited capital base the company is reported to be finding it difficult to follow up with the large number of PSUs. To overcome these problems and for diversification plans, the Company has recently submitted proposals to the Government for restructuring and expanding its capital base. The Ministry of Steel, however, has conveyed, that as the Company has sufficient reserves, it does not appear to need Government subscription to increase its Capital at this stage. The Steel Secretary expressed his opinion that MSTC should follow a cautious approach in implementing the expansion programmes so that the Company may not drift from the position of a profitable Company to a loss making concern. The Committee desire that the Ministry should discuss with MSTC how best the Company can be helped in its endeavour to tide over its financial problems to implement the diversification plans. It came out during the course of examination that with the assistance of Consultants (M/s. Billimoria & Co., Calcutta) the Company has prepared a Corporate Plan which includes short term, medium term and long term plans. This plan is yet to be submitted to Government for formal approval. The Committee would like the MSTC to finalise the Corporate Plan without further delay and submit the same to Government for approval. Needless to emphasise that Government would approve the same without further loss of time as the plan has already been submitted to Government for preliminary information. Apart from providing necessary support to MSTC, the Committee would like the administrative Ministry to review the implementation of Corporate Plan on regular basis after it is finalised and approved.

11. The Committee feel concerned to note that even though objectives of MSTC provide for processing and conversion of scrap, no such activity has been undertaken by MSTC so far. The Committee were also surprised to learn that MSTC had not set up any R&D unit for making efforts to make better use of scrap. As promised by the Chairman, MSTC, the Committee desire that being a premier company in this particular field, it would be advisable for the Company to set up an R&D unit for the purpose. The Committee also trust that as mentioned in the long term objectives, incorporated in the draft Corporate Plan of the Company, the MSTC would enter into the field of manufacture of products like sponge iron, pig iron, etc.

12. The Committee note that MSTC is having a subsidiary Company viz. Ferro-Scrap Nigam Ltd. which was set up in 1979 with the collaboration of

Harsco Corporation, USA. FSNL undertakes recovery and processing of scrap from slag and refuse dumps in the public sector steel plants. Most of the scrap collected by FSNL is however, re-used by the Steel Plants. It is heartening to note that the net profit of FSNL increased from Rs. 4.43 crores in 1989-90 to Rs. 6.72 crores in 1991-92. The Ministry of Steel has emphasised the need to augment the work of FSNL so that MSTC could take care of the marketing of scrap recovered by the Company. Incidentally during his evidence before the Committee, the Chairman, SAIL informed the Committee that with the improved production technology, the availability of scrap from the steel plants would be very low in the coming years. In this context, the Committee would like FSNL to take this factor in view while preparing their future plans. The Committee also suggest that it is high time that the Company should seriously consider diversification of its activities.

13. The Committee examined the procedure of scrap disposal prevalent in 19 leading PSUs drawn from various sectors. Among the scrap generating PSUs examined by the Committee, were Steel Authority of India Limited, Indian Iron & Steel Co. Limited, Hindustan Copper Limited, Oil and Natural Gas Commission, Indian Oil Corporation Limited, Indian Petrochemicals Corporation Limited, Bharat Heavy Electricals Limited, HMT Limited, Shipping Corporation of India Limited and Delhi Transport Corporation Ltd. etc. Salient features emerging out of the examination of these PSUs are detailed in succeeding paragraphs.

14. The Committee find that SAIL, IISCO (Subsidiary of SAIL) and BHEL are the biggest scrap generating PSUs. The sale of scrap by these PSUs during the year 1991-92 was of the order Rs. 383.54 crores, Rs. 48.31 crores and Rs. 43.96 crores respectively. As against this, the share of MSTC was only Rs. 79.72 crores in case of SAIL, Rs. 19.72 crores in case of BHEL and nil in case of IISCO. It also came out during examination that about 80% of the SAIL's scrap was given directly to small scale industries located near the steel plants on the recommendations of the respective State Governments. The Committee were informed by the representatives of SAIL and BHEL that MSTC was not in a position to take extra scrap and more scrap business could be given to MSTC provided the Company could handle the same. The Committee would like the MSTC to make all out effort to improve their functioning and capacity to handle disposal of more scrap from these PSUs and also the Government Departments.

15. The examination of some PSUs like IISCO, Hindustan Copper Limited, HMT Limited and Rashtriya Ispat Nigam Limited has revealed that these Companies find it cheaper to sell the scrap directly rather than disposing it of through MSTC. Shipping Corporation of India which sold old ships worth Rs. 26 crores during the year 1991-92 did not utilise the services of MSTC as the ship were sold through open tenders to fetch more

price. Similarly some of PSUs like Heavy Engineering Corporation Limited and Delhi Transport Corporation Limited have stopped giving business to MSTC on account of undue delay in disposing of their scrap. In case of DTC, MSTC took as many as 7 years to dispose of a lot of scrapped buses. In another deal of Indian Oil Corporation Limited, MSTC is reported to have taken 20 months in completing the deal. HEC has also reported that MSTC takes 6 to 20 months to complete the deals. While the Committee would not appreciate that due to such delays in the past the PSUs should stop giving business to MSTC they would however, like to emphasise that MSTC should learn lessons from their past mistakes, and make earnest efforts to remove the various deficiencies in their functioning.

16. The Committee note that presently MSTC charges 2% to 10% commission from its customers for disposing of their scrap. Some of the PSUs brought to the notice of the Committee that these charges were high and should be reduced. In the context of cost effective measures the Ministry of Steel have informed the Committee that the overhead expenses of MSTC have been kept under check and have come down from 60% in 1989-90 to 49% in 1991-92. The Ministry have also stated that being a PSU, MSTC's cost of operation tends to be slightly higher because of higher wages, social welfare benefits to employees and less procedural flexibility. The Committee would urge that all out efforts should be made to keep the overheads of the Company at the minimum level to provide services to its customers at a lesser cost as also to maintain its profitability. In Committee's view this area needs special attention in view of the fast changing scenario where the survival would depend upon ability to efficiently compete in the market. As regards the procedural flexibility, the Committee feel that streamlining the present procedure and decentralisation of powers at various levels in the company would help in removing this difficulty to a great extent.

17. It was brought to the notice of the Committee by the representatives of PSUs that MSTC was not having their offices near the units generating large amount of scrap and it would be in the interest of MSTC to open some more branches. Some of them complained that MSTC showed reluctance in disposing of all types of scrap. Some were for professionalism in the services of MSTC and formation of a separate group for its Corporate clients. The Committee feel that the views expressed by PSUs deserved serious consideration. An action plan needs to be drawn up in this respect.

18. The Committee note that some of the big PSUs like SAIL, ONGC and BHEL are satisfied with services of MSTC. But all PSUs wanted to have the freedom of selling their scrap as they liked so that they could realise maximum price for their material. The Committee feel that being an expert

In the field, MSTC can serve the PSUs better in their scrap disposal. The Committee, therefore, desire that as far as possible all Public Sector Undertakings should dispose of their scrap through MSTC.

NEW DELHI;
April 27, 1993

Vaisakha 7, 1915(S)

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

on Public Undertakings (1972-73) in respect of Scrap of Public Undertakings through MSTC/other Public Undertakings.

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Page	Para	Line	For	Read
(v)	2	5	absolote	obsolete
2	1.3(iv)	1	India	Indian
	1,4	16	Furnace	Furnaces
3	1,6	4	stated	started
6	2.7	1	Department	Departments
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20	4,1	last two lines	delete last two lines (from bottom)	
23	4,10	1	future	further
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24	4,13	1	<u>Add: The Ministry of Steel & Mines after Steel Plants</u>	
		2	<u>Delete: the Ministry of Steel & Mines after issued.</u>	
25	4,14	8	paralled	parallel
26	4,15	1	<u>Delete: disposal of after the</u>	
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