

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

**MINISTRY OF STEEL**

**COMMITTEE ON  
PUBLIC UNDERTAKINGS  
1993-94**

**TENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**TWENTY SIXTH REPORT  
COMMITTEE ON PUBLIC UNDERTAKINGS  
(1993-94)**

**(TENTH LOK SABHA)**

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

**(MINISTRY OF STEEL)**

[ Action taken by Government on the recommendations contained in the  
17th Report of the Committee on Public Undertakings (Tenth Lok Sabha) ]



*Presented to Lok Sabha and Laid in  
Rajya Sabha on 23 December, 1993*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*December , 1993/Pausa , 1915 (Saka)*

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CORRIGENDA TO THE 26TH REPORT OF COMMITTEE  
ON PUBLIC UNDERTAKINGS (1993-94): ON  
DISPOSAL OF SCRAP OF PUBLIC UNDERTAKINGS  
THROUGH METAL SCRAP TRADE CORPORATION  
LIMITED/OTHER PUBLIC UNDERTAKINGS

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**COMMITTEE ON PUBLIC UNDERTAKINGS  
(1993-94)**

**CHAIRMAN**

**Shri Vilas Muttemwar**

**MEMBERS**

*Lok Sabha*

2. Shri Basudeb Acharia
3. Shri Era Anbarasu
4. Shri Chetan P.S. Chauhan
5. Shri Ramesh Chennithala
6. Shri Ram Sunder Dass
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**SECRETARIAT**

1. Shri G.L. Batra — *Additional Secretary*
2. Smt. P.K. Sandhu — *Deputy Secretary*
3. Shri P.K. Grover — *Under Secretary*

(iii)

**ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE  
ON PUBLIC UNDERTAKINGS  
(1993-94)**

1. Shri Vilas Muttemwar—*Chairman*
2. Shri Basudeb Acharia—*Convener*
3. Shri Chetan P.S. Chauhan
4. Shri R.K. Dhawan
5. Shri V. Narayanasamy

## INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 26th Report on Action Taken by Government on the recommendations contained in the 17th Report of the Committee on Public Undertakings (Tenth Lok Sabha) on disposal of Scrap of Public Undertakings through Metal Scrap Trade Corporation Limited/other Public Undertakings.

2. The 17th Report of the Committee on Public Undertakings was presented to Lok Sabha on 30th April, 1993. Replies of Government to all the recommendations contained in the Report were received on 10th November, 1993. The Committee considered and adopted this report at their sitting held on 21.12.1993.

3. An analysis of the action taken by Government on the recommendations contained in the 17th Report (1992-93) of the Committee is given in Appendix-II.

NEW DELHI;  
*December 22, 1993*

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*Pausa 1, 1915 (Saka)*

VILAS MUTTEMWAR,  
*Chairman,*  
*Committee on Public Undertakings.*



## CHAPTER I

### REPORT

The Report of the Committee deals with the recommendations contained in the Seventeenth Report (Tenth Lok Sabha) of the Committee on Public Undertakings on Disposal of Scrap of Public Undertakings through Metal Scrap Trade Corporation Ltd. Other Public Undertakings which was presented to Lok Sabha on 30th April, 1993.

2. Action taken Notes have been received from Government in respect of all the 18 recommendations contained in the Report. These have been categorised as follows:—

(i) *Recommendations/observations that have been accepted by the Government.*

Sl. Nos. 1,3-10, 12 and 15 to 18.

(ii) *Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies.*

Sl. No. 2

(iii) *Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee*

Sl. Nos. 11, 13 and 14

(iv) *Recommendations/Observations in respect of which final replies of Government are still awaited.*

NIL.

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

#### *A. Setting up of R & D Unit*

##### *Recommendation Sl. No. 11*

4. The Committee has expressed their concern over the fact that MSTC had not undertaken any activity relating to processing and conversion of scrap although provided for in its objectives. They had also recommended that being a premier company in this particular field, MSTC should set up an R & D unit for making efforts to make better use of scrap.

5. In their reply the Government have *inter-alia* stated that the Board of the Company has approved six projects for better usage of scrap. It has also written to various institutions like I.I.T. Kharagpur, National Metallurgical Laboratory etc. to consider undertaking various projects.

6. The Committee are not satisfied with the reply of Government. It appears that no action has been taken to set up an R&D unit by MSTC though some projects are stated to have been identified for the purpose. The Committee take a serious view of the non-implementation of their recommendation in spite of an assurance given by Chairman, MSTC during evidence. They would, therefore, reiterate the imperative need for setting up an R & D unit by MSTC without any further delay.

*B. Capacity for handling scrap*

*Recommendation Sl. Nos. 13 & 14*

7. The Committee had observed that SAIL, IISCO (subsidiary of SAIL) and BHEL were the biggest scrap generating undertakings. Out of the total scrap generated by SAIL, BHEL and IISCO in 1991-92, the business done by MSTC for SAIL and BHEL was marginal and nil in case of IISCO. Having been informed that more business could be given by these companies to MSTC provided, it could handle the same, the Committee had desired MSTC to make all out efforts to improve its functioning to dispose more scrap from these undertakings and other Government Departments.

8. The Ministry have stated in their reply that MSTC is presently disposing about Rs. 210 crores worth of scrap and would increase this level of disposal through implementation of the programme of computerisation which would be completed by 1994-95.

9. The Committee are constrained to observe that the reply of the Government is vague in as much as it does not indicate the extent to which the capacity of MSTC to handle disposal of scrap would increase as a result of implementation of computerisation programme. It is also not clear whether the company would be able to handle substantial portion of scrap from SAIL, IISCO and BHEL which are the biggest scrap generating PSUs. The Committee, therefore, recommend that apart from computerisation which is intended to improve the scrap handling capacity in general, MSTC should make urgent efforts to capture and handle major portion of scrap generated by at least the PSUs who are willing to give more scrap business to it.

**CHAPTER II**  
**RECOMMENDATIONS THAT HAVE BEEN ACCEPTED**  
**BY GOVERNMENT**

**Recommendation No. 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 principles 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.

**Reply of the Government**

Specific micro objectives in accordance with the DPE guidelines of 1979 and 1983 have now been prepared by MSTC and approved by the Ministry. These along with the MOU will largely form the basis for further performance reviews in the future.

[Ministry of Steel OM No. 6 (27)/92-MF dt. 9-11-93]

**Recommendation No. 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.

### **Reply of the Government**

MSTC has already taken various steps to reorganise and strengthen its domestic trade divisions. The foreign trade and domestic trade divisions have been integrated so that customers who take material from both domestic and international sources can be serviced in an integrated manner. Both these divisions have been merged as a Trades & Operation Deptt. and placed under a Chief General Manager who is next only to the Managing Director. The domestic trade division in particular, which was earlier headed by a Deputy General Manager, now has two wings each headed by a General Manager, one looking after the steel plants and Defence units and the other after sales from public sector enterprises.

Regional and branch offices have been upgraded and delegated more powers for handling routine work. In order to provide better customer service, these offices are now independently handling the job of disposal of scrap arisings. In addition to restructuring of the organisation, a number of steps have been taken to improve services for both the PSUs & scrap customers. Details of these are given in the reply to Recommendation No. 8.

The targetted figures of turnover and profitability during 1993-94 are Rs. 365.56 crores and Rs. 7.78 crores profit before tax and these are higher than the comparative achievements (Rs. 302.02 crores and Rs. 7.61 crores respectively) during 1992-93.

[Ministry of Steel OM No. 6(27)/92-MF dt. 9/11/93]

### **Recommendation No. 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.

### **Reply of the Government**

In order to assess the quantum of scrap generated in various PSUs, MSTC has appointed the Operations Research Group (ORG) based at Baroda to carry out a detailed survey in various public sector enterprises and to submit a report within six months. M/s. ORG will not only assess

the availability of ferrous and non-ferrous scrap, but also the source-wise generation and internal consumption of various types of scrap for the past three years as well as the anticipated generation during the next three years. The survey is being carried out in two phases with public sector enterprises under the Central Govt. and the Port Trusts being covered under the first phase. Under phase-II, all Central Govt. Departments as well as State Govt. enterprises/Deptts. will be covered. The survey is being restricted to units whose turnover from scrap disposal per year exceeds Rs. 10 lakhs.

The base data generated by the survey will then be updated on a regular basis by the Information Division in the Trades & Operation Deptt. These surveys will be used to work out action plans for expanding the domestic trade business.

[Ministry of Steel OM No. 6 (27)/92 - MF dt. 9/11/93]

#### **Recommendation No. 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. This 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 arising 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.

### **Reply of the Government**

As already stated the domestic trade division has been strengthened and a detailed survey of scrap generation in various public sector enterprises is being carried out. The company will then formulate an action plan to tap the scrap generation potential available in various public sector enterprises and Govt. Deptts. in order to procure more scrap business.

In the meantime, the CMD and his team have visited and met the Chief Executives of major public sector enterprises where there is significant generation of scrap that is not being disposed through MSTC. The company hopes to persuade some more PSUs to entrust scrap disposal to them during the coming year.

Targets for scrap disposal in the area of domestic trade have been given separately in the MOU for 1993-94 and operations are being monitored to ensure that these targets are achieved. In future as well, domestic trade targets will be listed separately in the annual MOU exercise.

[Ministry of Steel OM No. 6 (27)/92—MF dt. 9/11/93]

### **Recommendation No. 6**

The Committee regret to note that even though MSTC received 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.

### **Reply of the Government**

MSTC has confirmed that a complaint register has been introduced in each office of the company. A specimen of the register is given below. Adequate publicity has been made so that the customers are aware of such a register. MSTC has reported that the complaints received are attended to on priority and action taken is monitored personally by CMD. During 1992-93, MSTC had scored a rating between 'good' and 'very good' in a Customer Satisfaction Survey conducted by an independent agency, M/s. Marg. A similar survey will also be conducted at the end of the present year.

## COMPLAINT REGISTER

.....OFFICE

S. No.	Date of Receipt	Name of Customer/ Principal	Letter Ref. & Date	Nature of Complaint	Action Taken on	Reply Sent on	Remarks
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[Ministry of Steel OM No. 6 (27)/92—MF dt. 9/11/93]

**Recommendation No. 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.

**Reply of the Government**

Concerted efforts have been made by both MSTC and the Ministry to create awareness in the public sector and the Govt. for giving maximum business to MSTC. The company has prepared a detailed brochure for circulation to all public sector enterprises and one round of visits has already been organised to the major enterprises. Secretary (Steel) has written to his counterparts in the concerned Ministries so as to impress upon them the capabilities of MSTC and requesting them to persuade the public sector enterprises under their purview to consider giving more business to MSTC.

[Ministry of Steel OM No. 6 (27)/92—MF dt. 9/11/93]

**Recommendation No. 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.

### **Reply of the Government**

As already indicated, a number of steps have been taken for gearing up the domestic trade division to obtain more scrap business for the company. Each regional and branch office of MSTC would now be run as a profit centre and the focus will shift to better customer service through increased powers delegated to the Regional Offices. A list of the steps taken to restructure the trade activities and improve service to the customers is given in Annexure-2.

### **ANNEXURE 2**

#### ***1. Restructuring of Trade Activities & Delegation and Decentralisation***

- (i) Two separate Divisions have been formed viz. Trade & Operation and Services apart from Finance. Regions and Branch Offices have been brought under Trade and Operation. This has been done for better co-operation, easy communication and faster decision making. Also, the functions of DT & FT have been integrated under the Trade & Operation Division so that the end-users are serviced in a better way.
- (ii) Regional & Branch Offices have been upgraded and more powers have been delegated to these offices so as to handle routine work smoothly and to run the offices on a profit-centre basis. A Committee has been set up to study further delegation and decentralisation.
- (iii) To provide better customer service to work related to import of scrap, allotment, financial arrangement, LC negotiation, dealing, etc. have been shifted to the Regions. ROs & BOs are now independently handling the job of disposal of scrap arisings and also sale of imported materials.

### **STEPS TAKEN**

#### ***II. Services Aimed at Principals***

- (i) To draw Principal-wise and Unit-wise action plan assigning responsibility to individual officers and to secure list of materials for quick disposal of materials offered.
- (ii) Holding weekly review meetings with respective officers covering Auction-Tender disposal status, market trend, etc. and advise the Principal the schedule/revised schedule of Auction/Tender.
- (iii) To develop customer profile for each item regularly available from each Principal by registration and by analysing the data available from Auction/Tender.



- (iv) To develop norms for each stage of disposal process and a monitoring of the same to ensure that these norms are in fact achieved.
- (v) Tender recommendation shall be finalised within 3 working days and sent to the principal for acceptance.

### III. *Services Aimed at Customers*

- (i) To develop effective business relationship with customers and help them in sorting out problems arising out of transactions viz, refund of EMD, Security Deposit, settlement of Sales-Tax matter, etc. to improve customer satisfaction level.
- (ii) EMD of non-successful bidders should be refunded within 5 working days.
- (iii) Security Deposit should be refunded within 60 days of completion of delivery.
- (iv) It has also been decided to extend credit facility to the customers either by utilising MSTC's own fund or by bill-discounting.
- (v) To update operation manual and revise guidelines and make the working system market-oriented and flexible to meet the requirements of the Principal and customer.
- (vi) To meet the requirements of the small customers, stockyards opened/are being opened at Madras, Vizag & Bombay where from the customers will get the materials, as and when required. Two more Yards on Consignment Agency basis at Calcutta & Bangalore have also been opened. From Calcutta consignment Yard, scrap arisings of DSP have already been disposed of.
- (vii) For similar purpose, other Yards will be opened at Pondicherry, Ghaziabad/Chandigarh etc.
- (viii) To improve infrastructure, additional FAX Machines have been installed, PCs are given to all Branch & Regional Offices besides different Departments in Head Office. All Personnel Concerned have been given requisite training. All Receptionists and employees in Secretarial jobs have been suitably trained for greater effectiveness.

- (ix) For recording and handling grievances of the customers, a Complaint Register has been introduced which is maintained by all ROs & BOs including Head Office. These grievances are being settled to the possible extent. In addition to that a Committee has been set up to review and suggest appropriate methods for better handling and settlement of customer grievances. One particular day *i.e.* every 3rd Saturday of the month has been earmarked a Customer Day, when senior officers shall meet the customers and make special efforts to settle their grievances, if possible on spot basis.
- (x) We organised Customer Meet at Delhi on 23-9-93 and have plan to organise a similar meet at Bombay in October. The problems and suggestions of the customer serviced shall be attended to and improvements in the procedure shall be considered appropriately.
- (xi) For services to customers throughout the country, MSTC's network has been widened to open offices at Bhopal and Ahmedabad.

## GENERAL

To minimise the communication gap as well as to bring an awareness amongst all employees, communication letter from CMD is sent at least once a quarter to all the employees.

[Ministry of Steel OM No. 6(27)/92-MF dt. 9/11/93.]

### Recommendation No. 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 Departments 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 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.

### Reply of the Government

During the current year the company has already opened an office at Bhopal and another one will soon be set up in Ahmedabad. In order to meet the requirements of small scale units, the company has already opened a temporary stockyard at Calcutta on a consignment agency basis

during 1993-94. The company has also plans to open stockyards at other places in various regions as indicated below:

S. No.	Region	Location	Year
1.	Northern	Chandigarh/ Ghaziabad, Kandla	1994-95 Opened in 1993-94
2.	Eastern	Guwahati Calcutta	1994-95 1993-94
3.	Southern	Bangalore/ Pondicherry Madras & Vizag	1993-94 already opened
4.	Western	Bombay	1993-94

[Ministry of Steel OM No. 6(27)/92-MF dt. 9/11/93.]

#### Recommendation No. 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 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.

### **Reply of the Government**

In order to improve its financial position the company has proposed issue of bonus shares to enhance its paid-up capital and increase its authorised capital from Rs. 2 crores to Rs. 5 crores. The Board of Directors has already approved enhanced powers to borrow from banks/ financial institutions to the tune of Rs. 300 crores. The company is contemplating making a rights issue as well as to invite deposits from the public. These issues will shortly be taken up for discussion in consultation with the DPE.

The Corporate Plan submitted by the company has been approved by the Ministry and the implementation of this plan will now be reviewed on a regular basis.

[Ministry of Steel OM No. 6(27)/92—MF dt. 9/11/93.]

### **Recommendation No. 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.

### **Reply of the Government**

Both MSTC and FSNL are presently engaged in trying to finalise a revised collaboration-cum-technology transfer agreement with the American partner, M/s. Harsco for the purpose of technologically upgrading FSNL's operations so as to increase both the quantity and quality of scrap disposal in the integrated steel plants. Once a revised agreement is negotiated the performance of FSNL is likely to improve considerably and this will indirectly benefit MSTC as well. FSNL is also in the process of preparing a corporate plan keeping in view the projected expansion plans of the integrated steel plants and availability of scrap. This plan envisages diversification into areas of slag management including preparation of slag for use by the railways and cement and construction industry. The company also intends diversifying into other areas of

environment and waste management so as to render a complete package of services to the steel plants.

[Ministry of Steel OM No. 6(27)/92-MF dt. 9/11/93.]

#### **Recommendation No. 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 ships were sold through open tenders to fetch more price. Similarly some 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.

#### **Reply of the Government**

In order to learn from their past mistakes and improve their functioning, allout efforts are being made to streamline procedures including delegation of enhanced powers to regional offices to minimise delays and increase customers satisfaction. The steps taken already are given in the response to Recommendation No.8.

[Ministry of Steel OM No. 6(27)/92—MF dt. 9/11/93]

#### **Recommendation No. 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 allout 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.

### **Reply of the Government**

A number of steps have been taken to streamline procedures and delegate powers to regional offices so that the company can respond better to customer requirements and the company's competitiveness in the open market also improves. These steps have already been detailed earlier in response to Recommendation No. 8. The company has been advised that even while implementing its diversification plans, staff strength and other overhead costs should be kept under control. In fact in the MOUs, MSTC makes specific commitments for reduction of costs.

[Ministry of Steel OM No. 6(27)/92-MF dt. 9/11/93.]

### **Recommendation No. 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.

### **Reply of the Government**

An action plan has already been drawn up to open more offices as well as stockyards and this has already been detailed in the reply to Recommendation No. 9.

[Ministry of Steel OM No. 6(27)/92-MF dt.9/11/93.]

### **Recommendation No. 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.

**Reply of the Government**

**The Ministry has already taken steps to persuade other public sector enterprises through their respective Ministries to give more business to MSTC. Necessary follow-up action would be taken on receipt of feedback from the Ministries and also from the Company.**

**[Ministry of Steel OM No. 6(27)/92-MF dt. 9/11/93.]**

## **CHAPTER III**

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

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

MSTC was incorporated as a Government Company as far back as in or 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.

#### **Reply of the Government**

The various objectives given in the Memorandum of Association are more in the nature of enabling provisions but it is for the Company to decide which objectives are to be given priority. The strength of MSTC's operations lies in its longstanding expertise in trade and disposal of both imported and domestic scrap. This area will be further strengthened. The Company has already shown that it can hold its own in a competitive market since import of scrap has increased in the first year after decanalisation of scrap imports in February, 1992. The Company imported 6.83 lakh tonnes in 1992-93 as against 2.85 lakh tonnes during the previous year. Domestic trade volumes have also increased marginally from Rs. 208 crores in 1991-92 to Rs. 210 crores in 1992-93, and these are expected to increase further with the increasing attention being given to domestic trade.

The Govt. has recently approved the company's corporate plan which indicates the short-term, medium-term and long-term objectives given in Annexure-I.



**ANNEXURE-I**

<b>Area/Time Span</b>	<b>Scrap &amp; Steel Related</b>	<b>Unrelated Trading &amp; Services</b>	<b>Related Manufacturing</b>
<b>Short Term (1-2 Years)</b>	<ol style="list-style-type: none"> <li>1. Import and Domestic Trade to Continue with additional services and value additions</li> <li>2. Re-enter ship-breaking as ship breakers</li> <li>3. Scrap Yards marchant (2 additional port based ones with no capital investment)</li> <li>4. Information &amp; Advisory Services</li> </ol>	<p>Financial Services</p> <p>Merchant Exports</p>	<p>Project proposal and Evaluation Teams to be set up and selection &amp; detailed feasibility studies for manufacturing to be conducted.</p>
<b>Medium Term (3 to 5 Years)</b>	<ol style="list-style-type: none"> <li>1. Scrap Processing-cum-stock yards</li> <li>2. Invest in FSNL</li> <li>3. Reconditioning of old machinery and salvaging of spares for specific industries</li> </ol>		<p>Initiate implementation of selected Projects</p>
<b>Long Term (5 to 10 Years)</b>			<p>Manufacturing Products (if found feasible) Sponge Iron, Pig Iron etc.</p>

[Ministry of Steel OM No. 6(27)/92—MF dt. 9/11/93.]

## CHAPTER IV

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

#### Recommendation No. 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 longterm 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.

#### Reply of the Government

In order to promote R&D for better usage of scrap, the Board has clearly identified and approved the following projects in order of priority.

- i) Processing of heavy melting scrap and construction scrap as well as cast steel scrap.
- ii) Determining the optimum mix of steel skull/cast iron skull/shredded scrap in a charge mix of different types of furnaces.
- iii) Uses of cast iron skull, ingot moulds, runner scrap, machinery scrap and steel scrap containing certain alloying elements.
- iv) Uses of scrap with higher percentage of slag, and also slag with lower Fe-content.
- v) Techno-economic studies for uses of heavy melting scrap by the secondary steel sector *vis-a-vis* other categories of scrap available.
- vi) Mobile equipments for processing of scrap.

The company has also written to IIT, Kharagpur, National Metallurgical Laboratory, Jamshedpur and RDICS, SAIL, Ranchi requesting them to consider undertaking various projects. It has been decided to take up projects in two phases. In the first phase only the pre-feasibility report for finalising the scope of the project would be undertaken and a detailed project report will be prepared in the second phase giving the results of the investigation.

In terms of the Corporate Plan already approved by the Govt., MSTC has been allowed in the long run to diversify into areas of manufacture relating to the iron & steel industry. They have been advised to preferably consider setting up these activities as joint ventures. The Company will be taking up in due course the selection of suitable projects for diversification in consultation with the financial institutions.

[Ministry of Steel OM No. 6(27)/92-MF dt. 9/11/93.]

### **Comments of the Committee**

(Please see para 6 of Chapter I of the Report)

### **Recommendation No. 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.

### **Reply of the Government**

No comments.

[Ministry of Steel OM No. 6(27)/92-MF dt. 9/11/93.]

### **Comments of the Committee**

(Please see para 9 of Chapter I of the Report)

### **Recommendation No. 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 the case of IISCO. It also come 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.

**Reply of the Government**

Presently, the Company is holding about 800 tenders/auctions every year and disposing about Rs. 210 crores worth of material. The Company has plans to increase this level of disposal through implementation of the programme of computerisation which is likely to be completed by the end of 1994-95. This will help to increase the scrap handling capacity with the existing manpower.

[Ministry of Steel OM No. 6(27) 92-MF dt. 9/11/93.]

**Comments of the Committee**

(Please see para 9 of Chapter I of the Report)

**CHAPTER V**  
**RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES**  
**OF GOVERNMENT ARE STILL AWAITED**

—NIL—

NEW DELHI;  
*December, 22, 1993*

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*Pausa 1, 1915(S)*

**VILAS MUTTEMWAR,**  
*Chairman,*  
*Committee on Public*  
*Undertakings.*

## APPENDIX I

*Minutes of the 15th sitting of Committee on Public Undertakings held on 21 December, 1993*

The Committee sat from 1530 hrs. to 1630 hrs.

### PRESENT

Shri Vilas Muttemwar — *Chairman*

### MEMBERS

2. Shri Chetan P.S. Chauhan
3. Shri Ramesh Chennithala
4. Smt. Saroj Dubey
5. Shri B.M. Mujahid
6. Shri Ramdew Ram
7. Dr. C. Silvera
8. Shri Virendra Singh
9. Shri V. Narayanasamy
10. Shri Pravat Kumar Samantaray
11. Shri G. Swaminathan

### SECRETARIAT

1. Smt. P.K. Sandhu — *Deputy Secretary*
2. Shri P.K. Grover — *Under Secretary*

### OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Shri R. Chandramauli — *Assistant C&AG (Commercial) and Secretary, Audit Board.*

1. \* \* \* \*

2. The officers of Comptroller & Auditor General then withdrew from the meeting. Thereafter the Committee considered the following Draft Reports as approved by Action Taken Sub-Committee and adopted the following:—

(i) Action Taken by Government on the recommendations contained in 17th Report of Committee on Public Undertakings (1992-93) on Disposal of Scrap of Public Undertakings through Metal Scrap Trade Corporation Limited/other Public Undertakings;

(ii) \* \* \* \*

3. \* \* \* \*

4. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the Ministry/Undertaking concerned and

**audit (in respect of report mentioned in para 1) and to present the same to Parliament.**

*The Committee then adjourned.*

## APPENDIX II

(Vide Paragraph 3 of the Introduction)

*Analysis of Action Taken by Government on the recommendations contained in the 17th Report of Committee on Public Undertakings (Tenth Lok Sabha) on Disposal of Scrap of Public Undertakings through Metal Scrap Trade Corporation Limited/other Public Undertakings.*

I. Total number of recommendations	18
II. Recommendations that have been accepted by the Government (Vide recommendations at Sl. Nos. 1, 3 to 10, 12 and 15 to 18)	14
Percentage of Total	77.8%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (Vide recommendation at Sl. No .2)	1
Percentage of total	5.6%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide recommendations at Sl. Nos. 11, 13, 14)	3
Percentage of total	16.6%
V. Recommendations in respect of which final replies of Government are still awaited	NIL
Percentage of total	