

REPORT
OF THE
COMMITTEE OF INQUIRY
(**STEEL TRANSACTIONS**)



NEW DELHI

February 1968

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REPORT
OF THE
COMMITTEE OF INQUIRY
(STEEL TRANSACTIONS)



NEW DELHI
February 1968

A. K. SARKAR,
Chairman.

D.O. No. 13(1)/66-CI(ST)

10th Phalguna, 1889 Saka

29th February, 1968.

DEAR SHRI LAL,

As Chairman of the Committee appointed by the Government of India *vide* Resolution No. SC(II)-14 (19)/66, dated 12th September, 1966, I am herewith enclosing the Report for being placed before the Government.

2. According to the Terms of Reference set out in the Government Resolution of 12th September, 1966, the Committee was required to investigate a very large number of cases involving approximately 15,000 import licences. Keeping in view the circumstances under which this Committee was set up and the desire expressed in Parliament for an early Report, the Committee looked into all the cases referred to in the 50th and 56th Reports of the Public Accounts Committee (1965-66) and a fairly large number of other cases falling under various schemes for the import of steel. In all we have examined cases involving approximately 900 import licences.

3. The main task of the Committee was to pinpoint irregularities which led to any loss to Government or undue favour to any party, fix responsibility

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for the same and recommend action against the persons concerned. In this work we had no assistance whatsoever from the public in spite of calling for information by newspaper advertisements. Hence, the entire burden of investigation fell on the Secretariat of the Committee, which had to go only by the records maintained by the Steel Controller and the Steel Ministry. To the extent to which observations have been made in the Reports of the Committees of Parliament and in the Reports of the Comptroller and Auditor-General, the Committee took them into consideration. What is stated above would explain in a nut-shell the magnitude of the task involved and how the Committee had to discover, for themselves, what were the irregularities, who were responsible for them and to what extent, and indicate the action to be proposed.

4. As a result of our investigation, we have come to the conclusion that the state of affairs in the Steel Controller's Office in the matter of office procedures leaves very much to be desired, as pointed out by the Khadilkar Committee in their Report also. We had, therefore, considerable difficulty in getting information on a large number of issues. Considerable time was also taken up in obtaining records and in getting the requisite information from the authorities concerned. The fact that this inquiry includes a large number of cases which were dealt with several years ago accounts for the time taken in submitting the Report.

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5. For an understanding of the Report, we have set out the various schemes in detail, under which import licences were issued. We have listed out the irregularities wherever they occurred. The explanations of officers concerned were specifically called for in writing and many of them were also orally examined by the Committee. It was only after all these had been gone through that the Committee took final decisions.

6. Having conducted investigation into the large number of cases already referred to, my colleagues and I feel that this is not a matter which is specially suited for being dealt with through a Committee. The work involves detailed scrutiny of each and every file by an expert staff; and, after all the information has been gathered, there might be only a few irregularities that are found to have been committed and only those few cases require serious consideration by the final authority or by a Committee. Considering the recommendations contained in this Report, the Government may perhaps agree with us that, for the time and labour spent in looking into approximately 900 cases, only the cases of a few officials might call for action. All these cases relate to what happened years ago and the Committee are very sceptical about the value of continuing the investigations regarding the remaining cases.

7. One of the Members, Shri P. C. Padhi, has prepared a separate note incorporating his views on a

(iv)

number of points in the Report, about which he does not agree with the majority.

8. On behalf of the Committee I wish to express my grateful thanks to the officers in the Ministry of Iron and Steel, the Steel Controller's Organisation, Hindustan Steel Ltd., and all others who have extended their cooperation.

Yours sincerely,

(Sd.) A. K. SARKAR.

Shri H. Lal,
Secretary,
Department of Iron and Steel,
Ministry of Steel, Mines and Metals,
New Delhi.

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CHAPTER I

CONSTITUTION OF THE COMMITTEE

1.1. The Public Accounts Committee of Parliament (1965-66) in their 50th Report dated 21st April, 1966, in para 4.167 and in their 56th Report dated 22nd August, 1966 in para 2.30 recommended a thorough and comprehensive enquiry into all aspects of the working of the Ministry of Iron and Steel with reference to parties mentioned in their reports and also other parties to whom large licences/permits have been issued from 1951-52. Pursuant to these recommendations, the Government of India by Resolution No. SC(II)-14(19)/66, dated 12th September, 1966 published in the Gazette of India Extraordinary dated 12th September, 1966 set up this Committee of Inquiry. The full text of the notification issued in that behalf is set out below:—

GOVERNMENT OF INDIA

MINISTRY OF IRON AND STEEL

New Delhi, September 12, 1966

RESOLUTION

SC(II)-14(19)/66:

In Chapter IV of its Fiftieth Report (1965-66), the Public Accounts Committee pointed out certain defaults, lapses and irregularities in or in relation to some transactions relating to barter deals in Steel and semi-manufactured steel entered into in 1960 by certain firms. These barter deals involved the import of finished steel against the export of billets, ingots and slabs produced in India. The Committee recommended that the lapses which have taken place in those deals, both in the offices of Government as well as on the part of the parties should be investigated by a high-powered Committee constituted as recommended in para 4.167 of its 50th Report. After further consideration of these and ancillary matters, the Committee recommended in para 2.30 of its 56th report that the high-powered Committee should hold a thorough and comprehensive enquiry in all aspects of the working of the

Ministry of Iron and Steel with reference to the parties mentioned in the 50th report and should further, similarly enquire into transactions relating to other parties to whom large licences/permits have been issued from 1951-52 onwards.

2. Government, after carefully considering these recommendations, have decided to accept these recommendations. Government have accordingly appointed a Committee consisting of the following persons:

- (1) Shri A. K. Sarkar, former Chief Justice of India, *Chairman.*
- (2) Shri V. S. Hejmadi, former Chairman of the Union Public Service Commission.
- (3) Shri P. C. Padhi, former Chairman of the Central Board of Revenue and former Deputy Comptroller and Auditor General of India.

3. The Committee shall—

- (a) investigate into the transactions, relating to the Iron and Steel Ministry, referred to in the 50th Report of the P.A.C., and also the transactions concerning other parties to whom large licences/permits have been issued from 1951-52 onwards;
- (b) enquire whether any irregularities or defaults were committed by any person in authority or any other person, firm or company connected with the said transactions and, if so, whether such irregularities or defaults have resulted in loss to the Government or any undue advantage to the party or parties concerned;
- (c) recommend in the light of their findings, what action, if any, departmental, civil or criminal, should be taken against any person; and
- (d) make a report or reports, interim or final, to Government.

ORDER

Ordered that a copy of this resolution be communicated to all concerned. Ordered also that the resolution be published in the Gazette of India for general information.

(Sd.) T. SWAMINATHAN,

Secy. to the Govt. of India.

1.2. To facilitate the conduct of the investigation and enquiry by the Committee certain provisions of the Commissions of Inquiry Act were made applicable to the Committee under Section 11 of the said Act. The full text of the relevant notification is set out below:

MINISTRY OF IRON AND STEEL
NOTIFICATION

No. SC(II)-14(19)/66.—WHEREAS by Resolution No. SC(II)-14(19)/66, dated the 12th September, 1966, of the Government of India in the Ministry of Iron and Steel, a Committee has been constituted for the purpose of enquiring into a definite matter of public importance, namely, the irregularities and defaults, if any, committed in or in relation to the transactions relating to the Iron and Steel Ministry referred to in the 50th Report of the Public Accounts Committee and also the transactions concerning other parties to whom large licences/permits have been issued from 1951-52 onwards;

AND WHEREAS THE Central Government is of opinion that the provisions of Section 4, sub-Sections (2), (3), (4), and (5) of section 5, section 6, section 9 and section 10 of the Commissions of Inquiry Act 1952 (60 of 1952) should be made applicable to the said committee;

NOW, THEREFORE, in exercise of the powers conferred by section 11 of the said Act, the Central Government hereby directs that the provisions of section 4, sub-section (2), (3), (4) and (5) of section 5, section 6, section 9 and section 10 of the said Act shall apply to the said Committee.

(Sd.) T. SWAMINATHAN,
Secy. to the Govt. of India.

1.3. After holding informal consultations among themselves the Chairman and Members of the Committee decided to approach the Government for locating the office of the Committee of Inquiry in a suitable Government building at Delhi. The Government allotted a block of rooms in L-II Block which was occupied by the Committee of Inquiry on 1st November, 1966, after the necessary repairs and furnishing had been carried out. In the meantime, necessary sanctions for the posts of various personnel

to man the office and investigating staff were obtained. After obtaining the sanctions, action was taken to select suitable persons for the posts. A list of the staff appointed is at Appendix 'I'.

1.4. After the first batch of analysts had joined the staff of the Committee, they were deputed to the office of the Iron and Steel Controller, Calcutta, to collect all the files pertaining to the cases mentioned in the reports of the Public Accounts Committee. After receipt of these files and on the basis of a preliminary study of them, the other connected files in the other offices, i.e. Ministry of Iron and Steel, Hindustan Steel Ltd. and files relating to the issue of import licences, import distribution and price fixation were collected from the office of the Iron and Steel Controller. Thereafter, on the basis of the tentative definition of the large value licences/permits mentioned in the next chapter, action was taken to call for the other files from the Iron and Steel Control Office. As most of these records related to a period before 1960 and had been removed to the record room by the Iron and Steel Control, discussions were held with the Officers of the Iron and Steel Control to take them out in an orderly and convenient manner which required some staff being earmarked in that office to sort these out.

CHAPTER II

PROCEDURE ADOPTED BY THE COMMITTEE

2.1. At the first formal sitting of the Committee held on 16th November, 1966, the procedure to be adopted in the light of the terms of reference to the Committee was considered. All transactions relating to the Iron & Steel Ministry, referred to in the 50th Report of the Public Accounts Committee, and also the transactions concerning other parties to whom large licences/permits had been issued from 1951-52 had to be investigated. Based on such investigations, the irregularities and defaults committed by any person in authority or any other person, firm or company connected with the said transactions were to be pinpointed. Where such irregularities and defaults were established, the Committee would have to see whether this resulted in loss to Government or any undue advantage to any party or parties concerned. The Committee were to give their findings and recommend action, if any, departmental, civil or criminal, that should be taken against any person.

2.2. The Committee observed that a large number of import licences/permits were issued each year and that the issue of these licences was governed by the various provisions of the import policy and the licensing instructions published by the Iron & Steel Controller from time to time. In addition to the import policy, which is announced periodically, certain policy decisions were taken by Government in the implementation of which executive instructions were issued laying down, *inter alia*, conditions which would entitle a party to apply for import licence/permit. After the issue of the import licences, the Iron & Steel Controller gave directions for the distribution of and price control over the material so imported. It was, therefore, obvious that not only would decisions leading to the issue of large value licences/permits have to be investigated, but that decisions of the Iron & Steel Controller in regard to the distribution and price fixation would also have to be looked into. The Committee also

felt that an assessment of the total number of cases that they would have to investigate should be made.

2.3. The Ministry of Iron & Steel proposed that the term 'large licences/permits' might be taken to be those licences/permits which were for a value of Rs. 5 lakhs and over or licences issued to a party in a year totalling Rs. 20 lakhs and above. The Committee decided to proceed on this basis unless the facts that might be discovered called for a different basis. On the basis of the tentative definition, the Ministry had asked the Iron and Steel Controller to prepare lists of all such large licences/permits. The Ministry had also asked the Iron & Steel Controller to prepare lists of all such licences issued to groups of concerns mentioned in the Public Accounts Committee's Reports, viz.:—

- (1) M/s. Amin Chand Payare Lal, Calcutta.
- (2) M/s. Ram Krishan Kulwant Rai, Calcutta.
- (3) M/s. Khemchand Rajkumar, Calcutta.
- (4) M/s. J. S. Cohen & Co., Calcutta.
- (5) M/s. Surrendra Overseas Private Ltd., Calcutta.
- (6) M/s. Apeejay Private Ltd., Calcutta.

2.4. In the context of the 50th Report of the Public Accounts Committee and the wording of terms of reference, the Committee decided that only those transactions which led to the issue of import licences/Customs clearance permits would fall within the purview of its investigation, and the Committee would not, therefore, enquire into the transactions relating to indigenous steel, the distribution of which is also controlled by quota certificates issued by the Iron & Steel Controller.

2.5. The Committee understood that a few cases arising out of the barter transactions were pending before Courts of Law or were the subject matter of Arbitration. It was decided that if any transaction which would normally require investigation by this Committee happens to be one which is before a court of law or the subject matter of arbitration, the Committee would not look into particular points at issue in those transactions, so as to avoid a conflict in decisions.

2.6. It was found that there was no standing comprehensive order in the office of the Iron & Steel Controller about the period of retention of various categories of files required by the normal official procedure, and that the records were destroyed under *ad hoc* orders of the Iron & Steel Controller, which are at Appendix-II. Further enquiry showed that files relating to licences/permits for the period prior to 1962 were destroyed and would not be available to the Committee for investigation except certain files relating to barter transactions and Accepted Tenders which were preserved on account of pending claims and counter-claims by the Steel Controller and the parties involved.

2.7. The following items of work were also to be attended to simultaneously with the collection and sorting of relevant records:—

- (1) The relevant import policy announced by Steel Controller from time to time and the executive instructions issued thereon were collected so as to understand the circumstances that were prevailing at the time when the licences were issued.
- (2) A complete statement of all the officers who were in position during the period in question, was prepared in order to identify the person responsible for a particular decision.
- (3) A number of references were issued to appropriate authorities of Government to ascertain their views and ask for clarifications wherever there was any lacuna in the policy, announcement and executive instructions.

2.8. **Assessment of the work involved.**—Steel used to be imported by the following methods:

- (1) Accepted Tenders.
- (2) Bulk purchases.
- (3) Barters.
- (4) Actual Users.
- (5) Established Importers.

2.9. Accepted Tenders method was employed in the case of specific requirements of priority projects like Defence Railways, Steel Plants, etc. The Iron & Steel Controller used to assess the demand made by the Project as certified by sponsoring authorities, and with reference to indigenous availability, work out what had to be imported. Depending on the quantum of exchange made available for this purpose, either by the Ministry of Finance directly to the Ministry of Steel or the allocations made to the specific priority Projects, the Steel Controller would float tenders on global basis. The offers received would then be examined and a decision taken to place the import order with the successful tenderer. The tenderer, thereafter, would get an import licence and would finance the imports and deliver the imported materials to the authorities specified by the Steel Controller.

2.10. Bulk purchases were those purchases which were made by the Steel Controller on the basis of agreement with foreign countries, notably rupee trade countries, and under the terms of United States Agency for International Development. The Steel Controller would negotiate with the foreign supplier in the case of rupee trade country, and in the case of Agency for International Development, he would float tenders in the U.S.A., and would thereafter finalise the quantities, categories and prices. The Steel Controller would then appoint Agents for handling the imports on the basis of tenders. Such Handling Agents would then be issued an import licence with the condition that they should import as per terms of the agreement with a rupee trade country or Agency for International Development, as the case may be. In the case of these imports from the rupee trade countries the Handling Agent financed the imports whereas in the case of similar bulk purchase imports under the agreement with Agency for International Development, he gave a bank guarantee equal to the c.i.f. value of the goods imported and as and when Steel Controller who in turn acted as per the instructions of Government laid down on this behalf. The Distribution of the goods was however directed by the Steel Controller.

2.11. In the case of barter where steel was imported, there was slight difference depending on the commodities which were exported and the authority which was to

approve the barter deals. Where the commodities to be exported were not under the purview of the Steel Controller, for example, manganese ore, mica, etc., the proposals would be approved by the State Trading Corporation, who would then make recommendation to the Iron & Steel Controller for the issue of import licence equal to the total value of exports as determined by it. The categories and prices at which the steel had to be imported would be indicated by the Steel Controller under that barter. The distribution of such steel was also controlled by the Steel Controller. In the case of export of pig iron, scrap and semis, which came within the purview of the Iron & Steel Controller, the barter approval was accorded by the Iron & Steel Controller, and import licences were afterwards issued. The distribution was also controlled by the Iron & Steel Controller.

2.12. In so far as Actual Users are concerned, the import licences were issued on the basis of the import policy, wherein sponsoring authorities, through whom applications from actual users had to be routed, were specified. In making their recommendations, the sponsoring authorities were to see that the quantum of foreign exchange placed at their disposal was not exceeded. Hence, in these cases, the Steel Controller merely accepted the recommendations and issued the licences except where the category of steel recommended for import was not according to the policy, or for other special reasons, such as, the party being "debarred" under the Import Control Order. Where, however, the Steel Controller himself was the sponsoring authority, as for example, in the case of Steel Rolling Industry, the recommendation was made by one Section of the Steel Controller's office, and the licence was issued by another Section of the same office.

2.13. In the case of the Established Importers, the issue of licences was based on the Import policy and with reference to the quota certificates given to the established importers. It was a purely arithmetical exercise.

2.14. The above paragraphs give a brief account of the methods of import of steel. There are, however, a large number of instructions relating to the categories of applicants who would be considered eligible, the categories of steel which would be allowed for import, the manner in

which the assessment of the requirements of the applicants was to be made, quantities that were to be allowed for licensing and their values and the conditions, if any regarding utilisation. These and other aspects were to be studied and taken into account while examining each individual case. A statement is given below of the total number of licences involved under the various categories coming under the scope of the enquiry:—

(1) No. of Import licences issued to Aminchand Payarelal Group	770
(2) No. of Import licences issued to Khemchand Rajkumar Group	515
(3) No. of Import licences issued to Ram Krishan Kulwant Rai Group	325
(4) No. of Import licences issued to J.S. Cohen & Co. Group	105
(5) No. of Import licences issued to V.D. Swami & Co. Group	167
(6) No. of Non-A.U. licences over Rs. 5 lakhs to parties other than those mentioned at (1) to (5) above	2,172
(7) No. of A.U. licences over Rs. 5 lakhs to parties other than those mentioned at (1) to (5) above	1,361
(8) No. of licences for a total value exceeding Rs. 20 lakhs issued to any one party other than those mentioned at (1) to (5) above, in any one year	10,459
TOTAL	<u>15,874</u>

2.15. It was estimated that these 15,874 licences/permits cases would have to be examined. Again, in view of the procedure which was prevailing in the Iron & Steel Controller's office regarding the maintenance and destruction of records referred to earlier, it was expected that of these 15,874 cases probably the records in respect of only about 2,000 licensing cases would be available. Although the number is reduced to approximately 2,000 licencing cases, yet in the light of what has been stated above, each licencing case would be tied up not with just one file, but 3 or 4, as the decisions leading up to the issue of licence or the action to be taken regarding the distribution after importation are contained in separate files. Yet another aspect involved is that the importation against any one licence is not made in any one lot, but in several consignments, each one of which is covered by issue of a separate Customs

Clearance Permit and a number of Release Orders, a detailed study of which would have to be made. This is just to give an idea of the volume of the work involved as per the terms of reference to the Committee.

2.16. At this stage the Committee would like to make a few general remarks as to the circumstances in which the investigation entrusted to them was conducted. The Committee had the assistance of the criticisms made by the Public Accounts Committee in its reports earlier mentioned as to the working of the Steel Ministry and the Steel Controller's office. But under the terms of reference, the Committee had to go beyond them and find out all the irregularities in the working of these two Departments. In both these respects, the Committee had to go into the files of the Steel Controller's office and the Steel Ministry and other connected files elsewhere, for example, in the office of the Hindustan Steel Ltd., to ascertain the facts and then consider whether any irregularities had been committed. The Committee had the assistance of one Joint Secretary, one Deputy Secretary, two Under Secretaries, and three teams of Analysts working under them for looking into the files and to prepare synopses of the relevant facts. Thereafter, the Committee themselves looked into the files to see if the analyses submitted by the officers were correct and if any relevant matters had been overlooked. As these records were quite voluminous and were not always easily available, in so far as they were ultimately traced, the work necessarily consumed a fair amount of time. It may be stated here that most of the papers were at the office of the Iron & Steel Controller, Calcutta. The papers had also to be obtained from the Steel Controller's Regional Offices at Bombay, Madras and Delhi. Besides what has been stated above, the Committee had to obtain information and advice on various points from the Ministries of Law, Commerce, Office of the Chief Controller of Imports and Exports, the Reserve Bank of India, the State Trading Corporation, the Hindustan Steel Ltd., and other offices.

2.17. Apart from the assistance derived from the Public Accounts Committee's Reports, it was left to this Committee to find out what was considered as an irregularity. In these circumstances, the Committee thought that it would be helpful to find out the irregularities if it invited the public to furnish any information relevant to the enquiry or

any complaint any person might have had against the way the Ministry of Steel and the Steel Controller's organisation had worked. Accordingly, the Committee issued a Notification inviting the attention of the public to the setting up of the Committee of Inquiry and requesting them to forward information/complaint relating to the subject matter of the enquiry. The full text of the Notification is set out in Appendix-III. This Notification was published in the Government Gazette Extraordinary of March 25, 1967. An abridged version of this Notification was also published in the following newspapers on the dates mentioned against each:—

Newspaper	Date of issue of newspaper
Statesman, Calcutta Amrita Bazar Patrika, Calcutta Viswamitra, Calcutta	{ 1st April, 1967 2nd April, 1967.
Hindustan Times, Delhi Milap, Delhi Jugantar, Calcutta	{ 31st March, 1967 2nd April, 1967.
Indian Express, Madras Free Press Journal, Bombay	{ 1st April, 1967 3rd April, 1967.
Tribune, Ambala	{ 2nd April, 1967 3rd April, 1967.
Indian Express Vijayawada	{ 3rd April, 1967 5th April, 1967.

2.18. The Committee, however, was unable to derive any assistance in its work from the public. In response to the advertisements, it received complaints from the following:—

- (1) From Indian Metal Industries, Calcutta.
- (2) From Shri D. K. Mitter, Calcutta.
- (3) From Shri C. R. Sharma, Gagret, Kangra, H.P.
- (4) From Shri R. Ramachandran, Calcutta-19.
- (5) From Shri Manoharlal Ghanshamka, Delhi.
- (6) From Shri T. K. Rajagopalan, Neyveli.

- (7) From Shri Sahibganj Tin Can Manufacturing Co., Sahibganj.
- (8) From Messrs. Balubhai Maganbhai Desai, Navsari (Gujarat).
- (9) From Messrs. Bharat Barrel & Drum Manufacturing Co. Ltd., Calcutta.
- (10) From Shri D. T. Panjabi, Bombay.

2.19. Only one complaint namely from Shri R. Ramachandran referred to at S. No. 4 above related to the work of the Committee. Apart from the general criticism made in it of Shri V. D. Swami's personal conduct, the only mention of mal-practice on the part of Messrs. V. D. Swami and Co., is that the firm had exported 2000 m/tons of rails in 1964-65 to Sudan in contravention of the rules and that they are alleged to have imported plates without making any exports. No other detail was mentioned in his complaint. The Committee, therefore, had to call for information from the Steel Controller, Calcutta to find out if steel rails had been permitted for export by Messrs. V. D. Swami and Co., and whether the firm was allowed to import plates against the export of any item. From the records furnished by the Steel Controller it was found that Messrs. V. D. Swami and Co., had exported 27071.45 m/tons of rails, rounds and structurals and that they had imported 19052.966 m/tons of plates under a barter approved by the Steel Controller in 1963. Of the 27071 m/tons of steel exported, the quantity of rails was 16313 m/tons and of this quantity, 3925 m/tons had been exported to Sudan in 1964-65. The records of the Steel Control Office show that the foreign exchange for the exports made including rails to Sudan has been certified by a bank as having been earned. From our investigations we find that there is no other case where M/s. V. D. Swami had exported to Sudan. Therefore, the allegation in the complaint made by Shri R. Ramachandran does not seem to be correct.

2.20. The other complaints, which have already been mentioned above, relate to non-supply of steel by controlled stockists against quota certificates. Some of the controlled stockists complained against happen to be firms who had participated in the Semis Barter Scheme but since this was a matter relating to the internal distribution and the conduct of controlled stockists and not relating to the

import of Steel, this Committee felt that the complaints were outside the scope of their inquiry. These complaints, however, were forwarded to the Iron & Steel Controller for disposal. It was also decided that the Audit Reports from 1951-52 should be scrutinised to find out the irregularities mentioned therein, so that the investigations regarding those that might fall within the scope of our enquiry might be undertaken by the Committee.

2.21. In the course of their investigation, the Committee had to deal with various questions which related to trade and matters which required specialised knowledge; for example, the Committee were required to investigate into the propriety of the orders of the Steel Controller, fixing prices of steel, rates of freight, extras and fare and other similar matters. The Committee had to decide these questions on records themselves and by putting questions to the officers of the Steel Control Organisation, for no other assistance was available to them with regard to these matters.

2.22. After the investigation into a certain number of cases had been made, the Committee examined various officers of the Steel Control organisation connected with the subject matter of the enquiry, officers of the Steel and Finance Ministries, officers of the Hindustan Steel Ltd., and Shri C. Subramaniam, the Minister of Steel during April 1962 to June 1964. A list of the persons examined is at Appendix IV.

2.23. It was suggested to the Committee that Shri Srivastava, formerly Additional Collector of Customs, Calcutta, might have some useful information relating to the subject matter of the enquiry, and that his services, if considered necessary, might be availed of. In order to find out what assistance Shri Srivastava could give the Committee in their task of investigation, they interviewed Shri Srivastava at great length. Shri Srivastava was asked if he had any suggestions for conducting investigations in some other manner—which was likely to yield results. Shri Srivastava stated that investigations would have to be carried on only on the basis of the records since they related to matters that occurred several years before. He also mentioned that while members of the public might be prepared to come and tell him personally in confidence as to the mal-practices which traders might be indulging in,

they would not be prepared to come before the Committee to give evidence as they themselves might be involved in the same mal-practices. He, however, mentioned that there was an officer in Bombay Customs, who, he felt, could give some concrete and useful information. He identified the officer as Shri Y. D. Kelkar, who was at one time working as Assistant Controller (in charge of Shipping) in the Office of the Iron & Steel Controller, Calcutta. Shri Srivastava then stated that he would have a talk with Shri Kelkar and find out if the latter would be willing to furnish information to the Committee. Later, Shri Srivastava wrote to the Committee that he had contacted Shri Kelkar, who had expressed his willingness to appear before the Committee. The Committee thereafter sent for Shri Kelkar and asked him about the information that he might have in his possession. Shri Kelkar, in his evidence before the Committee, besides dealing with specific cases of M/s. Apeejay & M/s. Aminchand Pyarelal of imports without licences/CCPs, which we have dealt with separately in Chapter IX, gave a list of other similar cases, all of them relating to amendment of import licences in respect of goods imported or for revalidation of import licences which had already expired. Shri Kelkar also stated that apart from what is available in the relevant records of the Iron & Steel Control organisation and other connected records, he would not be in a position to throw any light in the matter.

2.24. The Committee had also obtained a list of the ex-employees of the Iron & Steel Control organisation, who have worked with some of the firms mentioned in the Reports of the Public Accounts Committee, and has found that none of these ex-employees have dealt with the cases which are the subject matter of investigation.

2.25. The Committee found that while the volume of work was considerable, yet it could not be expedited merely by increasing staff. The character of the work was specialised, and only persons who had to deal with the import and export licensing and had full knowledge of policy formulation, issue of licensing instructions and experience of distribution control could be expected to appreciate the points involved in the investigation and draw the Committee's attention to the irregularities that they exposed and the persons who might be held responsible for those irregu-

larities. Another very important consideration in selecting the staff was the need to ensure integrity and proper calibre. In this view of the matter, the Committee thought it proper to work with a moderate staff, though that might mean more time to spent on the Committee's work.

2.26. After about six months' work, the Committee realised that in view of the mass of details which had to be collected, analysed, and reports prepared, the investigation in all the 2000 cases would probably take a very long time. Considering the urgency of a report in the light of the proceedings in the Parliament and the desire of the Government to have an early report, it was felt that a report covering all the cases referred to in the 50th, 55th and 56th Reports of the Public Accounts Committee should be submitted to the Government in the first instance and as early as possible. It was also decided that in this report such of the other important cases which could be finalised at the same time would be included. It is on this basis that the present report is being submitted.

CHAPTER III

BARTER POLICY

3.1. The majority of the cases referred to in the 50th, 55th, and 56th Reports of the Public Accounts Committee for 1965-66 relate to barter deals involving the export of semi-finished steel and the import of finished steel. It would, therefore, be helpful if mention is made of the policy of the Government in regard to barter and with specific reference to the export of semis and import of finished steel.

3.2. **Decision to import finished Steel under barter arrangement.**—In 1958, there was a heavy shortage of steel and there was not enough foreign exchange for importing the required quantities. A meeting was, therefore, convened on the 20th August, 1958, in the Ministry of Iron and Steel when Shri Bhoothalingam, Secretary of the Ministry, and representatives of the Ministry of Finance, Planning Commission, Ministry of Commerce and Industry and the State Trading Corporation were present. A copy of the proceedings of that meeting is at Appendix V.

3.3. At this meeting Shri Bhoothalingam gave details of the total demand for steel in the country, the quantum of imports under the trade agreements with countries like U.S.S.R. and Hungary, and the quantities which were expected to be produced indigenously. It was also explained at the meeting "that having regard to the foreign exchange situation, further allotment of free resources (foreign exchange) to buy steel was unlikely. But unless steel was purchased and that too urgently, there was a great danger of breakdown in the economy; even essential core demands not being met. It was therefore, necessary to think of other ways of buying steel. One of the other ways was the barter suggested by Shri Sandilya". Shri Jagannathan representing the Ministry of Finance (Economic Affairs) agreed to the purchase of steel under barter, provided the exports were 'additional'. It was agreed that an *ad hoc* assessment of the normal exports of any one

particular commodity would have to be made and any exports of that particular commodity over and above the figure of normal exports should be construed as 'additional'. At this meeting the commodities for export were selected and the criteria for determining additional exports were also laid down. The items selected were iron ore, manganese ore, chrome ore, jute, tobacco and miscellaneous commodities, scrap and pig iron. The State Trading Corporation were to put through these barter deals in terms of the decisions taken at the meeting. Hence, it would appear that the two essential elements in the barter transactions so conceived were additionality of exports and essentiality of imports. The net result of barter transactions was to be increased exports, particularly of commodities which were difficult to sell and to destinations which could be termed as 'new markets' and to generate foreign exchange for essential imports not covered by allocated foreign exchange. Import of steel was the main item which featured at the meeting of 20th August, 1958. To what extent the Ministry of Steel were right in saying that steel was in short supply and that in the interest of the economy of the country it should be imported over and above that acquired by the allocation of foreign exchange made by the Ministry of Finance is a question which would have to be examined. The procedure appears to have been that the Iron and Steel Controller examined the demands of the sponsoring authorities and pruned them before submitting to Ministry of Iron and Steel. A statement (Appendix VI) is enclosed of the demand for steel as assessed by the Iron and Steel Control and as approved by the Ministry of Steel and the quantum of foreign exchange allocated by the Ministry of Finance for the years 1958 to 1961. From the statement it will be clear that in spite of the pruning done by the Iron and Steel Control and by the Ministry of Steel it was not possible for the Ministry of Finance to allocate as much foreign exchange as was asked for. It is also apparent from the statement that not all the foreign exchange made available by the Ministry of Finance was free foreign exchange and that part of the foreign exchange had to be allocated from Rupees Trade Plan agreement, and credits extended by friendly countries. The countries with whom there are Rupee Trade Plan agreements and the countries who extend credits do not produce all categories of steel which require to be imported. Hence to this extent again

there was a certain amount of restriction in the categories of steel which could otherwise have been imported if the entire allocation was under free foreign exchange. The advantage of a barter transaction is that the foreign exchange generated by exports, is all free and therefore allows for the imports of the items required from any part of the world.

3.4. Based on the decisions taken at the meeting of the 20th August 1958 referred to above, the State Trading Corporation put through several barter deals which are given at Appendix VII. Looking at the total amount of foreign exchange earned by exports and at the total amount of foreign exchange spent on imports it can be said that these barter deals did not fail to generate the foreign exchange expected.

3.5. Proposal by Hindustan Steel Limited for export of semis.—On 28th August, 1959, Shri Pande, the Chairman of Hindustan Steel Ltd., wrote a letter (Appendix VIII) to Shri Bhoothalingam, Secretary, Ministry of Iron and Steel, stating that at Rourkela Steel Plant, while the preparatory mills were ready and were likely to go into production, the finishing sections were not yet ready and that there would be considerable delay before they started working. Hence, he stated that large quantities of semi-finished steel like ingots, slabs, billets and blooms, termed as 'semis' would become surplus. According to the estimate of the German technical expert Dr. Kleinar, the surplus production for the year 1959, 1960 and part of 1961 was estimated at 8 lakh tonnes of semis. Shri Pande, however, felt that the surplus would only be of the order of 5 lakh tonnes. He, therefore, stated that steps should be taken to come to an arrangement with foreign manufacturers to convert the steel ingots/slabs/blooms into pipes, plates, sheets, etc., on an overall economical basis. Failing these measures, Shri Pande felt that there would be no option but to regulate the production of semis to suit requirements, which might amount to retarding production. Shri Bhoothalingam replied to Shri Pande on 31st August, 1959 (Appendix IX) telling him that production should be regulated essentially by offtake allowing a certain quantity of ingots as reserved, and that they should speed up the commissioning of the Rolling Mills. He also said that they should try to create a foreign market for ingots for export

both for outright sale and for conversion into finished products. There is an endorsement in the copy of the letter to Iron and Steel Controller referring to the fact that the problem had been posed by Hindustan Steel Limited and that a solution may be proposed to the Ministry.

3.6. Messrs. Dodsal and Company, on behalf of Messrs. Mannesmann, were negotiating with Hindustan Steel Limited for the purchase of ingots for exporting them and for converting them into pipes and for supplying them to Hindustan Steel Limited. It was this sort of conversion which Shri Pande would appear to have had in mind, when he wrote his letter of 28th August, 1959.

3.7. **Proposals from firms for export of semis received by Ministry of Iron and Steel and Hindustan Steel Limited.**—It appears that even earlier to Shri Pande's letter of 28th August, 1959, a few offers from traders had been received by the Ministry who called for information from Hindustan Steel Limited, and Shri Ramanathan, Deputy Secretary, Ministry of Iron and Steel, wrote to Shri V. Subramaniam (Appendix X), Officer on Special Duty, Hindustan Steel Limited, on 24th August, 1959, calling for a statement of anticipated monthly surpluses of semis. The reply of Shri Subramaniam dated 7th October, 1959 (Appendix XI) indicates that he had called for information from the Plant Managers, and that he would furnish the same shortly. In the meanwhile, he enclosed (Appendix XII A, B, C), copies of the barter offers to export semis and to import steel against the foreign exchange earned thereby from Messrs. Mahindra and Mahindra, Messrs C. Itoh and Company, and Messrs. Amin Chand Pyare Lal. These parties had been asked by Shri Subramaniam to contact the Iron and Steel Controller.

3.8. **Examination of the procedure for sanctioning of semis barter deals.**—Because of the offers received by the Iron and Steel Controller, Shri S. C. Mukherjee, Deputy Iron and Steel Controller, on 26th November, 1959 (Appendix XIII) wrote to Shri Ramanathan stating that several offers from various parties for the export of Hindustan Steel Limited semis and for the import of steel were being received by the Iron and Steel Controller and by Hindustan Steel Limited, and probably by the Ministry also, but that the procedure for considering these proposals had not

been laid down, with the result that there was confusion; and therefore, he requested that a procedure be laid down by the Ministry. Shri Ramanathan, after discussing the matter with Secretary, noted in the file (Appendix XIV) that offers for exports on barter could first be received by the Iron and Steel Controller, who would, after negotiations with the parties if necessary, decide on the categories of steel to be imported and their prices, and also consult Hindustan Steel Ltd. about the price of the export item. This note was seen by the Financial Adviser to the Ministry of Iron and Steel, Shri N. C. Deb. It may incidentally be mentioned that Shri N. C. Deb was not only the Financial Adviser from the Ministry of Finance attached to the Ministry of Iron and Steel, but was also a Director of Finance and Sales in Hindustan Steel Limited. Shri Deb approved of the proposal subject to the Department of Economic Affairs being consulted. Shri Bhoothalingam, Secretary, Ministry of Iron and Steel, discussed this matter with Shri S. Jagannathan, Additional Secretary, Department of Economic Affairs; and on 15th December, 1959, noted that "as exports of pig iron and steel are 'additional exports' in every sense of the word, we can export in return for steel or for cash." Shri Jagannathan agreed with the principle of barter, that is, export of semis and import of steel. He also fixed a ceiling 'for the present' of 2,00,000 tonnes of ingots and slabs and 50,000 tonnes of billets for the purpose of barter export. Shri Jagannathan also suggested that perhaps the Department of Iron and Steel might draw up a list of categories of steel and their quantities which would be required to be imported and that the Iron and Steel Controller might be asked to grant approvals for the barter only for the import of steel mentioned in such lists. He also mentioned that the Steel Controller might ensure that no import was allowed in excess of the ceiling price acceptable to him and also give preference to those offers for imports which are comparatively more advantageous in price. He also stated that if some flexibility was possible as to the items which would be obtained by import on barter basis, a selection could be made to authorise imports of those items which were more advantageously available on barter, leaving other items to be purchased on cash basis.

3.9. Enunciation of the policy sanctioning the semis barter deals.—Based on these discussions with the Ministry

of Finance and having obtained their agreement, Shri Bhoothalingam wrote to Shri Bam, Iron and Steel Controller, on 14th January, 1960 (Appendix XV), indicating the policy of export of semis and import of steel. In the said letter, he stated that Hindustan Steel Limited might directly deal with sale for cash, and that in regard to export on barter, the best way would be for the Steel Controller to get the offers first, decide the steel prices for the imports and then get the concurrence of Hindustan Steel Limited for the export prices, that the quantity earmarked for barter exports was 2 lakh tonnes of ingots and slabs and 50,000 tonnes of billets, that against these barters only essential steel items should be imported, and that while arranging the barters, care should be taken to ensure that the categories arranged for import were not those which are available at lower prices against cash licences. He also stated that the above procedure could also be indicated to a few select firms. In view of the large surpluses of ingots and slabs that were likely to arise in 1960, he wanted the offers to be handled in a businesslike way and the deals to be closed, if possible, within a week of the receipt of an offer.

3.10. Main purpose of the barter deals.—On a reading of what has been stated so far the impression may be that because Hindustan Steel Limited was likely to have had a surplus of semis, some outlet had to be found for them and, therefore, the scheme of barters was thought of and not that imports of steel were really urgent. We would like to draw attention to what we have stated earlier in para 3.3 that the demand for steel was far in excess of the available foreign exchange. It should be remembered that the demand for foreign exchange is assessed by the Steel Controller taking into account the total demand for finished steel in the country and what portion of that demand could be met by indigenous production. Hence for estimates of the demand for foreign exchange for the year 1960 he would have to take into account whether Hindustan Steel Limited was likely to produce finished steel. As we have seen from the letter of Shri Pande, Chairman, Hindustan Steel Limited, there were delays in setting up of the rolling mills. This is what Shri Wanchoo stated before the Committee that probably the Ministry were anxious that the exports of semis should take place because they were creating a problem and later when the rolling programme was delayed, to that extent the production of finished steel

was reduced and then imports became as important as exports. This, according to him, was one of the reasons why pre-imports were allowed by the Ministry. In the final analysis this Committee is of the view that it is wrong to say that only exports or imports were important and that the real situation would be that both were equally important. As Shri Jagannathan has stated, the imports of steel having been conceived as essential for the economy of the country what was being attempted was to meet the cost of foreign exchange required for the import by exporting as much of the semis as was possible. It was in this context also that he stated that it is wrong to say that there was a loss of foreign exchange because exports ultimately did not generate the amount of foreign exchange that was spent on imports. This aspect we have again referred to later in para 4.21.

3.11. Consultation by the Ministry of Iron & Steel with Hindustan Steel Limited.—Shri V. Subramaniam, the Chief Sales Manager of Hindustan Steel Limited while giving evidence before the Committee on Public Undertakings on 18th January, 1965, had perhaps given the impression that all along Hindustan Steel Ltd., were not in favour of barter deals, and that they were fully aware of the difficulties, in spite of which they were forced to enter into barter deals. Later, he had gone on record as having said that discussions had taken place between the Director incharge of Sales and Finance, Hindustan Steel Limited, and the representatives of Government, and that to the best of his knowledge, they (Hindustan Steel Limited) had submitted that there was less flexibility and certain difficulties in barter deals, and that they would prefer cash to barter deals. Shri Subramaniam, however, before this Committee stated that what he had said before the Committee on Public Undertakings was with reference to the Contract No. 28, made with Messrs. Ramkrishan Kulwantra. He said that he was referring to his note of 19th November 1960 in that connection, wherein he had stated that barter deals were always artificial transactions and that they have found them complicated and that they were getting into difficulties with their customers. The whole note is at Appendix XVI. In reply to a question by the Committee, Shri Subramaniam stated that it was only after working the barter transactions for sometime that towards the end of the year 1960 they became aware of the difficulties in

barter deals, and that at the time the discussions were going on between Hindustan Steel Limited and the Ministry prior to the letter of Shri Bhoothalingam of 14th January 1960, Hindustan Steel Limited not having had any experience of barter, would have had no occasion to give their comments either way. He, therefore, stated that what had been quoted in paras 4.20 and 4.21 of the 50th Report of the Public Accounts Committee (1965-66) should only be taken as being relevant with regard to the barter Contract No. 28 with Ramkrishan Kulwantra.

3.12. Apart from the statements of Shri V. Subramaniam, the Committee examined the question whether the Government conceived of the semis barter scheme without the agreement of Hindustan Steel Limited. As already mentioned to meet the requirements of steel, a meeting had been held on the 20th of August, 1958, in pursuance of which barter approvals were being given by the State Trading Corporation, and imports of steel were being effected. When the Chairman, Hindustan Steel Limited., reported to the Ministry of Steel on 28th August, 1959, that he was likely to face the problem of semis accumulation, the Government thought of utilising the semis as one of the commodities which could be exported under barter in addition to those already covered. The headquarters of Hindustan Steel Limited at that time was in Delhi, and it is admitted that there were frequent discussions between the officers like Shri V. Subramaniam, in charge of sales, and Shri Menon, the Transport Officer of Hindustan Steel Limited with the officers of the Ministry. The specific offers of Messrs. Aminchand Payarelal, Messrs. V. D. Swamy, Messrs. Vijay Trading and Messrs. Dodsai received by Hindustan Steel Ltd. for the purchase and export of semis and import of steel were forwarded by Hindustan Steel to the Ministry. Discussions went on between the Ministry and Hindustan Steel Limited and the parties. Shri N. C. Deb, Financial Adviser, Ministry of Finance, who was also Director of Finance and Sales in Hindustan Steel Ltd., considered the proposals for barter in file No. SC(B) 12/92/59. The letter of Shri Bhoothalingam enunciating the scheme of barter, dated 14th January 1960 was marked to Hindustan Steel Ltd. A meeting of the Plant Managers was held on 23rd February 1960 to consider the implementation of the barter scheme. All these facts would go to show that Hindustan Steel Limited was kept in the picture, and one of the objects of the barter scheme was to relieve them of

their burden of semis. The facts earlier stated would indicate that Hindustan Steel Limited had no objection to the barter scheme.

3.13. Essential Items for import.—The question may be asked as to what would be deemed as “essential steel items” which were to be imported against these barter deals. Shri Jagannathan, in the note dated 24th December, 1959 (Appendix XIV), had suggested that perhaps the Department of Iron and Steel might draw up a list of the categories and the quantities of steel which they would like to be imported. Shri Jagannathan himself, when he was asked in the course of his examination, stated that by the “Department of Iron and Steel” he did not exclude the Iron and Steel Controller, that it was merely a ‘suggestion’ on his part, and that, so long as essential items alone were imported, it would meet his suggestion for drawing up a list. During the course of our investigations we came across two instances referred to hereinafter when a list of items to be imported was drawn up. Messrs. Dodsal on behalf of Messrs. Mannesmann were negotiating with Hindustan Steel Limited for the purchase of ingots for conversion in their factory in Germany into pipes and supply to Hindustan Steel Limited. While on the subject of selling ingots for finished steel, the Ministry asked Shri S. C. Mukherjee to indicate the categories and the quantities of finished steel which might be considered for import. In this context, Shri S. C. Mukherjee, in his D.O. letter No.C/23 (8)/59, dated 7th September, 1959 (Appendix XVII) furnished the required information, and sent a statement of the categories and quantities. In another connection, *viz.*, in the case of barter for the export of commodities listed in the proceedings of the 20th August, 1958, the State Trading Corporation desired to be informed of the categories and quantities of the finished steel which might be considered for import. The Ministry, therefore, asked the Steel Controller to indicate in general terms such categories and quantities which might be imported, and in pursuance of this direction, Shri B. B. Mukherjee, in his letter No. CP/152/STC, dated 17th February 1960 (Appendix XVIII) to State Trading Corporation (copy to the Ministry) furnished the required information. Shri Bhoothalingam, Shri A. S. Bam, and Shri S. C. Mukherjee were asked why they did not make use of those two lists for selecting the items to be imported under semis barter scheme and why they did not draw up a list of categories

and quantities of steel to be imported, which, they felt, were necessary for imports. They explained that while the categories mentioned in the two letters referred to above embraced all the items except for one or two which were allowed for import in the semis barter deals, it would not be right to say that the items mentioned in the lists attached to the two letters were all that were required to be imported, or that the imports under semis barter deals should have been restricted to those two lists. They also stated that all categories of steel, which were mentioned in the quota certificates were considered by them as being essential items, essential for the economy of the country. It was, therefore, explained that the number of such items would run into several thousands, and it would be an impossible task to draw up list of all such essential items. It was also pointed out by the Officers during the course of their examination, and in their written statements, that certain essential items would be scarce at one time and not equally so at another. In short, the situation was fluid during these years, and therefore, any attempt to draw up a list of items to be imported on the basis of their scarcity would only hold good for a short period. It was for these reasons that the Iron and Steel Controller did not think it possible or wise to draw up a list of essential items and indicate priorities. The Steel Controller, however, explained that since it was his office which was responsible for the issue of quota certificates and for planning the production by the steel factories, and for framing the import policy, he was fully in the picture of what should be allowed for import at any particular point of time, and that accordingly he only allowed those categories of steel which were in short supply.

3.14. Some questions were raised why stainless steel sheets were allowed for import under these barter deals. Shri Bhoothalingam explained that stainless steel sheets were in great demand by the utensil making industry, which was labour intensive and on that account State Governments were pressing for making the item available. He further explained that stainless steel is required for the manufacture of surgical instruments, hospital furniture and by some chemical industries. Considering all these aspects he felt that a small quantity could be allowed under barter scheme. We also find from the Ministry's file No. SC (B)/15 (139)/59, that the question of importing stainless steel was

specifically considered and a decision taken by the Ministry for the same reason as those quoted by Shri Bhoothalingam. The relevant extract of the note in the said file of the Ministry is at Appendix XIX.

3.15. Hence on the materials placed before it the Committee is unable to say that any non-essential item was imported.

3.16. **Whether Letter Order was intended to be a contract.**—The question has been raised whether it was the intention of the Ministry of the Iron and Steel Controller to enter into a contract in the case of these barterers. On a reading of the letter No. SC(B)-12/92/59 dated 14th January, 1960 (Appendix XV), we find that there is no mention of contracts having to be entered into. The letter states the Steel Controller, on receipt of the offers from the parties, was to decide the items of steel to be imported and their prices, and to get the concurrence of Hindustan Steel to the prices for the export items. Thereafter the Steel Controller was to close the deal. In what manner the deal was to be closed or what should be the form indicating and incorporating the closure of the deal has not been mentioned in the letter of 14th January 1960. During the course of examination, Shri Bhoothalingam explained that the question whether the Steel Controller would have to enter into a contract as a means or instrument of closing the deal did not occur to him, and, therefore, he did not examine it. He also added that if a contract had to be entered into, then the Steel Controller would have made a reference to the Ministry when this question might have been considered. He also stated that if the question was that a contract entered into in the case of the barter transactions would have enabled Government to take civil action for damages in the event of default by the party, then this was taken care of by obtaining a bank guarantee from the parties at the time of issue of the pre-import licences. In other cases not involving issue of pre-import licences, occasion for claiming damages would not arise.

3.17. Shri Bam and Shri Mukherjee, who were examined by the Committee on this question, stated that they followed the practice that was obtaining in the case of other barterers, viz., issue of letter orders approving barter transactions, and that they never thought a contract would be called for.

3.18. Whether Import Price in the Letter Order was a ceiling Price.—In the matter of the issue of import licences in the case of all other categories except the barter referred to in paragraph 2.8, the unit value of the imported commodity is fixed by the Steel Controller either with reference to the negotiations or tenders he had issued, for example, bulk purchases, accepted tenders, or on the basis of the proforma invoices furnished by the applicant in the case of actual users. In the case of barter, however, the issue of the import licences arises only after a barter proposal by the party has been approved. Such approval by the Steel Controller would necessarily have to mention the export price for the commodity to be exported and the prices at which the specified category of steel would be considered for import. The letter order, which is the form employed by the Steel Controller in the case of semis-barter, is in the nature of a letter of approval or a letter of intent, meaning thereby that, if the party were to negotiate with Hindustan Steel Limited and get their agreement to the supply of the quantity mentioned in the letter-order at approximately the price indicated therein and were in a position to arrange for the import of the specified categories, then, the Steel Controller would be in a position to entertain applications for the issue of import licences.

3.19. Hence, at the stage of the issue of the letter-order, the mention of the figures against import prices would only be an indication of the prices which would be acceptable to the Steel Controller at the time that the party makes its application for the import licence. The Steel Controller was, according to the semis barter policy letter of 14th January 1960 issued by Shri Bhoothalingam, required to fix the prices for the imports. In the absence of a proforma invoice of a particular supplier from abroad, the Steel Controller would have to rely on other information. On a reference by Shri S. C. Mukherjee (D.O. No. C/17(3)/59 dated 20th January, 1960 (Appendix XX) to Shri Ramathan, Deputy Secretary in the Ministry), the latter indicated vide his letter No. S.C.(B)-12(92)/59 dated 1st February 1960 (Appendix XXI) that the prices mentioned in the Metal Bulletins would be a safe guide for fixing the import prices. It was mentioned in the course of the evidence that the Steel Controller, who was at about the same time issuing import licences with reference to the bulk purchases and accepted tenders and actual users, would

have considerable information of the metal prices for specified categories. With all this information before him and with the knowledge of the Metal Bulletin prices, it would be possible for the Steel Controller to fix the prices while issuing the letter order. While on this subject, it would be advantageous to know in detail what exactly the Metal Bulletin is. From the information received by the Committee, both by way of references to the authorities concerned and the evidence tendered, it is found that the Metal Bulletin applicable to the U.K. and the Continent, is a journal published by the Metal Information Bureau Limited, London. It is a bi-weekly publication, and it contains information on a variety of subjects relating to the metal producing industry, including new processes etc., and advertisements by manufacturers of the categories and specifications of steel that they can supply and also about the ruling prices of steel, which is said to be based on the information gathered in the market. There is no knowing whether it is possible to get the categories of steel for which the prices have been mentioned at the same prices or whether it is not possible to get the categories at even lower prices. For all practical purposes, the prices in the Metal Bulletin are only indicative of the prices that are said to be ruling in respect of several categories of steel, and in a particular area of the world. In this particular case of the Metal Bulletin put out from London, it applies to the entire Continent. Steel is produced in most of the countries in Europe and it is but reasonable to expect wide variations in the terms of supply and the prices. Elements such as dates of delivery, specifications of the commodities, the then prevailing condition in the financial market, and probably many other factors would go in determining the price at which a particular manufacturer of steel would sell to a party in India. Similarly, a Metal Bulletin is issued in United States of America and Japan.

3.20. Audit objection regarding reliance on Metal Bulletin not pressed.—In this connection, it was noticed that in the year 1960, Director of Audit, Calcutta, had raised the question *inter alia* of the prices of imported steel fixed on the basis of the prices in the Metal Bulletin with the Iron and Steel Controller. The facts are that on 16th June 1960 the Iron and Steel Controller wrote to the Ministry of Iron and Steel stating that the Director of Audit had raised this question and that Secretary, who was in

Calcutta had expressed the view that the barter transactions were purely in the nature of commercial imports and, therefore, it was not a matter for Audit to comment. He also enclosed a draft reply to be sent to Audit in this behalf. This draft reply which was approved by the Ministry on 29th August 1960 and was sent to the Director of Audit stated ".....all the prices determined on the basis of every year's market price with special reference to Metal Bulletin price, this is done with a view to utilising the foreign exchange to the best advantage of the country so that relatively more steel can be imported against the exports made." On 25th May, 1961 the Deputy Director of Audit again wrote to the Iron and Steel Controller stating that "I would also like to point out that the prices mentioned in the Metal Bulletin are merely an indication of the range of prices and not necessarily the competitive prices on which contracts should be placed on barter basis or otherwise. The price/prices on which contracts for the import of steel were placed in the previous month are better indications of competitive range and should normally be adopted in barter deals. I would, therefore request you to consider the point and intimate your opinion in this regard". To this the Iron and Steel Controller sent a reply on 19th June, 1961 giving a number of reasons for not adopting accepted tender price in respect of barter transaction. Among the reasons mentioned were that:

- (a) tender prices were not usually available all the year round in respect of the categories to be imported against barter;
- (b) in a fluctuating market a tenderer might quote a particular price and by deferring shipment period fulfil the contractual obligation;
- (c) in barter deals a fair and uniform price was allowed for the same category of store and same shipment period to all barterers alike. Metal Bulletin reflects over-seas market faithfully and provides a consistent basis for the purpose of fixing a uniform price for each category.

A copy of this letter was also sent to the Ministry of Iron and Steel along with a copy of the letter dated 25th May, 1961 from Deputy Director of Audit. Thereafter there is no further correspondence to show that the Deputy Director

of Audit did not accept the contention of the Steel Controller.

3.21. Practice regarding issue of import licences in Chief Controller of Import and Export's Office.—Later in this Report, we have referred to several instances where the prices fixed by the Steel Controller in the letter order have been higher than the prices mentioned in the Metal Bulletin. We have also mentioned instances where the Customs Clearance Permits were issued for values higher than the import prices mentioned in the letter order. It would be pertinent to point out at this stage that from the information that has been gathered it is found that in the case of import licences issued by the Chief Controller of Imports and Exports in respect of commodities other than prime steel, the unit price is based on the proforma invoices submitted by an applicant and that no global tenders are called for each specific item sought for import and a comparison made thereafter before a decision is taken whether to accept the proforma invoice prices submitted by the applicant or not. The reasons for not doing so are quite obvious,—that the variety of commodities required to be exported by several lakhs of applicants vary largely in the matter of quality, specifications, the end-purpose to which the material can be put to use, etc. It is also true that for many of the commodities the floating of global tenders would produce no response whatsoever unless it be that the purchase is of a sizeable quantity and value. Lastly, the machinery of Government is not such as can afford to call for tenders for these lakhs of commodities, analyse them and be in a position to stipulate that for the end purpose for which the material is sought to be imported by the applicant, a particular suppliers material and price is the most acceptable. Knowing that the foreign exchange allocated for each sector of industry is far below its requirements and that depending on the priority of the end product produced by the individual applicant falling within a sector the quantum of foreign exchange for a particular unit would be decided, it is to be expected that the applicant must in his own interest, try to get the material suitable for his purpose at the most competitive prices. Considering all these circumstances, as has been said earlier, the system of import licensing in the office of the Chief Controller of Import and Export is to accept such unit prices as are indicated in the proforma invoices unless of course the sponsoring technical

authority has some comments to offer. The goods, when they arrive, are inspected by the Customs Authorities to ensure that they are the same which have been licensed for import and they tally with reference to the invoices furnished by the party to verify for their own purpose whether the prices quoted therein are reasonable or not. If such price is unreasonably high or low, they bring it to the notice of the licensing authority who would take action, if necessary. The Committee have not come across any instance where the Customs Authorities, in the case of the imports under the semis barter deals, reported that the value of the imports was unduly high.

3.22. Selection of items for Import.—Shri Jagannathan, in his note of 24th December, 1959 in File No. SC(B)-12/92/59 (Appendix XIV) had *inter alia* noted as follows:

“If some flexibility is possible as to the items which are to be obtained by import on a barter basis, after considering the specific barter offers received, selection could also be made to authorise import of those items which are more advantageously available by barter, leaving other items to be purchased on cash licence basis”.

What Shri Jagannathan meant by this note was clarified by him when he appeared before the Committee. His point was that if under barter the import price as from U.K. was substantially higher than that for the same commodity if purchased on cash licence, and on the other hand, the import price under barter from U.S.A. was only slightly higher than for cash import, then it would obviously be more advantageous to import such commodity from the U.S.A. and use the cash licence for import of other commodities from the U.K. or even the same commodity if required in larger quantity from U.K. under cash licence. He never for a moment thought that it would be possible to import any category of steel under barter at prices no costlier than against cash licence. It was obvious to him that it would be impossible to get imports against barter at prices lower than against cash licence.

3.23. Shri Bhoothalingam, in letter No. SC(B)-12/92/59 dated 14th January, 1960 (Appendix XV) translated this suggestion of Shri Jagannathan as follows:—

“They (Ministry of Finance) have desired that in arranging barter, care should be taken to ensure

that the categories arranged for import are not those which are available at lower prices against cash licences.”

This did not truly convey the idea of Shri S. Jagannathan. On the other hand, the proposal was something which could not be fulfilled. It is for this reason that Shri S. C. Mukherjee raised this point in his letter No. C/17(3)/59 dated 20th January, 1960 (Appendix XX) to Shri Ramannathan, who in his reply (Appendix XXI) agreed that there should be no restriction on the categories except that they should be essential for the economy of the country, and that as far as the price was concerned, he (Shri S. C. Mukherjee) may take the Metal Bulletin as a safe guide.

3.24. Considering the above circumstances, it would appear that the import prices as fixed by the Steel Controller in the Letter Order were no more than an indication of the prices at which imports could be accepted by him and that the categories to be allowed were not to be circumscribed by the restrictions contained in the letter of Shri Bhoothalingam and that the prices had to be with reference to the Metal Bulletin.

3.25. **Whether semis barter scheme was confined to a few select firms.**—Shri S. Bhoothalingam in his letter No. SC (B)-12/92/59 dated 14th January, 1960 (Appendix XV) to Shri A. S. Bam, which contained the barter policy stated as follows:

“I think you could also indicate to a few select firms the procedure outlined above.”

This sentence was likely to convey the impression that Shri Bhoothalingam was probably confining the entire scheme to just a few firms. He was, therefore, specifically asked why no Public Notice was put out and why he said that only a few select firms be informed of the procedure? Shri Bhoothalingam clarified that he had used the word “also” which meant that he did not want to rule out any other manner of publicity, normally resorted to by the Steel Controller, in matters of policy affecting trade and industry. He also pointed out that he did not use the word “only” in the context of few select firms but said “also indicate to a few select firms”. He was quite emphatic that his intention was not to restrict any advantage that might accrue

from his barter scheme to only a few firms. Shri V. Subramaniam who was Officer on Special Duty in the Hindustan Steel Limited while giving evidence before the Committee stated that Hindustan Steel Limited had on 22nd November 1959, put out an advertisement (Appendix XXII) indicating availability of semis and inviting offers. The fact also remained that the Hindustan Steel Ltd. towards the end of 1959 negotiated barter deals among others with M/s Mannasmann and Stewart and Lloyds for the sale of ingots and slabs and for the import of pipes. As has been mentioned earlier, there was negotiation for barter between Messrs Amin Chand Payare Lal, Messrs. V. D. Swami, Messrs. Mahindra and Mahindra and Vijay Trading Corporation on the one hand and Hindustan Steel Limited on the other. Some of these parties were also in correspondence with the Iron & Steel Controller and with the Ministry of Iron and Steel. Shri Bhoothalingam during the course of his evidence also stated that the barter scheme was very much in the air and the leading parties in the steel trade were aware of it. The Committee has no reason to reject this statement of Shri Bhoothalingam. The Committee thinks it right to add that the number of offers received which are later referred to tend to support this.

3.26. Shri V. Subramaniam was asked what would be the economic size of export which Hindustan Steel Limited would be prepared to consider and he said it would be of the order of 10,000 tonnes of semis which would be approximately of the value of Rs. 20,00,000 in the case of ingots. His view was also that not all in the steel trade could handle deals of this size. His view was that about 25 firms could handle these. The same opinion was expressed by Shri Bhoothalingam, Shri A. S. Bam, Shri S. C. Mukherjee and Shri N. C. Deb. Another aspect which was brought to our notice by Shri Bhoothalingam during the course of his evidence was that export was itself a difficult proposition; that semis were being sought to be exported for the first time, as there was no international market for semis as compared to finished steel, and that, faced with the problem of surplus semis in the Hindustan Steel Limited which required early disposal, they were anxious to see that firms who could handle such deals were kept informed. In this connection it may be worthwhile to refer to the recommendations of the Committee on Selectivity headed by Shri Ramaswami Mudliar, wherein they had stated that export is a very sensitive trade and that it should not be

left open to everyone to enter the trade for the danger was that for short term benefits the trade was likely to indulge in promises which could not be fulfilled or in practices which were detrimental in the long run. Therefore, exporters should be screened before they are allowed to participate.

3.27 Shri A. S. Bam, who was asked about the action taken with reference to the suggestion of Shri Bhoothalingam in his letter of 14th January, 1960 (Appendix XV), stated that the steel trade was fully aware of this barter scheme and that he did not take any special action to indicate it to a few select firms. As a matter of fact, he mentioned that all reasonable barter proposals were approved. A statement of all the firms that submitted barter proposals before 31st May 1960 and the action taken by the Iron and Steel Controller is at Appendix XXIII. From this statement, it will appear that as many as 29 parties submitted barter proposals before 31st May 1960, of which 16 proposals submitted by 12 parties covering a total quantity of 3,90,500 tonnes, were approved by the Iron and Steel Controller. A copy of the letter-order approving the barter deal in each case was endorsed to the Ministry of Iron and Steel. As Shri Bhoothalingam felt that there might be a danger of Hindustan Steel Limited and the Steel Controller getting themselves tied up with the deals which might be speculative, he, in his letter No. SC(C)-5(12)/60, dated 24th February, 1960, at Appendix XXIV wrote to Shri Bam expressing his fears. Shri Bam replied in his letter dated 26th February 1960, at Appendix XXV, confirming that a meeting had been held on 23rd February 1960 (Proceedings at Appendix XXVI) with the Plant Managers of Hindustan Steel Ltd., where an assessment of the likely production and surpluses had been made, and that it was on this basis that the final contracts between the parties and Hindustan Steel Limited would be entered into and there would be no difficulty in reducing the quantities and the number of parties under the barter deals as no final contracts with Hindustan Steel Limited till then had been concluded.

3.28. As mentioned above, the quantity approved by the Iron and Steel Controller was 3.90 lakh tonnes against the ceiling of 2 lakh tonnes of semis and 50,000 tonnes of billets laid down by the Ministry. The reason why the ceiling was exceeded at the time of approving barter proposals was due

to a feeling that export of semis was likely to be quite difficult and posed a lot of problems, and that ultimately at the time of entering into contracts with Hindustan Steel Ltd., the quantity allowed for export could be limited to the ceiling stipulated by the Ministry. In actual fact, eventually only about 1.34 lakh tonnes of semis could be contracted for export, which confirms the view that barter schemes were not confined or circumscribed by the Ministry of Iron and Steel or the Steel Controller to only a few parties.

3.29. It will be seen from the statement at Appendix XXIII, that the Iron and Steel Controller rejected barter proposals for the following reasons:—

- (1) Hindustan Steel Limited indicated to the Iron and Steel Controller that they were having difficulties in executing contracts already entered into, and therefore, would not like to enter into more commitments;
- (2) the parties could not agree upon the items selected by the Iron and Steel Controller for the purpose of import;
- (3) a party came to adverse notice in regard to the Iron and Steel Control Order, and therefore, had been debarred temporarily; and
- (4) due to lack of interest on the part of the parties to follow up with Iron and Steel Controller.

Similarly, the reasons as to why some of the approved barter proposals did not culminate in contracts with Hindustan Steel Limited would appear to be the following:—

- (1) The party could not come to an agreement with Hindustan Steel Limited regarding specifications in good time;
- (2) the party did not take any action after the barter approvals had been given due probably to the fact that they either felt that it involved too much risk or else they did not have sufficient contacts with foreign buyers to obtain orders from abroad; and
- (3) because foreign buyers insisted on supply by a particular date, which could not be fulfilled by Hindustan Steel Limited.

3.20. Therefore, the facts would appear to be that although the letter of 14th January, 1960 (Appendix XV), had placed a ceiling of 2 lakh tonnes of ingots and slabs and 50,000 tonnes of billets, no genuine party, who was interested in participating in the barter scheme, was kept out of it merely because the ceiling placed on the barter scheme had been earlier reached, leaving no scope for others. Hence, it would appear that the likely criticism that Shri Bhoothalingam confined the advantages of the barter scheme to a few selected firms is ill-founded and that in actual fact all the proposals of the parties interested in the scheme were considered.

3.31. **Availability of surplus semis for export.**—Shri Bhoothalingam in the said letter of 14th January 1960 had stated as follows:

“It is important that in view of the large surpluses of ingots and slabs we might have in 1960, offers are handled in a business-like way. It should be possible to close deals within a week of the receipt of an offer.”

Questioned were asked if the view held by him that large surpluses of ingots and slabs would arise in 1960 was justified? Shri Bhoothalingam pointed out that he used the words “we might have in 1960” and not that the surpluses had indeed come into existence before 14th January 1960. He also stated that he based his estimates on Shri Pande’s letter of 28th August, 1959 (Appendix VIII) and his general knowledge that production of semis was going on and would increase further while the prospects of using these semis for manufacturing finished steel products was still very distant. The Ministry were also receiving periodical returns regarding stock position, production etc. from Hindustan Steel Limited. It was also a fact that the ingots and slabs mills were producing semis continually. The question was asked subsequently whether this estimate of large surpluses was indeed borne out by subsequent events. The proceedings of the meeting on 23rd February 1960 (Appendix XXVII) where plant managers were present and the Steel Controller Shri Bam presided, was referred to to show that perhaps in the first quarter of 1960 there were apparently no surpluses. It was clarified by Shri Bam, Shri Bhoothalingam and Shri Mukherjee that the first quarter referred to in the proceedings referred to

the calendar year 1960 and not to the financial year 1960-61. Shri V. Subramaniam referred to the statement (Appendix XXVIII) of production, consumption and surpluses furnished to the Committee by the Hindustan Steel Limited for the period in question and showed how the surpluses were in existence and kept increasing throughout the year 1960. Hence this Committee is of the view that the production of semis being a continuous one and the production having commenced from about middle of 1959, it could be reasonably expected that there would be large quantities which would require disposal, and hence the barter scheme as envisaged in the letter of 14th January 1960 could be said to have been reasonably conceived.

3.32. Quick disposal of barter offers by Iron and Steel Controller.—The handling of the barter offers in a business-like way and closing the deals within a week of the receipt of the offers is a point which has been criticised on the ground that not much scope was given to other firms to participate in the scheme and that the Steel Controller was being rushed. Shri Bhoothalingam explained that his intention in writing in that manner was only to impress on the Iron and Steel Controller the necessity for taking immediate action at every stage so that the semis were exported quickly and in lieu imports took place. Knowing the usual office routine he felt that unless he pointedly mentioned that the offers should be handled in a business-like way and the deals closed within a week, it was likely that these proposals would drag on for several months. Knowing also that the exports depended on the negotiations resulting in a contract with Hindustan Steel Limited, planning the production, awaiting delivery, finding buyers abroad and shipping them, all of which would take a considerable time, he felt that unless these barter approvals are given quickly, the whole scheme would be delayed. He also emphasized that what he meant by "close deals" was that the Steel Controller should on receipt of an offer to export semis, quickly select the categories of steel which could be allowed for import, indicate the prices at which they would be accepted and issue a letter of approval in the shape of Letter Order. It would be the green signal for the party to go ahead and negotiate with Hindustan Steel Limited, and take all further steps towards the actual export. Shri Bhoothalingam felt that with all the information that the Steel Controller possessed it would be possible for him

to determine, as soon as a barter proposal is received, the categories of steel that would be essential for import and with reference to the Metal Bulletin and other information relating to accepted tenders determine the import prices. That is why he said it should be possible to close deals within a week of the receipt of an offer. At the same time he also explained that while he expressed the possibility of disposal within a week it was not a mandatory order. Shri Bam also explained that these words of Shri Bhoothalingam in the letter of 14th January 1960, apart from the discussions he had with him did convey to him a sense of urgency and that is why his office dealt with these barter offers in a business-like way. Shri Bam stated that the closing of deals only meant the issue of Letter Orders which were in the nature of letters of approval or intent.

3.33. Reasons for not adopting the tender method.—In connection with the barter scheme the question was raised as to why tenders were not called for. In the proceedings drawn up at the meeting of the Plant Managers with Shri Bam on 23rd February, 1960, mention was made about barter tenders. Shri Bam in his D.O. letter No. C/3/59, dated the 26th February, 1960 (Appendix XXV) had stated that he was awaiting instructions of the Ministry about tendering. Hence, the Committee examined the records and also examined witnesses. In the case of barter involving the export of pig iron, the question was considered as to the method to be employed for putting through the scheme. On 17th September, 1958, in file No. SC(B)-12(20)/58 (Appendix XXVIII) Shri Ramanathan noted that, while he had asked the Steel Controller to issue a tender for the sale for export of 20,000 tonnes of pig iron, the Secretary (Shri Bhoothalingam) had spoken to him and had directed him to withhold the issue of the tender for some time and, instead, to obtain offers by negotiation from parties, as he felt that, thereby, more attractive prices for pig iron might be offered. This note was submitted to Secretary (Shri Bhoothalingam), who discussed it with Minister (Shri Swaran Singh) and recorded, that, they (Secretary and Minister) had, considered the pros and cons of a public tender and had come to the view that the sale of pig iron on a straightforward basis might only fetch low prices, whereas, if they were to sell pig iron in exchange for specified categories of steel, they would get better terms. For this purpose that is the exchange of pig iron for steel, which

is barter, they felt that the normal method of open tender was not very suitable. It was, therefore, decided that the Iron and Steel Controller might write to 10 or 12 firms, calling for their offers by a specified date, for sale (of pig iron) on a straightforward basis or in exchange for steel. Their view was that, after getting these offers, if they were not found satisfactory, then they could resort to tender for further purchase if the nature of the offers indicate that tenders would yield better terms. The note at Appendix XXVIII was submitted to the Minister, who approved of it on 4th October, 1958. The note submitted to the Minister on 4th October, 1958 indicates that the Minister desired that the Iron and Steel Controller should be consulted before the decision was implemented. The Iron and Steel Controller was in agreement with the views expressed by the Secretary and he was, therefore, asked to proceed with a limited inquiry. Hence the pig iron barter was implemented not by open tenders but by negotiations.

3.34. The question of adopting the tender method in the case of barter was also considered in another file No. SC(B)-18(1)/60 where the complaint (Appendix XXIX) by the Iron, Steel and Hardware Merchant's Chamber of India, Bombay was considered. At that stage, in that file, Shri C. A. Nair noted (Appendix XXX) on 5th February 1960 that difficulty in making allocations to quota holders was being experienced because the landed cost of imports under barter, was sometimes higher than the Col. I rates and, therefore, allottees were reluctant to lift the goods. He felt that, if the barter imports were also subsidised out of the Equalisation Fund, then there would be no resistance from the allottees, but the condition precedent to the utilisation of the Equalisation Fund for subsidising imports was that such imports should be made on the basis of tender. Hence, Shri Nair and Shri Ramanathan suggested that they might go in for the method of tender in finalising barter proposals. While examining this question in that context, it was found that there would be difficulties in tying up exports with imports for taking a decision on the tenders received and, after discussion, Secretary (Shri Bhoothalingam) recorded on 12th March 1960 that the tender method would not be practicable in the case of barter.

3.35. The same decision is also found in the letter dated 26th April, 1960 (Appendix XXXI) of Shri S. C. Mukherjee-

in file No. C/3/59 where he states that he discussed this question with the Secretary (Shri Bhoothalingam) who felt that the tender method would not work in semis barter. Shri Bhoothalingam was, therefore, asked to explain the difficulties he had visualised in inviting tenders. His explanation, both written and oral, has been considered by the Committee. The items that were allowed for import under the semis barter were those which were essential for the economy of the country. During their examination, Shri Bhoothalingam, Shri Bam and Shri Mukherjee stated that all items covered by quota certificates were considered by them as items essential for the economy of the country. They also explained that these items consist of a large number of sizes and specifications even under the various general heads like plates, wires, sheets, etc. In a tender mentioned has to be made of the particular item, the size and the specification which is to be imported. In the case of semis barter, if the tender method was employed, then the question would arise which is the item which should be mentioned as the item to be imported. According to the intention of the Ministry, every item finding a place in a quota certificate would qualify for being an item on the tender. But this would make things impossible. Hence the question would arise whether there could be some criteria by which a selection can be made of the items covered by quota certificates. This could perhaps have been done if the Steel Controller, apart from the sponsoring authorities, was himself aware of the uses to which the items mentioned in quota certificates would be put. The Steel Controller might have had some knowledge in general of the end uses to which steel sheets as plates, sheets or rounds are put but to make a priority list with reference to specifications and sizes of these categories of steel would not have been feasible. Hence there was no register of priorities and there were no criteria with reference to which to select items for inviting tenders and even the selection of a few items for mentioning in the tender would become impossible. Going one step further, even if such selection was ultimately possible in the event of the Steel Controller being able to draw up that list with reference to the priority, there is still another difficulty which deserves to be mentioned. It is a fact that the number of parties capable of putting through barter transactions in India was limited to say, about 25. Not everyone of these parties would have contact with manufacturers of the very items

which are mentioned in a tender. The result, therefore, would be that even of the limited number of parties who could participate the number would be further reduced making the floating of a tender more or less applicable to a particular party who alone would be in a position to supply. While this is the difficulty in so far as the import arm of a tender is concerned, the other difficulty in so far as exports were concerned, according to Shri Bhoothalingam, was that the Hindustan Steel Limited as the suppliers of the semis would quite naturally press for the acceptance of that offer of a party where export price was the highest irrespective of the corresponding price for item to be imported. His point, therefore, was that since the element of competition is what is sought to be obtained by floating tenders, the same element could be brought into existence by negotiating with several parties capable of handling these big deals at about the same time keeping in view the ruling prices for the import commodities and as a sequel keeping the price of the export commodity realistic.

3.36. Shri Bam was also of the view that the tender method was not practical in the case of barter because it was difficult to tie up the imports with exports. Similar views were expressed both by Shri Jagannathan and Shri Wanchoo.

3.37. Considering the above facts, the Committee is not inclined to hold that the omission to adopt the tender method for the barter scheme was an irregularity. The Committee does not think that the reasons on which the decision not to follow the tender method was based were wholly ill-founded.

3.38: **Scope for Malpractices.**—It has been said that barter lent scope to malpractices. This has been mentioned in general by Shri Bhoothalingam, Shri C. Subramaniam (Minister), Shri V. Subramaniam and Shri H. R. S. Rao. It was stated that since exports are tied with imports and the exportable commodities like slabs and ingots are difficult items to sell, there is a possibility of manipulation of the prices offered for commodities to be exported and imported. It was explained by Shri Bhoothalingam that it was because of his awareness of this possibility that, while setting out the procedure for barter deals, he insisted on the prices of imports being fixed at a reasonable level by

the Iron and Steel Controller in the first instance, thereby making it less probable that the bartering parties would enter into commitments as regards export prices which involve them in a loss. Since the Government were aware of the risk involved, they tried to reduce and minimise its incidence by seeing that import prices were fixed reasonably. Notwithstanding the risk involved, the barter scheme had to be accepted in view of the scarcity of free foreign exchange resources to meet the requirements of essential imports. The statement at Appendix XXXII shows the export prices which were offered in these barter proposals. From this it will be seen that contrary to general impressions, in the case of semis barter the export prices were in all generally no more than 12 per cent higher and in 70 per cent of the cases no more than 5 per cent higher than the cash prices. The international ruling prices of semis are not quoted in the Metal Bulletin; but international ruling prices are indeed the prices at which goods can be obtained for cash. Hence any sale or contract for export by Hindustan Steel Limited on a cash basis can be taken as the international price. Therefore, it can be said the prices offered for the semis under barter are only slightly higher than the international prices. The marginally higher price in exports can be explained by the fact that a barterer can obtain a slightly higher price for his exports so long as he commits himself to buy the imported commodities under normal trade conditions. Thus there would seem to be a justification for Sri Bhoothalingam's statement that this method minimised the risk of the prices of the exported commodities being inflated and, therefore, the method afforded reasonable scope to the barterers to export at the contracted price without incurring a loss and thus he reduced to the maximum extent the inducement for anyone having to resort to malpractices. It will be seen from a statement of the prices at which they were sold to buyers abroad (Appendix XXXIII), that except in one case of Messrs. Amin Chand Payare Lal these sale prices were identical with the prices at which the purchases were made. In the case of Messrs. Amin Chand Payare Lal, where there is a slight difference in the prices, the difference was made good by the agent of the buyer abroad. It would, therefore, appear that in these barter deals the parties did not in fact offer any unreasonably higher price for the semis and did not suffer any loss in exporting the same. It may be that in

spite of all the steps taken there were certain amount of malpractices of which, of course, we have had no evidence but as Shri C. Subramaniam, the Minister and some of the higher officials stated before the Committee that human element being there the risk of malpractices cannot be over ruled.

3.39. Extra care in dealing with firms blacklisted earlier.—The Committee have noticed that there are six firms who participated in the semis barter scheme. Of these, three namely, Messrs. Apeejay, Messrs. Surrendra Overseas, Messrs. Amin Chand Payare Lal, belong to one group and we find that they had been blacklisted during the period 1955 to 1957. An observation is alleged to have been made that since these parties had come to adverse notice earlier, extra care should have been taken in dealing with them. The semis barter scheme came into force much after 1957. As a matter of fact these parties had submitted proposals for the barter of mica, manganese ore, etc. to the State Trading Corporation in 1959 and had obtained approvals and had executed them as would be seen from the statement at Appendix XII. They had also availed of the provisions to pre-import and in these cases too they had not defaulted. We examined the particular cases relating to these three parties and we find that nothing out of the way had been done by the Steel Controller for these parties and that what was applicable to everyone in terms of the policy letters of 14th January, 1960 (Appendix XV) and 2nd February 1960 (Appendix XXXIV) was applied to them. The Committee, therefore, cannot conceive of what further care the Steel Controller could have been expected to take in dealing with these parties.

3.40. Share of Amin Chand Payare Lal Group in the Steel barter trade.—An impression seems to have been created that prior to the working of the semis barter scheme, the share of the total imports handled by the Amin Chand Payare Lal Group was something negligible, about 9 per cent. However, it appears that in respect of the barterers approved by the Iron and Steel Controller in 1959, the share of Messrs. Metal Imports and Messrs. Apeejay, both belonging to the Amin Chand Payare Lal Group, was approximately 50 per cent in the total import and export (Rs. 50.25 lakhs out of Rs. 98.65 lakhs in imports and Rs. 54.64 lakhs out of Rs. 105 lakhs in exports). If, however, the share of Messrs. Apeejay alone is taken into

account, it would come to approximately 15 per cent in imports and 17 per cent in exports, and not 9 per cent. From the statement of the barterers approved by the Steel Controller under the semis barter scheme (Appendix XXXV) it is seen that the Amin Chand Payare Lal Group imported approximately 67 per cent out of the total imports under that scheme; while their share of exports as contracted for was approximately 65 per cent, and their share of actual exports was approximately 90 per cent. Hence, the earlier impression that the share of the import trade of Amin Chand Payare Lal Group in 1959 was negligible and that it shot up in 1960 would appear to be incorrect. We also find from the statement of all import licences issued to the Amin Chand Payare Lal Group at Appendix XXXVI from the year 1956-57, that they handled several crores of rupees of imports and would appear to be quite a prominent firm in the steel trade right through the years 1957 to 1962. The Officers—who appeared before the Committee, also stated that the Amin Chand Payare Lal Group was one of the leading firms in the Steel business.

CHAPTER IV

POLICY REGARDING PRE-IMPORTS

4.1. **History of pre-imports.**—In the earlier chapter we have referred to the fact that the main objective of the barter was the import of steel as was decided upon at the meeting held on the 20th of August, 1958. In the Ministry's F. No. SC(B)15(70)/59, it is observed that M/s. V. D. Swami & Company had been approved for putting through a barter transaction for the import of sheets in exchange for export of ferrous-scrap. The value was approximately Rs. 17.3 lakhs. Shri G. Ramanathan, the Deputy Secretary, noted in that file that since the sheets were needed badly and since the party was willing to give a Bank Guarantee to fulfil the condition of export the import may be allowed in advance of the earning of foreign exchange. The party was willing to give a Bank Guarantee equivalent to 15 per cent of the value of scrap. Shri G. Ramanathan proposed that the Bank Guarantee may be for 20 per cent of the value of the deal. The Ministry of Finance agreed to the pre-import in this deal as a special case (Note at Appendix XXXVII). While communicating the final decision of Government *vide* his letter No. SC(B)15(79)/59, dated 20th May 1959, Shri G. Ramanathan took it as a policy decision applicable to all scrap barter deals (Appendix XXXVIII). Hence it would appear that where the exports were likely to take some time and since steel was urgently required, the Government thought it fit to allow pre-imports in the case of scrap barter. A similar policy was followed in the case of the semis barter as will be seen from the succeeding paragraphs.

4.2. The question of pre-import of finished steel in the case of semis barter was examined for the first time in Shri G. Ramanathan's note dated 18th January 1960 in file No. SC(B)/23(5)/60. A full extract of the noting is at Appendix XXXIX. This note was recorded after a discussion with the Secretary who had generally approved the approach.

4.3. According to this note of Shri Ramanathan, he felt that, while in the case of barter entered into previously, the procedure was to issue import licences after the foreign exchange was earned by export, in future, the procedure would require a change for the following reasons:—

- (i) The barter were for very large values; the size of the export commodity, both in quantity and value, was large; and the deliveries could only be made over a period of time;
- (ii) If import licences were to be issued for finished steel only after the earning of the foreign exchange by way of exports against the barter, there would be considerable delay in the importation;
- (iii) When these goods are imported, the pressing needs, for which the import licences had been issued, may not be so acute; on the other hand, imports may even come after the production in the steel factories in India have commenced.

He, therefore, felt that a new procedure should be formulated, so that the steel can be obtained quickly, allowing exports to follow and that what was necessary to ensure was that exports equivalent to the value of imports should take place. For ensuring this, he said that, since it may not be possible to get an irrevocable letter of credit in all cases, as these letters of credit were normally open only a week or so before the goods are shipped, the only alternative could be the getting of a bank guarantee from the barterer equivalent to the value of 15% of the deal, forfeitable to Government if the party did not export the sum according to the agreed schedule of exports. Such bank guarantee could also be released after the entire contracted quantity was exported. He also stated that it may be made clear to the firms (barterers furnishing the bank guarantee) that, in case they failed, the Steel Controller would have no further dealings with them. Shri Ramanathan, therefore, proposed to inform the Controller that, in the case of barter deals, the Steel Controller might, if delay was anticipated in exports, issue the import licences for steel—

- (a) as soon as Hindustan Steel Ltd., certify that they have received an irrevocable letter of credit.

assigned in their favour for the value of the entire export quantity; or

- (b) as soon as the firm (barterer) furnishes a bank guarantee equivalent to 15% of the value of the import licence applied for (but not exceeding the f.o.b. value of the contract between the Hindustan Steel Limited and the importer), the guarantee will be forfeitable in case of failure to earn the foreign exchange and will be releasable on actual export.

Shri Ramanathan also consulted Shri Jagannathan, Additional Secretary, Ministry of Finance (Economic Affairs Department), who appears to have agreed that they could go forward on that basis.

4.4. Although Shri G. Ramanathan proposed that the orders might issue on the basis of his note and that a copy of the note and of the letter be sent to Shri Jagannathan, Shri Bhoothalingam referred it to the Assistant Financial Adviser attached to the Ministry of Iron and Steel, who in turn, referred it to the Additional Secretary, Economic Affairs Department (Shri Jagannathan). On 24th January, 1960, Shri Jagannathan noted on the file as follows:—

“Please see and keep copies and return to F.A. (Iron and Steel), assuming we have no comments”;

and he marked the file to Deputy Secretary, Shri Y. T. Shah. Shri Y. T. Shah noted as follows:—

“I understand from Shri G. Ramanathan that, even though import of steel may precede the actual export of iron and steel, there would be a firm contract for export, which would be a condition precedent, apart from other conditions mentioned in Shri Ramanathan's note, before any import licence is granted. I have mentioned this to Additional Secretary (Shri Jagannathan) and we have no other comments”;

and returned the file to Shri Ramanathan.

4.5. **Procedure regarding issue of pre-import licences laid down.**—Shri Ramanathan ordered the issue of the instructions to the Iron & Steel Controller on 1st February, 1960. The orders were drafted by Shri C. A. Nair, seen by Assistant Financial Adviser on 2nd February, 1960, and

were issued in the shape of an official letter from Shri C. A. Nair, Officer on Special Duty, to the Iron and Steel Controller, *vide* letter No. SC (B)/5 (5)/60, dated 2nd February, 1960 (Appendix XXXIV).

4.6. On a reading of the letter of 2nd February, 1960, from Shri C. A. Nair to the Iron and Steel Controller, it will be observed that all the points referred to above, which were contained in the notes of Shri Ramanathan and Shri Y. T. Shah of the Ministry of Finance, were covered, and that the only addition was the words "whatever be the reason therefor", appearing in the last but one paragraph. We shall refer to this particular aspect later in this Chapter. Let us now turn to the reasons made out by the Ministry of Iron and Steel and agreed to by Finance leading up to the issue of the letter of 2nd February, 1960 and see whether there was indeed justification for allowing pre-import.

4.7. **Economic size of the deals.**—It has been stated that in semis barter the size of the export commodity is large and deliveries can be made only over a period of time. Questions were put to Shri V. Subramanian, then Officer on Special Duty in Hindustan Steel Limited, as to what he considered as an economic size of the offer which Hindustan Steel would consider reasonable, for acceptance and for delivery. His view, as mentioned earlier in this Report, was that the quantity would be approximately 10,000 tons, and of the value, approximately of Rs. 20,00,000. Hence, it can be conceded that the size of the export commodity was indeed large, as noted by Shri G. Ramanathan. In actual fact, the barter deals which had been approved and which were mentioned in the note of Shri Ramanathan were for quantities over and above 20,000 tons. On an examination of 10 export contracts involved in the semis barter deals the Committee found the value of commodity to be exported to be well over 20 lakhs in all cases except in two special cases where it was less than 10 lakhs. Four of the export contracts were of the value ranging between 80 lakhs and a crore. In so far as deliveries were concerned, Shri V. Subramanian and Shri N. C. Deb, in the course of their examination, stated that, based on the specific contracts entered into with parties who had obtained barter approvals, the production had to be planned and estimated date of deliveries to be given. It was not as though the production in the steel factories would go on

in the same way, irrespective of whether there were orders or not. With the formulation of the barter policy, as enunciated in the letter of Shri Bhoothalingam, dated 14-1-60 and since Hindustan Steel Limited (whose headquarters were in Delhi and who were in constant touch with the Ministry of Iron and Steel) were aware of the formulation of the barter policy, they envisaged that the production in the steel factories would also have to be in conformity with orders placed by barterers. The proceedings of the meeting held on 23-2-1960 (Appendix XXVI) would go to show that the quantity earmarked for barter would be available from Hindustan Steel Limited in instalments spread over a year. The production and delivery of large quantities, for which orders had been received from various barterers, had to be spread over a period of time, and, as could be observed from the contracts entered into, the deliveries were expected to be by instalments continuing upto the end of 1960. The actual fact, however, is that even these dates could not be adhered to and extensions were obtained by Hindustan Steel Limited. Hence, it was a correct estimate of Shri Ramanathan that, the export commodity being large, the delivery of steel from factory would take some time, and, therefore, if the import licences were to be issued only after the deliveries were made and goods exported and the foreign exchange earned, there would be considerable delay before the steel required for the pressing needs could be expected. The Ministry of Iron and Steel were apparently of the opinion that the imports were urgently required to maintain the economy of the country. The Committee has not come across any material to show that this opinion was not justified.

4.8. Shri Ramanathan had stated that the steel to be imported against these barter deals, if it came under the normal procedure, *viz.*, after the earning of foreign exchange by way of exports, would really come "after our steel plants have started producing the same category" The question was asked of Shri Bhoothalingam whether the Ministry were of the opinion that the categories of steel sought to be imported would all really be produced indigenously in about a year's time and that the entire requirements of the country of such categories could be met by the indigenous steel factories. Shri Bhoothalingam explained that the total unsatisfied demand was very large

and that, in that context, the decision to allow the categories for import was only with reference to those categories which were in acute scarcity. He went on to explain that it is not as though that, while certain categories of steel which were sought to be imported were likely to be manufactured by our steel factories, the indigenous production of such categories would be of a volume capable of meeting the overall demand for such categories. He said that considering the large demands, even if the steel factories did produce the categories which were likely to be imported, they would only go to meet a portion of the demand and so what was really meant by Shri G. Ramanathan's note was that the pressure on certain categories would be reduced when the indigenous production of such categories of steel commenced. It was only a question of assessing which categories were comparatively in greater shortage than the others. The question of shortage of scarcity applied to a very large number of categories. According to him the notes in the file should be read as though the steel Ministry expected that the categories of steel to be imported under barter would not, during the course of the year 1960, be produced in adequate quantities to meet all the demands. This noting does not really affect the question for the real thing was whether there was urgent need for imports to justify pre-import and that reason has been clearly stated by Shri Ramanathan.

4.9. Delay in exports not separately examined in each case.—In paragraph 2 of the said letter of 2-2-1960, it was stated that the Iron and Steel Controller might, if he was satisfied that there would be delay in exports, follow the procedure indicated for pre-imports. There is nothing in any of the files of the Iron and Steel Controller dealing with cases where pre-imports were allowed to show that the Steel Controller did examine the position in regard to exports and that he came to the conclusion that there would be delay. During the course of examination, Shri Bhoothalingam was asked if he expected the Iron and Steel Controller to go into this question of delay in exports. He said that the Iron and Steel Controller, being not only a licensing authority but also in overall charge and control of distribution of both indigenous and imported iron and steel, was certainly in a position to estimate whether there would be delay in exports or not. Shri A. S. Bam (Iron and Steel Controller) and Shri S. C. Mukherjee (Deputy

Iron and Steel Controller), who were also questioned on this point, reiterated the above facts. They stated that it was true they had not recorded in writing the figures of production of the commodities for export by the steel factories or that there would be delay. They have, however, stated that as they were intimately connected with the planning of production by the steel factories, they were fully in the picture regarding the quantities of semis that were being produced by the steel factories; they were also aware of the quantities that were to be exported by the barterers under the Letter Orders. Hence they had no difficulty in assessing, whether there would be delay in the exports of semis. In the Raj Committee report on Steel Control, October, 1963, it has been stated at page 8:

“The Role of the Iron and Steel Controller.—The administration of the control system is centralized in the office of the Iron and Steel Controller. All indents for steel, whether of the ‘relaxed’ or ‘unrelaxed’ category, have to be routed through this office; all priorities (fixed by the Ministry of Steel and Heavy Industries) are administered by the Controller; the rolling programmes of all the producers have to be approved by him; and his office has to be notified of all deliveries of steel by producers.”

This would show that steel control was in the picture about production of semis and finished steel by the factories. They also referred to the minutes of the meeting of 23rd February, 1960, when all the Plant Managers of the Steel Factories met to consider the implementation of the barter policy and gave detailed information of the quantities of the various categories of semis that they were capable of producing for exports in each of the quarters of the calendar year, 1960 (Appendix XXVI). These proceedings showed that production and delivery would have to go on till the end of 1960. That there would be delay in the exports was patent to all concerned.

4.10. Fixing the amount of the bank guarantee.—According to the letter of 2nd February, 1960, a pre-import licence could be issued by the Iron and Steel Controller on the barterer producing either an irrevocable letter of credit assigned in his favour for the full value of the entire export quantity or on furnishing bank guarantee equivalent to 15% of the value of the import licence. The

instructions did not say that, if the quantity to be exported was, say, 10,000 tons, the barterer could produce a letter of credit for, say, 7,000 tons, and for the value of the balance *viz.* 3,000 tons, produce a bank guarantee at the rate of 15%, and that the two, taken together, could be considered sufficient fulfilment of the instructions contained in the letter of 2nd February, 1960, to enable the Iron and Steel Controller to issue an import licence for the full value of the barter deal. In actual practice, what happened was that, in those cases where an irrevocable letter of credit for a portion of the value of the exports was initially produced and a Bank guarantee for 15% was produced for the balance, an import licence was granted by the Iron and Steel Controller. This practice, was not indeed in strict compliance with the instructions of the letter of 2nd February, 1960. But, then if the same barter deal was split up into two separate deals offered by the same barterer in the proportion in which the irrevocable letter of credit and the 15% bank guarantee was furnished, then, there could have been no objection at all, as it would fall within the terms set out in the letter of 2nd February, 1960. Hence, in those cases where the Iron and Steel Controller had taken such a decision, this Committee is of the view that it falls within the spirit of the procedure laid down in the letter and no irregularity has been committed which would call for action being taken.

4.11. Release of the bank guarantees in driblets.— There is also another aspect to this question. In those cases where a 15% bank guarantee for the full value of the import is furnished and an import licence is obtained, the parties, on exporting some quantity and earning foreign exchange, requested for reduction in the value of the bank guarantee to that extent. This amounted to a request for release of bank guarantee in driblets. Shri S. C. Mukherjee, in the case of Messrs. Amin Chand Payare Lal, agreed, in File No. CP/AP(35)/60, to such a request. On a second occasion, when a similar request was made, he again agreed to it, but this time wrote to the Ministry in his letter No. C/AP(35)/60, dated 9th September, 1960 (Appendix XL) and asked for confirmation. Shri C. A. Nair *vide* his letter No. SC(B)-23(5)/60 dated 21st November, 1960 (Appendix XLI) confirmed this action, which amounted to saying that the Ministry agreed to this procedure. The Committee would, however, like to point out that this release of bank guarantee in driblets would not

be correct for the reason that a Bank guarantee is given for the fulfilment of the condition that the entire quantity contracted for export would be exported. Any part-exports made by the party would, therefore, not qualify for a proportional reduction in the value of bank guarantee. Hence, both the Steel Controller and the Ministry of Iron and Steel might be said to have made a substantial departure from the instructions laid down earlier. No reasons have been recorded for such departure. At this stage it could not be said whether this irregularity resulted in any loss, because the parties are contending that they were unable to export as the Hindustan Steel Limited did not deliver the contracted quality of goods, a contention which is best decided by a Judicial Tribunal and is in fact pending decision in four cases in a court of Law. If the contention succeeds, then the bank guarantees might not be enforceable at all.

4.12. In cases where a barterer was to furnish bank guarantee to get a pre-import licence, the Ministry had stipulated that the value of the Bank guarantee should represent 15% of the value of the import licence applied for. In the case of scrap barterers, which was in force prior to the formulation of the barter scheme for semis, the percentage fixed was 20%. Hence, the question had been raised why, in the case of semis barter scheme, the percentage was lowered from 20% to 15%, and what was the rationale in fixing this particular figure. The notings of File No. SC(B)/15(70)/59, (Appendix XXXVII) which were initiated by Shri G. Ramanathan, Deputy Secretary, Ministry of Iron and Steel, and seen by Assistant Financial Adviser (Shri V. Ramachandran) and the Department of Economic Affairs (Shri Y. T. Shah), go to show that the Government agreed to allow pre-imports in the case of one scrap barter proposal on condition of the party furnishing a bank guarantee for 20% of the value of the imports. The arguments advanced by the Ministry of Iron and Steel for proposing pre-imports in the semis barter scheme were similar to those in the earlier barter schemes that the steel sheets were badly required and that if they were to wait for the export to take place and foreign exchange to be earned, imports would be considerably delayed; that, if the party were to give a guarantee that he would fulfil the exports promised, then, it would be an adequate safeguard, based on which pre-imports could be

allowed. Hence, it would appear that, under circumstances where exports were likely to be delayed and consequently earnings of foreign exchange also and where the categories of finished steel were urgently required, the necessity of pre-import was accepted by Steel Ministry, and that this policy, adopted in the case of scrap barterers, was continued in the case of semis barter scheme. It could, therefore, be said that the pre-import idea was nothing very special or peculiar to the semis barter scheme. So long as the circumstances which would dictate the necessity of having pre-imports (*viz.* delay in the earnings of foreign exchange and urgency for the imports), were established, the policy of pre-imports was clearly applicable to the semis barter scheme. As regards the percentage of the value of the imports that should be stipulated as the amount of the bank guarantee required to be produced by the barterers, there does not seem to be any specific examination even in the case where 20% had been fixed earlier in the scrap barter schemes. The same situation is apparent in the case of the semis barter scheme. Therefore, during the course of the examination when Shri Jagannathan was asked, he clearly indicated that, considering the large values of the proposals coming under the semis barter scheme, while it would be necessary to have a safeguard while allowing pre-imports, such a safeguard should not be made so very onerous as to defeat the very purpose of the scheme. Considering, again, the large value of the proposals, if the barterer locks up 15% of such value, that could be considered a sufficient safeguard. He felt that 15% was good enough and the Committee has no reason to take a different view. The bank guarantee had not been conceived as the source from which loss if no exports were made, could be recovered—indeed it is difficult to see how loss occasioned by failure to export could be recovered—but it was only a proof of the bonafides of the barterer to export and as threat held out to him to carry out his obligation. So looked at, it can be reasonably said that in view of the larger values of these deals fixing the bank guarantee at 15% was not unjustified.

4.13. **Were the bank guarantees intended to be absolute.**—In the letter of 2nd February, 1960, it had been mentioned that “it should be made clear to the exporter that the guarantee will be forfeitable in case of failure to earn the foreign exchange by export, whatever be the reasons therefor”. As mentioned in paragraph 4.6, the addition of the words “whatever may be the reasons

therefor" in the letter issued on 2nd February, 1960 is something which does not find a place at all in the notings on the file. The words "whatever be the reasons therefor" could include the failure on the part of the manufacturer to supply the goods. In this case, the Hindustan Steel Limited were to supply the semis. It will be remembered that one of the objectives of the scheme was to relieve the Hindustan Steel Limited of the stocks of semis which it apprehended would accumulate. It was not like the barter scheme involving export of manganese ore, mica or scrap where it was possible for and expected of the barterers to procure the item and the quantity required, to fulfil the terms of the proposal for barter, from wherever they could. In the case of semis the object was to secure the material to be exported from Hindustan Steel Limited and to give them relief to that extent. Hence if the meaning of the words "whatever be the reasons therefor" is construed to include what has been stated above, then in the event of Hindustan Steel Limited failing to manufacture and supply as per terms of the contract, such failure might not prevent the forfeiture of the bank guarantee. Shri Bhoothalingam, Shri Bam, Shri N. C. Deb, Shri S. C. Mukherjee and Shri Wanchoo were all asked on this question and they were of the uniform opinion that the words "whatever be the reasons therefore" could not be said to include the failure on the part of the Hindustan Steel Limited to supply. They, however, agreed that, apart from this one contingency, if the barterer were to fail to export, he would certainly be liable to forfeiture of his bank guarantee. In our view any other interpretation of these words would in the circumstances of this case, be unreasonable and we would not be prepared to accept any such meaning being attached.

4.14. Why dealings were not stopped with defaulting firms.—The letter of 2nd February, 1960, provided that in the event of any party failing to earn the necessary foreign exchange, the Iron and Steel Controller would have no further dealings with him. It was asked of the officers of Iron and Steel Control, why 'show cause' notices, initiating the action contemplated by the letter of 2nd February, 1960, were not issued till April, 1964. This direction was not implemented for a long time, due to the reason, as one of the witnesses said, that the Iron and Steel Controller was trying to induce the barterer to complete the export. We gather that actually an order (Appendix XLII) was passed

on the 7th May, 1966, against all the barterers stating that "due to your failure to meet the export commitments under the pre-import licences issued in your favour during 1960-61 resulting in loss of foreign exchange vital for national economy, it has been decided by Government to put you on banning list for a period of three years from the date of issue of this communication." One of the parties contested the legality of this order and took the matter to the Calcutta High Court. The Committee has been given to understand that the matter is still pending decision there. In view of the disputes raised by the parties as to the quality of the material delivered by Hindustan Steel Limited against the export contracts, some of which are pending decision either in courts of law or by Arbitrators, and in view of the attempts that were being made by the authorities concerned to settle these disputes earlier out of court, it would be difficult to say that there was default on the part of the Iron and Steel Controller in not carrying out the direction contained in the letter of 2nd February 1960 earlier.

4.15. Firm contract for export.—It was also one of the stipulations in the letter of 2nd February, 1960, that the import licences were to be issued only in such cases where a firm contract for export existed. From the noting of Shri Y. T. Shah, dated 27th January 1960, on file SC (B) 23 (5)/60 (Appendix XXXIX), it is found that it was he who used the words "where a firm contract for export exists". Shri S. C. Mukherjee, in letter D.O. No. C/3/59, dated 10th March 1960 (Appendix-XLIII), raised this question with Shri G. Ramanathan as to what was meant by "a firm contract for export". Shri C. A. Nair (on behalf of Shri G. Ramanathan), according to his note, dated 12th March, 1960, (Appendix XLIV) discussed this matter with Shri Y. T. Shah. Shri G. Ramanathan also appears to have discussed this matter with Shri Y. T. Shah and, according to his note, the Ministry felt that there should be some satisfactory evidence that the exporter has a definite commitment to sell to a foreign party. On this basis, a letter was drafted and issued on 17th March, 1960, (Appendix XLV). Shri Ramanathan also added that the form of evidence constituting a definite commitment was left to the Iron and Steel Controller. The words "definite commitment" might be considered as something less than a firm contract but would include a "firm contract". Shri Bam and Shri Mukherjee,

who were asked how they interpreted this decision of the Ministry, explained that they thought that a contract between the barterer and Hindustan Steel Limited for the purchase and export of semis would supply good evidence of a definite commitment within the meaning of the letter of 17th March, 1960. They explained that there would be no difficulty in potential barterers getting orders from foreign buyers, and as the forms of concluding a contract are many and varied and as such orders could give no advantage or right to the Iron and Steel Controller in the matter of enforcement of obligation to export, they were inclined to feel that a contract with Hindustan Steel Limited was a more satisfactory evidence of a definite commitment for export. Indeed a contract with a foreign buyer might even be dropped by agreement between the parties without giving any remedy to the Iron and Steel Controller. However, we have subsequently got information that the parties secured contracts from foreign buyers. We are not prepared to disagree with the opinion of Shri S. C. Mukherjee that a commitment with Hindustan Steel Limited was sufficient evidence of a definite commitment to export.

4.16. The question was asked of Shri V. Subramanian and Shri N. C. Deb whether it would have been possible for barterers to obtain such a firm contract from foreign buyers and also to obtain letters of credit without the barterers themselves having some commitment from Hindustan Steel Limited to supply the said goods. It was clearly indicated by these officers that, not only in the context of the absence of a market for semis in countries abroad but also the fact that foreign buyers of semis are very big concerns who would not negotiate unless they are pretty certain that the proposal is backed by the commitment of the manufacturer to supply the semis, the likelihood of getting an export contract, in terms of this interpretation, was meagre, if not totally absent.

4.17. Assuming that the instruction as clarified by Shri G. Ramanathan in his letter of 17th March, 1960, (Appendix XLV) was not complied with, the fact that the form of evidence was left to the Steel Controller indicated that the responsibility lay on the Iron and Steel Controller and he, to the best of his judgment, considered a commitment with Hindustan Steel Limited as a good evidence of a firm contract with foreign buyers. It would also be interesting to note that every one of these barter deals was ultimately

backed by a firm commitment from the foreign buyers to purchase the quantity of semis mentioned in the barter proposals. This is evident from the Statement at Appendix XLVI. Hence, even though the import licences may not have been issued exactly on the terms stipulated in the letter of 2nd February 1960, yet, the requirements were substantially fulfilled at one date or the other soon after the issue of the import licences and this departure did not cause any loss to the country or gain to any party.

4.18. Form of the Bank Guarantee employed.—The form of bank guarantee to be employed was examined in Steel Controller file No. C/3/59-Pt., and it was felt by the Iron and Steel Controller that the existing forms of bank guarantee taken in cases other than semis barter may not be suitable, as it, *inter alia*, deals with a different situation. This was corroborated by Shri N. N. Wanchoo during his evidence before the Committee. With this view the Committee agreed. Hence a copy of the letter of 2nd February 1960, and the original bank guarantee submitted by Amin Chand Payare Lal in another case, and other forms of bank guarantees in force in other categories of cases, and also performance bonds, were sent to the solicitor, Shri S. N. Sen, asking him to draft one in terms of the letter of 2nd February 1960. The solicitor, Shri S. N. Sen discussed with Shri S. C. Mukherjee and he drafted a bank guarantee form (Appendix XLVII). This form was in consonance with the conditions stipulated in the letter of 2nd February 1960, making the guarantee forfeitable if there was a failure to earn foreign exchange irrespective of reasons. The solicitor, Shri S. N. Sen, when he appeared before the Committee, stated that he did not remember having told anyone that no bank would give an absolute guarantee as appears to have been the impression given to the Public Accounts Committee, but by whom is not clear. Shri Mukherjee, however, made a change in the bank guarantee drafted by the Solicitor, namely, that, instead of the words “within— from the date of these presents” within which period according to Mr. Sen’s draft, the semis were to be exported, he put the words “within three months of the delivery of the materials by the Hindustan Steel Limited”. In the form in which the Solicitor drafted, it might be that the condition stipulated in the letter of 2nd February 1960 (that whatever be the reasons for the failure to earn foreign exchange the bank guarantee was forfeitable) was attracted.

However if all the circumstances connected with the furnishing of the bank guarantee were taken into consideration, it would be difficult to say whether the condition imported by the words used by the Solicitor would have been enforced as an absolute condition. Shri Bhoothalingam, during examination stated that at the time that this matter leading to the issue of the letter of 2nd February 1960 was considered, he did not specifically think of the point whether the condition of forfeiture should be absolute. He, however, said that such a condition would have been unreasonable. Shri Wanchoo also took the same view. By changing it in the manner in which Shri Mukherjee had done—providing for the export being made within a certain time of supply by Hindustan Steel Ltd., the bank guarantee was made workable and easily enforceable. However, care should have been taken in the actual execution of the bank guarantee to have it drawn up in terms of the agreed deliveries in the contract between the barterer and the Hindustan Steel Limited, so as to ensure that the “three months” was from the last delivery date mentioned in the contract between the barterer and the Hindustan Steel Limited. Care should also have been taken to ensure that the period of validity of the bank guarantee was for a sufficiently longer period beyond the last date for export so as to enable follow-up action.

4.19. These really are questions of law and as no bank guarantees had become unenforceable as a result, the Committee considers it fruitless to consider the question further. The Committee would like to point out that while it is true that no bank guarantee had even been sought to be enforced, the fact remains that any attempt to enforce a bank guarantee would have raised the disputed question whether Hindustan Steel Limited had supplied the contracted quality of the materials. On this question, the Committee does not consider itself competent to pronounce. Nor does it think that such a pronouncement would lead to any useful result. In this view of the matter, the Committee are unable to hold at this stage that failure to enforce the bank guarantees has caused loss to the Government.

4.20. One other matter has to be noticed in connection with the bank guarantees. At the end of these guarantees, the Banks used to endorse a clause stating that it was valid upto a specified date. An impression appears to have existed in the mind of all concerned that this meant that

proceedings for the enforcement of these guarantees had to be started within the date specified in the clause and that the guarantee could not be enforced after that date. The committee has been advised by the Ministry of Law that this view is incorrect. The endorsement, it appears from their advice, only meant that the defaults, the consequences of which were guaranteed by the bank, had to occur before that date.

4.21. **Shortfall in the earnings of foreign exchange.**—In all the semis barter transactions, we find that pre-import was allowed. Pre-import licences were issued by the Steel Controller for the reason that the goods were required urgently. The exports, however, commenced from August, 1960 and went on till about the middle of 1961. Apart from this delay in the exports, the total quantity which the parties had agreed to export, was not exported. The following is the picture:

Name of the party	Value of im-ports made	Value of fo-reign ex-change earned	Shortfall in the earning of foreign exchange (Difference between Cols. 2 and 3).
1	2	3	4
	(Rs.)	(Rs.)	(Rs.)
1. M/s. Amin Chand Payare Lal (Slabs)	1,04,94,093	64,36,000*	(—)40,58,093
2. M/s. Apeejay & Company (Ingots)	85,31,661	77,88,234£	(—)7,43,427
3. M/s. Amin Chand Payare Lal (Billets)	94,81,481	57,69,699	(—)37,11,782
4. M/s. Ramkrishan Kulwantraï (Slabs)	19,21,929	21,47,592	(+)2,25,663
5. M/s. J. S. Cohen and Company (Billets)	33,16,785	3,16,667	(—)29,99,118
6. M/s. Khemchand Rajkumar (Billets)	20,46,328	5,25,388	(—)15,20,940

1	2	3	4
7. M/s. Surrendra Overseas (Billets)	9,91,415	19,200	(—)9,72,215
8. M/s. Ramkrishan Kulwantraï (Slabs/Ingots)	98,91,688	Nil	(—)98,91,688
9. M/s. Surrendra Overseas (Ingots)	33,49,710	19,10,480	(—)14,39,230
TOTAL	5,00,24,090	2,49,13,260	(—)2,51,10,830

NOTE:— *This does not include foreign exchange amount worth Rs. 1,54,280 for which goods were exported but the amount is under dispute with the foreign buyer.

£ This does not include foreign exchange amount worth Rs. 14,00,06 for which goods were exported but the amount is under dispute with the foreign buyer.

From the above statement, it will be seen that against total imports of about Rs. 5.00 crores, the value of the exports was only Rs. 2.49 crores and that the value of the default in exports is of the order of Rs. 2.51 crores. A view has been held that this shortfall in earnings of foreign exchange, viz. Rs. 2.51 crores, is a loss of foreign exchange. The foreign exchange was not really lost to the country. In exchange the country had got steel which it needed. It might have been that if the barter scheme had not been adopted, the Government would have had to allocate some more foreign exchange for importing some more essential steel. Mr. Jagannathan told the Committee that the foreign exchange which is allocated for import is not directly earned by the Government but by the activities of private traders. The failure of the exports resulting in the expected foreign exchange not being earned, no doubt affected the Government's estimates based on it but Mr. Jagannathan said that the resultant deficit was neither unexpected nor large. He pointed out that steel imports were in the region of Rs. 50 to Rs. 80 crores every year over a number of years. He added that in relation to the overall needs of iron and steel accepted by the Department of Economic Affairs as about Rs. 50 crores... the shortfall is not high". It would, therefore, appear that while the shortfall in the expected earning of the foreign exchange

out of the barter deals is regrettable, the effect of it was not considered very serious. It was not a loss in the sense that nothing had been obtained in return but its only effect was to require some readjustment of the future foreign exchange allotments for various other purposes of the country. It seems to the Committee that the real question that arises is whether this shortfall in earnings was occasioned by any default on the part of any officer or party. If the import of steel was not urgent then the semis barter scheme would not have envisaged pre-import and there would not have been any shortfall in earnings of foreign exchange. Since import of steel was urgently required for the economy of the country and there was likely delay in the export of semis it was decided to allow pre-import. At the time of issue of pre-import licences, to ensure that the condition of export under the barter transaction are fulfilled, bank guarantees were taken. In spite of the bank guarantees being taken parties failed to fulfil export obligation for whatever be the reasons then it cannot be said that such failure was occasioned by any act or omission on the part of the officer. Hence we are unable to attach any responsibility on any officer for the shortfall in the earnings of foreign exchange.

CHAPTER V

DISTRIBUTION OF INDIGENOUS AND IMPORTED STEEL

5.1. System of distribution of steel produced indigenously and imported other than under barter arrangements.—The import policy for steel used to be announced every six months; while framing the policy the Iron and Steel Controller and Government took into consideration the total demand for the various categories of steel, the indigenous production, and the quantum of foreign exchange allocated for imports from various sources and then announced the policy. These imports made under the category of Established Importers which were only nominal and restricted to a few special categories were disposed of by the Established Importers to whom they liked. In respect of those categories of steel which were indigenously produced, technical sponsoring authorities were informed and they were allowed to issue quota certificates. A list of such quota certificate issuing authorities is at Appendix XLVIII. Hence when an actual user submitted his application for his requirements of steel, such categories as were allowed under the import policy, were recommended by the sponsoring authorities within the allocation of foreign exchange made to them, to the Iron and Steel Controller, who was the licensing authority for the issue of import licence. All these imports made under actual users licences were required to be used by the licencees in their own factory for the production of items authorised by the technical sponsoring authorities. If, however, the item applied for by an actual user happened to be indigenously produced, then the sponsoring authority would issue a quota certificate indicating the quantity. The quota certificate holders could either register their quota with the Iron and Steel Controller for planning of production with the steel factories and make their own financial arrangements with the steel factories for taking delivery or else they could register their quota certificates with controlled stockists appointed by the Steel Controller for distribution of indigenous steel, who would in turn plan the production with

the steel factories and make necessary financial arrangements. Where the goods were planned directly by the quota certificate holders with the steel factories, they would get the supply of the goods when manufactured at the Column I rate; where the goods were planned through the controlled stockists, the stockists would themselves get the goods at Column I rate and deliver to the quota certificate holders at Column II rate as mentioned in the price schedule issued under the Iron and Steel Control Order. According to the price schedule, Column I rate is the lowest price which the producers are entitled to charge and this is uniform at all rail heads. Column II price which is slightly higher, is the price at which controlled stockists sell ex-godown to quota certificate holders. Column III price which is higher than Column II price is the price at which the Registered Stockists sell to permit holders. The controlled stockists were appointed by the Iron and Steel Controller under the Iron and Steel Control Order and their main responsibility was to receive quota certificates from the firms, submit indents to the Iron and Steel Controller for the planning of production, follow up the delivery and when the goods are received, supply them to the parties. The Controlled Stockists could also bulk the quota certificates issued in respect of any one category and place indents with the Steel Controller for planning production by the steel factories. The controlled stockists were sometimes given by the Iron and Steel Controller some portion of the imports made under the category of bulk purchases and accepted tenders referred to in chapter II. These goods were again distributed by the Controlled Stockists with reference to the quota certificates registered with them and to the extent they were able to meet the demand, they cancelled their indents with the steel factories. Another class called Registered Stockists were appointed by the Steel Controller to meet the requirements of the small industries and the public for building purposes etc. These Registered Stockists were given stocks of goods from the allocations made to the State Government by the Iron and Steel Controller and distributed these goods on the basis of permits issued by the Directors of Industries at Column III rate. Hence the position would be that the quota certificates having been once issued by the Iron and Steel Controller and other quota issuing authorities it was open to the quota certificate holder to get his requirements from the Controlled Stockists or directly from the steel factories. There was no governmental authority which came between the

quota certificate holder and the Controlled Stockists as to when and to whom releases were to be made by the Controlled Stockists. The supervisory control which seems to have been exercised was that the Controlled Stockists were required to keep registers of stocks allocated to them, of the registrations of quota certificates, and the releases made against such registrations. The Controlled Stockists were required to submit statements of releases made from time to time to the regional subordinate offices of the Iron and Steel Control Organisation at Bombay, Madras, Calcutta and Delhi. This system also applied in respect of the imported goods under Accepted Tender and bulk purchases which were apportioned among another class of controlled stockists. There was no individual release made to quota holders by the Iron and Steel Controller in respect of these imports. It would also be pertinent to point out at this stage that in the matter of imports under Accepted Tender and bulk purchases the statutory price fixation applied to them and consequently either surcharge was collected from the importer or a subsidy was given to him, as the case might be. In short such imports came under the purview of operations of Equalisation Fund. A note regarding the Equalisation Fund is at Appendix XLIX, which explains in detail the constitution of the fund and how it was operated.

5.2. Distribution of steel imported under barter arrangement.—In the case of barter, since the imports were not made on the basis of a tender, it was decided that such imports would not qualify to come under the operation of the Equalisation Fund *vide* notings in file No. SC (B) 18 (1)/60 which is at Appendix XXX. It was, therefore, decided that all barter imports should be released at landed cost. In the case of barter imports, therefore, steel was released to the quota holders at landed cost.

5.3. Shri S. Bhoothalingam, Secretary, Ministry of Iron and Steel, in his letter No. SC (B)-4 (384)/60, dated the 6th April, 1960 (Appendix L) explained the objectives which should be before the Iron and Steel Controller when distributing the steel under the semi barter scheme. He wanted the following objectives to be kept in view:—

- (1) A fairly widespread distribution of imported steel.

- (2) Simultaneous cancellation of the quota certificates so that even those who do not actually get imported steel, benefit indirectly by getting indigenous steel earlier than otherwise.
- (3) From a practical point of view release strictly according to priority (i.e. the end use of the goods mentioned in the quota certificate), would be unworkable.
- (4) There should be no delay in the distribution as it would defeat the most important objective, namely, to get the steel distributed and used quickly.
- (5) As far as possible to release the steel ex-jetty.

He also suggested to the Steel Controller, Shri Bam, that one of the ways of achieving the objectives would be to make use of the importers themselves for the work of distribution as they would be very anxious to get rid of steel ex-jetty since they would not like their funds blocked. The importers should, therefore, be encouraged to bring proposals for the release of steel in a manner conforming with these objectives. For example, the importers could submit proposals to release a proportion of the imported steel to quota certificate holders of 1958 or earlier, another portion to those of 1959 and the rest to those of subsequent periods. Another suggestion which Shri Bhoothalingam made was to list out a certain number of large factories and to tell the importers that proposals for release to these factories would be accepted. Shri Bhoothalingam expected that the objectives could be fulfilled by following a practical method of distribution and the task of the Iron and Steel Controller would become easier and that he could be relieved of the tedious time consuming job of identifying and corresponding with the quota certificate holders whose number was large. Finally he wanted Shri Bam to think about the suggestions made by him and be ready for further discussion. A week thereafter the subject was discussed by Shri Bam, Iron and Steel Controller and Shri S. C. Mukherjee with the Secretary, Shri Bhoothalingam on 13th April, 1960. The following decisions were taken in brief:

- (a) They aimed to distribute maximum quantity ex-jetty;

- (b) Assistance of the importers to be availed of in the selection of consumers who would be willing to accept supplies at unsubsidised prices (which were generally higher than the scheduled prices) in full adjustment of the quotas;
- (c) 50 per cent of each consignment to be released to consumers nominated by the importers against their outstanding orders on producers and stockists and to ensure that such quotas are cancelled;
- (d) 30 per cent of each consignment to be released to consumers nominated by the importers in adjustment of valid unplanned quota certificates which were also to be cancelled;
- (e) 20 per cent of each consignment to be reserved for release by the Iron and Steel Controller to Government departments and other essential quota holders. If release orders are not issued against this reserved stock within 60 days from date of arrival of materials, the importers should be allowed to nominate quota holders;
- (f) That release orders may be issued soon after the import licence has been issued and even before the arrival of goods to enable the despatch of goods from ex-jetty and also to get quick movement and distribution;
- (g) The nomination of quota holder by the importer referred to at (c) and (d) above were to be approved by the Iron and Steel Controller.

A complete copy of the note is at Appendix LI. Shri Bhoothalingam, Shri Bam and Shri S. C. Mukherjee were asked why as much as 80% of the imports of steel under the semis barter scheme were left to the importers for release against their nominees. They explained that the prices of the imported steel under the scheme were considerably higher, as much as Rs. 250 to 300 per ton, more than the scheduled prices for the indigenous steel. Hence the quota holders who were entitled to get indigenous steel at scheduled prices were reluctant to accept allocations of the imported steel. If the Steel Controller were to select

the quota certificate holders who could be given the imported steel then he would have to go through the following procedure:—

- (1) He would have to consider the very large number of quota certificates against which supplies of indigenous steel have not been made.
- (2) He would have to select those quota certificate holders who held certificates for those specified categories of steel which were under import.
- (3) He would have to write to those quota holders and check if they would be willing to accept the imported steel at the higher prices—higher compared to the indigenous steel.
- (4) If the quota certificate holders agreed to take steel at this higher price, then the particular indent which covered the particular quota certificate would have to be cancelled and the steel factory against which the indent had been planned would have to be informed for cancellation and only thereafter release order issued to the quota certificate holder.
- (5) If, however, the quota holder declined to accept the imported Steel than the Steel Controller would have to ask the next quota holder whether he would be willing and go through the same process.

For these reasons Shri Bhoothalingam, Shri Bam, and Shri Mukherjee felt that a lot of unnecessary correspondence would be involved in the matter of allocation of a comparatively small quantity of import and this process would not be justified in the light of the objectives mentioned in the letter of Shri Bhoothalingam of 6th April, 1960. Hence they thought that for the information of the trade and Chambers of Commerce a public notice (Appendix LII) might be issued and that it might be left to the quota certificate holders to contact the barterers and if they were willing to accept the higher prices, register their quota certificates with such importers who in turn would send a statement to the Steel Controller for his approval.

5.4. The barterer himself in view of the tight financial position and the fact that his recommendation was limited for distribution to quota holders would be anxious to dispose of the imports in as short a time as possible. These

barterers also happen to be Controlled Stockists who in the normal course of distribution of indigenous steel and imported steel under bulk purchase/Accepted Tender, as may have been allocated to them by the Steel Controller, had always with them a large number of quota certificate holders who were awaiting delivery of stocks. It was, therefore, comparatively much easier for these barterers/Controlled Stockists to select those quota certificate holders who were entitled to the categories of steel which were under import, and to nominate them to the Steel Controller in the proportions stipulated in the note at Appendix LI and obtain release orders. This meant no special concession to the barterers in respect of the releases to the nominees. We were informed that as Controlled Stockists, it was their responsibility to entertain quota certificates, to arrange for the planning of production and to deliver as and when stocks arrived. It would, therefore, appear that the same system was being followed in the distribution of barter imports also. In actual fact while on the one hand the Iron and Steel Controller kept for his own allocation 20% of the imports so as to meet any special demands, he used the barterers to dispose of the high priced steel which he would otherwise have had to do himself, entailing tedious and time consuming correspondence. The Committee, however, think that although he made the importers responsible for allocation of 80% of the imports, he could still have taken the following steps with advantage for proper distribution:—

- (1) Issue a public notice every time a consignment was being imported thus making known to all the quota certificate holders the category and specification of the steel which was going to be available.
- (2) Include in the public notice the name of the importer with whom the quota certificate holder could, if they held a quota certificate for that particular category and specification of steel, register their demands.
- (3) Call upon the importers to maintain a separate register in respect of the registration referred to above.
- (4) Check periodically to ensure that the nominations by the importers were in conformity with the chronological registration in the register.

- (5) Indicate the release prices in respect of each consignment.

These steps would have minimised possible malpractices in the distribution.

5.5. While on the question of distribution to quota holders by the importers, we would like to mention that in response to our advertisement in the newspapers inviting the public to furnish complaints, if any, we received no complaint from anyone either regarding the quantity allocated to him or in regard to the price charged or that he was discriminated against.

5.6. During the course of examination of the witnesses the point was brought out that if the entire allocation of the imported steel was to be made by the Iron and Steel Controller then there might have been considerable delay in liquidating the stocks of imports. The barterer not having any part to play in the distribution would have had to wait till such time as the allottees nominated by the Steel Controller lifted the stock. Hence the barterer would not have been in a position to estimate how long he would take to recover his outlay in the scheme of export and import. The remuneration which the barterer was to get was a fixed sum—under these circumstances the barterer would naturally have felt reluctant to participate in the scheme. Committee has no other comments to offer concerning the method of distribution adopted.

CHAPTER VI

INVESTIGATION OF THE VARIOUS BARTER DEALS SANCTIONED BY THE IRON AND STEEL CONTROLLER

6.1. In all, Iron and Steel Controller finalised 7 barter deals in favour of five firms under the semis barter scheme involving export of 1,12,500 tonnes of semis for a value of Rs. 4,50,58,046/- and import of finished steel of an equivalent value (Appendix XXXV). In the following paragraphs we have examined all the aspects leading to the issue of the import licences and customs clearance permits in each of these cases and set out the various irregularities/lapses, if any, that took place and the persons responsible for them in respect of these deals. In addition there were two other barter deals which were concluded by Hindustan Steel Limited and which have been dealt with in Chapter VIII.

6.2. **Fixation of purchase price.**—Prices of steel items for import mentioned in the Letter Order were fixed by the Price and Accounts Officer of the Iron and Steel Control on the basis of the Metal Bulletin prices prevailing at that time. As mentioned in Chapter III, Metal Bulletins are issued from the Continent, U.S.A. and Japan. Sri C. V. Ramachandran, the Price and Accounts Officer, only made use of the Continental Metal Bulletin, because, according to him, they were reasonable indicators of the international price. He also specifically stated that the Japanese Metal Bulletin was unreliable in that it was very often difficult to obtain supplies of the items and at the rates mentioned in that Metal Bulletin. The Metal Bulletin only indicated the F.O.B. prices, to which was to be added what is called 'extras'. These extras, which were to be added to the F.O.B. prices mentioned in the Metal Bulletin applicable to the Continent, were called Benelux list of extras. The ocean freight as mentioned by the Conference Lines operating between the Continent and the Indian Ports was added to the F.O.B. prices and to the extras to arrive at the C. & F. prices. It was in this manner that the prices of steel items selected for import were indicated in the letter orders approving the barter deals.

6.3. We find from our investigation that this practice of only referring to the Metal Bulletin applicable to the Continent and adding to the price mentioned therein for the particular item for import—the extras and the ocean freight was followed in all the cases, and such practice had the approval of the Iron and Steel Controller and the Assistant Financial Adviser of the Ministry of Finance attached to the office of the Iron and Steel Controller. Hence, although there is no specific nothing in the files of the Iron and Steel Controller as to why they only relied on the Continental Metal Bulletin, we have no reason to think that this practice was motivated by any dishonest considerations.

6.4. While permitting import of Drum Sheets in a number of cases, the Price and Accounts Officer had allowed a quality extra of \$8 per metric tonne for Drum Sheets. However, this quality extra does not find place in the list of extras mentioned in the Benelux list which was often used by the Price and Accounts Officer in determining the prices. It was explained by Shri Ramachandran that he had adopted a common rate as the quality extra rate varied from country to country and, indeed, from manufacturer to manufacturer. He also stated that he had fixed this rate after informally consulting some disinterested importers and that this was a general decision applicable to all imports of drum quality sheets under barter scheme and was not with reference to any specific import of party. It was also explained by him that at that time the sheets were required in large quantities and there was a general reluctance on the part of importers to import them as the manufacturers used to charge high rates for the particular sizes of sheets required for drum making. Since no quality extra has been mentioned for the drum quality sheets in the 'Benelux' list of extras, the Committee has to accept that the quality extra can only be fixed by obtaining information from suppliers and since this figure of \$8.00 was allowed in all cases, there is no reason to doubt the *bona-fides* of the statement of Shri Ramachandran. These extras are for quality like drum quality or cold rolled, for size and on account of specifications.

6.5. In the matter of fixing the ocean freight, it was observed that the Price and Accounts Officer had allowed freight rate of \$18.00, \$19.00 and \$21.00 per metric tonne for G.P. Sheets, H.B. Wire Rods, and G.I. Wire respectively,

whereas the general ocean freight from the Continent according to the Conference Line rates was only \$11.20 per metric tonne. The explanation of Shri C. V. Ramachandran, who was the Price and Accounts Officer concerned, was that in the case of certain materials and depending on the value per metric tonne, the ocean freight was varied by the Conference Lines; in the case of G.P. Sheets, if the cost per metric tonne depending on the size and the specification was below £ 60, then the ocean freight would be a particular figure, whereas for the same sheets but for a different size and specification, if the value per metric tonne happened to be between £ 60 and £ 75, the ocean freight would be higher. Similarly, in the case of G.I. Wire, the ocean freight varied depending on whether the value per metric tonne was less than £ 50 or between £ 50 and £ 65 or more than £ 65. It has not been possible for the Committee to get the freight rates that were ruling between 1959 and 1963 to verify whether this statement of Shri C. V. Ramachandran is correct. It has, however, been possible to get corroboration from the Shipping Corporation of India Limited that freight rate should vary according to the category of steel material, the measurement and the value per metric tonne. Hence, we have no reason to think that the Price and Accounts Officer had made a mistake or committed an irregularity in allowing higher freight rates.

6.6. Issue of pre-import licences.—It has already been mentioned in Chapter IV, paragraph 15, that the Iron and Steel Controller could issue pre-import licences on the basis, *inter alia*, of a commitment between the party and Hindustan Steel Limited. It was noticed that in four cases at Serial Nos. 1 to 4 (Appendix XXXV), the import licences were issued prior to the date of conclusion of export contracts with Hindustan Steel Limited by the parties. We have dealt with Serial No. 4 which is the case of Messrs. Ramkrishan Kulwantraï separately in Chapter VII. The other three cases relate to Messrs J. S. Cohen and Company, Messrs. Aminchand Payarela and Messrs. Apeejay (Private) Limited. In the case of Messrs. J. S. Cohen and Company, on 5th February, 1960, there was before the Iron and Steel Controller an offer by Hindustan Steel Limited to supply semis to Messrs. J. S. Cohen and Company and acceptance of the said offer by Messrs. J. S. Cohen and Company. Shri Bam considered this offer and acceptance as constituting an agreement to purchase from Hindustan Steel Limited and he thought that the

formal contract would follow in due course. Considering the direction of the Ministry that barter proposals should be dealt with in a businesslike way, so that the whole process of placing specific orders for production of semis and exporting them etc. could be set in motion, he proceeded on the basis of offer and acceptance earlier mentioned and issued pre-import licences after taking the usual bank guarantee. In this case, a Contract being Contract No. 17 did come into existence later between Messrs. J. S. Cohen and Company and Hindustan Steel Limited.

6.7. In the case of Messrs. Aminchand Payarelal and Messrs. Apeejya (P) Limited, there were letters of confirmation of sale of semis to the parties by Hindustan Steel Limited addressed to the Iron and Steel Controller. Shri Bam and Shri Mukherjee accepted the letters confirming the sale as evidence of agreements between Hindustan Steel Limited and parties and proceeded to take further action as required in the letters of 14th January 1960 and 2nd February 1960. In these cases also, the formal contracts came into existence on 9th May 1960 and 20th May 1960 in the case of Messrs. Aminchand Payarelal and 8th April 1960 in the case of Messrs. Apeejay (Private) Limited. The Iron and Steel Controller having been given the discretion to satisfy himself about the evidence which would constitute a definite commitment to export, we feel that in these cases he had sufficient reasons to support his view that at the time of the issue of pre-import licences there was a definite commitment by the party with Hindustan Steel Limited for purchase of semis for export. As mentioned earlier, the contract with Hindustan Steel in these cases did come into existence shortly after the pre-import licences had been given.

6.8. Values of imports and exports not properly matched.—It was a pre-requisite of the barter policy that the licensed value of the import of finished steel had to match the value of the export of semis. In terms, therefore, of issue of import and export licences, it had to be seen that F.O.B. value of exports was not less than the C.I.F. value of imports. An examination of the licensing records, however, shows a divergence in the values of the import licences issued and expected amount of foreign

exchange to be earned through exports in the following cases:—

Sl. No.	Name of the firm	Letter Order No. and date	Value of import permitted	Value of expected foreign exchange to be earned by way of export	
				Rs.	Rs.
1	Messrs Amin chand Payare Lal.	CAP/35'60, dated 8-3-60	96,21,650	87,61,791	
2	Messrs J.S. Cohen & Co.	PIE '32, dated 10-2-60	33,12,000	33,86,634	
3	Messrs Amin chand Payare Lal.	C/AP/35'60, dated 19-3-60	100,93,372	100,00,343	
4	Messrs Apeejay (Private) Ltd.	L/APJ/34'60, dated 17-3-60	86,45,526	85,72,895	

The procedure in sanctioning the barter deals was that a barter deal was formally approved by issue of a letter order by the Barter Section of the Steel Control. The letter order mentioned the item, quantity and the value for which export and import had to take place. It may, therefore, be presumed that while issuing a formal sanction in the form of a letter order, the Barter Section would take care to see that the total value of the imports allowed in the letter order would be equivalent to the total value of the semis to be exported. This apparently was not done in these cases. Regarding the case at Serial No. 1, the relevant files do not show any notings or working sheets where any attempt had been made by the dealing clerk or at the officers' level to work out the values involved in the import and export. From the evidence of Shri S. C. Mukherjee, Deputy Controller, Iron and Steel, and his dealing clerk, Shri G. N. Sengupta, who, incidentally, were the only two people during the relevant period to man the Barter Section, it appears that there was no set procedure or method by which each of the barter proposals on receipt had to be processed and the values of import and export worked out. The proposals from the parties are stated to have been received directly by the Deputy Controller Iron and Steel in most cases, who indi-

cated either orally or in writing to the dealing hand items of steel to be imported, the prices to be fixed and the quantity to be sanctioned. On the basis of this information, a draft letter order was prepared by the dealing hand which, with modifications where necessary, was approved by the Deputy Controller and since the practice was not to total at the end the values for which the import items were being allowed in the letter order, there was no easy means of checking whether there was a discrepancy between the value of the imports allowed and the expected earnings of foreign exchange from the export of semis. The mistake in this case was also not detected by the SIC (Licensing) Branch at the time of issue of the import licences, who appeared to have mechanically issued the import licences on the basis of the quantity and prices given in the letter order. This reflects the unsatisfactory working of the office of the Iron and Steel Controller in so important a matter as ensuring that the bartering firms were not given import licences for values greater than what they would expect to earn by export under the barter scheme. It is strange that no procedure was prescribed for processing the barter cases.

6.9 In the other three cases at Serial Nos. 2, 3 and 4, the divergence is apparently due to the fact that whereas the letter order mentioned the value of the foreign exchange to be earned in terms of dollars, the import licences were issued in terms of rupees, the value of which was arrived at by converting the dollars into rupees at the rate of \$1.00=Rs. 4.80. Actually, the official rate of exchange at that time was \$1.00=Rs. 4.76, which should have been used as the conversion factor. We have not been able to ascertain the reasons as to why the Iron and Steel Control Organisation was using a conversion rate of Rs. 4.80 instead of the official rate of Rs. 4.76. This is yet another instance of a mistake having taken place for want of clear instructions by the Iron and Steel Controller to his office. S/Shri S. C. Mukherjee and G. N. Sengupta are the persons responsible for the omissions referred to above.

6.10. **Mistakes noticed in the issue of Customs Clearance Permits.**—According to the practice prevailing in the Iron and Steel Control Organisation, only the foreign exchange copy of the import licence was issued in the first instance. The Customs Clearance copy(s) was issued to facilitate

clearance through Customs only after shipment of the goods had taken place. As such, the licencees applied for issue of Customs Clearance Permits against the licences held by them as and when occasion arose. The applications for Customs Clearance Permits were dealt with in the Steel Import Control Branch of the Iron and Steel Control who, on receipt of applications, entered the value outstanding against the import licence and the value applied for in the Customs Clearance Permit application on the back of the office copy of the foreign exchange copy of the licence in all cases.

6.11. An examination of the Customs Clearance Permits granted against the import licences showed that there were three types of irregularities that took place in the issue of Customs Clearance Permits:—

- (1) Value of Customs Clearance Permits granted exceeded the value of the import licences.
- (2) Customs Clearance Permits issued at higher rates per metric tonne than was provided for in the import licence/letter order.
- (3) Orders stopping issue of Customs Clearance Permits were withdrawn.

6.12. Customs Clearance Permits issued for values higher than the values of import licences.—In the following three cases it was seen that the value of Custom Clearance Permits granted exceeded the value of import licences by the amount shown below:—

Sl. No.	Name of the firm	Licence No.	Excess Value (in rupees)
1	Messrs J.S. Cohen & Company.	SIC/IL/BR/201/50	3,785
2	Messrs Amin Chand Payare Lal.	SIC/IL/BR/D/1001/221	4,28,746
3	Messrs Apeejay (Private) Ltd.	SIC/IL/BR/D/1502/94.	67,405

6.13. In the case of Messrs. J. S. Cohen and Company the last Custom Clearance Permit No. BR/D/1201/328 for Rs. 76,625 was issued by Deputy Assistant Iron and Steel Controller, Shri S. B. Basu, on 26th July, 1960. The dealing clerk at that time, Shri B. B. Pathak, had put up a note on receipt of application for Customs Clearance Permit dated 20th July, 1960 from Messrs. J. S. Cohen and Company, stating that the balance in the import licence outstanding was Rs. 79,840, and, therefore, the Customs Clearance Permit application for Rs. 76,625 can be accepted and Customs Clearance Permit issued. In actual fact against the value of the import licence for Rs. 33,12,000 Customs Clearance Permits had already been issued for Rs. 32,39,160, leaving a balance of Rs. 72,840 and, therefore, party's request for a Customs Clearance Permit for Rs. 76,625 could not have been acceded to. There is overwriting in the figure 32,39,160 entered at the back of the application for Customs Clearance Permit. Both Sarvas shri Basu and Pathak were asked to explain the reasons for the incorrect posting, in writing, as well as when they appeared before the Committee. Shri Pathak submitted that the mistake appears to have crept in because of incorrect calculations made by him and that on account of pressure of work it was not possible for him to devote as much time as was necessary to avoid mistakes. The explanation of Shri Basu, both written and oral, in this matter is that the value of the import licence was a C. & F. price whereas the values of the Customs Clearance Permits were at C.I.F. price and, therefore, the excess was due to the insurance charges @ $\frac{1}{2}$ % debited against the value of the Customs Clearance Permits. He was unable to show the details of the insurance charges so claimed to have been added to the value at the time of issue of Customs Clearance Permits. When it was pointed out that this could not have been so, because in that case the value would have been in excess by more than Rs. 8,000, taking the insurance charges at $\frac{1}{2}$ %, he had no explanation to offer. However, Messrs. Cohen and Company, who were asked to explain stated that the import licence was on C. & F. basis and not C.I.F. The insurance charges are normally $\frac{1}{2}$ % of the value of the goods. The total value of the import licence was Rs. 33,12,000 C. & F. in this case. They would have been entitled to spend Rs. 16,560 towards insurance charges whereas they had exceeded the value of the import licence by only Rs. 3,785. The explanation is reasonable and has to be accepted. Hence, although Shri Basu was unable to

explain clearly. the reason explained by Messrs. J. S. Cohen and Company was probably at the back of his mind while issuing the Customs Clearance Permits.

6.14. In the case of Messrs. Aminchand Payarelal, in all seven Customs Clearance Permits were issued for the value of Rs. 41,92,080 against the import licence value of Rs. 37,63,334 thus exceeding the value by Rs. 4,28,746. The file reveals that this excess issue of Customs Clearance Permits was caused by the fact that on 17th November, 1960, three Customs Clearance Permits were issued for values of Rs. 19,71,597; 58,917 and 52,127, but values of these Customs Clearance Permits were not posted correctly on the back of the foreign exchange copy of the licence (counterfoil). The values as recorded on the back of the foreign exchange copy of the licence were Rs. 15,40,563; Rs. 58,135 and Rs. 51,671, respectively. The effect of such incorrect posting was that the foreign exchange copy of the licence revealed an unutilised balance as being available for the issue of further Customs Clearance Permits for Rs. 7,21,311. If, however, the correct values of Customs Clearance Permits as issued had been posted, the unutilised balance still available would have been only Rs. 2,89,039, but since this had not been done and the balance available for utilisation had been shown instead as Rs. 7,21,311, two more Customs Clearance Permits were issued, one on 30th November, 1960 for Rs. 3,50,460 and the other on 11th January, 1961 for Rs. 3,67,325, thus resulting in the excess issue of Customs Clearance Permits of Rs. 4,28,765. The persons concerned in the issue of the Customs Clearance Permits were Sarvashri S. B. Basu, who was Deputy Assistant Iron and Steel Controller and B. Pathak and D. P. Mitra, dealing hands. Shri Pathak was the regular dealing hand in the Steel Import Control Branch and was concerned with the issue of Customs Clearance Permits at the relevant time, but due to some *ad hoc* arrangements ordered by Shri Basu. Shri Mitra was asked to look after some applications for Customs Clearance Permits among which were three Customs Clearance Permits of 17th November, 1960 and one Customs Clearance Permit of 30th November 1960. The other Customs Clearance Permit issued on 11th January 1961 was issued by Shri Pathak.

6.15. Shri Basu in his explanation has stated "there has been a lapse on the part of the dealing Assistant in not

debiting the correct value in the licence which resulted in issue of the Customs Clearance Permit for the excess value. It is submitted that the orders given by me were on the basis of the notings of the previous assistant which is always taken for granted as correct. There was no occasion in any previous case that the dealing assistant concerned gave incorrect notings so far to doubt the *bona fides* of the notings. It will not be out of place to mention here that during the period there was heavy amount of outstanding work not only relating to barter and allied imports, but also relating to the issue of back period licence to actual users; there was no augmentation in the strength of the staff and hence such mistakes were there. Moreover, an officer has to depend on the notings of his office. Hence the orders were issued due to the failure of the dealing assistant to give correct noting." To put it simply, he has disowned responsibility on the plea that he was not expected to make any independent check of the data that had been put up to him by his clerk on the basis of which he passed orders to issue the Customs Clearance Permits. This obviously is not acceptable and he cannot be allowed to get away from the serious mistake that was committed firstly in not checking that correct values of Customs Clearance Permits issued were shown on the back of the office copy of the import licence and, secondly, for having ordered issue of Customs Clearance Permits for excess amounts. The explanation of Shri Mitra is that he entered the values asked for by the parties in the Customs Clearance Permit applications at the back of the import licences, but that later on under orders of Shri Basu the original values were revised upwards because the Customs Clearance Permits had to be issued in terms of the invoices which presumably quoted these higher values. After having noted the original lower values at the back of the import licence copy he did not care to put down the amended higher values and since after the issue of Customs Clearance Permits for higher values, he sent the file back to Shri Pathak who was the dealing clerk in this case, he did not have any occasion later to notice the slip that he had made in not having amended the values at the back of the licence so as to accord with the values mentioned in the Customs Clearance Permits. He was also specifically asked as to why he did not notice this slip when he dealt with another Customs Clearance Permit application on 30th November, 1960, but he could not

explain that also. Shri Pathak on the other hand contended that since the Customs Clearance Permit applications were dealt with by Shri Mitra who had processed them till the stage of obtaining the orders of Shri Basu, he, when the file came back to him, was concerned only with the despatch of the Customs Clearance Permit and issue of freezing orders. On account of pressure of work he could not attend to the work of issue of freezing orders till some time in the middle of December, and, since for this purpose he had kept the Customs Clearance Permit applications separately and had not filed them in the file, therefore, when the Customs Clearance Permit application dated 11th January, 1961 was dealt with by him, he had no opportunity to amend the lower values against the previous four Customs Clearance Permits and, therefore, issued the Customs Clearance Permits applied for. Another curious fact noticed is that on the Customs Clearance Permit application an endorsement has been recorded to the effect that Customs Clearance Permit may be issued as per orders of Deputy Controller, Doraiswamy, dated 17th November, 1960. Neither Shri Mitra nor Shri Basu have been able to throw any light about the contents or the whereabouts of the orders referred to in the endorsement. We have also not found any order of Shri Doraiswamy dated 17th November, 1960 in any of the files. It appears that the real reason for not putting down the values for which Customs Clearance Permits were actually issued, while posting the balances on the back of the foreign exchange copy of the import licence, lies in the fact that a view had been taken that the Customs Clearance Permit may be issued as per the value of the invoices which were for higher values than the rates quoted in the import licences. But not withstanding this, for the purpose of debiting the import licences, the values therein mentioned have to be taken, but this was overlooked.

6.16. The Committee had written to Messrs. Aminchand Payare Lal with regard to this matter to explain how they had obtained 7 Customs Clearance Permits of the aggregate value of Rs. 41,92,080/- as against the value of the import licence for Rs. 37,63,334 only, i.e., the value of the goods imported exceeding the limit of value prescribed by the import licence by Rs. 4, 28,746. The party in their answer, did not deny that they had obtained the Customs Clearance Permits, but they did not answer the other question namely

what arrangements had been made for the payment of the excess appearing from the documents referred to earlier. The party said that they had already remitted under the licence Rs. 31,59,920 and had applied to the Reserve Bank for permission to remit another sum of Rs. 3,67,325 in respect of the same licence. They have contended that they have, therefore, not used the entire amount of foreign exchange available to them under the licences. Obviously, the party had not met the point put to them. The question now arises, whether the Customs Clearance Permits which, we gather, were based on the invoice rates correctly represent the price of the goods, or, in other words, were the invoices genuine. Secondly, if genuine, whether the party had paid the amount which appears on the face of these documents, as earlier mentioned, and if they had paid, how they had obtained the foreign exchange to make the payment. On this matter the Committee is unable to throw any light. We may add that we have already made a reference in this connection to the Reserve Bank of India who have informed us that they had started inquiries. If the inquiry by the Reserve Bank of India does not disclose any improper act on the part of the party, it would be difficult to say that the wrong entry made by officers concerned to which we have earlier referred, had been prompted by any deliberate dishonest motive. But the responsibility for maintenance of proper record of values of Customs Clearance Permits issued against a particular licence lies with the dealing clerk and officer in charge. To this extent the Committee feel that Shri Basu, Shri Mitra and Shri Pathak have failed in their duty.

6.17. In the case of Messrs. Apeejay (P) Ltd., they were granted the import licences for import of steel material. Against one of these import licences, i.e. licence No. SIC/IL/BR/D/1502/94, dated 19th March, 1964 for Rs. 6,87,176, five Customs Clearance Permits were granted to the firm for a total value of Rs. 7,54,581. It has been observed from the notes recorded on the application that while issuing the third Customs Clearance Permit on 19th August, 1960 the balance unutilised in the licence was correctly worked out, but while dealing with the 4th and 5th application for the Customs Clearance Permits the unutilised balance for the licence was not correctly mentioned in the notes resulting in the issue of Customs Clearance Permits for large values. Saryashri Basu and Pathak were concerned in this

case also. Shri Pathak has explained that "presumably three applications for issue of Customs Clearance Permits dated the 18th August, 1960 were received by me on the next day. As all the three applications referred to the same import licence, I kept them together as I believed (SIC) to work upon all of them at a time because that would save time and labour. But I believe I might have been verbally ordered by my officer to put up one particular application out of the three immediately, since perhaps that particular application referred to a steamer which might have arrived already or its arrival date was near. I complied and it will be seen that (from) the notings submitted, the issue orders passed, Customs Clearance Permit details entered into the register and perhaps all other formalities were completed on the same day in the extreme hurry and it appears that this was the cause why I committed a mistake in my figure work in this application. I now find that while calculating in this application the balance value available for the licence, I have subtracted in the units place, in the tenth place, in the hundredth place, in the thousandth place and the tenths and thousandth place, but I have suddenly added up in the last digit. I beg to state that this was a genuine mistake committed by me which might presumably have occurred due to excessive over-work. Otherwise, as a man of sense I could not have committed like that. Even a simpleton could not have stated in the same breath that a licence issued for Rs. 6,84,960 leaves a balance of Rs. 7,77,200 after an import. It was woeful for me that nobody cast even a glance on my figure work considering that an old man might commit mistake". Shri Basu's explanation again is on the lines that he gave orders on the notings of the dealing clerk and ordered issue of Customs Clearance Permit and, therefore, there was no lapse on his part, as orders given by him were based on the noting of the dealing clerk. The explanation of Sarvashri Basu and Pathak are not acceptable. As in the case of Messrs. Amin Chand Payare Lal, discussed immediately before this case, the question of the genuineness of the invoices, on which the Customs Clearance Permit applications were based has been referred to the Reserve Bank of India and what we have said in the earlier case would apply to this case also.

6.18. Customs Clearance Permits issued at higher rates.—The import price for the items to be imported was

mentioned in the Letter Order at the time of the approval of the semis barter proposal and the pre-import licence, when issued, incorporated the same import price. It has already been mentioned in this Report earlier, that the import price was not a ceiling price but only an indication of the price at which the particular item to be imported would be considered as acceptable. However, during the course of our investigations, we found that at the time of the issue of Customs Clearance Permits in as many as 47 cases an import price higher than what was mentioned in the import licence was accepted by the office of the Iron and Steel Control. To save time, a representative—sample of 21 Customs Clearance Permits was selected (Appendix LIII) and the explanations of the officers concerned obtained. The parties who got these 21 Customs Clearance Permits were Messrs. Aminchand Payarelal Messrs. Apeejay Private Limited and Messrs. Ramkrishan Kulwant-rai and they were also asked why they imported at prices higher than what had been indicated in the import licence. We shall first take up the explanation given by Messrs. Amin Chand Payare Lal. They have stated that in the case of M. S. Black Sheets H. R. (IRSM-16) which was the item imported under Customs Clearance Permit No. SIC/CP/BR/D/1001/1050, dated 21st October, 1960, that the particular material was urgently required by oil companies for manufacture of drums and that they were not easily available from the continent. In order to meet the demand of oil companies they had to go to the U.S.A. where the material was available and that the Metal Bulletin price applicable to this material was as follows:—

F.O.B. Price per short ton of 2000 lbs.				\$ 103.60
Add the price of 200 lbs.				10.36
				<hr/>
Per Metric Tonne				113.96
Add extras as per American Extra list per 100 lbs.				<hr/>
For	Length		0.45	
	Width & Gauge		0.80	
	Stretcher levelling		0.75	
	Resquaring		1.00	
	Pickling		0.55	
	Packing		0.45	
			<hr/>	
		4.00	88.16	202.12
Add Ocean freight				25.00
				127.12
Add Insurance ½%				1.13
				<hr/>
C.I.F. Price per Metric Tonne				128.25

This price structure has been verified with reference to the Metal Bulletin and the list for American extras and has been found to be correct. The party, therefore, stated that while they could have claimed as much as \$ 228.25, they only asked for an import price of \$ 220.80 per M/ton which was the price at which they could obtain the goods from the manufacturers. Similarly, they have justified their request for Customs Clearance Permit at \$ 204.11 per m//Ton for annealed drum sheets, in respect of Customs Clearance Permit No. SIC/CP/BR/D/1001/1194, dated 13th November, 1960, where under the Metal Bulletin prices and the list of extras the price worked out to \$ 232.84 per m/Ton. It is not disputed that the origin of the goods is the United States of America. It had also been stated by Ministry that the Metal Bulletin price could be considered as a guide. It is also observed from the details furnished by Messrs. Amin Chand Payare Lal and verified by the Committee that the price at which the party had imported was indeed a few dollars less than the price worked out on the basis of the Metal Bulletin and the list of extras. Hence, there is no reason to doubt that the party had paid a reasonable price for the goods or the genuineness of the invoice based on which the Customs Clearance Permit was issued. The point, however, which deserves notice and comment is why the party was allowed to import the material from the U.S.A. Although the dealing assistant Shri Pathak and Shri Basu noted that the import prices mentioned in the invoices and the Customs Clearance Permit applications were higher than the import prices mentioned in the import licences they did not ask the party to give reasons for applying for the higher import prices. In none of the cases has this been done by the dealing assistant or by the officer in-charge of the Licensing Section. Probably, the party who has now given the reason for importing from U.S.A., viz. that the sheets were urgently required by the oil companies and that they were available only in U.S.A. might have given the same reason to the Steel Control and the validity of such reason might have been examined by the Iron and Steel Controller. Today we have no evidence before us to show whether the statement of the party is right or not. The Licensing Branch of the Office of the Steel Control seems to have acted mechanically in this matter without bothering to verify before coming to a decision. This comment has to be made for the reason that in the event of there being no

justification for imports from USA then in view of the higher unit import price, the quantity of material which was allowed for import was considerably less than what would have resulted, if the imports had been made from the continent. The position as explained above would hold good in regard to the other cases also.

6.19. Shri Pathak, the dealing clerk and Shri Basu who were examined on this point could not give satisfactory explanations. Shri Basu merely relied on what was put up by the clerk and, therefore, both of them could be responsible for the omission which has been pointed out above.

6.20. Issue of Customs Clearance Permits by one section of the Steel Control Office when another section had passed orders to the contrary.—The third irregularity in the matter of issue of Customs Clearance Permits noticed is that, in the semis barter case of Messrs. Ramkrishan Kulwantraï's, Contract No. 28 with Hindustan Steel Limited, while the Barter Section of the Steel Controller's Office had issued instructions to the S.I.C. Section not to issue import licences or Customs Clearance Permits against pending applications of this party, yet, the S.I.C. Section issued the Customs Clearance Permits. The facts are that on 26th October, 1960, when Shri S. C. Mukherjee, Deputy Steel Controller, discovered that pre-import licences had been issued inadvertently to Messrs. Ramkrishan Kulwantraï without ensuring the existence of a contract by the party with Hindustan Steel Ltd. he passed orders that no further Customs Clearance Permits should be issued to the party. But, actually, 13 Customs Clearance Permits were issued to Messrs. Ramkrishan Kulwantraï between 26th October, 1960 and 18th January, 1961. In dealing with the case covered by Contract No. 14 between this party and Hindustan Steel Limited, Shri G. N. Sen Gupta had earlier issued instructions to the S.I.C. Section not to issue any customs clearance permits as the party had not renewed the bank guarantee given in that case. Subsequently, on 16th November, 1960, on receipt of the renewed bank guarantee from the party, Shri G. N. Sen Gupta noted that the customs clearance permits could be issued. This was approved by the then Assistant Controller, Shri B. Tewari, and an endorsement to that effect was sent to the S.I.C. Section. However, the S.I.C. Section, instead of confining the issue of the Customs Clearance Permits only to the case

relating to Contract No. 14, started issuing Customs Clearance Permits in the case covered by Contract No. 28 also. Shri S. N. Banerji, the dealing clerk then, who was asked to explain why the Customs Clearance Permits were issued in the case of Contract No. 28 in spite of Shri S. C. Mukherjee's earlier orders to the contrary, has stated that probably there must have been some discussions or other specific orders to resume the issue of Customs Clearance Permits. Shri S. B. Basu, the officer-in-charge of the S.I.C. Section explained that there was a telephone conversation with Shri S. C. Mukherjee, who is said to have agreed to the issue of Customs Clearance Permits. There is no noting in the file with reference to this telephonic conversation. It appears, therefore, that the S.I.C. Section, viz., Shri S. N. Banerji and Shri S. B. Basu, failed to observe the orders passed by Shri S. C. Mukherjee.

6.21. The point, however, arises, to what extent the Customs Clearance Permits could have been refused and whether it would have been wise to do so. We have elsewhere referred to the legal position regarding import under a licence, stating that it is not incumbent on the licensee to take a Customs Clearance Permit. Hence, the goods that were under import could perhaps have been cleared with the import licence which the party already had. It is also true that, the goods having been imported under a valid licence, it would be doubtful if the Steel Controller could legally have refused the issue of the Customs Clearance Permit. The goods covered by import licences were to arrive or had already arrived; and, therefore, it would not have been practical or wise to refuse to issue a Customs Clearance Permit. In dealing with Messrs. Ramkrishan Kulwantrai's case of Contract No. 28 in Chapter VII, we have mentioned that on 29th October, 1960, the party had expressed his willingness to enter into a contract with Hindustan Steel Limited, to fulfil the export obligations. On 2nd November, 1960 and on 13th November, 1960, the Secretary of the Steel Ministry had asked Hindustan Steel Limited to negotiate with Messrs. Ramkrishan Kulwantrai and to finalise their contract, which eventually came into existence on 18th January, 1961. Under these circumstances, the Committee feel that, although the officers in the S.I.C. Branch did not carry out the instructions of Shri S. C. Mukherjee, no damage or loss was caused by the issue of the Customs Clearance Permits.

6.22. Failure to keep a watch on the expiry of Bank Guarantees.—Bank Guarantees were furnished by the parties along with their applications for pre-import licences. Details and the dates of submission of the original Bank Guarantees, dates of expiry, etc., are indicated against each Bank Guarantee in Appendix LIV. These Bank Guarantees were received in the Barter Section which after accepting the same issued necessary instructions to the S.I.C. Branch to issue pre-import licences. These Bank Guarantees were kept in the custody of the Barter Section, originally in the files dealing with the barter deals and later on they were transferred to the personal custody of the Assistant Controller, Shri L. K. Bose. According to the terms of the Bank Guarantees they were valid upto a certain stipulated period within which the default to complete exports had to arise to make the Bank Guarantee enforceable. After the expiry of the validity period, they had to be replaced by fresh Bank Guarantees or by corresponding Letters of Credit opened by the foreign buyers. In spite of the fact that in all these cases exports to the full extent had not taken place, these Bank Guarantees were not enforced or renewal of them obtained. The following officers of the Steel Control were looking after the work of taking the Bank Guarantees and subsequent follow-up action to renew the same:—

Shri S. C. Mukerjee	. . .	Deputy Iron and Steel Controller
Shri V. Doraiswamy	. . .	Do.
Shri L. K. Bose	. . .	Assistant Iron and Steel Controller (since 21-1-61).
Shri S. Gupta	. . .	Assistant-in-charge.
Shri G. N. Sen Gupta	. . .	Dealing Hand.

Both Sarvashri S. Gupta and G. N. Sen Gupta have explained that there was no system laid down for keeping a watch on the expiry of the Bank Guarantees and taking follow-up action to ask the party to renew the same. In the absence of any 'drill' laid down in this behalf by any superior authority, they could not be expected to take initiative on their own in this matter, particularly when the pressure of work was very heavy and they could, with great difficulty, manage to perform their allotted jobs. Similarly Shri L. K. Bose stated that he came to the Barter Section only in January, 1961 where the Bank Guarantees

were kept, and was not familiar with the practice prevailing in the office. He has also taken the plea of there being no office procedure or drill. According to Shri S. C. Mukherjee it was the responsibility of the office meaning thereby section officer and the clerical staff of the Barter Section, to have kept a watch on the expiry of the Bank Guarantees and to get them replaced by valid Bank Guarantees since at his level where he had to look after so many other matters, it was not possible to keep track of individual cases of Bank Guarantees.

6.23. We have in Chapter IV, para 20, discussed the legal implications of the Bank Guarantees that were taken at the time of the issue of the pre-import licences in the semis barter scheme. There we have said that merely because a Bank Guarantee has expired it need not be considered that no action can be taken to enforce the Bank Guarantee and that so long as the breach of the conditions of the Bank Guarantee occurred during the period of the validity of the Bank Guarantee, action can be taken to enforce the Bank Guarantee even after its expiry. Hence the failure on the part of the officers mentioned above cannot be considered as having caused a loss to Government. However, the point is that if these officers had done their duty, then the question of enforcing the Bank Guarantees would have arisen. The question would then have been examined and they would have probably come to the conclusion, as we have, namely, that although the Bank Guarantee has expired, so long as the breach had occurred within the period of validity, the Bank Guarantee was enforceable and necessary action would have been taken by Government. Therefore, the Committee feel that these officers did not discharge their responsibility of keeping a watch on the expiry of the Bank Guarantees in not asking for the renewals or replacements in time and lastly for not examining the question why the Bank Guarantee should not be enforced.

6.24. **Bank Guarantees reduced without verifying the earnings of foreign exchange.**—A Bank Guarantee for Rs. 5,05,350 was submitted by Messrs. J. S. Cohen & Company, on 9th February, 1960 along with their import licence application. Later the Bank Guarantee was allowed to be reduced to Rs. 2,26,434 on 12th July, 1961 on a request by

the party accompanied by a bank statement showing foreign exchange earned, that as they had earned the requisite foreign exchange, the Bank Guarantee for Rs. 5,05,350 submitted on 9th February, 1960 may be reduced to Rs. 2,26,434. A reduction in this case was not in order since the Bank statement furnished by the party purporting to show that they had earned foreign exchange by export of semis, did not relate to the export of semis against the export contract No. 17 in respect of which the barter deal had been sanctioned, but to other exports either on cash or barter basis. Therefore, it was not correct on the part of the Iron & Steel Controller to have acceded to the request of the firm without verifying whether the foreign exchange so earned was in respect of the export contract No. 17. The officers who ordered reduction of the value of the Bank Guarantee from Rs. 5,05,350/- to Rs. 2,26,434/- were Sarvashri V. Doraiswami, Dy. Iron and Steel Controller, L. K. Bose, Assistant Controller and G. N. Sen Gupta, Dealing Clerk. Shri Doraiswami who has retired and is now in Australia has not given any satisfactory explanation as to why he ordered reduction of the Bank Guarantee. Shri L. K. Bose has explained that as the case was put up to him with a note from the Section proposing adjustment against the earning of foreign exchange shown in the Bank statement furnished by the party and as the latter showed foreign exchange having been earned by the firm, he thought it fit on the merits of the case to recommend reduction of the Bank Guarantee to his next superior officer, Deputy Iron and Steel Controller, Shri Doraiswami. Shri G. N. Sen Gupta has also taken a similar plea to that of Shri L. K. Bose adding that as the bank statement did not indicate particulars of the export contract against which earnings of foreign exchange had been made, he did not think that the barterer would ask for reduction of Bank Guarantee by furnishing a statement on a wrong basis.

6.25. The explanation offered by the officers do not at all seem to be satisfactory. It is inconceivable how when dealing with a particular case, the officers could have taken into consideration the earnings of foreign exchange in respect of another case and accepted the request of the party for adjustment. The Officers seem to have exercised no supervision or check on the work of the Dealing Assistants and Clerks. This is yet another instance of there

being no procedure or instructions for the guidance of the subordinates and the Steel Controller did not ensure proper supervision.

6.26. The prices at which the steel imported under the semis barter scheme were sold by the importers to allottees.—One of the stages at which the Iron and Steel Controller's Office took decisions in the matter of steel imported under the semis barter scheme was when the steel was released to allottees. The manner of distribution to the allottees has been explained earlier. Now we come to the question of the price at which the steel was released by the importers to the allottees. Government Notification dated 22-4-1952 (Appendix LV) authorised the importers to charge c.i.f. cost plus clearing and incidental charges and to add to that figure their remuneration of 4% or 7½% depending on whether the delivery was made ex-jetty or ex-godown. Since the quantity of steel imported under the semis barter scheme was very large and so was the number of allottees who got the steel, the Committee had no other alternative but to make a sample-check. The importers were, therefore asked to furnish the names of all allottees to whom the entire quantity imported against specific import licences mentioned had been distributed and the rates which they had charged. This method had to be adopted by the Committee for the reason that the files of the Steel Control did not have complete statements of release orders in respect of all releases made against each of the import licences. On receipt of the information from the importers, all the allottees numbering in all 120 approximately covered by those selected import licences, were addressed (Appendix LVI) and asked to inform us whether the quantity mentioned as having been supplied by the importer, was actually supplied, whether the price said to have been charged by the importer was the amount which they had paid; whether the delivery was ex-jetty or ex-godown and if they had to pay any thing in excess of the rates mentioned in the bill of the importer. We received replies from about 80 allottees; all of whom stated that they had received the full quantity and had not paid any excess. Hence the position was that in respect of the sample-check made by us no allottee had any complaint against the importers.

6.27. While the allottees would appear to have paid not more than what was mentioned by the importer, yet the

question remained whether the price fixed by the importer was in consonance with the Notification of 1952, referred to earlier. For this purpose, we checked up a sample number of cases on the basis that the C.I.F. price is the price mentioned in the Customs Clearance Permit and were satisfied that what was charged was in terms of the Notification.

6.28. It will be remembered that the Notification of 1952, required that the price chargeable to the allottee should be based on the C.I.F. prices. We have found four cases in which the prices to be charged were not the C.I.F. price as mentioned in the Customs Clearance Permit, but the C.I.F. prices as mentioned in the import licence, which happened to be lower. The licences bear the number SIC/IL/D/BR/1001/204, 205, 221 and SIC/IL/D/BR/2814/206. It appears that in connection with the issue of the Customs Clearance Permits in respect of the goods imported under these licences, Shri S. C. Mukherjee, passed an order on 26-9-1960 that the Customs Clearance Permits might be issued in terms of the invoice rate, the rate mentioned in which was higher than the rate mentioned in the import licence, but the importer would be allowed to charge from the allottee only on the basis of the rate in the import licence. It appears that a part of all the consignments in one of these licences, was allotted to Messrs. Bharat Barrel and Drum Manufacturing Company, and that the rate charged was at the higher prices, mentioned in the Customs Clearance Permits. They took the matter to the Court of Law and after certain further proceedings the dispute was settled by compromise. The other allottees of goods imported under the licences do not seem to have questioned the legality of the prices which they had been charged by the importer. In this connection it is necessary to refer to another order passed by Shri S. C. Mukherjee, Deputy Controller on 4-5-60 (Appendix LVII), agreeing that the variation in ocean freight would be permitted. Shri S. C. Mukherjee did not, however, mention the particular ocean freight in respect of which the variation was being allowed—whether it was the variation in respect of the conference line rates earlier fixed, as from the continent to the Indian Ports, or whether it included variation on account of transport from other destination. There is some difficulty in reconciling the order contained in the letter of 26-9-60 and the terms of the letter of 4-5-60.

It is, however, not necessary to go into the question further, because no party has raised this point, excepting Bharat Barrel and Drum Manufacturing Company, whose dispute has been settled by mutual agreement as earlier stated.

6.29. Procedure adopted in dealing with the cases where irregularities had occurred.—In coming to the conclusions that have been referred to above, the Committee took care to see that reasonable opportunity was afforded to every officer who was concerned with the irregularity to become familiar with the papers and to offer his explanation. What was done was to set out in a memorandum the particular irregularity which had occurred and the circumstances in which it had occurred and to call upon the individual concerned to offer his explanation. All records were made available for the officer to study. The written explanation of the Officer was obtained and thereafter a further opportunity was afforded to the officer to appear before the Committee and to say what he wanted over and above the written explanation. Conclusions have been arrived at by the Committee after full consideration of the explanations offered by the officers concerned. The memoranda served on the officers and the written explanations offered are appended.

6.30. In the previous paragraphs of this Chapter we have dealt with the action of various officers whom we have found remiss. Most of these officers are either dealing assistants or lower gazetted officers. The defaults committed by them took place many years ago when probably there was pressure of work. These cases might justify disciplinary action being taken. However, it is for the Government to decide whether any action should be started after this long lapse of time.

6.31. General observation on the working of the Iron and Steel Control Office.—The Committee have quite often observed that there was lack of supervision in the office of the Iron and Steel Controller and that there were no standing orders or instructions in regard to the implementation of the policies issued from time to time. The Government had earlier appointed a Study Team under the Chairmanship of Shri R. K. Khadilkar to go into the working of the Iron and Steel Control Organisation. We would draw particular attention to what that Study Team had

said in para. 5.8, Chapter 5 of their Report (Part II) which deals with steel import control and licensing. They have stated:—

“5.8. x x x x x x x x

(2) The form in which the Controller announces his import policy is rather sketchy and not as helpfully elaborate as Red Book policy. As a result applicants are left very much in doubt as to which items are actually licensable and which not. A considerable amount of discretion is consequently left to be exercised by the licensing officers or the Iron and Steel Control Organisation. *The Controller issues no instructions for the guidance of licensing officers in this matter, with the result that the latter who are relatively junior men and mostly non-technical, have to take important decisions about licensability of particular items on their own. This is an unsatisfactory state of affairs and carries the possibility of harassment to some parties and undue favour to others.*

(2) The Chief Controller of Imports and Exports makes *ad hoc* announcements of policy from time to time which are in addition to the annual Red Book. These are invariably adopted by the Iron and Steel Controller also, but present practice requires him to re-issue these in the form of his own announcements. We have found that there is a considerable time-lag between the announcement of the Chief Controller of Imports and Exports and its re-issue by the Iron and Steel Controller for the iron and steel sector. This again leads to delay in licences for iron and steel items and consequent hardship to industrial units needing both steel and non-steel items.”

6.32. We would also draw attention to what the Study Team had stated in para 9.17, Chapter 9, dealing with the Re-organisation of Iron and Steel Control:—

“9.17. A study of the existing position revealed the following:—

(i) No attempt had so far been made to classify the various types of records and to fix a maximum period for their retention.

- (ii) No attempt was made to weed out inactive records and to close, stitch and index the files as a regular item of work. As a result, both active and inactive records were jumbled up all over the place. The situation created all the more confusion because most of the sections are located in a big hall and there is no recognised boundary of individual sections.
- (iii) The records pertaining to individual sections were not even kept together. In fact even members of the staff of the same section were in many cases, sitting at different parts of the hall with their records sometime near them and sometime at a great distance.
- (iv) There had been several reorganisation of sections from time to time and consequent transfer of records from one section to another. In this process, many records were lying at different places which could not be identified as belonging to any particular section.
- (v) The Record Room was a very small one (about 1000 sq. ft.). In this small room there were about 53,000 recorded files, out of which only about 1000 files were requisitioned by the operative Sections during the last three years. It clearly showed that many of these recorded files were not required and must be fit for destruction. Moreover no effort had been made to destroy the unwanted files to make room for storage of fresh records."

6.33. From our experience during the course of our investigation, we would wholly endorse the two statements of the Study Team referred to above. Beyond saying this the Committee does not consider it necessary to go further into the matter, as it is expected that the Government would be taking appropriate action on the recommendations of the Study Team. There is, however, one aspect of the functioning of the Steel Controller's Organisation about which the Committee feel responsible to give its views and that is that Shri A. S. Bam, the Iron and Steel Controller, during the period when most of the cases referred to in this Report were dealt with, does not seem to have acted as would be expected of a responsible officer heading the organisation. The impression that he has given us is that

all policy decisions were taken by the Ministry and the implementations was done by his subordinates. Following from this impression he did not seem to be responsible for any mistakes which occurred during the course of the implementation. No manner of supervision seems to have been exercised by him for otherwise the mistakes which were committed at the level of Deputy Assistant Iron and Steel Controller, namely, the licencing officer, would have come to his notice. It is agreed that as head of the organisation it was not possible for him to look into every decision taken by a subordinate, but a system should have been evolved whereby mistakes such as those referred to above could be avoided or would come to his notice. It is on account of this reason that subordinate officers tried to take shelter on the ground that no procedure or drill was prescribed for them to follow. That the Office had been in existence from the year 1940 and that what was being done in the past continued to be done can be no argument. It is for each incumbent in the post of the head of the organisation who should from time to time issue instructions for the proper implementation of Government's decisions. The Government might, therefore, consider the appropriate action that may be taken against the then head of the Steel Control Organisation.

CHAPTER VII

BARTER TRANSACTION ENTERED INTO BY MESSRS RAMKRISHAN KULWANTRAI—CONTRACT NO. 28—WITH MESSRS HINDUSTAN STEEL LIMITED

7.1. Of the several barter transactions under the Semis Barter Scheme, there is one which requires to be dealt with separately. The reason why this case has to be dealt with in some detail is that here pre-import licences were issued before a contract had been made between the barterer concerned, Messrs Ramkrishan Kulwantrai and the Hindustan Steel Limited in breach of the Ministry's letter of February 2, 1960. This irregularity is admitted. The question is what view is to be taken of this irregularity. It would be helpful to understand the case if we, at this stage, set out the procedure actually followed for processing the proposals under the Semis Barter Scheme. The practice seems to have been for the Barter Section of the Office of the Iron and Steel Controller, which was in charge of Shri S. C. Mukherjee, Deputy Iron & Steel Controller, to receive the proposals to process them, to issue letters of approval known as Letter Orders (Appendix LVIII) to receive the Bank Guarantees/Irrevocable Letters of Credit, to ascertain if the terms and conditions laid down in the pre-import policy letter No. SC(C)-5(5)/60 dated 2-2-1960 were fulfilled, and then to issue instructions to the Licensing Section, namely, SIC Section, in the Office of the Iron and Steel Controller, to issue licences.

7.2. The facts of the case are briefly stated hereunder:

On April 8, 1960, Ramkrishan Kulwantrai made an offer to Iron & Steel Controller for sanction of a barter deal involving an export of 25,000 tons of ingots and slabs in exchange for import of finished steel including a certain amount of stainless steel. This offer was accepted by the Deputy Iron & Steel Controller, Shri Mukherjee, on 5-5-1960, by the issue of a Letter Order stating that Ramkrishan Kulwantrai would be permitted to export 25,000 tons of slabs, ingots and blooms, prices and specifications to be

agreed upon between them and Hindustan Steel Limited, against which export they would have to import, finished steel of various categories and specifications at the prices mentioned. The categories mentioned included stainless steel, of which the quantity was stated as 250 tons. In regard to the other categories, no quantities were mentioned. On 6-5-1960, Ramkrishan Kulwantrai wrote to Iron & Steel Controller accepting the terms mentioned in the Letter Order of 5-5-1960 and stated that the approximate value of the exportable items would come to \$ 21 lakhs. With this letter was enclosed a statement showing the different categories and quantities and prices of steel, which Ramkrishan Kulwantrai proposed to import under the barter deal before export. A copy of this letter from Ramkrishan Kulwantrai was sent by Iron & Steel Controller to Hindustan Steel Limited, on 23-5-1960, with a request to let Iron & Steel Controller know if the pre-import licence might be issued to Ramkrishan Kulwantrai. There was no reply to this letter immediately, but eventually a reply came on 20-6-60. We will refer to this reply later. On 1-6-1960, Ramkrishan Kulwantrai asked Iron & Steel Controller for a pre-import licence in respect of this barter deal and enclosed a Bank Guarantee for 15% of \$ 21 lakhs, which came to Rs. 15,15,000/-. On 6-6-1960, Iron & Steel Controller wrote to Ramkrishan Kulwantrai setting out the quantities, prices and specifications of finished steel that was to be imported under the barter deal. A copy of this letter was sent to Hindustan Steel Limited and another to the SIC Section of the Iron and Steel Control. On the copy sent to the SIC Section the following endorsement appears:—

“SIC Section, Iron & Steel Control, Calcutta, along with 5 applications for issue of import licences . . . with the request to issue Import Licence accordingly, validity period to be indicated as 31-12-1960. Bank Guarantee for 15% of total FOB value has since been received from the firm.”

It may be stated that these applications for the import licence had been sent by Ramkrishan Kulwantrai along with another letter dated June 1, 1960, which they had written to Iron & Steel Controller for the purpose of obtaining pre-import licences. In terms of the endorsement referred to above, the SIC Section issued 5 pre-import licences on 7-6-1960.

7.3. It will have been noticed from the facts earlier stated that at the time of issuing the pre-import licences, the Iron & Steel Controller's office had no information at all, that is to say, neither from Ramkrishan Kulwantrai, nor from Hindustan Steel Limited, that a contract for the sale of the required quantity of semis had been entered into between Ramkrishan Kulwantrai and Hindustan Steel Limited for the purpose of acquiring the materials to be exported under the barter deal. In fact, there was no such contract at all at this stage, and this is admitted by all parties concerned. The question that will have to be examined is how this fault came about and whether responsibility can be fixed on any particular officer or party for it. We will come back to this matter after we have stated some more facts in connection with this barter deal.

7.4. It appears that the import licences issued under this barter deal were amended from time to time, and there were as many as 9 amendments between 6-6-1960 and 7-10-1960. Each time, a copy of the letter approving the amendment requested by Ramkrishan Kulwantrai was forwarded by Iron & Steel Controller to Hindustan Steel Limited. Each of these letters bore the subject-heading "Export of 25,000 tons of slabs and blooms on barter basis in exchange for the import of finished steel."

7.5. Shortly prior to August 26, 1960, there appears to have been a telephonic conversation between Shri H. R. S. Rao, then Assistant Sales Manager of Hindustan Steel Limited, and Deputy Iron & Steel Controller, Shri S. C. Mukherjee. This conversation may be reasonably taken to have been concerning a barter deal with Ramkrishan Kulwantrai, but which one, cannot be predicated with any certainty. On 26-8-1960, Hindustan Steel Limited wrote to Iron and Steel Controller referring to the telephonic conversation mentioned above and enclosing a copy of their letter dated 9-6-1960 to Iron & Steel Controller, which related to another barter deal with Ramkrishan Kulwantrai involving export of 5,000 tons of slabs, and later covered by Letter Order dated 15-6-1960. In this letter, it was stated that Hindustan Steel Limited had sold only 5,000 tons of slabs to Ramkrishan Kulwantrai implying that no more had been sold. When the Hindustan Steel Limited's letter of 26-8-1960 was placed before Shri S. C. Mukherjee, Deputy Iron & Steel Controller, he noted on the file:

"I want a complete account of import licences issued

to the firm and details of the corresponding export arrangements made by them. Immediate please.

Sd/- S. C. Mukherjee,
31/8".

In the margin of the file there appears a noting by Shri G. N. Sen, the dealing assistant, reading—

“Malik of Ramkrishan Kulwantrai has promised to submit the required statement shortly.

Sd/s G. N. Sen,
6/9”.

In his evidence before the Committee, Shri Sen stated that he had made the notes just referred to, as Shri S. C. Mukherjee had asked him to do so, and that it was not he himself who had any talk with Shri Malik, but it might have been Shri S. C. Mukherjee who had that talk, a statement which Shri Mukherjee, in his evidence, was not in a position to contradict categorically. However, it is not disputed that a complete account of import licences issued to Ramkrishan Kulwantrai was not submitted to Mukherjee either by the office or by Malik. Mukherjee's evidence was that he had completely forgotten this matter as he had relied on his subordinates, whose duty it really was to see that the directions were carried out. The next event that is worth referring to in this connection is the noting in file No. CP/RKK/32/60 by Shri S. C. Mukherjee, dated 26-10-1960, which is reproduced at Appendix LIX. Extracts from this noting may, however, be set out here:—

“Shri Rao of Hindustan Steel rang me up yesterday to say that we have sanctioned some barter deals in favour of Messrs. Ramkrishan Kulwantrai against which they have not finalised the export side as yet. He also stated that the firm had been pressing them for finalising the export side on the plea that they had already been permitted to import the materials on submission of the requisite Bank Guarantee.....I, therefore, immediately looked up our papers to see if any such irregularity had been committed by us. I extremely regret to point out that the statement made by Shri Rao is substantially correct and there has been a rather serious lapse on our part.

in this particular case. This was noted to be a serious lapse on the part of my Assistant as well as on my part. It appears that the firm has already imported some materials against these import licences. . . . Although we are no doubt responsible. . . . the primary responsibility for this irregularity must lie on the firm itself. . . . They should not have. . . . applied for import licence with a Bank Guarantee before finalising the export side. We can easily forfeit their Bank Guarantee for whatever reasons there may be. We are not bound to request Hindustan Steel to supply the requisite exporting materials to them, and it is for them to get the exportable materials from Hindustan Steel by mutual agreement. If they failed to do so, we can even blacklist the firm. From the talk I had with Shri Rao, it is quite clear that Hindustan Steel is not going to supply 25,000 tons of slabs to this party to enable them to fulfil their commitments against this particular deal. We have, therefore, to find ways and means to adjust the imports already made against other foreign exchange which they have already spent on the imports made against this licence. I am also issuing instructions to Steel Import Control to stop issue of CCP to this firm against all their import licences, until they have given a complete account of their pending import licences and have submitted acceptable proposals for adjustments of the foreign exchange spent. As regards my Barter Assistant and myself, we extremely regret that this lapse had taken place due to heavy rush of work and we beg to be condoned. . . . I shall take immediate steps to ensure that lapses do not occur again. At present I have been dealing with these barter cases with the help of only one Lower Division Clerk, so as to avoid delays. In future, I shall have all these files sent up to me through the Superintendent and Section Officer, so that there is sufficient check exercised."

We may at this stage state that Shri Mukherjee, in his evidence before the Public Accounts Committee, stated, in substance, that the entire blame for this default should

be placed on him, and not the poor clerk working under him. After this noting of Shri Mukherjee, there is a noting of the same date by the Steel Controller, Shri Bam, which reads as follows:—

“It is most unfortunate that such a serious lapse should have taken place in the office. We must immediately explore all avenues to see that the damage is repaired. As Shri Kulwantrai is arriving in Calcutta in a day or two, we should prevail upon him to surrender his other unutilised import licences of the equivalent value. In the meantime, I find that the D.C.(M) has already taken other precautionary measures.

After we get a clearer picture, we may submit a detailed report to the Ministry.”

7.6 On 2nd November 1960, the matter was discussed at Delhi between Shri Bhoothalingam, the Secretary, and Shri Bam, the Controller. According to Shri Bam, all the papers were then shown to Shri Bhoothalingam. Shri Bhoothalingam sent for Shri Mukherjee, who had also come to Delhi, and expressed annoyance at the lapse committed by him. It appears that Shri K. N. Subbaraman, the then General Manager of Hindustan Steel Limited, also came in, and Shri Bhoothalingam asked him in view of the circumstances of the case, to arrange to supply the requisite quantity of slabs to the firm. Shri Subbaraman was asked to write to his Head Office to see that the needful was done.

7.7 It appears that on 13th November 1960, Shri Bhoothalingam was passing through Calcutta on his way to Delhi and was accompanied by Shri Shrinagesh, the then Chairman, Hindustan Steel Limited, and that Shri Bam met them at the Dum Dum Airport. The evidence of these gentlemen before this Committee was that the meeting was accidental and had not been planned. Shri Shrinagesh had joined Hindustan Steel Limited only in the previous month. He told this Committee that he had no knowledge of the matter earlier. At this meeting, Shri Bhoothalingam requested Shri Shrinagesh to make the materials available to Ramkrishan Kulwantrai, so that the export contemplated by the barter deal could be made. There is noting in File No. CP/RKK/(32)/60 of the Iron and Steel Controller's office made by Deputy Controller Mukherjee on 17th November 1960 (Appendix LX) in which the substance of the

discussions held on 2nd November 1960 and 13th November 1960 was recorded. On 14th November 1960, Shri Bam wrote to Shri Shrinagesh (Appendix LXI), referring to the discussions at the Dum Dum Airport on 13th November 1960, stating that he had earlier learnt that Hindustan Steel Limited had not agreed to supply the materials to Ramkrishan Kulwantrai against the barter deal and setting out the reasons why it was to the advantage of Hindustan Steel Limited to supply the materials. He *inter alia* stated that ingots were accumulating in the Rourkela Plant and that Ramkrishan Kulwantrai were prepared to accept materials lying in stock irrespective of their quality and analysis. He enclosed a copy of the letter from Ramkrishan Kulwantrai to Iron and Steel Controller dated October 29, 1960, in which they regretted that Hindustan Steel were unwilling to supply the materials, and undertook to earn the foreign exchange involved by exporting any permissible item. He pleaded with Shri Shrinagesh to see that the requisite supply of materials was made to Ramkrishan Kulwantrai. It is of some interest to mention that in this letter Shri Bam summarised the discussions that had taken place at Dum Dum Airport on 13th November 1960. On receipt of this letter, Shri Shrinagesh called for a report from his office, and after various points had been considered, a draft reply to Shri Bam was prepared, which was signed by Shri Shrinagesh on 26th November 1960 and sent to Shri Bam (Appendix LXII). Shri Shrinagesh stated in this letter that as a commitment had been made, Hindustan Steel Limited would offer whatever ingots/slabs they had in stock at Rourkela on the clear understanding that the materials would have to be accepted as they were. He added that the materials lying in stock could be sold on a cash basis, and that Hindustan Steel Limited had in fact already concluded deals for export on cash basis. Shri Shrinagesh, however, also stated in this letter as follows:—

“I would, however, point out that offering materials for export to this party at this stage could result in considerable criticism.”

On 13th January 1961, Shri Bam replied (Appendix LXIII) to Shri Shrinagesh's letter of 26th November 1960, pointing out that he had not received any communication since the receipt of Shri Shrinagesh's letter, as to whether the deal had been finalised or not. He added,

“I am a little puzzled at your statement to the effect

that offering materials for export to Ramkrishan Kulwantrai 'could result in considerable criticism'. I wish you had made it a little more clear."

He further stated that the rate offered by the firm was very attractive as Hindustan Steel Limited had agreed to sell on cash basis, slabs and blooms at \$ 62.00 f.o.b. Calcutta/Vizag, and ingots at \$ 53.00 f.o.b., while the price offered to Ramkrishan Kulwantrai was \$ 84.00 f.o.b., which the firm was prepared to accept. A copy of this letter was sent by Shri Bam to Shri Bhoothalingam; Shri Bam had also earlier sent to Shri Bhoothalingam separately a copy of Shri Shrinagesh's letter of 26th November 1960. On the copy of Shri Bam's letter, Shri Bhoothalingam made the remark—

"It is the rejection of this by Hindustan Steel Limited, which will attract criticism."

7.8 It remains now to state that in fact on January 18, 1961, a contract, namely, Contract No. 28, was concluded between Hindustan Steel Limited and Ramkrishan Kulwantrai for the sale and export of 22,137 m/t of slabs at \$ 70.53 per m/t f.o.b. and 9,161 m/t of ingots \$ 60.29 per m/t f.o.b., both from stock. It appears that none of this material was taken over by Ramkrishan Kulwantrai and exported. They justified their refusal to accept the goods on the ground that similar materials exported earlier had been found unfit for re-rolling, and, therefore, they were not in a position to lift the semis, which were at that point of time lying in the Ports of Vizag/Calcutta. The precise point later made by them was that though they had agreed to take ingots as were lying in stock, the word 'ingot' implied that the materials had to be fit for re-rolling, which the ingots offered by Hindustan Steel Limited were not. We gather that this dispute between Hindustan Steel Limited and Ramkrishan Kulwantrai is now pending decision by arbitration.

7.9 We have already stated that in this barter deal a lapse had been committed, viz., that import licences had been issued before a contract for purchase of materials for export had been made. This is not in dispute. The question really then is whether this lapse had been merely accidental, or it was induced by some dishonest motive.

The former might justify steps in the nature of disciplinary action being taken against the officer or officers concerned, whereas, in the latter case, it has to be considered whether action, civil or criminal, should be taken by the Government. We might dispose of one of these alternatives at once by saying that no question of civil action arises because till now there is no evidence of recoverable loss suffered by the Government. If the export had been made, the foreign exchange would have been earned. There was ultimately in fact a contract with Hindustan Steel Limited for the purpose of the export. The export, however, could not be made because a dispute arose as to whether the goods delivered by Hindustan Steel Limited were in terms of it. On that question it would not be right for us to express any opinion, for the matter is before the Arbitrators. Therefore, the failure to earn foreign exchange, which in any event we find it difficult to consider as a loss suffered by the Government, was not due to the failure of the Steel Control to see that a contract had been made before the import licence was issued but was due to the dispute that had arisen.

7 10. Next we will deal with the question on the basis that the failure to see that the export contract had been made was accidental. The only question on this aspect of the matter is whether disciplinary action should have been taken. The officer primarily concerned was the Deputy Controller, Shri S. C. Mukherjee. If he was not to blame, then the clerk under him could not also be blamed for what had happened. We gather that for the purpose of disciplinary action, the matter has to be considered by two authorities—one called the supervisory authority and the other, the disciplinary authority. It is the duty of the supervisory authority to make a preliminary enquiry and report the case for initiation of the disciplinary proceedings to the disciplinary authority. The supervisory authority in the case of Deputy Controller, Shri Mukherjee, was Shri Bam, the Steel Controller, and the disciplinary authority was Shri Bhoothalingam, Secretary of the Steel Ministry. The stand taken by Shri Bam in his evidence before this Committee was that he had reported the entire facts to the Secretary, Shri Bhoothalingam, on 2nd November 1960, and had thought that, if any disciplinary action was called for, Shri Bhoothalingam would issue the necessary orders or take the necessary action. On the other hand, Shri Bhoothalingam stated

that he thought that, after Shri Bam had further enquired into the matter, he would make a formal report to him (Shri Bhoothalingam) recommending the line of action that had to be taken. Shri Bhoothalingam also emphasised that on 2nd November 1960 he concerned himself more with repairing the error that had been committed than with the question of taking steps against the officers concerned, and that was the reason why he had not mentioned this aspect of the matter to Shri Bam specifically. However, as it happened, in the result, no action was taken. The question for us now is whether any disciplinary action should have been taken against the officers concerned, and which authority is responsible for that failure. Having given the matter our anxious thought, we have come to the conclusion that it was not a case which called for any disciplinary action being initiated against Deputy Controller, Shri Mukherjee. His explanation was, he had too much to attend to. In our view, this contention was justified. Next we find from the record that his character-roll has been for a long time consistently excellent. He has been described as an outstanding officer. All his superior officers, namely, Shri Bhoothalingam, Shri Wanchoo, Shri Bam and Shri Banerjee, spoke very well of him. We find that Shri Mukherjee acted as Secretary of the Khadilkar Study Team on the Iron and Steel Organisation, and in the letter dated 13th May 1966 from Shri Khadilkar, the Chairman of the Study Team, to the then Steel Minister, Shri T. N. Singh, the former had stated,

“The work of the Study Team was greatly assisted by our well-informed and able Secretary, Shri S. C. Mukherjee”.

It is clear to us from the evidence given by Shri Bhoothalingam and Shri Bam that none of them really thought it a proper case for the initiation of disciplinary action. We do not find any justification for taking a different view. From what we have earlier stated, it would appear that Shri Mukherjee owned up his default at the first opportunity and did his best to rectify the error that he had committed. He was even prepared to take the entire blame on himself, leaving out his assistant Sen:

7.11. It remains to consider the part that was played by Ramkrishan Kulwantraï. From the facts mentioned earlier, Ramkrishan Kulwantraï's barter proposal for

25,000 tons was approved on 5th May, 1960. They submitted applications for pre-import licences, and the decision to grant pre-import licences was taken on 7th June, 1960; and, on the same date they were granted the licences. Until 29th October, 1960, there was no correspondence which would go to show that Ramkrishan Kulwantrai had taken any interest to fulfil their part of the obligations to export under the letter order. Ramkrishan Kulwantrai were, therefore, asked the circumstances under which they submitted import applications and obtained 5 pre-import licences totalling Rs. 1,00,79,696 without entering into corresponding purchase contract with Hindustan Steel Limited for export. They replied that neither Hindustan Steel Limited nor the Iron & Steel Controller made known to them or directed them that a purchase contract would have to be finalised before they could be allowed pre-import licences. Ramkrishan Kulwantrai were one of the leading concerns in the iron and steel trade. They had put through several barter proposals both under the S.T.C. and under the Iron & Steel Controller. Hence it cannot be stated that Ramkrishan Kulwantrai did not know that they had to enter into export commitments before they obtained pre-import licences. Even under the semis barter scheme they had contracted with Hindustan Steel Limited for the purchase of 5,000 tons of slabs and to export—*vide* Contract No. 14, and had obtained pre-import licences on 15th June, 1960. Hence, there can be no question of Ramkrishan Kulwantrai not knowing the terms and conditions of the barter scheme. It should, therefore, be construed that Ramkrishan Kulwantrai did take advantage of the oversight of the Iron & Steel Control Office and avoided the responsibility to export. To this extent, adverse notice has to be taken of the action of Ramkrishan Kulwantrai.

7.12. We can now proceed to consider certain points that incidentally arise out of this deal. It has been said that the anxiety shown by Shri Bhoothalingam and Shri Bam to induce Hindustan Steel to supply the materials to Ramkrishan Kulwantrai was due to their desire to cover up the default committed in the Steel Control Office by issuing the import licences before the export contract had been made. We are unable to accept this view. There can be no doubt that the barter deal involved an export contract, which was lacking in this case. Whatever the reason may have been for the absence of the export contract, it was certainly the duty of all concerned to see that

the export contract came into existence. It cannot be suggested that it would have been better to leave the matter where it stood and leave the import licences without the supporting export contract. Indeed, it is difficult to see how the action taken by Shri Bhoothalingam and Shri Bam covered up anything. The facts are there and would appear from the record. Any one trying to find them out would easily have found them, particularly when Deputy Controller, Shri Mukherjee, in writing and orally, admitted his fault, and that writing is on the file. We find it extremely difficult even to suggest that there was any attempt to cover up any default.

7.13. It was said that a record of the discussions in which Shri Bhoothalingam participated and which were held on 2nd November, 1960 and 13th November, 1960 should have been kept on the file. It is true that no record as such was kept, but the substance of the discussion appears from the noting of Deputy Controller, Shri Mukherjee, dated 17th November, 1960, and the discussion at Dum Dum Airport on 13th November, 1960 is also fully set out in Shri Bam's letter of November 14, 1960. It would be difficult to see how a record of the discussions on the 13th of November could have been made instantaneously, for that meeting was, as we have said, not a planned meeting, and only the three heads of the departments, who had accidentally met, happened to discuss the matter as one of the subjects on which quick action was required. In any case, since the substance of the discussion was put on some form of record, and we have no reason to think that the record was in any way incorrect—no harm has been occasioned by the absence of a formal record contemporaneously made.

7.14. We should also notice the remark by Shri Bhoothalingam that it was the refusal of Hindustan Steel Limited to supply the required materials which would attract criticism. It has been said that this remark was thoroughly unjustified. The first thing we note in this connection is that the remark was not meant to be followed up by any particular action or to be communicated to any one, but Shri Bhoothalingam had only set down his immediate mental reaction to the observation of Shri Shrinagesh to which it was related. That Shri Bhoothalingam's remark was sound seems to us apparent. If Hindustan Steel had refused to supply the materials and the resultant situation

was that the export arm of the barter deal was left uncompleted, then clearly that would have been an undesirable situation and would have, therefore, attracted criticism, as Shri Bhoothalingam remarked. Shri Shrinagesh, in his evidence, clarified why he had made his remark. He said that he had been prompted to make it because he had been told that Hindustan Steel had, at or about that time, been refusing to supply material against new barter deals to other parties, and supplying material to Ramkrishan Kulwantraï would have looked like discriminating in their favour. In fact he drew the Committee's attention to the draft reply to Shri Bam's letter of 13th January, 1961 in which he so said. Shri Shrinagesh said that the draft reply had not been sent because a contract had already been made. It was not as if no enquiries had been made of the reasons for Shri Shrinagesh's remark. It will be remembered that Shri Bam, in his letter of 13th January, 1961, had, in substance, asked Shri Shrinagesh to clarify the remark, and the draft reply of Shri Shrinagesh, if sent, would have given the clarification. It is clear, therefore, that in making his remark Shri Shrinagesh was suggesting that in supplying the goods to Ramkrishan Kulwantraï at that stage would involve impropriety on the part of the Iron and Steel Controller as it might be interpreted as a discriminatory act. We think it right to state here that the unwillingness on the part of the Hindustan Steel at that stage to enter into export contracts for the purpose of barter deals was due to the fact that they were not finding such contract as profitable for various reasons, as they had earlier imagined that they would be. Whether they were right or not in this view is not a matter for this committee to consider.

7.15. The Committee also considered the question whether the lapse had been caused by any inducement dishonestly given by Ramkrishan Kulwantraï to Deputy Controller, Shri Mukherjee. The Committee thinks that in order to justify the conclusion that there was dishonest motivation, there must at least be reason to think that the course adopted might have resulted in some advantage to Ramkrishan Kulwantraï. We will examine this question presently, but we should first point out that, the fact that immediately on the discovery of the lapse, Deputy Controller, Shri Mukherjee brought it to the notice of the higher officers, would go a long way to establish his innocence. We have earlier stated that he was prepared even to take

the entire burden for the lapse on himself and did not want the clerk under him to be dragged in. This is hardly the conduct of a dishonest man. At no point of time did Deputy Controller, Shri Mukherjee come forward with any excuses in justification of his omission to see that an export contract had been made before he directed the issue of import licences. We should also state that immediately on discovery of the lapse, he had taken steps to stop issue of licences or Customs Clearance Permits to Ramkrishan Kulwantrai. He had contacted Ramkrishan Kulwantrai and asked them to make a contract with Hindustan Steel immediately. Then we find that Ramkrishan Kulwantrai themselves also were fully willing to make such a contract, when requested. In their letter of 29th of October, 1960, they gave an undertaking to earn the foreign exchange spent on their imports by any permissible means. In fact, they made the export contract with Hindustan Steel as soon as the latter had agreed to offer them the materials. They had made this contract at a rate higher than what Hindustan Steel Limited then got on cash sales basis. We also find that at or about the same time Hindustan Steel made a barter sale contract with Surrendra (Overseas) Limited for the same kind of semis at a lower rate than that at which Ramkrishan Kulwantrai had purchased from them. It strikes us that if Ramkrishan Kulwantrai were unable to get an advantage, it would be unlikely for them to have offered illegal inducement to Shri Mukherjee to issue the import licences before the export contract had been made. For all these reasons, we cannot take the view that Deputy Controller, Shri Mukherjee had for dishonest reasons issued the import licences before the export contract had been made by Ramkrishan Kulwantrai with Hindustan Steel Limited.

CHAPTER VIII

BARTER DEALS ENTERED INTO BY HINDUSTAN STEEL LIMITED TO MEET THEIR OWN REQUIRE- MENTS

8.1. The Hindustan Steel Limited had entered into a contract with the BOC (Pipes) Limited to supply approximately 51,000 tons of pipes. This it had done at the instance of the Government as the Government wanted a pipe plant set up by Hindustan Steel Limited and thought that the contract would help to set up the plant which when working would produce pipes not only for the purpose of the contract but for future demands also. At the time that they entered into this contract it was expected that the Strip Mill in Rourkela would be in a position to manufacture the strips for making the pipes and that the Pipe Plant also would be commissioned in time. While the Pipe Plant was commissioned according to expectations, there was some delay as far as the Strip Mill was concerned. In the contract between Hindustan Steel Limited and BOC (P) Limited, there was a penalty clause which was quite stringent. In the national interest also it was necessary to get pipes laid without loss of time, for the Noonmati Refinery, and for the Barauni Refinery—from Nahorkatia upto Gauhati and from Gauhati to Barauni. At the time when they had entered into this contract at the instance of Government, it was envisaged that they might have to spend some foreign exchange. Part of the contract with the BOC (27,000 tons) was fulfilled by importing pipes for them and supplying them. Hence, when Hindustan Steel Limited found that the Strip Mill was not ready, they had to arrange for import of strips to make the pipes in their own Pipe Plant. Hindustan Steel Limited, therefore, approached the Ministry of Iron and Steel and requested the import, at the first instance, of 3,000 tons of strips, of which 1500 tons was to be against a cash licence and the balance 1500 on the basis of barter. Shri Bhoothalingam, Secretary, Ministry of Iron & Steel,

approved of this proposal and sent the following Teletypewriter message to Shri A. S. Bam, Iron and Steel Controller:

“FOR BAM FROM BHOOHALINGAM STOP PLEASE ISSUE IMPORT LICENCE TO HSL FOR IMPORT OF ONE THOUSAND FIVE HUNDRED TONS OF STRIP FOR CASH (APPROXIMATELY TWO HUNDRED AND FIVE THOUSAND US DOLLARS) STOP THIS IS TO BE DEBITED AGAINST OUR EARNINGS OF CASH ON EXPORT STOP HINDUSTAN STEEL HAVE ALSO CONCLUDED BARTER DEAL FOR IMPORT OF STRIP AGAINST EXPORT OF BILLETS THROUGH SURRENDRA OVERSEAS STOP PLEASE ISSUE NECESSARY IMPORT AND EXPORT LICENCES ON BARTER BASIS STOP”.

8.2. The Hindustan Steel Limited asked Messrs Surrendra Overseas, with whom they had concluded the barter deal, to apply for a pre-import licence which they did. On the application of Messrs Surrendra Overseas Limited Shri S. C. Mukherjee, Deputy Iron and Steel Controller submitted the following note to Shri A. S. Bam, the Steel Controller:

“As the materials are to be imported for Hindustan Steel Limited, for consideration if we are to issue an import licence without any Bank Guarantee from the importer—validity 3 months.”

Shri Bam approved of this proposal and the import licence for 1500 m. tons of steel strips for Rs. 10 lakhs was issued to Messrs Surrendra Overseas. S/Shri A. S. Bam and S. C. Mukherjee who were asked why they had issued a pre-import licence without taking a bank guarantee, as required in the letter of 2nd February, 1960 explained that the barter deal was one which had been concluded by Hindustan Steel Limited with the approval of the Ministry of Iron and Steel. The Steel Secretary had also instructed them to issue the import licence as the material was urgently required. Hence Shri Bam and Shri Mukherjee stated that this particular barter proposal not having been received by them for processing and for the reasons mentioned above, was a barter deal outside the Semis Barter

Scheme as enunciated in the letters of Department of Iron & Steel dated 14th January, 1960 and 2nd February, 1960. Therefore they did not have to go through the normal drill such as issue of a letter order, acceptance of the letter order by the party, conclusion of a contract with Hindustan Steel Limited, taking of Bank Guarantee, fixing prices of the item to be imported etc., before issue of the pre-import licence. In the face of the correspondence between Hindustan Steel Limited, the Ministry and the directions of the Steel Secretary to the Steel Controller, the Committee are not inclined to think that the reasons given by Shri Bam and Shri Mukherjee for not taking the bank guarantee and for not fixing the import prices is unjustified.

8.3. On 27th March, 1961 Hindustan Steel Limited wrote to the Iron & Steel Controller that they had concluded a barter deal with Messrs Surrendra Overseas (Private) Limited for the sale of steel ingots and for the import of another 5000 m. tons of steel strips. These strips were also required for the fulfilment of their contract with the BOC (P) Limited. On this occasion the Hindustan Steel Limited themselves submitted an application for pre-import. On 30th March, 1961 Shri S. C. Mukherjee put up the application of Hindustan Steel Limited to the Controller with the following note:

“This was discussed with Secretary when he was in Calcutta. He ordered that an Import Licence may be issued prior to export to Hindustan Steel Limited without any Bank Guarantee. Controller may kindly see.

(Sd.) S. C. Mukherjee
30-3-61.

above in the note of Shri S. C. Mukherjee, a pre-import licence was issued for 5,000 m. tons in favour of Hindustan Steel Limited. In answer to questions put by the Committee Shri Mukherjee referred to the decision of Shri Bhoothalingam and said that this barter deal having been concluded by the Hindustan Steel Limited independently of the Iron and Steel Controller and having had the concurrence of the Secretary of the Ministry, the transaction stood on a special footing and that they merely carried out the orders of the Secretary in issuing the pre-import licence. He also added that for the same reasons he did not attempt to fix the prices for the import. The Committee consider that this second case of barter deal with Hindustan Steel Limited where the Ministry issued instructions to the Steel Controller stands on the same special footing as the first case and that the reasons given by Shri Mukherjee for not fixing import prices and for not taking the bank guarantee from Hindustan Steel Limited cannot be rejected.

8.4 During the course of the examination of the records relating to the fixation of the prices for the import of strips it has been noticed that Hindustan Steel Limited had negotiated with Messrs. Surrendra Overseas and accepted a price 3 U.S. cents lower than the last offer of another firm Messrs Bengal Corporation. There is not sufficient evidence to show that the Hindustan Steel Limited did afford a second opportunity to Messrs Bengal Corporation to give their lowest quotation. It has, however, been mentioned that the strips which Surrendra Overseas offered to import from USA were preferred by the German Technicians as compared to the offer by Bengal Corporation who offered to import from Japan. Considering the rigid specification of the strips that were required for the manufacture of pipes, that they were urgently required, that the difference in price was marginal and that no complaint has been received from Messrs. Bengal Corporation, the Committee does not consider it worthwhile to make a comment on the failure, if any, of Hindustan Steel Limited to have given a second opportunity to the Bengal Corporation. The Committee is not really inquiring into the working of Hindustan Steel Limited but it thinks it right to state here that it appears from the records of Hindustan Steel Limited that the rates had been fixed by the Committee of management after comparing both the offers.

CHAPTER IX

LICENCES AND CUSTOMS CLEARANCE PERMITS ISSUED AFTER IMPORTS AND/OR SHIPMENTS

9.1. **Provisions of the Imports and Exports Control Act, 1947.**—Under Section 3(1) of the Imports & Exports (Control) Act, 1947, the Central Government has power to prohibit, restrict or control the import of goods of specified descriptions. The word 'import' has been defined in Section 2(23) of the Customs Act, 1962, as "bringing into India from a place outside India". This would really mean bringing anywhere within the customs limit of India. Under powers conferred by Section 3 of the Imports and Exports (Control) Act, 1947, the Central Government issued the Imports (Control) Order, 1955. Clause 3(1) of this Order reads as follows:—

"Save as otherwise provided in this Order, no person shall import any goods of the description specified in Schedule I, except under, and in accordance with, a licence or a customs clearance permit granted by the Central Government or by any officer specified in Schedule II".

Schedule I includes "Iron and Steel and Ferro-alloy" and, in Schedule II, it is stated that the Iron and Steel Controller would be the licensing authority in respect of these goods. The position, then, would be that imports of Iron and Steel and Ferro-alloy cannot be made except under a licence or a customs clearance permit. We have examined the forms of licence and customs clearance permit in use in the Steel Controller's Office and we find that the operative words in the former are "authorised to import", while, in the latter, they are "authorised to clear the goods". We have not been able to gather why the two forms were conceived. It would be reasonable to think that they were not intended to be identical in all respects. We should also draw attention to clause (7) of the Imports (Control) Order, which gives power to amend a licence in certain cases.

9.2. We have been supplied with a copy of the opinion which the Ministry of Law gave to the Ministry of Finance (Department of R. & C.L.), where it has been stated that an amendment made to a licence even after the goods had arrived would be legal and the licence would have to be read *ab initio* as so amended. We presume that likewise there will be power to issue a licence after the arrival of the goods in a case where no licence originally existed. In one of the cases with which we will be dealing presently, the Government of India in the Ministry of Steel took a decision allowing the import of goods after they had arrived without a licence which would lend support to our presumption stated above.

9.3. In this Chapter we propose to deal with cases where a question has been raised whether an import was illegal because the permit required by clause 3(1) of the Imports (Control) Order was not in existence on the date of the landing of the goods. Another question that would arise in this connection would be: even if these imports could be legalised by the subsequent issue of the necessary permits, was such issue proper on the facts of the cases?

9.4. **Amendments carried out in the licences/Customs Clearance Permits by the Steel Controller.**—We have found that, in respect of the semis barter scheme, in all 31 import licences were issued, and, against these, in all 147 customs clearance permits were issued as and when different consignments of the goods under the licences arrived. There were 38 requests for amendments of either the licence or the customs clearance permit. These requests for amendments were all acceded to except in two cases. The amendments covered change of category of goods to be imported, change in their sizes and change in unit price. In view of the opinion of the Law Ministry, earlier referred to, it would be unnecessary to distinguish between cases where the amendments had been made before shipment, after shipment or after arrival of the goods in the port. On the question whether the amendment were proper, we have had no material to show that they were not so. It would appear that the criterion of essentiality of goods, applied while issuing the original permit, was applied also when amending it.

9.5. With these general remarks we proceed to deal with six specific cases where questions had been raised that

the imports were without the necessary permits and that such permits were issued subsequently. These cases cover imports under semis barter as well as other cases. We have earlier stated that we understood the position in law to be that subsequent issue of the permit was within the powers of the Steel Controller. Assuming that he had no such powers, we do not think that, in the cases we shall be presently dealing, there was such impropriety on the part of the Steel Controller's Office in issuing them that we should suggest action being taken—as contemplated in our terms of reference. These things happened long ago and do not seem to have caused any loss to the country. The matter involved a somewhat abstruse question of law, and, if the officers went wrong, we cannot say that for these mistakes, they should be made to face any proceedings. We would repeat that the view that prevailed in the Steel Ministry was that an import made without any permit may be subsequently regularized. If a subordinate office of theirs, *viz.*, the office of the Steel Controller, followed the same view, we do not feel justified in finding serious fault with them.

9.6. Import of M. S. Plates by Messrs. Metal Imports (Pvt.) Ltd.—The first case that we will examine is that of Metal Imports (Pvt.) Ltd. In June, 1959, they had concluded a barter deal for the import of 8,500 tonnes of M.S. Plates of C.I.F. value Rs. 42.44 lakhs, against export of 20,000 tonnes of pig iron, of equivalent value, to be supplied by Hindustan Steel Limited. This deal appears to have been concluded as a result of the issue of limited tenders. The import licence was issued on 9th July 1959 and it contained a condition that it was “utilizable only against equivalent amount of foreign exchange earned against export of 20,000 tonnes of pig iron”. On 20th July 1959, the firm appears to have shipped 964.88 tonnes of M.S. Plates under this deal. On 26th August 1959, the firm applied to the Steel Controller for a Customs Clearance Permit to cover this shipment. On 5th September 1959, Deputy Controller, Shri Mukherjee ordered the issue of a customs clearance permit, as the goods were due to arrive at Bombay on 6th September 1959. The question was raised whether the issue of the customs clearance permit was irregular, as it had been made after the shipment of the goods. We have found nothing in the statute prohibiting a shipment from a foreign port even without a licence. What is offensive is the *import* and there is no import simply by reason of the goods

leaving a foreign port. Another matter that requires consideration on the facts earlier stated is whether the importation of the goods into India, i.e., the arrival of the goods in an Indian port could not, in any event, be justified by the licence in this case, for the reason that the condition mentioned in it had not till then been fulfilled. The condition stated that the licence was "utilisable only against equivalent amount of foreign exchange earned against export". One would think that what was meant was that foreign exchange for the import made under it, was to be remitted in the manner indicated. It would be difficult to interpret the condition to mean that the import could only be made after earning foreign exchange, it could be that only foreign exchange earned by exports was utilisable for payment against imports. We have earlier set out the operative portions of the licence and the customs clearance permit. In cases where both these documents are issued, the former operates for remittance of foreign exchange and the latter for the clearance of goods from the customs. The opinion of the Ministry of Law, earlier referred to, would, however, indicate that where there is an import licence, it is not necessary to obtain a customs clearance permit. It would, therefore, appear that the licence issued in this case even with the condition as stated above, would authorise an import under it. We may at once say that there was no breach of that condition in this case and that the foreign exchange to pay for the import had been remitted out of the foreign exchange earned by the corresponding export. It would, be difficult, therefore, to say that the import in this case was without a licence.

9.7. It appears that Deputy Controller Shri Mukherjee, while issuing the customs clearance permit, informed the party—Metal Imports (P) Limited—that imports under this barter transaction would not be allowed in advance of the exports, by furnishing of bank guarantees. Along with this letter, Deputy Controller, Shri Mukherjee returned the bank guarantee which the party had furnished while asking for the customs clearance permit. Apparently, Deputy Controller, Shri Mukherjee thought that it was a case of pre-import which it would not strictly be till the party had asked for remittance of foreign exchange to pay for these imports. At the same time, Deputy Controller, Shri Mukherjee wrote to the Ministry on 8th September 1959 (Appendix LXIIIA) asking whether pre-import could

be allowed in this barter deal on a bank guarantee being furnished to which Shri Nair, Under Secretary of the Steel Ministry, replied on 18th September, 1959 in the negative (Appendix LXIV). On 24th September 1959, at the request of the party, Deputy Controller, Shri Mukherjee ordered the amendment of the condition on the licence substituting the following for the original condition:—

“Foreign exchange against this licence is adjustable against letter of credit No. 316892 already opened by the buyers Messrs. T. Yamamoto and Co. Ltd., Tokyo, in favour of the licensee, representing the value of the exportable pig iron.”

and added that this adjustment would be subject to certain conditions—which are not relevant for our purpose. Deputy Controller, Shri Mukherjee, while ordering the amendment, made a noting on 23rd September 1959, in these terms:—

“Discussed with Controller and later on with Mr. Nair, Under Secretary, who rang me up in another connection. On the basis of irrevocable letter of credit for export, we may amend stipulation regarding utilisation of the licence, in the same way as we are doing for S.T.C. barfers.”

This was Deputy Controller, Shri Mukherjee's justification for making the amendment in the licence. Mr. Nair in his evidence before the Committee could not remember whether he had suggested that the amendment made could be permitted and he thought that it was not likely, for, he had refused permission to allow pre-import only a few days earlier. It is difficult in these circumstances to say who was right as to the communication from Shri Nair to Shri Mukherjee. It is, however, unnecessary to go into the question, for, this amendment caused no loss, as the foreign exchange remitted under the licence was in fact adjusted against the letter of credit mentioned in the amendment. Further in this barter deal, there was no shortfall in the earning of foreign exchange at all. In fact, the foreign exchange earned amounted to Rs. 36,47,288, while the foreign exchange spent on the imports came to Rs. 34,84,951. What happened after the amendment of the licence has, however, nothing to do with the question whether the import was made without the proper document authorising it. It really was concerned with the question whether the

pre-import had been permitted and, if so, properly. If Shri Nair had not given the instructions, which Shri Mukherjee thought he had, it would have been a case of unjustified pre-import. However, as there was no loss to the country, nor have we had any reason to think that the amendment was prompted by dishonest motives, we do not think it is a fit case for action being taken against Shri Mukherjee.

9.8. Import of B.P. Sheets by Messrs. Ramkrishan Kulwantrai.—The second case is that of Messrs. Ramkrishan Kulwantrai, who had been allowed a barter deal involving export of 20,000 tonnes of pig iron against import of 6,750 tonnes of B.P. Sheets. This barter deal was concluded at or about the same time as the deal in the case of Metal Imports (P) Limited was concluded. The original licence for import, issued on 29th September 1959, had been revalidated several times, because Hindustan Steel Limited, who were to supply the pig iron, had failed to do so in due time, and because pre-import had not been allowed. The licence expired on 31st March 1961. By this time some imports had been made against foreign exchange earned against exports already made. Therefore, the firm was in negotiation with the Steel Controller's organisation for a fresh licence for the balance of the quantity permitted by the import licence. There was some dispute as to the rate at which the import licence was to be issued. It would appear that the firm was legitimately entitled to a fresh licence because as has been earlier stated, the failure to complete the import within the original period of the licence was not due to any default on its part but on account of the delay on the part of Hindustan Steel Limited, to supply the pig iron to be exported. While negotiations for settlement of the dispute in regard to import price were going on, the firm had arranged shipment of the goods at the instance of the Iron and Steel Controller on 10th June 1961 and 30th June 1961. The question of the price at which the import licence was to be issued was eventually settled on or about June 22, 1961 it being agreed that the price prevailing for June shipments would be allowed. It was also agreed that the shipments would be made before the end of June, 1961. In the hope that the new licence would eventually be issued, as the firm was entitled to it, the party had arranged the shipments earlier stated. As the goods were about to arrive, the party applied for the necessary customs clearance permit. There-

was some difference amongst the Steel Control officers as to whether the customs clearance permit could be issued before the licence (which had till then not been issued) was issued. The matter was eventually settled by the Steel Controller, Shri A. N. Banerji, on 28th July 1961, who ordered that the licence could be issued with the stipulation that remittance would not be permitted to be made till export and thereafter the customs clearance permit could be issued. Thereafter on 7th August 1961, the licence was issued, and later customs clearance permits. The question is: was this import irregular because the goods had been shipped and, perhaps, had even arrived in India before the issue of the relative licence. In our view, this was clearly a case in which, the import was not intended to have been made irregularly. The licence was originally there, and obviously in all fairness the licensee (R.K.K.R.) were entitled to import the balance quantity which remained after the earlier imports had been made. The expiry of the licence had been caused by the delay on the part of Hindustan Steel Limited to supply the exportable commodities. The licence would have been issued earlier if the dispute as to the price had not arisen. The decision in the Steel Controllers' organisation clearly contemplated shipment in June, for, the shipments had to be completed by June, 1961, and this decision was communicated to the party by letter on 30th June 1961. This is not a case which would justify a view that the party was proceeding on the basis that they could get whatever licence they required out of the Steel Controller's Office. It may be added that this barter deal did not result in any shortfall in the earning of foreign exchange.

9.9. There is one other question which arises out of this barter deal, which has nothing to do with any question of an import having been irregularly made and which can be conveniently disposed of now. It appears that a customs clearance permit for 790 tonnes was issued to the party on 21st April 1961. The office of the Steel Controller had objected to the issue of this customs clearance permit because, on the entire lot of barter deals which this party had entered into, it appears the party were falling behind in exports. Deputy Controller, Shri Mukherjee, however, directed the issue of the customs clearance permit. Assuming that the party was in default with regard to export, we have nothing to show that this was not due to any delay on

the part of Hindustan Steel Limited to provide the exportable materials. The objection in the office of the Steel Controller mainly arose in connection with Messrs. Ramkrishan Kulwantrai's contract with Hindustan Steel Limited, No. 28, dated 13th January 1961, with which we have earlier dealt. It does not appear to us that, with regard to this contract, any default had been committed on 21st April 1961, the date on which the customs clearance permit for 790 tonnes was issued. Furthermore, the goods covered by the permit had been shipped quite sometime before 21st April 1961. For all these reasons, it appears to us that any refusal to issue the customs clearance permit would not have been justified. We are by no means sure that the failure to export under one barter deal would have justified refusal to issue customs clearance permit in respect of a consignment properly covered by an import licence issued in connection with another barter deal.

9.10. Import licences granted to the State Trading Corporation.—The next come to a case in which a barter deal had been made by the State Trading Corporation itself for the import of finished seel against the export of manganese ore. The State Trading Corporation had made applications, for import licences on 3rd November, 1960 and 28th November, 1960. It appears that the goods were shipped the same month. The office of the Steel Controller's organisation noted that the licences were being asked in respect of goods already shipped. Deputy Controller, Shri Mukherjee, however, directed the issue of the licences—which action was approved by the Iron and Steel Controller. The licences were issued in February, 1961, with an endorsement to the effect that they were valid in respect of materials shipped already. In fact the licences related to goods which had been shipped in November of the previous year, and it is likely that the goods had arrived in India before the issue of the licences. There could obviously be no malpractice in connection with this case, for, the party concerned was the State Trading Corporation, itself the licensee. If the correct position is that the Steel Control Organisation had the power to issue a licence after the arrival of the goods, that power, in the present case, was certainly very properly used.

9.11. The Import Licence issued to the Railway Board.—The fourth case relates to an application, dated 1st June, 1965, from the Railway Board for a licence to import 268

Steel wheels. The application was held up in the office of the Steel Control, as the attested copy of sanction releasing foreign exchange for this import had not been received by them. Meanwhile, the Railways had had the goods shipped from abroad. How this happened we do not know: it may have been done inadvertently. However, this fact was communicated to the Controller who decided to overlook fact of the shipment having been made before the issue of the licence; and he issued the licence on 10th September, 1965. Obviously, this is not an action to which any objection could be taken. It may be added that the licence was issued in the name of Director, Railway Stores, Railway Board. Some body in the office of the Railway Board was at fault but this is beyond the scope of our inquiry. It is clear to us, however, that it would not have been justifiable for Steel Controller to have refused the licence in this case. If he had done so, the only result would have been unnecessary expenditure of public money; it would have been something which was not in public interest.

9.12. It remains now to deal with two more cases which are somewhat connected, because they came to be dealt with together at a later stage.

9.13. Imports of M.S. Cold Rolled Sheets by Messrs. Amin Chand Payare Lal and Apeejay.—In or about October, 1961, certain applications were made by Messrs. Amin Chand Payare Lal and Messrs. Apeejay (Private) Limited for the issue of customs clearance permits in respect of consignments which had been imported by them and had perhaps arrived in port. Messrs. Amin Chand Payare Lal's application was concerned with a consignment of 998.292 tonnes of M.S. Cold rolled sheets of the value of Rs. 6,64,372/-, and Messrs. Apeejay (Private) Ltd.'s application related to the consignments of M.S. Cold Rolled sheets—one of 294.501 tonnes for the value of Rs. 2.15 lakhs, and the other of 999.625 tonnes for the value of Rs. 7.32 lakhs. Neither Messrs. Amin Chand Payare Lal nor Messrs. Apeejay (Private) Limited had any specific import licences to cover these consignments. The parties contended either they had other licences for import, the unutilised portion of which would cover these consignments, or that they had brought goods earlier on Indian Ships paying only in rupees and not in foreign exchange.

and therefore, had to that extent balances in their existing import licences to permit an additional import. It is unnecessary to go into the contentions in their various details, for they were rejected by the Steel Controller's Organisation. The Steel Controller, Shri Banerji, directed both the parties to reship the goods out of India and at the request of the parties, he granted them permission to obtain delivery of the goods from the Customs for rebundling and for arranging re-export thereafter. (Extracts of notes at Appendix LXV). He obtained from the parties bank guarantees for the re-export. We need not be further concerned with the case of Messrs. Apeejay (Private) Limited, because, on an allegation that they had been substituting the goods which they had undertaken to get re-exported, the matter had been handed over to the Special Police Establishment (now, the Central Bureau of Investigation). We gather that on receipt of SPE's report the Ministry of Steel referred the matter to the Central Vigilance Commission and that the recommendations of this Commission are pending decision of Government. The Government had made a request to this Committee that it may leave out of its consideration this particular case to which the Committee has agreed. It appears that Messrs. Amin Chand Payare Lal made an appeal to the Ministry of Iron and Steel against the order of Shri A. N. Banerjee, the Steel Controller. The Government took the view that the correspondence that passed between the Steel Controller's organisation and this party showed that the party might legitimately contend that they should be allowed the full freight incurred for the shipment of the goods from the U.S.A. to India instead of \$11.20 per M/T the freight from the continent with certain extras which the Steel Controller had held was only allowable. The party stated that, if the Steel Controller's figure was accepted, then, there would be a balance in the foreign exchange allowed by the licence which would enable them to import further steel. The Steel Ministry considered this contention of Messrs. Amin Chand Payare Lal along with a connected representation from Messrs. Bharat Barrel and Drum Manufacturing Company, urging that they had been charged by Messrs. Amin Chand Payare Lal in respect of goods delivered at rate based on the actual freight and not the lower freight of \$11.20 fixed by the Iron and Steel Controller. The Ministry took the view that the contention of Messrs. Amin Chand Payare Lal could not be said to have been wholly idle; they could not be mulcted in both

ways, namely, made to sell at rate based on a freight of \$11.20 per tonne and at the same time allowed foreign exchange for import on the basis of a freight of \$32 per tonne. By way of compromise—to which the parties agreed—the Ministry ordered Messrs. Amin Chand Payare Lal to charge Messrs. Bharat Barrels the lower price on the basis of a freight of \$11.20 per tonne, and also set aside the order of the Steel Controller, Shri A. N. Bannerji, directing re-export of goods out of India (Appendix LXVI). Obviously, the Ministry regularised the import made by Messrs. Amin Chand Payare Lal, though, to start with, there was no licence covering. This is the case relating to the Ministry's view, to which we have earlier referred at para. 9.2. In this connection, we should also point out that there appears to have been some misconception as to the adjustment of freight on account of shipment from abroad in the import licence. The Foreign Exchange Control Regulations require that freight spent on imports should always be taken as expenditure in foreign exchange and should therefore, be debited in the import licence. In this view, it would be difficult to say that the contention, that foreign exchange can be said to have been saved where the shipment had been made in Indian flag ships, is justified. In view of the contention of Messrs. Amin Chand Payare Lal, this Committee has referred to the Reserve Bank of India (who are the appropriate authorities to deal with these matters) the question as to what freight was paid by Messrs. Amin Chand Payare Lal, and whether it was debited in the import licence as required under the Regulations. This Committee gather that the Reserve Bank of India has, on a reference from this Committee, referred the matter to the Enforcement Directorate of the Ministry of Finance for further investigation.

9.14. The question that arises for this Committee on these facts is whether the imports by Messrs. Amin Chand Payare Lal and Messrs. Apeejay (Private) Limited were irregular and without a licence. Not much difficulty arises on this question, because it would be apparent from what we have stated earlier that the Steel Controller's organisation did not treat them as regular or proper imports, and that is why that organisation directed the re-export. But a further question arises as to whether the Steel Controller had power to direct such re-export. We should mention here that the Solicitor to the Central Government in Calcutta, Shri S. N. Sen, had expressed the opinion that there-

was no such power. But the Steel Controller, Shri Banerjee, disagreed with that view and directed re-export. We find that the licensing authority has powers under the clause 5(1)(i) of the Import (Control) Order, 1955 to issue a licence directing disposal of goods covered by a licence in a certain manner and under clause 5(1)(iii) of the same Order to take a bond from the applicant for fulfilment of such directions of the licence. This clause would tend to show that customs clearance permit being in essence a licence, the Steel Controller could issue it subject to the condition that the goods covered by it would be re-exported. Assuming this view is incorrect it has to be remembered that it is a question of law in which a mistake could occur. The Committee also sees no justification for the view that there was improper or dishonest motive in issuing a permit subject to the condition to re-export. Shri Banerji stated that he thought that this order of his would involve a heavier punishment on the guilty parties than if he were to leave it to the Customs authorities to confiscate the goods. In his view, in such cases the parties would have the right to clear the goods from the customs on payment of the fine imposed. That no doubt was the earlier law. At the time, however, when Shri Banerji passed his order, the law was that the customs authorities had the discretion to give the party the option to have the goods released on payment of fine or to refuse them such an option. Mr. Banerji stated that his attention had not been drawn to the change in Law. However, that may be, Mr. Banerji's point would not still completely lose its ground, because, if the Customs, in its discretion allowed the party to obtain release of the goods, the harm which Shri Banerji had in his mind would not have been eliminated. Shri Banerji wanted to stop the entry of goods into the country in any event, for he thought that then it would be easy for the importers to sell them at a much higher rate which would cover up the fine and yet leave them a large profit. He further said that the re-export order passed by him involved not only the payment of demurrage during the time that the goods lay in port and rent for the warehouse where the goods were stored pending export but also that the party would be saddled with the extra freight involved in the re-export. A further consideration which led him to issue the order of re-export was that it would save the country from spending the foreign exchange for the import, which it would have to if the party were to obtain a release of the

goods from the customs on payment of the fine. We are unable to say that these reasons which operated on the mind of Shri Banerji are without substance. It also seems to us that in view of the events that actually happened at the end, *viz.*, the order of the Steel Ministry setting aside Shri Banerji's decision and treating the goods as legal imports, it is unnecessary now to go into the question of the propriety of Shri Banerji's order. As we have no reason to think that there was any dishonest motive, it would at the worst only mean that Shri Banerji had misinterpreted his statutory powers.

9.15. We, therefore, come to the conclusion that, in respect of the orders of re-export of the goods which Messrs. Amin Chand Payare Lal and Messrs. Apeejay (Private) Limited had imported without valid licences and in respect of which the Steel Controller issued the customs clearance permits on condition of re-export, it would not be justifiable to find fault with the action of the Steel Controller, Shri Banerji.

CHAPTER X

DECISIONS TAKEN BY SHRI C. SUBRAMANIAM WHEN HE WAS MINISTER, IRON AND STEEL, GOVERNMENT OF INDIA.

There were two decisions taken by the Minister Shri C. Subramaniam with specific reference to Amin Chand Payare Lal group of firms. The first one was on 16th November 1962 and the other was on 23rd July 1963. We shall deal with these two separately.

10.2. According to a note dated 1st October 1962 in file No. SC(B)19(18)/62-Vol. I (Extracts at Appendix LXVII) recorded by Shri S. Venkitaramanan, Private Secretary to Shri C. Subramaniam, when he was Minister, Iron and Steel, it appears that while the Minister was at Calcutta, it was brought to his notice that considerable quantities of steel from Hindustan Steel were lying at Vizag port and that there was a file in the Ministry with regard to this matter concerning Amin Chand Payare Lal, hereinafter referred to as ACPL, and that the Minister desired to see these papers. The matter appears to have been discussed at a meeting of the officers with the Minister in his room on 9th October, 1962 and it was decided that the Secretary, Iron and Steel may take action to put up the case to the Minister. A complete note was prepared indicating that the stocks of iron and steel lying at the ports for disposal which amounted to 58,505 tons at Vizag and 98,150 tons at Calcutta, that they comprised ingots, slabs, billets and pig iron and that these were items to be exported under the barter scheme and that on account of a dispute between ACPL and Hindustan Steel Limited as to the quality of the goods covered by the terms of the contract between these two parties deliveries of the stocks lying at ports has not been taken. It was also stated in the note of Shri Misra, Deputy Secretary, dated 24th October 1962 that steps were being taken by Hindustan Steel Limited to come to a compromise with ACPL group and also to explore other means of exporting these semis. This note of Shri Misra was discussed by Secretary, Shri Wanchoo, with the Iron and Steel Controller,

and he recorded a note on 26th October 1962 as follows:—

“I have discussed with Iron and Steel Controller. Hindustan Steel Limited may be asked to take immediate action. Certain suggestions may be communicated to them as indicated above, but the main emphasis must be on quick disposal.

After disposal has been attended to, we should have a fuller report into the circumstances in which these stocks were allowed to accumulate, but disposal may be attended to first.”

10.3. The file was marked to the Minister and according to the notes it appears Shri S. Venkitaramanan on 29th October 1962 stated that Shri Cleetus who was the Director, Commercial, Hindustan Steel Limited had given the Minister certain papers and that the Minister desired that the file may be put up along with those papers. On 8th November 1962 Shri Venkitaramanan noted that the Minister desired that a second legal opinion should be taken in respect of contract Nos. 28 and 29 of Hindustan Steel Limited and also that a second legal opinion should be taken in addition to the Solicitor's opinion in the same context placed in the file. Deputy Secretary, Shri M. C. Misra, forwarded these contracts and the opinion of the Solicitor to the Ministry of Law and requested advice on the question. The matter was then submitted to Secretary, by Shri Misra on 14th November 1962. Secretary signed them on 16th November 1962. The Minister minuted as follows:

“I do not think we should negotiate with Amin Chand Payare Lal group on the basis indicated in the report of Cleetus. Other offers may be negotiated with different parties. If Amin Chand Payare Lal should demand damages on any account they may be dealt with separately.

We may claim damages in respect of contract No. 28 as no performance has been attempted by the party.

Till this matter with Amin Chand Payare Lal group is finally settled no contract of any sort should be entered into with them, either by Hindustan Steel Limited or Iron and Steel Controller.

Expeditious action should be taken for the disposal of the materials lying in the ports."

(Sd.) C. Subramaniam.
16-11-1962.

10.4. The above decision of the Minister was conveyed by Shri Wanchoo in the form of a D.O. letter No. SC(B)-19 (18)/62, dated 16th November 1962 (Appendix LXVIII) to Shri Shrinagesh, Chairman, Hindustan Steel Limited, with copies to Shri Cleetus, Director, Sales, Hindustan Steel Limited, Calcutta and Shri A. N. Banerjee, Iron and Steel Controller. In the said D.O. Shri Wanchoo incorporated the minutes of the Minister in extenso. He also requested the three officers to take note of the orders of the Minister and act accordingly. It is not necessary to say what happened thereafter except that the disputes were taken to Court or arbitration.

10.5. For the purpose of dealing with the decision of the Minister dated 23rd July 1963 which has given rise to comments, it would be necessary to understand what was meant by the minutes of Shri C. Subramaniam dated 16th November, 1962. Shri Subramaniam who was examined by the Committee, stated that his decision dated 16th November 1962 was not under any penal provision under any statute nor even under the standardised code issued by the Ministry of Supply which is at Appendix 'LXIX'. He stated that his decision was to be considered as that of a party involved in a dispute, a party who feels that until such time as a dispute with the other party is settled, he would not have any dealings with such party. When questioned why this decision was made applicable to the Iron and Steel Controller, Shri Subramaniam felt that he had made a mistake and that he should not have applied this decision to a Governmental authority. To prove that his decision really concerned a dispute which was private in character as opposed to a dispute between a Government and a third party, Shri Subramaniam went on to say that "no formal orders under any of the penal provisions or the standardised code were drafted on the basis of these minutes and issued to the Government authorities but instead what had been done was to incorporate the minutes of this decision in a D.O. letter and was sent to the Chairman, Hindustan Steel Limited, and a copy to the Steel Controller for their guidance."

10.6. The Committee specifically asked Shri Subramaniam when he took his decision of 16th November 1962 what exactly he meant by the words "Till this matter with Amin Chand Payarelal Group is finally settled, no contract of any sort should be entered into with them either by Hindustan Steel Ltd. or Iron and Steel Controller." This question had to be put to him as he had stated before the Committee that the order should not have really applied to the Iron and Steel Controller but only to Hindustan Steel Limited as a party to the dispute. Shri Subramaniam stated that according to him the Steel Controller was issuing contracts to various parties in the steel trade to supply goods and also to handle imports as handling agents. He, therefore, thought that these dealings with these parties were in the nature of contracts and that perhaps these parties could be kept out of participating in such contracts.

10.7. The negotiation that was going on between ACPL group and Hindustan Steel Limited was with reference to stocks of semis lying at Vizag. and Calcutta and related to contracts between these parties and Hindustan Steel Limited. On account of the suspension following the decision of the Minister on 16th November 1962, the Hindustan Steel Limited took other steps to dispose of the stock. Shri Jit Paul, partner of ACPL represented on 4th December 1962 to the Minister, Shri C. Subramaniam that after considerable negotiations with Hindustan Steel Limited a settlement had been reached and if it was not going to be implemented it would mean a lot of complications for them with M/s Steel Company of Wales who were the buyers of the semis. Shri Jit Paul would also appear to have met the Minister once or twice. According to the note of Shri S. Venkitaramanan, dated 3rd January 1963 the Minister discussed with Shri V. Subramaniam, Chief Sales Manager, Hindustan Steel Limited, also. On 4th January 1963, in a separate note by Shri N. N. Wanchoo regarding the dispute and the representations made by Steel Company of Wales, it was decided by the Secretary and the Minister, Shri Subramaniam that the orders already issued that the settlement was not to be proceeded with ACPL group was to be maintained. On 19th May 1963, on the report of the Chairman, Hindustan Steel Limited, the earlier decision not to settle the claims of ACPL group was maintained and it was decided to invite offers for the material lying at the ports. It would therefore appear that the Secretary,

Shri Wanchoo, and the Minister, Shri C. Subramaniam did not permit the reopening of the negotiations in spite of repeated offers and representations by the ACPL group nor did they modify the decision that no contract of any sort were to be entered into between Hindustan Steel Limited or Iron and Steel Controller with the parties.

10.8. The decision of 23rd July 1963 was taken in respect of M/s Surrendra Overseas, an associate of the ACPL group who had failed to account for 724 tons of rounds imported by them against accepted tender for the Rourkela Plant. The facts of the case were that in the middle of the year 1956 Messrs. Surrendra Overseas (Private) Limited was successful in a tender for the importation and supply of 4,000 tons of steel rounds to the Rourkela Steel Project. The original specifications, dated 8th May 1956 mentioned that the supply should conform to quality BSS 15 with tensile strength 28/32 tons. Subsequently on 1st September 1956 it would appear that Hindustan Steel Limited, without informing Steel Controller who had issued the tender earlier, conveyed to M/s Surrendra Overseas a modification to the effect that part of the supply should be of BSS 15 of 28/32 tons tensile strength and the balance quantity of quality Thomas Steel with a tensile strength of 25/30 tons. In December 1957, the Central Board of Revenue brought to the notice of the Ministry of Steel that Shri Swaraj Paul of Messrs. ACPL, Calcutta, had in his possession when returning to the country from abroad, certain correspondence with the Japanese suppliers of the steel rounds which came to light during the course of the search of his baggage. On a scrutiny of this correspondence a suspicion arose that Messrs. ACPL had conspired with the Japanese suppliers, M/s Kanda Trading Company Limited, for importing sub-standard goods after getting them certified to be in accordance with BSS 15 specifications. The Ministry wrote to the Iron and Steel Controller to enquire into this matter. The enquiry took considerable time in spite of D.O. letters from the Secretary, Ministry of Iron and Steel, to the General Manager, Rourkela. In May 1962 Shri S. C. Mukherjee, Deputy Iron and Steel Controller sent a complete report from which the following facts emerged:

- (1) Deliberate lowering the specifications from 28/32 to 25/30 tons tensile strength;

- (2) Non-receipt of 724 tons of rounds at Rourkela Project; and
- (3) Non-availability of the material with Surrendra Overseas for physical verification as to its specification.

Shri S. C. Mukherjee was of the view that the Rourkela authorities were responsible for lowering the specification. Secretary, Shri Wanchoo, decided that Chairman, Hindustan Steel Limited, should take necessary action to find out the person responsible for lowering the specifications unilaterally. He also decided that Messrs. Surrendra Overseas should be asked to account for the 724 tons of rounds which were admittedly shipped by Messrs. Kanda Trading Company Limited. Shri S. C. Mukherjee in his letter No. C/23 (15)-2, dated 4th January 1963 reported that the explanation of Messrs. Surrendra Overseas Private Limited for not being able to identify and show the 724 tons of rounds sub-standard imported from Messrs. Kanda Trading Company was not satisfactory. Shri M. C. Misra, Deputy Secretary of the Ministry replied in his letter No. D.Vig.1(12)/57, dated 24th January, 1963 that since the explanation of Messrs. Surrendra Overseas (Private) Limited was not considered satisfactory, it would appear that they had clearly violated the provisions of the Iron and Steel Control Order and therefore penal action was called for. Shri S. C. Mukherjee replied in his D.O. No. C/23(15)-(2), dated 14th January, 1963 stating that according to the opinion of the Deputy Legal Adviser, no legal action could be taken against the firm for the irregularities suspected and that the only course left open was to take extra legal steps to penalise the party. On this, Deputy Secretary, Shri Misra summarised the facts of the case and submitted his note on 26th June 1963 which is at Appendix LXX. Shri Misra stated that the two ways in which Messrs. Surrendra Overseas could be penalised are either by blacklisting or by suspending business dealings with them and that these two ways could either be of a permanent nature or for specified period. He also mentioned that on the merits of the case, blacklisting would appear to be too severe a punishment and that on the other hand an order of suspension of business dealings with Messrs. Surrendra Overseas was already operative under the orders of the Ministers, *vide* orders of Shri C. Subramaniam, dated 16th November 1962 in File No. SC(B)-19(18)/62. He also mentioned that if a general

order is issued it would mean that other Departments/organisations and the Government of India would also suspend dealings with this firm. He, therefore, suggested for consideration (a) whether the firm should be blacklisted or business dealings suspended; and (b) the period might be two years. From the note of Shri Misra it would be observed that he had occasion to discuss this with Shri S. C. Mukherjee, Deputy Iron and Steel Controller, who had mentioned to him that any decision taken should be in respect of not only Surrendra Overseas but should also apply to all their allied concerns. Shri Wanchoo noted as follows:

“Suspension of business dealings with the firm (and its allied and associated concerns) by the I&SC for a period of two years will, I think, meet the requirements of the case.”

On the same date, 28th June 1963 Shri Subramaniam minuted:

“It should be a general order so that other Government departments and Government institutions also do not deal with these firms.”

Before we come to the specific development it would be advantageous to go into the intentions that each of these officers had in their mind at the time that they proposed the punishment. Shri M. C. Misra and Shri Wanchoo were also examined by this Committee. Blacklisting, banning and removal from the list of approved suppliers and firms are the forms of penal action that can be taken under the Standardised Code, issued by the Ministry of Supply which is at Appendix LXIX. Suspension, it will be observed from the Standardised Code, is an interim action that is taken pending a decision whether to blacklist, ban or remove from the list. It is not a substantive order by itself. It will, therefore, appear that in the note of Shri M. C. Misra and in the note of Shri Wanchoo the correct expressions were not used and this has led to a lot of confusion even subsequently in the file and otherwise. The Committee, therefore, put questions to the officers and the Minister in this matter. Shri Misra admitted that he had used the words ‘suspension of business dealings’ in a very loose way and that thereby he really meant banning. Shri Misra therefore explained that the suggestion that he had made in his note of 26th June, 1963 was really meant to be whether the firm should be blacklisted or whether the firm

should be banned and if so whether a period of a year or two would not be sufficient. He was subsequently asked that if he meant banning for two years to what extent such order was different from that of the 16th November, 1962. Shri Misra admitted that he had not taken into account the fact that the orders of 16th November, 1962 could be interpreted to mean the same as what he was proposing as one of the alternatives. Shri Wanchoo however, was quite clear that although he used the words 'suspension of business dealings' what he meant was banning as contemplated in the standardised code and that it was to apply for a period of two years. The distinction that he sought to make between the order of 16th November, 1962 and this proposal of his was that the dispute between Hindustan Steel Limited and ACPL group of firms might be settled at any time or come to an end by a decision in a court of law or by reference to arbitration in which case the order of 16th November, 1962 would have come to an end whereas his proposal to ban for a period of two years would be for a certain period which appeared reasonable to him. The Minister, however, was of the opinion that it should be a blacklisting order as he felt that it should apply to all other Government departments and Government institutions and that could only be achieved by issuing a blacklisting order. It will be pertinent to point out that in the case of a ban it is open to the other Ministries, when informed of the banning order by the Ministry which is passing it, to decide whether to ban or not. This option available under a banning order is not open to any Department when an order of blacklisting is issued. Hence we come to the conclusion that the proposal of Shri Misra of 26th June, 1963 was either to blacklist or to ban for a period of two years and that of Shri Wanchoo to ban for a period of two years while that of Shri C. Subramaniam was to blacklist the firm for a period of two years although the period has not been specifically mentioned by him. The Minister having indicated his decision it was for the Secretary or the Deputy Secretary to issue the formal orders to the persons/ authorities concerned. Shri Misra, the Deputy Secretary, ought to have written to the Iron and Steel Controller and got a list of the associates of Messrs. Surrendra Overseas and drafted the blacklisting order in terms of the Standardised Code and communicated it to all the Ministries/ Departments and to State Governments. Instead of doing

this, Shri Misra wrote to Shri S. C. Mukherjee, *vide* his D.O. No. Vig-1(12)/57, dated 29th June, 1963, Appendix LXXI, asking the Steel Control to issue an order in terms of the Minister's decision and to send a copy to the Ministry. It will be observed from the D.O. that Shri Misra again made the mistake of using the terminology in a confused manner for he said that the order should state that business dealings were suspended for two years and that the order might be issued under the blacklisting code and that it should be a general order applicable to all Government Departments and Institutions. The mistakes made by him were in using the word suspension when he meant ban, in mentioning a: "general order" there being no such thing when he should have said a blacklisting order and in describing the departmental code as blacklisting code instead of Standardised Code.¹ Shri S. C. Mukherjee, on receipt of Shri Misra's D.O. of 29th June, 1963, did not however point out that the Iron & Steel Controller, as a departmental head, was not empowered to issue a blacklisting order applicable to all Ministries and State Governments. Instead Shri S. C. Mukherjee replied in his D.O. No. C/23(15)-2, dated 6th July, 1963, Appendix LXXII, enclosing a copy of the draft order, Appendix LXXIII. It would appear, therefrom, that he was literally carrying out what Shri Misra wanted in his D.O. of 29th June, 1963 and thereby committed the same mistakes. Shri Mukherjee in his D.O. of 6th July, 1963 also raised the question whether the re-rolling mills listed in the draft suspension order at S. Nos. 4 and 5 and the shipping concern at S. No. 7 should be covered by the suspension order. The subject title in the draft order reads as "suspension of business dealings....." whereas it should have been blacklisting of Surrendra Overseas and associate concerns. The draft order was to be signed by the Deputy Iron & Steel Controller and communicated to all Ministries of the Government of India, State Governments and other offices. According to the Standardised Code the head of a Department is not competent to issue a blacklisting order nor is he competent to circulate to other Ministries of the Government of India and to other State Governments. Hence if Shri M. C. Misra had carefully seen this draft order sent by Shri Mukherjee he would have observed all these defects. Shri Misra, however, on receipt of letter of Shri S. C. Mukherjee only examined the question relating to the inclusion or omission of re-rolling mills and proposed that

since the offence was committed by one of the trading concerns, the manufacturing concerns like the re-rolling mills mentioned at S. Nos. 4 and 5 of the draft order might be omitted. This recommendation of Shri Misra was approved by Shri Wanchoo and by the Minister Shri C. Subramaniam both of whom also overlooked the defects mentioned above. Shri Misra in the notes in the file would appear to have overlooked the question of Shri S. C. Mukherjee whether the Apeejay Shipping Lines at S. No. 7 should be left out or not. Shri Wanchoo and Minister Shri Subramaniam also seem to have overlooked this point. When Shri Misra was asked by the Committee how he happened to over-looked this question, he stated that he construed the Apeejay Shipping Line also as a trading concern and therefore he felt that his recommendation that trading concerns should come within the scope of the order would meet this point. It would have been better if he had set this out in his letter for that might have avoided a second reference to the Ministry in this question by Shri A. N. Banerjee, Iron & Steel Controller, who wrote a D.O. No. C/23(15)-2(1), dated 17th July, 1963 (Appendix LXXV) to Shri Misra. From the evidence of Shri Banerjee and Shri S. C. Mukherjee it was learnt that Shri Banerjee was out of India at the time that the letter dated 29th June 1963 of Shri Misra was received in the Steel Control Office and therefore Shri Banerjee had no occasion to see it earlier. On his return to India Shri Banerjee, when shown the papers and the reply of the Ministry contained in Misra's D.O. No. Vig. 1(12)/57, dated 12th July 1963, (Appendix LXXIV) raised again the question of M/s. Apeejay Lines and also mentioned that perhaps this shipping line being an international line, the Ministry of Transport would have to be consulted. He also for the first time stated that the orders proposed by the Ministry would have to be passed under para 5 of the Standardised Code and also mentioned that any action that they may take may have to be reported to other Ministries for action.

10.9 Shri M. C. Misra consulted Shri Nagendra Singh, Additional Secretary, Ministry of Transport, regarding the exclusion of Messrs. Apeejay Lines from the banning order. Dr. Nagendra Singh was reported to have conveyed to him that this shipping line came to the rescue of the Government of India in lifting Burma rice when other companies had refused. He also stated that the shipping

lines had not come to their adverse notice. For these reasons Shri Nagendra Singh is said to have felt that it would be desirable to exclude the shipping line from the proposed banning order. Shri Misra put up a note dated 22nd July 1963 in spite of clear instructions in Shri Banerjee's letter that action would be taken by the Ministry under para 5 of the Code and at the same time approved the issue of the draft order submitted by the Iron and Steel Controller. Para 5 of the Standardised Code relates to banning of business of a particular firm or firms for a specific period. The action to ban is taken by the head of the office or other competent officer in case where the offence is not considered serious enough to merit black-listing and at the same time an order removing the name of the firm from the list of approved contractors is not considered adequate punishment. All such cases where an order is passed banning business are to be reported to the administrative Ministry who would decide whether—

- (1) other attached/subordinate offices under its control should follow suit; and
- (2) the fact should be reported to other Ministries for such action as they may consider necessary.

Shri Wanchoo, who received the file, discussed the matter with the Minister and on 23rd July 1963 recorded his note which is at Appendix LXX. The decision of the Minister, as recorded by Shri Wanchoo, was that the Minister's intention was not to include transport lines, such as Apeejay, within the ban order and that after re-consideration he had decided that it would be enough if the orders were for the suspension of business dealings with M/s. Surrendra Overseas and allied concerns for a period of two years only and that these orders will apply only to the Iron and Steel Controller. The decision of the Minister dated 23rd July 1963 was communicated by the Deputy Secretary, Shri Misra, on 25th July 1963 in his D.O. letter No. Vig.1(12)/57 to the Steel Controller and is annexed at Appendix LXXVII. The formal order of banning was issued by the Iron and Steel Controller against the firm and their associated trading concerns by letter No. C/23-(15)-(2), dated 31st July 1963 *vide* Appendix LXXVIII.

10.10 There is a letter from Shri Jit Paul on the letter-head of Surrendra Overseas Limited dated 22nd July

1963 addressed to the Minister, Shri C. Subramaniam. According to this letter which is at Appendix LXXVI, Shri Jit Paul would appear to have met the Minister on 20th July, when he admitted that they had committed certain mistakes and stated that they deeply regretted that such mistakes should have occurred in the past causing annoyance to the Minister. He also gave an assurance to the Minister that in all his future transactions he would conform strictly to the high standards set by the Minister and would not give any cause for complaint. He also mentioned the number of industrial concerns that had been or were being set up by them during the last one or two years and that he was switching over from trade to industry. In the last para of his letter, he requested the Minister to pass orders to permit the Iron and Steel Controller to deal with them in the usual manner and also to Hindustan Steel Limited to settle their claims in respect of the claim filed against them by Steel Company of Wales. This letter of Shri Jit Paul bears an endorsement of Shri S. Venkitaraman, P.S. to the Minister, which reads as follows:

“Secretary, I. & S., may kindly see. Minister (SHI) told me that he has discussed this with Secretary.”

and the letter was marked to Secretary, I & S who in turn marked it to the Deputy Secretary, Misra on 24th July 1963. Shri C. Subramaniam, who was examined, stated that Shri Jit Paul had asked for an interview and that he did not remember if any person had intervened and sought the interview on behalf of Shri Jit Paul. It had been suggested in Parliament that Sardar Swaran Singh had intervened; when asked about it, he stated that he would have remembered if Sardar Swaran Singh had been present as that would have been a special occasion. To the question whether any Chief Minister was also present at the time of the interview, he said he could not remember specifically as it was a common occurrence for the Chief Ministers of States to meet him and also to intervene on behalf of industries or other problems in their states and plead the point of view of the State Governments. As far as he was concerned, his practice was to grant interviews freely when sought, and he attached no special importance to the requests of Shri Jit Paul to

meet him and that he dealt with that matter in a routine manner. In support of his point that the meeting was nothing special he pointed out that he had forgotten all about it and had made an incorrect statement before Parliament that he was not aware of this particular letter of July 22, 1963 sent by Shri Jit Paul and later when he discovered it, he brought it to the notice of the Public Accounts Committee. He emphatically denied that any pressure from any quarter was brought to bear upon him in taking a decision in this case. He said that he was solely guided by the unqualified apology and regret tendered by Shri Jit Paul and because of the fact that the failure to account for the 724 tons of rounds related to something done 5 years before and because he had set in motion the lifting of the controls on steel and had appointed the Raj Committee, to go into all these aspects. He was of the opinion that so long as controls existed and knowing the human element involved, people will always try to get round the controls by malpractices. He, therefore, felt that if malpractices were to be kept down, if not eliminated, it would be best to decontrol. Considering all the circumstances, Shri C. Subramaniam said, he took the decision to revise his original order from one of black-listing to a ban and that it was to be applicable only to the concerns other than manufacturing and shipping and that the order was confined only to Iron and Steel Controller. He did concede that while taking the decision the technical terms used by him for the purpose of the order was not strictly correct and that loose application was because of the confused terminology in the officers notes.

10.11 Whether the letter of Shri Jit Paul was shown to Shri Wanchoo when he is said to have discussed this matter on 23rd July 1963, was specifically asked of both. Neither could remember whether this letter was before them although Shri Wanchoo stated that if indeed the letter was before them it would have been handed over to him directly and not sent later by the Minister's Private Secretary to him with the endorsement that this matter had been discussed. Shri Wanchoo also added that although he did not remember it during his first appearance before the Public Accounts Committee, he did recall, after considerable thought, that during the discussion the Minister had explained to him that Shri Jit Paul had met him and had expressed an unqualified

apology and that therefore the original decision of blacklisting could be modified to banning and that it would be sufficient to confine it to the Iron and Steel Controller only.

10.12 A question arose as to whether Shri Jit Paul came to know of the impending issue of the blacklisting order based on the decision of the Minister on 28th June 1963 and if so how. Shri C. Subramaniam explained that the letter of Shri Jit Paul merely stated that the Iron and Steel Controller should be permitted to deal with them in the usual manner and that the settlement of the claim of Hindustan Steel Limited might also be considered and that, therefore, it might be that Shri Jit Paul was referring to his decision of 16th November 1962 which was communicated both to Hindustan Steel Ltd. and the Iron and Steel Controller. He, however, added that one could not be sure whether Shri Jit Paul had come to know of the impending issue of the blacklisting order. He did not however, subscribe to an opinion that the cross reference of Shri A. N. Banerjee dated 17th July 1963 was specifically intended to give time to Shri Jit Paul to come to Delhi and to meet him and if possible to try and get the blacklisting order modified. He explained that Shri Banerjee was out of India at the time that the decision to blacklist was conveyed by Shri Misra in his letter of 6th July 1963 and since the question of the Apeejay Lines had also not been decided by the Ministry it was but right for Shri Banerjee, the Steel Controller to make that reference on the 17th of July 1963. He said he had a very high opinion of Shri Banerjee and was not likely to suspect his conduct in this matter. Since about a month intervened between the final order as recorded by Shri N. N. Wanchoo on 23rd July 1963 and the earlier decision to blacklist of 28th June 1963, the possibility of Shri Jit Paul having come to know by some leakage in the office of the Steel Control or the Steel Ministry of such impending orders cannot be ruled out. But the facts, however, remain that there was sufficient justification for the Steel Controller to have raised the question regarding the re-rolling mills and the shipping lines because the Ministry had written to the Steel Controller to issue the ban order against Surrendra Overseas and their allied concerns. Therefore, the responsibility was of the Iron and Steel Controller before issuing the ban order to take instructions from the Ministry on all matters that arose. There-

fore it cannot be said that these consultations were motivated so as to give time to Shri Jit Paul to move the higher authorities.

10.13 Shri Wanchoo was asked whether he did play a part in influencing the decision of the Minister to revise his earlier decision of the 28th June, 1963. Shri Wanchoo emphatically denied that he had done anything. This was also corroborated by Shri Subramaniam who said that Shri Wanchoo did not try to influence him and that the decision as recorded by Shri Wanchoo represented his intention. Shri Wanchoo also explained that in normal course of dealing with files he quite often went with files to the Minister, discussed, took decisions and later recorded them and that this file also happened to be taken by him. He could not remember if the Minister had asked for this file to be brought along with him. Shri Wanchoo also was asked why he did not put up the decision of the Minister as recorded by him again to the Minister to countersign. Shri Wanchoo explained that the Secretary and the Minister worked on the basis of trust and that it is not at all usual for decisions of the Minister though recorded by Secretary, to be again put up to the Minister for countersignature.

10.14 It had been suggested that the orders of 23rd July 1963 against Surrendra Overseas laying down a disability for two years was not more heavy than the order of 16th November 1962. The Minister explained that the case in which he took the decision of 16th November 1962, related to a dispute between Hindustan Steel Limited and Messrs. Amin Chand Payare Lal, an associate of Surrendra Overseas and that this dispute was in the nature of a dispute between two private parties and therefore he felt one of the parties could tell the other that it would not have further dealings with the other. The Minister also explained that his impression was that by his decision of 16th November 1962 the party would only be denied contracts, whereas by his decision of 23-7-63 the party would also be denied import licences and quotas. The Committee would like to point out that under the Standardised Code a party may be blacklisted but cannot be denied import licence/quotas. The impression of the Minister is ed Code a party may be blacklisted but cannot be denied of 16-11-1962 was for an indefinite period depending on

the date of settlement of the dispute and that such settlement could have taken place at any time, for example, if the settlement took place within a few months, then that decision of the Minister would expire. On the other hand the decision of 23-7-63 was for a specific period of 2 years and even in the event of the dispute with Hindustan Steel Limited being settled by the firm earlier, this ban would continue to apply. Hence the Minister explained that while the decision of 23-7-63 may be less rigorous than the decision of 28-6-63 of blacklisting, it was more onerous than the decision of 16-11-1962.

10.15. There can be no doubt that Shri Subramaniam had the power to alter something which he had earlier done. The real question is whether he had been led to undo his earlier act by something which might be said to have been improper. On the materials that are before this Committee, it is impossible to come to such a finding. The question that remains is whether the reasons that he has given for the alteration support his action. Inevitably, there has to be discretion left to the Minister. This Committee is unable to say that the reasons given by Shri C. Subramaniam have no basis at all. What another person would have done in the circumstances would be an irrelevant question to put.

10.16. While on this subject, the Committee would like to express its surprise at the careless way in which terminology not appropriate to orders under the standardised code had been used by various officers. Though that did not happen in this case, such disregard of the appropriate terminology might have frustrated the order intended to be passed. Also there appears to have been an appalling lack of knowledge of the procedure prescribed by that code.

CHAPTER XI

COMPLAINTS AGAINST MESSRS. RAMKRISHAN KULWANTRAI IN REGARD TO THE CLAIM OF REMOVAL CHARGES AND IN REGARD TO THE DISTRIBUTION OF STEEL TO ALLOTTEES BY THEIR MADRAS BRANCH

11.1 During the course of our investigations, we came across a case in the office of the Assistant Iron and Steel Controller, Madras, which, we feel requires special mention in this Report. Before we go into the facts of the case it would be helpful if we set out the procedure that had been prescribed by the Iron and Steel Controller in the matter of reimbursement of charges incurred by importers in removing imported goods from the jetty to their rented plots/dumps in the Port Commissioner's area. The Steel Controller issued a Circular No. I/I/I/56/II, dated the 7th December 1955 (Appendix LXXIX) stating that in order to avoid demurrage and to wharfage charges at the jetties the importers would be allowed to remove the materials from the jetty to their own godowns and claim the transport charges from the consignees or claim reimbursement of the same from the Equalisation Fund. It was also stated in the Circular that to avail of this provision the importers should bring to the notice of the appropriate regional offices of the Iron and Steel Control Organisation that heavy demurrage was likely to be incurred because of non-availability of wagons or such other reasons as may be relevant and request permission for the removal of the materials to their godowns. It was further mentioned that the removal charges based on actuals but not exceeding Rs. 12-80 per tonne would be reimbursed and that their claim should be supported by original vouchers and the written authority for removal given by the regional offices concerned. Subsequently, the Ministry of Steel issued an order in their letter No. I&S(C)-22 (169)-56 dated 21st February, 1957 (Appendix LXXX), wherein they stated that apart from removal of the imported steel under the circumstances mentioned in the Iron and Steel Controller's Circular of 7th December, 1955, if it became necessary under special circumstances to remove the

imported materials to dumps in the Port Commissioner's area, the expenditure incurred by such removal and dumping would be reimbursed to the importers from the Equalisation Fund at actuals subject to a maximum of Rs. 12 per tonne. It was also stipulated that the importers should submit their claims to the Iron and Steel Controller supported by vouchers and relevant documents. Hence the position was that after 21st February 1957 importers could apply for permission to the regional officer of the Iron and Steel Control Organisation, for removing imported materials to their dumps in the Port Commissioner's area and claim reimbursement based on actuals subject to a maximum of Rs. 12 per tonne, provided, they produced original vouchers and the written authority of the regional officer of the Iron and Steel Control Organisation. Copies of these orders (Appendices LXXIX and LXXX) were not marked to the Commissioners of Port Trusts and hence the Port Trust officers were not aware of these instructions. Detailed instructions were not also issued to the regional officers of the Steel Control Organisation telling them that they should physically verify the quantity of the imported materials which had arrived and the quantity for which permission was being sought by the importer for removal and the quantity which was actually removed to the dumps. From enquiries made it is learnt that the regional officers usually gave provisional permission to the importers when requests were received and that such provisional permission was sometimes conveyed on the telephone itself and that later they were expected to send their Inspectors to get the physical verification done and to certify the quantity which had been removed for the purpose of claiming removal charges.

11.2. Shri Senthappan, who was one of the regional officers mentioned in the Circular of the 7th December, 1956, wrote a letter No. DISC/Allot-PA-56/57, dated the 19th December, 1957 (Appendix LXXXI) to the Iron and Steel Controller pointing out that Messrs. Ramkrishan Kulwantrai had failed to supply steel to allottees in spite of the instructions from his office and that they had failed to furnish explanations when called for. In the same letter he also stated that Messrs. Ramkrishan Kulwantrai had cleared certain consignments of subsidised imports which had arrived per s.s. SUKHONA and s.s. IRKUTSK in March 1957, and had obtained provisional permission for removal of the imported material to their plot but had failed to

approach his office with facts and figures for the grant of "firm permission for the exact quantity removed to the plot". The party would appear to have in their letters of 30th October, and 1st November, 1957 reported to him that they had actually removed to their plot 3,200 tonnes materials which had arrived by s.s. SUKHONA and 1,076 tonnes of the materials which arrived by s.s. IRKUTSK. According to Shri Senthappan's letter it appears that he had the statement of the party verified informally from the books of the Port Trust and came to learn that only 400 tonnes of the material which arrived by s.s. SUKHONA and 324 tonnes of the material which arrived by s.s. IRKUTSK had actually been removed to their plot. He, therefore, wrote to the party to furnish confirmatory certificates from the Port Trust to prove that the quantity stated to have been removed was actually removed and that no reply had so far been received.

11.3. The file in the Iron and Steel Controller's Office, Calcutta, where this letter of Shri Senthappan dated 19th December, 1957 was dealt with leading to a final order *vide* the Steel Control Office D.O. No. PS/8(127)-57, dated 13th April, 1959 was not available and it has been stated by the present Steel Controller that this file was probably destroyed. Hence the only information available on this subject is what is found in the files of the regional office of the Steel Control at Madras. Shri Senthappan who was examined by this Committee in this matter was only able to refer to the records that were available and to the suspicion arising therefrom. It would appear that on the basis of Shri Senthappan's letter dated 19th December, 1957, Shri S. C. Mukherjee, Deputy Iron and Steel Controller, Calcutta, in his letter dated 21st January, 1958 to Messrs Ramkrishan Kulwantraï threatened the party with disciplinary action under the Iron and Steel Control Order if they failed to supply the information required by the Madras Office both in regard to the quantity removed to the plot and the distribution of the steel to various allottees. We shall first take up the complaint relating to the irregularities in respect of distribution of steel by Messrs. Ramkrishan Kulwantraï. An Inspector seems to have been sent by the Calcutta Office of the Iron and Steel Controller to verify the records of the party and to submit a report. This report of the Inspector would appear to show that a number of irregularities had been committed by the party. Consequently, an order was passed

by the Iron and Steel Controller, signed by Shri S. C. Mukherjee, contained in their letter No. PS (1)/8 (127)-53 dated 17th October, 1958 (Appendix LXXXII). In the said order the Steel Controller gave a warning to the party and also directed them to maintain their registers and stocks as per the instructions of the Steel Controller. No other penal action was taken against them although Shri Senthappan had in his letters dated 19th December, 57, 16th July, 1958, and 27th September, 1958 recommended cancellation of the controlled stockholdership and black-listing/debarment from participating in public tenders in respect of steel materials, because of the malpractices indulged in by the party. As stated earlier, the relevant file in the office of the Steel Controller not being available, it has not been possible to find out the reasons that weighed with the Steel Controller in coming to the decision that he had. Hence it has not been possible for the Committee to say whether any irregularity had been committed by the officers of the Iron and Steel Control, Calcutta, and whether there are any grounds to say that the decision contained in the Steel Controller Order dated 17th October, 1958 was unreasonable.

11.4. It may be added that Shri Senthappan, had, *vide* his letter No. DISC/Allot/PA-57/57, dated 19th December, 1957 (Appendix LXXXIII), reported to the Iron and Steel Controller that Messrs. Surrendra Overseas (Private) Limited, had failed to effect supplies of materials to a number of allottees and were adopting dilatory tactics. As in the case of Messrs. Ramkrishan Kulwantrai, the Inspector sent by the Iron and Steel Controller carried out physical verification of the firm's stocks and submitted a report. Thereafter, Shri Senthappan *vide* his letter No. DISC/Allot/Com-I/58, dated 28-9-58, (Appendix LXXXIV), while giving his comments on the Inspector's report, which went to show that the firm had committed irregularities, recommended that the firm should be black listed and that apart from subsidy, removal and other incidental charges claimed by the firm being disallowed the firm should be asked to refund certain amount representing differences between world price and subsidised Column I rate. The matter was examined in the Office of the Iron and Steel Controller, and it was proposed that the matter should be looked into by the Price and Accounts Officer. There is no further noting on the relevant file (No. PS(I)-Con-58) to indicate what action was taken thereafter. In

the absence of complete information it has not been possible for the Committee to fix responsibility for the lapses, if any, in not taking action against Messrs. Surrendra Overseas (Private) Limited, on the report of Shri Senthappan.

11.5. We shall now take up the second part of Shri Senthappan's complaint which relates to removal charges claimed by M/s. R. K. K. R. in respect of quantity which is disputed. In the same order of the Steel Controller dated the 17th October, 1958, the party was told, that time till 15th November, was being given to them to produce satisfactory evidence to prove the removal of 4286 tonnes, as claimed by them and they were warned that if they failed to do so, a serious view would be taken of the matter, including the taking of disciplinary action. In the copy of the said order of 17th October, 1958, Shri Senthappan was instructed by Shri S. C. Mukherjee to depute a responsible officer to the Madras Port Trust and to get clarification with regard to the materials removed by the firm. Shri Senthappan accordingly wrote to Shri Jaywant, Traffic Manager of the Madras Port Trust on 29th October, 1958. Meanwhile, the party had written to the Port Trust on 4-11-57 enclosing a statement of the material which had arrived by s.s. SUKHONA (Appendix LXXXV) and asked the Port Trust to confirm the facts mentioned in the statement. In the statement under the remarks column they had mentioned that "the entire quantity have been removed to the plot from where the despatches are being made". The Assistant Traffic Manager (Commercial) on behalf of the Traffic Manager of the Port Trust confirmed that the materials mentioned in the statement were removed as per particulars given therein. A similar statement in respect of the materials which arrived by s.s. IRKUTSK (Appendix LXXXVI) would appear to have been furnished to the Port Trust by the party along with their letter dated 13-11-57, and the same was confirmed in similar manner on 7-8-58 by the Assistant Traffic Manager. These were forwarded to the Iron and Steel Controller, Calcutta, and these in turn were sent to the Madras Regional Office for verification. Shri Senthappan wrote to Shri Jaywant reminding him to send his report. Only on the 9th March, 1959 the Madras Port Trust in their letter No. SC3/C/38852 T (Appendix LXXXVII) signed by the Assistant Traffic Manager stated that they had confirmed

the statement of Messrs. Ramkrishan Kulwantrai on a misunderstanding, and that the statement only "showed details of cargo removed by the firm ex the above two vessels". They also stated that it was not possible "to say how much had been removed to the firm's rented plot, as we do not keep any record in this regard". Shri Senthiaappan reported this fact to the Iron and Steel Controller, Calcutta, enclosing a copy of the Port Trust's letter. The final decision taken by the Steel Controller on this case, found in the D.O. letter No. PS/8 (127) -59, dated 30th April, 1959 (Appendix LXXXVIII) of late Shri B. Tiwari, appears to have been that since the Madras Port Trust had once given a certificate of the removal, and had subsequently backed out, saying that the certificate was given on a misunderstanding, it would not be possible to fasten the blame on the importer. It was, therefore, proposed that the gravity of the offence was not such as to warrant cancellation of their controlled stockholdership. It was, however, decided to allow subsidy and removal charges only in respect of the quantity for which the importer could produce conclusive proof. On further representation by Shri Senthiaappan it was confirmed by Shri A. S. Bam, Iron and Steel Controller, in his letter dated 24th June, 1959 that the decision contained in the letter of Shri B. Tiwari was indeed his decision.

11.6. We tried our best to collect information from the Port Trust as to what had happened in this particular case. Unfortunately, the relevant files and the registers were not available as the Port Trust do not keep records for more than five years. The Port Trust, however, confirmed that they maintained no records of removals to rented plots/dumps and that the only information, they keep, is in regard to the mode of transport in respect of the deliveries made by them at the wharf to the parties. Therefore, their information only shows what quantity was despatched by road and what quantity by rail. It has been confirmed that the Port Trust had acquired twelve railway wagons in November, 1956 and had started using them from early 1957. Hence it cannot be said categorically that the quantity that was earlier shown as removed by rail was not removed to the plots. The Port Trust also indicated that since they had not received the circular issued by the Steel Controller regarding the reimbursement of removal charges, they were not aware in what context the certifi-

cate of removal was asked by the party and it was this that led to misunderstanding.

11.7. It was possible to verify from the Steel Control Office, whether the amount claimed by the party towards the reimbursement of removal charges in this case was paid or disallowed. It has been certified by the Steel Controller that the claim had been disallowed. The Steel Controller also reported that no claim is accepted in respect of removal charges unless there is a written permission from the regional officer concerned and that in several cases where such written permissions were not forthcoming, they only disallowed the claim to that extent, but did not pursue further to see if there was any attempt to cheat or defraud the Government. Hence in this particular case also no action was taken by the Steel Control Organisation to pursue the question of taking penal action against the party.

11.8. In the absence of relevant records in the offices of the Port Trust and the Steel Controller, the Committee is unable to say if the irregularities pointed out by Shri Senthappan are substantiated or not. It may be added that in the case of Messrs. Ramkrishan Kulwantrai, the Iron and Steel Controller refused to accept the firm's claim for reimbursement of removal charges as they failed to produce the final permission of the Regional Office at Madras. Consequently, no loss has been caused to Government.

CHAPTER XII

INDUSTRIAL LICENCES GIVEN TO MESSRS. KHEMCHAND RAJKUMAR, CALCUTTA FOR ESTABLISHING AN ELECTROLYTIC TINNING LINE

12.1 Messrs Khemchand Rajkumar was one of the parties who participated in the semis barter scheme as enunciated in the letter of Shri Bhoothalingam, dated 14th January 1960. The firm had contracted with Hindustan Steel Limited under contract No. 18 for the export of 5080 M. tonnes of billets. The Steel Controller had approved their barter proposal and allowed them to import finished steel for a value of Rs. 20,64,400. While the import did take place, the export commitment was not fulfilled. Hence there was default on the part of the party. The Steel Controller was, from time to time, during the period 1960 to 1966, in correspondence with the firm asking them to make good the default and asking them why action should not be taken against them. During this intervening period, we find that the firm Messrs Khemchand Rajkumar were granted two industrial licences, one on the 28th of March, 1963 (p. 53 of File No. IND-100(10)/62-Vol. I at Appendix LXXXIX) and another on 2nd January 1964 (p. 107 of the said file at Appendix-XC). Taking the first of these licences, it would appear that on the application of Messrs. Khemchand Rajkumar, according to the note prepared by the Ministry of Steel, for the Licensing Committee, that tin plates were in short supply, that the units already licensed were not in a position to meet the entire demand and that Messrs. Khemchand Rajkumar who had earlier been permitted to set up a plant to tinplate 10,000 tonnes could, with the existing equipment, go upto a capacity of 20,000 tonnes per annum. On this basis the first industrial licence seems to have been issued by the Ministry of Industry. We come now to the second licence. Messrs. Khemchand Rajkumar submitted a proposal for the import of a second hand plant capable of tin plating as much as 60,000 tonnes, at a very favourable price. The proposal was examined in consultation with Ministry of Finance (Economic Affairs) and it was agreed to. The Ministry of Steel, thereafter submitted a note on 13th November

1963 to the Licensing Committee indicating the total demand, the capacity of the units licensed so far and the shortfall, and recommended the increase in the licensed capacity of Messrs. Khemchand Rajkumar, of the plant covered by the first licence from 20,000 tonnes to 60,000 tonnes. We feel that there could be no ground for questioning the validity of the arguments and the recommendation contained in the note for the Licensing Committee. Subsequently, we find that there was a further decision of the Ministry of Industry based on the recommendation of the Ministry of Steel, according to which Messrs. Khemchand Rajkumar were permitted to continue the old machinery with a capacity of 20,000 tonnes at Calcutta and to instal the machinery to be imported under the second licence at Bombay. The question that arises is whether it was right on the part of the Government to have given industrial licences to a party like Messrs. Khemchand Rajkumar who had defaulted in its export commitments. We find from Hindustan Steel Limited that although they entered into a contract for sale for export with Messrs. Khemchand Rajkumar and the latter had not taken delivery of the goods, yet there is no claim by Hindustan Steel Limited against Khemchand Rajkumar. It is understood from the papers in the office of the Iron and Steel Controller that Messrs. Khemchand Rajkumar asked for certain specifications, which although agreed upon by Hindustan Steel Limited, could not be fulfilled because the equipment required for the purpose could not be obtained and installed within the period of the contract. Hence it will not be possible to lay the blame entirely on Messrs. Khemchand Rajkumar for not fulfilling their export commitments. Under these circumstances, the Ministry of Steel cannot be blamed for recommending the issue of industrial licences.

CHAPTER XIII

BARTERS OTHER THAN SEMIS BARTER

13.1. In the proceedings of the meeting held on the 20th of August, 1958 (Appendix V), it was agreed that since imports of steel were very essential for the economy of the country, and since free foreign exchange to meet all the demands was not available, it would be necessary to arrange for imports under the scheme of barter. It has been mentioned earlier that the following criteria were laid down:

- (a) That the imports must be essential for the economy of the country, and should be urgently required.
- (b) That the corresponding exports should be only those exports which constitute additional exports, and those to new markets.

It was also decided that in respect of export commodities other than pig iron, *e.g.*, iron ore, manganese ore, mica and jute, the authority to approve the barter proposal would be the State Trading Corporation.

13.2 In pursuance of these decisions, taken at the meeting of the 20th August, 1958, a large number of barter proposals were approved by the State Trading Corporation, Delhi. The procedure, as gathered from the report of the State Trading Corporation, was as follows.

13.3 The State Trading Corporation examined the proposals received from the parties for import of steel against export of manganese and other ores, in consultation with the Iron and Steel Controller, who was to decide the categories of steel, their specifications and prices. The State Trading Corporation approved the prices for manganese and other ores. The deal was approved if the prices and the other conditions as stated above were found acceptable by the party and a formal letter issued confirming the arrangements. The bartering party was thereafter to put the State Trading Corporation in touch

with the foreign buyers of manganese and other ores. Formal contracts were drawn up between the State Trading Corporation and the foreign buyers, on the terms and conditions as negotiated by the bartering party and approved by the former. The foreign buyer was to open in terms of the contract a confirmed irrevocable and without recourse to drawer Letter of Credit in favour of the State Trading Corporation, for the full value of the ore proposed to be shipped. After the Letter of Credit was established, the State Trading Corporation approached the Iron and Steel Controller for issue of an import licence. The application for the import licence was generally made for a value less than the value of the Letter of Credit established by the foreign buyer in order to provide a cushion for any shortfall in the earning of the foreign exchange.

13.4 From the above it will be observed that the Iron and Steel Controller was merely a licensing authority who acted on the instructions of the State Trading Corporation in the matter of issue of import licences. Hence the responsibility for the proper implementation of these barterers was that of the State Trading Corporation. The responsibility would be to ensure that the item exported was one of those mentioned in the proceedings of the 20th August, 1958, that such exports were additional exports or to new markets; that the foreign exchange spent on the imports would be adjusted against letters of credit opened in respect of exports and that the total amount spent on imports would not exceed the earnings by way of exports. The only point, perhaps, where the Iron and Steel Controller was responsible was when he decided the items of steel to be imported and their rates.

13.5. From the investigation conducted into the barter cases numbering 66 out of a total of 99, it has been found that the items imported were all items for which there were quota certificates issued by the Iron and Steel Controller. Hence it can be construed that the items allowed for import by the Iron and Steel Controller were indeed those which were essential for the economy of the country.

13.6. A condition was, however, imposed on the import licence, which read as follows:

"This licence is utilisable against equivalent value.

of foreign exchange earned against exports of manganese ore, not exceeding Rs.lakhs.”

This condition, however, was subsequently modified as follows:—

“Foreign exchange against licence is adjustable against L/C already opened by the buyers of manganese ore in favour of the licensee to the extent of \$...../Rs.....being the value of exportable manganese ore.”

The first occasion when this change was made was on 30th March 1959 and this practice was followed thereafter in the case of all other import licences issued under these barterers.

13.7 When the import licence was first issued, it was clearly indicated that the licence was utilisable only against foreign exchange earned, which meant that no imports could be paid for without there being earnings of foreign exchange. By the amendment which was made on 30th March 1959, wherein the words “adjustable against letter of credit” were used, it was open to the licensee/barterer to import the steel in advance of earnings of foreign exchange. It would also be open to the licensee/barterer to even pay for such imports and later when exports take place to adjust the earlier expenditure. By modifying the condition, the State Trading Corporation and the Steel Controller, therefore, could be stated to have allowed scope for the pre-import of steel. While on this question, it would be pertinent to point out that in the case of the scrap barter, where the applicant was Messrs. V. D. Swami and Company, a decision was taken by the Ministry of Iron and Steel, in consultation with the Ministry of Finance, to allow pre-imports. This case has been referred to in para 4.1. There it has been observed that while the Ministry of Steel's reference was only to the one case of Messrs. V. D. Swami, to which the Ministry of Finance had given their concurrence, while issuing the orders to the Steel Controller, the Ministry of Steel made the permission to pre-import in one case as a policy decision applicable to all such cases. The letter No. 15 (70) / 59, of the Ministry of Steel, dated the 20th May 1959 (Appendix IX) confirms this observation. Hence, under the circumstances, although the Iron and Steel Controller had not specifically examined the implications of the

modification of the condition in the import licence, it would appear that such decision was not at variance with the subsequent orders of the Ministry of Steel. We have, however, tried to assess if there has been any resultant loss on account of the scope given to the licensee/barterer to pre-import. According to the statements at Appendix XCI it will be seen that the overall earnings of foreign exchange by way of export was more than the foreign exchange spent on imports. There are, however, three or four cases where the barterers did not fulfil their export commitments in full and therefore there were shortfalls. The State Trading Corporation have, regarding this aspect of the matter, explained that all these barter transactions were commercial transactions and that the overall picture would go to show that ultimately there was no short-fall in earnings of foreign exchange.

13.8 In the matter of issue of Customs Clearance Permits against the imports under these licences, there have been several minor irregularities similar to those referred to in the semis barter deals. These irregularities are listed in Appendix XCII. We do not think it worthwhile to pursue them. There have also been several amendments of the licences as to the categories of steel that were imported, similar to those obtaining in the semis barter deals. These amendments again, we find, cannot be held objectionable for the reason that the amendments permitted import of only those items of steel which were covered by quota certificates or allowed under the import policy.

CHAPTER XIV

IMPORT LICENCES ISSUED TO ACTUAL USERS BY THE IRON AND STEEL CONTROLLER

14.1. In Chapter II we have indicated that one of the methods employed for the import of steel was the system of issue of import licences to Actual Users. We have also indicated, in the same Chapter, that the Committee would investigate only those cases of import licences whose value was Rs. 5 lakhs and above. It has also been mentioned that, on accounts of the *ad hoc* decisions taken by the Steel Controller in the matter of retention of records, only files relating to the periods 1962-63 onwards were available, except for a few others which may be pending on account there being claims, etc. A statement (Appendix XCIII) has been prepared, showing the number of licences issued, irrespective of value, to the 5 main groups (*viz.*, Messrs. Amin Chand Payare Lal, Messrs. Khemchand Rajkumar, Messrs. Ramkrishan Kulwantrai, Messrs. J. S. Cohen and Company and Messrs. V. D. Swamy), and also showing the number of licences issued to other firms where the value is Rs. 5 lakhs and above. The total number of such licences issued during the period 1962 to 1966 is 1,212. Out of this number, as many as 635 licensing cases have been examined; and the facts revealed are as given below.

14.2. There are two broad categories of Actual Users—one, those for whom the sponsoring authority is the Iron and Steel Controller himself; and the other, those for whom the sponsoring authority is an authority other than the Iron and Steel Controller—*e.g.*, the Director General of Technical Development, the Textile Commissioner, the Coal Commissioner, the Director General of Ordnance Factories, the Railways, etc. In the case of the second category, the foreign exchange allocation is given to those 'other' sponsoring authorities, who recommended to the Iron and Steel Controller (as the licensing authority) the issue of import licences for the import of steel to the extent of the foreign exchange indicated by them. That all such recommendations by such sponsoring authorities to the Steel Controller

do not exceed the foreign exchange given to each one of them is their individual responsibility; and the apportionment of the total foreign exchange given to any specified sponsoring authority among the units within their charge is also the responsibility of such sponsoring authority. Hence, the Iron and Steel Controller merely carries out the recommendations of such sponsoring authority and issues import licences. It can, therefore, be taken that the decision to issue the import licence is not really that of the Iron and Steel Controller. It is only to the extent to which an item recommended for import by the sponsoring authority is not covered by the Import Policy the Steel Controller would take a decision to disallow it. An occasion may also arise where the Actual User recommended for the issue of an import licence happens to have come to adverse notice—e.g., debarred from receipt of import licences and the Steel Controller would be justified in refusing to issue an import licence. We have, therefore, examined this category of import licences issued by the Iron and Steel Controller wholly from this background. And we have not come across any case of irregularity.

14.3. In the case of the first category where the Steel Controller himself is the sponsoring authority, we have examined the manner in which the Actual Users (for whom the Steel Controller himself was responsible in regard to the issue of the licence) were selected, and the manner in which the total foreign exchange available to him was apportioned among the Actual Users. From our investigations we find that the Steel Controller did write to a large number of such Actual Users but there was no complete list of the firms which were in his charge. He also did not have complete information of the end-use to which the steel applied for would be put. There was a total absence of examination of the priorities among the Actual Users. Allocations of foreign exchange to the Actual Users have been made *ad hoc* throughout this period. The Steel Controller who was asked to clarify whether any criteria were employed for apportioning the foreign exchange stated that the Steel Controller was in the picture to the extent that it was he who was issuing quota certificates for these industries and, therefore, had sufficient knowledge to decide how much foreign exchange should be given to each of these units. This procedure cannot be considered as satisfactory. We would draw attention to what has been stated by the

Khadilkar Committee in Part II of their Report. Sub-paragraph (7) of Paragraph 4.31 of Chapter IV reads as follows:—

“No criteria have been prescribed for determining the foreign exchange to be allocated to individual units. Unit-wise allocations are made on an *ad hoc* basis and no reasons are recorded. There is also no system of receiving or checking production returns for units.”

This goes to confirm our observations. It is not possible for this Committee, in a matter like this where the failure to adopt a particular procedure is general and spread over a period of years, to apportion blame individually. It is presumed that the Government would have taken necessary action on the relevant recommendation by the Khadilkar Committee. We would, however, like to point out that, in regard to the issue of Actual User Licences, we received no complaint from any Actual User either that he did not get an import licence at all or that he was given a licence for a value lower than what he was entitled to or that he should have been allowed to import an item which was disallowed. As already stated, out of the 1,212 licensing cases, 635 have been examined by this Committee. Out of this, 154 are those issued to the 5 groups mentioned earlier. The Committee, therefore, feel that no useful purpose will be served by continuing the investigation of the balance of those licensing cases.

CHAPTER XV

CASES REFERRED TO IN PARA 75 OF AUDIT REPORT (CIVIL), 1965 AND PARAS 106-107 OF THE AUDIT REPORT (CIVIL), 1966

Para 75 of the Audit Report (Civil), 1965

15.1. One of the cases specifically referred to this Committee by the Ministry of Iron and Steel in their letter No. SC(II)-14(18)/66, dated 3rd December 1966 was the case referred to in para 75 of the Audit Report (Civil), 1965, reproduced below, regarding delay in recovery of surcharge in one case:

“PARA 75:

*Delay in recovery of surcharge:—*On 3rd June, 1961 the Iron and Steel Controller placed an order on a firm for the supply of 1,372 tonnes of M.S. flats at a total cost of Rs. 8.85 lakhs. In terms of the contract the firm was to receive payment for the cost of stores as follows:—

- (i) at the controlled (column I) prices from the consignees other than Railways,
- (ii) at the controlled prices or the landed cost, whichever was higher, in the case of Railway consignees.

The firm was required to pay a surcharge to the Iron and Steel Equalisation Fund equal to the excess of the price so realised over the price at the contracted rate.

A bank guarantee to cover the payment of surcharge was also required to be furnished by the firm immediately but they failed to do so. Despite this failure, customs clearance permits were issued to the firm to secure release of the material at Calcutta Port during September, 1961. A provisional bill for the payment of surcharge amounting to Rs. 1,12,810 was

preferred against the firm only in July, 1962, i.e., about 10 months after the arrival of the material. The amount still (July, 1964) remains unrealised even after a lapse of two years.

It was noticed that the performance bond for Rs. 26,570 representing 3 per cent of the value of the contract which the firm had furnished for the satisfactory performance of the contract had also been released in March, 1962 before the assessment of the surcharge payable by the firm was made.

The Iron and Steel Controller has stated (June, 1964) that the firm has submitted a consolidated case of dues to and from the Government and that a special cell has been set up for examining all the cases concerning them for arriving at a final position in this regard."

The facts of the case are that the Iron and Steel Controller floated a Tender Enquiry on 22nd April 1961 for the import and supply of steel, and one of the tenders accepted was that of Messrs. Amin Chand Payare Lal. A Letter Order (Appendix XCIV) which is a letter of approval, was issued by the Purchase Section of the Iron and Steel Controller, in favour of the firm on 3rd June 1961. Therein it was mentioned that the firm should furnish a Performance Bond equivalent to 3 per cent of the total C.I.F. value of the order that was being placed on them. Copy of the Letter Order was sent to the Steel Import Control Section. The firm furnished the Performance Bond, and the Steel Import Control Section issued Import Licence on 20th June 1961. On 5th September 1961, the formal order conveying acceptance of the Tender, hereinafter referred to as A/T (Appendix XCV) was issued to the firm. As per the A/T, the firm was to get payment for the cost of stores at the controlled column I price of the Indian Schedule of Prices from the consignees other than Railways and at controlled prices or the landed cost, whichever was higher, in the case of Railway consignees. There was a provision in the A/T that in the event of the landed cost, inclusive of remuneration, being less than column I price, including admissible extras, the difference should be paid by the firm to the Equalisation Fund, and for this a Bank Guarantee should be furnished by them immediately. The Import Subsidy

Section, to whom a copy of the A/T was sent on 5th September 1961, calculated the amount of surcharge and issued a provisional bill for Rs. 1,12,809-90 on 27th August, 1962. The firm pleaded inability to pay on the ground that they had not realised the column I prices from the allottees, that the allottees were not lifting the material, etc. In August, 1963, when the Steel Controller wrote a strong letter, they replied that their group of concern's total claim in respect of subsidy and similar charge on the Steel Controller in connection with all their imports was much more than the total amount their group would have to pay to Government, and that according to their accounts, Government would have to pay them Rs. 37.22 lakhs. For the purpose of our report, it need only be mentioned that there was correspondence between the Steel Controller and the firm, and the claims were all examined by the Special Cell set up at the instance of the Ministry to deal with all matters relating to the Equalisation Fund, and that the Ministry were kept in the picture about this case. This particular surcharge bill for Rs. 1,12,809-90 was adjusted on 30th December 1965 by the Steel Controller against a claim by Messrs. Surrendra Overseas, a sister concern of Messrs. Amin Chand Payare Lal, which had been admitted by him (Iron and Steel Controller). Hence although at the time the Audit para was included in the Audit Report, 1965, stating that the bill had not been recovered, subsequently this amount was recovered by adjustment.

15.2. The point, however, arises whether there was any default committed by the officers of the Iron and Steel Controller and whether on that account it became difficult to obtain a Bank Guarantee from the firm and, therefore, the amount had to be collected by adjustment. In this connection, the Committee looked into all cases of accepted tenders concluded in the year 1961. There were 7 in all, details of which are in the statement at Appendix XCIX, including the case of Messrs. Amin Chand Payare Lal referred to above. In para. 2.57 of the Fifth Report of the Public Accounts Committee (1967-68), which in substance, deals with the irregularity mentioned in para 75 of the Audit Report (Civil), 1965, it is stated that there were 40 Letter Orders issued in 1961, of which 7 were defective in that they did not contain any provision regarding surcharge or that the Letter Order was not endorsed to the Import Subsidy Section. Of the 40 Letter Orders issued in 1961, 33

relate to handling contracts and not accepted tenders. The remaining 7 which were said to be defective obviously relate to the 7 cases of accepted tenders mentioned above as there were no other cases of accepted tenders in 1961. Of these 7 cases two relate to Messrs. Amin Chand Payare Lal and the remaining 5 to five other different parties. In all these cases, the Letter Orders and the accepted tenders issued were on the same lines as in the case of Messrs. Amin Chand Payare Lal. In none of the cases Bank Guarantees were obtained from the firms; instead, provisional bills were raised against the firms, and the amounts were collected by adjustment against accepted claims of the respective firms. Hence, we have no reason to think there was discrimination in favour of any one firm.

15.3. In the Audit Report (1965), it has been mentioned that the Performance Bond taken in the case of Messrs. Amin Chand Payare Lal should not have been released in March, 1962, at a time when the surcharge payable by the firm had not been calculated. It is only in the Letter Order that it is stated that a Performance Bond is to be furnished. The form of the Performance Bond is at Appendix XCVI. In the space provided in it for filling in the Contract number, what was entered was the Letter Order number. Hence, it would appear that the Performance Bond was meant only for the satisfactory performance of the terms and conditions in the Letter Order, but the Letter Order did not contain any condition regarding the furnishing of a Bank Guarantee for payment of surcharge. Hence, the release of the Performance Bond could not have been withheld on account of delay either in calculating the amount of surcharge or in furnishing a Bank Guarantee. Furthermore the Performance Bond was not intended to secure the payment of the surcharge, hence its release was immaterial for the purpose of such recovery. It may be mentioned that it was only in the A/T, which was issued some months after the issue of the Letter Order, that the firm was required to furnish a Bank Guarantee to secure payment of the surcharge amount. In this as in the remaining six cases the Bank Guarantee was not taken.

15.4. In the office of the Iron and Steel Controller, there were 4 Sections, which were primarily concerned with the processing of cases falling under the category of accepted tenders. The Purchase Section floated the Tender enquiry, received offers, examined them and submitted them to the

Steel Controller, who decided which tender should be accepted. The Letter Order was then issued by the Purchase Section to the successful tenderer. A copy was marked to the Steel Import Control Section, who were in charge of licensing. The firm, thereafter could furnish a Performance Bond and submit an import application to the Steel Import Control Section and obtain the import licence. The formal A/T was issued by the Purchase Section after the Performance Bond had been furnished by the firm and after they had formally agreed to the terms and conditions of the Letter Order. A copy of the A/T was marked to the Import Subsidy Section, who were to calculate the amount of surcharge payable by the firm and to call upon the firm to furnish a Bank Guarantee to secure payment of the surcharge. The danger in this practice which was followed by the several sections of the Iron and Steel Control Office was that the firm could not only get an import licence on furnishing a Performance Bond but could thereafter also arrange for the import of steel, apply for the issue of and obtain Customs Clearance Permits, clear the goods, distribute them to the allottees indicated by the Import Distribution Section to whom copies of Letter Order and A/Ts were marked by the Purchase Section and realise payments without furnishing a Bank Guarantee for the payment of surcharge as required in the A/T. The amount of surcharge, which had to be calculated by the Import Subsidy Section, could only be done after they got a copy of the A/T, which was usually issued a month or two after the issue of the Letter Order. Sometimes there were delays in the despatch of the copies of the A/T from the Purchase Section to the Import Subsidy Section, and subsequently also there were delays in the Import Subsidy Section itself in calculating the surcharge and calling upon the firm to furnish the Bank Guarantee. The firm also employed delaying tactics and avoided the furnishing of the Bank Guarantee. As stated earlier, there being no embargo on the issue of Customs Clearance Permits in the absence of a Bank Guarantee, the firm was able to import the steel, distribute and realise their money. All this only goes to show that there was no set procedure and there was complete lack of co-ordination between the various sections of the Steel Controller's Office.

15.5. There was no Office Order issued by the Steel Controller to the various sections which were to handle these

cases as to the procedure they should follow. We have come across one Sectional Order No. A.1/1/29/59/8, dated 5th December 1959 (Appendix XCVII) issued by the Deputy Price and Accounts Officer indicating what should be done by the Import Subsidy Section, when they received a Letter Order. According to this Sectional Order, the Import Subsidy Section was to work out the amount of surcharge immediately they received a copy of the Letter Order and to call upon the firm to furnish the Bank Guarantee. Unfortunately, there was no order issued by any one requiring the Purchase Section to send a copy of the Letter Order issued by them immediately to the Import Subsidy Section. At no point of time was an order issued by the Steel Controller or by any of his subordinates that the Steel Import Control Section should not issue Customs Clearance Permits unless Bank Guarantees were furnished. It was only on 21st November, 1963 that in the Office Note No. BGP/P(7)/63 (Appendix XCVIII), issued by Shri S. C. Mukherjee as Iron and Steel Controller, it was clearly stated that the amount of surcharge should be calculated before issue of L/O or A/T, and that in the L/O or A/T, a condition should be incorporated that the clearance of the materials would not be allowed until Bank Guarantee for payment of surcharge is furnished.

15.6. From the statement in Appendix XCIX, it will be seen that all the amounts due to Government as surcharge, except for Rs. 886.30 claim for which has been referred to arbitration, has been fully adjusted against accepted claims of the firms. Hence, there has not been any real loss to Government in these cases. However, as pointed out earlier, there was no supervision or administrative control by the head of the organisation, and no useful purpose would be served in this Committee trying to find out which particular clerk or Assistant delayed at which stage.

Para 106 of Audit Report (Civil), 1966.

15.7. This relates to the delay in recovery from handling agents for an amount of approximately Rs. 130 lakhs. As on 30th June, 1967, the total amount still to be recovered was Rs. 89.93 lakhs. After taking into account the outstanding counter-claims of the Handling Agents and the amount creditable to them on account of short landing, the net amount comes to Rs. 64.86 lakhs, of which a sum of

Rs. 35.82 lakhs pertains to the Amin Chand Payare Lal Group. Action to effect recoveries is being taken by Arbitration/Court action, in relation to the Amin Chand Payare Lal Group, M/s Herman and Mohatta, and M/s J. S. Cohen and Co. As regards the amount due from the other parties the recovery is being made progressively either in cash or by adjustment against admitted claims.

Para 107 of Audit Report (Civil), 1966

15.8. This relates to recovery of an amount of Rs. 73,765 from Messrs. Bombay Steel Supply (Private) Ltd., Bombay, against whom legal action is being taken.

(Sd.) A. K. Sarkar.
(Sd.) V. S. Hejmadi.
(Sd.) P. C. Padhi.*

29th February, 1968.

10th Phalguna, 1889 (Saka).

*Subject to Note of Dissent.

SUMMARY OF CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No. of Report	Conclusion/Recommendation
<i>CHAPTER III—Barter Policy</i>		
1	3.4	Looking at the total amount of foreign exchange earned by exports and the total amount of foreign exchange spent on imports of steel it can be said that the barter deals put through by S.T.C. did not fail to generate the foreign exchange expended.
2	3.10	The Committee is of the view that it is wrong to say that only exports or imports were important and that the real situation would be that both were equally important.
3	3.12	All the facts would go to show that Hindustan Steel Limited was kept in the picture during the formulation of semis barter policy and one of the objects of the barter scheme was to relieve them of their burden of semis.
4	3.15	On the basis of materials placed before it, the Committee is unable to say that any non-essential item was imported under the semis barter deals.
5	3.30	It would appear that the likely criticism that Shri Bhoothalingam confined the advantage of the barter scheme to a few select firms is ill-founded and that in actual fact all the proposals of the parties interested in the scheme were considered.
6	3.31	The Committee is of the view that the production having commenced from about middle of 1959, it could be reasonably expected that there would be large quantities which would require disposal, and hence the barter scheme as envisaged in the letter of 14-1-60 could be said to have been reasonably conceived.
7	3.37	The Committee is not inclined to hold that the omission to adopt the tender method for the barter scheme was an irregularity. The Committee does not think that the reasons on which the decision not to follow the tender method was based were wholly ill-founded.

Sl. No.	Para No. of Report	Conclusion/Recommendation
8	3.39	The Committee cannot conceive of what further care the Steel Controller could have been expected to take in dealing with these parties <i>viz.</i> Amin Chand Payare Lal group of firms.
9	3.40	The impression that the share of the import trade of Amin Chand Payare Lal group in 1959 was negligible and that it shot up in 1960 would appear to be incorrect.
CHAPTER IV—Policy regarding pre-import		
10	4.7	The Ministry of Iron and Steel were apparently of the opinion that the imports were urgently required to maintain the economy of the country. The Committee has not come across any material to show that this opinion was not justified.
11	4.11	The Committee would like to point out that the release of bank guarantees in dribbles was not correct for the reason that a bank guarantee is given for the fulfilment of the condition that the entire quantity contracted for export would be exported. Any part-exports made by the party would, therefore, not qualify for a proportionate reduction in the value of bank guarantee. Hence both the Steel Controller and the Ministry of Iron and Steel might be said to have made a substantial departure from the instruction laid down earlier.
12	4.12	The policy of pre-import was adopted by the Steel Ministry in the case of scrap barter where the item of steel to be imported was urgently required but the export and the consequent earning of foreign exchange was likely to be delayed. The extension of this policy to the semis barter scheme was, therefore, logical.
13	4.12	In view of the larger values involved in the semis barter deals, fixing the bank guarantee amount at 15% was not unjustified.
14	4.13	In terms of the letter of 2-2-60, the bank guarantees were to be forfeited in case of failure to earn the foreign exchange by export, "whatever be the reason therefor". But these words could not be said to include the failure on the part of H.S.L. to supply. Any other interpretation of these words would in the circumstances of this case, be un-reasonable and the Committee would not be prepared to accept any such meaning being attached to it.

Sl. No.	Para No. of Report	Conclusion/Recommendation
15	4.14	Considering all the circumstances of the case it would be difficult for the Committee to say that there was default on the part of the Iron and Steel Controller in not carrying out the direction contained in the letter of 2-2-60 to the effect that the Iron and Steel Controller would have no further dealings with the firm in the event of their failure to earn the necessary foreign exchange.
16	4.15	The Committee is not prepared to disagree with the opinion of Shri S.C. Mukerjee that a Commitment with Hindustan Steel Limited was sufficient evidence of a definite commitment to export.
17	4.17	The Committee is of the view that even though the import licences might not have been issued strictly on the terms stipulated in the letter of 2-2-60, regarding the existence of firm contract for exports, yet, the requirements were substantially fulfilled at one date or the other soon after the issue of the import licences and this departure did not cause any loss to the country or gain to any party.
18	4.19	Since no bank guarantee has become unenforceable the Committee is unable to hold at this stage, the failure to enforce the bank guarantees has caused loss to the Government.
19	4.21	The Committee is unable to attach any responsibility on any officer for the shortfall in the earning of foreign exchange.
<i>CHAPTER V—Distribution of Indigenous and Imported Steel</i>		
20	5.4	The Committee is of the view that no special concession was shown to the barterers in making releases to their nominees as they themselves, as controlled stockists were having the responsibility to entertain quota certificates, to arrange for the planning of production and to deliver as and when stocks arrived. It would, therefore, appear that the same system was being followed in the distribution of barter imports also.
<i>CHAPTER VI—Investigation of the various barter deals sanctioned by the Iron and Steel Controller.</i>		
21	6.3	The Committee has no reason to think that the practice of fixing import prices of steel items on the basis of prices quoted in the Continental Metal Bulletin was motivated by any dishonest considerations.

Sl. No.	Para No. of Report	Conclusion/Recommendation]
22	6.4	Since no quality extra has been mentioned for drum-quality sheets in the "Benelux" list of extras, the Committee has to accept the statement of Shri Ramchandran, the then Price and Accounts Officer of Iron and Steel Control Office, that the quality extra could only be fixed by obtaining information from suppliers, which he did and there is no reason to doubt the bonafides of the statement of Shri Ramchandran.
23	6.5	The Committee has no reason to think that the Price and Accounts Officer had made a mistake or committed an irregularity in allowing higher freight rates in the case of certain categories of steel items.
24	6.6 6.7	Besides the case of M/s Ramkrishan Kulwantrai in three other cases viz. Messrs. J.S. Cohen and Co., Messrs. Amin Chand Payare Lal, Messrs. Apeejay (P) Ltd., pre-import licences were issued before the conclusion of the contract with Hindustan Steel Ltd. But in these cases the Committee feels that the Iron and Steel Controller having been given the discretion to satisfy himself about the evidence which would constitute a definite commitment to export, had sufficient reasons to support his view that at the time of the issue of pre-import licences there was a definite commitment by the party with Hindustan Steel Ltd. for purchase of semis for export.
25	6.9	In four cases, the total value of the import licence issued exceeded the total value of foreign exchange to be earned by exports. In one case the excess was due to miscalculation at the stage of issuing letter order and in the three other cases it was due to the application of incorrect conversion ratio between dollar and rupee at the time of issuing import licence. Sarvashri S.C. Mukherjee and G. N. Sen Gupta were the persons responsible for these omissions.
26	6.16 6.17	There have been cases where CCPs were issued in excess of the value of foreign exchange copies of licences due to incorrect posting of figures on the back of the foreign exchange copy of the licences and in the notes leading to the issue of CCPs. These cases have been referred to the Reserve Bank of India for further inquiry. If the inquiry by them does not disclose any improper act on the part of the parties it would be difficult to say that the officers responsible for excess-

Sl. No.	Para No. of Report	Conclusion/Recommendation.
		issue of CCPs had been prompted by any deliberate dishonest motive. But the responsibility for maintenance of proper record of values of CCPs issue against a particular licence lies with the dealing cler and the Officer-in-Charge. To this extent the Committee feels that Sarvashri Basu, Mitra and Pathal have failed in their duty.
27	6-18	In a number of instances, CCPs were issued at higher rate per ton, than what was admissible under the respective import licences. The imports were made from U.S.A. The parties have furnished the break-up of the prices at which they were imported and CCP obtained and we have found them reasonable but at the time of issue of CCPs the concerned officer of the Steel Import Control branch do not appear to have applied their mind to this aspect and issued the CCPs mechanically.
28	6-21	CCPs continued to be issued to Messrs. Ramkrishna Kulwantra after 26th October, 1960 notwithstanding Shri S. C. Mukherjee's instructions to the contrary but the Committee feels that although the officer of SIC branch did not carry out the instructions of Shri Mukherjee, no damage or loss was caused by the issue of the CCPs.
29	6-23	In the matter of keeping a watch on the expiry of bank guarantees, the Committee feels that the officer concerned, viz., Sarvashri Doraiswami, L. K. Bose S. Gupta and G. N. Sen Gupta failed to discharge their responsibility in that they did not ask for their renewal or replacement in time and did not examine the question of their enforceability also.
30	6-25	In the case of Messrs. J. S. Cohen and Co., the bank guarantee furnished by the firm was allowed to be reduced in value on the basis of incorrect information about the earning of foreign exchange. The Committee is not satisfied with the explanations of the concerned officers, viz, S/Shri Doraiswami, L. K. Bose and G. N. Sen Gupta in this case and is of the view that the officers seem to have exercised no supervision or check on the work of the dealing Assistants and Clerks.

Sl. No.	Para No. of Report*	Conclusion/Recommendation
31	6-30	In the various paragraphs of Chapter VI, the Committee have dealt with the action of various officers who have been found remiss. Most of these officers are either dealing assistants or lower gazetted officers. The faults committed by them took place many years ago when probably there was pressure of work. These cases might justify disciplinary action being taken. However, it is for Government to decide whether any action should be started after this long lapse of time.
32	6-31	One aspect of the functioning of the Steel Controller's Organisation about which the Committee feel responsible to give its view is that Shri A. S. Bam, the Iron and Steel Controller, during the period when most of the cases referred to in this Report were dealt with, does not seem to have acted as would be expected of a responsible officer heading an organisation. The impression that he has given is that all policy decisions were taken by the Ministry and the implementation was done by his subordinates. Following from this impression he did not seem to be responsible for any mistakes which occurred during the course of the implementation. No manner of supervision seems to have been exercised by him for otherwise the mistakes which were committed at the level of Deputy Assistant Iron and Steel Controller, namely, the licensing officer, would have come to his notice. The Government might, therefore, consider the appropriate action that may be taken against the then head of the Steel Control Organisation.
<i>CHAPTER VII—Barter transactions entered into by Messrs. Ramkrishan Kulwantrai—Contract No. 28 with H. S. L. Ltd.</i>		
33	7-9	In the case of barter deal with Messrs. Ramkrishan Kulwantrai (Contract No. 28), the failure to earn foreign exchange was not due to the failure of the Steel Control to see that a contract had been made before the import licences were issued but by reason of the dispute that had arisen.
34	7-10	The Committee do not think that the lapse on the part of Shri S. C. Mukherjee is a fit case for the initiation of disciplinary action against him.

Sl. No.	Para No. of Report	Conclusion/Recommendation
35	7·11	Messrs. Ramkrishan Kulwantrai took advantage of the oversight of the Iron and Steel Control Office and avoided the responsibility to export. To this extent adverse notice has to be taken of the action of Messrs. Ramkrishan Kulwantrai.
36	7·12	The Committee find it extremely difficult even to suggest that there was any attempt by the officers to cover up any default.
37	7·13	It is difficult to see how a record of the discussions held on the 13th November, 1960 at Dum Dum Air Port could have been made instantaneously for that meeting was not a planned one and only the three heads of the departments accidentally met there and discussed the matter as one of the subjects on which quick action was required. In any case, since the substance of the discussion was fully set out in Shri Bam's letter of 14th November, 1960 and the Committee has no reason to think that the record as kept was in any way incorrect, no harm has been occasioned by the absence of a formal record.
38	7·14	Shri Bhoothalingam's remark on the copy of Shri Bam's letter dated 13th January, 1960, to Shri Shrinagesh seems apparently to be a sound one and that the unwillingness on the part of Hindustan Steel Ltd., to enter into export contracts for the purpose of barter deals was due to the fact that they were not finding such contracts profitable for various reasons as they had earlier imagined that they would be. Whether they were right or not in this view is not a matter for this Committee to consider.
39	7·15	The Committee cannot take the view that Deputy Controller Shri Mukherjee had for dishonest reasons issued the import licences before the export contract had been made by M/s. Ramkrishan Kulwantrai, with Hindustan Steel Limited.
<i>CHAPTER VIII—Barter deals entered into by Hindustan Steel Ltd. to meet their own requirements</i>		
40	8·2 8·3	In the case of barter deal with M/s Surrendra Overseas, the Committee are not inclined to think that the reasons given by Shri Bam and Shri Mukherjee and also by Shri Bhoothalingam for not taking the Bank Guarantee and for not fixing the import prices are unjustified.

Sl. No.	Para No. of Report	Conclusion/Recommendation
<i>CHAPTER IX—Licenses and Customs Clearance Permits issued after import and/or shipment</i>		
41	9·6	In the case of Messrs Metal Import (P) Ltd., it would be difficult for the Committee to say that the imports effected by the firm against the licence issued to them with the condition "utilisable only against equivalent amount of foreign exchange earned against export" was without a licence.
42	9·7	The Deputy Controller Shri Mukherjee amended the original condition of the licence on 24th September, 1959 to read "foreign exchange against this licence is adjustable against letter of credit No. 316892 already opened by the buyers Messrs. T. Yamamoto and Co. Ltd., Tokyo, in favour of the licensee, representing the value of the exportable pig iron". This amendment has not caused any loss to the country nor has the Committee any reason to think that the amendment was prompted by dishonest motives and hence it is not a fit case for action being taken against Shri Mukherjee.
43	9·8	The Committee is of the view that the case of M/s Ramkrishan Kulwantrai was clearly a case in which, the import was not intended to have been made irregularly. The licence was originally there, and obviously in all fairness the licensee (R.K.K.R.) were entitled to import the balance quantity which remained after the earlier imports had been made. This is not a case which would justify a view that the party was proceeding on the basis that they could get whatever licence they required out of Steel Controller's office. It may be added that this barter deal did not result in any shortfall in the earning of foreign exchange.
44	9·10	There could obviously be no malpractice in connection with the case where S.T.C., being the licensee, imported material before issue of import licence. If the correct position is that the Steel Control Organisation had the power to issue a licence after the arrival of the goods, that power, in the present case was certainly very properly used.
45	9·11	In the case of the Railway Board where they shipped a consignment of Steel Wheels before the issue of the import licence, the Committee is of the view that it would not have been justifiable for Steel Controller

Sl. No.	Para No. of Report	Conclusion/Recommendation
		to have refused the licence. If he had done so, the only result would have been unnecessary expenditure of public money ; it would have been something which was not in public interest.
46	9.15	The Committee has come to the conclusion that, in respect of the orders of re-export of the goods which Messrs. Amin Chand Payare Lal and Messrs. Apeejay (Pvt.) Limited, had imported without valid licences and in respect of which the Steel Controller issued the customs clearance permits on condition of re-export, it would not be justifiable to find fault with the action of the Steel Controller, Shri Banerjee.
		<i>CHAPTER X— Decision taken by Shri C. Subramaniam when he was Minister, Iron and Steel, Government of India.</i>
47	10.15	There can be no doubt that Shri C. Subramaniam had the power to alter something which he had earlier done. The real question is whether he had been led to undo his earlier act by something which might be said to have been improper. On the materials that are before this Committee it is impossible to come to such a finding. The question that remains is whether the reasons that he has given for the alteration, support his action. Inevitably, there has to be discretion left to a Minister. This Committee is unable to say that the reason given by Shri C. Subramaniam have no basis at all. What another person would have done in the circumstances would be an irrelevant question to put.
48	10.16	While on this subject, this Committee would like to express its surprise at the careless way in which terminology not appropriate to orders under the Standardised Code has been used by various officers. Though that did not happen in this case, such disregard of the appropriate terminology might have frustrated the order intended to be passed. Also there appears to have been an appalling lack of knowledge of the procedure prescribed by that Code.
		<i>CHAPTER XI—Complaint against Messrs. Ramkrishan Kukwantrai in regard to the claim of removal charges and in regard to the distribution of steel to allottees by their Madras branch.</i>
49	11.3	With regard to the complaint made by Shri Senthappan, the then Assistant Iron and Steel Controller

Sl. No.	Para No. of Report	Conclusion/Recommendation
		<p>Madras relating to the irregularities in respect of distribution of steel by Messrs. Ramkrishan Kulwantra, the relevant file in the office of the Steel Control not being available, it has not been possible to find out the reasons that weighed with the Steel Controller in coming to the decision that he had. Hence it has not been possible for the Committee to say whether any irregularity had been committed by the officers of the Iron and Steel Control, Calcutta, and whether there are any grounds to say that the decision contained in the Steel Controller's order dated 17th October, 1959 was unreasonable.</p>
50	II.4	<p>With regard to the complaint made by Shri Senthappan relating to the irregularities in respect of distribution of steel by Messrs. Surrendra Overseas (P) Ltd., it has not been possible for the Committee to fix responsibility for the lapses, if any, in not taking action against Messrs. Surrendra Overseas (P) Ltd., on the report of Shri Senthappan for want of complete information on this subject.</p>
51	II.8	<p>With regard to the irregularities pointed out by Shri Senthappan relating to the claim of Messrs. Ramkrishan Kulwantra for re-imbusement of removal charges, the Committee is unable to say if the irregularities pointed out by Shri Senthappan are substantiated or not since the relevant records in the offices of the Port Trust and the Steel Controller are not available as they have been destroyed with efflux of time. It may be added that in the case of Messrs. Ramkrishan Kulwantra, the Iron and Steel Controller refused to accept the firm's claim for reimbursement of removal charges as they failed to produce the final permission of the regional office at Madras. Consequently no loss has been caused to Government.</p>
<p>CHAPTER XII—<i>Industrial Licences given to Khemchand Rajkumar, Calcutta for installation of an electrolytic tinning line.</i></p>		
52	12.1	<p>Considering the circumstances of the case, the Committee is of the view that the Ministry of Steel cannot be blamed for recommending the issue of industrial licences to Messrs. Khemchand Rajkumar for installation of Tin Plate Manufacturing Unit.</p>

Sl. No.	Para No. of Report	Conclusion/Recommendation
<i>CHAPTER XIII—Barter other than semis barter</i>		
53	13.5	In the case of barter deals other than semis barter it can be construed that the items allowed for import by the Iron and Steel Controller were indeed those which were essential for the economy of the country.
54	13.7	All the barter transactions were commercial transactions and the overall picture would be to show that ultimately there was no net shortfall in earning of foreign exchange.
<i>CHAPTER XIV— Import Licences issued to Actual Users by the Iron and Steel Control</i>		
55	14.2	In the case of actual users licensing where Iron and Steel Controller issues licences on the recommendation of various sponsoring authorities, the Committee have not come across any irregularity.
56	14.3	In the case of actual users licensing where Iron and Steel Controller himself is the sponsoring authority, the procedure for allocating foreign exchange to each individual unit was found to be unsatisfactory. The Committee, however, feel that no useful purpose will be served by continuing the investigation of the remaining licensing cases.
<i>CHAPTER XV—Cases referred to in para 75 of Audit Report (Civil), 1965 and paras 106 and 107 of the Audit Report (Civil), 1966</i>		
57	15.2	The Committee has no reason to think that there was discrimination in favour of any one firm.
58	15.4	There was no set procedure, and there was complete lack of coordination between the various sections of the Steel Controller's Office.
59	15.6	The Committee considers that there has not been any real loss to Government in these cases. The Committee, however observes that there was no supervision or administrative control by the Head of the Organisation.

NOTE OF DISSENT

BY

P. C. PADHI

Member, Committee of Inquiry
(Steel Transactions)

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CHAPTER I

INTRODUCTORY

1.1. Disagreement with the majority.—As it has not been possible for me to agree with the conclusions of the majority in the Committee, I am recording this Note of Dissent.

1.2. The area of disagreement is fairly wide. However, I have confined my Note only to the more important questions.

1.3. Material for disciplinary action.—Written memoranda were addressed by the Committee to most of the officers and staff whose evidence was considered necessary. Their written replies and the voluminous oral evidence of those who were called for examination are on record. These together with the official documents and files cited in the evidence provide, in my opinion, abundant material on which substantive charges of a serious nature can be immediately framed against some of the officials concerned, for purposes of disciplinary action.

1.4. Broad features of the Semis Barter Scheme.—The Semis Barter Scheme of 1960 formed the principal subject matter of the Committee's investigation. The main features of the scheme as they were announced step by step by its author, Shri S. Bhoothalingam, stand out as follows in a broad perspective:—

- (i) Participation in the scheme was to be confined to a few select firms of steel importers;
- (ii) The firms were to be allowed to import steel in advance of exports of semis and without reference to the progress of exports, the safeguard being a bank guarantee of 15% the enforcement of which was in turn to be dependent on deliveries of semis by Hindustan Steel Limited;
- (iii) The firms were enabled to import the categories of steel of their choice, at the time most convenient to them and at prices to be fixed, not

on the basis of competitive tenders, but on the basis of the Metal Bulletin;

- (iv) In respect of 80% of the imported steel, the firms were to be given a free hand about the choice of quotaholding customers to whom they could sell the imported steel;
- (v) There were no ready means by which a customer could make sure that he was paying the correct price; in any case a questioning customer could be substituted by an acquiescent one under the facility given by the feature No. (iv) above.

1.5. Was public interest the main consideration.—Shri C. Subramaniam, ex-Minister of Steel stated in evidence that the semis barter scheme had its abuses. The same view has been expressed by Shri N. N. Wanchoo, who was Steel Secretary for 5 years. Shri Shrinagesh, former Chairman, Hindustan Steel Limited, has said that the barter business was not always a straight-forward business. The features of the scheme described above show that it provided ample opportunity to the profiteer and little safeguard to the consumer.

CHAPTER II

SEMIS BARTER SCHEME

2.1. Shri Bhoothalingam formulated the Semis Barter Scheme by his D.O. letter No. SC(B)-12/92/59, dated 14th January, 1960 (Appendix XV) addressed to Shri Bam, Controller of Iron and Steel, and sent copies of the letter to Hindustan Steel Limited and the Ministry of Finance. There is a serious doubt whether this letter fully and correctly represents the scheme as approved by the Ministry of Finance. The doubt has arisen in the circumstances mentioned below.

2.2. **Preliminary discussion before formulation of scheme.**—The notings on the file, which preceded the issue of this letter, were with reference to a draft letter which had been prepared by Shri Ramanathan (Deputy Secretary) for being referred to the Finance Ministry for their concurrence or comments. That draft is not on the file now and is said to have been destroyed in accordance with the then existing practice of the Iron and Steel Ministry. In all other Ministries, the original drafts, with reference to which the Ministry of Finance offers its comments, are generally preserved in a separate bundle entitled “K.W.” (Keep with).

2.3. With reference to Mr. Ramanathan's draft letter, Messrs. Ramachandran and N. C. Deb (who were Deputy Financial Adviser and Financial Adviser, respectively) made the suggestion that the draft should indicate the quantities of semis that could be sold on barter, and added that the Economic Affairs Department of the Finance Ministry should be consulted as the proposal involved the spending of foreign exchange earned by the exports.

2.4. Thereafter, Shri Bhoothalingam recorded a note saying that no one could be sure of the probable quantum of exports and that the Ministry would be constantly watching the position and would give quantity indications from time to time to Hindustan Steel Limited and the Iron and Steel Controller.

2.5. The file then went to the Economic Affairs Department of the Finance Ministry through the Financial Adviser.

2.6. **Comments of Finance Ministry.**—Shri Jagannathan (then Additional Secretary of the Economic Affairs Department) recorded a note on 24th December, 1959. His note (*vide* Appendix XIV) contained three points, *viz.*,

- (1) The Economic Affairs Department had no objection to the export of semis on barter basis, within a ceiling of 2 lakh tons of ingots and slabs and 50,000 tons of billets;
- (2) The “Department of Iron and Steel would no doubt indicate the categories and quantities of each category of finished steel they would like to be imported, and the Iron and Steel Controller may be asked to grant approvals for the import of steel only within the categories and quantities indicated to him by the Department” and
- (3) While ensuring that no import is allowed at prices in excess of the ceiling prices acceptable to the Iron and Steel Controller, the latter should give preference to those offers for imports, which are comparatively more advantageous in price. If there is scope for choice of material for import after considering specific offers for barter, imports on barter could be made of those items which are more advantageously available on barter, leaving the other items to be purchased on cash-licence basis.

2.7. The file then returned to Shri N. C. Deb who marked it back to the Ministry of Iron and Steel with a note suggesting that the draft letter should be revised suitably and, after issue of the letter, the file might be sent back to him for submission to the Finance Minister.

2.8. **Shri Nair’s revised draft.**—Thereafter, Shri C. A. Nair, Under Secretary, prepared a revised draft on 9th January, 1960 “in the light of the comments of the Ministry of Finance” and submitted it to Shri Bhoothalingam through the Deputy Secretary.

2.9. Shri Bhoothalingam has put his signature dated 9th January, 1960 below Shri C. A. Nair's note in the note-sheets, signifying thereby that he has approved the revised draft.

2.10. The correspondence portion of the file contains the carbon copy of the letter dated 14th January, 1960 in the terms in which it was actually issued. It shows that copies of the letter were endorsed to Mr. Deb of Hindustan Steel Limited and to Mr. Jagannathan of the Economic Affairs Department. It does not contain either the original draft by Shri Ramanathan or the revised draft by Shri C. A. Nair. After the issue of Shri Bhoothalingam's letter of 14th January, 1960, the file was not sent to Mr. Deb (nor to his successor) for being put up to the Finance Minister.

2.11. **Textual Discrepancies.**—A reading of the letter dated 14th January, 1960 (Appendix XV) shows that it does not incorporate the purport of the comment No. (2) made by Shri Jagannathan while giving the Economic Affairs Department's concurrence to the scheme as described in Mr. Ramanathan's original draft.

2.12. **Shri Nair's evidence.**—The Committee, therefore, questioned Shri C. A. Nair to ascertain why he did not incorporate this point in his revised draft, which, according to his own note, had been prepared in the light of the comments of the Finance Ministry. Shri Nair's evidence suggests that Shri Bhoothalingam's letter of 14th January, 1960 was substantially different in language and content from the 'revised draft' which he (Shri Nair) had put up. Shri Nair appeared to be very hesitant during his examination but the impression he gave was that he could not have dared to disregard the suggestion of the Finance Ministry. In the letter dated 14th January, 1960, there is a passage which instructs the Steel Controller to explain the procedure "to a few select firms". Shri Nair was asked whether that passage or the sense of that passage also appeared in his revised draft, and his answer was that he could not remember. But he was more forthright when he was asked whether he would have, on his own, put those words in the revised draft. He replied that he saw no advantage in putting that in; on the other hand, it would

have been advisable to give publicity to the procedure of the barter scheme.*

2.13. I have no hesitation in coming to the conclusion that Shri Bhoothalingam's letter dated 14th January, 1960 was entirely his own and had no connection with the revised draft by Shri Nair. The style and content of the D.O. letter have the impress of an intimate personal touch which it would have been impossible either for Shri Ramanathan or for Shri Nair to simulate. The fact that the letter was issued on 14th January, 1960 whereas the revised draft was submitted to Shri Bhoothalingam on 9th January, 1960 might well be due to Shri Bhoothalingam's taking time to compose his own letter.

2.14. **Disregard of Finance Ministry's Stipulation.**—My conclusion from the oral and documentary evidence is that Shri Bhoothalingam consciously disregarded one of the important stipulations of the Finance Ministry. The letter which he issued on 14th January, 1960 was substantially different from the original draft by Shri Ramanathan as well as the revised draft by Shri Nair.

2.15. In connection with a barter proposal from Manesmann of Germany, the Ministry had already obtained from the Iron and Steel Controller a list of steel items (with specifications and quantities) that might be obtained in exchange of semis (*vide* I & SC's letter No. C/23(8)/59 dated 7th November, 1959, Appendix XVII). Shri C. A. Nair was thus in a position to incorporate Shri Jagannathan's stipulation in the revised draft. But Shri Bhoothalingam did not deem it fit to impose any such restriction on the freedom of the Iron and Steel Controller, despite the fact that the Finance Ministry had asked for the imposition of some such discipline. He explained his reasons to the Committee thus:—

Shri Bhoothalingam:

“The point I would like to make is this. There are priorities and priorities within them. For instance, if in one month a certain amount of black

*Shri Deb was asked whether the other parts of Shri Bhoothalingam's letter were *in pari materia* with the original draft that was referred through him to the Economic Affairs Department for concurrence. He could not give any definite answer from memory at this distance of time. Neither could Shri Jagannathan. Shri Ramanathan was not called for examination, because he is not in India now.

sheets had been bought, then, for the next one, it would be better to get some other category which is not involved in any barter. Now, the Iron and Steel Controller is aware of the position throughout, scarce items, even more scarce items, etc. He is in a position to know much better than the information contained in any other standard list."

2.16. Shri S. C. Mukherjee, the Deputy Controller in charge of barter, who was questioned on this point later, almost repeated the words of Mr. Bhoothalingam, but very often contradicted himself. For example:—

"I-136.Q. What were the quantities? Did you decide on each occasion whether you would allow the barterer to import a particular quantity of a particular category having regard to the quantities of that category already licensed to be imported?"

Shri Mukherjee:

"We are not keeping any list of what is licensed; sometimes the licensed material may not be imported. Besides, the quantities to be imported against the barter was quite small as compared to our total demand or the shortage in the country. So we did not keep a regular list and go on importing out of it and scoring out the items imported. That system was not there."

2.17. A perusal of the entire evidence of Shri Mukherjee on this subject, which extends over 19 questions and answers (Questions No. I-118 to I-136), clearly shows that he had to shift his position from time to time because he had actually given full freedom to the barterers, to choose the materials and quantities and to change them at their convenience from time to time. It was, therefore, impossible for Shri Mukherjee to justify his arbitrary action in terms of any general principles or policies. Towards the end of his examination he had to use the word "flexible" to explain the impossibility of deducing any intelligible principle of public policy behind his actions.

2.18. **Importance of Finance Ministry's Stipulation.—** Mr. Jagannathan's evidence before the Committee shows

that it was precisely to guard against the kind of thing which Shri Mukherjee eventually did that he (Shri Jagannathan) thought it desirable to stipulate that once the lists of categories and quantities were drawn up, they would not be changed to suit the convenience of the importer.

2.19. The majority Report describes Shri Jagannathan's stipulation as only a suggestion. I think, it was very definitely a condition. This is what Shri Jagannathan said in his evidence.

4. Q.—I take it that it was your intention that the essential categories of steel items to be imported should be within the knowledge of the Department of Iron and Steel and that it is important that it should be laid down for the guidance of the Iron and Steel Controller.

A.—I would like to explain in some detail. My primary object was that the Government should decide and not the importers and it should not be left to the importers as to what categories of steel should be there and I did express it in a particular way that the Department should convey to the Iron and Steel Controller. What I attached importance to was that the Government should decide about imports, i.e., it should be laid down on the side of the Government and not on the side of the importer thereby giving him a free hand.

Even Shri Bhoothalingam has not contended that Shri Jagannathan's point was not binding.

2.20. I may have occasion to revert to this subject later when I deal with the subject of pre-import, but at this stage it is sufficient to state my conclusion that Shri Bhoothalingam deliberately disregarded the very definite stipulation of the Ministry of Finance. Shri Bhoothalingam must, therefore, be held responsible for the consequences that followed. It is probable that the procedure which he laid down in his letter of 14th January, 1960 may have been different in other respects also from that which had been indicated in the original draft that was referred to the Finance Ministry for concurrence. Shri Nair's evidence supports such a possibility.

2.21. Barter procedure analysed.—The barter scheme as contained in Shri Bhoothalingam's letter of 14th January, 1960 (Appendix XV) should now be examined in somewhat greater detail. The operative part of the letter deals with the procedure to be adopted for the disposal of ingots, slabs and billets (known as semis) which were stated to be available with Hindustan Steel Limited during the year 1960. The letter mentions that sales for cash exports would be handled entirely by the producer, i.e., the Hindustan Steel Limited, and sales on barter against imports of finished steel would be handled by the Iron and Steel Controller. It mentions (conforming to one of the stipulations of Shri Jagannathan) that the total quantity of semis for export against barter imports would be 2 lakhs of tons of ingots and slabs and 50 thousand tons of billets. The procedure is laid down substantially as follows:—

- (i) the imports against the exports should be of "essential steel items"; it does not define how essentiality was to be judged;
- (ii) the categories of steel to be imported on barter should not be those which are available at lower prices against cash import licences; (this condition apparently purports to interpret one of Shri Jagannathan's exhortations);
- (iii) the Steel Controller should get the parties' offers first indicating the price of semis and the prices of steel items to be imported there-against; [This is in direct opposition to Shri Jagannathan's stipulation (*vide* Appendix XIV) which required the Steel Controller to decide the items and the quantities to be imported. Shri Jagannathan's intention was not to allow the parties any initiative in the choice of the categories and quantities of steel items to be imported.];
- (iv) the Steel Controller should decide the steel prices first [apparently in conformity with the criterion mentioned in (ii) above] and get the concurrence of HSL to the prices of the export items;
- (v) the Steel Controller "could also indicate to a few select firms" the procedure outlined above, apparently with a view to getting their "offer";

- (vi) in view of the large surplus of ingots and slabs that might arise during 1960 the importance of handling the offers in a businesslike way was emphasised and the Steel Controller was told that "it should be possible to close deals within a week of the receipt of an offer".

2.22. **Vagueness of the barter scheme.**—The letter of 14th January, 1960 is a document remarkable as much for what it says as for what it omits to say. It goes into the minutiae of procedural details for effecting sales for export and for utilising the foreign exchange for import. Considering that the execution of the scheme was to be partly in the hands of Hindustan Steel Ltd., a commercial undertaking which ought to have its own sales department, and partly in the hands of the Iron and Steel Controller who had been issuing import licences for crores worth of imports of steel as a regular part of his job, (steel had been a controlled commodity since the early forties) one would be right in thinking that the emphasis on speed and businesslike methods was superfluous unless it was meant to be used as a justification for not communicating the scheme to more than a "few select firms".

2.23 The letter gives no indication whatever as to when the surplus semis would be available for delivery and in what quantities, although this information is most vital for closing any deal. Was it intended that the Iron and Steel Controller should, at one stretch, and at the beginning of the year, close deals covering the entire expected surplus production of a whole year without reference to dates of delivery and quantities? If so, how was he to fix in advance the prices of the steel items to be imported without reference to the dates when they were to be imported? Or, was it intended that he should allow imports all at once *in advance of the exports*? In the latter case, why was he not told so in the letter of 14th January, 1960 after getting the previous approval of the Economic Affairs Department? If the deals were to be for delivery at distant dates, how was it important to hurry up with the closing of deals within a week? What exactly was the meaning of "closing the deals" by the Iron and Steel Controller? As far as one can make out the scheme, the Iron and Steel Controller's function was to select the categories and quantities of steel and fix their prices and issue import licences therefor after the exports had taken place. What

was the "deal" he was to close? The deal or contract would be with the Hindustan Steel Ltd. and not the Iron and Steel Controller. Was it intended that Hindustan Steel Limited should fix the sale price of semis by dispensing with tenders? If so, why was not Hindustan Steel Limited told so specifically? If, on the other hand, it was open to Hindustan Steel Limited to adopt the tender method, how could it be expected that the deals would be closed within a week? It is difficult to understand why the prospective exporters of the semis were to approach through the Iron and Steel Controller and not the Hindustan Steel Ltd. direct. It is Hindustan Steel Limited who would know whether they have any thing to sell and when. If the imports of finished steel were to be conditional on exports, the natural sequence should have been for the parties to approach the Hindustan Steel Limited first with their proposals and after getting them approved by Hindustan Steel Limited, to complete the exports and thereafter come to the Iron and Steel Controller for the import licences. In all export promotion schemes involving an import entitlement the logical procedure, as indicated above, had been followed. Why should the Steel Controller have been asked to take the trouble of fixing the categories, quantities and prices of import items, before he knew for certain that the parties' offer for export items would be accepted by Hindustan Steel Limited? And how could the Steel Controller fix the quantities of imports until he knew what the total foreign exchange earnings would amount to, which in turn would depend on how much semis and at what rate they would be sold for export.

2.24. **Why was the sequence reversed?**—It has to be noted in this connection that originally Shri Ramanathan in an office note dated 1st December, 1959 had suggested the logical procedure only. Shri Bhoothalingam apparently did not like it and asked Shri Ramanathan to "speak". After speaking, Shri Ramanathan wrote another note saying that the sequence would be reversed as ordered by the Secretary without explaining why. I am completely at a loss to understand why the Iron and Steel Controller was to have the initial veto as to who should be permitted to export, and how the procedure indicated in the letter helps to speed up the exports, assuming that the main desideratum was speed. It has to be mentioned at this stage that most of the irregularities that have taken place in the semis barter scheme would not have taken place if the parties

had been asked to come to the Iron and Steel Control for their import licences after entering into and *performing their export contracts*. It is unfortunate that Shri Bhoothalingam should have formulated a scheme which was extraordinarily vague and prescribed a procedure which was at once illogical, inappropriate and opposed to established precedents.

2.25. Possible explanation of vagueness.—The departure from precedent and logic can be explained only on the basis that from the very beginning it was Shri Bhoothalingam's principal desire to allow imports in advance of exports. The "deals" which he wanted to be closed within a week were apparently import deals and not export deals; the Steel Controller, anyhow, was not in a position to close export deals.

2.26. Was urgency justified?—A perusal of the letter dated 14th January, 1960 (Appendix XV) shows that the whole scheme is thickly overlaid with a note of urgency. The importance of urgency is so well emphasised throughout the scheme that it carries on the face of it its own justification for such deviations as there may be (and there are many, as just pointed out above) from conventional or rational procedure. For example, if it be conceded that there was extreme urgency to make arrangements in January, 1960 for the barter export of very large quantities of semis which otherwise would be choking the stockyards of Rourkela, then the instruction for taking only "a few selected firms" into confidence or for fixing prices, both of the exports as well as of the imports, on *ad hoc* basis instead of on the basis of tenders, might perhaps be justified. The injunction for closing the deals within about a week might also be understandable even though it had the effect (as will be shown later) of virtually confining the participants in the barter scheme to the small group of people who, with advance inside knowledge of what was being considered in the Ministry, had already put forward proposals in anticipation of the promulgation of the scheme. It is, therefore, important to consider what the stock position of *exportable* semis was in January, 1960 and what were the expectations of production of exportable semis in the immediately succeeding months, and how rapid was the expected pace of production and what was the state of knowledge about these things in the Ministry and even in

the Head Office of H.S.L. which was at that time in New Delhi.

2.27. **Forecast of production of semis.**—The first forecast of production of semis appears to have made by the German Technical Adviser sometime in May, 1959. According to him, the total surplus of semis during 1959, 1960 and 1961 was expected to be 8.3 lakh tons. The Chairman of HSL (Shri Pande) discounted this estimate (*vide* Appendix VIII). His own estimate in August, 1959 was that the surplus semis would be of the order of 5 lakh tons. Whatever may be the worth of these long range estimates they were useless as bases for entering into firm contracts for the disposal of the expected surplus semis.

2.28. **No precise knowledge of availability of semis.**—In August, 1959, the Ministry enquired from the HSL (*vide* letter at Appendix X) about the quantities of the expected “exportable surpluses” of semis month by month during the next 12 months. The Head Office of HSL could give no information despite a reminder. On 7th October, 1959, the Head Office of HSL replied (Appendix XI) saying that the information was still awaited from the Plant. Thereafter, the enquiry was not pursued. Shri V. Subramanian of HSL stated in evidence that after Shri Pande’s letter of August, 1959 there was no other information or estimate of expected production that was submitted to the Ministry (Evidence I-21). He stated further that it was because of the absence of information about production that he found himself unable to do anything about the offers from some parties which he was receiving and which he, therefore, forwarded either to the Ministry or to the Iron and Steel Controller. Shri Subramanian was, it should be emphasised, the officer on Special Duty in charge of sales, and it was his business to have all available information concerning stocks for sale.

2.29. On 26th November, 1959, the Deputy Controller of Iron and Steel wrote a letter [D.O. No. C/I/17(3)/59, Appendix XIII], to the Deputy Secretary in the Ministry, saying that the Steel Control Organisation was unable to make any proposal for the disposal of semis (mentioned in Shri Pande’s letter) for want of knowledge about the production programme of HSL plants and the quantum of “exportable surplus”. He referred also to the failure of

HSL to provide the forecast of month-to-month availability which the Ministry had been asking for. It was specifically with reference to this letter dated 26th November, 1959 from the Deputy Controller of Iron and Steel that Shri Ramanathan put up his note to suggest a procedure for the semis barter scheme which eventually took shape in the form of the letter dated 14th January, 1960. It is evident, therefore, that up to the date of issue of that letter, neither the Ministry nor the Iron and Steel Controller had any knowledge about the quantum of "exportable surplus" of semis. The Controller of Iron and Steel was entitled to get monthly returns of production from the factories, for the purpose of his control. The Controller himself had complained (in the letter of 26th November, 1959 just cited) that for want of information about the quantum of exportable surplus and the production programme of HSL he was unable to make any proposals. So far as the HSL was concerned, they had not been able to furnish the information. On the other hand, there is evidence to show that everybody concerned knew in January/February, 1960 (if not earlier) that something had gone wrong and that the "exportable semis" would not materialise for some considerable time. The evidence is indicated in the following paragraphs.

2.30. Reason for Pre-import negatives urgency of export.
 —On the 18th January, 1960, that is to say, just 4 days after the Semis Barter Scheme was formulated, Deputy Secretary, Ramanathan, recorded a note, after discussion with Shri Bhoothalingam and Shri Jagannathan, the object of the note being to get the concurrence of the Finance Ministry to the idea of allowing imports in advance of exports of semis. The following extract from that note is relevant:—

"In barter, the size of the export commodity is large and deliveries can be made only over a period of time. If we wait till the exports have taken place to issue the import licence for steel, we might get the steel after our pressing needs are over; it may even come when we have our own production. We have, therefore, to think of a new procedure where we can get the steel right now, allowing exports to follow if necessary."

This extract furnishes evidence that, even at the time when the barter scheme was being formulated, it was known to

the Ministry that the exports would be delayed, which, in turn, implies that it was within their knowledge that there were no ready stocks of *exportable* semis. It was entirely because delay in exports was expected that "pre-imports" were proposed. The proposal for allowing pre-import was approved for the reasons mentioned in Shri Ramanathan's note with the condition that "pre-imports" shall be allowed only when delay in exports is anticipated. In every one of the cases of semis barter, the Controller issued "pre-import" licence in advance of export, the earliest of such issues being on the 10th February, 1960. The Deputy Controller was asked by the Committee why he issued import licence as a matter of course in every case and his reply was that delay in export was anticipated in every case. For instance, in the earliest of the cases, he pointed out that the delivery date, even according to the contract, was June, 1960, which meant a delay of 4 months. If the Deputy Controller is to be believed, it means that delay was anticipated in every case.

2.31. **Shri Bhoothalingam's apprehensions.**—Again Shri Bhoothalingam, in his letter No. SC(C)-5(12)/60, dated 24th February, 1960 (Appendix XXIV) to the Controller unmistakably gave expression to his apprehension that the barter contracts already concluded up to that date might not be fulfilled by delivery by HSL, and he enquired whether it would be possible to cancel some of the deals which would not be fulfilled, and forbade the entertainment of fresh barter proposals.

2.32. In a teleprinter message of the same date to Shri N. C. Deb (the then Director of Finance of HSL), with copy to Iron and Steel Controller, Shri Bhoothalingam said:

"Obviously actual commitments and delivery dates should be realistically based on month-to-month expectations of production. I had assumed that this would be looked into in every case before commitments were accepted. From what I have been informed of the programme of production at Rourkela, it would appear *prima facie* difficult to fulfil commitments entered into, if they all materialise. . . . suggest that until this is clarified no further commitment should be accepted."

2.33. The evidence so far cited above shows that, apart from the long range forecast of August, 1959 by Shri Pande

Shri Bhoothalingam did not have any specific data which justified the note of urgency with which he formulated his semis barter scheme. On the other hand, evidence has been given before our Committee by Shri H. R. S. Rao of HSL and Shri N. C. Deb to the effect that operational and technical difficulties of the nature of "teething troubles" were being experienced at Rourkela and that the semis produced during "trial runs" were naturally of sub-standard quality. Shri Bhoothalingam was in intimate touch with HSL whose head office was in New Delhi at that time and could not have been unaware of the important developments affecting the production situation at the plants. The office note dated 18th January 1960 cited earlier gives ample proof of his knowledge that deliveries would not be made till after several months.

2.34. **First definitive forecast of February, 1960.**—It now remains to add that the first definitive forecast of production of semis for export was made only on 23rd February 1960, at a meeting of the Plant Managers convened by the Iron and Steel Controller. According to the minutes of that meeting (Appendix XXVI), the estimate of production of semis for *export on barter* basis during 1960 was made as follows by the Plant Managers:—

	Ingots Rourkela	Slabs Rourkela	Blooms Bhilai	Billets Bhilai	Total
	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Tons</i>
I Quarter, 1960 .	Nil	Nil	Nil	Nil	Nil
II Quarter, 1960 .	Nil	Nil	20,000	Nil	20,000
III Quarter, 1960	35,000	25,000	5,000	10,000	75,000
IV Quarter, 1960 .	40,000	25,000	15,000	20,000	100,000
TOTAL .	75,000	50,000	40,000	30,000	195,000

2.35. This forecast shows that nothing was expected to be sold on barter until the 2nd quarter of 1960. According to the evidence of Shri H. R. S. Rao of Hindustan Steel Limited (who had also attended the meeting), he had doubts

whether he could conclude deals even on the basis of this forecast (See Evidence I-66). That his doubts were genuine is proved by the circumstance that although blooms were shown as the kind of semis which would be available at the earliest, not a single barter deal for export of blooms was concluded. There was no delivery at all of any ingot during 1960; the first delivery of a lot of about 4,000 tons of slabs was made in the third quarter of 1960. Actually the first barter shipment was of tested billets and it took place on 31st August 1960 and the quantity was less than a thousand tons. The actual shipments of semis under the barter scheme were as follows during 1960:—

	<i>Tons shipped</i>
Upto 30-8-1960	Nil
On 31-8-1960 (Billets) . . .	983
During September 1960 (Slabs)	3,998
During October, 1960 (Billets)	2,406
During November, 1960 (Billets)	2,257
During December, 1960 . . .	6,905 (Slabs 3468) (Billets 3437)
Total during 1960	<hr style="width: 100%; border: 1px solid black;"/> <u>16,549</u>

2.36. I find, therefore, that Shri Bhoothalingam was not justified in framing his barter scheme procedure on the basis that the situation demanded high-pressure, urgent action towards concluding deals for barter export. There is positive evidence to show that not only was there no urgency in fact but that Shri Bhoothalingam knew that there was no state of urgency in regard to the export of semis on barter basis in December, 1959/January, 1960.

2.37. **A few select firms to be contacted—closure of deals within a week.**—Shri Bam, the then Controller of Iron and Steel was examined by our Committee. His attention was drawn to Shri Bhoothalingam's instruction to indicate the procedure to a few select firms, and he was asked whether he did it. His answer was that he himself did not do it. He thought that everybody concerned knew about it. When asked whether everybody also knew that in this scheme pre-imports would be allowed, Shri Bam said that they

knew even that. He said, he did not put out a public notice because Shri Bhoothalingam's instruction did not call for one.

2.38. The Deputy Controller, Shri S. C. Mukherjee, who was in immediate charge of implementing the barter scheme, stated that he did not have to contact a "few select firms" because "most of the important firms who, we thought, could put through these barter deals and had sufficient resources, had already shown their interest and had written either to us or to HSL or to the Ministry. We did not just inform anybody after the receipt of the letter (of 14th January 1960), because it was already known and we had enough offers from importing firms."

2.39. In another connection, when both these officers were asked why they did not take sufficient care to see that the party had a firm contract with HSL before giving him a pre-import licence, they said, in effect that Shri Bhoothalingam's desire to conclude deals within a week gave them no time to consider such niceties.

2.40. Shri Bhoothalingam gave the following answers in the course of his evidence:—

II-56. Q. Why did you not issue any public notice?

A. I left it to the Iron and Steel Controller.

II-56. Q. You have said "indicate to a few select firms". What about the others to whom it may not be indicated?

A. It does not mean that an indication would not be given to others.

II-57. Q. You have said that it should be indicated to a few select firms and stipulated to close deals within a week of an offer. You did not tell him (the Controller) that it was left to him to device methods for inviting offers. In these circumstances, would it not be quite reasonable for the Steel Controller to infer that it was the idea that only a few firms were to be selected and contacted and their offers considered.

- A. No Sir. The emphasis is that he should arrange for the main points to be known, to be explained to potential barterers. There is no suggestion that any method which I think should be the only one to be adopted. I had said, "he should also indicate". The last part means, as a result of this process, when fully developed offers come to him; then it should be possible for him to come to a decision.

2.41. Shri Bhoothalingam says that when he asked for the procedure to be indicated to a few select firms he did not mean that it should not be indicated to others. If his intention was that all "potential barterers" should be informed, there was no meaning in his referring to a "few select firms". And if indeed that was the intention, nothing could have been simpler than asking that offers should be invited by a public notice. His present explanation incidentally shows that he was aware that his instruction to the Iron and Steel Controller might be open to question. He emphasised to the Committee the presence of the word "also", in the sentence:

"You could *also* indicate to a few select firms".

to show that he was not excluding other methods. I think, the word "also" in the particular context is wholly inappropriate and has no particular meaning, because he had not indicated any second or alternative course that was open to the Steel Controller.

2.42. In fact the restrictive tone of that instruction would clearly rule out the adoption by the Steel Controller of any alternative or additional methods for securing offers. Shri Bam's understanding that the instructions precluded the issue of a public notice seems to be correct. The reliance which Shri Bhoothalingam had placed on the word "also" would show that he had put in that wholly inappropriate word to afford a line of argument in case his action was called in question.

2.43. Shri S. C. Mukherjee's statement (reproduced earlier) was to the effect that he completely ignored the instruction because the traders who (according to him) really mattered, had already made their offers in anticipation of the scheme and were fully aware of its contents. From this commonsense approach of Shri Mukherjee's, it should logically follow that if Shri Bhoothalingam also shared the view

that the traders who really mattered already knew the scheme, then his instruction to indicate the procedure to a few select firms must have been added purely as a matter of form and not to secure any offers over and above what, to his knowledge, had already been received.

2.44. It would be observed that the procedure laid down in the letter of 14th January 1960 required the trader (*i.e.* the potential barterer) to make his proposals first to the Iron and Steel Controller. The Iron and Steel Controller was to fix the prices of the items to be imported. The trader then would doubtless have to consider in consultation with his foreign suppliers whether the prices fixed by the Iron and Steel Controller would be feasible and worth his while. He would naturally require time to reach satisfaction on this point. Thereafter, he would have to go to HSL to ascertain how much of semis and at what price and when they would be made available. These stipulations of the HSL would again require similar consultation with the foreign buyers. It is only after these details are settled that the trader could again come to the Iron and Steel Controller for "closing the deal". The question, therefore, arises how Shri Bhoothalingam could reasonably have expected that it would be possible or practicable for traders to conclude these processes within a week or some such short period prescribed by him. I reproduce below the elucidation given by Shri Bhoothalingam in the course of his oral evidence:—

- II-22. Q.** Did you feel at that time that the traders would be interested in this scheme unless they had offers from foreign parties both for sale as well as purchase of material?
- A.** If I recollect aright, for quite some time even before this, for more than six months, people in the trade had generally been seized of the situation, and various offers had been received by HSL, Iron and Steel Controller and Ministry. The whole thing was in the air. They were all busy enquiring and was in out possibilities. It was coming in a stream. The proposals were put in at various stages of enquiries, one by one.
- Q.** In other words, it comes to this, that you had in mind the proposals already received both in the Ministry as well as in the HSL when you started this barter scheme of semis?

A. I did not have these proposals alone in mind, in the sense that they were the specific proposals which I wanted to be taken up. What I said was that what was in my mind was that during these six months, proposals were being formulated and were coming in some being general enquiries and others more specific.

II-25. Q. It seems that your stipulation about the time within which these deals should be completed practically excluded every other person from making an offer.

A. No, Sir. First of all, I would here point out that there was no stipulation except to do things expeditiously. Secondly, it was not as if the situation were known only to a few. It was all in the air. It was already well known to the trade. I expected that proposals would continue to come. There was no question of any one capable of doing satisfactory business in this field being excluded.

Q. Apart from a half a dozen parties mentioned in the 50th Report of the P. A. C., could you, if you remember, give us the names of other parties interested in this kind of barter deals?

A. I can only say that I cannot remember all importers. But for instance there was Mahindra and Mahindra, one gentleman Master and there were certain others in the trade who were interested.

2.45. The question that was put to Shri Bhoothalingam, in effect, was how it would be possible for any trader (not already in the know of the scheme that was going to be introduced) to make the grade within the severely rationed time limit prescribed by him. His answer that there were people who were already in the know of what was coming implies that without such knowledge it would have been impossible for them to participate in the scheme. Even Shri S. C. Mukherjee's evidence (earlier referred to) shows that he did not have to contact and trader to secure offers because he had already had enough offers at the time the scheme was communicated by Shri Bhoothalingam. In other words, the whole scheme had been pre-empted before it was formulated. Therefore, the conclusion emerges that the time restrictions imposed by Shri Bhoothalingam could have been intended to shut out all

others as it was admittedly impossible for them to enter the field within the time limit without prior preparation and exploratory commercial negotiations with foreign concerns.

2.46. **Prior knowledge of barter scheme.**—Shri Bhoothalingam's point that almost all important traders in the steel line knew of the barter scheme in advance requires some examination.

2.47. The Ministry's file No. SC(B)-12/92/59 shows that apart from certain enquiries from foreign concerns or their agents who were interested to buy the semis for outright cash, the parties who had made general enquiries about *barter* possibilities or specific barter proposals against export of semis were the following:

1. Messrs. Mahindra and Mahindra and Co.
2. Messrs. Vijay Trading Company.
3. Messrs. Khandelwal and Bros (on behalf of a Japanese concern).
4. Messrs. Amin Chand Payare Lal.
5. Messrs. V. D. Swamy.
6. Messrs. Apeejay (Pvt.) Limited.
7. Messrs. Ram Krishan Kulwant Rai.

The last two had merely expressed their general interest and had not made any specific offers. Messrs. Khandelwal and Bros were acting on behalf of a Japanese concern and had only made enquiries and not any specific offers as to price. Their principals, it appears, were interested to supply pipes in lieu of semis or even to consider purchases for cash. Their proposal did not evoke any interest. Messrs. Mahindra and Mahindra's proposals were for exchange of semis for plates in certain ratios. They made more than one offer without generating much response. No. (2) above made a proposal to HSL on 5th November, 1959 and a copy of it was directly received in the Ministry on 7th November, 1959. Of all the proposals, the prices offered for semis by this firm were the most attractive. But the proposal failed to attract anybody's attention either in the Ministry or in HSL until after it lapsed. It was open for acceptance only upto 16th November, 1959. Mr. V.

Subramanian of HSL forwarded a copy of it to the Ministry on 16th November, 1959 without any comment or explanation why it was not considered earlier.

2.48. On 10th November, 1959, Shri V. Subramanian of HSL forwarded to the Ministry a proposal dated 7th November, 1959 from Messrs. Amin Chand Payare Lal with the remark that the price offered by them for ingots was acceptable to HSL. It is not clear why the better and earlier offer of No. (2) was not sent by HSL until after it lapsed. Their failure to do so helped the offer of Messrs. Amin Chand Payare Lal being given the prominence and importance it did not deserve. The Ministry also failed to realise that they had already with them the copy of the offer of No. (2) which was on the face of it more acceptable than Messrs. Amin Chand Payare Lal's and it was still open at the time Messrs. Amin Chand Payare Lal's offer was received. Messrs. V. D. Swami's offer was identical to Messrs. Amin Chand Payare Lal's and bore the same date but it did not attract any particular notice in the office of Hindustan Steel Limited.

2.49. **Special attention to offer of Messrs. Amin Chand Payare Lal.**—A perusal of the Ministry's file shows quite clearly that somehow Messrs. Amin Chand Payare Lal's proposals always excited extraordinary interest (*vide* Appendix XIV). Although this firm's proposal of 7th November 1959 was addressed to the Calcutta Office of HSL, it could be discussed by the Calcutta Office with the Controller of Iron and Steel and transmitted to the Head office of HSL in quick time. Shri V. Subramanian of HSL (Head of office) transmitted it to the Ministry with his letter dated 9th November 1959 which he marked specially for the immediate attention of Shri C. A. Nair, Under Secretary. Thereafter, the proposal was considered in great detail, after ascertaining from Shri Jit Paul (of the firm) the items of steel which he would like to be imported on barter and ascertaining from the Price and Accounts Officer of the Steel Control Organisation, Calcutta, the prices that should be fixed for the imports. There were meetings and discussions with Shri Jit Paul. The Price and Accounts Officer had come from Calcutta and had taken part in the discussions. Shri Jit Paul declined to accept the prices determined by the Price and Accounts Officer. Shri Ramanathan proposed that the deal might be closed on Shri Jit Paul's terms. The

file was sent to Shri Bhoothalingam at his residence with Shri Ramanathan's recommendation. Shri Bhoothalingam ordered that the deal should be closed at once on the lines suggested and that thereafter, all other proposals might be taken up and closed quickly on the same lines unless better terms were available. Two days later there was another meeting with Shri Jit Paul at which the latter retracted his offer. The matter ended there and no further interest was shown in regard to the other pending proposals beyond deciding to forward them all to the Iron and Steel Controller. From Shri Ramanathan's closing note dated 27th November 1959 it appears that Shri Jit Paul did not have any commitment or other negotiation with any foreign buyer for the sale of the ingots. It looks as if the proposal was a purely speculative one, put forward as a feeler to gain an insight into the mechanism of the kind of barter scheme and the method of price fixation which the Ministry would find acceptable. And yet, this was the case which Shri Bhoothalingam wanted to be treated as the standard yard-stick by which to judge the acceptability of other proposals. That he should have given serious consideration to this case is also surprising in view of what had happened a few days earlier.

2.50. An earlier proposal from Messrs. Amin Chand Payare Lal.—About a month earlier, Shri Jit Paul had put forward the fantastic proposal that he would export on barter three lakh tons of slabs and ingots at a certain flat average rate. The proposal is not found in the Ministry's file and it is not clear whether it was made orally. Nevertheless, his proposal excited the same degree of keen interest at all levels and it was examined with great speed and in great detail by Shri Ramanathan and others. Although it appeared after a detailed cost analysis that the price offered for the semis was *less than cost*, Shri Ramanathan recommended that the offer might be accepted but only for one lakh tons. It was finally decided to accept a trial deal for 10,000 tons only but Shri Jit Paul rejected it saying that even 20,000 tons would not be worth his while. A copy of the Ministry's notings on these two offers is annexed hereto (Appendix XIV).

2.51. There is evidence in the file to show that somehow this party has received the utmost consideration and preference from the Department of Iron and Steel. That gave

him an advantage and an insight into the plans and ideas of the Ministry and their allied organisations. The fact that a few parties knew in a general way that HSL semis would be put up for disposal did not by itself give any of them a concrete idea of the scheme by which Government would ultimately decide to dispose of them.

2.52. Messrs. Amin Chand Payare Lal's advantage.—It is broadly true to say that the few other parties who made any proposals for buying the semis on barter were dealt with at arms length, as it were, and nobody else had the opportunity of gaining the inside knowledge which the firm of Messrs. Amin Chand Payare Lal acquired. It is, therefore, not correct to say that all traders had equal opportunity to know the semis barter scheme, its minutae and technique or even its special attraction such as the “pre-import” facility.

2.53. Possibility of better offer if time and notice had been allowed.—The instructions to close deals within a very short time of the receipt of an offer and after intimating the barter procedure to a few select firms were not well-conceived. The very fact that even without an invitation to offer, some firms like Vijay Trading Company had made attractive and competitive bids voluntarily would go to show that if sufficient time had been given and the scheme had been publicised, there was not merely a probability but a certainty of better offers forthcoming.

2.54. No. valid reasons for delay in considering an earlier and better offer.—The detailed consideration given to Messrs. Amin Chand Payare Lal's successive proposals and the sense of urgency with which they were processed until they came to nothing was completely unjustified. Firstly, there was a better offer from Vijay Trading Co. of an earlier date which was allowed to lapse through want of response to the offer. The sense of urgency displayed in the case of Messrs. Amin Chand Payare Lal's offer contrasts strangely with the dilatoriness in taking notice of the better offer. Secondly, Shri Ramanathan's assertion in his note that Messrs. Amin Chand Payare Lal's offer was the earliest was factually incorrect and misleading and raises a doubt whether all the enthusiasm and interest in M/s Amin Chand Payare Lal's offer was in the public interest or on account of the personal standing of the party. In any

event, the time of receipt of an offer in the particular context had no bearing on its acceptability when the offers were all voluntary and not in response to any tender. Shri Bhoothalingam attempted to justify the preference given to Messrs. Amin Chand Payare Lal's offer on the ground that HSL had communicated their acceptance while they had not done so in the case of Messrs. Vijay Trading Co.'s barter offer. It was not Messrs. Vijay Trading Co.'s fault that their offer did not excite any interest. Shri Bhoothalingam said it would have been only a presumption to take HSL's approval for granted. When asked whether it would have been difficult to send for the HSL's representative for consultation, if indeed there was any doubt that \$ 75 per ton was better than \$ 70 per ton, he replied that that was only a point of view. These answers clearly establish that undue priority and precedence was given to one particular firm even before the barter scheme was formulated. The barter scheme as formulated by Shri Bhoothalingam effectively barred the participation of all but a few parties. It has to be further emphasised in this context that the tone of urgency with which Messrs. Amin Chand Payare Lal's offers were considered was entirely unrealistic because nobody at that time had any knowledge about the stock position of semis, quite apart from the fact that actually there was no stock of exportable ingots or other semis at the time.

2.55. Price fixation on the basis of Metal Bulletin and not of tenders.—All steel to be imported at the cost of free foreign exchange was allowed to be imported only at the lowest competitive price determined as a result of calling for tenders. This practice was designed to secure for the country the largest quantity of steel for the expenditure of a given amount of foreign exchange and also to reduce the burden on the Steel Equalisation Fund on account of subsidy. For, steel was a controlled commodity; its internal price, its distribution and its indigenous production were all controlled. Where steel had been imported without competitive tenders, the Finance Ministry would not countenance the idea of distributing the steel at the equalised price by means of subsidies; it had to be sold entirely on the basis of the actual landed cost without reference to its internal controlled price. That would give rise to the anomaly of duality of prices in respect of a controlled commodity.

Where there are multiplicity of prices for the same commodity, the control over distribution naturally breaks down. It leads to all kinds of abuses, including black-marketing, overcharging, profiteering, favouritism and general corruption. The importance of allowing imports of steel only at the lowest possible price does not need any further demonstration.

2.56. It has been urged before the Committee and also before the Public Accounts Committee that the tender system was not practicable in barter transactions. The fact was that limited tenders had been actually floated in pig iron barter. If it was possible in respect of pig iron, there was no reason to think that it was impossible in the case of the semis.

2.57. **Tender system suggested by Steel Controller and the Ministry.**—The Steel Controller himself had suggested to the Ministry in the Deputy Controller's letter No. C/17(1)/58, dated 17th August 1959 that "there is a possibility of other firms also showing interest in a similar proposal. In that case it may perhaps be worthwhile to decide the question of bartering Rourkela ingots or slabs for finished steel by issue of an open public tender." It is unlikely that a suggestion for tender would have emanated from the Steel Controller if tenders were inherently impracticable in barter transaction. Although in evidence before our Committee Shri Mukherjee for some reason of his own denied that he ever suggested the invitation of tenders for the semis barter, the fact remains that he did so, in the letter cited above. Even in the minutes of the proceeding of the meeting held on 23rd February 1960 with the Plant Manager of HSL it has been stated at three places that all the quantity reserved for export on barter should be sold on the basis of tenders. These minutes were drawn up by Shri Mukherjee himself. Later on, he informed the Sales Department of HSL that it had been decided by the Secretary of the Ministry that barter would not be by tenders. This subsequent intimation could have been given only with reference to the minutes of the meeting.

2.58. In the Ministry itself, a proposal to sell the semis on barter by inviting tenders was mooted by the Under Secretary, Shri C. A. Nair, by his note dated 19th November 1959 in file No. SC(B)-12/92/59 when he found that several

parties had made barter proposals and they were being dealt with piece-meal. But neither the Deputy Secretary nor the Secretary passed orders on the point. They just ignored the suggestion.

2.59. Complaint by Hardware Merchants.—On the 29th January, 1960 the Iron and Steel Hardware Merchants Chamber of India, Bombay, complained to the Minister of Steel that the distribution of steel imported previously on barter had led to abuses. They pointed out that the system of allowing importers themselves to nominate the quota holders had led to corruption and favouritism and suggested that full information concerning the arrival of imports should be notified to all Chambers of Commerce and other Associations of steel dealers.

2.60. The complaint made by the chamber arose principally from the fact that the price of steel imported under some earlier barter schemes like the Scrap Barter Scheme had not been fixed as a result of competitive tenders, with the result that the internal distribution of steel could not be subsidised from the Steel Equalisation Fund. As the price of such steel was higher than the internal controlled price, there was difficulty in identifying the quota holders who would be willing to pay the high price. Therefore the policy was to allow the importer himself to choose his own customers upto 50 per cent. of the imports and for the balance the Steel Controller used to allot to quota holders 150 per cent. of their entitlement apparently to enable them to pass on the extra quantities to the black market. Thus the question of imports on the basis of tenders has a vital bearing on the efficiency and regulation of distribution of the imported steel. The following extract from Shri C. A. Nair's note dated 5th February 1960 in Ministry's file No. SC(B)-18(1)/60 is most revealing:

“The Steel on arrival is released normally to quota holders by cancelling equivalent or lesser quantity from the quota certificates or outstanding orders on producers. Releases in favour of importers' nominees who hold quota certificates or have outstanding orders are also considered by the Iron and Steel Controller along with such requests as he might have received direct from quota holders. In respect of Box Strip alone, 50 per cent of the imports are allowed for free sale

and the balance quantity distributed by the Iron and Steel Controller to consumers recommended by various sponsoring authorities.”

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2. “The present procedure of distributing barter steel other than stainless steel leaves much room for mal-practice and complaints for favouritism. The quantity of steel released by Iron and Steel Controller is sometimes to the extent of 150 per cent. of the quotas. This is done with a view to compensate the quota holders for the high price that he pays for the steel. In certain cases this extra 50 per cent. finds its way to black market to make good the loss incurred by quota holders in the purchase of high priced steel. It is also not unlikely that the importers before naming their nominees collect some premium from them.”

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4. **Shri C. A. Nair's proposal for tender.**—“The only way out would be to subsidise the barter steel. We have enough funds in the Equalisation Fund to subsidise all the imported steel on barter basis. The main difficulty in subsidising barter steel is, however, the fact that supplies are not obtained on tender and we have no means to check whether the prices thrown up by barter deals are the lowest ones or not. We have already indicated to what extent barter deals may be entered into by the Iron and Steel Controller in respect of pig iron, ingots, slabs and billets, etc. Within these ceilings the Iron and Steel Controller may be asked to tender in lots of 10,000 to 15,000 tons at the beginning of each month. The categories of steel required to be imported and their specifications can be prescribed. The best offer, taking into account the price offered for imports as well as the price quoted for exports, can be accepted and the steel subsidised. The steel on arrival can be distributed to priority indentors or to other quota holders on the basis of the outstandings on producers.”

2.61. **Shri Ramanathan's support for tender proposal.**—
Shri Ramanathan, Deputy Secretary, supported the proposal

of Shri C. A. Nair and suggested that imports under the Semis Barter Scheme should be on the basis of tenders. Shri Ramanathan discussed this question with the Steel Controller and stated in a note dated 10th February, 1960 that HSL should indicate to the Steel Controller the specifications and quantities of the materials they could offer for export and the deliveries so that the Iron and Steel Controller could put out an invitation for tenders.

2.62. Shri Bhoothalingam's opposition to tender.— Shri Bhoothalingam did not accept the suggestion for tenders. He wanted further explanation to show more clearly how a tender will work in the case of barter. Shri Ramanathan submitted another note on 1st March, 1960 to Shri Bhoothalingam in which he explained how the imports under the Semis Barter Scheme could be put out for tender. He explained:

“So far as I can see this will have to proceed on the basis of the ratio between the import and the export items.”

Shri Bhoothalingam was again not satisfied and desired Shri Ramanathan to speak along with the other files on similar problems.

2.63. Steel Controller's support for tender system.— After speaking to Shri Bhoothalingam, Shri Ramanathan submitted another note on 10th March, 1960 an extract from which is given below:—

“There are two aspects of the problem—the first is subsidisation of barter steel. The Steel Controller's view was that all barter steel, except against the export of scrap, could be obtained by competitive tenders. If the steel is obtained by tender, there is no difficulty at all about subsidising it. During discussions Secretary thought that because tenders will have to be adjudged on the ratio between the export and import of commodities, tendering would not be too easy. Secretary, therefore, thought that we should investigate the question of subsidy even without tender.”

2.64. **Tender system rejected.**—With reference to the above, Shri Bhoothalingam recorded a note in which he said:

“I feel that tender is not a suitable method of concluding barter. The best offer in terms of the ratio may well bring steel prices higher than what we might regard as reasonable. In such cases the export price will be correspondingly attractive and HSL would press us to accept it. We should not attempt a system which might potentially bring the Steel Control and HSL into conflict.”

2.65. On 28th March, 1960 Shri Ramanathan put up another note to Shri Bhoothalingam suggesting that in the light of Shri Bhoothalingam's decision not to resort to tenders it would be advisable to distribute the steel imported on barter outside the quota system. The following extract from his note is relevant:

“There are large quantities of barter Steel yet to come in. It is none too easy unless documentation is complete (and this is by no means so) to authorise release of steel well ahead of its arrival. As a matter of fact I understand that many importers have had to remove the steel to their godowns because of want of authorisation. There is yet another factor which I should like to mention. That is that once we insist on the surrender of a quota certificate, the quota assumes such an importance that it can be sold for a consideration. I am told that there is already a traffic in quotas. Because of these reasons, I think the way out will be to take barter steel outside the quotas. So long as the steel is not subsidised the significance of this will be that the order book of the mills will continue to be heavy; but so long as the steel is directed to the right users we could ignore the order book. I would have practical reasons even to say that there will be nothing wrong if the importer brings a list of allottees which is summoned and approved by the Steel Controller well ahead of the arrival of the steel. The alternative will be for the Steel Controller to prepare a fairly large list of important users at the port towns, who have outstandings and

direct the release of steel to them in rotation. In either case a division of 2/3 and 1/3 between the Steel Controllers' and importers' nominees will become necessary. When we decide to subsidise, quotas can be cancelled in the normal way. If Secretary approves this approach, I shall submit a draft letter to the Steel Controller."

2.66. Imports to be instruments of Government policy.—On reading this note Shri Bhoothalingam wanted to have a discussion. The file does not show what happened afterwards but there is a letter from Shri Bhoothalingam to the Steel Controller dated 6th April, 1960 an extract from which is reproduced below:—

"As I said during our discussions our object should be to ensure a fairly widespread distribution of imported Steel. Simultaneously we should also get quota certificates cancelled so that even those who do not actually get imported steel, benefit indirectly by getting indigenous steel earlier than otherwise. From a practical point of view, however, releases strictly according to priority within the age of the quota certificates will be unworkable. It is likely to cause as much delay as to defeat the most important objective, viz., to get the steel distributed and used quickly.

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"It occurs to me that one way would be to use the importers themselves as instruments of our policy. I go on the assumption that by and large importers would be as anxious as we are to get rid of the steel ex-jetty."

2.67. Imports to nominate 80 per cent. of allotees.—Shri Bhoothalingam ultimately decided at a meeting with the Steel Controller on 13th April 1960 that 80 per cent. of each consignment was to be released to consumers nominated by the importers and 20 per cent. should be reserved for release by the Steel Control to Government Departments and other essential quota holders who might approach Steel Control direct. It would be seen from what has been described above that the final outcome of all the discussion was that there should be no tendering and that the bulk of the

imports should be left to the importers themselves to distribute to quota holders of their choice. In this connection it should be pointed out that the Raj Committee, which had occasion to consider in detail the Steel Control Organisation, has this to say about barter imports:

Raj Committee amazed at nominee concession to importers.—"As for barter imports, the concession given to them to choose their own nominee among actual users is, to say the least, surprising. In fact there are many other features about these barter arrangements which are extremely odd. We shall mention some of them. The foreign prices of most of the commodities now allowed to be exported under these arrangements are lower than the domestic prices. It is, as an incentive that exporters are being permitted by the Government to import certain commodities and nominate the parties who should get a certain portion of these imports. But imported steel cannot be sold legally at a price higher than the landed cost plus 7½ per cent. of this cost (which is the maximum remuneration permissible to importers). If this condition is strictly observed, the right to import steel and nominate actual users cannot provide any great incentive to the exporters of the commodities whose world prices are much lower than the domestic prices. What is, therefore, maintained is only a legal fiction and it is implicitly understood by both the Government and the barter dealers that the incentive lies in the opportunity to sell imported steel at much higher black market prices."

"We have also been told that, though legally the barter importers can sell to their nominees only 1/5th of the imported steel, they are in practice often able to sell a much higher proportion. Another feature of these barter deals is that the Government has fixed the minimum export price much higher than the prevailing price paid for commodities like manganese ore. No one who does not have access to secret foreign exchange reserves for covering the difference between the price actually received for the exports and the

minimum price fixed by Government can, therefore be an exporter of these commodities.”

“It would be seen, therefore, that practically the whole purpose of the semis Barter Scheme was ultimately to feed the black market.”

There are other notes in the Ministry's file which show that Shri Bhoothalingam has generally been opposed to the system of tenders.

2.68. Shri Bhoothalingam's interpretation of Finance Ministry's advice regarding price fixation.—So far as the Semis Barter Scheme is concerned, he took a long time formally to order that there should be no tenders; he had already issued instructions to the Steel Controller that the price at which imports should be allowed should be fixed not on the basis of tenders but on the basis of the Metal Bulletin. This decision was reached in the following way.

2.69. Metal Bulletin to be the basis of import price.—Soon after the Steel Controller received Shri Bhoothalingam's D.O. letter of 14th January 1960 (Appendix XV), he (Steel Controller) had doubts about the meaning of the following sentence:—

“They (Ministry of Finance) desired that in arranging the barter care should be taken to ensure that the categories arranged for import are not those which are available at lower prices against cash licences.”

Shri Mukherjee, therefore, enquired on 26th June 1960 as follows:

“In paragraph 3 of Secretary's letter it is stated that the Ministry of Finance want us to ensure that the categories arranged for import are not those which are available at lower price against cash licences. The exact implication of this stipulation is not clear..... The only thing we can ensure is that in our barter deals we do not allow higher prices than those paid by parties getting cash licences. Kindly confirm that this will meet the wishes of the Ministry of Finance.”

In reply to this, both Shri Nair as well as Shri Ramathan suggested that Shri Mukherjee's presumption may

be confirmed. Shri Bhoothalingam, however, asked Shri Ramanathan to speak. Thereafter, Shri Ramanathan issued a revised draft by his letter No. SC(B)-12(92)/59, dated 1st February 1960 in which he said "in fixing prices for steel you will no doubt be guided by the market, for example the quotations in the Metal Bulletin would be a safe guide."

2.70. 'Flexibility'.—Shri Bhoothalingam was asked during his oral examination why he did not accept Shri Mukherjee's interpretation. He said he could not remember. When pressed to explain whether he had anything in his mind he said he wanted to give the Steel Controller a little more flexibility. In other words it appears that Shri Bhoothalingam's idea was to give the Steel Controller greater freedom to allow higher prices. No other reading is, in my opinion, possible.

In this connection, the following extracts from the evidence of Shri Wanchoo who was Steel Secretary for 5 years are relevant:—

"Goods have been obtained in the past at prices lower than Metal Bulletin price—People do give discounts over Metal Bulletin prices—Metal Bulletin prices are only nominal market quotations—in most straight cases of imports, they are usually by tenders and there is a certain amount of check. In the barter cases, there is not that amount of competition."

Shri H. R. S. Rao, Assistant Sales Manager (Sales) of H. S. L. also stated that "Metal Bulletin prices are only indication of prices to facilitate business negotiations. So it is difficult to say whether they are competitive prices."

2.72. Conclusion.—My conclusion from the above discussion is that the whole barter scheme was conceived and implemented more in the interest of the importers than in the interest of the consumers.

CHAPTER III

PRE-IMPORT

3.1. Financial criteria on barter.—It appears from a note recorded by the Finance Ministry in May 1959 (Appendix XXXVII) that the general policy of the Finance Ministry in regard to barter of the Steel Ministry was as follows:—

- (1) Exports should precede imports.
- (2) C.I.F. value of imports should be well within the F.O.B. value of exports.
- (3) The values of imports and exports should be negotiated individually so that they are competitive world prices; and
- (4) the imports should be needed either for projects in the core of the plan or for the maintenance of the economy; the exports should be clearly in addition to the normal exports and there should be an exportable surplus of the commodity to be exported.

3.2. The condition (1) above had been imposed with the idea that no release from foreign exchange would be involved and Government would not be committed to any foreign exchange liability, either temporarily or permanently.

3.3. In May 1959 the Finance Ministry appear to have approved of the relaxation of the first condition mentioned above (with some reservation) in a barter case for the import of steel in advance of the corresponding exports of scrap iron, with a safeguard in the form of a Bank Guarantee equivalent to 20 per cent. of the value of the imports. This special dispensation was given on a representation of Shri Ramanathan, Deputy Secretary that the particular imports were badly needed in advance of the corresponding exports. Shri Ramanathan extended the scope of the Finance Ministry's special sanction in one particular instance

to all scrap Barter Cases (Appendix XXXVIII). This was certainly irregular. Shri Wanchoo, in the course of his evidence before the Committee agreed that there was no justification for Shri Ramanathan's action.

3.4. Discussions preceding issue of orders about allowing pre-import in Semis Barter, Cases.—Just 4 days after the formulation of the Semis Barter Scheme, that is to say, on the 18th January, 1960, Shri Ramanathan, put up a note, after previous discussion with Shri Bhoothalingam, the object of the note being to secure the Finance Ministry's concurrence to the proposal to allow general pre-import facility, i.e., issue of import licence in advance of exports, to barterers who would conclude deals under the Semis Barter Scheme. The arguments for giving pre-import licence were stated as follows (*vide* Appendix XXXIX):

“In barter, the size of the export commodity is large and deliveries can be made only over a period of time. If we wait till the exports have taken place to issue the import licence for steel, we might get the steel after our pressing needs are over; it may even come when we have our own production. We have, therefore, to think of a new procedure where we can get the steel right now, allowing exports to follow, if necessary.”

3.5. I have cited this passage earlier to show that the sense of urgency stressed in the letter of 14th January 1960 (Appendix XV) was not consistent with the fact freely acknowledged in the above passage, namely, that it was known that there would be delay in effecting deliveries of the semis for exports. Actually the deliveries were very slow and small. Only 16549 metric tons in twelve lots could be delivered during 1960 commencing from 31st August 1960 to the end of 1960. Deliveries against the semis barter contracts had to be continued in the following year right upto November 1961 although strictly speaking the scheme did not contemplate the export on barter of any part of the production of 1961. The actual quantity delivered during 1961 was 47731 metric tons in thirty lots.

Shri Ramanathan's arguments were two-fold:

- (i) the imports were urgently needed and it would not be in the interests of the economy of the

country to delay the imports until after the exports took place; and

- (ii) if the imports were to be made only after exports, then (owing to the delay expected in the exports) the imports would arrive when there would not be much need for them.

3.6. Shri Ramanathan's proposal was to allow pre-import subject to the following conditions:

- (1) The Controller of Iron and Steel *may*, if delay is anticipated in exports, issue import licence, if either

- (a) the HSL has certified that they have received an irrevocable letter of credit in their favour for the value of the entire export quantity, or

- (b) the barterer has furnished a bank guarantee equivalent to 15 per cent. of the value of the import licence applied for but not exceeding the F.O.B. value of the contracted quantity of semis. The guarantee should be forfeitable in case of failure to earn the foreign exchange for any reasons whatever and will be releasable by actual export.

- (2) It should be made clear to the firms that in case they failed to earn the foreign exchange the Department would have no further dealings with them.

3.7. Shri Y. T. Shah, Deputy Secretary of the Economic Affairs Department of the Finance Ministry, approved these proposals on behalf of the Finance Ministry with a note dated 27th January 1960 as follows:—

“I understand from Shri G. Ramanathan that even though import of steel might precede the actual export of iron and steel etc., there would always be a *firm contract for export* which would be a condition precedent apart from other conditions mentioned in Shri Ramanathan's note before any import licence is granted.”

3.8. Formal orders on the subject were issued by Shri C. A. Nair, Under Secretary, Iron and Steel in the form

of a letter dated 2nd February 1960, to the address of the Iron and Steel Controller (Appendix XXXIV). The draft of this letter had been seen by the Finance Ministry and may be presumed to have had that Ministry's approval.

3.9. Did the Semis Barter Scheme contemplate pre-import ab-initio.—The first point that needs consideration is whether the idea to allow pre-import was conceived as an integral part of the barter scheme, *ab-initio*, or whether it was introduced into the scheme to meet any practical difficulty in implementation. The records show that the scheme was mooted as a result of discussion between Shri Bhoothalingam and Shri Ramanathan, soon after the barter procedure was settled. Shri Bhoothalingam was asked about this aspect and his replies were as follows:

“II-46. Q. Is it correct to say that from the very beginning it was your idea that the traders would be given import licence in advance of making exports ?

A. Sir, as I said earlier, normally under good conditions, pre-import is not desirable. At that time, pre-import was contemplated for people who gave appropriate safe guards.

II-47. Q. When did the idea to allow pre-import occur to you ?

A. It is difficult to say.

II-48. Q. The initiative to allow pre-import was taken by you without reference from the Iron & Steel Controller, is it correct ? (file was shown to Shri Bhoothalingam).

A. I do not see any specific reference from the Iron & Steel Controller. I see the note of Shri G. Ramanathan, Deputy Secretary, dated 18th January 1960, discussing the question and recording the remarks after consultation with the Economic Affairs Department on the question.”

3.10. Shri Bam, the Controller of Iron and Steel, was asked whether he indicated the Semis Barter procedure to any "few select firms" and he said that they all knew although he did not inform them. Then he was asked whether they also knew that pre-imports would be allowed and under the conditions mentioned in the letter of 2nd February 1960? Shri Bam said that they had come to know because it was their business to know. When asked how they could have had the information unless he informed them, his answer was that this was a matter of common knowledge. As to the question whether it would have been wrong for him to have issued a public notice outlining the terms and conditions on which pre-import would be allowed, he said that Secretary's instructions did not say that any public notice should be issued and added that there were only a few to avail themselves of these and they were all in the know of these things.

3.11. From the evidence cited above it appears that the firms who availed themselves of the Semis Barter Scheme knew in advance that pre-imports also would be allowed. It seems, therefore, that the idea of allowing pre-imports was an integral part of the Semis Barter Scheme from the very beginning, and it was on that basis that negotiations were made with the firm of Amin Chand Payare Lal in November 1959 even before the Scheme had been approved by the Finance Ministry. That firm would have been the first to know that there would be the pre-import facility and others closely associated with that firm or friendly with that firm might have come to know of it through the firm's good offices.

3.12. **Conflict between the two orders in the emphasis on urgency.**—The fact that the order permitting pre-imports was issued separately from the order concerning Semis Barter Scheme, and that the two orders are somewhat contradictory in the emphasis given to exports and pre-imports respectively, has given rise to the very legitimate doubt whether the intention behind the barter scheme was to expedite the exports or to bring in the imports quickly. The letter of 14th January 1960 (Appendix XV) proposing the Semis Barter Scheme emphasises speed in arranging the exports; the letter dated 2nd February 1960 (Appendix XXXIV) proceeds on the footing that exports would be delayed and emphasises the urgency of imports. It seems

to me that the apparent conflict between the two letters would be resolved by understanding the purpose of the whole scheme to be the desire to get the imports quickly against the exports which would follow as and when the semis became available. The urgency was *only* in regard to getting a "few select firm" to commit themselves to exporting semis in future—actually there was no semis to be delivered to them on the spot—so that they would be allowed to pre-import immediately. It is unfortunate that in drafting the letter of 14th January 1960, words so liable to misconstruction should have been used. There is no doubt whatever that the purpose of the letter dated 14th January 1960 was to confine the Barter Scheme to the limited group of firms who were to be given pre-import licences with the safeguard of a bank guarantee.

3.13. Essentiality of imports and urgency of imports.—

The next point is whether the essentiality of imports was to be understood merely as imports of items of steel for which there were quota certificates pending or whether there was any more significance attached to the word. Shri Bhoothalingam in his evidence has stated that by essentiality he meant merely such items for which quota certificates were pending. Shri N. C. Deb has, however, stated that he understood essential steel items to be those for want of which specific priority projects might otherwise be held up. In actual fact, the decision as to what should be allowed for import was left to the Iron and Steel Controller—rather to the Deputy Iron and Steel Controller Shri S. C. Mukherjee, who in turn generally left it to the choice of the barterers. Shri Jagannathan had stipulated on behalf of the Finance Ministry that the items and quantities to be imported should be laid down in a list and should not be left to the choice of the importer. This stipulation was disregarded by Shri Bhoothalingam while issuing the letter dated 14th January 1960 already pointed out in an earlier chapter. It thus appears that from the very inception of the Barter Scheme the idea was not only to allow pre-imports, but also to give the importers full freedom of choice of the steel material to be imported, without regard to any priorities.

3.14. Although Shri Ramanathan's note implies that it was necessary to allow pre-imports in order to obtain quickly all the urgent needs of the country, the fact remains that the actual intention was merely to allow the firms to

import whatever they chose to import and at whatever time they found it convenient. If it was a fact that steel was required urgently and that delays in imports would have seriously affected the economy of the country or any core of the plan, then there would have been the stipulation that no applicant's proposal would be accepted unless he furnished a bank guarantee and agreed to import specified categories and quantities of steel by specified dates. That was not the scheme. That was not also how it was worked by the Steel Controller. The Scheme was that a barterer *may*, if he furnished a bank guarantee, be allowed to pre-import. The Scheme did not require that the pre-imports should take place at a time dictated by the Steel Controller. Thus, on a proper reading of the letter of 2nd February, 1960, it is clear that the pre-import idea was not put forward just because there was a special urgency for any particular categories of steel, but merely for the convenience of the firms who took part in the barter scheme. This conclusion is reinforced by the fact that if pre-import was really in the public interest the import licence would have stipulated that the steel items authorised for import should be imported before specified dates in each case. In point of fact there is no such stipulation in the import licences about the date of importation. In the majority of cases it was mentioned that the material should be imported before the 31st December 1960 and that was because the whole Semis barter Scheme was sanctioned for the year. It was however observed that whenever it suited the barterer to bring in the imports even during the year 1961 (in the expectation of a fall in the price), no objection was raised to such delays.

3.15. There are several letters of remonstrance written by the Steel Controller's Office (though belatedly) to the barterers who, after getting all their steel pre-imported, failed to fulfil their export commitments or even furnish renewals of guarantee bonds. In these letters, it has been uniformly stated that pre-import licences were allowed entirely as a matter of grace. That proves that pre-imports were conceived and allowed as a concession of favour to the barterers and not-in-the public interest.

3.16. **HSL not consulted nor formally informed about pre-import.**—It appears that before this pre-import facility was thought of, the HSL was not formally or informally

consulted. Even a copy of the letter of 2nd February, 1960 was not endorsed to HSL. It is seen, however, that at the meeting of the Plant Managers of the HSL convened on the 23rd February, 1960 the fact that pre-import would be allowed to all barterers was mentioned to the representative of HSL. But that is not the same thing as giving HSL an opportunity to consider formally and systematically the full and detailed implication of the pre-import scheme before formal orders were issued. In evidence, Shri H. R. S. Rao of HSL stated that the pre-import facility given to the barterers did inconvenience the HSL in important respects. He pointed out that because of the pre-import facility it became impossible for HSL to cancel inconvenient contracts even where the barterers were agreeable to such cancellation. When the barterers began to create difficulties about taking delivery of semis on some pretext or the other, it became difficult for HSL to cancel the contract and seek other remedies in respect of the unreasonable attitude of the barterer, for the simple reason that by so cancelling the contracts they might have relieved the contractor of his obligation to earn foreign exchange and thereby jeopardised the interests of Government.

3.17. Even in the matter of allowing extension of delivery to the contractor, the HSL had no choice open to them but to yield to all such demands from the bartering contractor. Thus the pre-import facility granted to the barterers imposed serious handicaps on the HSL.

3.18. **Steel Controller's anticipation of pre-import facility.**—A question has been raised as to how Shri S. C. Mukherjee was able to anticipate the orders of Government dated 1st February 1960 by mentioning in some letter orders issued to two or three barterers before 2nd February 1960 that the Steel Controller would be prepared to consider proposals for pre-import on their furnishing suitable bank guarantees. Although Shri Mukherjee tried to explain it on the basis of a probable telephonic conversation, I think that what Shri Mukherjee did in this connection is explained by the fact that the idea that pre-import would be allowed was not a secret either to the Steel Controller or to the small group of traders who had same inside knowledge of this.

3.19. **Restriction on Bank Guarantee to 15%.**—The next question to be considered is why Shri Ramanathan proposed that the bank guarantee to be taken from barterers

in consideration of giving them the pre-import facility should be restricted to 15% of the value of the imports when, in the earlier case relating to the Scrap Barter Scheme, which he had submitted for the approval of the Finance Ministry, he had stipulated that the bank guarantee should be of the value of 20% of the imports. Shri Ramanathan's written explanation is that he could not at this distance of time remember why he recommended 15% but added that it might be because in the semis barter scheme the amounts involved were comparatively large and he thought that a reduction in the amount of bank guarantee was called for so as not to scare away the prospective barterers. This argument does not appear to me to have any force. If the foreign exchange at stake is of the value of say, Rs. 40 lakhs, the bank guarantee should obviously be larger than when the amount at stake is only Rs. 30 lakhs. In any event, if Shri Ramanathan thought that the percentage of bank guarantee needed reduction, it should have been considered in detail in consultation with the Finance Ministry. As it is, there is room for the criticism that the bank guarantee percentage was reduced arbitrarily to suit the convenience of the barterers. The question as to what is an adequate amount of bank guarantee to be given for the fulfilment of the obligation to earn foreign exchange is of course a matter of judgment but it does not seem correct to say that merely because the amount of import is large, the percentage of bank guarantee should be reduced. It is not the size of the imports but the amount of foreign exchange at stake that should be the criterion. Further the value of bank guarantee to be demanded should have some relationship to the value which Government attaches to the earning of foreign exchange. For example, I find from page 48 of the Explanatory Memo on the Central Budget for the year 1966-67 that the Central Government spent Rs. 20 crores during 1965-66 on subsidy to sugar mills in order to earn foreign exchange equal to Rs. 13 crores by the export of sugar. Again, from page 56 of the Explanatory Memorandum on the Central Budget for the year 1963-64, I learn that a subsidy of Rs. 14.7 crores was paid to sugar mills for earning foreign exchange of an equal amount during 1962-63. These concrete examples give the measure of the worth of foreign exchange to Government and it is in relation to some such criterion that the amount of bank guarantee should have been fixed. It seems, therefore, that if these concrete cases

are any criterion the reduction of the percentage previously fixed lacked justification.

3.20. Uniform failure of bank guarantee.—Events have shown that in some of these cases the barterers failed to earn the foreign exchange equal to the amount which they were allowed to use up on imports. The deficit is more than 2½ crores worth of foreign exchange. In none of these cases was the bank guarantee of any use to the Iron and Steel Controller. This aspect is dealt with in a succeeding chapter.

3.21. Firm contract for export.—One of the conditions stipulated in the Steel Ministry's letter of 2nd February, 1960, at the instance of the Finance Ministry, was that before any pre-import was allowed, it should be seen that "a firm contract for export exists." It appears that when the matter was being examined by the Public Accounts Committee, Shri Wanchoo gave evidence before that Committee to the effect that the Steel Controller misunderstood this condition, and interpreted it to mean that he was to see that there was a firm contract with HSL only, whereas the Finance Ministry's intention was that there should be a *firm contract with the foreign buyer* of the semis. It was stated before the P.A.C. that this misinterpretation by the Steel Controller was due to the fact that the Steel Ministry's letter dated 2nd February 1960 was ambiguous.

3.22. Our Committee, however, has found that whatever ambiguity there might have been in the Ministry's letter dated 2nd February 1960, the whole matter was made very clear to the Steel Controller in the Steel Ministry's letter dated 12th March 1960 (Appendix XLIV) to the Deputy Controller, in reply to the Deputy Steel Controller, Shri S. C. Mukherjee's letter D.O. No. C/3/59 dated 10th March 1960 (Appendix XLIII). Thus, Shri Wanchoo's evidence before the P.A.C. was given on the basis of an erroneous assumption. Shri Wanchoo explained to our Committee that he gave evidence before the P.A.C. on the basis of a brief prepared by Shri S. C. Mukherjee, and that after he gave evidence before the P.A.C., he (Shri Wanchoo) himself discovered while going through the Ministry's papers that Shri S. C. Mukherjee had sought clarification

of this doubt and the clarification was given to him by the Ministry. This shows that—

- (i) Shri S. C. Mukherjee deliberately disregarded the orders of Government; and
- (ii) Shri S. C. Mukherjee let his Secretary (Shri Wanchoo) give evidence before the P.A.C. on the basis of a misleading brief prepared by him.

3.23. Shri Mukherjee was questioned by our Committee. He stated that he forgot all about the Ministry's clarificatory letter of 17th March, 1960 (Appendix XLIV). Shri Mukherjee was present throughout when the matter was being examined by the P.A.C., but, it seems the whole discussion before the P.A.C., did not revive his memory about this letter. Later, when Shri Wanchoo discovered the existence of the Ministry's letter dated 17th March, 1960 Shri Mukherjee's memory seems to have revived with all vividness and circumstantial details. According to his present recollection it seems that Shri Mukherjee discussed the Ministry's letter dated 17th March, 1960 with his Controller and that both of them decided that although there was to be a "*firm commitment*" with a foreign buyer, the form of the evidence in support of the existence of the "*firm commitment*" was left to them, and they both decided that the existence of a contract with HSL was itself a form of evidence of the existence of a firm commitment with a foreign buyer. This is ingenious but not convincing. An inference is not evidence.

3.24. It appears that when Shri Wanchoo discovered the letter dated 17th March, 1960 (Appendix XLIV), he called Shri Mukherjee to elucidate how the latter lost sight of it. In a note dated 8th June 1966 which Shri Mukherjee submitted to Shri Wanchoo he has stated in self-justification:

"In retrospect it would appear that insistence on a firm contract with the foreign buyer would have created difficulty due to the ultimate failure of HSL to adhere to the terms of delivery of some of the contracts with the exporters."

With reference to this note, Shri Mukherjee was again interrogated by our Committee. The question and answers were as follows:—

II-207. Q. Therefore, in retrospect, your feeling is that there were no contracts with the foreign buyers. Is that right?

A. I think so.

Then he said that there were "firm commitments", but not contracts. When asked Question II.223:

Whether he had seen any documents to prove the existence of "a firm commitment"?

he replied in the negative.

3.25. The fact is that Shri S. C. Mukherjee deliberately disregarded the instruction of the Steel Ministry which had been specially inserted at the instance of the Ministry of Finance. In almost everything that Shri S. C. Mukherjee did in connection with the Semis Barter Scheme, the one dominant idea of his which is discernible throughout was to make it as easy as possible for the barterers to import steel items of their choice, at whatever time was convenient to them and without giving any effective guarantees to ensure that they would export the semis. In the next chapter, it will be shown that Shri Mukherjee altered the form of the guarantee bond so as to make it ineffective as a safeguard for Government.

3.26. **Conclusions.**—My conclusions are :

- (i) The idea of allowing pre-import was an integral part of the semis barter scheme but was communicated by a separate letter. The note of urgency with which the semis barter scheme letter (Appendix XV) was impressed had nothing to do with the urgency of exports but helped to justify the idea of taking a "few select firms" into confidence with a view to "closing deals" with them within a week if possible. A few select firms were aware of the pre-import facility even before the semis barter scheme was formally communicated to the Controller of Iron and Steel.
- (ii) The selection of the steel items for imports and their quantities was left to the convenience of the importer and not fixed with reference to any priorities or degree of essentiality or advance list prescribed by the Ministry. This was contrary to a *specific* stipulation made by the Economic Affairs Department of the Finance Ministry.

- (iii) There was no particular urgency in the public interest for the pre-imports, the time for importation being left entirely to the convenience of the importer. This means that the facility for pre-import lacked justification.
- (iv) One of the safeguards prescribed by the Finance Ministry (*viz.* that before pre-import was allowed, it should be seen that there was a firm commitment with a foreign buyer), was deliberately and uniformly disregarded. Shri S. C. Mukherjee had made the Secretary give evidence before the PAC on the basis of a misleading brief, apparently to cover up his deliberate non-compliance with the Ministry's orders.
- (v) The reduction of the percentage of bank guarantee was not in the public interest.
- (vi) The failure to consult HSL before giving the pre-import facility to barterers was unfortunate, the pre-import facility did seriously handicap and embarrass the HSL in the management of their sales contracts.

CHAPTER IV

FORM OF BANK GUARANTEE BOND

4.1. One of the conditions for the grant of a pre-import licence was that if a barterer was unable to furnish an irrevocable letter of credit for the entire quantity of export, he should be required to furnish a banker's guarantee to the extent of 15% of the value of the import licence. It was to be made clear to the barterer that the guarantee was forfeitable in case of failure on his part to earn foreign exchange by export whatever be the reason therefor. (See Appendix XXXIV).

4.2. In some of the semis barter cases, the firms failed to earn the foreign exchange spent on pre-imports; but in no case was the bank guarantee^s forfeited. The failure to invoke the bank guarantee was undoubtedly, in part at least, due to a realisation that in the form in which the bank guarantee was taken, it was of no avail. An examination of the form of the bank guarantee has thus become necessary.

4.3. **How the Guarantee Bond was evolved.**—It has been stated that the bank guarantee form was drafted by Shri S. N. Sen, the Central Government Solicitor at Calcutta. Shri S. C. Mukherjee sent to the solicitor a note dated 9th March 1960 in which he sought advice on the form of the bank guarantee. In the said note Shri Mukherjee had indicated to the solicitor the purpose which the guarantee bond was to fulfil in the terms mentioned in the Ministry's letter of 2nd February 1960 (Appendix XXXIV). The records show that Shri S. N. Sen prepared a draft of the guarantee form and sent it to Shri Mukherjee with a note dated 26th March 1960. Thereupon, Shri S. C. Mukherjee put up the form to the Controller with the following note:—

“Controller and P&AO may please see. We may ask all firms who have already been granted I/L and furnished bank guarantee in the old form to replace them by the one drawn up by the solicitor.”

(Sd.) S. C. Mukherjee
2-4-60.

Shri Bam put his signature below this on 4th April 1960 signifying his approval.

4.4. It appears that when the matter was being investigated by the Public Accounts Committee Shri Mukherjee claimed that all he did was to adopt the form of the bank guarantee that was suggested by the Central Government Solicitor and that, not being himself a lawyer, he did not examine the form to see whether it did fulfil the requirements laid down in the letter dated 2nd February 1960.

4.5. **Substantial changes in the form.**—Our Committee's investigation has revealed that Shri Mukherjee had not only made vital and far-reaching changes in the form after it was received from the Solicitor but had accepted guarantee bonds in which the banks had given themselves the liberty of limiting their liability to short periods which was not contemplated by the Solicitor's form. According to Shri S. N. Sen's evidence, the contingency on the happening of which the amount guaranteed by the bond was forfeitable was stated as follows in the form prepared by him:

“the condition of the above written bond is such that if the Obligor shall fail to secure foreign purchaser for and arrange export out of India of....
 (1) tons of (2) produced by Hindustan Steel Limited within.....
 (3)months from the date of these presents or such further time as the Government may agree to allow to the Obligor....”

4.6. Shri S. N. Sen, who was examined by the Committee, explained that the form of the bond prepared by him, of which he had kept a carbon copy in his own file, fulfilled the requirements laid down in the Ministry's letter dated 2nd February 1960. He explained that his form required the Obligor i.e., the firm, to export within the specified period *from the date of the bond* unless the time was extended by Government; it was at the Government's pleasure to extend the time or not. The criterion for enforcement of the bank guarantee according to the form devised by him was the efflux of a fixed period of time mentioned in the blank space No. (3) above. He expected this period to be fixed with reference to the delivery period etc., mentioned in each particular contract, but once the period had been mentioned, the bond was capable of being

invoked on the basis entirely of the fact of failure to export and the efflux of a definite or ascertainable period of time from the date of the bond. No other criterion or reason was relevant or material for the enforcement of the bond. Therefore, according to Shri S. N. Sen, the requirement of the Ministry's letter (*viz.*, that the guarantee should be forfeitable on failure to export "whatever be the reasons therefor") was completely met by his form. Shri S. N. Sen said that in the form which he had drafted there was no provision for the bank limiting its liability by saying "valid upto...." Such a limitation was not contemplated by him.

4.7. The note of Shri Mukherjee with which he put up the form drafted by the Solicitor for the information and approval of the Controller did not mention that he (Shri Mukherjee) had made any alterations in it. Actually, Shri Mukherjee filled up the blank space marked "(3)" above with the word "three" and he changed the words underlined above (*viz.*, "months from the date of these presents") into "months from the date of delivery by Hindustan Steel Limited". He made these alterations without consulting the solicitor or anybody else.

4.8. It should be mentioned at this stage that Shri S. N. Sen was examined by our Committee on 3rd October, 1967 and Shri S.C. Mukherjee was examined by the Committee on five days commencing on the 18th September, 1967. To begin with, our Committee was not aware definitely of any changes having been made by anybody in the form of the guarantee bond as prepared by the Solicitor. The Committee proceeded on the assumption that the form actually adopted in the several cases of barter was the one as framed by the Solicitor. Shri N. N. Wanchoo, who had been examined earlier by the Committee was not aware that any changes had been made in the form drafted by the solicitor. He deposed that in his opinion it was the duty of the Iron and Steel Controller to have applied his mind to the form as drafted by the solicitor to see that it fulfilled the conditions laid down in the Ministry's letter of 2nd February 1960 and he felt that there was a failure to that extent. At the same time he mentioned that it was usual for lay officers generally to accept the advice of legal experts and not to scrutinise critically the forms and opinions given by professional men.

4.9. This was the background in my mind when the Committee began to examine Shri Mukherjee on 18th September, 1967. It was not clear to me what exactly was the form drafted by the solicitor. The file contains several forms with various corrections and alterations. So Mr. Mukherjee was questioned as follows:

I.185. Q. Have you recently seen the draft that the Solicitor prepared ?

A. Yes, two or three months back the file came to us.

Q. Where is that form—in Calcutta or here ?

A. I do not know. It is not in my office in Calcutta.

Q. You had supplied certain blanks left over by the Solicitor in the form of guarantee drafted by him. What are those blanks which you supplied

A. Without seeing that, I will not be able to say.

Q. Did you in your own judgment consider that the form satisfied the conditions laid down by Government. ?

A. I did not apply my mind. The Solicitor's was the final word in drafting.

Q. You acted blindly and on trust ?

A. I submitted it to the Controller and he said "yes this could be one". We thought that since the solicitor had drafted something, we could not improve it, except that where he left blanks I filled them. We did not at that time apply our mind. It was not usual in legal matters because we always go by what the Solicitor does.

4.10. Shri Mukherjee maintained that the form which he adopted on the advice of the Solicitor fulfilled the conditions laid down by Government. Then he was asked questions as follows:

I.192. Q. Take this form a finally accepted by you which is at page 254 of the PAC Report. Suppose you had filled up the blanks (at the end) in this fashion : "valid upto 30th September, 1960." Assume there is delay on the part of HSL to supply the material. They failed to supply the materials even by a certain date, say by the beginning of September. Please explain how this bond could be enforced for failure to export in this case ?

A. We have to get it extended.

Q. Therefore this bond by itself does not help you. Who has to get it extended?

A. We have to ask the party to extend the guarantee.

Q. If he refuses?

A. We can cancel.

Q. Cancel what?

A. The licence.

Q. The licence has already been availed of ?

A. Then of course it would be difficult.

Q. Therefore even by filling it up in the fashion suggested by me and with that little delay in the supply of material could this bond in those circumstances be enforceable ?

A. No, it will not be enforceable unless the validity is extended.

Was this clause at the end, "valid upto" in the form approved by the Solicitor ?

I do not remember. But I think it was not there. It had to be introduced because the bank would not give an indefinite guarantee. My recollection is that he did not put it. This is the form in which they always give the guarantee because banks never give any indefinite bank guarantee.

4.11. Our questions, therefore, on the very first day of Shri Mukherjee's examination proceeded on the footing that apart from the "period of validity" there was no other change introduced by Shri Mukherjee.

4.12. On the second day of Shri Mukherjee's examination he was again asked about the form of the bank guarantee as follows:—

- II.7. Q. Yesterday we were on the guarantee bond. Please make it clear what was your contribution to the evolution of the final draft of the guarantee bond, because we might have to ask other people about it. What alterations and additions did you make in the form of the guarantee bond after it came out of the Solicitor's hands ?
- A. Unless I see the file it would be difficult to say.
- Q. You said you inserted the words "three months from the date of delivery."
- A. That is my recollection because he had left it blank.
- Q. Why did you insert that phrase "within three months" ?
- A. I thought that was a reasonable time to be given to the exporter to export. After delivery he should be given some time.

Q. What do you mean by delivery. ?

A. Delivery by HSL.

Q. At port ?

A. Yes.

Q. What is delivery? You will have to ascertain what it means ?

A. The Solicitor had drafted the words "from the date of delivery". He only left the period blank and I inserted "three months" considering that it was a reasonable time.

Q. You will have to ascertain the date of delivery in the legal sense. Did you feel you were competent to determine the date of delivery in the execution or operation of a contract between HSL and a barterer to which contract you were not a party?

A. The words "date of delivery" were perhaps put by the solicitor. Perhaps I only inserted the words "three months".

Q. Where did you insert it ?

A.if the obligor shall fail to secure foreign purchaser for and arrange export out of India of produced by the HSL within, three months out of India from the date of delivery of materials by HSL.....

Q. Your contribution was "three months"?

A. That is my recollection. I have to see the file.

Q. I am showing you a form with alterations. Let us proceed on the assumption that these were the alterations that you made. We will check it up with the other thing when we get it. According to this document,

the words you inserted seem to be "within three months" from the date of delivery of materials by HSL. You altered the words "From the date of these presents" to "from the date of delivery".

A. Yes, if this is in my handwriting.

Q. Did you realise it would be necessary for you to determine the precise legal date of delivery in each case for the purpose of enforcement of this guarantee bond and you thought you had the machinery for determining all that ?

A. Normally, Sir, if we had reason to doubt we would just write to the bank to invoke the guarantee. It is for the other party to raise trouble.

Q. It is very funny way of doing Government business to expect somebody else to raise trouble instead of taking initial precaution yourself to avoid trouble. Further more why did you allow as much as three months after delivery ?

A. Because I considered it was a reasonable time after delivery by HSL.

Q. Where did you think delivery would normally take place ?

A. It depended on the contract, if it was f.a.s. then it would be f.a.s., if f.o.r. it would be f.o.r. and f.o.b. it would be f.o.b.

Q. Did you alter it with reference to the terms of a particular contract ?

A. No, Sir, it was a standard form.

Q. With no relationship to a particular contract ?

A. Yes, Sir.

Q. Suppose the contract was f.a.s., even then you regarded three months as reasonable time ?

A. No, Sir, not necessary at all.

Q. Then what is the meaning of your putting three months in a mechanical way for types of contracts ?

A. It could be changed for different types of contracts, but we did not change.

Q. When you received the bank guarantee in a particular case, did you see how the date of validity as stipulated by the bank compared with the date of execution of the contract according to the contract documents?

A. No, I do not remember. Each case has to be seen. It is normally the office who checked it. I did not check all of them personally.

Q. Did it not occur to you whether it was a necessary part of our duty to check whether the validity date covered a sufficient period to make it effective ?

A. At my level I had not been checking it.

4.13. From the questions and answers reproduced above it is clear that Shri Mukherjee tried in the beginning to suppress the fact that it was he who changed the form of the bank guarantee and make it practically useless.

4.14. The question now remains to be considered whether he made these vital alterations with a full knowledge of their implications or just carelessly. Knowing that we were, at the time we examined him, handicapped by want of knowledge as to his precise contribution to the guarantee bond, it was unfortunate that an attempt should have been made to mislead the Committee by saying that it was the Solicitor who had put in the words "months from the date of delivery", whereas in point of fact it was Shri Mukherjee who changed the words "from the date of these presents" to "from the date of delivery by HSL". From the fact that an attempt was made to mislead us on this point,

I conclude that he know the significance of what he had done.

There is another circumstance which conclusively establishes Shri Mukherjee's awareness of the implications of what he had done. In the case of the pre-import licences issued to M/s. Ramkishan Kulwant Rai on 10th June 1960, Shri Mukherjee was aware that the firm had no export contract with HSL. In that connection Shri Mukherjee had recorded a note on the 26th October, 1960, as follows:—

“In the Bank Guarantee which the firm has furnished they have clearly given an undertaking to export materials and we can easily forfeit their Bank Guarantee for their failure to export the materials for whatever reasons there may be.”

4.16. With reference to this note, Shri Mukherjee was asked whether on or about the date (26-10-60) on which he recorded the note he had seen the bank guarantee furnished by Ram Krishan Kulwant Rai and satisfied himself that that particular bond did not have any reference to “three months from the date of delivery” and whether he looked at it from that point of view. His answer is reproduced below:—

III.37. A. It is my impression from my note that I did see the bank guarantee at that time and found that they have agreed to give an undertaking to export without linking supply with HSL, a deviation which perhaps was not noticed by our office earlier. So I recorded this note. Here perhaps we were in a stronger position to invoke the bank guarantee. That is my recollection.

Q. So your present recollection is that there was a deviation from the standard form in the bank guarantee that was furnished to you by RKKR originally?

A. Yes.

4.17. This answer clearly proves that Shri Mukherjee was aware that where the bank guarantee was linked with the date of delivery by HSL it would not be possible to enforce it without reference to facts or disputes about delivery. In other words, his deliberate action in introducing

reference to the date of delivery in the standard form was made only with the idea of defeating the bank guarantee.

4.18. There is another document which conclusively establishes Shri Mukherjee's awareness of the effect of what he had done to the bank guarantee form. In a letter, D.O. No. C/Progress/(96)/60, dated 18th July, 1960 to the address of Shri Bhoothalingam (drafted by Shri Mukherjee and signed by Shri Bam) he referred to the serious situation that may arise if deliveries are long delayed in cases where pre-import licences had been issued. The following is an extract of the relevant portion of the letter:—

“This might create a very serious situation as we have, in many cases, permitted the firms to import steel, before export, against 15 per cent bank guarantee. Although the form of the Bank Guarantee (copy enclosed) has been so drafted by us in consultation with the Solicitor to the Central Government at Calcutta that the parties cannot go back on their commitment for export simply on the plea that supplies have been delayed by Hindustan Steel, we may find it difficult to force them to export the materials, particularly in cases where the prices of exportable goods go down considerably.”

From the Ministry's file in which this letter is recorded, it is seen that the copy of the guarantee bond was not actually sent along with this letter but the letter clearly shows that Shri Mukherjee knew that a guarantee bond, if it was to be useful must not have reference to date of delivery. And it is in respect of this vital aspect that he made the change in the Solicitor's form, without anybody's knowledge. In the letter above, he was no doubt giving assurances that everything was all right, although he knew that the guarantee bond form as changed by him was very far from being all right.

4.19. There is another serious matter, namely, that when this question was being enquired into by the P.A.C., Shri Mukherjee allowed it to be understood that the form of the bank guarantee that was being used by him was the one that was suggested by the Solicitor. He allowed it to be understood that the defect lay more in the failure to watch renewal of bank guarantee than in the form itself. This

had the effect of diverting attention to the question of failure to watch renewals etc. He did not even disclose the fact that the Government Solicitor's form did not contemplate that the bank should be permitted to limit its liability by reference to a dead line and without reference to the reasonable needs of the particular undertaking the fulfilment of which was to be guaranteed. A system of bank guarantee that requires periodical renewal without any sanction for compelling renewals is not a system that can be countenanced; and why should anybody agree to renew when there is no hold on him? The actual barter cases indicate that the firms did renew these bank guarantees only for so long as they had yet to get a Customs Clearances Permit for the clearance of their imported consignments; but once they got all the consignments cleared, they naturally declined to renew. In the actual bank guarantees which the Committee had seen, the period of validity had been generally put in as six months or even less. Shri S. C. Mukherjee's assertion that banks would not give guarantees with longer period of validity has no basis. The Committee had seen bank guarantees given to other Departments by the State Bank of India which were valid for as long as three years from the date of the bond.

4.20. It seems, therefore, that Shri Mukherjee should be held responsible:

- (a) for having made very vital alterations in the form of guarantee with the awareness that by so doing he was protecting not the interest of Government but conferring practically complete immunity on the firms;
- (b) for having misled Shri Wanchoo, while he was giving evidence before the Public Accounts Committee, to believe that no alterations had been made in the Solicitor's draft;
- (c) for having in the beginning also tried to mislead our own Committee; and
- (d) for effectively depriving the Government of the protection or safeguard which the bank guarantee was intended to provide, by

- (i) allowing banks to limit the duration of their liability to short periods, usually six months or less; and
- (ii) by making the enforcement of the bank guarantee dependent on settlements of disputes concerning dates of effective delivery which may embrace such diverse topics as quantity offered for delivery, quality of the material offered for delivery *vis-a-vis* contract specifications, legal date of delivery, when is delivery complete, modus and points of delivery, and so forth.

4.21. **Legal feasibility of Guarantee Bond in absolute terms.**—In this connection, I must refer to a question which has been debated before the Committee *viz.* whether a guarantee bond that was to be *enforceable, whatever may be the reason for the failure to export*, is at all legally feasible in such absolute terms. Apart from force majeure or some such legal concepts which probably govern all undertakings (and not merely guarantees) I do not see how from the ordinary commonsense point of view it is unreasonable to demand that in consideration of having been allowed foreign exchange for import, one should agree to forfeit a certain sum in the event of failure to make good the foreign exchange by export of specified commodities. It is the business of the obligor to protect himself by inserting suitable safeguards against non-supply in his separate contract with the supplier. Those safeguards, might well include provision for the obligor's liability to others in the event of failure of supply. If he makes those safeguards, no hardship is caused to him. His failure to provide himself with the safeguard which is open to him, would be no reason for saying that the guarantee which he himself has furnished to Government is unenforceable.

CHAPTER V

IRREGULAR ISSUE OF IMPORT LICENCE OF OVER RS. ONE CRORE TO MESSRS. RAM KISHAN KUL- WANT RAI

5.1. **The irregularity.**—On the 6th of June, 1960 Shri S. C. Mukherjee, Deputy Controller of Iron & Steel, ordered the issue of 5 import licences of the total value of over a crore of rupees in favour of the firm M/S Ram Kishan Kulwant Rai before the later had been given a contract by Hindustan Steel Limited for the export of semis. Shri Mukherjee allowed the Import Licences merely on the strength of the firm's application accompanied by a bank's guarantee for Rs. 15 lakhs on the assumption that they would export 25,000 tons of semis (slabs and blooms) to be supplied by Hindustan Steel Limited. He brought the irregularity to the notice of the Steel Controller by a note dated 26th October, 1960 (Appendix LIX) in which he suggested that he committed the irregularity through oversight caused by pressure work, and that he came to know of his lapse only on the previous day, viz., 25th October, 1960 when Shri H. R. S. Rao of Hindustan Steel Limited spoke to him on the telephone to point out that RKKR had never been given any contract for export of 25,000 tons of semis. (The full text of Shri Mukherjee's note is at Appendix LIX). It should be mentioned here that the firm of RKKR has not upto this day exported anything, but has spent foreign exchange worth Rs. 98,97,827 on imports of steel items, which included Rs. 16,54,626 worth of stainless steel. Even after the disclosure of the irregularity, the firm was allowed to continue to import steel on the strength of the import licences irregularly issued in June, 1960. The value of such steel brought into India after 1st November, 1960 was Rs. 26,94,788 which included Rs. 9,55,532 worth of stainless steel. Shri Mukherjee had informed the Public Accounts Committee and also our Committee that the value of imports which were allowed after 26th October, 1960 was only Rs. 3.9 lakhs. In point of fact, the correct figure is Rs. 26.94 lakhs.

5.2. **The Issues.**—Shri Mukherjee claims that his lapse was due merely to oversight and that he did not realise his mistake until his attention was drawn to it orally by Shri H. R. S. Rao on 25th October, 1960. However, the following paragraphs will reveal that Shri Mukherjee was fully aware that he was issuing an import licence to RKKR at a time when no further contract with Hindustan Steel Limited for export of semis was possible.

5.3. **No scope of any fresh barter deal after February, 1960.**—In the Chapter dealing with the semis barter scheme it was pointed out that as soon as the scheme (contained in Appendix XV) was formally communicated to the Iron and Steel Controller on 14th January, 1960, all the anticipatory proposals from parties with prior or inside knowledge of the scheme, were “closed” at once by Shri S. C. Mukherjee in the sense that he issued to them “letter orders” promising to allow them import licences against the quantities of semis which they had proposed to export. This action of Shri Mukherjee not only effectively barred the door against any “outsiders” but also over-shot the quantitative ceiling of 250,000 tons stipulated by the scheme. The papers in the Ministry file No. SC(C)/5 (12)/60 show that between the 29th January, 1960 and 17th February, 1960, i.e., within a period of 20 days, letter orders were issued by Shri Mukherjee in respect of proposed exports to the extent of 295,500 tons of semis. But the scheme (*vide* Appendix XV) had set the limit at 250,000 tons, at the instance of the Finance Ministry. It was because Shri Mukherjee had exceeded the ceiling by 45,500 tons that Shri Bhoothalingam had to write to the Steel Controller [*vide* his letter No. SC(C)-5 (12)/60], dated 24th February, 1960 at Appendix XXIV, suggesting that the deals should be scaled down, if possible, and further commitments should not be entered into. Shri Bhoothalingam sent a similar message to Shri N. C. Deb, Director of Finance of Hindustan Steel Limited by teleprinter, on the same date.

5.4. In the meantime, the Steel Controller had convened a meeting of the Plant Managers of Hindustan Steel Limited on 23rd February, 1960 to assess the availability of semis for export on barter basis. As a result of the discussion at this meeting, it became evident to all concerned that there was no further scope for entertaining

any fresh proposals for barter; on the contrary, it was imperative that the "deals" already accepted should be scaled down by more than 1 lakh tons, i.e., to 195,000 tons. Accordingly, Shri Bam, the Steel Controller, replied on 26th February, 1960 to Shri Bhoothalingam's letter of 24th February, 1960, as follows (*vide* Appendix XXV).

"The entire question of finalisation of export deals by Hindustan Steel Ltd. was gone into *in great deal* by us in the meeting held on 23rd In the light of the decision taken in the meeting Hindustan Steel Limited will have to scale down their targets.....There would be no difficulty in.....being able to reduce whenever necessary to fit within the revised targets."

5.5. RKKR's fresh proposal entertained.—Obviously therefore there was no question of considering any new or fresh proposals for further barter deals from anybody (whether 'insider' or 'outsider') after 23rd February 1960, the date of the said H.S.L. meeting, or after 24th February, 1960, the date of Shri Bhoothalingam's letter or at least after 26th February, 1960, the date of the Steel Controller's reply to Shri Bhoothalingam. Shri Mukherjee had not only attended the Hindustan Steel Limited meeting but had himself prepared the minutes of that meeting. Nevertheless, he decided to enter into correspondence with reference to RKKR's letter dated 10th March 1960 in which the firm had stated that they had received some "attractive offers" from foreign buyers for ingots and slabs in return for stainless steel and would therefore like to strike a barter deal. In fifteen days, between 23rd February, 1960 and 10th March 1960, it would be impossible for Shri Mukherjee to have lost sight of the fact that HSL was straining to meet existing proposals for export of semis and could not take in fresh proposals for barter. Yet Shri Mukherjee welcomed overtures from RKKR for a new deal. The policy for not entertaining any fresh barter proposals was not a vague or flexible matter of opinion, it was dictated by the stern realities of arithmetic. The ceiling had been exceeded; the Secretary of the Ministry (Shri Bhoothalingam) had drawn attention to the need for scaling down proposals already accepted and had specially forbidden the entertainment of fresh proposals. He had been assured in reply that necessary action to scale

down was feasible and would be taken. As Shri Mukherjee himself deposed before our Committee, the situation on the date of the receipt of the semis barter scheme order of 14th January, 1960 was clear enough, "we had enough offers from importing firms, and we did not want to extend the scope further". And yet Shri Mukherjee replied to RKKR by letter No. C/RK/(32)/60 dated 6th April, 1960, saying:

"In case you are prepared to import stainless steel sheets on the basis indicated above, you may kindly submit your detailed proposals to this office at an early date."

6.5. HSL's pre-occupation with rejection or scaling down of existing proposals.—Only a week before Shri Mukherjee wrote his reply to RKKR dated 6th April, 1960 there is, on record, further evidence to show that Shri Mukherjee was fully aware about the tightness of the semis barter situation. RKKR had themselves sent to Shri Mukherjee a copy of a letter dated 28th March, 1960 which they had written to HSL. In that letter, after mentioning the fact that Hindustan Steel Limited had cancelled their earlier offer of 20,000 tons of slabs for export on barter, the firm was pleading with Hindustan Steel Limited to give them a barter deal for at least 5,000 tons. RKKR had sent to Shri S. C. Mukherjee a copy of this letter apparently in the hope that Shri Mukherjee would use his good offices with Hindustan Steel Limited. This letter of RKKR clearly brings out that Hindustan Steel Limited's pre-occupation at the time was how to retrench the barter offers already with them, there was no question of entertaining fresh proposals. It might be added in parenthesis that RKKR's request for 5,000 tons (as a consolation for the rejection of their earlier proposals for 20,000 tons) was complied with by Hindustan Steel Ltd. on 16th May, 1960 and the fact intimated to the Iron & Steel Controller on 9th June 1960.

5.7. Shri Mukherjee's entertainment of RKKR's proposal but rejection of others at the same time.—In reply to Shri S. C. Mukherjee's letter of 6th April, 1960 RKKR expressed their desire on 8th April, 1960 for a barter proposal involving 25,000 tons of slabs and ingots, if not blooms. Shri Mukherjee, thereupon, issued a letter order on 5th May, 1960 in favour of RKKR saying that RKKR

would be allowed to import certain categories of steel, without mentioning quantities (excepting the quantity of stainless steel) against export of 25,000 tons of slabs, ingots and blooms, without specifying the apportionment of quantities for slabs, ingots and blooms, respectively. In fact, the letter quite clearly implies that the party had no contract with HSL as it says that "prices, delivery and specifications of which is to be mutually agreed by you with HSL at the time of conclusion of the Contract with them". Shri Mukherjee endorsed a copy of the letter order to the SIC Section (Steel Import Control Section) of his office with the instruction "for issue of import licence on application", even though, at that time, RKKR had neither asked for pre-import licences, nor submitted any bank guarantees nor even accepted the letter order. They did not, of course, have any contract for export. On the very date he issued this letter order to RKKR, Shri Mukherjee was rejecting other proposals. For instance Kabali & Co. (Pvt.) Limited, of Bombay had made a proposal to the Iron and Steel Controller on 19th April 1960 that they would be interested in a barter proposal for export of slabs and import of steel items. Shri Mukherjee sent the following reply to this Company by letter No. C/K/17D/60 dated 4th/5th May, 1960:

"For the present we are not agreeable to conclude any barter deal involving export of slabs and pig iron and import of finished steel.

If you are interested in exporting pig iron or slabs on cash basis, your proposals may be considered. You are requested to submit your proposal for cash export to M/s. Hindustan Steel Limited."

5.8. Forgetfulness or oversight ruled out.—In the light of this evidence, it is impossible to believe that Shri Mukherjee issued this letter order dated 5th May, 1960 in favour of RKKR either by oversight or in forgetfulness. *It was clearly a deliberate act of discrimination in favour of RKKR, and he did it in the full knowledge that RKKR had to contract for export with Hindustan Steel Limited.*

5.9. Awareness of non-existence of contract with HSL.—That he knew that RKKR had no export contract with Hindustan Steel Limited is clear from the fact that he himself wrote to Hindustan Steel Limited on 23rd May, 1960

enquiring whether he might issue pre-import licence to RKKR for a total value of 2.1 million dollars. This letter to Hindustan Steel Limited was in fact special pleading on behalf of RKKR. How could Shri Mukherjee have reasonably expected Hindustan Steel Limited to agree to this proposal with any show of consistency when, to Shri Mukherjee's own knowledge, Hindustan Steel Ltd. was then engaged on the job of reducing pre-existing offers**, in consonance with the decision to scale down all proposals as the result of the decision reached at the meeting of 23rd February, 1960 and Shri Bhoothalingam's instruction of 24th February, 1960? Thus, Shri Mukherjee was fully aware at all material times upto 23rd May, 1960 not only of the fact that RKKR had no export contract with HSL for export of semis but that they had no chance of getting such a contract; and to give them a barter contract at that stage would have been an act of favouritism. And yet, he was pursuing RKKR's offer and interceding on their behalf with the Hindustan Steel Ltd.

5.10. Without waiting for a reply from HSL to his letter dated 23rd May, 1960, or ascertaining the position from HSL either by telephone, or personal discussion or otherwise (if indeed he had any doubts), Shri Mukherjee ordered the issue of import licences of the value of 2.1 million dollars on 6th June, 1960 in favour of RKKR by taking a bank guarantee of Rs. 15.15 lakhs. The bank guarantee, it seems, had contained an endorsement by the bank limiting its validity period upto 31st December, 1960. The bond is said to have been returned to RKKR after 31st December, 1960. It was not available for the inspection of the Committee. RKKR have not produced it, on the plea that the bond was returned to the bank. The bank has not produced it despite requests from the Committee. However, Shri Mukherjee was questioned about the wording of this guarantee bond. He was asked to explain whether this guarantee bond also stipulated that the liability under the bond would arise on failure to export "within three months of the delivery by HSL" as in the other cases.

**e.g. Apeejay Ltd.'s proposal for 50,000 tons of ingots was scaled down by HSL to 25,000 tons on 8th April, 1960, Khemchand Rajkumar's proposal was reduced from 50,000 tons to 5000 tons; Aminchand Pyarelal's proposal for 90,000 tons was cut down to 25,000 tons; even RKKR's earlier proposal for 20,000 tons had been completely rejected, but afterwards a proposal for 5000 tons only was accepted, presumably *a miseri cordiam*.

Shri Mukherjee has deposed that this particular bond had no reference to the date of delivery of material by Hindustan Steel Ltd. The difference in the terms of this bond, Shri Mukherjee claimed made it more definitely enforceable. But this piece of evidence clinches the issue, in that it shows that the bond was taken in a transaction where it was known that there would be no question of deliveries of materials by HSL. In other words, the departure from the wording of the guarantee bond taken in all the other cases quite clearly establishes that even on 6th June, 1960 Shri Mukherjee was conscious that he was dealing with an exceptional case, that is, a case where there was no contract for supply of material by HSL for export. Thus Shri Mukherjee's claim that he ordered the issue of the licence of the value of over Rs. 1 crore by oversight (and not deliberately) is completely untenable.

5.11. In continuous touch with the case of RKKR.—It is not as if Shri Mukherjee forgot all about this case once he ordered the issue of the licence. He had occasion to deal with it repeatedly. RKKR wanted to change the specifications of the steel that was authorised to be imported. In each case Shri Mukherjee allowed the change.

5.12. On 16th June, 1960, RKKR wanted permission to import cold rolled sheets instead of hot rolled sheets. On 21st June, 1960 the permission was granted.

5.13. On 1st July, 1960 RKKR desired to be permitted to change stainless steel sheets into stainless steel in coils of 18 inch width. The permission was granted on 12th July, 1960.

5.14. On 12th July, 1960, RKKR requested that the condition of the licence, viz., that prices of stainless steel would be valid only for imports upto 31st December, 1960, should be amended. The amendment was agreed to.

5.15. On 19th July, 1960, RKKR represented that his consumers would prefer the stainless steel to be in coils of 16" instead of 18" width. The amendment desired by the firm was made on 22nd July, 1960.

5.16. On 2nd August, 1960, RKKR sought permission to import 20G sheets as against 24G, 28G and 30G originally stated in the licence. On 20th August, 1960, partial modifications were made.

5.17. On 20th August, 1960 the specifications of stainless steel were changed apparently in compliance with an oral request.

5.18. On 5th September, 1960 RKKR again asked for permission to import 3'×6' stainless steel sheets instead of 36" strips in coils. On 17th September, 1960, the request was complied with.

5.19. These instances show that RKKR's case was continuously in the mind of Shri S. C. Mukherjee. Apart from that, there is evidence to show that Shri Mukherjee had any number of other opportunities to remind himself (if he had forgotten) that RKKR had no contract with HSL for the supply of 25,000 tons of semis for export.

5.20. **Monthly returns from HSL furnished opportunity to detect absence of contract with RKKR.**—On the 30th June, 1960, Shri Ramchandran, Price and Accounts Officer of the Steel Controller's Office sent a note to Shri Mukherjee suggesting, as "a measure of precaution", that where pre-import licences had been given, a watch should be kept on the deliveries of semis by HSL so that there may not be "serious consequences". Strictly speaking, this advice was outside the functions of the P&AO. However, his note became the starting point of a new file in the Steel Controller's office with the No. CP/Progress(96)/60, and on 1st July, 1960 Shri Mukherjee noted thereon as follows:

"We should have a party-wise ledger to watch the progress. The parties should be constantly reminded to give us the required information."

Simultaneously, Shri Mukherjee requested Shri Bery of Hindustan Steel Limited, Calcutta, to send him monthly statements of all barter contracts and the progress of deliveries and exports against each. Shri Bery complied with the request and sent the first of his monthly statements on 19th July, 1960 showing the position as it stood on 15th July, 1960. This statement is a short one and presents very neatly in a tabular form the name of each barterer, the quantity of semis or pig iron which he had to export, a reference to his contract No., and the progress of actual deliveries against each contract. Similar statements showing the position on 15th August, 1960, 1st September, 1960, etc. were sent by Shri Bery to Shri Mukherjee

on 20th August, 1960, 7th October, 1960 and so on, respectively. These statements were addressed to Shri Mukherjee by name and were seen both by him and Shri Bam. The statements naturally did not contain any reference to any contract or commitment to supply 25,000 tons of semis to RKKR for the simple reason that no such contract existed.

5.21. The whole purpose of calling for these important statements was to enable Shri Mukherjee to observe how the deliveries were progressing, against the pre-import licences which he had been issuing. He had thus an opportunity of finding out on or about the 19th July, 1960 the fact (if he was oblivious of it) that there was no contract to back the pre-import licences of over a crore of rupees which he had issued to RKKR. Could he have forgotten again the purpose for which these statements were demanded by him?

5.22. **Report to Ministry about MSL's failures.**—On 18th July, 1960, Shri Bam wrote demi-officially to Shri Bhoothalingam a letter No. CP/Progress/(96)/60 to acquaint the latter with the likelihood of “a very serious situation” arising as a result of the failure of HSL to supply semis to those to whom pre-import licences had been issued. This letter, which had been composed by Shri Mukherjee, is somewhat critical of the HSL for their failure to deliver in time, while being sympathetic towards the firms for their failure to export. The letter goes on to re-assure Shri Bhoothalingam that the form of the bank guarantee fully safeguarded Government interests irrespective of delays by HSL*, and ends up with an announcement that “as a measure of precaution”, he had “discontinued the issue of import licences against 15% bank guarantee until the supply position of exportable materials becomes a little clear”**. A copy of the letter is at Appendix C.

*This assurance has been examined in the Chapter on the form of the bank guarantee and it has been shown there that the alterations in the form made by Shri Mukherjee were, to his knowledge, such as to make the guarantee practically useless when there were delays (even slight delays) in deliveries by HSL.

**This self-imposed precaution was disregarded by Shri Mukherjee almost immediately after the letter. On 23rd July, 1960, he allowed the issue of import licences of Rs. 1,15,62,500 to Apeejay (P) Ltd., for stainless steel sheets and on 29th August, 1960, he allowed another pre-import licence to this firm for Rs. 1,42,170. This firm's foreign exchange earnings fall short of the value of the imports by Rs. 7,42,427. On 19th September, 1960 he issued pre-import licences of the value of Rs. 20,64,400 to Khemchand Rajkumar whose foreign exchange earnings ultimately were only Rs. 5,26,000.

5.23. **Imperfect review by the Ministry.**—On receipt of this letter from Shri Bam, the Ministry appears to have felt the need for a review of the position of pre-import licences *vis-a-vis* the progress of deliveries in all the barter cases. Accordingly, a letter No. SC(C) 5 (5)/60 dated 30th July, 1960, was despatched by Shri Baijal (Under Secretary) to ask Shri Mukherjee to furnish full details of all the cases.

5.24. Shri Baijal's letter dated 30th July, 1960 was put up to Shri Mukherjee [with the relevant file No. CP/Progress (96)/60] by his clerk, Shri G. N. Sen on 10th August, 1960. The file remained with Shri Mukherjee till the 29th August, 1960, on which date he composed and signed a letter in reply to Shri Baijal enclosing therewith 3 statements as follows:—

- (a) a tabular statement containing the names of six firms to whom pre-import licence had been issued, the quantity of semis to be exported by each, the value and description and quantity of the steel items to be imported by each. The entry concerning RKKR in this statement shows that the firm was to export 25,000 tons of semis and had been given pre-import licence for importing steel of the value of Rs. 1,00,72,496 and of the following descriptions:

	Tons
Drum sheets	2192
Stainless Steel Sheets	250
G. P. Sheets	2931
C. R. Sheets	3474

- (b) another statement showing the names of firm to whom pre-import licences had yet to be issued. This statement was not called for, and the purpose of sending it is rather obscure. Presumably, it was intended to serve as a notice to the Ministry by Shri Mukherjee that he (Shri Mukherjee) was going to issue them pre-import licence, irrespective of the assurance previously given to the contrary in Shri Bam's letter of 18th July, 1960 cited earlier; and
- (c) a copy of the statement received from Hindustan steel Ltd. showing the position of deliveries as on 15th August, 1960 against each of the barter

contracts. This statement naturally *does not contain any reference to RKKR's liability to export 25,000 tonnes of semis, as there was no such contract with the firm.*

5.25. Shri Mukherjee took 20 days to have the statements at (a) and (b) above specially prepared for submission to the Ministry.

5.26. It is impossible to believe that after preparing the statement at (a) above he did not bother to see how the deliveries shown in statement (c) compared with the pre-import licences mentioned in statement (a). He knew that the Ministry wanted the statements primarily for the purpose of such comparison. The statements are simple and the comparison is easy. The only conclusion that can be drawn from the facts and circumstances stated above is that Shri Mukherjee knew all along that RKKR had no contract with Hindustan Steel Ltd. for exporting 25000 tons of semis. One would have thought that, as a responsible officer, he should have made this comparison, detected the omission in (c) and himself drawn the attention of the Ministry to the absence from statement (c) of any entry relating to RKKR's liability to export 25,000 tons, and furnished an explanation, if he had any for its absence. He perhaps took a chance on the unlikelihood of the Ministry's undertaking any systematic or methodical review and detecting the irregularity. Shri Mukherjee was himself an Assistant and Under Secretary in the Ministry for nearly 16 years before he was posted to the Steel Control Office in Calcutta and must have been familiar with the methods of work in the Secretariat. In the Ministry, Shri Mukherjee's letter was put up with the very illuminating note:

"The main file on the subject is under submission to O.S.D. and has not been received back and its return may be awaited. Submitted for present information."

5.27. The Under Secretary and Deputy Secretary saw Shri Mukherjee's letter and there the matter ended so far as the Ministry was concerned. If only an attempt had been made in the Ministry to compare the statement (a) with the statement (c) Shri Mukherjee's irregularity would have been detected.

5.28. Before going to describe another attempt at a review by the Ministry, I must draw pointed attention to the fact that Shri Mukherjee had before him on 29th August, 1960 the especially prepared statement of six cases where pre-import licences had been issued showing the tonnages of the semis each was supposed to export. The importance of the date 29th August, 1960 will become significant later in this chapter.

5.29. Another attempt at a review was made by the Ministry early in October 1960. On 6th October, 1960 Shri Ramanathan, Deputy Secretary, wanted some information about the barter contracts. Although the information was available in the Ministry's file (though relating to an earlier date) the easier course of asking the Steel Controller for the information was adopted. This time, a teleprinter message was sent down to Shri Mukherjee on 12th October, 1960, as follows:

"Please furnish immediately statements for 1959 and 1960 separately showing our export commitments of pig iron, ingots, slabs, billets, etc., against

- (a) barter
- (b) cash, with details regarding
 - (i) name of firm with whom contract entered;
 - (ii) name of supplying works;
 - (iii) quantity;
 - (iv) value per ton and total value;
 - (v) contracted delivery;
 - (vi) actual deliveries.

In the cases of barter, actual import position of steel items may also be indicated."

5.30. In compliance with this message, Shri Mukherjee submitted to the Ministry with his letter No. C/Progress-(96)/60, dated 20th October, 1960 one consolidated tabular statement showing export commitment (quantities and description of pig iron and semis), the actual deliveries of pig iron and semis and the quantities of steel items licensed for import and the actual arrivals of imports, against the name of each firm. This was a specially compiled statement. It does not show any export commitment of 25,000 tons of semis against the name of RKKR nor the corresponding imports for which he had issued licences already.

The omission of RKKR's pre-import licence case from this statement is significant in that its inclusion was not *strictly* called for by the literal terms of the teleprinter message which pertained only to "barter" or cash export. The omission implies an awareness that the imports by RKKR were not under any existing commitment to them for selling them semis for export under any *barter*. To complete the story it should be added that the only outcome of the review in the Ministry was a note dated 2nd November, 1960 by Shri Nair (Under Secretary) to the effect that he was informed by Shri Mukherjee that Hindustan Steel Ltd. had a lot of ingots which Hindustan Steel Ltd. was keeping for rolling in its own mills and that Mukherjee considered it more advisable to sell them as ingots, rather than to roll them. There is evidence to show that Shri Mukherjee had actually come to Delhi on 2nd November, 1960 with his Controller to explain the irregularity in person to Shri Bhoothalingam and to seek his support for getting some semis for being given to RKKR so that the irregularity may be "covered up" or "rectified", as the case may be, according to one's point of view. This, no doubt, explains why Shri Mukherjee was taking the opportunity to canvass support for his idea with Shri Nair.

5.31. So far, I have been dealing with the evidence on record which goes to show that Shri Mukherjee could not have been otherwise than very much conscious of the irregularity, right from the day it was committed or rather from even before the day he finally issued the letter order.

5.32. I now turn to another kind of evidence which confronts Shri Mukherjee more directly, because it is partly based on his conversation with Shri H. R. S. Rao of the Calcutta Office of Hindustan Steel Limited.

5.33. **How it came to light.**—It appears that Shri H.R.S. Rao, Assistant Sales Manager (Exports) in the Calcutta Office of HSL, had come to know about this irregularity, accidentally, *on the 26th August, 1960* from a conversation he had with RKKR when the latter called on him in his Office in some other connection. It appears, RKKR mentioned to him that his firm had imported finished steel upto the value of 25,000 tons of semis to be exported by him. Shri Rao, it seems, pointed out to the party that there was no such commitment by HSL to supply 25,000 tons of semis

to him and told him that he (Shri Rao) was going to get in touch with the Iron and Steel Controller. Thereupon the party is said to have pleaded with him to forget the subject and not to complicate matters at that stage as it would be quite easy for him to arrange for a barter deal for export of manganese ore or some other ore of equivalent value. Immediately after the conversation, Shri Rao, it appears, called Shri S. C. Mukherjee on the telephone and mentioned to him what he had heard from RKKR. It seems, Shri S. C. Mukherjee did not appear to be perturbed; on the contrary, he told him not to worry and added that he (Shri Mukherjee) would arrange for RKKR a barter deal for export of ores which would cover the foreign exchange involved in the import licences. In spite of this assurance by Shri Mukherjee, Shri Rao, according to his evidence, decided that he should place on record the fact that there was a contract with RKKR for *only* 5,000 tons of slabs, and this he did by a letter of the same date (*viz.* 26th August 1960) which he got one of his officers (Mr. Ghosh) to write for the "attention of Shri S. C. Mukherjee." This letter No. 78/CCP/RKK(32)/60, dated 26th August, 1960 is on record, and it reads:—

"With reference to Mr. Rao's telephonic conversation with you, I enclose a copy of our letter No. SE/24B/2153, dated 9th June, 1960, regarding supply of 5,000 tons of slabs to Messrs. Ram Krishan Kulwant Rai against our original offer of 20,000 tons of slabs to the party.

In this connection, I have to inform you that we have sold only 5,000 tons of slabs to the party against their enquiries for slabs and blooms."

It is the discovery of this letter in the files of the Steel Controller that has led our Committee to ascertain the context in which it was written, to unravel the significance of the words "only 5,000 tons of slabs" occurring in the letter.

5.34. The gist of the telephonic conversation has been recorded by Shri H. R. S. Rao in a letter dated 25th February, 1961, which he had occasion to write to his head office at Ranchi. An extract from this letter is given below:

"It was only some time in late August, during a discussion in our pig iron contract No. 12, that the

party casually, and perhaps inadvertently on his part; mentioned that he had under barter imported finished steel equivalent to the value of export of 25,000 tons of slabs. When it was pointed out to him that no such commitment for the supply of 25,000 tons of slabs for export had been made by us and that we were going to get in touch with the Iron and Steel Control in this regard, he pleaded that we should ignore the issue and not complicate matters at that stage and that he would easily arrange for a barter deal against export of Manganese or some other Ore instead. Iron and Steel Control (Mr. Mukherjee) was contacted immediately in the matter on telephone and he assured that there was no need to be concerned about the development and that he would arrange for a barter against export of ores."

5.35. Shri Rao was closely questioned by our Committee about this conversation and how he remembered it six months later. His evidence has not been shaken and is found to be completely trustworthy. Shri Mukherjee also could not ultimately deny the substantial accuracy of Shri Rao's version of the conversation though in the beginning in a written memorandum he had said, "I emphatically deny that I had any knowledge of the lapse...before 25th October, 1960".

5.36. On the question as to how Shri H. R. S. Rao could remember the gist of the conversation some six months later, there is the fact that Shri H. R. S. Rao had occasion to talk with Shri S. C. Mukherjee again on the telephone, on the same subject, on 25th October, 1960, and this fact must have helped to keep alive Shri Rao's memory. On the 25th October, 1960, Shri Rao wrote the following letter to Shri S. C. Mukherjee:—

"I have to refer to your letter No. C/RKR(32)/60, of 7th October, 1960 addressed to M/s Ram Krishan Kulwant Rai, copy to us.

In this connection, I have to draw your attention to our letter Nos. SE 248/2153 of 9th June and SE/24B-13817 of 20th June 1960 and SE/4 of 26th August, 1960, from which it will be observed that we have sold 5000 tons of slabs only to M/s Ram

Krishan Kulwant Rai, Calcutta, against their various enquiries for slabs and blooms.

This confirms my phone conversation on date."

5.37. It appears that in the course of the second telephonic conversation of 25th October, 1960, Shri Rao categorically told Shri S. C. Mukherjee that RKKR would not be accommodated with an export contract of 25,000 tons of semis. As a result of this conversation and the letter, Shri S. C. Mukherjee apparently thought that the best way out of the impasse was to put up the case to his Chief (The Controller) and seek his support for the suggestion to adjust the foreign exchange used up on the import licences against earnings from exports under other commodity barter schemes. Accordingly he put up the note dated 26th October, 1960 to Shri Bam (Appendix LIX) in which, after admitting his serious lapse, he made the suggestion as above. This is how his lapse came to the notice of his official superior.

5.37.A. Disposal of Shri Rao's letter of 26th August, 1960.—Although Shri Mukherjee is stated to have told Shri H. R. S. Rao on 26th August, 1960 not to worry about the case (an attitude which would be quite consistent with the sense of guilt which he would be anxious to conceal), what he did on receipt of Shri H. R. S. Rao's letter of 26th August, 1960 is equally significant. He sent down the letter to his clerk, Shri G. N. Sen, on 27th August, 1960 with the words "papers at once" written thereon. The clerk put up to him a note on 29th August, 1960 as follows:

"PUC (i.e. paper under consideration) has reference to Hindustan Steel's letter of 9th June 1960 on the basis of which letter order has been issued to the firm for the export of 5000 tonnes of slabs on barter basis. Submitted please."

Thereupon Shri Mukherjee wrote on 31st August, 1960.

"I want a complete account of import licences issued to the firm and details of corresponding export arrangements made by them. Immediately please."

There is a note dated 6th September, 1960 on the margin by Shri G. N. Sen as follows:

"Mr. Mallick of M/s. Ram Krishan Kulwant Rai has promised to submit the required statement shortly."

The file does not show any further action. It is by no means clear why the firm's representative (Shri Mallick) should have been asked for any statement when the information was available in the Office. Speaking for myself I was initially puzzled by Shri Mukherjee's note dated 31st August, 1960. In that note he had asked for two things, viz. (i) a complete account of import licences issued to the firm of RKKR and (ii) details of corresponding export arrangements made by the firm. Shri Mukherjee in his evidence before our Committee was trying hard to throw the blame on his clerk for failure to put up the papers to him again and he was trying to excuse himself with the plea that under another fit of forgetfulness he failed to remember this case and therefore failed to chase it. The clerk was somewhat in a tight corner and he could give no coherent or intelligible explanation at this distance of time as to how he could have had any difficulty in furnishing the information seeing that the information is all contained in one file, viz. file No. C/RK/(32)/60. There is the letter order, viz. the one dated 5th May, 1960, while there are several amendments to it (in regard to quantities and other specifications) as mentioned earlier. The same file was being handled by him and Shri Mukherjee so many times in connection with changes in specification of steel items to be imported. It had come to Shri Mukherjee on 20th August, 1960 and 5th September, 1960 to mention only two of those numerous occasions. The documentary evidence in the Ministry's file as well as in the Steel Controller's file No. CP/Progress (96)/60, shows that Shri Mukherjee had at his finger's tips, as it were, all the information he needed about the import licences. On the very date Shri G. N. Sen had put up the file to him (viz. 29th August, 1960) Shri Mukherjee was sending to the Ministry his *specially prepared statement* of pre-import licences issued by him. He had also before him the Return of HSL which showed that there was no contract for the supply of 25,000 tons of semis. Therefore, his note dated 30th August, 1960 in the file, reproduced above, was merely a faint in so far as it related to the statement of import licences. His reference to getting information from the party was obviously to ascertain from the party how he proposed to square up the matter. A similar desire to contact the party is expressed by Shri Mukherjee in his note dated 26th November, 1960 (Appendix LIX). Therefore, Shri Mukherjee's explanation that it was due to the default of his clerk, that he lost all memory

about this case, is futile and must be completely rejected. It is impossible to believe that any responsible officer could forget an alleged irregularity of this magnitude or fail to chase it, if indeed he had done it unwittingly. The clerk says that the marginal note was made by him after being present at an interview which Shri Mallick of RKKR firm was having with Shri Mukherjee. His statement is very probably correct. Shri Mukherjee appears to have spoken to the same gentleman after 26th October, and got from him on 29th October, 1960 a proposal that RKKR would export something else to make good the foreign exchange. It is quite clear to me that no further action on the part of the clerk was called for. All the information Shri Mukherjee wanted was on his desk and he knew it, as he dealt with it on the 29th August, 1960. Shri H. R. S. Rao's version is that when he spoke to Shri Mukherjee on 26th August, 1960, Shri Mukherjee did not react like one surprised at the information. He knew all about it and told him not to worry. That should finally dispose of Shri Mukherjee's defence.

5.38. **Is the admission of irregularity gratuitous.**—It has been urged :

- (1) that there was no compelling reason for Shri Mukherjee to have made the confession of his lapse, and
- (2) that if he had not disclosed it himself, nobody would have found it out, and that therefore.
- (3) it must be held that he had no dishonest motive for committing the irregularity.

5.39. Points (1) and (2) are inter-related, for if point (2) is found to be incorrect, the point (1) will have not force. The fear of ultimate exposure is often the most compelling reason for admissions and confessions. The argument covering points (1) and (2) above proceeds on the assumption that there was nowhere any check or review of the working of the results of the barter scheme. It is perhaps true to say that the Controller of Iron and Steel (Shri Bam) was exercising no check whatever on Shri Mukherjee. In fact, Shri Mukherjee agreed, in the course of his oral evidence that he was the most important person in the organisation at Calcutta, after the Controller. The Committee's inquiry showed that there was never any occasion for the

Controller to disagree with any proposal from Shri Mukherjee, or to decline to ratify Shri Mukherjee's action *ex post facto*.

5.40. The extent of the support which Shri Mukherjee enjoyed from Shri Bam is best illustrated by a rather startling case which occurred in the course of Shri Bam's examination by the Committee. Shri Bam deposed before our Committee that he did not know that Shri Mukherjee had made any alteration in the form of the Guarantee bond after it had been drafted by the solicitor. When the Committee pointed out to him the precise alteration, which Shri Mukherjee had made, Shri Bam said that he would have approved of these alterations even if he knew of them. This shows the amount of backing which Shri Mukherjee enjoyed from higher authorities.

5.41. While it is true that Shri Bam could never have found it out himself, that does not mean that there was no check or review at the level of the lower echelons of the Ministry at least. It has already been mentioned that Under Secretaries (e.g. Shri Baijal and Shri Nair) were actually demanding from Shri Mukherjee statements of import licences issued in advance of export and similar statements of progress of deliveries against export contracts entered into by HSL. There was, therefore, every chance of the irregularity being detected later, if not sooner. It was unfortunate that their review was neither methodical nor systematic nor efficient.

5.42. Apart from the possibility of detection as a result of review by the Ministry the possibility of detection through third parties could not be ignored. There were bound to be some disgruntled people in a big office and some of them might as they often do, inform. Then, there were trade competitors whose "business it is to get information" as Shri Bam put it, especially about the manner in which a trade competitor had been able to import a crore worth of steel (including Rs. 16.54 lakhs worth of stainless steel) without liability to make any export effort. Lastly, in this particular case, Shri Mukherjee could not rule out the possibility of leakage of information from the Calcutta sales office of HSL which knew that Shri Mukherjee had issued import licences to a party who did not have a matching export contract. It is true that Shri

Mukherjee did put a brave face on the matter in August, 1960, when Shri H.R.S. Rao told him of his mistake. But that did not deceive Shri Rao who very properly thought it fit to put it down on record. My own reading of some of the correspondence files concerning the semis barter contracts shows that for some reason, both Shri Mukherjee and Shri Bam had developed a rather unhelpful attitude towards HSL and when disputes arose between the barterers and HSL, Shri S.C. Mukherjee instead of vigorously taking up the matters with the barterers was inclined to throw his weight on the side of the barterers, and against HSL. For example, when Shri Mukherjee was asked by our Committee whether the barterers were failing to lift the semis tendered for delivery by HSL, Shri Mukherjee said that he did not know whether the fault lay on the side of the barterers or on the side of HSL. When he was asked whether he disbelieved the HSL versions, his answer was, "we did not go through the correctness or otherwise". Some further questions and answers are relevant in this context:—

II.249. Q. You were not worried as to whose fault it was. Am I right ?

A. At that stage, we were not.

II.255. Q. It is rather strange that you had the bank guarantee and you seem to have forgotten all about it. The bank guarantee was enforceable on failure to export and there was the failure to export. Your Office seems to have been completely oblivious of the bank guarantee. Is that right ?

A. Yes.

II.259. Q. So long as you were in-charge of the barterers you agree that it was your duty to see that the bank guarantees were duly enforced?

A. Enforced or extended.***

***In point of fact, he never thought of enforcing and after a time could not get them extended.

If Shri Mukherjee was conscious of the general attitude of the Steef Controllor's Office towards H.S.L. which was certainly not that of a friendly and affiliated institution, he had good ground for apprehending that if he did not come out with his admission soon enough, there might be others who might forestall him in the public interest.

5.43. For all these reasons, I am not at all impressed by the argument that Shri S. C. Mukherjee had no compelling reasons for admitting his lapse or that if he had not disclosed his lapse, it would have remained undiscovered for ever. The argument itself has no relevance *ab initio*, in the context of the present case where there is positive proof that Shri Mukherjee had committed the irregularity deliberately.

5.44. His note dated 26th October 1960 (Appendix LIX) is carefully designed to play down his irregularity by ascribing it to a mere accidental lapse at just one instant of time, *viz.*, at the time (6th June, 1960) when the import licences were ordered to be issued. That he had a lot more to explain as to why he entertained RKKR's application for a fresh barter deal at all when it was clear that there was no scope for any fresh barter proposal after February, 1960, has been conveniently omitted. That Shri H. R. S. Rao had orally and in writing told him on 26th August, 1960, that there was no matching export contract has not been alluded to. That he had on several occasions been reminded about his irregularity through the monthly statements of H.S.L. and his own specially prepared statements submitted by him to the Ministry have all been left out of his note. But he is careful enough to include his clerk for a share of the responsibility, obviously to dilute his own. He says that *immediately* after his talk with Shri H. R. S. Rao, on 25th October, 1960, he looked up his papers and found out that what Shri Rao told him was "substantially correct". What Shri Rao told him on 25th October, 1960, and confirmed by letter of the same date was exactly the same as what he had told him on 26th August, 1960, and confirmed by letter of 26th August, 1960. How was it that on the earlier date (26th August, 1960), he allowed the matter to slide?

5.45. Examination of his Note dated 26th October, 1960.—In his note of 26th October, 1960, (Appendix LIX)

he mentions that the bank guarantee is enforceable but does not suggest that it should be enforced. He says that he had issued instructions for the stoppage of customs clearance permits (CCP) so that RKKR would not be allowed to clear through customs their subsequent imports under the import licences already issued to them. In point of fact, RKKR was allowed during November, 1960 (from 1st November, 1960, to 29th November, 1960), 9 customs clearance permits to clear through customs as many consignments of steel material imported under the licences in question. One more CCP was allowed in December, 1960 and another in February, 1961. The total value of the steel imported after the date of Shri Mukherjee's note was actually Rs. 26,94,788 which included Rs. 9,55,532 on account of stainless steel.

5.46. Shri Mukherjee as asked in the course of his oral examination by our Committee whether he had the legal power to stop the issue of CCP when the importer had a valid import licence. His answer was in the negative. Then he was asked why he chose to suggest such an illegal remedy. His answer was that it was one of the ways of exercising pressure on the importer. Ultimately, he had to agree that what he was suggesting in his note dated 26th October, 1960, was pressure tactics by abuse of power and that RKKR was not likely to be so ignorant of their lawful rights under the import licence as to be imposed upon by such "pressure tactics". Then he was asked why he chose to adopt such illegal pressure tactics (which he knew to be ineffective and useless) instead of the legal remedies open to him. He was next asked whether he was in a position legally to cancel a licence already issued. His reply was "I have not examined it; I will have to look into it".

5.47. Then his attention was drawn to clause 9 of the Imports (Control) Order, 1955, which reads :

"9. The Central Government or the Chief Controller of Imports and Exports or the Development Officer (Tools) Development Wing or any other officer authorised in this behalf may cancel any licence granted under this Order or otherwise render it ineffectiv

- (a) if the licence has been granted through inadvertence or mistake or has been obtained by fraud or mis-representation”;

* * * *

His answer was :

- III.115. “I have had no occasion to deal with such cases. So I did not have personal knowledge of it. Whenever cases like that come then only we study these orders. But my recollection is that the Iron and Steel Control Offices are not authorised to cancel licences. It is done only by the CCI or the Central Government. We were not at least at that time officers authorised to take action under this clause. We had to report to the Central Government.”
- III.116. Q. Could you have reported to the Central Government immediately for action under clause 9(a) of the Imports (Control) Order 1955?
- A. It could have been reported.
- III.117. Q. Why did you not do it?
- A. It did not occur to me.
- III.118. Q. I find it difficult to believe that you were not aware of this facility—which you, as the licensing authority, as an officer intimately in touch with the Ministry, could have availed of?
- A. Firstly, I was not the licensing officer at that particular time in the Steel Controller’s Office. But even then I agree there is a point in what you said, that I could have asked the licensing officer or even myself reported to the Central Government. But it did not occur to me, firstly because most of the imports had already been made and a very small quantity remained; we were also expecting that the firm would make good the damage, so the purpose would be served if we made him agree to adjust foreign exchange.

III.121. Q. How much of it (imports) was outstanding at the time?

A. In the PAC I had given the figure that the party had made imports of 8297 tons of steel valued at 95 lakhs and a balance of 149 tonnes worth Rs. 3.9* lakhs was only left.

III.122. Q. It would still have been in the national interest to cancel the remaining import licence at that stage?

A. I did not do so because he was expected to earn foreign exchange and HSL was being persuaded to give the material. So we simply stopped the CCP for the time being to force him to sign a contract with H.S.L.

III.123. Q. Stoppage of CCP was, on your own admission, an illegal move. But you were reluctant to have the remedies which were open to you legally. How do you explain this attitude on your part?

A. I judged that as most of the imports had been made already, it would be more to the interest of the country to make him earn the foreign exchange rather than punish him for a small tonnage which was still to be imported.

III.126. Q. The remedy immediately available at that time was forfeiture of the bank guarantee of Rs. 15.15 lakhs and saving of foreign exchange of over Rs. 3 lakhs.**

A. yes.

*Our Committee's investigation shows that actually Customs Clearance Permits of the value of Rs. 26,94,788 were issued after 25th October, 1960. Shri Mukherjee had given wrong figures both to our Committee as well as to the P.A.C.

**This was based on Shri Mukherjee's wrong statement. Actually, the remedy then available was forfeiture of bank guarantee of Rs. 15 lakhs and saving of foreign exchange of nearly 27 lakhs.

III.127. Q. I suggest you were anxious not to displease this party?

A. Why? I don't think so.

III.128. Q. Because your forbearance on this occasion leads to the inference that you were anxious that he should not be displeased?

A. I think it will be a wrong conclusion. I have given a very strong note and suggested strong measures against the firm. I could not like to please such a firm. Certainly not. That is not correct.

III.129. Q. You have suggested some of the measures which you knew were illegal and therefore unenforceable. In fact, the fact you suggested such illegal [measures] throws considerable doubt about the *bona fides* of the suggestion.

A. It is a matter of opinion, but I must strongly say that I had no desire to please, and any action could be taken. I made some suggestions to the Controller. He reported to the Ministry and I was not the only man to take action on this matter and so the entire responsibility should not be put on me. If you have the feeling, if you have doubt in your mind, I must say strongly that I did not like to please anybody.

III.130. Q. Already you had been thinking of letting off the party only with a severe warning. Please read this portion :

“If they do so, we may let them off this time with a severe warning”.

Where was the question of letting them off at that time? How did it occur to your mind to let them off merely with a severe warning, whatever the effect of that is?

- A. I had said "if they do so". If they earn the foreign exchange, when we will let them off that was my suggestion.
- III.137. Q. If you had cancelled the outstanding import licence, you could still have asked them to make good the foreign exchange that had already been spent by them?
- A. That could be done.
- III.138. Q. At least to the extent of the unspent foreign exchange, why did you not take steps to get the outstanding licence cancelled?
- A. The unspent portion was very small. It involved a long procedure. We have to report to the Government and so many things had to be done; they might have opened letters of credit. But it did not occur to me.
- III.139. Q. You say that the process is long. Is it really so long? Honestly tell me, did you think that there was any difficulty in getting orders from Government even by telephone to be confirmed the next day by a letter? Did you have any such difficulty in the past?
- A. No Sir, in any case, as I said, it did not occur to me.
- III.142. Q. If you genuinely thought that party was going to make a real effort to recoup the loss, it would have been easier for the party to recoup the smaller loss than a larger loss of foreign exchange. You yourself were aware at that time that on account of certain technical or mechanical difficulty the production of slabs and other materials had suffered a set back and H.S.L. did not have sufficient exportable material. How did you expect them in October, 1960 to be able to get semis for export when you were aware that even other parties were encountering difficulties in the matter of delivery?
- A. The idea was that they would earn foreign exchange by the export of manganese ore and ferrous scrap if semis were not available.

III.143. Q. That again goes to confirm that your idea from the beginning was to accommodate their wishes to permit them to export material other than semis?

A. No, Sir, that was not the idea. I had to agree to this when there was a failure to export semis—not before.

5.48. I have given above only a very few questions and answers from the voluminous evidence to show that Shri Mukherjee even while admitting his lapse and appearing to be suggesting “very strong” measures on paper, could not think of anything more than a “severe warning”. He tried to exaggerate the difficulties of getting the licences cancelled. In the beginning, he even tried to say that he was not aware of the provisions regarding cancellation of licence.*** He knew that the “strong” measures he was suggesting were an eye wash, that CCPs could not be stopped and were not in fact stopped. I have reasons to think also that he was deliberately understating the value of the material still to be cleared. The actual value of the imports brought in after 26th October, 1960, was Rs. 26,94,788 which included Rs. 9,55,532 on account of stainless steel. If he had taken steps to forfeit the bank guarantee and cancel the licence at the end of October, 1960 he could have saved nearly Rs. 27 lakhs of foreign exchange and realised Rs. 15,15,000 by way of guarantee money. He could still have set the firm the task of earning the remainder of the foreign exchange by making an export effort. Even in the course of the evidence, Shri Mukherjee’s thoughts went unconsciously in the direction of the hardship which he would have caused to RKKR if he had cancelled the unutilised portion of the licence. He was thinking of the letters of credit that might have been opened by RKKR in favour of the foreign exporters (*vide* his answer to question No. 138 above).

***The questions and answers reproduced above relate to the third day of Shri Mukherjee’s oral examination. On the first day of his examination he had been asked how, he thought, he could enforce compliance with his demands for extension of bank guarantee. His answers, reproduced in the Fourth Chapter of this Note of Dissent, show that he knew all about cancellation of import licence. He himself mentioned the power to cancel licences as the sanction behind his demands for extension of bank guarantee, *vide* his answers to Questions I-194 and 195 reproduced in Chapter IV of this Note.

5.49. If immediately after his lapse was first brought to his notice by an outsider, *viz.*, Shri H. R. S. Rao, in August, 1960, Shri Mukherjee had taken steps to forfeit the guarantee bond, and cancelled the licences, he would have saved for Government total foreign exchange expenditure of nearly 90 lakhs (Rs. 89,94,605 to be precise) and recovered Rs. 15,15,000 by way of guarantee forfeiture. However, the fact is that he knew from the beginning that he was issuing import licences without there being an export contract.

5.50. **Failure to take disciplinary action.**—Shri Bam's note dated 26th October, 1960, recorded immediately after Shri S. C. Mukherjee's note of the same date (*vide* App. LIX) reads:

“It is most unfortunate that such a serious lapse should have taken place in the office. We must immediately explore all avenues to see that the damage is repaired. As Shri Kulwant Rai is arriving in Calcutta in a day or two, we should prevail upon him to surrender his other unutilised import licences of the equivalent value. In the meantime, I find that DC(M) has already taken other precautionary measures.

After we get a clear picture, we may submit a detailed report to the Ministry”

Sd/-A. S. Bam
26th October, 1960

5.51. One would have thought that in the particular situation, Shri Bam as the head of the office, would immediately have taken the matter into his own hands and started making a thorough investigation of all the facts and circumstances which led to the commission of the serious irregularity and the reason why it was not detected earlier. Shri Bam, however, did not do it. The “clear picture” which he was awaiting was, he explained, about the ways and means of “repairing the damage”.

5.52. The use of the word in the first person plural, *viz.*, “we” throughout the note shows that Shri Bam was expecting Shri Mukherjee to help him in the preparation of the detailed report which it was his intention to send to the Ministry.

5.53. It appears that Shri Bam went to Delhi along with Shri Mukherjee and saw Shri Bhoothalingam on 2nd November, 1960, and brought the lapse to the personal notice of Shri Bhoothalingam who was the disciplinary authority. Shri Bam states that it was his impression that Shri Bhoothalingam did not expect anything more to be done by him in the way of disciplinary proceedings. He has not given any explanation why if that was his understanding, he did not record his impression below his note of 26th October, 1960. He admitted that he had not made any investigation on his own to satisfy himself that the serious lapse was not deliberate.

5.54. Shri Bhoothalingam says that Shri Bam mentioned to him that a lapse had occurred. But he is not prepared to say that he saw on 2nd November, 1960, Shri Mukherjee's note of 26th October, 1960. He could not say when he actually saw it. He says he concentrated his mind at correcting the consequences of the lapse. He says further that he expected Shri Bam to send him a report if he (Shri Bam) thought it was necessary to take disciplinary proceedings but that he did not express his thought to Shri Bam. He kept no record of the conversation or any memorandum to remind himself or his office that the submission of a report on the irregularity should be watched. He denies having given Shri Bam the impression that he (Shri Bam) was to do nothing more about Shri Mukherjee. He says that his only anxiety at that stage was about rectifying the consequences of Shri Mukherjee's lapse by making HSL agree to supply semis to RKKR for export. He admits that he sent for Shri Subramaniam of HSL and asked him immediately to write to the Calcutta Office of HSL and arrange to give an export contract to RKKR.

5.55. My conclusion from the evidence of these two officers is that both Shri Bam and Shri Bhoothalingam desired that no action should be taken against Shri Mukherjee. In the character roll of Shri Mukherjee, which was written by Shri Bam in January, 1961, there is no reference whatever to Shri Mukherjee's lapse; on the other hand he has described him as an officer of "above average" quality. Shri Bhoothalingam also wrote in the character roll of Shri Mukherjee in January, 1961 that Shri Mukherjee was an "outstanding" officer. Neither of them has made any reference to his lapse. Assuming that Shri Bhoothalingam gave Shri Bam to understand orally that no formal

report was called for, that would not still exonerate Shri Bam. When a serious lapse comes to the notice of the head of the office it is his duty to make a report after full investigation to the disciplinary authority and he cannot relieve himself of this responsibility on the strength of any oral hint or suggestion from the disciplinary authority to the effect that the latter would rather not like him to make any such report. Similarly, it is the duty of the disciplinary authority whenever he comes to know, by whatever means, of the occurrence of a serious irregularity on the part of an officer under his administrative control, to insist on a thorough investigation and report within a reasonable time. There has thus been failure both on the part of Shri Bhoothalingam and Shri Bam. The entries made by them just two months after the discovery, in the character roll of Shri Mukherjee and the absence of all references therein to the serious lapse of Shri Mukherjee would support a finding that both Shri Bam and Shri Bhoothalingam were desirous of covering up the irregularity. The fact that Shri Bhoothalingam kept no record in his own office of the discussion he had with Shri Bam on 2nd November, 1960, would be an additional reason for reaching the same finding.

5.56. The other events concerning this case may be briefly narrated. It appears, Shri Bhoothalingam and Shri Shrinagesh had both visited Durgapur and were returning to Calcutta in the HSL aircraft on the 13th November, 1960. Shri Bam seems to have met them at the Dum Dum airport. At this informal meeting Shri Bhoothalingam appears to have asked Shri Shrinagesh to arrange for an export contract for M/s. RKKR. The evidence is conflicting as to who took the initiative to broach the subject. Shri Bam's version is that it was Shri Bhoothalingam, on his own initiative, who mentioned the subject to Shri Shrinagesh. Shri Bhoothalingam, however, says that it was at Shri Bam's instance that he spoke to Shri Shrinagesh. Whatever that may be, the fact is that Shri Bhoothalingam did interest himself in this case and spoke to Shri Shrinagesh.

5.57. The events upto this date have been recorded in a note which was prepared on 2nd December, 1960, but ante-date to 17th November, 1960, by Shri Mukherjee. The note is at Appendix LX.

5.58. On the next day i.e. 14th November, 1960, Shri Bam wrote to Shri Shrinagesh referring to the conversation at the airport and requesting that arrangements may

be made to provide RKKR with a contract for 25,000 tons of slabs and/or ingots *vide* Appendix LXI. Shri Bam sent a copy of this letter to Shri Bhoothalingam. In reply to Shri Bam's letter, Shri Shrinagesh wrote on 26th November, 1960, (*vide* Appendix LXII) saying that he would be prepared to offer ingots and slabs from stocks at Rourkela on the clear understanding that the material will have to be accepted as they were without further rejections of the quantities offered. At the same time he mentioned that offering material for export to this party at that stage would result in considerable criticism. In the said letter Shri Shrinagesh had mentioned that the materials lying at Rourkela could be sold on cash basis and that, in fact, some export deals have already been concluded on cash basis. He also intimated that instead of selling the surplus ingots and slabs as such it would be preferable to roll them into untested plates against cash export orders and pointed that the export of finished products like plates would certainly give a better return as compared to the export of steel in the shape of ingots and slabs.

5.59. Shri Bam replied to this letter on 13th January, 1961 (*vide* Appendix LXIII) and sent to Shri Bhoothalingam a copy of his letter for his information. In this letter Shri Bam writes:

"I am a little puzzled on your statement to the effect that offering materials for export to RKKR could result in considerable criticism".

On receipt of the copy of Shri Bam's letter Shri Bhoothalingam appears to have made a remark on the letter itself saying:

"It is the rejection of this by HSL which will attract criticism"

With reference to this remark of Shri Bhoothalingam, he was asked by our Committee to elucidate what he had in mind when he made it. The following questions and answers are relevant:—

I—19. Q. Why should you have thought that he (Shri Shrinagesh) was taking a perverse view?

A. I did not think so. What I meant was this —I had no reason then, or no reason now, to think that one need worry about the type of criticism that Shrinagesh had in mind.

I. 20. Q. The impression your remark produces is that you were anxious to have the irregularity covered up by export of material.

A. I beg to differ. I certainly was anxious that the irregularity should be corrected by effecting the export of steel and I did feel that export of steel could be made and the reasons which Shri Shrinagesh gave were not strong.

I. 21. Q. The suggestion being made is this, that instead of venting your wrath against the officer whose default or lapse was responsible for the difficulty, you vented your wrath against Shri Shrinagesh who was not over-anxious to help you out of the predicament?

A. This is not a fair formulation. It is a matter of opinion whether I vented my wrath but it is entirely wrong to suggest that I vented my wrath against Shri Shrinagesh. I said earlier, my anxiety was that, apart from the responsibility of anybody, the export should take place, and I repeat that my objective was only to correct the mistake, but Shri Shrinagesh was pointing out difficulties.

I. 23. Q. The impression produced by your omission to make any comment or note on Shri Mukherjee's lapse is that you did not want the Ministry to take any notice of the official's lapse?

A. Such an impression was not meant to be created.

5.60. Shri Shrinagesh has stated before our Committee that he did not like giving RKKR the export contract, not only for the reasons mentioned in his letter dated 26th November 1960 but also because:

Unless you have more than one person entering on negotiation, the single person is at an advantage in bargaining with you".

To my mind, Shri Shrinagesh and his officers in the HSL had cogent and valid reasons for their reluctance to provide a barter contract to RKKR at that stage. A note recorded by Shri Subramaniam of HSL on 19th November 1960 fully explains how they have been rejecting many cash offers for export from other people and how it would be improper to provide an export deal for RKKR primarily because some officer in the Iron and Steel Control Organisation had been negligent. A copy of Shri Subramaniam's note dated 19th November 1960 is at Appendix XVI.

5.61. I do not understand what public purpose was served by giving a contract to RKKR at that stage instead of exporting the same for cash or rolling the material into untested plates and exporting them for cash as proposed by Shri Shrinagesh. Foreign exchange could as well have been arranged by cash export as by giving the contract to RKKR. There is not the slightest doubt that Shri Bhoothalingam was annoyed with Shri Shrinagesh because, to use Shri Bhoothalingam's own words, "Shrinagesh was pointing out difficulties" *vide* his answer to question No. I-21, reproduced above.

5.62. Shri Bam was questioned by the Committee about the source of the information on which he based the following portion of his letter dated 31st January 1961 to Shri Shrinagesh:—

"The price offered to RKKR, *viz.*, \$84 f.o.b. per metric ton, which I understand the firm is prepared to accept, is therefore, very much attractive to cause any criticism to HSL."

Shri Bam stated that the draft of the letter was prepared by Shri S. C. Mukherjee and the information was probably obtained by Shri Mukherjee because he had "written it in the draft". In point of fact RKKR had made no such offer. The contract No. 18 of 18th January 1961 between RKKR and HSL showed that the rate agreed to by the firm was \$70.53 only for slabs. Shri Mukherjee apparently mentioned the figure of \$84 in the letter to Shri Shrinagesh with a view to induce HSL to help him out of the difficulty. If it is true that the firm RKKR did signify to Shri Mukherjee that they were prepared to offer as much as \$84 per ton for semis they would have done so only to facilitate the issue of customs clearance permits in

respect of the remainder of their imports made under the import licence issued to them. The fact remains that RKKR actually made no attempt whatever to perform the contract and the enforcement of the renewed guarantee was not thought of. Shri Bhoothalingam who continued as Secretary of the Steel Ministry until about July, 1961, did not care to ascertain anything about the implementation of the contract although he took the trouble to bring the contract into existence. The following questions to and answers of Shri Bam seem to bear out the point that the officers were concerned more with bringing into existence a contract with RKKR than with either safeguarding the interest of Government or seeing that sufficient pressure was exercised on RKKR to make him fulfil his obligations:

II.163. Q. The question was if you had been so minded you could have cancelled the import licences already issued, you could have, by a proper procedure, taken steps to cancel the import licences originally issued which would have saved the Government foreign exchange of over Rs. 30 lakhs and in addition you could well have forfeited the bank guarantee which was then for about Rs. 15 lakhs. On top of it, Kulwant Rai might have been punished even by the Customs Department for importing the consignments which would then have been without the support of Customs Clearance. That is to say, if you were inclined to save the maximum amount out of this wreck, there was plenty of scope to take proper legal action. Mr. Mukherjee's suggestion to stop CCPs without cancelling the import licences was according to the evidence before us not legally sustainable. The question is why did you think of measures which had no legal basis while punitive action supported by law was possible?

A. Whatever immediate remedial measures we could think of, were set in motion. In addition, this matter was also brought to the notice of the Secretary of the Ministry and Hindustan Steel and it was felt that since the party was willing to take materials from stock without specification and analysis

report, which material normally would have been impossible to dispose of by Hindustan Steel, it would be in the national interest to make the party accept this material, and which this party agreed to do to make good the foreign exchange already spent on pre-imports.

II.164. Q. The fresh bank guarantee that was taken on 6-1-1961 (mentioned as annexure 9, 56th Report, Part II)—was this form of the bank guarantee which differs in certain important respects from the general form previously adopted in almost all other cases, seen by you before it was accepted?

A. (Reads the noting on the file). PUC (Bank Guarantee) may be filed. This has been made by G. N. Sen, the dealing Assistant. He has put up to the Superintendent.

II.166. Q. It seems to be rather extraordinary that even after such a major lapse in the office, this, the renewed bank guarantee was not scrutinised by anybody higher than a Superintendent ?

A. It appears so from the file.

5.63. **Conclusions.**—The evidence speaks for itself. further comment is unnecessary.

There is abundant material to hold:—

- (i) that Shri S. C. Mukherjee knew from the beginning that RKKR had no contract with H.S.L.
- (ii) that Shri Bam failed to send a report to the disciplinary authority after due investigation.
- (iii) that Shri Bhoothalingam failed to call for a report from Bam.
- (iv) that both Shri Bhoothalingam and Shri Bam were anxious to cover up the irregularity.
- (v) that there was failure on the part of all the three officers to safe-guard the legitimate interests of Government.

CHAPTER VI

AUDIT REVIEW OF EXCHANGE CONTROL—A SUGGESTION

6.1. The semis barter scheme was designed with a view to finding additional foreign exchange resources by export of semis so that the foreign exchange generated could be used for importing additional quantity of finished steel needed in the country. The scheme required that the imports were to be conditional on exports and only up to the value of the exports. However, the Steel Controller, who implemented the scheme, actually used up more than twice the foreign exchange earned by the exports. Had it not been for the special interest evinced by the Public Accounts Committee, the defective working of the scheme would not have come to the notice of Parliament to whom the Government is ultimately responsible. The question, therefore, arises whether the Auditor General who is the normal agency through whom Parliament gets satisfaction about the regularity and faithfulness of all Governments accounts of expenditure, earnings, cash balances, stores and other assets should be requested to undertake systematically a periodical examination of the working of the executive departments and agencies who regulate or control the expenditure of foreign exchange. The desirability of instituting a system of periodical review by an external, independent authority like the Auditor General was borne out by the fact that the Committee came across instances of licensing procedure in the Steel Controller's Office which appeared, *prima facie*, to be incompatible with a proper exchange control mechanism and yet remained unchallenged to this day.

6.2. The Committee, therefore, prepared a brief note on the subject in order to elicit the views of the concerned authorities. Copies of the note were forwarded to the Reserve Bank of India, the Comptroller and Auditor General and the Ministries of Finance (E.A.D), Commerce and Steel. Copies of the said note and of the replies from the Auditor General and the Secretaries of the three Ministries are at Appendix CI.

6.3. The Committee had also the benefit of a brief discussion with Shri Jagannathan, Secretary of the Ministry of Finance (E.A.D.). The subject was not pursued as the majority in the Committee were of the opinion that it did not strictly fall within the terms of reference. It seems to me however that it may not be completely outside the scope of the Committee's functions to consider measures which, if taken, would help to identify errors of procedures and practices quickly and systematically, so that remedial action in time might be taken to prevent more serious consequences in the future.

6.4. Shri Jagannathan, Finance Secretary, considers that the Reserve Bank's Control over the foreign exchange transactions is adequate to ensure that all payments due on exports are duly received within the time prescribed and that the payments in foreign exchange for imported goods and services have been duly authorised. There is no reason to doubt that the position may be generally as stated by Shri Jagannathan. Still, there are instances among the barter cases investigated by the Committee where it has not yet been definitely established that the foreign exchange said to have been earned from the exports have actually come home correctly according to the unit values shown in the export invoices and the G. R. forms. Similarly a case has come to notice where remittance of foreign exchange appears to have been allowed by an authorised dealer to cover the freight payable to an Indian Shipping line although such a remittance ought not to have been made. It is not possible to say whether these are instances of mere failure of the human element or are indicative of any deficiency or lacuna in the *system* of control.

6.5. The Committee have come across several instances where the Steel Controller had allowed Customs Clearance Permits for values in excess of the values shown in import licences. There have also been cases where unauthorised imports have been allowed to be landed by the issue of CCP after taking guarantee bonds which were ultimately not enforced. Such actions on the part of the licensing authorities are undoubtedly irregular in that they defeat the exchange control mechanism and probably also facilitate irregular utilisation of secreted foreign exchange. These instances point to the need for a periodical review of the procedures in the offices of the licensing authorities. Shri H. Lal, Secretary of the Steel Ministry,

considers that such a periodical review by an independent authority would be useful.

6.6. Shri K. B. Lal, Commerce Secretary, has pointed out that there is an Inspection Unit, in the organisation of the Chief Controller of Imports and Exports, which examines the procedure from time to time. Shri Jagannathan, Finance Secretary, has also intimated that there is an area where there is scope for an internal review so as to ensure that the concerned agencies have used the foreign exchange allotted to them in accordance with the terms on which it is allotted, and that such an internal review is now being done. I have no doubt that such internal reviews must be serving a very useful purpose and minimising chances of lapses or other irregularity. The idea underlying the suggestion for a review by an independent agency, like the Auditor General, is not to duplicate or eliminate the internal review but to supplement it. It is only as a result of a co-ordinated and comprehensive review by an independent authority like the Comptroller and Auditor General that it can be certified to Parliament that the several licensing and other officers, functioning under delegated authority are working smoothly so far as the utilisation of allocated foreign exchange is concerned.

6.7. Shri Ranganathan, the Comptroller and Auditor General who had been Secretary of the Commerce Ministry for many years, agrees that internal procedures should be formulated in the several licensing offices and cleared with Audit to ensure that the procedures are adequate and the Audit Department could also apply to test check to see that the procedure is being effectively implemented. So far as the offices of the licensing authorities are concerned, he thinks that the Comptroller and Auditor General could very well undertake this work without any undue stretching of his existing powers.

6.8. As regards the review of the Reserve Bank's Exchange Control organisation, the Auditor General sees no reason why it should continue to be excluded from the purview of a periodical audit scrutiny. He points out that he would be prepared to undertake this review, if Government so desires by virtue of a special dispensation under Section 51 of the Reserve Bank of India Act. If, However, a regular and continuing audit by the Auditor General is

desired, the same may be provided for in the Audit Bill that is at present under the consideration of Government.

6.9. In view of the important role which foreign exchange plays in economy of the country, I strongly feel that the suggestion for a review of the exchange control procedures by the Auditor General is worthy of very serious consideration.

(Sd.) P. C. PADHI.

29th February, 1968.

Phalguna 10, 1889 (Saka)



REPORT OF THE COMMITTEE OF INQUIRY (STEEL TRANSACTIONS)

Appendices

DEPARTMENT OF IRON & STEEL
GOVERNMENT OF INDIA
NEW DELHI

February, 1968

Inland : Rs. 10

Foreign : 23 sh. 4 d. or \$ 3 60 cents.

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APPENDIX I

List of officer and staff of the Committee of Inquiry—Head- quarters (Delhi) and Branch Office (Calcutta)

Secretary	1
Deputy Secretary	1
Under Secretary	2
Senior Analyst	2
Junior Analyst	9
Assistant Secretary	2
Office Establishment	38

APPENDIX II

ORDER OF IRON & STEEL CONTROLLER REGARDING DESTRUCTION OF FILES

EXTRACTS OF NOTES IN FILE No. 1/3-10(59)/60.

A list of old files has been prepared and is placed below. Files marked "D" may be given over to Admn. Branch for destruction and those marked "R" for retention. The principle followed in marking the files as "D" and "R" is that licence and C.P. Files pertaining to the years 1957 and earlier and also SIC (1) files (non-policy), viz. (1) correspondence with private parties reg. I.T.V.C. (2) Country-wise Register for customs permits (These statements were maintained by SIC (3) from C.P. Slips for statistical purposes prior to the system of issue of the 3rd copy of C.C.P. to Statistical Branch) (3) Daily individual progress reports and (4) Counter receipt books (counter slips are issued by us against C.P. applications so that prompt attention may be given and the C.P.'s are handed over to the parties against such counter receipts) pertaining to the years 1957 and earlier may be destroyed and that files pertaining to policy matters as well as files relating to 1958 and later years may be retained.

There are certain files relating to TCA and Government indents which have been marked TCA Cell and may be transferred to that Section.

In this connection orders at pages 35-41/N (Linked File No. SIC (1)/404/Vol.II/54) and page 279/N of the same file may please be seen.

Apart from the files included in the list there are many other old files which are occupying a large space in the racks. The completion of the lists of files to be destroyed will be difficult owing to shortage of staff in the Branch but the files require to be removed as quickly as possible as the dealing assistants in the Branch have to work with dozens of files on their tables which delays the disposal of papers. It is suggested that old files of the following natures may be handed over to Admn. Branch for destruction straight way without compilation of the list of files:—

- (a) Licence and C.P. files pertaining to the years 1957 and earlier with the exception of Barter and Tender cases.
- (b) I.T.V.C. lists valid up to September, 1959.
- (c) C.C.I.E.'s blacklisting circulars prior to March, 1961 (Up-to-date consolidated lists of blacklisting/suspension etc. are received twice a year and at present we are working on the current list received in the month of March, 1961).

- (d) Counter slip books up to 1960, December. (As already explained, counter slips are issued against customs permits applications for quick action, and delivery of the C.P.'s to the parties).
- (e) Copies of C.C.P.'s which are surrendered to us by the customs authorities after full utilisation. In this connection notings at page 27/N may please be seen (These utilised C.C.P. copies are received occasionally).

Sd./- Y. D. KELKAR.

AD(K)

DCL

For advice

Sd./- V. DORASAMY.
14-7-61.

D.D.A.

Seen, thanks. We shall remove the files for destruction at once and as soon as their location is communicated to us. Shri Kelkar's suggestions in his note appear to be reasonable.

Sd./- C. B. MATHUR,
14-7-61.

DC (D)

Sd./- V. DORASAMY,
14-7-61.

AD (K)

Sd./- Y. D. KELKAR,
14-7

* * * * *

On 14th July, 1961, it was decided that the certain categories of files/papers were to be destroyed without keeping records upto the year 1957. On the same analogy as on 27th July, 1964 the same categories of files/papers upto the year 1961 may be sent for destruction without any records. The types of files/papers to be destroyed are enumerated below:—

- (a) Licence and C.P. Files pertaining to year 1961 and earlier with the exception of barter tender and SP.E/Police cases and dealers files where base quota were fixed.
- (b) I.T.V.C. file valid upto September, 1962.
- (c) C.C.I. & E. blacklisting circulars in consolidated form except the current one. Individual circulars upto March, 1963.
- (d) Counter slip books upto 1963, December.
- (e) Copies of C.C.P. which are surrendered by customs after full utilisation.

Over and above all these files, licences/C.P. on which no action has been taken for 6 months may be sent to record room for record. Usual Symbol should be given on the files/papers as "R" and the period of retention will be commensurate with the period of time as is required for them to be destroyed. Files pertaining to 1962 will be sent to record room with the symbol "R" and period of retention to be indicated as 31st December, 1965 and so on.

DAC(S)

Sd./- S. SARBADHIKARY.
28-7.

AD(F) May do as proposed.
DC(M)

Sd./- 28-7-64.
Sd./- C. B. MATHUR,
28-7-64.

APPENDIX III

MINISTRY OF STEEL, MINES AND METALS

(The Committee of Inquiry (Steel Transactions))

NOTIFICATION

New Delhi, the 25th March, 1967.

No. 6/66-CI(ST).—Whereas the Government of India [Ministry of Iron and Steel Resolution No. SC(II)-14(19)/66, dated September 12, 1966] appointed a Committee of Inquiry, consisting of (1) Shri A. K. Sarkar, former Chief Justice of India, as Chairman, (2) Shri V. S. Hejmadi, former Chairman of the Union Public Service Commission and, (3) Shri P. C. Padhi, former Chairman of the Central Board of Revenue and former Deputy Comptroller and Auditor General of India as Members to hold a thorough and comprehensive inquiry into all aspects of the working of the Ministry of Iron and Steel with reference to parties mentioned in the 50th Report of the Public Accounts Committee and to further, similarly enquire into transactions relating to the other parties to whom large licences/ permits have been issued from 1951-52 onwards and find out whether any irregularities or defaults were committed by any person in authority or any other person, firm or company concerned with the said transactions and, if so, whether such irregularities or defaults have resulted in loss to the Government or any undue advantage to the party or parties concerned etc.

And whereas in the 50th Report of the Public Accounts Committee the names of the following parties and their associates have been mentioned:—

1. Messrs. Aminchand Payarelal, Calcutta.
 - (1) Messrs. Surrendra Overseas Ltd., Calcutta.
 - (2) Messrs. Surrendra (Overseas) Private Ltd., Calcutta.
 - (3) Messrs. Associated Wires Conductors Co. Private Ltd. Jullundur City.
 - (4) Messrs. Apeejay Private Ltd., Kumhari (Re rolling Mill).
 - (5) Messrs. Apeejay Structural Ltd., Calcutta.
 - (6) Messrs. Apeejay Steel Casting Co.(P) Ltd., Jullundur City.
 - (7) Messrs. Steelcrete Private Limited.
 - (8) Messrs. Steel Rolling Mills of Hindustan, Calcutta.
 - (9) Messrs. Kashmir Ceramics Ltd., J. and K.
 - (10) Messrs. Oriental Spoon, Pipe and Co., New Delhi.

- (11) Messrs. Aeron Steel Rolling Mills, Jullundur.
- (12) Messrs. Aeron Steel Rolling Mills, Bombay.
- (13) Messrs. International Sanitary Engineers, New Delhi.
- (14) Messrs. India Engineering Works, Calcutta.
- (15) Messrs. Metal Import, Calcutta.
- (16) Messrs. Aminchand Payare Lal Ltd.
- (17) Messrs. Surrendra Engineering Works (Rolling Mills).
- (18) Messrs. Apeejay Private Ltd., Calcutta.
- (19) Messrs. Aminchand Payarelal, Tin Container Unit.
- (20) Messrs. Apeejay Steel Works, Jammu.

2. Messrs. Khemchand Rajkumar, 33, Netaji Subhas Road, Calcutta-1

- (1) Messrs. Bombay Steel Rolling Mills Ltd., Calcutta.
- (2) Messrs. Rajkumar Lines Ltd., Calcutta.
- (3) Messrs. Electrolytic Tinplates Ltd., Bombay.
- (4) Messrs. Rajkumar (India) Ltd., Calcutta.
- (5) Messrs. P. V. Corporation (Private) Ltd., Calcutta.
- (6) Messrs. Steel Mills of India (Private) Ltd., Calcutta.

3. Messrs. Ram Krishan Kulwantrai, 33, Netaji Subhas Road, Calcutta-1.

- (1) Messrs. Allied Finance (P) Ltd.
- (2) Messrs. Kulwantrai and Sons (P) Ltd.
- (3) Messrs. Kulwantrai and Sons.
- (4) Messrs. Usha Spinning and Weaving Mills Ltd.
- (5) Messrs. Usha Forgings and Stamping Ltd.
- (6) Messrs. Usha Rectifiers Corporation of India Ltd.,
- (7) Messrs. Ram Krishan Kulwant Rai Industries (P), Ltd.
- (8) Messrs. Usha Flour and General Mills, Ltd.

4. Messrs. J. S. Cohen and Co., Calcutta.

5. Messrs. V. D. Swamy and Co., Calcutta.

1 And whereas the Committee has commenced its work and by Ministry of Iron and Steel Notification No. SC(II)-14(19)/66, dated October, 7, 1966, the Central Government had directed that the provisions of section 4, sub-sections (2), (3), (4) and (5) of Section 5, Section 6, Section 9 and Section 10 of the Commissions of Inquiry Act, 1952 (50 of 1952) shall apply to the Committee.

Now, therefore, this notification is issued by and under the order of the Committee, inviting all persons acquainted with the subject matter of the inquiry to furnish information to the Committee. The information should be sent in the form of an affidavit containing a statement of facts set out in separate paragraphs each relating to a spe-

issued along with names of the party or parties who have either derived undue benefit or who may have been aggrieved by an action of any person in authority as referred to in the Government's Resolution. Where reliance is placed on documents, a list of the documents along with the documents in original or true copies of such of the documents as may be in possession should be forwarded to the Committee. The name and address of the person from whom the remaining documents may be obtained should also be stated. Such affidavits must be properly verified in the following manner, namely, "that the statements in paragraph and of the foregoing affidavit are true to my knowledge", and in case the statements are derived from information received, "that the statements in paragraph to are based on information received by me from (name of the informant) residing at and believed by me to be true". The affidavits may be sent to the undersigned by name or filed in the office of the Committee by 1st May, 1967.

By Order . .

P. SABANAYAGAM, Secretary,

APPENDIX IV

LIST OF PIRSONS, WHO, DEPOSED BEFORE THE COMMITTEE

Sl. No.	Name	Designation, during the material period
1	Shri C. Subramaniam . . .	Minister, Steel and Heavy Industries.
2	Shri S. Bhoothalingam . . .	Secretary, Department of Iron and Steel.
3	Shri N.N. Wanchoo . . .	Secretary, Department of Iron and Steel.
4	Shri M.C. Misra . . .	Deputy Secretary, Department of Iron and Steel.
5	Shri C.A. Nair . . .	Under Secretary, Department of Iron and Steel.
6	Shri S. Jagannathan . . .	Additional Secretary, Ministry of Finance.
7	Shri Y.T. Shaw . . .	Deputy Secretary, Ministry of Finance.
8	Shri J.M. Shrinagesh . . .	Chairman, Hindustan Steel, Limited.
9	Shri N.C. Deb . . .	Additional Secretary, Ministry of Finance and Financial Adviser, Hindustan Steel Ltd.
10	Shri V. Subramanian . . .	Special Assistant to Financial Adviser, Hindustan Steel Limited, Ranchi.
11	Shri H.R.S. Rao . . .	Assistant Chief Sales Manager, Hindustan Steel Limited, Calcutta.
12	Shri A.S. Bam . . .	Iron and Steel Controller.
13	Shri A.N. Banerji . . .	Iron and Steel Controller.
14	Shri S.C. Mukherjee . . .	Deputy Iron and Steel Controller.

Sl. No.	Name	Designation, during the material period
15	Shri C.V. Ramachandran . . .	Price and Accounts Officer.
16	Shri K. Senthappan . . .	Assistant Iron and Steel Controller.
17	Shri S.B. Basu . . .	Deputy Assistant Iron and Steel Controller.
18	Shri L.K. Bose . . .	Deputy Assistant Iron and Steel Controller.
19	Shri Y.D. Kelkar . . .	Assistant Director, Shipping, Office of the Iron and Steel Controller.
20	Shri S. Gupta . . .	Supetintendent, Office of the Iron and Steel Controller.
21	Shri D.P. Mitra . . .	Dealing hand, Office of the Iron and Steel Controller.
22	Shri B.B. Pathak . . .	Dealing hand, Office of the Iron and Steel Controller.
23	Shri S.N. Banerjee . . .	Dealing hand, Office of the Iron and Steel Controller.
24	Shri G.N. Sen . . .	Lower Division Clerk, Office of the Iron and Steel Controller.
25	Shri S.K. Srivastava . . .	Assistant Collector of Customs, Calcutta.
26	Shri S.N. Sen . . .	Central Government Solicitor, Calcutta.

APPENDIX V

RECORD NOTE OF MEETING HELD AT 3-30 P.M. ON 20TH AUGUST, 1958 IN THE ROOM OF SECRETARY, DEPARTMENT OF IRON AND STEEL

PRESENT

Shri S. Bhoothalingam—Department of Iron and Steel.

Shri S. Jagannathan,
Shri R. V. Subramaniam,
Shri V. Ramachandran. } Ministry of Finance

Shri L. K. Jha.
Shri D. Sandilya. } Ministry of Commerce and Industry.

Shri K. Vyasulu. } Planning Commission

Shri G. Ramanathan.
Shri S. C. Mukherjee.
Shri G. V. Ramakrishna. } Department of Iron and Steel.

Shri S. Bhoothalingam opened the meeting by saying that the shortage of steel was well known. We had ceased to buy steel in a large way since the middle of 1957. In 1958, we had so far depended on the flow of steel from commitments made earlier; new purchases had been limited to "committed" purchases mainly from the USSR. When we recently assessed the probable deficits in 1958-59 and 1959-60, we had found that, even on the restricted scale of allotments we were making, we would be short by about 900,000 tons during 1958-59 and about 500,000 tons in 1959-60. These figures were arrived at after taking into account all the outstanding and most of the Russian steel purchased in 1958. Since the figures for 1958-59 were worked out, we had only purchased about 90,000 tons from the USSR and Hungary; as against this, we had lost about 50,000 tons of Indian production owing to the Tata strike. It was clear that having regard to the foreign exchange situation, further allotment of free resources to buy steel was unlikely. But unless steel was purchased and that too urgently, there was a great danger of breakdown in the economy, even essential core demands not being met. It was, therefore, necessary to think of other ways of buying steel. One of the other ways was the barter suggested by Shri Sandilya. It was felt that the meeting could come to agreement on the general principles which would follow the purchase of steel by means other than cash.

Shri Bhoothalingam also pointed out that in the immediate future we had only in sight the Yen Credit which was more or less firm. This would give us about 50,000 tons of steel and it was the intention, because

of the project approach, to cover the requirements of HSPL, the NCDC and Nangal Fertilizers. The DLF was a possibility. But he had been given to understand that the maximum that would be available from the DLF would be about \$15 million which would give us possibly a 120,000 tons. The question, therefore, was how to enable more purchases.

Shri Jagannathan said that he would be prepared to agree to other ways of buying, *e.g.*, barter, provided it was reasonably certain that the steel would be imported against additional exports.

It was considered that it would be difficult to define "additional export". Therefore, it was agreed that in a few specified commodities, *e.g.*, iron ore, manganese ore, etc., we should have an *ad hoc* assessment of what normal exports could be in the present "recession" conditions and to consider anything extra as additional.

Iron Ore:

The first commodity discussed was iron ore. Shri Sandilya pointed out that he had already concluded contracts for the export of 2.45 million tons of iron ore, including 1.6 million tons to Japan. Of this, the Japanese would take only 1.15 in the year 1958-59 (till July, 1959). But, against the import of steel, they would take this additional quantity this year. Shri Sandilya suggested that normal exports of iron ore should be taken at 2 million tons and that since he was hopeful of selling up to 2.75 million tons during the year, the STC should be authorised to buy steel for the additional exports of 0.75 million tons. It was agreed after discussion that any export over 2.15 million tons would be considered extra. For the additional exports, of about 600,000 tons, the STC could go ahead and buy steel in return.

Manganese Ore:

In regard to manganese ore, Shri Sandilya mentioned the N.K.K. offer. He added that the STC was not a monopolist in manganese ore. Their quota was only 50 per cent. Shri Sandilya pointed out that manganese exports to Japan had been negligible. It was, therefore, agreed after discussions that in so far as Japan was concerned, any export of manganese ore would be considered additional. In regard to other countries and to new parties, the deals have to be examined with a view to find out whether the exports would be extra.

The possible conflict that might arise between the STC and the private trade in regard to manganese exports was discussed. Shri Jha said that the solution to the problem would be for.

- (a) the STC to negotiate the barter deals; and
- (b) the STC to share the actual exports of manganese in the ratio of 50:50 between the private trade and themselves.

This sharing was agreed to.

Chrome Ore, Jute, Tobacco and Misc. Commodities:

Shri Sandilya said that there were no offers at all for chrome ore. It was agreed that all exports of chrome ore would be treated as additional exports.

All exports of jute, tobacco and miscellaneous commodities would be treated as additional exports if the exports are to new countries. Shri Sandilya pointed out that the Chinese had offered to sell some steel against purchase of jute. The question accepting exports in excess of a particular figure as additional exports could also be considered on the merits of each case.

Scrap:

Shri Bhoothalingam outlined the scrap position. He said that only unusable scrap was being allowed for export with a mixture of heavy scrap. The foreign buyers desired to buy only heavy scrap. Scrap exports were in doldrums. Prices had fallen; and even the exportable quantities were not moving. It was, therefore, agreed that the Iron and Steel Controller might agree to the export of scrap against import of steel in cases where he was satisfied that the export prices and import prices were reasonable. Having regard to the high level that scrap exports had recorded in 1956 (about 2,00,000 tons) and the poor exports (6,000 tons) in the first five months of 1958, it was agreed that the Iron and Steel Controller could operate up to a ceiling of 1,60,000 tons of export of scrap against steel imports under the above formula. This was on the basis that any export over, 40,000 tons would be treated as additional.

Steel for Industrial Development:

Shri Bhoothalingam pointed out that the CG/HEP Committee were licencing capital goods on terms of payment acceptable to Government. All schemes were screened by the Committee having regard to the essentiality of the project, particularly the exchange saving aspect. In such cases, it should be possible to include steel for construction (which will be of the order of 10 per cent of the value of the licence) within the value of the licence, or terms similar to those accepted for payment for capital goods. This was accepted.

The question of allowing imports of steel against payment in Rupees was then discussed. It was pointed out that in such cases imports might merely be a method of repatriation of balances held abroad. Shri Jha expressed the view that it would be difficult to accept such imports as a general principle and even if accepted may not lead to much repatriation of balance held abroad. The view taken was that it would be difficult to lay down a formula by which such deals could be allowed. It would be necessary to examine individual cases on merits.

Shri Jha pointed out that there were a number of floating licences for capital goods and that it might be worthwhile encouraging the conversion of such licences for the import of steel. It was agreed that a public notice might be issued asking for details of licences held by parties with an indication that they would be allowed the partial conversion of such licences, wherever the major portion of the licence had been cashed for the import of steel.

Exports of Pig Iron:

Shri Bhoothalingam indicated that according to estimates there was likely to be a slight surplus of pig iron during the current year and that the surpluses in 1959 and 1960 were likely to be substantial. He mentioned Sir Biren Mookerjee's letter in which he had offered to export some pig iron to Argentine. It was necessary to accustom foreign markets to Indian pig iron and we should make a beginning even now. It was clear, however, that having regard to the structure of Indian prices, the excess, if any, over the retention price will have to be paid into the Equalisation Fund. Similarly, losses, if any, have to be paid out of it. Losses would, however, be nominal. The mechanics for immediate exports agreed to was that:

- (a) The Steel Control should tender, on a work basis, for export of about 20,000 tons of pig iron delivery starting some time in December, 1958; and
- (b) If the prices borne out by the tender were more or less about the price indicated by India Iron, the possibility of allowing Indian Iron to export direct, subject to adjustments with the Equalisation Fund, would be considered.

Shri Bhoothalingam also wanted Shri Sandilya to bear in mind an exportable surplus of about 3,00,000 tons for 1959 in negotiating his deals.

It was agreed that in pig iron, all exports would be "additional exports" and that the earnings could be used for import of steel in 1958-59.

APPENDIX VI

Allocation of foreign exchange for import of iron and steel (excluding allocations made to public sector projects and items such as rolls, spares, parts and machinery.)

(Rs. crores)

Licensing period	Demands of Iron and Steel Controller	Demands forwarded by the Ministry of Iron and Steel to Economic Affairs Department	Allocations of Ministry of Finance (Deptt. of Economic Affairs).					Total
			Free foreign exchange	Rupee	Barter	Tied	Any other source	
1	2	3	4	5	6	7	8	9
October, 57—March, 58.	N.A.	N.A.	12.43	..	..	..	..	12.43
April-Sept., 1958.	N.A.	39.00	21.00	..	..	..	..	21.00
October, 58 to March, 1959	59.90	56.30	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
April-September, 1959	N.A.	13.13 } +9.00 } 22.13	6.00	4.50	2.00	9.00	..	21.50
October, 1959 to March, 1960	25.16	25.16	11.90	..	..	4.76	..	16.66
April-Sept., 1960	29.70	31.50	13.24	3.00	..	4.76	..	21.00

October, 1960 to March, 1961	58.65	39.00	13.50	5.00	..	11.90	..	30.40
April-Sept., 1961	59.00	40.00	12.15	4.00	..	9.52	..	25.67
October, 1961 March, 1962	59.00	30.00	11.50	4.00	..	11.00	..	26.50
April-Sept., 1962.	N.A.	30.00	8.00	4.00	6.00	7.00	..	25.00
October, 1962 to March, 1963	N.A.	52.30	5.50	3.00	9.00	8.50	..	26.00

APPENDIX

Barter Deals against Export of Manganese

Sl. No.]	Name of the Barter beneficiary	Approval		Item exported
		No.	Date	
1	All India Stainless Steel.]	Approval SC(B)—15 (29)/59.	5-9-59	Mn. Ore Cr. 203
2	Aminchand Payarelal. .	CP/152/ AP/450	15/16-9-59	Mn. Ore Cr. 203 Kyanite.
		CP/161/ AP/137	26-5-59	
		CP/152/ AP/624	4-12-59	Mica
		CP/161/ AP/733	23-12-59	
		CP/152/ AP/485.	25-9-59	
3	Angiras Bros.	CP/152/ Ang. Bros/59/ 635	11/13-11-59	Mn. Ore Cr. 203
		CP/152/ Ang. Bros./59 846.	25-1-60	
4	B. R. Herman and Mohatta.	CP/152/ H & M/59/627	11/12-11-59	Mn. Ore-
		CP/152/ H & M/59/779	24-12-59	
5	Bengal Corporation.	CP/152/ B/Corpn.	9-3-59	Mn. Ore.

VII

and Other Ores.

Qty. (tons)	Value (Rs.)	Actual Qty. shipped. (tons.)	Amount of payment received (Rs.)	Items to be imported	Value of I/L (Rs.)	Remarks
6	7	8	9	10	11	12
26300 3650	2571650 1681143	25863 3662	2350115 768383	Stainless Steel.	3245100 (Value of actual im- ports).	3148273
	<u>3252793</u>		<u>3118508</u>			
171700 7000 1950	20694221 1109125 534950	158814 6944 1900	18563886 1027109 531156	} (M.S. Plates B.P. Sheets C.R. Bars. Tinplates. Wire, G.P. Sheets, M.S. Rounds. Tinplate.	23117325	
2000000 lbs.	3800000	961672 lbs.	3811532			
	<u>26138296</u>		<u>23933683</u>			
11000 500	1077425 83125	10450 501	1022644 102160	W/W.	995076	
	<u>1160550</u>		<u>1124804</u>			
50100	2588067	28617	2271671	BP, MS, R Sheets— Wire Rods CRCA Sheets (DD Qty.)	2261416	
14000	1832932	14930	1645721	BP & GP Sheets.	1645720	

1	2	3	4	5
6	Chamanlal Bros. ; . . .	CP/152/ C & B/306 CP/152/ C & B/422 CP/152/ C & B. CP/152/ C & B/163 CP/152/ C & B/182 CP/152/ C & B/220 CP/152/ C & B/307.	1-8-59 12/14-9-59 12/14-9-59 5-6-59 15-6-59 1/2-7-59 1-8-59.	Mn. Ore.
7	Devideyal Stainless Steel Ltd.	I/10/STC/ Bart. (59)	9-2-59	Mn. Ore.
8	Hind Ind. Corporation ¶ .	CP/152/ HIC/183 CP/152/ HIC/1458	15-6-59 7-7-60.	Cr. 203
9	Khem Chand Raj Kamar .	CP/152/ KR/848	25-1-60	Mica.
10	Khemka (Agencies) Ltd. .	CP/152/ Khemka/	24/25-8-59	Mn. Ore.
11	Mahindra and Mahindra. .	CP/152/ M & M/ CP/152/ M & M/333. CP/152/ M & M/59/330 CP/152/ M & M/606. CP/152/ M & M/876. CP/152/ M & M/238 & 237 CP/152/ M & M/302 CP/152/ M & M/582 CP/152/ M & M/211 CP/152/ M & M/134 SC(B)/15(30)/ 59. SC(B)15(11)/ 58 CP/152/ MM/58.	11-4-59 13-8-59 12-8-59 6-11-59 9-2-60 8-7-59 1-8-59 22-10-59 30-7-59 26-5-59 9-2-59 20-1-59 20-12-58	Mn. Ore. Cr. 203 Mica.

6	7	8	9	10	11	12
74200	10823350	38792	8352204	HB Wires, MS Plates GP & BP Sheets, Signal GI Wire Stainless Steel.	10045700 (Value of actual im- port).	9431739
30000	3833250	30239	3387056	Stainless Steel.	3513426	
3500	754028	3257	675350	BP Sheet, GI Wire.	638350	
1000000 lbs.	1900000		1922292	GR Sheets.	1866380	
4800	416000	4816	400600	GI Wires.	375255	
95100 24500 50000 lbs.	12315783 3967950 950000 <u>17233733</u>	79287) 24085) 42065) lbs.	14108389	RS Joists Plates. MS Billets MS & BP Sheets.	14853983 (Value of actual im- ports).	14505742

1	2	3	4	5
12	Milkhiram (I) Private Ltd.	CP/152/ Milkhiram/59 /218. CP/152/ Milkhiram/59/ 623.	8-8-59 10-11-59	Mn. Ore.
13	Minex Corporation .	CP/152/ SR/1490	21/22-7-60	Cr. 203
14	Mulraj G. Dungarsey .	CP/152/ Dungarsey/320	10-8-59	Mn. Ore. Bauxite
15	N. K. Patkar & Co.	CP/152/ Patkar/1747	26-9-60	Mn. Ore.
16	Oscar Engg. Works .	CP/152/ Oscar/359	22/25-8-59	Mn. Ore. Kyanite Cr. 302
17	P. L. Bhatt . . .	CP/152/ PLB/317	7/10-8-59	Mn. Ore.
18	R. B. Thakur & Co.	CP/152/ RB/58.	30/31-12-59	Mn. Ore.
19	Ramkrishan Kulwantrai .	CP/152/ 1/RK/507 CP/152/ RK/59/412 CP/152/ RK/769 CP/152/ RK/59/411 CP/152/ RK/ CP/152/ RK/111/69/1853	30-9/10-59 8-9-59 2-12-59 2-12-59 8/9-9-59 19/21-2-59 18-11-60	Mn. Ore. Cr. 203 Kynite MN02 Mic.

6	7	8	9	10	11	12
45000	6536000	43692	5937707	GI Wires, MB Plates, D. I. Sheets.	5877033	
2500	634125	1811	363845	HB&GI Wires, BP&CRCA Sheets	358725	
38900 9000	3479871 291000	36601 10580	2871142 308787	BP&GP Sheets.	3705000	3112663 (Value of actual import)
	<u>3770871</u>		<u>3180929</u>			
62300	4013628	65462	3878499	BP&SR Sheets, CR&CP Sheets.	3795521	
14000 300 2000	1760667 81201 370500	12538 225 1912	1378166 54867 338433	GI Wire HB Wire GP Sheets.	1761410	
	<u>2212368</u>		<u>1771466</u>			
8500	710719	7849	624913	Elc. Tin. plate.	575000	
95200	Rs. 90 lacs (about)	92406	8524747	Tin plates & other steel.	7691277	
225750 29800 550 1375 70000 lbs.	22354691 4047806 128220 400136 1282500	225424 23857 504 1353 72940 lbs.	20149442 4064649 117726 374465 1321854	S.S. Steel Strips/ BP, HR, CR, GP sheets/ Tin Plate	24925742	
	<u>28213353</u>		<u>26028136</u>	W.W. MS Plates GI Wire/ BP Sheets (DD Qty)		

1	2	3	4	5
20	Rungta Sons . . .	CP/152/ Sree/Laxmi	15-6-59	Mn. Ore.
21	S. N. Khaitan & Co. . .	CP/152/ Satya Narain Khaitan/77.	24-12-59	Mn. Ore.
22	Steel Rolling Mills . . .	CP/152/ M/416	10-9-59	Mn. Ore.
23	Surrendra Overseas . . .	CP/152/ SC/59/323	10/14-8-59	Mn. Ore.
24	Thimma Reddy . . .	CP/152/ NC/421	12-9-59	Mn. Ore.
25	V. D. Swamy . . .	CP/152/ VDS/208	23-6-59	Mn. Ore. Cr. 203
26	Western Rubber Tyre Co.	6/128/59-ST.	13-5-60	Mn. Ore.
27	STC	CP/152/ STC/11/60/567 CP/152/ STC/Pt. II/ 477 CP/152/ SS. CP/152/ SS/60/1330 CP/152/ Kishi-moto/836	17-5-61 23-4-60 25-4-60 25-5-60 1-11-61 19-1-60	Mn. Ore.

6	7	8	9	10	11	12
8500	706505	7678	557733	Plates	668240	
65750	4525279	66611	4042120	BP/GP Sheets GI wire Rods	4042120	
23000	2310875	24868	2350445	MS. Billets BP Sheets	2343330	
20000	1850125	22402	1898071	BP Sheets GP Sheets	1894150	
6000	513000	5855	460440	Elec. Tin. Tin plate W/W	460000	
91800 1000	10778871 97375	83115 962	9699983 94000	BP/GP Sheets.	10017503	
	<u>10876246</u>		<u>97939833</u>			
10500	1361375	10440	1243147	Tyres	1250134	
2143166	228677456	163210	17285213	Stainless Steel/ Steel.	16817931	
	<u>170034924</u>		<u>148881672</u>		<u>142741317</u>	

APPENDIX VIII

Hindustan Steel Private Ltd.,
New Delhi.

Dated 28th August, 1959.

G. Pande,
Chairman.

My dear Bhoothalingam,

SUB:—*Disposal of Steel Ingots and Semis from Rourkela.*

Please call for D.O. No. SCA-23(14)/59, dated 30th June, 1959 from Baijal. I am enclosing copies of the correspondence received from Ganapati.

2. In the meanwhile, as you know, Rourkela is continuing despatches of steel ingots to Tatas subject to the price being fixed by Government. Ganapati has also received a telegram from Jahangir Gandhi of Tatas approving of this arrangement.

3. While this is an interim solution, the problem of disposal of steel ingots and semis such as blocks, slabs and billets has to be looked at from a larger angle for the period upto the end of 1961 since all the Rolling Mills at Rourkela would not be in routine operation till around that time.

4. As per Dr. Klinar's note attached, the net position regarding steel ingots would appear to be as follows:—

Year	Quantity expected to be produced	Quantity that could be rolled in Rolling Mills	Balance quantity in stock
	Tons	Tons	Tons
1959 .	130,000	20,000	110,000
1960 .	680,000	200,000	480,000
1961 .	840,000	600,000	240,000
1962 .	1,000,000	to 1,000,000	

In other words, unless production is retarded, during 1959, we may have to dispose of 110,000 tons of ingots. Similarly, according to Klinar in 1960 we have to dispose of about 480,000 tons of ingots and 240,000 tons in 1961.

5. However, I have my own reservations of this figure of 830,000 tons. The tonnage is more likely to be of the order of about 500,000 tons only as given in the statement attached to our draft reply to Parliament Question No. 388, and we could perhaps convert much of the surplus into billets at Durgapur and Bhilai. We have to find the best market for our Rourkela steel ingots or slabs or blooms and even come to arrangements with foreign manufacturers to convert them into pipes, plates, sheets, etc., on an overall economical basis. Failing these measures, there would be no option but to regulate their production to suit requirements including a sizeable reserve.

6. I have asked Ganapati to discuss the feasibility of rolling surplus Rourkela ingots at Bhilai and Durgapur with officers of these Projects at a meeting to be shortly held at Rourkela and thereafter take up the matter with the Iron and Steel Controller through the Rourkela representative in the Liaison Committee.

Yours sincerely,

Sd./-

(G. PANDE)

Shri S. Bhoothalingam, ICS,
Secretary to the Govt. of India,
Ministry of Steel, Mines and Fuel,
Department of Iron and Steel,
New Delhi.

APPENDIX IX

No. Scy./I&S/59-146
Government of India,
Secretary, Iron & Steel,
Ministry of Steel, Mines, and Fuel,
New Delhi.

August 31, 1959.

My dear Pande,

Please refer to your D.O. of August 28, regarding the disposal of steel ingots and semis from Rourkela. The problem is a difficult one and calls for careful planning.

I think we must all be very clear in our minds about one thing, viz. that production should be regulated essentially by off-take. We can, of course, store a certain quantity of ingots. But there is a limit to this. Off-hand I would say that we should not, under any circumstances, store more than three months' requirements of the rolling mills working at full capacity. This will be about 250,000 tons and I would regard it as the absolute maximum. Incidentally, I would like to know what is our physical capacity for storing ingots.

It follows, therefore, that our aim must be to maximise the off-take of ingots. There are two ways of doing this. The first is to commission our rolling mills as early as possible and to spare no effort to bring them into full production, everything else must take a second priority. The second way is to create a market for ingots. Tatas are likely to take at least 15 to 20 thousand tons per month. Whatever they may say, I think they will need ingots throughout 1960. We must therefore, pursue this vigorously. We are looking into the question of price and we hope to settle it shortly. But this need not hold up physical arrangements.

It is also encouraging that there is demand for ingots for export both for outright purchase and for conversion into finished products. I have mentioned to you the proposition made by Mannesmann. We should close the deal quickly, if the prices offered are reasonably satisfactory. In any case, we should know before the end of September the likely off-take by Tatas and for export. We should plan our production on the basis of these orders.

I note that the feasibility of rolling surplus Rourkela ingots at Bhilai and Durgapur is being examined. I fear however, that nothing is likely to come out of this. On the contrary, it is possible that we may have to face an ingot problem in Bhilai also, if all the open hearths are commissioned before the rail and structural mills and merchant mill are ready. There is an impression in Bhilai that until then all the ingots can be handled in the billet mill by working it two

or three shifts. But I doubt whether there will be that much demand for billets in the country. This possibility will, therefore, be contingent on our finding export markets for billets also.

Ganapati's letter and Kinar's note deal only with the problem of ingots. They assume that these blast furnaces will be working. This has to be thought out very carefully. If, for any reason, ingot production has to be restrained, what will happen to the Iron? If the present trend continued, there may be an export market for the iron. But to take advantage of this, we have first to cast the iron into pigs which would be difficult, if not impossible, in Rourkela.

Yours sincerely,

Sd./-

(S. BHOOTHALINGAM.)

Shri G. Pande,
Chairman,
Hindustan Steel Ltd.,
New Delhi.

Copy to the Iron and Steel Controller (Shri A. S. Bam, ICS), 33,
Netaji Subhas Road, Calcutta.

I understand that HSL has referred this problem to the Iron and Steel Controller. He is requested to consult the Ministry before sending any definite reply or making any specific proposals.

Sd./-

(S. BHOOTHALINGAM.)

31st August, 1959.

APPENDIX X
D.O. No. SC(B)-12(92)/59.
Government of India

Ministry of Steel, Mines and Fuel,
(Department of Iron and Steel)
New Delhi.

24th August, 1959.

My dear Subramaniam,

We have received one or two offers for export of steel ingots produced by the plants in the public sectors in lieu of imports of certain essential categories of steel items required in the country. In view of the fact that there is a time lag between the commissioning of the open hearth furnaces and the commissioning of the blooming mills, slabbing mills/finishing mills, in both the plants, we feel that there is likely to be exportable surpluses even after accounting for processing of part of it at Tatas. I shall be grateful if you could kindly let me have immediately a statement showing anticipated monthly exportable surpluses month by month for a period of twelve months in the first instance.

Yours sincerely,

Sd/-

(G. RAMANATHAN)

Shri V. Subramaniam,
Officer on Special Duty,
Hindustan Steel Limited,
New Delhi.

Copy to : The Iron & Steel Controller (Shri S. C. Mukherjee), 33,
Netaji Subhas Road, Calcutta-1.

With reference to Shri Mukherjee's letter No. C/17(1)/58, dated the 17th August, 1959, for information. A copy of the letter received from Mahindra & Mahindra Ltd. in this connection is enclosed. The Iron & Steel Controller may kindly intimate immediately his comments on the proposed ratio offered by the firm of steel ingots vis-a-vis plates.

Sd/- G. RAMANATHAN,

Deputy Secretary.

APPENDIX XI

HINDUSTAN STEEL PRIVATE LIMITED

NEW DELHI.

V. Subramaniam
O.S.D. (Sales)

D.O. No. S-3(1)|59-VOL-II
7th October, 1959.

Dear Shri Ramanathan,

Kindly refer to your D.O. No. SC(B)-12(92)|59, dated the 22nd|24th August, 1959. I am still awaiting information from Bhilai and I shall write to you soon.

In the mean-while I enclose copies of letters from Mahindra & Mahindra Ltd., C. Itoh & Co. Ltd., and M|s Amin Chand Payare Lal for your information.

I have informed all of them to contact the Iron and Steel Controller and the Department of Iron & Steel. I have also given them the necessary information regarding the size of our ingots and slabs. I had also mentioned to you some time ago that I had discussed this matter with Shri Ramachandran of Mahindra & Mahindra Ltd., separately. I trust that all these firms have contacted the Iron & Steel Controller and the Department.

In this connection kindly refer to Secretary's D.O. No. SECY|I&S|59-146, dated the 31st August, 1959. As mentioned by the Chairman in the last paragraph of his D.O. of August 28, 1959, a meeting was held at Rourkela by the Resident Director on the 26th of September to discuss this problem along-with the representatives of Durgapur and Bhilai and we are awaiting the recommendations of the Resident Director on the basis of these discussions. We will write to you on the subject shortly.

Yours sincerely,

Sd|- V. SUBRAMANIAM.

Shri G. Ramanathan, IAS,
Deputy Secretary,
Ministry of Steel, Mines & Fuel,
(Department of Iron & Steel),
NEW DELHI.

Copies of our Ingot|Slab sizes also sent with this letter.

Sd|- V. SUBRAMANIAM.

APPENDIX XII-A.

Telegrams: "JEEPSKAL" CALCUTTA

MAHINDRA & MAHINDRA LTD.,
Hall & Anderson Building (1st Floor),
Park Street, Calcutta.

August 13, 1959

Ref: MS-5/23/431.

Hindustan Steel Limited,
Rourkela Steel Project,
New Delhi.

Attention: Mr. V. Subramaniam

Dear Sirs.

Sub:—*Export of Steel Slabs from Rourkela on Bartar basis.*

Our foreign Associates have expressed their willingness to study a proposition for export of Steel Slabs from India and in exchange supply Mild Steel Plates which are required in India to meet the increasing demands.

The sizes of the Slabs in which our Associates are interested are:

190 mm × 1500 mm . . .	Weight 5.5 tons
170 mm × 1500 mm . . .	Weight 4.85 "
170 mm × 1500 mm . . .	Weight 4 "

The Plates which our Associates can offer by converting the above slabs would be:

1/2" × 8' × 30
3/8" × 6 ft. or 7 ft. × 20'
1/4" × 5 ft. or 6 ft. × 20'

The quality of the Slabs should be suitable for manufacture of Plates tested BSS-15.

Tentatively, the ratio could be based on supply of about 2.25 tons of Slabs for 1 ton of Plates.

We shall be grateful if you will kindly indicate the quantity of Slabs that Rourkela can supply from, say, November, 1959, onwards and the approximate price delivered f.o.r. Calcutta Docks. Our Associates are interested in quantity of 30,000 tons of Slabs.

Yours faithfully,

HEAD OFFICE:

GATEWAY BUILDING,

APOLLO BUNDER,
BOMBAY-1.

for MAHINDRA & MAHINDRA LIMITED,
Sd|-

APPENDIX XII-B.

C. ITOH & CO. LTD.
NEW DELHI BRANCH
GROUND FLOOR, NATIONAL INSURANCE BUILDING,
PARLIAMENT STREET, NEW DELHI

Telephone: 46068

Cable: CITOH-NEW DELHI

Our Ref. IND-238.

Date: August 17, 1959.

The Hindustan Steel Ltd.,

National Insurance Building,
Parliament Street, New Delhi.

Attention: Mr. Subramaniam.

Dear Sirs,

Re: Purchase of Steel Ingots or Slab.

Reference is made to the discussion which the undersigned had with your Mr. Subramaniam, O.S.D., on 11th August, 1959.

As suggested by him, we immediately approached the Iron & Steel Controller, Calcutta, through our Indian connection, M/s Khandelwal Brothers Ltd., with our proposal of purchase of about 50,000 tons of steel ingots or slabs against export of equivalent value of steel tubes from Japan as per copy of the letter addressed to I.S.C. enclosed.

Subsequently, we learned from I.S.C. about the sizes and the chemical composition of ingots/slabs, details of which we have sent to our Head Office for their information and direction.

The moment we hear from them, we will proceed the matter further with I.S.C.

Thanking you,

Yours faithfully,

Encl.—As stated.

for C. ITOH & CO. LTD.
NEW DELHI SUB-BRANCH.

Sd/- A. OHORI,
Representative.

APPENDIX XII-C.

Amin Chand Payare Lal

Importers & Steel Merchants,
135, Canning Street, Calcutta-1.
July 22, 1959.

Ref: APJ/E/6/8809

M/s Hindustan Steel Private Ltd.,
Parliament Street, New Delhi.

Dear Sirs,

We understand from reliable sources that you intend supplying steel ingots to some European Countries, especially to Western Germany in order to have steel pipes manufactured therefrom for supply to India.

We are very much interested in the proposition and would like to actively participate in the same.

As you are aware, we are one of the largest steel importers in this country, and have handled quite a good percentage of the country's import of pipes besides other steel materials. We have very good connections Overseas directly with the leading steel mills.

In view of this, we feel that we should be given an opportunity to participate in this venture. Kindly let us have full details so that we can take up the matter with our Principals and submit our scheme.

We are also willing to discuss the matter with you in person, and would appreciate to have your views in this matter.

Thanking you,

Very truly yours,

Amin Chand Payare Lal,
Sd/- M. VISWANATHAN,
Export Department.

APPENDIX XIII.

IRON & STEEL CONTROL,

33, Netaji Subhas Road, Calcutta-1.

D.O. No. C/1/17(3)/59

November 26, 1959.

Dear Shri Ramanathan,

This is regarding export of surplus ingots and slabs reported to be available from Rourkela. Unlike in the case of export of pig iron where the responsibilities of the various organisations concerned, viz., Hindustan Steel Ltd., Iron & Steel Control and S.T.C. have clearly been defined, we find there is a little confusion as to the procedure to be followed with regard to export of slabs/ingots.

The first time we were told of availability of surplus ingots from Rourkela was when a copy of Shri Ganapati's letter No. TA-20(8), dated 23rd May, 1959, addressed to Shri Pande, was endorsed to us along with a copy of Dr. Kliner's technical note. Almost simultaneously we received another letter from Hindustan Steel, Rourkela asking us to authorise them to sell 2000 tons of ingots to Tatas who had agreed to purchase this quantity on an experimental basis. This authority was accorded in our letter No. PR-1(36)/R, dated 15th June, 1959. A copy of this was endorsed to the Ministry. In this endorsement we had invited your attention to Shri Ganapati's letter of 23rd May to Shri Pande and requested you to consider issuing long-term disposal instructions in accordance with the final production programme of the Rourkela Steel Plant. Thereafter we received a copy of Secretary's letter No. Secy/I&S/59-146, dated 31st August, 1959, addressed to Shri Pande. In this the Iron & Steel Controller was requested to consult the Ministry before making any specific proposals about disposal of Rourkela ingots. We could not possibly make any proposal without knowing their production programme and the quantum of exportable surplus. We are not aware whether Shri Pande has sent any reply so far to the Secretary's letter and whether any assessment has so far been made about Rourkela's surplus ingots/slabs. We also received a copy of your D.O. No. SC(B)-12(92)/59 dated 24th August, 1959, addressed to Shri Subramaniam of Hindustan Steel Ltd., forwarding a copy of an offer from Mahindra and Mahindra. In this letter also you had asked for a statement showing anticipated monthly exportable surplus, month by month, for a period of 12 months. We are not aware whether this statement has since been furnished to you by Hindustan Steel Ltd. If so, we would like to have a copy of the same. It appeared to us from these letters that the idea was to decide the question of export of Rourkela slabs/ingots only at the Ministry's level in consultation with Hindustan Steel Ltd. The Iron and Steel Control would of course have to be consulted with regard to price and also with regard to categories of steel to be imported in case a barter deal is to be sanctioned.

A doubt has now been created as to whether our impression is correct or not from certain recent correspondence on this subject. We find that Hindustan Steel Ltd. have in their letter No. S-3(1)/59, dated 25th September, 1959 and No. S-3(1)/59, dated 13th November, 1959, forwarded certain proposals from Indian exporters to the Ministry for disposal. On the other hand Ministry, in their letter No. SC(C)-12(114)/59, dated 2nd November, 1959, has sent a similar proposal from Herman & Mohatta to Hindustan Steel Ltd., for disposal. And now we have received from Hindustan Steel Ltd., Calcutta a proposal for export of 10,000 tons by one Vijay Trading Co. of Bombay. I enclose a copy of Hindustan Steel's letter forwarding this proposal. In this letter the Chief Transport Officer of Hindustan Steel Ltd., Calcutta has stated that he has understood from their Head Office that all barter deals concerning export of slabs/ingots of Rourkela will have to be dealt by the Steel Control. In another case recently we have seen that Hindustan Steel themselves have accepted a proposal for export of 25,000 tons of ingots by Amin Chand Payare Lal and the Ministry wanted us to indicate the categories and price of steel to be imported in exchange of these ingots.

May I suggest that in order that the prospective exporters of Rourkela ingots/slabs are not required to go from one authority to another with their proposals, a clear-cut division of responsibility may be laid down by the Ministry as has been done in case of pig iron.

I shall be grateful for an early reply. Meanwhile, I am taking no action on the proposal received through Hindustan Steel Ltd., Calcutta from M/s. Vijay Trading Co. of Bombay.

Yours sincerely,

Sd/- S. C. MUKHERJEE.

Encls:

Shri G. Ramanathan, I.A.S.,
Dy. Secy, to the Government of India,
Ministry of Steel, Mines & Fuel,
Department of Iron & Steel,
New Delhi.

APPENDIX XIV

Extracts taken from file No. SC(B)-12/22/59, notes at pages 7 to 10.

I mentioned to Secretary the offer of Aminchand Payarelal. to HSL to buy 300,000 tons of ingots/slabs at \$72 f.o.b. per metric tons. As desired by F.A., we had a discussion with Shri Jitpal of Aminchand Payarelal today. AFA, Shri V. Subramanian and Shri P.R.G. Menon, Shipping Officer, were present.

2. The following emerged from the discussions:

- (i) The firm had quoted an average price for both ingots and slabs. They would be prepared to take ingots and slabs in the ratio of 1:1.
- (ii) The offer would stand even if the quantities offered were less.
- (iii) The firm was prepared to accept ingots/slabs on f.o.r. Works basis.
- (iv) The firm was prepared to supply, besides hot rolled sheets, medium and thin plates, narrowstrips and cold rolled sheets.
- (v) The destination of the ingots/slabs was stated to be Italy, Germany and U.K., as a straight sale. The firm, however, was not prepared to buy ingots/slabs for cash.
- (vi) Shri Jitpal made it clear that, at the moment, he was not prepared to go beyond \$ 72 for ingots/slabs.

3. The main question is one of price for ingots/slabs and steel. In steel, the firm is prepared to supply at current market prices, which could be settled by the Iron and Steel Controller. As a matter of fact, the firm has indicated a price of \$ 145 f.o.b. for hot rolled sheets, which *prima facie* sounds reasonable, though there may be room for some reductions here. In so far as the ingots/slab price is concerned, the quoted price works out to Rs. 343 f.o.b. The expenses on rail freight and handling to put the ingots/slabs f.o.b. (liner terms) is about Rs. 70, leaving a net price of Rs. 273 f.o.r. Rourkela. The problem is whether this price will suit Rourkela. The Rourkela estimates of ingots cost are as under:

	Works cost	Works cost + depreciation	Works cost + depreciation + interest on plant capital
	(Rs.)	(Rs.)	(Rs.)
O. H. ingot	216	277	303
L. D. ingot	154	222	257
O. H. slab	291	352	378
L. D. slab	229	297	327

(I have assumed, on the Tata experience, the conversion cost at about Rs. 75 per ton from ingot to slab.)

On a 50:50 basis between ingot and slab, Rourkela's economic price would be:—

	Works cost	Works cost + depreciation	Works cost + depreciation + interest on plant capital
	Rs.	Rs.	Rs.
Open hearth	254	315	341
L. D.	192	260	292

Assuming that supply is again divided between open hearth and L.D. in the ratio of 1:1, the works cost would be Rs. 223, with depreciation Rs. 288, and with depreciation and interest on plant capital Rs. 317. It would be difficult to expect an intermediate product to fetch a price which includes the entire depreciation and interest on capital.

The price suggested (Rs. 273) would fetch the cost plus Rs. 50. I am excluding excise duty, because excise may not be leviable on export. This price has to be compared with the price of about \$ 85 f.o.b. at which billets are available today. Exactly six months' back, we bought billets at \$ 80 c.i.f. from the Russians.

4. Though it would be of advantage to us normally to sell slabs instead of ingots, in this particular case, with an average price given, it would be in our interest to sell 50 per cent of ingots. I am told this can be done. The firm is prepared to buy slabs at about \$ 76, but would indicate a firm price on 19th.

5. The offer is f.o.b. on the question of shipping, Shri Menon thinks that facilities in Calcutta being very limited, the material will have to be shipped from Vizag. He also feels that it would be easy for Hindustan Steel to ship the entire material provided f.o.b. for liner and f.a.s. for charter are accepted.

6. On quantity, I personally would not like to commit for 300,000 tons. I would favour about one third of it. The exchange deal for 100,000 tons will bring us about 50,000 tons of steel.

7. Shri Jitpal has promised to meet us on Monday. Secretary may like to discuss this case with F.A.

Sd/- G. RAMANATHAN.

17th October, 1959.

Secretary

Discused with F.A. D.S. (Ram) and A.F.A. were present: Please process this further on the lines discussed.

Sd/- S. BHOOHALINGAM.
19-10.

DS(Ram)

Mr. Jitpaul of Aminchand Payarelal met me again today. He was told that in the first instance we could do a trial deal of 10,000 tons or so. Our intention was that if he agreed to the tonnage, we could bargain for a price of \$ 72 for ingots and higher price for slabs, we had asked him on 17th for a separate final slab price which he had agreed to give today. He was not, however, ready with the slabs price.

Mr. Jitpaul's reaction to the offer to sell 10,000 tons of ingots was that the quantity was totally inadequate to make the deal worth while. Even for 20,000 tons, he said it would not be worth while.

I have, as desired by F.A. this morning, asked Mr. Jitpaul to meet F.A. at 5 P.M. I have also apprised F.A. of the position.

Sd/- G. RAMANATHAN.
19-10-1959.

Secretary

Sd/- S. BHOOHALINGAM.
21-10.

D.S. (Ram)

* * * * *

H.S.L. have sent copies of offers received by them for export of Rourkela ingots/slabs against import of steel items licensable by the Iron and Steel Controller. A statement showing the list of offers received is enclosed. We have already forwarded M/s. Aminchand Payarelal's offer to I&SC for his proposals regarding import of steel items. We may forward the proposals received from M/s. V. D. Swamy, M/s. Mahindra and Mahindra and M/s. Vijay Trading Co. to I&SC for comments.

It is for consideration whether it would not be desirable to issue a tender for exportable surpluses of ingots/slabs on cash/barter basis and finalise the best offer, instead of dealing piecemeal as is done now.

Sd/- C. A. NAIR.
19th November, 1959.

D.S. (Ram)

Sl. No. 29-Receipt.

The Hindustan Steel have, for some time, been negotiating with Amin Chand Payare Lal for the export of 25,000 tons of steel ingots against the import of steel items. There are a few other offers for the export of ingots and slabs on the same basis. These are from :

- (1) V. D. Swami & Co. for the export of 10,000 tons of ingots with option for 25,000 tons, at Rs. 335.5 per ton f.a.s. main ports.

- (2) Mahindra and Mahindra for 25,000 tons of slabs against the supply of plates in the ratio of 1.75 tons of slabs for 1 ton of plates. The base price for plates is \$ 118 f.o.b. Japanese ports. This works out to about \$ 73.8 f.o.b. Indian ports for slabs.
- (3) Vijay Trading Co. for 10,000 tons of ingots and 10,000 tons of slabs at a price of \$ 85 for slabs and \$ 77 for ingots f.o.b. Indian ports.

2. The earliest of the offers is the Amin Chand Payare Lal one. The price quoted is Rs. 335.5 f.a.s. Indian ports or Rs. 264.5 l.o.r. works. The price is for ingots. The price quoted is acceptable to HSL. The point to be settled therefore is the price for the steel item to be imported. In steel, we are interested in plates and sheets. The Price and Accounts Officer who is here has had some discussions with the firm at Calcutta. It would appear that the firm quoted a base price of \$ 108 f.o.b. for plates and \$ 159 f.o.b. for sheets. The Steel Control are interested in buying boiler quality and ship building plates, and commercial quality sheets. Against the prices offered by the firm, the Price and Accounts Officer earlier suggested a base price of \$ 106 for boiler quality plates (this would, including extras be \$ 144), \$ 115 for ship building plates (exclusive of size and inspection extras) and \$ 157 for commercial quality sheets, for delivery in the first quarter of 1960. As directed by Secretary, I sent for both the Price and Accounts Officer and Shri Jit Paul of Amin Chand Payare Lal. The question of price was discussed by the Price and Accounts Officer and A.F.A. with Shri Jit Paul today. (I was away at the Consultative Committee meeting). It would appear that the firm were not prepared to accept prices lower than they had quoted earlier at Calcutta. This was confirmed to me later on the telephone by Shri Jit Paul. He told me that having regard to the present tendencies of the Steel market, he could not consider a lower price. He said that if his prices were not acceptable, the deal should be dropped.

3. The question that arises is whether there is some room for us to consider a price higher than that suggested by the Price and Accounts Officer and A.F.A. for the steel items. The deliveries promised by the firm are in the third quarter of 1960. Steel prices have been for quite some time, owing to the American strike, on the rise. The Continental Iron and Steel Trade Reports of the 9th November, 1959 show the following:

"The lowest rate (for heavy plates) remains \$ 106.

Medium Plates: West Germany has made some interesting offers, however, for Siemens Martin commercial quality, at about \$ 114 for delivery in December.

Despite the end of the strike in the Belgian shipyards, the ship plates sector is still dull although there appears to be more interest in this sector during the last few days. Prices of \$ 115—120 (open hearth quality) were quoted.

Hot rolled sheets are still at the tariff rate, subject to approved specifications, thicknesses below 1 mm being quoted at \$ 158 (less 2½% commission). One producer quoted \$ 162 for thin gauges for delivery in 2 to 3 months."

The Metal Bulletin of the 17th November, 1959 (the latest available) shows that mills are quoting a base price of \$113—115 for medium plates (Thomas quality), \$120—122 for ship-building plates (open hearth) and \$160 for hot rolled sheets. The price for galvanised sheets is \$180.

The point for consideration is whether we should, in view of the above reports, accept the firm's prices. There would appear to be some room for negotiation in the prices for steel items. Had deliveries been in the first quarter, of 1960, we could have taken a risk and purchased at the prices quoted by the firm. But to pay the prices for deliveries in the third quarter of 1960, (though we would need the plates and sheets even then) would be to pay a price slightly higher than market indications. Ultimately, the price we agree to has to depend on a judgment of whether steel prices will move up or down. It is difficult at the moment to foresee a decrease in prices in the near future. Besides, we are interested in selling ingots/slabs. The question therefore, resolves itself to whether we should pay the prices quoted for delivery in the first quarter, for delivery in the third quarter of 1960. It may be worthwhile doing so to sell ingots and slabs of which we shall have plenty.

I would seek Secretary's instructions because Shri Jit Paul is meeting me again on the 26th Morning. Secretary may also like to have a word with AFA.

4. The offer of V. D. Swamy and Co. is for 10,000 tons of ingots with option for 25,000 tons, at Rs. 335;5 per ton f.a.s. Indian ports (the same as in the case of the Amin Chand Payare Lal offer). The prices for steel have yet to be negotiated.

5. The Mahindra and Mahindra offer is yet to be discussed with the firm's representatives.

6. On prices, the Vijay Trading Co. offer is the most attractive. The firm have offered a price of \$77 f.o.b. for ingots and \$85 f.o.b. for slabs. They are interested in 10,000 tons of each. In exchange, the firm have offered B.P. sheets (hot and cold rolled), G.P. Sheets, wire, stainless steel, box strappings and free cutting steel. We discussed the offer with Shri Menon and Shri Choksi of the firm today. We told them that we would prefer to buy sheets (black and galvanised) and some plates, if necessary. The representatives of the firm told us that their offer had expired and that they would have to get a confirmation from their principals on steel prices. They expect to get the confirmation in a day or two.

Sd/- G. RAMANATHAN.

24th November, 1959.

Secretary

I am sorry to trouble Secretary at his residence, but I would like Secretary's directions in this case. We have got to sell ingots/slabs, I feel, even at risk of paying a marginally higher price for steel.

Secretary (at residence)

Sd/- G. RAMANATHAN.
25-11-59.

1. I think we should accept the price and close this deal at once. Further delay will not help us.

2. As soon as this is done, the other deals should be taken up and closed on the same terms, unless better are available. Again no delay.

3. I see that the firm quantity is only 10,000 tons for ingots, the firm having an option for more. In the same way, we should try to have an option in the other cases at least.

Sd./- S. BHOOHALINGAM.
25-11-59.

D.S. (Ram)

* * * * *

Secretary's orders on page 19/ante.

2. Shri Jitpaul of Amin Chand Payare Lal met me today. The Price and Accounts Officer was also present. Shri Jitpaul made it clear that the price of \$ 70 f.o.b. he had agreed for ingots was unworkable and that he was hoping to make good the losses he would incur in the purchase of ingots, by selling steel with a long delivery date. (As a matter of fact, he has offered delivery in period III/1960 where there is a reasonable chance, in his judgment, of a fall in steel prices.) It would appear that he has not entered into commitments for the sale of ingots with any foreign works. We told him that there was a reasonable prospect of the deal going through provided his steel prices were reasonable. He said that he would contact his suppliers and let us have a firm offer at firm prices, with complete details, in a week or two.

3. The offer from Vijay Trading Co. is still awaited.

4. In the meantime, as I reported to Secretary, Hindustan Steel have sold about 30,000 tons of ingots to Hope Purdhummo & Co. at \$ 72 f.a.s. Calcutta/Vizag. This is for cash.

Sd/- G. RAMANATHAN.
27-11-59.

Secretary

Sd./- S. BHOOHALINGAM.
28-11

D.S. (Ram)

* * * * *

Secretary may kindly see Shri Mukherjee's letter at pages 93-95/cor. The Steel Control desire a direction on the procedure to be adopted in the case of exports of ingots and slabs.

2. Recently, we considered how pig iron should be disposed of. The decision taken was that sales for cash should be handled by the producers themselves. For export against the import of steel items, the Steel Controller is the authority. For export against items other than steel, the State Trading Corporation is the authority. We have also indicated that the export ceiling for cash would be 150,000 tons (this is for Hindustan Steel only), for barter against steel 50,000 tons and for barter against items other than steel 25,000 tons. These are for 1960-61.

The procedure in pig iron is slightly different from the one adopted for import of steel against the export of manganese. In the case of manganese and other ores, the STC who receive an offer get the categories and prices of steel to be imported approved by the Steel Controller.

3. I think it is time that we lay down a uniform policy for all items of export. These are likely to be pig iron, ingots and slabs, and blooms for the time being, and later perhaps bars, structurals, rails, etc. For all these items, we may lay down the following procedure.

- (1) The Steel Controller will, in consultation with the producers and the Ministry, decide the probable surplus for export in 1960-61.
- (2) All sales for cash will be handled by the producers themselves. For sales in exchange for the import of steel, the parties will approach the producer first. In order to help the producer (Hindustan Steel) in reaching quick decisions, the Controller will give the producer the categories and specification of steel he will be interested in. The producer, on receipt of an offer, will send a copy to the Steel Controller for a view on steel prices. The Steel Controller will indicate the steel prices to the producer immediately. On receipt of the Steel Controller's clearance on categories, specifications and prices of steel, the producer may close the deal and advise the Steel Controller of having done so. Delivery of the export and import items will be settled by the producer in consultation with the Steel Controller.

This is the procedure we have adopted for import of steel against the export of manganese ore.

- (3) I do not think it is necessary to experiment with the export of ingots and slabs against the import of items other than steel.

4. For quick decisions on exports where offers are valid only for short periods, it is necessary that the Hindustan Steel have an organisation in Calcutta with an officer incharge who will have the authority to negotiate and fix deliveries, prices etc.

Sd/- G. RAMANATHAN.
1-12-1959.

Secretary

Sd./- S. BHOOTHALINGAM.
1-12.

Please speak

D. S. (Ram)

Spoken to Secretary.

2. Secretary agreed that we should lay down a uniform policy for the export of steel material. In pig iron, the procedure already laid down will stand.

3. The suggestion in the above note was that the Steel Controller having decided the disposal surpluses, sales for cash should be handled by the producers themselves as in pig iron. It was also proposed that sales on barter should be done by the producers after getting the steel prices cleared by the Steel Controller. Secretary thought that the procedure could be the reverse. In other words, the offers for export on barter would go to the Steel Controller first. The proposal should indicate the prices of steel to be imported and the price of the export item. On receipt of the offer, the Steel Controller will, if necessary after negotiation, fix the steel prices and consult the producer (in this case the Hindustan Steel) about the price of the export item. This would mean that the Steel Controller will, after obtaining the agreement of Hindustan Steel to the price of the export item, direct the steel for export.

In cases where the Steel Controller decides that the material should be subsidised, he will naturally have to come to the Ministry because the purchase will be a purchase by negotiation.

4. Secretary desired that I should submit a draft letter to the Steel controller outlining the above. A draft is placed below.

Before issue, Secretary may like to consult F.A. Secretary may also like to submit the case to Minister.

Sd/- G. RAMANATHAN.
3-12-59.

Secretary.

F. A. may see first.

Sd/- S. BHOOTHALINGAM.
4-12-59.

F.A.

We have no comments on the proposal pre-page. However, as barter deals mean earning and spending of foreign exchange, Economic Affairs Department also may have to be consulted. They might perhaps like to have an indication of the probable quantum of foreign exchange that might be expected to be earned and spent. The Department would, no doubt, after finalising the proposal show the case to them through us.

Sd/- V. RAMACHANDRAN.
12-12-59.

F.A.

I agree with the D.F.A. in principle. D.F.A. does not give any indication of the quantities that might be earmarked for export on cash basis and that on barter basis. However, with the H.S.L. Sale Office in Calcutta, closest possible coordination between I&SC and the Chief Sales Officer of HSL should be possible, and they should be able to clinch any good offer received on either basis, keeping each other informed.

Sd/- N. C. DEB.
12-12-1959.

I. & S.

Min. of Finance (I. & S., H.S.P. Divn.) n.o. No. IS-4859/59, dated: 14-12-59.

Secretary may kindly see.

Sd/- G. RAMANATHAN.
14-12-1959.

Secretary.

I have already discussed this matter on several occasions with Addl. Secretary, Economic Affairs. He has agreed that as exports of pig iron and steel are 'additional exports' in every sense of the word, we can export in return for steel or for cash. As regards the probable quantum of exports, no one can be quite sure. But, for the purpose of foreign exchange allocations next year, I have already given as clear a picture as possible to Economic Affairs in the form of a D.O. letter to Shri Jagannathan, a copy of which is placed on the file.

The draft which we would like to issue, merely sets out the procedure. The Ministry will indicate the quantities from time to time. As F.A. is aware, we shall have to export all the ingots and slabs except what may be taken by Tatas. The latter will depend on the price settlement. In the case of billets and pig iron, the Ministry will be constantly watching the position and will give the quantity indications from time to time both to H.S.L. and the Iron and Steel Controller.

Sd/- S. BHOOHALINGAM,
15-12-1959

F.A.

We were not aware of the D.O. of 10th December, 1959, from Secretary (I&S) to Additional Secretary (EAD). The reactions of Additional Secretary (EAD) to the suggestions contained in the above mentioned D.O. are also not available to us. As recorded on pre-page we have no comments on the D.F.A. and it may issue. If Additional Secretary agrees the file may be shown to Additional Secretary (EAD).

Sd/- V. RAMACHANDRAN,
16-12-1959.

Sd/- N. C. DEB,
16-12-1959.

We agree to para 1 of the draft. We also agree to para 2 of the draft but would suggest that just as a quantity limit has been placed on the amount for which the Iron & Steel Controller may effect exports of pig iron on a barter basis, a similar limit should be fixed on the quantity of steel that he may authorise for export on a barter basis for the import of finished steel. In my reply to Shri Bhootalingam's letter of 10th December, I have conveyed agreement in principle to export of steel on a barter basis, for the present, within a ceiling of 200,000 (Two hundred thousand) tons of ingots and slabs and 50,000 tons of billets. The authority that the Department of Iron & Steel may delegate to the Iron & Steel Controller would be entirely from within the ceiling.

The Department of Iron & Steel would no doubt decide what are the categories of steel products which they would like imported on such a barter basis, with a broad breakdown in quantities as between different categories. The Iron & Steel Controller may be asked to grant approvals for the import of steel only within the categories and quantities indicated to him by the Department of Iron & Steel. While ensuring that no import is allowed in excess of the ceiling price acceptable to him, he would no doubt give preference to those offers for imports which are comparatively more advantageous in price since this saves us foreign exchange or, alternatively, ensures a larger availability of steel imports. If some flexibility is possible as to the items which are to be obtained by import on a barter basis, after considering specific barter offers received, a selection could also be made to authorise imports of those items which are more advantageously available on barter, leaving other items to be purchased on cash licence basis.

Sd./- S. JAGANNATHAN.

24/26-12-1959.

We have considered the matter only from the point of view of an allocation of foreign exchange.

Addl. Secy. Shri Deb has no doubt considered the question of keeping FM informed.

Itd. S. Jagannathan.

Addl. Secy. Shri Deb

Deptt. of Iron & Steel

Ministry of Finance (Department of Economic Affairs)

U.O. No. 5475-C.I.E./59, dated 30-12-1959.

The D.F.A. may be suitably amended. After issue of D.F.A. I would like to have the file back for submission to F.M.

Sd./- N. C. DEB,
1-1-1960.

Secretary (I & S)

Ministry of Finance (I&S. H.S.P.L. Division)

U.O. No. 15-5/60 dated 1-1-1960.

Revised draft to I&SC submitted for Secretary's approval in the light of the comments made by the Ministry of Finance pp. 26-27 *ante*.

Sd./- C. A. NAIR,
9-1-1960.

Sd./- G. RAMANATHAN,
9-1-1960.

Sd./- S. BHOOTHALINGAM,
9-1-1960.

DS (RAM)

SECRETARY, IRON AND STEEL

No. SC(B)-12/92/59

January 14, 1960

My dear Bam,

Some time back I wrote to you laying down the procedure for export of pig iron. The procedure in short was that sales for cash should be left to the producers. We have already indicated to Hindustan Steel 150,000 tons as a target to go on with. Sale upto 50,000 tons on barter against steel is to be handled by you and sale upto 25,000 tons against the import of items other than steel by the State Trading Corporation.

2. I have been thinking of the procedure for ingots, slabs and perhaps billets. It looks as if we would have plenty of ingots/slabs to sell in 1960 and perhaps some billets. Here also, I would like to lay down a procedure for sale. As it stands, exports have to be approved by you and covered by an export licence. It is not our intention to allocate the State Trading Corporation a share in the export of ingots, blooms and billets for import of items other than steel. Therefore, only sale for cash and sale against the import of steel items will arise. I should think that we should leave sales for cash to Hindustan Steel themselves. As you perhaps know, Hindustan Steel have already sold about 30,000 tons of Rourkela ingots at \$-72 f.a.s. Indian ports. In regard to export on barter, I think that the best way to handle things will be for you to get the offers first. The offers will naturally indicate the prices for ingots and for steel to be imported. You might decide the steel prices first and get the concurrence of Hindustan Steel to the prices for the export items.

3. Ministry of Finance have agreed to exports of 200,000 tons ingots and slabs and 50,000 tons of billets on barter basis for imports of essential steel items. They have desired that in arranging the barter care should be taken to ensure that the categories arranged for import are not those which are available at lower prices against cash licences. I think you could also indicate to a few select firms the procedure outlined above.

4. It is important that in view of the large surpluses of ingots and slabs we might have in 1960, offers are handled in a businesslike way. It should be possible to close deals within a week of the receipt of an offer.

Yours sincerely,

Sd./- S. BHOOHALINGAM,

Shri A. S. Bam, ICS,
Iron & Steel Controller,
33, Netaji Subhas Road, Calcutta.

APPENDIX XVI

Confidential

Reference Mr. Bam's confidential D.O. No. C|RK|32|60, dated the 14th of November, 1960, to Chairman.

The important points are:

- (1) The Iron and Steel Controller had issued in the last so many months a number of letters to various parties authorising barter export of ingots and slabs. Out of these one barter deal of 25,000 tons of ingots for Apeejay Calcutta and one barter deal for 25,000 tons of slabs for Aminchand Payare Lal, Calcutta, and another barter deal for 5,000 tons of slabs for Messrs. Ram Krishan Kulwant Rai materialised.

It should be mentioned here that this barter deal of 5,000 tons for Ram Krishan Kulwant Rai has nothing to do with the case referred to by Mr. Bam here. The conclusion of these deals by HSL with these parties were dependent on the terms and conditions for export which the parties were prepared to accept, specifications of the materials etc. At the same time we had also deals with Messrs. Mannesmann for the export of 12,000 tons of slabs and S&L, Calcutta, for the export of 10,000 tons of ingots both on cash basis. The difficulties which Rourkela encountered in the fulfilment of these orders are well-known namely, shortage of ingot moulds, heavy rejections, lack of handling and loading capacity etc.

In the circumstances, it was decided to go slow with the booking of further orders whether for barter or for cash. When this was done Messrs. Mahindra came to us several times insisting that a barter deal for the export of ingots| slabs sanctioned by the Iron and Steel Control Office should be put through. We had great difficulties in telling them that we could not agree to that. D(F) is aware of the background. Other parties also took up the matter with the Calcutta Sales Office but they did not come up to Ranchi. Recently, a few days ago Mr. Sanyal of Messrs. John Ridley & Sons, came up with exactly a similar case and also showed us letters of credit opened by the foreign parties and requested us to allow the deals to be put through. This also we did not agree to since the other parties would have racked up their cases.

In the circumstances in the normal course there is no case for us to accept a barter deal at this stage for 25,000 tons of slabs ingots for Messrs. Ram Krishan Kulwant Rai.

Mr. Bam's statement that the Iron and Steel Control did not check up the position and an import licence was issued to the firm, is extremely serious. It is a grave omission on the part of the Steel Control. The point, therefore, I would like to emphasise is that a situation has been created whereby there is no provision for export against import, primarily due to the negligence of the Iron and Steel Control Organisation.

Mr. Bam has also stated that he is not aware of the reasons of inability of Hindustan Steel Ltd. to supply the requisite quantities of slabs and ingots to this party. This is very surprising since Mr. Bam has been present at all the Liaison Committee meetings where the representatives of Rourkela have repeatedly pointed out the various teething troubles the Project has had to go through as mentioned above. Even today Rourkela has not completed the orders for ingots on account of Stewarts and Lloyds.

The accumulation of large quantities of slabs and ingots at Rourkela are principally the result of over-rolling and heavy rejections against the Mannesmann and S&L. orders. This is a situation, therefore, that has arisen recently and was not in the picture when the Steel Control gave the import licence to Messrs. Ram Krishan Kulwant Rai without consulting H.S.L.

Mr. Bam's statement that the firm has confirmed that they would be willing to accept slabs and ingots (irrespective of quality and analysis in stock at Rourkela) is not correct. The party has merely stated that HSL is in position to offer slabs and ingots apart from their standard specification which they are prepared to take offgrade ingots lying in stock. They may do so but they have not done this yet.

On the general question of disposal of slabs and ingots, we have got cash offers and we can continue to get cash offers. Barter deals are always artificial transactions and we have found they create more complications for us and we get into difficulties with customers also. Often we are totally at the mercy of the customer in regard to extension of delivery terms etc. It is also well-known that the barter business particularly of export and import of iron and steel is not exactly a straight-forward business in this country. Based on this the Calcutta Sales Office and myself feel that we should now get out of the barter business unless it is unavoidable and stick to cash sales which is the normal commercial way of transacting business. We are coming into the stage of finished products and the sooner we get out of barter the better for us from the long term point of view of export of plates, coils, structural etc.

However, in this particular case we may offer the slabs lying in stock at Rourkela irrespective of analysis and sizes and other dimensional tolerances to Ram Krishan Kulwant Rai as a barter deal as requested by the Iron and Steel Controller, on the clear understanding that this is being done principally to honour a commitment made by the Steel Control and not because we wish to do so.

As regards ingots in stock, most of these are already committed to Amin Chand Payare Lal against the pure barter import of strips for the pipe-plant which HSL is putting through on its own. Unless the tonnage of strips is reduced, we cannot possibly offer ingots to Kulwant Rai. There is a further complication in that Rai himself is not sure of its stock figures.

(Sd.) SUBRAMANIAN.

19-11-1960.

APPENDIX XVII

CONFIDENTIAL

IRON & STEEL CONTROL
33, NETAJI SUBHAS ROAD,
CALCUTTA—1
September, 7, 1959.

D.O. No. C|23(8)|59.

Dear Shri Ramanathan,

Please refer to your confidential letter No. DS(Ram)|59-82 of 28th August, 1959 about Mannesmann's proposal to buy Rourkela Ingots in exchange for steel. Shri Bam has already replied to your letter of 22nd August, 1959 giving an idea of our import requirements in 1960. I suggest we ask Mannesmann to supply the following categories in lieu of Rourkela or Bhilai Ingots:

Plates	.	.	.	.	.	.	.	20,000 Tons
Tinplates	.	.	.	.	.	.	.	10,000 Tons
Wire	.	.	.	.	.	.	.	10,000 Tons
Skelp & Strip	.	.	.	.	.	.	.	16,000 Tons
Sheets	.	.	.	.	.	.	.	34,000 Tons
Special quality Rounds	.	.	.	.	.	.	.	10,000 Tons
								100,000 Tons
TOTAL	.	.	.	.	.	.	.	100,000 Tons

I also enclose a statement giving the detailed specification of the categories of steel indicated above.

Yours sincerely,

(Sd.) S. C. MUKHERJEE.

Shri G. Ramanathan, IAS.,
Dy. Secy. to the Govt. of India,
Ministry of Steel, Mines & Fuel,
Department of Iron & Steel,
Camp: Calcutta:
Enclo:

APPENDIX XVIII

Iron and Steel Control
33, Netaji Subhas Road,
Calcutta, 17th February, 1960.

Ref:CP|152|STC

The State Trading Corporation of India Ltd.,
Saraswathi House, Cannought Circus,
New Delhi.

Dear Sirs,

SUB:—Barter Deals-Procedure for

Ref:—Your letter No. STC/M(B)/Misc./60
dated 2-2-1960

With reference to Ministry's letter No. SC(C)-5(5)60 dated 22nd January, 1960, I am indicating the broad categories of steel items that will be required during the current year.

1. Plain Black Sheets . . . Commercial quality 18G-28G
2. Galv. Plain Sheets . . . 24G-30G
3. Black Plain Sheets . . . Drum quality-18G
4. Black Plain Sheets . . . Cold Rolled Deep Drawing quality
20G-30G
5. Tin Mill Black Plates . . . 30G
6. Cotton Baling Hoops . . . 19/20G × 3/4"
7. Galvd. Iron Wire . . . 8G to 22G
8. Hard Bright Wire for manu-
facture of panel pins and
wire rods . . . 8G to 19G
9. Black annealed wire . . . 16G to 20G
10. M.S. Plates-BSS. 15-Weldable
quality 1/8", 3/16" and 1/4"
11. Hot Rolled Strips 6½" × 16G
suitable for cold rolling
12. Ship quality Plates BSS. 13
Lloyds tested.

Yours faithfully,

(Sd.) B. B. Mukherjee,
Asstt. Accounts Officer.

Copy to: The Ministry of Steel, Mines & Fuel, Department
of Iron & Steel, (Atten: Shri C. A. Nair), King
Edward Road, New Delhi.

(Sd.) B. B. Mukherjee,
Asstt. Accounts Officer.

APPENDIX XIX

Extract from File No. SC(B)15(139)59

Serial No. (6)—Receipt—Letter No. D|262, dated
14-12-1959, from
M|s. Chamanlal Bros.,
New Delhi.

This file deals with the import of stainless steel sheets in 1960 against export of manganese ore.

STC have approached us for approval to import of stainless steel sheets directly from M|s. Crucible Steels USA against 60,000 tons of manganese ore to be exported by their associates, i.e. M|s. Greg Gary Corporation of New York. The supply of stainless steel sheets will be made in 1960 or 1960-61 as desired by us and at price quoted in the "Iron Age" at the time of shipments. The quantity of stainless steel sheets involved, is about 1,000 tons.

STC have also recommended that M|s. Chamanlal Bros. who had originally agreed to import 2,000 tons of stainless steel sheets against export of manganese ore, be permitted to import in 1960, a quantity of 1,600 tons. In this connection, it may be stated that the firm had secured approval from the Iron and Steel Controller for import of 2,000 tons of stainless steel sheets. As they had entered into firm commitments (for manganese) only in respect of a quantity of 400 tons and we had agreed to import of only 400 tons in 1959.

Secretary had informed representative of the firm who saw him, that import of stainless steel sheets cannot be allowed, but we would be prepared to consider import of other essential categories of steel, like sheets. We are awaiting the firm's proposal. In the meanwhile, Messrs. Chamanlal Bros. have again sent a letter requesting us to allow import of the balance quantity of 1,600 tons of stainless steel sheets in 1960. Presumably because they have come to know of STC's recommendation in the matter.

We may agree to STC's proposal to import stainless steel sheets. As regards M|s. Chamanlal Bros., we may inform STC of our decision not to allow import of stainless steel sheets, but other essential categories.

(Sd) C. A. NAIR,
16-12-1959.

DS(Ram)

The STC want to go ahead with a direct deal with Messrs Greg-Gary Corporation, New York, to sell 60,000 tons of manganese ore against the import of stainless steel, to be delivered in 1960, at prices ruling at the time of shipment. It will be remembered that the STC had some time back said that they would do the import of stainless steel themselves. In view of this, it is surprising that the STC would also like to go ahead with the Chamanlal deal.

2. For 1959, we had thought of 2,000 tons as the target for the import of stainless steel. Actually, we have contracted for about 2,700 tons.

3. The Statement now sent by the STC shows that so far as stainless steel is concerned, there are only two "live" barterers, those of—

- (a) Crucible Steels through Greg-Gary Corporation; which the STC desire to handle themselves; and
- (b) Chamanlal offer.

4. The two points that we have to consider are—

- (a) the tonnage that should be permitted on barter in 1960 and
- (b) the mechanics of import.

On (a), I should think that though the requirements of sheets for utensils alone is of the order of 4,000 tons or so, it would be unwise to agree to such large imports, if we can get other steels against the export of manganese ore. By and large, I think we can. I would therefore suggest that we need not, for the present, go beyond 1,500—2,000 tons. Actually, the larger portion of the steel against barterers already entered into is yet to come in.

The second point is. Who should be allowed to import? There is no price control on stainless steel sheets. The market today owing to continued scarcity, can bear a high price. There is a lot of money in the importation of stainless steel sheets and in their fabrication. Hence, the queue for barterers. The only way I think we could try to prevent this (we may not even then prevent it) is to ask the STC to do a direct contract and distribute the steel also directly in consultation with the Steel Controller.

5. In so far as the Chamanlal offer is concerned, it has been represented that the party has entered into commitments. All commitments are subject to the issue of import licences. On this, Secretary has already ruled that they could offer other steels, but not stainless steel.

Sd/- G. RAMANATHAN.
22-12-1959.

Secretary

Please speak

Sd/- BHOOTHALINGAM.
23-12-1959.

Spoken.

DS (Ram)

This case is resubmitted for orders on

- (a) the quantity of stainless steel that should be permitted for import in 1960-61 and
- (b) the method of procurement.

2. Secretary enquired whether the price of stainless steel utensils had shown a downward trend. From such enquiries as I have been

able to make, I find that ruling prices are still high—about Rs. 11 per lb.

3. The notes at pages 12, 13 ante may also be kindly seen.

Sd/- G. RAMANATHAN.
19-1-1960.

Secretary

The notes at pages 12—14 will recall. As Secretary is aware, the Steel Controller approved import of 2700 tons of stainless steel in 1959. Of this, nearly 2000 tons are yet to come into the country.

2. Till the end of 1957, there was sufficient import of stainless steel. Hence, the using industries had no complaints. As a result of the restrictions that came in 1957, imports in 1958 and 1959 have been very small. This has resulted in under-utilisation of industrial capacity and in high prices for the fabricated products. The imports during the last few years have been.

	Quantity value (in crores)	
1955	3450	1·83
1956	6770	3·68
1957	5573	3·45
1958	2025	1·11
1959 (Upto June)	1121	·60

The import figures include all types of stainless steel, and not only for the utensils industry. The largest user is no doubt the utensils industry, but stainless steel is also used for hospital furniture, railway fittings, automobiles, chemical industry, electrical appliances, etc.

2. The policy we have continued for some time provides for import of stainless steel for industries other than utensils on an actual users basis. This is met by Development Wing and the States from their quotas. In the utensils industry, however, owing to its comparatively low priority, we are allowing only a small share of what they can use. We have also defined tool and alloy steel to exclude stainless steel, strip sheet and circles which are largely used by the utensils industry. This, to some extent, is being supplemented by steel that comes against barfers.

3. The problem now is to think out a procedure for the import of stainless steel, sheets, strips and circles for 1960-61. The two points which are important are: the quantity that should be imported and the method of import.

4. On quantities, the best year's import of all stainless steel has been about 6000 tons. On the assumption that the requirements of industries other than utensils will be met by cash licences, I should think that having regard to the imports against commitments already made which are yet to come in, the additional imports that will be necessary during the year and which we should approve now, need be only of the order

of 2000 tons to 2500 tons. I would suggest 2500 tons as the limit. The value will be about Rs. 1.5 crores.

5. The second question that arises is the method of import. As Secretary is aware, the STC are keen to import stainless steel directly and to distribute it themselves. They presumably want to do so against the export of manganese ore and other ores. We agreed in 1959 to the import of stainless steel against export of manganese ore because it was difficult to sell the manganese ore. We are now facing a similar situation with regard to pig iron, ingots and slabs. Of these, ingots and slabs are the more difficult to sell. It is difficult to get an economic price for them. I would, therefore, suggest that in future no cash licences should be given for import of stainless steel, strip, sheets and circles. Instead, the policy could be an *ad hoc* one and we may ask the Iron and Steel Controller to allow import of stainless steel, only against items difficult to sell, e.g., ingots and slabs.

6. The proposals therefore are:

- (i) We may agree to import of 2500 tons of stainless steel in 1960-61.
- (ii) No cash licences will be issued for stainless steel sheets, strips and circles. These items will be permitted to be imported only against the export of ingots, slabs.
- (iii) Though there is no price or distribution control over stainless steel, the Controller will, in approving barter, ensure that all imports are placed at his disposal for distribution to actual users according to either assessed capacity or past consumption.

Sd/- G. RAMANATHAN.
28-1-1960.

Secretary

These proposals have been made after discussion with me. They may be approved.

Sd|_ S. BHOOHALINGAM,
25-1-1960.

Minister

I have discussed this with Secretary. So far as the present proposals are concerned, I would accept them. In view of our foreign exchange difficulties, we shall have to import on barter system. Ingots and slabs have been mentioned as items which could be exported in such barter transactions. There may be other items particularly, minerals against which we could import stainless steel.

I have been greatly worried as a result of complaints made to me in Bombay and Calcutta about the distribution of stainless steel. Already stainless steel has arrived against one barter deal, but distribution has not proceeded in spite of our decision several months ago. This has pushed up the prices. In one of the meetings of the All India Manufacturer's Organisation at Bombay, barter deals were bitterly criticised, and when I asked them the real reason, they told me that the reason for their criticism was the malpractices in distribution. In fact, they mentioned to me that one of the Importers against these barter has already accepted a commitment for sale of the imported material, notwithstanding the direction that distribution would be according to the orders issued by

the Iron and Steel Controller. In view of the sizeable margin between the imported price and the sale price, stainless steel is an item in which, I am afraid, malpractices in distribution exist on a large scale. If there is any lacuna with regard to powers, etc., the same may also be examined and we should arm the Controller with the necessary powers. Secretary may please look into this matter urgently and see as to what is being done with regard to the distribution of the material that has already arrived, or the material that is likely to arrive against barter deals that have already been approved. Even under ordinary circumstances, barter deals are open to the criticism that there may be some margin available to the importers on account of manipulated prices, and if on the top of it, there are malpractices in distribution, the position becomes worse. A detailed procedure should be laid down with regard to the prices and other charges, etc., and this should be explicitly told to the parties undertaking the barter, so that the position may be fully known before the transactions are finalised.

Sd/- SAWARAN SINGH.
1-2-1960.

Secretary (I&S)

Intld.

DS(R).

Secretary discussed this case with the Iron and Steel Controller and Shri S. C. Mukherjee. The Iron and Steel Controller has given me a statement showing the import and distribution of stainless steel. It may be noted that of the 2673 tons committed for import, 774 tons have arrived, but only 98 tons have been distributed. It would appear that the Devidayal steel which came months ago has not yet been distributed owing to disputes between the Steel Controller and the firm. The Steel Controller said that he was arranging for the distribution of the entire tonnage received and allotments were under way. The Steel Controller also said that distribution would be made on the basis of past imports and consumption.

Secretary also appraised the Steel Controller of the procedure to be followed in 1960-61 in regard to stainless steel to be imported.

So far as 1960-61 is concerned, the decisions we have taken are that we should import 2500 tons of stainless steel, that cash licences for sheets, strips and circles should be stopped, and that import should be only against the export of ingots and slabs. This is because pig iron and billets are comparatively easier to export. The question that arises is what share of this import should be earmarked for the STC. Secretary will remember that the STC have been keen to import stainless steel directly. When I discussed this, Secretary thought that the STC should be allowed to import 500 tons of stainless steel against the export of manganese ore.

I propose to write to the STC and the Steel Controller as in the draft letters below.

Sd|- G. RAMANATHAN.
9-2-1960.

Secretary

DS(Ram)

Please revise letters as discussed.

Issue as amended.

Sd/- G. RAMANATHAN.
9-2-1960.

APPENDIX XX

IRON & STEEL CONTROL

33, NETAJI SUBHAS ROAD, CALCUTTA-1

D.O. No. C/17(3)/59

January 20, 1960.

Dear Shri Ramanathan,

Kindly refer to Secretary's letter No. SC(B)-12/92/59, dated 14th January, 1960 to the Controller about export of ingots, slabs and billets on barter basis. I hope a copy of this letter has been endorsed to Hindustan Steel Ltd., as we are daily receiving copies of their letters sanctioning barter deals involving export of pig iron, slabs ingots, and billets in favour of Indian exporters and importers. In doing so, they are not at present consulting us and we are asked only to settle the categories of steel and prices thereto later on. There is, therefore, every possibility that the categories and prices of materials to be imported being not acceptable to the party the deal will fall through. We are also contacting Shri Bery and trying to arrive at an agreed procedure for settling barter deals.

In paragraph 3 of Secretary's letter it is stated that the Ministry of Finance want us to "ensure that the categories arranged for import are not those which are available at lower prices against cash licences." The exact implication of this stipulation is not clear to us. As you are aware, the categories in which we are interested at present are thin plates, sheets (black and galvanies) and wire. We are issuing cash licences for wire. Is it then desired that G.I. Wire should not be imported against barter deals? Sometimes cash licences are also being issued to industries against recommendations of the Development Wing for plates and sheets. Does Ministry of Finance want us to stop importing all these categories against deals? *Prima facie* this would be impossible and we have to continue to purchase only plates, sheets and wire against barter deals. Only thing we can ensure is that in our barter deals we do not allow higher prices than those paid by parties getting cash licences. Kindly confirm that this will meet the wishes of the Ministry of Finance.

I shall be grateful for an immediate reply. This letter issues with the approval of the Controller and in consultation with the Price and Accounts Officer.

Yours sincerely,
Sd./-
(S. C. MUKHERJEE).

Shri G. Ramanathan, I.A.S.

Deputy Secy. to the Government of India,
Ministry of Steel, Mines and Fuel,
Department of Iron and Steel.
New Delhi.

APPENDIX XII

D.O. No. SC(B)-12(92)59

1st Februray, 1960

My dear Mukherjee,

Please refer to your letter D.O. letter No. C|17(3)|59, dated the 20th January 1960. A copy of Secretary's letter of the 14th January 1960 has been endorsed to Hindustan Steel (Shri N. C. Deb). You may therefore expect HSL also to follow the procedure laid down therein for exports of ingots, slabs, blooms and billets.

In regard to the clarification sought for in paragraph 2 of your letter, I confirm that the intention is that the import on barter should be limited to categories we are short of (e.g. sheets, tinplates, wire etc.) and that barter should be confined as far as possible to those items which are more advantageously so available. You will appreciate that it would be difficult for anybody to be rigid in regard to prices and in stipulating whether any particular deal should be on cash or on barter. Normally, a cash sale ought to be preferred but a barter will be more or less inevitable when we specifically need a particular item of steel or when we are anxious to export material that is surplus. On prices, the procedure outlined by Secretary envisages that all barter offers would be received by the Steel Control first and that the Steel Control will fix the prices of steel before getting the concurrence of Hindustan Steel to the export item. In fixing prices for steel, you will no doubt be guided by the market. For example, the quotations in the Metal Bulletin, would be a safe guide. Having fixed the steel prices, it will be for Hindustan Steel to negotiate and settle the price for the export item.

Yours sincerely,

(Sd.) G. RAMANATHAN

Shri S. C. Mukherjee,
Deputy Iron & Steel Controller,
33, Netaji Subhas Road,
Calcutta.

Inserted in the Press on 22nd November, 1959 in
Times of India.

HINDUSTAN STEEL LTD.

Rourkela—Bhilai—Durgapur.

FOR

EXPORT

of

Hindustan Pig Iron, Steel Ingots, Semis like slabs, Blooms and
Billets, and By product.

Coal Chemicals

Please contact

SRI B. N. BERRY.

HINDUSTAN STEEL LIMITED

Sales Department

2, Fairlie Place, Calcutta-1.

APPENDIX XXIII

Statement showing all the proposals under the semis barter scheme which were submitted before 31-5-1960* to the Iron and Steel Control and the action taken.

Serial No.	Name of the Party/Date of barter proposals	Quantity of Semis applied for export	Date of issue of Letter Order	Quantity of semis allowed, initially for export as per L.O.	Quantity of semis finally allowed for export	Number and date of Contract with Hindustan Steel Ltd.	Quantity actually exported M/T.	Remarks
1	2	3	4	5	6	7	8	9

A—Barter proposals approved by Iron and Steel Controller, where Contract with Hindustan Steel Limited was finalised

		Tons		Tons	Tons		
1	Messrs. Amin Chand Payare Lal (21-12-1959)	90,000 Slabs	29-1-60	90,000	25,000	7 (8-4-1960)	16,166.810
2	Do. (21-12-1959)	20,000 Billets	17-2-60	20,000	20,000	13 (9-5-60) & 16 (20-5-60)	13,973.700
3	Messrs. Khemchand Rajkumar (12-1-1960)	5,000 Billets	23-3-60	5,000	5,000	18 (15-6-60)	1,205.906

4	Messrs. Apeejay (P) Ltd. (16-1-1960)	50,000 Ingots.	29-1-60	50,000	25,000	8 (8-4-60)	23,305·232
5	M/s. J. S. Cohen and Co. (2-2-1960)	7,500 Billets.	10-2-60	7,500	7,500	17 (24-5-60)	699·422
6	M/s. Ramkrishan Kulwantrai (15-1-1960)	20,000 Slabs	2-2-60	20,000	5,000	14 (16-5-60)	4,951·150
7	Do. (10-3-1960)	25,000 Blooms/ Ingots/ Slabs.	5-5-60	25,000	25,000	28 (18-1-61)	Nil
TOTAL				2,17,500 tons	1,12,500 tons		60,302·220 M/T.

B—Barter proposals approved by Iron and Steel Controller where contract with Hindustan Steel Limited was not finalised.

8	M/s. J. Ridley and Co. (5-1-1960)	10,000 Slabs 10,000 Ingots.	29-1-60	10,000 10,000	..	..	..
9	M/s. V. D. Swami and Co. (9-1-1960)	25,000 Slabs.	3-2-60	25,000	..	..	..

1	2	3	4	5	6	7	8	9
		Tons		Tons				
10	M/s. Bengal Corporation . (14-3-1960)	5,000 Ingots/ Slabs.	6-4-60	5,000	..	..	..
11	M/s. Ramkrishan Kulwantraï . (12-1-1960)	3,000 Blooms.	17-2-60	3,000	..	..	..
12	M/s. Khemchand Rajkumar . (12-1-1960)	50,000 Slabs.	2-2-60	50,000	..	..	..
13	M/s. Export Corporation . (3-2-1960)	30,000 Slabs.	17-2-60	30,000	..	..	..
14	M/s. Grand Smithy and Co. . (29-2-1960)	10,000 Blooms.	23-3-60	10,000	..	..	..
15	M/s. Mahindra & Mahindra . (6-4-1960)	20,000 Slabs.	29-4-60	20,000	..	..	..
16	M/s. Vijay Trading Co., Bombay (28-3-1960)	10,000 Slabs. Ingots.	23-7-60	10,000	..	..	..
TOTAL				1,73,000	..	..	..
TOTAL—A & B.				3,90,500	..	..	60,302.290 M/T	

C.—Barter Proposals not approved by Iron and Steel Controller.

17	M/s. Steel Enterprises, Calcutta (8-1-1960)	Tons 10,000 Billets.	The firms' application could not be considered as dealings with the firm was suspended on account of certain irregularities committed by the firm
18	M/s. A. K. Corporation (29-1-1960)	Quantity not indicated.	..	..	..	..
19	M/s. Steel (1957) P. Ltd, Bombay (30-1-1960)	20,000 Slabs/ Ingots 10,000 Billets.	} Approval not accorded by Iron and Steel Controller for reasons such as party not furnishing details of proposals in time or party wants to import under barter only particular items and not those selected by the Iron and Steel Controller or party being a new comer to the Steel Import Trade.
20	M/s. Chamanlal Overseas (P) Ltd. (30-1-1960)	20,000 Billets	..	..	..	..
21	M/s. United Intertrade Corpora- tion. (8-2-1960)	7,000 Ingots/ Slabs.	..	..	..	..
22	M/s. Iron & Metal Traders, Calcutta. (5-4-1960)	7,500	..	..	..	..

1	2	3	4	5	6	7	8	9
23	M/s. Keys Corporation, Calcutta (8-4-1960)	Tons Quantity not indicated.	..	..	..	..
24	M/s. Himalyan Exporters, Delhi (12-4-1960)	Do.						
25	M/s. Misra Industrial Corpora- tion. (5-5-1960)	30,000 Ingots/ Slabs	..	..	..	..
26	M/s. S.E.A. Corporation, Calcutta (5-5-1960)	20,000 ingots.	..	..	..	..
27	M/s. National Steel Corporn., Calcutta. (13-5-1960)	20,000 Ingots 10,000 Slabs.	..	..	..	..
28	M/s. Parsinta Steel (P) Ltd., Calcutta. (21-5-1960)	6,000 Blooms 6,000 Slabs.	..	..	..	..

29	M/s. Dor Corporation (21-5-1960)	5,000 Blooms/ Slabs.	..	..	..	..	..
30	M/s. P. L. Bhaat & Co. (21-5-1960)	25,000 Ingots/ Slabs.	..	..	..	..	..
31	M/s. Western India (Steel) Trade, Bombay	25,000 Ingots/ Slabs.	..	..	..	..	..
32	M/s. Metal Grain Traders (14-5-1960)	5,000 Ingots.	..	..	..	..	.. Same as for Sl. No. 18 to 32.
33	M/s. All India Stainless Steel Association, Bombay. (7-5-1960)	5,000 Ingots.	..	..	..	..	.. The party did not signify its accep- tance of off grade material, offered by Hindustan Steel Limited.

*The date 31-5-60 has been selected because from our investigation it is learnt that from about June, 1960, Hindustan Steel Limited was not interested in concluding contracts for sale of semis.

CONFIDENTIAL

No. SC(S)-5(32)/60

February 24, 1960.

My dear Bam,

I have repeated to you a message which I sent to Deb regarding exports of ingots, slabs and billets.

You will remember that when you were here recently, you had told me that Hindustan Steel was finalising sales on barter which were against instructions I had issued earlier. I was then under the impression that you had not approved the import of the steel items. But I find that in the following deals you have also approved the import of steel items.

	Tons	
(i) M/s. V. D. Swami & Co. . . . Slabs	25,000	
(ii) M/s. John Ridley & Co. . . . { Ingots	10,000	
	{ Slabs	10,000
(iii) M/s. Ramakrishn Kulwant Rai . . . Slabs	20,000	
(iv) M/s. Apeejay Private Ltd. . . . Ingots	50,000	
(v) M/s. Khem Chand Raj Kumar . . . Slabs	50,000	
(vi) M/s. Amin Chand Payare Lal . . . Slabs	90,000	

The points now arise are: (i) how many of these deals are likely to materialise, (ii) what are the delivery dates agreed to by Hindustan Steel and whether they can be fulfilled by them, and (iii) is there any provision in the contracts to Hindustan Steel for cancellation of the deals? I say this because, *prima facie*, it seems to me that many of these offer are speculative and by having accepted them, we would have merely sold on paper and tied ourselves up.

I would therefore be glad if you could send for the Hindustan Steel representative in Calcutta, discuss each case individually and let me have a complete picture. Until this is done, I think we should not enter into more commitments.

Yours sincerely,

Sd./-

(S. BHOTHALINGAM.)

Shri A. S. Bam, I.C.S.,
Iron and Steel Controller.
CALCUTTA.

Copy to Shri N. C. Deb, Director (Finance). Hindustan Steel Ltd.,
Ranchi.

CONFIDENTIAL

APPENDIX XXV

**Iron and Steel Control
33, Netaji Subhas Road,
Calcutta-1**

D. O. No. C|3|59.

February 26, 1960.

Dear Shri Bhoothalingam,

Will you kindly refer to your 'Confidential' D.O. letter No. SC(C)-5(12)/60, dated 24th February, 1960, together with a copy of the teleprinter message, addressed to Shri Deb, which was received by me last evening?

In fact, the entire question of finalisation of export deals by Hindustan Steel and Steel Control was gone into in great detail by us in a meeting held on the 23rd with the representatives of the Hindustan Steel at Calcutta and from different Plants. I am herewith enclosing the minutes of the meeting which will give you a complete picture of the position in regard to the export of slabs, ingots, billets and pig iron, including the delivery schedule. In the light of the decision taken in this meeting, Hindustan Steel will have to scale down their targets. We were told by Shri Bery of Hindustan Steel that since the question of specifications of exportable items was still to be finalised by mutual agreement, these offers were still open and there would, therefore, be no difficulty in his being able to reduce them, where necessary, to fit within the revised targets.

As far as Steel Control barfers are concerned, I am awaiting your instructions about "tendering."

Yours sincerely,

**Sd/- (A. S. BAM).
26-2-1960.**

**Shri S. Bhoothalingam, I.C.S.,
Secretary to Govt. of India,
Department of Iron and Steel,
Maulana Azad Road,
NEW DELHI.**

CONFIDENTIAL

APPENDIX XXVI

Extract from Record note of a meeting held on 23-2-1960 at 3 P.M. in the room of the Iron and Steel Controller.

PRESENT

1. Shri A. S. Bam, ICS, I&SC-Chairman.
2. Shri S. Sambasivan, General Supdt., Rourkela.
3. Shri B. N. Bery, Hindustan Steel Ltd., Calcutta.
4. Shri H. R. S. Rao, Hindustan Steel Ltd., Calcutta.
5. Shri R. K. Ghai, Hindustan Steel Ltd., Rourkela.
6. Shri R. Ghosh, Hindustan Steel Ltd., Durgapur.
7. Shri R. K. Chatterjee, Hindustan Steel Ltd., Durgapur.
8. Shri V. Doraswamy, Dy. Iron & Steel Controller.
9. Col. J. C. Joshi, Hindustan Steel Ltd., Bhilai.
10. Shri S. C. Mukherjee, Dy. Iron and Steel Controller.

Opening the meeting, the Chairman said that Hindustan Steel Limited, Calcutta, have issued a large number of offers for the export of pig iron, billets, slabs and ingots on barter basis. The deals involving export of blooms, slabs and ingots, for which there is no appreciable indigenous demand, have already been approved by the Steel Control and the parties have been told about the category and price of steel to be imported. With regard to pig iron and billets, however, steel Control is unable to finalise the deals without knowing clearly what the exportable surplus is likely to be and what the likely deliveries are going to be. The object of this meeting was to have a clear idea about the availability of exportable surplus of pig iron, billets, blooms, slabs and ingots and their likely deliveries so that the deals which are pending may be finalised.

2. As regards pig iron, the availability in 1960, periodwise, and gradewise, was estimated as follows:—

PD. I/1960	Foundry	Basic	Total
1. Tata	6,000	..	6,000
2. Mysore	8,000	..	8,000
3. Indian Iron	42,000	..	42,000
4. Bhilai	70,000	20,000	90,000
5. Rourkela	60,000	..	60,000
6. Durgapur	70,000	..	70,000
	256,000	20,000	276,000

PD. II/1960	Foundry	Basic	Total
1. Tata & Mysore	16,000		16,000
2. Indian Iron	42,000	..	42,000
3. Bhilai	75,000	10,000	85,000
4. Rourkela . . . . .	..	60,000	60,000
5. Durgapur . . . . .	..	45,000	45,000
	<u>133,000</u>	<u>115,000</u>	<u>248,000</u>
PD. III/1960			
1. Tata & Mysore	17,000	..	17,000
2. Indian Iron	50,000	..	50,000
3. Bhilai	90,000	..	90,000
4. Rourkela . . . . .	..	40,000	40,000
5. Durgapur	90,000	..	90,000
	<u>247,000</u>	<u>40,000</u>	<u>287,000</u>
PD. IV/1960.			
1. Tata & Mysore	17,000	..	17,000
2. Indian Iron	46,000	..	46,000
3. Bhilai	90,000	10,000	100,000
4. Rourkela . . . . .	..	40,000	40,000
5. Durgapur	30,000	30,000	60,000
	<u>183,000</u>	<u>80,000</u>	<u>263,000</u>
GRAND TOTAL	<u>819,000</u>	<u>255,000</u>	<u>10,74,000</u>

The representatives of Bhilai, Rourkela and Durgapur accepted the figures in so far as it related to their Works. On the basis of an estimated internal demand of 70,000 tons per month, it was felt that the availability of foundry pig iron in 1960 is going to be just sufficient to meet the internal demand. In fact there is a small over-all deficit of about 20,000 tons and the position in Pd. II/1961 when both Rourkela and Durgapur would make only basic grade pig iron, is going to be difficult period for the internal foundries. It was therefore decided that no export of foundry grade pig iron should be allowed in 1960 apart from whatever comments have already been made. These commitments amounted to about 60,000 tons including 16,900 tons to be exported to Pakistan by S.T.C and Hindustan Steel.

As regards basic pig iron it was estimated that the availability for export in 1960 would be as follows:—

Pd. I/1960	20,000 tons.
Pd. II/1960	115,000 tons.
Pd. III/1960	40,000 tons.
Pd. IV/1960	80,000 tons.
TOTAL	<u>255,000 tons.</u>

The export orders already booked on Hindustan Steel for delivery in 1960 are:—

	Quantity	Grade	Works
1. Shri Hanuman Foundries .	20,000	Basic	Bhilai
2. Ramkrishan Kulwant Rai .	7,000	Foundry	Rourkela
	11,000	Basic	Durgapur
3. Chamanlal Bros.	30,000	Foundry	Rourkela
	30,000	Basic	Bhilai
4. State Trading Corporation	13,400	Foundry	Bhilai
5. Hindustan Steel Ltd.	3,500	Foundry	Bhilai
6. Apeejay Pvt. Ltd.	7,000	Foundry	Rourkela
7. Stwerts and Lloyds	12,000	Basic	Durgapur
	139,000		
	133,900		

As we are going to be short of foundry grade pig iron in 1960, it would be necessary to convert the 30,000 tons of foundry iron allowed to be exported by Chaman Lal Bros. to basic grade. If of course, the firm did not agree to this change, we may have to consider negotiating with them afresh for converting the deal to a barter deal. If this is finally agreed to by the firm, our total commitments for basic grade pig iron would amount to 103,000 tons. This would leave a balance of about 152,000 tons for which fresh commitments could be made. This of course excludes the export order booked by Indian Iron and Steel Co. Ltd. If it is decided that this commitments should also be honoured by Hindustan Steel Ltd., the availability of basic grade pig iron for fresh commitments in 1960 would be 104,000 tons. As against this availability, Hindustan Steel Ltd., have already issued offers for 130,000, and Steel Control has sent another proposal for 20,000 tons to Hindustan Steel for consideration of the export angle after finalising the import side. This makes a total of 150,000 tons. Steel Control have also received offers for 318,000 tons on barter basis in response to a circular sent by them for export at Rs. 235/- per ton. For Port and import at current Metal Bulletin price with the usual escalation for delayed shipment.

The Chairman stated that the Ministry were already considering a proposal to sanction barter deals in future through tenders so that the imported material could be subsidised and released to quota holders. It was, therefore, necessary that the entire availability should not be utilised for finalising the barter deals already under consideration of Hindustan Steel Ltd., Calcutta and Steel Control. After some discussion it was decided that all the offers received by Steel Control should be turned down. As regards the offers issued by Hindustan Steel, Shri Bery pointed out that some of these parties have already made some commitments with foreign buyers and as such it would not be proper to reject all of them. It was, therefore, decided that Hindustan Steel Ltd., may review all these deals and make fresh recommendations involving export of only 50,000 tons of basic pig iron for the time being. Delivery of this 50,000 tons may be promised in Pd. II/60.

3. The position of billets was then reviewed. It was estimated that the availability of billets in 1960 would be as follows:—

	PD I/60	Pd. II/60	Pd. III/60	Pd. IV/60
1. Tatas	78,000	55,000	45,000	45,000
2. Indian Iron.	75,000	60,000	45,000	45,000
3. Bhilai	30,000	60,000	50,000	60,000
4. Rourkela . . . . .	..	..	..	..
5. Durgapur. . . . .	..	15,000	55,000	60,000
	180,000	190,000	205,000	210,000
GRAND TOTAL	. 785,000 Tons.			

The availability from Tatas and Indian were based on the estimates given by their representatives at the Liaison Committee Meeting held before lunch and the figures relating to Bhilai, Rourkela and Durgapur were accepted by their representatives. Shri Doraswamy estimated that the internal demand would not exceed 180,000 tons per quarter and anything available in excess of this quantity might be allowed to be exported. On this basis it was seen that the availability for export in 1960 would be as follows:—

Pd. I/1960	Nil
Pd. II/1960	10,000 Tons
Pd. III/1960	25,000 Tons
Pd. IV/1960	30,000 Tons
TOTAL	65,000 Tons

Out of this availability, it was decided to permit Hindustan Steel Ltd., Calcutta to finalise deals involving 35,000 tons and to keep the balance for export against barter deals to be finalised by Steel Control

through tenders. The delivery of this 35,000 tons should be promised as follows:—

Pd. II/1960	10,000 Tons
Pd. III/1960	15,000 Tons
Pd. IV/1960	10,000 Tons
TOTAL	<u>35,000 Tons</u>

4. The availability of blooms, slabs and ingots were then discussed. The representatives of the Steel Plants estimated that the following quantities would be available in 1960:—

		Bloom	Slabs	Ingots
Pd. I/1960	1. Bhilai	10,000	..	..
	2. Raurkela . . . . .	..	8,000	25,000
	3. Durgapur . . . . .	..	..	..
		10,000	8,000	25,000
Pd. II/1960	1. Bhilai	15,000	..	..
	2. Rourkela . . . . .	..	30,000	54,000
	3. Durgapur	15,000	..	..
		30,000	30,000	54,000
Pd. III/1960	1. Bhilai	15,000	..	..
	2. Rourkela . . . . .	..	36,000	60,000
	3. Durgapur . . . . .	..	..	..
		15,000	36,000	60,000
Pd. IV/1960	1. Bhilai	15,000	..	..
	2. Rourkela . . . . .	..	36,000	60,000
	3. Durgapur . . . . .	..	..	..
		15,000	36,000	60,000
GRAND TOTAL	70,000	110,000	199,000	

Out of the total quantity of 70,000 tons of blooms which will be available, it was decided to permit Hindustan Steel Ltd. to finalise deals for 30,000 tons—20,000 tons to be delivered in Pds. I & II/1960 and 10,000 tons in Pd. III/1960. The balance will be exported against barter deals to be sanctioned through tenders.

As regards slabs, the total availability was estimated at 110,000 tons out of which 60,000 tons were allocated to Hindustan Steel, Calcutta, including 12,000 tons which has already been sold by them to Mannesman. The balance of 50,000 tons will be exported against tender barter deals. The delivery of 60,000 tons allotted to Hindustan Steel would be as follows:—

Pd. I/1960	—	8,000 Tons
Pd. II/1960	—	30,000 Tons
Pd. III/1960	—	11,000 Tons
Pd. IV/1960	—	11,000 Tons
		<hr/>
		60,000 Tons
		<hr/>

As regards ingots, the total availability was estimated at about 200,000 tons out of which Tatas are expected to take about 50,000 tons leaving a net exportable surplus of 150,000 tons. It was decided that Hindustan Steel Ltd., Calcutta, might finalise deals to the extent of 75,000 tons to be delivered as follows:—

Pd. I & II/1960	—	30,000 Tons
Pd. III/1960	—	25,000 Tons
Pd. IV/1960	—	20,000 Tons
		<hr/>
		75,000 Tons
		<hr/>

The balance of 75,000 tons will be exported through barter tenders to be issued by the Iron and Steel Control.

5. Shri Bery then raised the question as to whether the performance bond in respect of barter deals should be taken by Hindustan Steel or by the Steel Control. At present both Steel Control and Hindustan Steel are stipulating the condition about submission of performance bond to the extent of 3 per cent of the contract value and the parties are objecting to give performance bonds to both. It was decided that performance bond may be taken by Hindustan Steel and that Steel Control need not take any performance bond in so far as the export side is concerned. As regards imports, Steel Control will no doubt take 15 per cent Guarantee in case of imports preceding exports.

6. The question of booking of orders by Hindustan Steel against orders planned by Steel Control was then discussed. It had come to the notice of the Steel Control that the Steel Plants were not booking orders planned by the Steel Control on the plea that the volume of orders planned on them were in excess of their production and as such they were not in a position to execute the orders within a reasonable

time. It was made clear to the representatives of the Steel Plants that under no circumstances should they refuse to book orders against indents planned by Steel Control. They should promptly send quotations to all parties whose indents are planned by Steel Control and if satisfactory financial arrangements are made, the order should be promptly booked. In case it was thought that any of the Steel Plants had excessive outstanding orders, steps would be taken by Steel Control to replan such orders on other works. Steel Control has already taken steps to scrutinise future indents for pig iron so as to ensure that parties who did not make financial arrangement for the full quantity indented for in the past are not allowed to place fresh indents for quantities larger than what they could consume. Similarly, the Steel Plants should also try to cancel all orders against which financial arrangements are not made by the parties within a reasonable time. They should also book orders against planned indents for a part quantity if the financial arrangement covers only part quantity. Such cancellations should be duly intimated to the Steel Control and should also be reflected in their monthly returns.

7. The question of despatches against priority orders was then discussed. It was made clear to the representatives of the Steel Plants that it was never the intention of the Steel Control that all priority orders should be completed before any despatches were made against non-priority orders. The object of giving priority to certain orders was that these orders should be executed more expeditiously than non-priority orders. The object of giving priority to certain orders was that these orders should be executed more expeditiously than non-priority orders. In other words, in making despatches, the Steel Plants should ensure that about 60 per cent of their production is supplied to priority indentors and 40 per cent to non-priority indentors. In making despatches to priority indentors and non-priority indentors, the Steel Plants should make sure that the available quantity is equitably distributed to as many indentors as possible more or less in proportion to the volume of their orders. The Steel Plants were also asked to ensure despatches of pig iron to all regions so that pockets of temporary shortage were not created as has been recently reported. The representatives of the three Steel Plants were requested to make a weekly or monthly despatch programme on the basis of the importance of the orders and the regions they have to serve. Such programmes should be strictly adhered to subject to restrictions on booking, etc.

8. The question of submission of periodical returns to the Steel Control was then discussed. It was pointed out to the representatives of the Steel Plants that the returns prescribed by the Steel Control at the instance of the Ministry were being received very irregularly so much so that every time teleprinter Messages had to be sent to collect the requisite information for sending the monthly returns to the Ministry. The representatives of the Steel Plants were requested to send copies of all reports and returns which they now submit to their head office, viz., a daily production and despatch return, weekly production and regionwise despatch returns and the monthly return in the form prescribed by the Steel Control. It must be ensured that these returns are regularly received in the Steel Control; in particular, the monthly return must reach by the 7th of each month positively so that the return for the Ministry could be sent to them positively by the 10th of every month.

It was pointed out to the representatives of the steel Plants that copies of the Works Orders issued by them and also their despatch advices were not being received regularly. It was imperative that copies of these important documents were sent to Steel Control to enable them to keep accurate statistics of despatches to consumers in the various States.

New Delhi (Shri G. Ramanathan, IAS)

The representatives of the Steel Plants promised to act according to the instructions given by the Steel Control and also to submit the returns and copies of works Orders and despatch advices regularly to the Steel Control.

Sd/- S. C. MUKHERJEE,

Deputy Iron & Steel Controller.

No. C/3/59

Copy to:—

1. All present.
2. Hindustan Steel Ltd., Ranchi.
(Attn. Shri N. C. Deb)
3. Ministry of Steel, Mines & Fuel, Department of Iron & Steel,
New Delhi (Shri G. Ramanathan, IAS)

APPENDIX XXVII

Statement of Hindustan Steel Ltd. regarding Production, Consumption and Surplus

DETAILS OF SEMIS PRODUCED AT ROURKELA STEEL PLANT

Details of Semis produced at Rourkela Steel Plant

Period	Opening balance (M/T)	Produc- tion (M/T)	Consump- tion (M/T)	Surplus (opening balance + produc- tion minus (consump- tion) (M/T)	Quantity available for export out of surplus in col. 5
I	2	3	4	5	6
Ingots :					
1960					
1st Quarter . . .	12,392	37,294	7,925	41,761	Details not available.
2nd Quarter . . .	38,068	41,928	23,473	56,523	Do.
3rd Quarter . . .	51,594	42,872	22,090	72,376	Do.
4th Quarter . . .	62,298	59,633	43,617	78,314	Do.
1961					
1st Quarter . . .	66,200	61,390	50,510	77,089	Do.
2nd Quarter . . .	50,664	67,531	55,139	63,056	Do.
3rd Quarter . . .	40,818	66,352	55,598	51,572	Do.
4th Quarter . . .	32,533	103,947	70,769	65,711	Do.
SLABS :					
1960					
1st Quarter . . .	218	6,418	..	6,636	Do.
2nd Quarter . . .	6,348	18,942	..	25,290	Do.
3rd Quarter . . .	13,079	17,841	..	30,920	Do.
4th Quarter . . .	17,355	36,215	13,342	40,228	Do.
1961					
1st Quarter . . .	27,114	39,219	26,003	40,240	Do.
2nd Quarter . . .	16,962	42,607	38,700	20,869	Do.
3rd Quarter . . .	6,370	44,547	39,058	11,859	Do.
4th Quarter . . .	11,357	57,382	61,957	6,782	Do.

*Billets not produced at Rourkela Steel Plant.

Details of Semis produced at Bhilai Steel Plant

Period	Opening balance	Production (M/T)	Consumption (M/T)	Surplus (Opening Balance + production minus Consumption) (M/T)	Quantity available for export out of surplus in col. 5.
1	2	3	4	5	6
Ingots :					
1960					
1st Quarter . . .	16,311	62,634	64,292	14,653	} Details not available
2nd Quarter . . .	14,653	67,333	80,602	1,384	
3rd Quarter . . .	1,384	82,188	80,474	3,098	
4th Quarter . . .	3,098	106,146	105,378	0,866	
1961					
1st Quarter . . .	13,866	1,45,886	1,40,326	9,426	} Details not available
2nd Quarter . . .	9,426	1,49,355	1,27,972	30,809	
3rd Quarter . . .	30,809	1,97,051	1,95,051	32,809	
4th Quarter . . .	32,809	2,09,355	2,10,367	31,397	
Billets :					
1960					
1st Quarter . . .	773	54,130	1,283	53,620	} Details not available
2nd Quarter . . .	7,685	70,924	1,604	77,005	
3rd Quarter . . .	11,974	63,753	2,358	79,369	
4th Quarter . . .	12,043	84,261	5,155	91,149	
1961					
1st Quarter . . .	11,359	105,713	13,952	103,120	} Details not available
2nd Quarter . . .	20,643	62,981	28,024	55,600	
3rd Quarter . . .	16,442	94,439	43,916	66,965	
4th Quarter . . .	24,569	102,446	49,261	77,754	

Slabs not produced at Bhilai Steel Plant.

Details of Semis produced at Durgapur Steel Plant

Period	Opening Balance (M/T)	Production (M/T)	Consumption (M/T)	Surplus (Opening balance + production minus consumption) (M/T)	Quantity available for export out of surplus in col. 5.
1	2	3	4	5	6
<i>Billets :</i>					
1960					
End of 1st Quarter	Nil	Nil	Nil	Nil	Nil
2nd Quarter	Nil	515	385	130	Nil Details not available.
3rd Quarter	130	11,591	9,220	2,502	Do.
4th Quarter	2,502	53,168	47,312	8,358	Do.
1961					
1st Quarter	9,358	50,292	56,141	2,509	Do.
2nd Quarter	2,509	65,759	65,725	2,543	Do.
3rd Quarter	2,543	72,569	62,678	12,434	Do.
End of 4th Quarter	12,434	81,427	78,798	15,063	Do.
<i>Slabs :</i>					
1961					
4th Quarter (Nov. 1961)	..	789	..	789	Details not available.
<i>Ingots :</i>					
1961					
End of 4th Quarter	..	7 t—882 Nos. 7 t—5 Nos. (Short) 5 t—115 Nos. <hr/> 1002 Nos.	..	**1002 Nos.	Details not available

APPENDIX XXVIII

Extract from File No. SC(B)-12(20)/58

The decisions taken in this file are that:

- (a) we should, for using the agency of importers, use the method of tender; and
- (b) negotiation should be restricted to foreign agencies and organisations.

2. We have had numerous enquiries from the trade for pig iron both for purchase against cash and for purchase against supply of steel. Some time back, Mahindras enquired whether they could negotiate for the sale of pig iron to South America through an American Agency. The quantity mentioned was 200,000 tons. We have a letter from Sepulchre Brothers requesting details on the quality, analysis and quantity of pig iron, and in indication of the prices. Mohattas and Rallis are prepared to buy pig iron against the sale of steel. The Commerce and Industry Ministry have said that Mr. Ramelow of the German Embassy made enquiries about the availability of pig iron for export in 1958-59. Sir Biren has an offer for 50,000 tons of pig iron at about Rs. 170 f.o.b. He wants a quick reply.

3. Our thinking on the subject has been that exports of pig iron, if any, should be "directed" and that having regard to the present structure of prices in the country, any excess of the sale price over the retention price should go to the Equalisation Fund and any deficit should be paid out of the Fund. It was, therefore, that we thought tender would be the best method for selling whatever pig iron we decide to sell. I think that if we sell, the appropriate point of sale would be f.o.r. Calcutta. For some time to come, the only source of pig iron will be Indian Iron. If we call for tenders f.o.r. Calcutta, we will have to pay Indian Iron the retention price plus the actual transport cost to Calcutta. The transport cost would be adjusted in the normal way with the Equalisation Fund. The tenderer will have the responsibility of putting the iron f.o.b. and shipping it. The price realised f.o.r. Calcutta for the pig iron will be, in the present market conditions, much lower than the controlled selling price f.o.r. destination. (This is Rs. 225 per ton.). But by and large and judging from Sir Biren's offer, it appears that we could get not less than the retention price plus the transport cost to Calcutta. This would mean that in the matter of exports, the Fund will not normally have to pay out. It might get some small amounts into it. But if, unfortunately, the offers we receive are lower than the actual retention price plus the freight to Calcutta, the Fund would be the loser. Such loss, if any, is bound to be negligible and would be worthwhile in the interests of earning some foreign exchange. The question that arises is the quantities that we should tender for. I do not think that until the sufficiency

of pig iron we have now is felt by the consumer, we could afford to sell large quantities. Nor can we, for the time being, afford to sell foundry pig iron. It is at any rate unlikely that the buyers would need foundry grade. The demand is likely to be for steel making pig iron. So far as quantities are concerned, I think we might tender initially for about 20,000 tons for delivery in November or December 1958. The actual date on which deliveries would be made will have to be decided by the Steel Controller in consultation with Indian Iron. Before we decide to tender, we might get the concurrence of the Ministry of Finance.

Sd/- G. Ramanathan,
8-8-1958.

Secretary

Let us discuss this at the meeting on Tuesday. Meantime, Shri Jagannathan may kindly see the file.

Sd/- B. Bhoothalingam,
16-6-1958

DS (Ram)

Department of Economic Affairs
(Shri S. Jagannathan, I.C.S.)

This was discussed at to-day meeting in the Steel Ministry, we await the minutes.

Sd/- R. V. Subramaniam,
20-8-1958.

Min. of Steel, Mines & Fuel.
Shri G. Ramanathan, I.A.S.

Ministry of Finance, (Deptt. of E.A.)
U.O. No. 3283 C.I.E./58, dt. 22-8-1958.

APPENDIX XXIX

IRON, STEEL & HARDWARE MERCHANTS' CHAMBER OF INDIA

"Steel Chambers"
153, Narayan Dhuru Street,
Bombay-3.

Ref. No. K-1/POL/60/118/S

Dated, 20th January, 1960

The Honourable Minister for Steel, Mines & Fuel,
Government of India,
New Delhi.

Subject:—*Distribution of steel imported from abroad against Barter Deal.*

Dear Sir,

I am directed to bring to your kind notice that the distribution of Iron and Steel Imported against barter deals is most unsatisfactory.

The importers themselves are allowed to nominate the customers without any information being given to the quota holders. The information about the arrival is known only to the Iron & Steel Controller's office or to the importers themselves. This can certainly lead to malpractices. We propose that the Iron & Steel Controller should notify the Engineering Association of India, our Chamber and other responsible Associations giving full details of the materials that arrive, so that the Associations can in turn circulate the information to their members. Alternatively the Iron & Steel Controller can publish special notifications in the 'Indian Trade Journal' informing quota-holders about the arrivals of materials under barter deal, giving details as to what materials are available and in what quantity and at what prices, so that all quota-holders who desire to obtain the materials imported under barter arrangements can apply for its release.

Even if there are no corrupt practice, at least it means favouritism, because only a few of the quota-holders come to know through the importers that some materials are available and they apply for the release and the releases are given to them leaving the other quota-holders who may have equally good claim in the dark.

We hope that this matter will be looked into at your earliest convenience.

Yours faithfully,

For IRON, STEEL & HARDWARE MERCHANTS'
CHAMBER OF INDIA,

Sd/- S. P. Khosla,
Secretary.

APPENDIX XXX

Extract Note from File No. SC(B)-18(1)/60

Serial No. (1)-Receipt

'Please speak',

Itd. S. Singh,
25-1-60.

"Let me know the procedure before I speak to Minister."

Itd. S. Bhoothalingam,
27-1-60.

DS (Ram).

"Please speak".

Itd. G. Ramanathan,
27-1-60.

O.S.D.

The present procedure for barter deals is as follows:—

Firms send their barter proposals to the Iron and Steel Controller, who after checking up the prices offered for exports as well as the categories and prices of steel to be imported, allows imports. The steel on arrival is released normally to quota-holders by cancelling equivalent or lesser quantity from their quota certificates or outstanding orders on producers. Releases in favour of importers' nominees, who hold quota certificates or have outstanding orders, are also considered by the Iron and Steel Controller along with such requests as he might have received direct from quotaholders.

In respect of box strapping alone, 50% of the imports are allowed for free sale and the balance quantity distributed by I&SC to consumers recommended by various sponsoring authorities.

As regards stainless steel sheets imported on barter, I&SC proposes to distribute the quantity received, by issue of release orders in favour of various fabricators on the basis of the quantities recommended by the various sponsoring authorities, taking into account the quantities already licensed. The relevant file is being submitted separately.

2. The present procedure of distributing barter steel other than stainless steel, leaves much room for malpractices and complaints of favouritism. The quantity of steel released by the I&SC, is done with a view to compensate the quotaholder for the high prices that he pays for the steel. In certain cases, this extra 50% finds its way to black-market to make good, the loss incurred by quota-holders in the purchase of high

priced steel. It is also not unlikely that the importers before naming their nominees collect some premium from them.

3. The main difficulty of the Iron & Steel Control Organisation, in distributing barter steel, is to locate in time, genuine consumers, who are prepared to pay the higher prices thrown up by barter deals. Normally, Government Projects are not prepared to pay the high prices. Many commercial fabricators also prefer to wait for the indigenous steel, rather than pay the high prices. It is not administratively feasible for the I&SC to contact all the quota-holders and ascertain whether any of them would like to use the steel imported. The remedy suggested by the Engineering Association, of issuing special notifications in the Indian Trade Journal, giving details of materials arriving under barter deals and the prices at which they can be had, cannot help to any appreciable extent; because in practice, the importers want to tie up their imports and releases even before actually importing the steel. As the steel is high priced, they do not want to enter into firm commitments with foreign suppliers, unless they are sure, that there are buyers, to lift the stocks on arrival.

4. The only way out would be to subsidise the barter steel. We have enough funds in the Equalisation Fund to subsidise all the imported steel on barter basis. The main difficulty in subsidising barter steel, is, however, the fact that supplies are not obtained on tender and we have no means to check up whether the prices thrown up by barter deals, are the lowest acceptable ones or not. We have already indicated to what extent barter deals may be entered into by the Iron & Steel Controller in respect of pig iron, ingots, slabs and billets etc. Within these ceilings, I&SC may be asked to tender in lots of 10 to 15,000 tons at the beginning of every month. The categories of steel required to be imported and their specifications can be prescribed. The best offer, taking into account the prices offered for imports as well as the prices quoted for exports, can be accepted and the steel subsidised. The steel on arrival, can be distributed to priority indentors or to other quota-holders on the basis of the outstandings on producers.

5. Even then, the problem of STC barter will remain. In cases where against exports of manganese ore, iron ore etc. imports of steel are arranged, we will not be able to subsidise them. This steel, on arrival, will have to be treated as commercial steel. But the quantity is not likely to be large and hence the problem will be comparatively small.

Sd/. C. A. Nair.

5-2-60.

* * * * *

I have discussed this with the Steel Controller.

2. The export commodities available for barter are manganese and other ores (handled by the STC), and scrap, pig iron, ingots, slabs and billets (to be handled by the Steel Controller). In regard to manganese and other ores, it is in the nature of things difficult to subsidise, because there can be no tendering by the STC. The Steel

Controller feels that it would be difficult to subsidise scrap-steel barter also. This is because the availability of scrap is an uncertain factor. Besides, even if one were to tender, it is more than likely that all the deals would be monopolised by two or three big scrap exporters. The Steel Controller therefore considers that scrap should be outside the purview of tender and of subsidy. The only thing we could do in regard to scrap-steel barter will be to canalise the steel distribution at the actual landed price, in as equitable a manner as possible. In regard to other items, viz., ingots, slabs and billets, the Steel Controller thinks that an experiment could be made with tender. As Secretary is aware, we had done so earlier for pig iron. Before tendering however, the Hindustan Steel will have to indicate to the Steel Controller the specifications and quantities of the material they could offer for export, and the deliveries. The Hindustan Steel will also have to agree to accept the prices thrown up in the tender for the export commodity.

Sd/. G. Ramanathan,

10-2-'60

Secretary

Please explain to me more clearly how a tender would work in the case of a barter.

Sd/- S. Bhoothalingam.

19-2-'60

D.S. (Ram)

Sl. No. 2—Receipt—D.O. No. PI/A/11/1/58-59, dt. 25th February, 1960, from Shri A. S. Ram, I&SC. Calcutta.

The Steel Controller's letter deals with the procedure of distribution of barter steel. This proceeds on the assumption that steel imported against pig iron, billets, ingots and slabs would be subsidised, obviously because all this will be tendered for. Subsidisation will not be possible in the case of scrap barter, though the Steel Controller thinks that even here, where steel prices are comparable with other barter, steel could be subsidised. In regard to subsidised steel, there is no difficulty in distribution. It is in regard to other steels, viz., steel coming in through scrap barter, that the procedure deals with. Here, the instructions issued are that whatever release orders have been issued will stand; that hereafter release orders will be only for the tonnage stipulated in the quota certificates; and that in all barter, importers will be allowed to nominate allottees to the extent of one-third, the remaining two-thirds being releases by the Steel Controller.

2. The basis of the whole scheme is barter on tender for items other scrap. Secretary desired to know how a tender would work in the case of barter. So far as I can see, this will have to proceed on the basis of the ratio between the import and the export items.

3. On the procedure suggested, I have one comment to make. A quota certificate carries with it the right to obtain steel at the Indian controlled price. It is because of the scarcity of items like sheets that the Steel Controller has been able to cancel quotas even though the supplies of barter steel are at the actual landed cost. If we can tender for barter (and we can subsidise if we tender), we could probably

take non-subsidised steel out of the purview of quotas. The quantity that is likely to come in against scrap barter will be small compared to what we will get against the export of semis.

Sd/- G. RAMANATHAN.

1st March, '60.

Secretary

Please speak, along with the other files in similar problems.

Sd/- S. Bhoothalingam.

1st March, 1960

D.S. (Ram)

Spoken to Secretary. Secretary had occasion to discuss this matter with the Steel Controller.

2. There are two aspects of the problem. The first is subsidisation of barter steel. The Steel Controller's view was that all barter steel, except against the export of scrap, could be obtained by competitive tender. If the steel is obtained by tender, there is no difficulty at all about subsidising it. During discussions, Secretary thought that because the tender will have to be adjudged on the ratio between the export and import commodities, tendering would not be too easy. Secretary therefore thought that we should investigate the question of subsidy even without a tender. The important point in subsidisation is that the purchase authority and the Government have to be satisfied that the prices paid for steel are reasonable. Government come in because the purchase authority (in this case the Steel Controller) has no power to purchase by negotiation. In a barter, he buys by negotiation. The price normally is fixed by a reference to his judgment of market prices. Therefore, in each and every case, approval of Government will be necessary. It would be administratively difficult to close the deals quickly if Government approval has to be obtained in all cases. To avoid this, further delegation of powers to the Steel Controller is necessary. I would suggest that such delegation for the present might be limited to purchase on barter in which the prices are comparable to prices obtained in one of the Steel Controller's open tenders, provided the barter is concluded within 30 days of the tender. Secretary may like to discuss this aspect with F.A. In all other cases, the Steel Controller can come to government for approval.

3. If purchases could be subsidised, the problem of distribution will disappear. Steel so obtained can be sold against quota certificates.

4. The problem will however remain for steel imported against the export of scrap. Here, I think the Steel Controller need not insist on the surrendering of quota certificates at all. As I said earlier, a quota certificate carries with it the right to obtain steel at Indian prices. Therefore, surrender of quota certificates even in such cases has to be in the nature of a voluntary act. In steel obtained against export of scrap, the solution will perhaps be to keep a panel of large and important users in the port towns to whom material could be allocated outside their quota.

Sd/- G. RAMANATHAN.

10th March '60.

Secretary

It is a pity that we could not discuss this jointly with the Steel Controller. D.S. (Ram)'s note leads me to think that the points I made to the Steel Controller have not been fully appreciated. I would, therefore like to re-state my views.

2. I feel that tender is not a suitable method of concluding barter. The best offer, in terms of the ratio, may well be at steel prices higher than what we might regard as reasonable. In such cases, the export prices would be correspondingly attractive and Hindustan Steel would press us to accept. We should not attempt a system which might potentially bring the Steel Control and Hindustan Steel into conflict.

3. We might consult Finance on D.S. (Ram)'s proposal to delegate powers for negotiation. I feel, however, that difficulties will persist even after such powers are delegated. For one thing, the Steel Controller in his anxiety to keep strictly within limits of tender prices might give up deals involving slightly higher steel prices, but very beneficial from the point of view of exports. For another, there would still be constant references to Government on individual transactions. This we should try to avoid.

4. Whatever we do, therefore, there would still be certain barter transactions in which it may not be possible for us to sell the imported steel at subsidised prices. Apart from this, there are the barter transactions which have already been concluded, though the steel will be arriving only hereafter. I think, therefore, that apart from any delegation we may make to the Iron & Steel Controller, as proposed earlier, Government should review the barter transactions against which steel has not yet arrived with a view to determine whether and to what extent subsidisation is possible. Where Government find, on examination, that the prices negotiated by the Steel Controller are, in fact, comparable to prices obtained by tender about the same time, it should be possible by a special order to authorise the Steel Controller to subsidise. I would request D.S. (Ram) to pursue this proposal with Finance.

5. I agree with D.S. (Ram) that a quota certificate carries with it the right to obtain steel at Indian prices. At the same time, I do not see why the Steel Controller should not accept voluntary surrenders of quota certificates made in consideration of the receipt of imported steel at un-subsidised price. We should devise a procedure free of any potential legal complication.

Sd/- S. Bhoothalingam,

12th March, 1960.

APPENDIX XXXI

April 26, 1960.

D.O. No. C/3/59

Dear Shri Bery,

You will remember we fixed certain quota of pig iron, billets, slabs and ingots to be exported by Hindustan Steel Ltd., against barter deals, at a meeting held as the 23rd of February, 1960. At that meeting we also laid down certain quotas for finalising barter deals by Steel Control. At that time our Ministry was considering a proposal for finalisation of barter deals through tenders. Recently our Secretary was in Calcutta and we had an opportunity of discussing the matter with him again. He was of the view that finalisation of barter deals through tenders would be rather difficult and the idea has to be dropped. We have therefore to settle barter deals by negotiation. For this we are collecting certain data about steel prices and we would require some more time to be ready to negotiate barter deals. Meanwhile Hindustan Steel may be needing more orders for pig iron, billets, slabs and ingots for export. The only solution would therefore be to try to sell as much quantity of these materials as possible on cash basis. We are prepared to forego our quota reserve for finalisation of barter deals in your favour if you are able to settle deals for cash export of these materials. I shall be grateful if you will give a thought to this problem and try to sell some substantial quantity on cash basis.

In this connection I would like to point out that it has come to our notice recently that Pakistan is interested in purchasing large quantities of billets and at a good price. I had an opportunity to discuss this matter with one Mr. Ahmed Hussain of M/s. Batala Engineering Co. Lahore a few days back. I told Mr. Hussain that although we are in a position to supply large quantities of billets, deliveries starting almost immediately, we are not in a position to furnish any test certificate for physical properties of billets. The Works' analysis certificate could however be furnished. We would be interested in selling only 75 mm and 100 mm billets and he was quite prepared to purchase billets of these dimensions. I understand Mr. Hussain also saw you and your officers. I would therefore request you to take advantage of this demand and to sell some substantial quantity of 75 mm and 100 mm billets to Pakistan on cash basis. If you try to contract other Re-rollers or importers in Pakistan direct, it might be possible for you to get many attractive orders.

Yours sincerely,

Sd/- S. C. Mukherjee.

Shri B. N. Bery,
HSL, 2, Fairlie Place,
Calcutta

Copy to Shri G. Ramanathan, I.A.S., Deputy Secretary to the Government of India, Mins. of Steel, Mines & Fuel, Deptt. of Iron and Steel, New Delhi, with reference to his D.O. No. SC(C)-1(1)/60.

Sd/- S. C. Mukherjee,
Deputy Iron & Steel Controller.

APPENDIX XXXII

Statement showing selling prices (per M/t.) of H.S.L's semis quoted by H.S.L. to various Parties under different deals—i.e. cash, exclusive barter and open barter deals.

Cash Deal	Exclusive Barter Deal	Open Barter Deal
1. Ingots.		
\$70·87, March, 1960 f.o.b. (Contract concluded by offer & acceptance—Aminchand Payarelal).	\$70·87 March, 1960 f.o.b. (Contract—5 a dated 16-5-60—Stewart & Lloyds).	*\$71·37 March, 1960 f.o.b. \$70·87 April, 1960 f.o.b. (Contract-8 dated 8-4-60 Apeejay).
Stock	\$53·00 Feb., 1960 f.o.b. (Cont. 29 dated 1-2-61 Surrendra Overseas)	\$ 60·29, January, 1961 f.o.b. (Cont. No. 28 dated 18-1-1961—Ramkrishan Kulwantrai).
2. Slabs.		
*\$78·87, April, 1960 f.o.b.	\$74·80, Dec., 1959 F. A.S. (Cont. No. 1, dt. 19-12-1959—Mannesmann).	*\$84·00 January, 1960, f.o.b. (Cont. No. 14, dated 16-5-60—Ramkrishan Kulwantrai).
Tested.		
\$75·77, May, 1960 f.o.b. (Cont. No. 10, dated 4-5-60, Mahindra and Mahindra Ltd.		\$82·68, February, 1960 f.o.b. (Cont. No. 7 dated 8-4-60—Aminchand Payarelal).
†\$78·30, Feb., 1961 (c.i.f.) main Mediterranean Port) (Cont. by offer and acceptance—J.S. Cohen & Co.		*\$81·68 March, 1960 f.o.b. * \$83·68 March, 1960 f.o.b.
Stock.		\$70·53, Jan., 1961 f.o.b (Cont. No. 28 dated 18-11-1961—Ramkrishan Kulwantrai).

Cash Deal	Exclusive Barter Deal	Open Barter Deal.
3. <i>Billets.</i>		
\$ 88·58, Dec., 1959 F.O.R. Indo-Pak-border (Con- Tested. tract concluded by offer and acceptance— Eastern Pakistan Com- mercial Corpn., Pakis- tan).	\$ 87·00 Oct., 1960 FAS (Cont. No. 20 dated 22-10-1960 Aminchand Payarelal).	\$90·55, February, 1960 FAS (Cont. No. 13 dated 9-5-60—Aminchand Pay- areal).
	\$87·60 Oct., 1960, FAS (Cont. No. 21, dated 22-10-60-Surrendra overseas).	F90·55, February, 1960 FOR (Cont. No. 16, dt. 20-5-60—Aminchand Payarelal).
\$ 89·57 Dec., 1959 F.O.R. (Cont. concluded by offer and acceptance— Eastern Pakistan Com- mercial Corporation, Pakistan).		
*\$88·58 April, 1960 F.O.R.		\$90·56 February, 1960 FOR (Cont. No. 17, dt. 24-5-60—J.S. Cohen).
\$87·00 Oct. 1960 f.o.b. \$ 100·00 Oct., 1960. FOR (Cont. No. 19, dt. 22-10-60—J.S. Cohen & Co.)		\$ 98·14 June, 1960 f.o.r. (Cont. 18 dated 15-6-60— Khemchand Rajkumar).
\$101·00 Jan, 1961 F.O.R. (Cont. No. 26 dated 17-1-61—Batala Engg. Pakistan).		
*\$36·77 May, 1961 F.A.S., or \$100 F.O.R. (Cont. 36, dated 3-5-61 J.S. Cohen).		
Stock	..	..

*These deals were ultimately dropped.

*Contracts were subsequently cancelled for a substantial part of the originally stipulated quantities by mutual agreement.

APPENDIX XXXIII

Statement of prices at which semis were exported by barterers.

Sl. No.	Name of the Party. †	Contract No. and Date.	Purchase price as mentioned in HSL's Contract. (In U. S. \$)	Price at which sold to foreign buyers.	Remarks.
1	2	3	4	5	6
1	M/s. Amin Chand Payare Lal.	7 dated 8-4-1960.	\$ 82.68 f.o.b.	\$ 82 C. & F.	Firm had originally sold the materials to M/s. Ironsides Ltd., U. K. at HSL's contract price and under instructions from Ironsides, the goods were exported to Italian consignees and prices mentioned under Col. 5. M/s. Ironsides however reimbursed to them (except for \$ 32,142.84 which is under dispute with foreign buyers) the difference between f.o.b. rate (\$82.68) plus ocean freight/insurance and foreign exchange realised from Italian Consignees.
2	M/s. Apeejay Private Limited	8 dated 8-4-1960	70.27 f.o.b.	(\$70.87 f.o.b. (\$72 f.o.b.)	

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1	2	3	4	5	6
3	M/s. Aminchand Payarelal	13 dated 9-5-1960 ¹	90·55 F.A.S.	..	Materials were exported at various rates. The lowest rate being U.S. \$ 94·5 approximately.
		16 dated 20-6-1960	90·55 F.O.R.	..	Consignments were exported at various rates—the lowest being U.S. \$ 90·6 F.O.R. approximately.
4	M/s. Ramkrishan Kulwantrai	14 dated 16-5-1960	84·00 f.o.b.	\$ 84 f.o.b.	..
5	M/s. J.S. Cohen and Company	17 dated 24-5-1960	90·56 F.O.R.	\$ 95 F.O.R.	..
6	M/s. Khemchand Rajkumar	18 dated 15-6-1960	98·14 F.O.R.	\$ 90·94 F.O.R.	..
7	M/s. Surrendra Overseas Ltd.	21 dated 22-10-1960	87·00	\$ 102·00 C. & F.	..
8	M/s. Ramkrishan Kulwantrai	25 dated 13-1-1961	70·53 (for slabs) F.O.B. 60·29 f.o.b.	..	..
9.	M/s. Surrendra Overseas Ltd.	29 dated 1-2-1961	53·00 f.o.b.	£ 23·17·8 c.i.f.	..

APPENDIX XXXIV

COPY OF LETTER No. SC(C)-5(5)/60 DATED 2ND FEBRUARY, 1960 FROM
SRI C.A. NAIR, O.S.D., DEPTT. OF IRON AND STEEL TO THE IRON
AND STEEL CONTROLLER.

The procedure adopted so far in the case of barter deals is to issue an import licence for steel after export has taken place. In barter, the size of the export commodity is large and deliveries can be made only over a period of time. If the present procedure is adopted, it is felt that the import of steel may take place after our pressing needs are over. It may even come after our steel plants have started producing the same category. Hence the procedure to be followed for barter deals in exports involving the export of scrap, pig iron, or steel ingots or slabs has been considered in consultation with the Ministry of Finance and it has been decided to revise the existing procedure.

In cases where delay in exports is anticipated for reasons satisfactory to the Iron and Steel Controller, the following procedure may be adopted :

- (a) On production of an irrevocable letter of credit assigned in the favour of the exporter for the value of the entire export quantity, an import licence for import of steel items may be issued.
- (b) in case the exporter is not able to procure an irrevocable letter of credit for the entire quantity of export then he may be asked to furnish an irrevocable bank guarantee equivalent to 15 percent of the value of the import licence applied for.

It should be made clear to the exporter that the guarantee will be forfeitable in case of failure to earn the foreign exchange by export, whatever be the reason therefor. It should also be made clear to the exporter that in case of failure to export, Iron and Steel Controller will have no further dealings with him. The guarantee will be releasable on actual export of the full quantity contracted for.

Import licence should be issued only in cases where a firm contract for export exists.

APPENDIX XXXV

Statement of Semi-Barter Deals finalised by Iron and Steel Controller.

Sl. No.	Name of the Party	H.S.L. Contract No. & date	Materials	Contracted quantity M/T	Date of issue of I/L	Value of Imports (Rs.)	Amount of foreign exchange earned (Rs.)
1	2	3	4	5	6	7	8
1	J. S. Cohen & Co.	17 dt. 24-5-60	Billets	7,620	10-2-60	33,15,785	3,16,667
2	Aminchand Payarelal	13 dt. 9-5-60 16 dt. 20-5-60 8	Do.	20,320	16-3-60	94,81,481	57,69,699
3	Apecjay	dt. 8-4-60	Ingots (tested)	25,400	19-3-60 8 licences 23-7-60 1 licence 29-8-60 1 licence	85,31,661	77,88,234
4	Ramkrishan Kulwantrao	28 dt. 18-1-61	Slabs Ingots Untested	22,137 (slabs) 9,161 ingots	7-6-60	98,91,688	Nil.

1	2	3	4	5	6	7	8
5	Aminchand Payarelal . . .	7 dt. 8-4-60	Slabs (Tested)	25,400	{ 22-6-60 25-6-60, 2-7-60	1,04,94,093	64,36,000
6	Ramkrishan Kulwantraï . . .	14 dt. 16-5-60	Slabs (Tested)	5,000	15-6-60	19,21,929	21,47,952
7	Khemchand Rajkumar . . .	18 dt. 15-6-60.	Billets	5,080	19-9-60	20,46,328	5,25,388
8	Surrendra Overseas.	²¹ dt. 22-10-60	Billets	2,400	6-8-60	9,91,415	19,200
9	Do.	²⁹ dt. 1-2-61	Ingots (untested)	11,000	5-4-61	33,49,710	19,10,480
						<u>5,00,24,090</u>	<u>2,49,13,260</u>

APPENDIX XXXVI

Statement showing yearwise value of Import licences issued to Aminchand Payarelal group of firms, from 1957-58 to 1961-62.

Name of the importers	1957-58	1958-59	1959-60	1960-61	1961-62
1	2	3	4	5	6
1. M/s. Aminchand Payarelal . . . . .	..	16244079	42624860	53242018	17877856
2. M/s. Surendra Overseas (P) Ltd.	21494988	13196082	1722673	1257046	8568871
3. M/s. Apeejay (P) Ltd. . . . .	..	..	8432640	1542170	2414029
4. M/s. Metal Import (P) Limited	6710061	4145150	9449826	..	2548916
5. M/s. Steel Rolling Mills of Hindustan ; . . . . .	..	..	2235330	..	..
TOTAL	28205049	33585311	64465329	56041234	17563590

APPENDIX XXXVII

EXTRACTS OF NOTICE FROM FILE No. SC(B)-15(70)/59

(p 5—9)

MINISTRY OF STEEL MINES & FUEL (Department of Iron & Steel)

SUBJECT:—*Import of 2248 tons of B. P. Sheets against export of 9338 tons of ferrous scrap by Messrs V. D. Swami and Co.*

The barter transaction for the import of 2248 tons of sheets in exchange for 9338 tons of ferrous scrap was approved by the Steel Controller. The value is approximately Rs. 17.3 lakhs. In all barter deals, we insist that export should precede import. In this particular case, however, the firm have requested that the import may be allowed first. They are prepared to give a bank guarantee for 15% of the value of scrap, *i.e.* for Rs. 2.6 lakhs. We would recommend acceptance of the proposal as an exception to the rule, subject to the condition that a bank guarantee is given for 20% of the value of the deal, *i.e.* for Rs. 3.5 lakhs (as against 15% suggested by the firm), for the following reasons :

- (i) The shipment of sheets is understood to be in August. We need the sheets badly.
- (ii) The intention of the firm to export is clear from the fact that they are prepared to give a bank guarantee for Rs. 2.6 lakhs.

The sheets on arrival will, as in all other cases, be controlled and directed by the Steel Controller to important users.

We would seek the concurrence of the Ministry of Finance to the Proposal.

Sd/- G. RAMANATHAN.
Deputy-Secretary.
15th May, 1959.

Ministry of Finance
(SM and F Division-Shri V. Ramachandran)

Ministry of Finance
(Deptt. of Economic Affairs-Shri E. Kolet)

Min. of S. & F., Deptt. of I. & S., U.O. No. SC(B)-15(70)/59 dated
15th May, 1959.

This is mainly for the EAD to advise.

The proposal amounts to this *viz.* that foreign exchange to the equivalent of Rs. 17.3 lakhs will be released first and the firm will earn

for us equivalent foreign exchange subsequently by the export of scrap. To establish their *bonafide* the firm is prepared to give a bank guarantee—the wording of which will be vetted by the Iron & Steel Controller—and the Deptt. suggest 20%. In case E.A. Deptt. agrees to this, they may kindly say if for future transactions as well as on similar requests against fresh deals also this basis could be adopted.

Sd/- V. RAMACHANDRAN.

Under Secretary.
16-5-59.

E. A. D. (Shri E. Kolet)

Ministry of Finance 'I&S H.S.P.L. Division)
U.O. No. IS-2164/69 dated 18-5-59.

MINISTRY OF FINANCE
(Department of Economic Affairs)

Ministry of S.M. & F's note on page 5, *ante* elaborates the barter proposal made by M/s. V.D. Swami & Co. for import of 2248 tons of B.P. Sheets worth Rs. 17.3 lakhs against export of ferrous scrap of equivalent value.

For barter transactions it has been the policy of the Government that:

- (1) Exports should precede imports;
- (2) CIF value of imports is well within the f.o.b. value of exports;
- (3) the values of imports and exports are negotiated individually so that they are competitive world prices;
- (4) the imports are needed either for projects in the case of the plan or for maintenance of economy; the exports are clearly in addition to the normal exports and there is exportable surplus of commodity to be exported.

The condition at (1) above has been imposed with the intention to ensure that no foreign exchange release would be needed and we would not be committed to any foreign exchange liability. The firm have asked for relaxation of this condition for which they are prepared to give a bank guarantee to the extent of 15% of the value of exports to be made, which, we are afraid, will not relieve us from the foreign exchange liability that would have been incurred by that time by way of releasing foreign exchange for the imports. Furthermore, the purpose of the policy of not releasing any foreign exchange from our free resources in transacting these barter, will be defeated. We, therefore, are not in a position to agree to the proposed relaxation. The Iron & Steel Controller may, however, consider the issue of the licence from his quota if permitted in accordance with the import policy.

Itd.

21-5-59.

If the Deptt. of Iron & Steel are satisfied about the essentiality of the imports in question, we may let imports precede the exports of ferrous scrap as a special case, subject to the bank guarantee being furnished for

20% of the value of the deal, evidencing the *bona fide* intentions of the firm to export. The other conditions prescribed generally for all barter deals, will have to be enforced and there will be no outflow of foreign exchange from our free resources at any stage in putting the transactions through under this barter deal.

Sd/- A. SITARAMAN.

23-5-50.

DS(EH.)

We definitely prefer that exports should precede imports. Any urgent demand could be met from the ceiling already allocated to the I.&S.C. and it is open to him to import these requirements through this party and ensuring exports in due course. This will ultimately save the use of free resources.

Sd/- Y. T. SHAH.
25-5-59.

Min. of Finance (Iron & Steel) Shri V. Ramachandran

Ministry of Finance (Department of E.A.) U.O. No. 7022/IF/59
dt. 25-5-59.

I & S Deptt. may please see.

Sd/- V. RAMACHANDRAN.
27-5-59.

I & S (Shri G. Ramanathan)

Ministry of Finance (I&S H.S.P.L. Division)
U.O. No. IS-2287/59 dated 27-5-59.

Please issue the letter below to the Price and Accounts Officer.

Sd/- G. RAMANATHAN.
28-5-59.

APPENDIX XXXVIII

D.O. No. SC(B)-15(70)/59
28th May, 1959.

My dear Ramachandran,

Please refer to your letter No. SC/151/VDS, dated the 13th May 1959, regarding barter proposal from V. D. Swami & Co. for the import of 2248 tons of B.P. Sheets in exchange for 9338 tons of ferrous scrap. We agree that import may precede export provided the party is prepared to furnish a bank guarantee for 20% of the value of the deal. You may fix a reasonable time limit for the export of scrap.

Other cases where bank guarantee is produced may be treated in the same manner.

Yours sincerely,
G. RAMANATHAN.

Shri C. V. Ramachandran, I.A. & A.S.,
Price & Accounts Officer,
Iron & Steel Control,
33, Netaji Subhas Road,
Calcutta-1.

APPENDIX XXXIX

Copy of notes at pages 3-6/N in file No. SC(B)23(5)/60.

As Secretary is aware, we have entered into a few deals for the export of pig iron, ingots, slabs and billets against the import of steel items we need. The barter contracts already entered into and under consideration so far as we know them are listed below :—

	Export Quantity	Quantity Exported
(1) Metal Imports	20,000	20,000
(2) Kulwant Rai	20,000	13,000
(3) V.D. Swami and Co.	30,000	(under considera- tion).
(4) Ramkrishan Kulwant Rai	20,000	Do.

The procedure we have been adopting in barter is to issue an import licence for steel after export. This has worked so far. But in future this procedure will require change. In barter, the size of the export commodity is large and deliveries can be made only over a period of time. If we wait till the exports have taken place to issue the import licence for steel, we might get the steel after our pressing needs are over; it may even come when we have our own production. We have, therefore, to think of a new procedure where we can get the steel right now, allowing exports to follow, if necessary. All that is necessary is to ensure that the exports, equivalent to the value of imports, take place. It is not possible to get an irrevocable letter of credit opened in all cases. This is because letters of credit are opened normally a week or two before goods are ready for shipment. The alternative would be to get a bank guarantee from the firm to the value of 15 per cent of the deal. An import licence can be issued on production of the bank guarantee, the money being forfeitable to Government if the party does not export the iron according to the agreed schedule of exports. The bank guarantee can be released after the entire contracted quantity is exported. We could make it clear to the firms that in case they fail, we would have no further dealings with them. We have adopted this procedure in 2 or 3 scrap—steel barter and there has been no failure.

2. I mentioned this to Secretary this morning and he generally approved the approach. If Secretary, therefore, approves, I propose

to inform the Controller that in barter deals, he may, if delay is anticipated in exports, issue import licences for steel:

(a) as soon as HSL certifies that they have received an irrevocable letter of credit assigned in their favour for the value of the entire export quantity.

or

(b) furnishes a bank guarantee equivalent to 15 per cent of the value of the import licence applied for (but not exceeding the f.o.b. value of the contract between HSL and the importer). The guarantee will be forfeitable in cases of failure to earn the exchange and will be releasable on actual export.

3. I have consulted the Economic Affairs Department (Mr. Jagannathan) on this and he has agreed that we could go forward on this basis. After issue of orders, I shall send a copy of this note to Mr. Jagannathan.

Sd/- G. RAMANATHAN.
18-1-1960.

Secretary.

Sd/- S. BHOOHALINGAM.
20-1-1960.

DS(Ram).

AFA may kindly see before issue. We discussed this yesterday.

Sd/- G. RAMANATHAN.
20-1-1960.

AFA.

In so far as E.A.D. have no objection, we have no comments. I have mentioned to JS (I & S) also. He agrees.

Sd/- V. RAMACHANDRAN.
Under Secretary.
Tele. No. 34386.

Addl. Secretary, E.A.D. (Shri S. Jagannathan)
Ministry of Finance (I & S H.S.P.L. Division)
U.O. No. IS-224/60, dt. 23-1-1960.

Please see and keep copies and return to F.A. (Iron and Steel), assuming you have no comments.

Sd/- S. JAGANNATHAN.
24-1-1960.

I understood from Shri G. Ramanathan that even though import of steel might precede the actual export of Iron etc., there would always be a firm contract for export which would be a condition precedent, apart from other conditions mentioned in Shri Ramanathan's note, before any import licence is granted. I have mentioned this clarification to Addl. Secretary Shri Jagannathan, and we have no other comments.

Sd/- Y. T. SHAH,
27-1-1960.

US/EC.II,

Deptt. of Steel (Shri G. Ramanathan, I.A.S., Dy. Secy.).
Min. of Finance (Deptt. of Economic Affairs, U.O. No.
471-C.I.E./60, dt. 29-1-1960.

Please issue orders today. Draft to be traced by AFA.

G. RAMANATHAN,
1-2-1960.

DFA.

Itd/-
1-2-1960.

Sd/- C. A. NAIR.
1-2-1960.

Sd/- S. JAGANNATHAN.
2-2-1960.

AFA.

Fair letter put up for signature.

Itd/-
2-2-1960. OSD.

Sd/- C. A. NAIR.
2-2-1960.

APPENDIX XL

Copy of letter No. D.O. No. C/AP/(35)/60, dated 9th September, 1960, from Shri S. C. Mukherjee, Iron and Steel Controller, 33, Netaji Subhas Road, Calcutta, to Shri C. A. Nair, Officer on Special Duty, Ministry of Steel, Mines and Fuel, (Department of Iron and Steel), New Delhi.

Please refer to Ministry's Official letter No. SC(C)-5/5/60, dated 2nd February, 1960 about pre-import of steel against barter deals on a 15% bank guarantee from the barterers. A number of such import licences have already been issued by us. We have now received some requests from some of those import licence holders for reduction in the amount of the bank guarantee, on the plea that they have since exported a portion of the materials to be exported against the barter deal and thereby earned foreign exchange. We have acceded to their requests after satisfying ourselves that the export has already been made and foreign exchange earned by the parties.

2. Some of the firms have also requested us to reduce the amount of the Bank Guarantee to the extent they have received letter of credit from foreign buyers. In such cases also we have agreed to their requests after satisfying ourselves that the letter of credit is valid for a sufficiently long period and on the firm giving an undertaking that, should the letter of credit expire before he is able to export the materials, he would furnish a fresh Bank guarantee.

3. This is reported for your information. I shall be grateful for your confirmation that the action taken by us is in order.

APPENDIX XLI

Copy of letter No. SC(B)-23(5)/60, dated 21-9-1960, from Shri C. A. Nair, O.S.D., to Shri S. C. Mukherjee, Deputy Iron and Steel Controller, 33, Netaji Subhas Road, Calcutta-1.

Please refer to your D.O. No. C/AP(35)/60, dated the 9th September, 1960 regarding pre-import of steel against barter deals against bank guarantee from barterers.

I confirm that the action taken by you in the matter, is in order.

APPENDIX XLII

Copy of Memo. No. Vig.5(11)/66, dated 7-5-1966 from Iron and Steel Control, Calcutta, addressed to HSL, Ranchi and others.

Government of India in the Ministry of Iron and Steel have decided that the following firms and their allied concerns should be placed on Banning List for a period of three years:—

- (i) M/s. Aminchand Payarelal, Calcutta.
- (ii) M/s. Surrendra (Overseas) Pvt. Ltd.
- (iii) M/s. Apeejay Pvt. Ltd.
- (iv) M/s. Ramkrishan Kulwantrai, Calcutta.
- (v) M/s. J. S. Cohen & Co., Calcutta.
- (vi) M/s. Khemchand Rajkumar, Calcutta.

This would mean that no business contract should be entered into with any of these firms and their allied concerns for a period of three years by the Ministry of Iron and Steel, Iron and Steel Control Organisation, Hindustan Steel Ltd., and Bokaro Steel Ltd.

The decision has been taken on account of failure of these firms to meet their export commitments under the pre-import licences issued to them during 1960-61 resulting in loss of foreign exchange vital for national economy of the country. Copies of the orders of today's date issued to the individual firms are also enclosed.

These orders will come into immediate effect.

APPENDIX XLIII
IRON AND STEEL CONTROL
33, Netaji Subhas Road,
CALCUTTA-1

D. O. No. C/3/59

March 10, 1960.

Dear Shri Ramanathan,

The other day I spoke to you about Ministry's letter No. SC(C)-5(5)/60 of 2nd February, 1960 laying down the procedure for barter deals. In paragraph 2(b) of this letter it is mentioned that import licence against barter deals should be issued before export is made only in cases "where a firm contract for export" exist. We are not quite clear as to what firm contract for export the Ministry has in view in this context; in other words whether the Ministry desires that the exporter should have a firm contract with the supplier of the exportable material in India, e.g., Hindustan Steel Ltd., Kalinga Industries Ltd., etc., or whether a firm contract for export should exist with the foreign buyer of the exportable materials and only a letter of Credit would be lacking. You promised to look into the relevant file and to give me a ring. As I have not received any communication from you so far and as a number of parties are pressing us for issue of import licences prior to export by submitting 15 per cent Bank Guarantee, I would request you to send me a telegram as soon as you get this letter.

Yours sincerely,

Sd/- (S. C. MUKHERJEE).

Shri G. Ramanathan, I.A.S.,
Deputy Secy. to the Government of India,
Ministry of Steel, Mines and Fuel,
Department of Iron and Steel,
New Delhi.

APPENDIX—XLIV

S. No. (6)

As desired by DS(Ram), I discussed this case with Shri Y. T. Shah of E.A.D. He was of the view that before allowing imports against bank guarantees in barter deals, Iron & Steel Controller should ensure whether the exporter of pig iron has entered into firm commitments with the purchases abroad. He, however, added that if we experience any practical difficulty in insisting on this condition, he would be prepared to reconsider the matter. I think we should normally insist on the exporter in India having a firm contract with a purchaser abroad before allowing imports against bank guarantees. We should not commit foreign exchange on imports in the hope that the exporter in India would be able to conclude a suitable deal at a later date. Draft reply submitted for approval.

Sd/- C. A. NAIR.
12-3-60.

D.S. (Rani)

The notes at pages 3-5 *ante* will recall. Shri Shah of the Economic Affairs Department, with whom I discussed the matter, would like that before we allow imports of steel to precede exports, we should also have some satisfactory evidence that the exporter has a definite commitment to sell to a foreign party. This is the purport of his note at p. 5 *ante*. I propose to issue the letter which Shri Shah has seen to Shri Mukherjee, after Secretary has seen.

Sd/- G. RAMANATHAN.
16-3-60.

Secretary

Sd/- S. BHOOTHALINGAM.
16-3-60.

D.S. (Ram)

APPENDIX XIV

D.O. No. SC(C)-5(5/60

17th March, 1960.

My dear Mukherjee,

Please refer to your letter No. C/3/59, dated the 10th March, 1960. I have consulted the Economic Affairs Department. Government's intention is that at the time you allow import on a bank guarantee, you should have satisfactory evidence that the exporter in India has a definite commitment from a foreign party to purchase the tonnage proposed to be exported. We would leave the form of evidence to you.

Yours sincerely,

Sd/- G. RAMANATHAN.

Shri S. C. Mukherjee,
Deputy Iron & Steel Controller,
33, Netaji Subhas Road, Calcutta-1.

APPENDIX XLVI

Statement showing details of contracts entered into by bartering firms with buyers for export of H.S.L. Steels.

Sl. No.	Name of the Bartering Firm	H.S.L. Contract No. and Quantity therein	Name of the buyers for export materials	Date of Contract with buyers and quantity covered	Remarks
1	2	3	4	5	6
1	Aminchand Payarelal	7 dt. 8-4-60	M/s. Ironside Ltd., London.	14-3-60 about 30,000 tons.	The goods were shipped to Italian Consignees. The party have stated that they have mislaid their contracts with the Italian Consignees.
2	Apeejay Pvt. Ltd.	8 dt. 8-4-60	Do.	8-6-60 25,000 tons.	The original contract with M/s. Ironside is stated to have been submitted to the RBI in connection with approval of remittance to Steel Co. of Wales against their relative claim for supply of defective ingots.

1	2	3	4	5	6
---	---	---	---	---	---

3 Aminchand Payarelal	13	(i) Church & Burm-	2-2-60	} For exports to Pakistan.
	dt. 9-5-60	hall Ltd., London.	20,000 tons.	
	16	(ii) Ahmed & Bros.,	2-2-61	
	dt. 20-5-60	Bombay.	994 tons.	
	20,320 M/T	(iii) Industrial Impor-	1-10-60	
	Billets.	ters Pvt. Ltd., Cal-	1,442 tons.	
		cutta.		
	(iv) Do.	27-1-61	}	
	(v) Do.	2,593 tons.		
	(vi) Do.	30-1-61		
	(vii) Do.	232 tons.		
		30-1-61		
		182 tons.		
		30-1-61		
		387 tons.		
TOTAL			2,5830 tons.	

Ramkrishan Kulwantraf	14	M/s. Ironside Ltd.,	..	The party have stated that they have misplaced their contract with the foreign buyers and are trying to trace the document.
	dt. 16-5-60	London.		
	5,000 M/T			
	Slabs.			

Like contract No. 7, in this case also, the goods were shipped to Italian Consignee under instructions from M/s. Ironside. The party have stated that the contract was concluded between M/s. Ironside and M/s. Aminchand Payarelal, through whom they had sold the slabs.

- | | | | | | |
|---|---------------------|---|--|--|---|
| 5 | J. S. Cohen and Co. | 17
dt. 24-5-60
7620 M/T
billets. | The Batala Engg. Co.,
(Pakistan) Ltd.,
Karachi. | 14-2-61
6,000 M/T | The party have stated that although the contract with the foreign buyers was originally for 6,000 tons, the quantity was increased later on to 12,000 tons. |
| 6 | Khemchand Rajkumar | 18
dt. 15-6-60
5080 M/T
billets. | (i) Nichimen Co. Ltd.,
Calcutta.

(ii) Industrial Importers Pvt. Ltd.,
Calcutta. | 12-1-61
3,800 M/T

28-6-60
1,435 tons. | } For export to Pakistan. |
| 7 | Surrendra Overseas | 21
dt. 22-10-60
2400 tons
billets. | M/s. Metal Industries,
Calcutta. | 8-12-60
59 M/T | Do. |

1	2	3	4	5	6
8	Ramkrishan Kulwantrai	28 dt. 18-1-61	M/s. Continho, Caro & Co. London Ltd. Slabs-18000 M/T Ingots-14000 M/T	10-4-61 18000 M/T slabs. 14000 M/T ingots. The qty. was sub- sequently amended to:— Slabs— 22,137 M/T Ingots— 9,161.	..
9	Surrendra Overseas	29 dt. 1-2-61 11,000 M/T Ingots.	M/s. Ironside Ltd., London.	Jan. '1961 10,000/ 11,000 tons.	The contract with buyers is said to have been mislaid and the party is trying to trace it.

APPENDIX XLVII

KNOW YE ALL MEN BY THESE PRESENTS that we Aminchand Payarelal a Partnership firm registered under the Indian Partnership Act and carrying on business at 435, Canning Street, Calcutta herein-after referred to as the OBLIGOR (which terms shall unless excluded by or repugnant to the subject or context include the partners therein for the time being and their respective heirs, executors, administrators and assigns) AND the Punjab National Bank Ltd. a Banking Company having its registered office at

and a branch Office *inter alia* at Canning Street, Calcutta, herein-after referred to as the SURETY (which term shall unless excluded by or repugnant to the subject or context include its successor or assignee) are held and firmly bound unto the PRESIDENT OF INDIA herein-after referred to as the 'Government' (which terms shall unless excluded by or repugnant to the subject or context include his successor or successors in office and/or assignee) to pay the sum of Rs. 13,24,800 (Rupees thirteen lakh twenty four thousand eight hundred only) for such will and treaty to be made wth the Obligor and the Surety bind ourselves jointly and severally by these presents:—SIGNED SEALED AND DELIVERED by the said Obligor this day of 1960.

WHEREAS the Government that the Iron and Steel Controller has agreed to enter into a Contract with the Obligor for import of tons of on the undertaking of the Obligor to export 20,000 tons of billets produced by Messrs. Hindustan Steel Ltd., within months from the date of these presents AND WHEREAS the Obligor and the Surety have at the direction of the Government has entered into the bond as above written as a security for honouring the undertaking of the Obligor to export 20,000 tons of billets produced by the Hindustan Steel Ltd. NOW THE CONDITION of the above written bond is such that if the Obligor shall fail to secure foreign purchaser for and arrange export of 20,000 tons of billets produced by the Hindustan Steel Ltd..... Ltd. within months out of India from the date of these presents or such further time as the Government may agree to allow to the Obligor these presents shall remain in full force and virtue and otherwise the same shall, be void and no effect AND it is hereby agreed and declared that the obligation of the Surety under these presents shall not be impaired in any way by reason of time or facilities being allowed to the Obligor by Government without notice to the Surety.

IN WITNESS WHEREOF the parties of these presents have hereinto set their hands and seals this day of One thousand nine hundred and sixty.

SIGNED SEALED AND DELIVERED by

A Partner of Messrs. Aminchand
Payarelal the Obligor above named

at

in the presence of:

SIGNED & DELIVERED for and on behalf of the Punjab National Bank the Surety above named by the of the said Bank at
in the presence of :—

APPENDIX—XLVIII

List of Authorities issuing Quota Certificates.

Purpose for which steel is required	Sponsoring Authority to issue Quota Certificate
1. Requirements of the Defence Services.	Ministry of Defence, New Delhi.
2. Requirements of the Railways . . .	Ministry of Railways (Railway Board), New Delhi.
3. For Development, Maintenance and Packing requirements of Steel Works and Miscellaneous Govt. Departments and private parties.	Iron and Steel Controller, Calcutta.
4. For Development, Maintenance and Packing requirements of Tea Industry.	Tea Board.
5. For Maintenance and Packing requirements of Jute Mills.	Indian Jute Mills Association.
6. For Maintenance and Packing requirements of Cotton and Ginning Factories.	Indian Central Cotton Committee.
7. For Development, Maintenance and Packing requirements of Coal Industry (Private).	Coal Controller.
8. For Maintenance, and Packing requirements of Coir Industry.	Coil Balers Association, Cochin.
9. For Development, Maintenance and Packing requirements of Textile Mills.	Textile Commissioner.
10. For Development, Maintenance and Packing requirements of Industries enlisted with Development Wing.	Development Wing.
11. For Development, Maintenance and Packing requirements of Sugar and Vanaspati Industry.	Ministry of Food and Agriculture, Sugar and Vanaspati Directorates.
12. For Development, Maintenance and Packing requirements of Electrical Undertakings.	C.W. & P.C. (Power Wing).
13. For Maintenance and Packing requirements of Brickfield owners in West Bengal.	Director of Industries, West Bengal (Brick Industries).
14. For meeting the requirements of fabricators under the Central list.	Development Officer, Iron and Steel Quota Sec. Ministry of C. & I., New Delhi.

Purpose for which steel is required	Sponsoring Authority to issue Quota Certificate
15. For D.G.S. & D. Rate Contractors against A/Ts.	Director General of Supplies and Disposals, Ministry of W.H. & S.
16. For making Transmission Towers, etc.	Director, Central Water and Power Commission (Power Wing).
17. For distribution to the states to meet the requirements of Small Scale Industries.	Development Commissioner, Ministry of Commerce & Industry.
18. For Major Power Projects	Director, Central Water and Power Commission (Power Wing), Simla.
19. For Road Development	Consulting Engineer (Roads) Ministry of Transport.
20. For Construction of Government Buildings, etc.	Executive Engineer, Central Public Works Deptt., Central Stores Division, New Delhi.
21. For Major Irrigation Projects	Chairman, C.W. & P.C. (Water Wing), New Delhi.
22. For Development of Ports	Ministry of Transport (Port Wing), New Delhi.
23. For construction of Educational Institutions.	Ministry of Scientific Research and Cultural Affairs.
24. For distribution to States to meet the Agricultural demands.	Ministry of Food and Agriculture, New Delhi.
25. For State Govt. Development Projects, for Steel Processing Factories on State list and for requirements of the general public.	State Steel Licensing Authorities.
26. For Distribution to States for the rehabilitation of displaced persons.	Ministry of Rehabilitation, New Delhi.
27. For export to neighbouring countries like Burma, Nepal, Tibet, Sikkim, Pakistan etc.	Ministry of External Affairs, New Delhi.
28. To meet the requirements of exports of fabricated engineering goods and products packed in containers.	Engineering Export Promotion Council, Calcutta, Deputy Chief Controller (Export Promotion), Calcutta, Bombay, Madras, Delhi and Iron and Steel Controller.

APPENDIX XLIX

A NOTE ON THE OPERATION OF EQUALISATION FUND

The Iron and Steel Equalisation Fund was set up in 1943 originally with the purpose of equalisation of the prices of indigenous steel and pig iron all over India for supply to consumers at uniform controlled rates. The Fund was operated initially through a Personal Ledger Account with the Reserve Bank of India, Calcutta. On 1st April 1967 the corpus of the Fund was transferred to the Public Accounts of India and the receipts and payments of the connected transactions routed through the Consolidated Fund of India. The scope and function of the Fund was also extended from time to time so as to cover up various transactions with the Main Producers, Re-rollers, Stockists, Importers etc. The receipts to the Fund are mainly on account of the following:—

- (i) Surcharge on steel produced by Main Products *i.e.*, difference between retention and selling price.
- (ii) Surcharge on imported steel *i.e.*, the difference between landed cost of the imported materials plus remuneration and the statutory price prevailing in India.
- (iii) Revaluation of stocks held by Controlled Stockists due to price increase made from time to time of the controlled categories of materials.
- (iv) Revaluation of the stock of billets held by Re-rollers at the time of price change.

The payment from the Fund are mainly on account of the following:—

- (i) Subsidy on imported steel *i.e.*, the difference between the landed cost plus remuneration and the statutory price prevailing in India.
- (ii) Subsidy on export of steel.
- (iii) Freight charges on despatches of steel by Main Producers and Re-rollers. Subsidy on steel produced by Main Producers *i.e.*, cases where retention price is higher than selling price.
- (iv) Revaluation of the stocks held by Controlled Stockists due to decrease in price of controlled categories of materials.

All payments from the Fund are made by issue of cheques and all payments are subject to pre-audit and/or Post Audit.

APPENDIX I

No. SC(B)-4(384)60

April 6, 1960.

My dear Bam,

Please refer to your letter No. PK/A/II/I/58-59, dated February 24, to Ramanathan. This deals with two issues. On the first *viz.* the possible subsidisation of steel imported under barter, I believe Ramanathan has written to you asking for certain statements. Our idea is that in barter cases where it can be demonstrated in some way that the prices are correct and reasonable, we might get specific Finance concurrence to subsidisation. It is on the second issue *viz.* the distribution (unsubsidised) of barter steel that I am now writing to you.

As I said during our discussions, our object should be to ensure a fairly widespread distribution of imported steel. Simultaneously, we should also get quota certificates cancelled, so that even those who do not actually get the imported steel, benefit indirectly by getting indigenous steel earlier than otherwise. From a practical point of view, however, releases strictly according to priority, *viz.* the age of the quota certificate, will be unworkable. It is likely to cause such delay as to defeat the most important objective *viz.* to get the steel distributed and used quickly. Further, it is precisely the holders of the oldest quota certificates who will be most unwilling to accept imported steel at higher prices. We should, therefore, try to evolve a practical system which will enable our objectives to be achieved and at the same time enable the steel to be released as far as possible *ex-jetty*. I would like you to think over this problem, so that we can discuss it when I come to Calcutta next week.

It occurs to me that one way would be to use the importers themselves as instruments of our policy. I go on the assumption that by and large importers will be as anxious as we are to get rid of the steel *ex-jetty*. The recent bank restrictions must have made them, anything, even more anxious to do so. Why should we not encourage the importers to bring to us proposals for release of a character likely to conform to our objectives? For example, we might tell them that so long as they bring proposals to release a proportion to the quota certificates of 1958 or earlier, another proportion to quota certificates of 1959, and the rest to quota certificates of later periods, we are likely to approve of them. Our task would then be easier. Another alternative will be to list out a certain number of firms and tell the importers that proposals for release to these firms would be accepted.

The main advantage I see in such an approach is that you will be relieved of the tedious and time consuming job of identifying and corresponding with a large number of quota certificate holders. There may, of course, be many snags in what I say. But I thought I should put down my ideas in writing to enable you to examine them in details and be ready for further discussion.

Yours sincerely,
(Sd.) S. Bhoothalingam.

Shri A. S. Ram, ICS.
Iron & Steel Controller,
Calcutta.

APPENDIX LI

RECORD NOTE OF DISCUSSIONS WITH SECRETARY DEPARTMENT OF IRON AND STEEL, ON 13TH APRIL, 1960.

1. *Steel Supply Position:*

Supply position of steel was discussed. It was decided that following action should be taken to encourage consumption of untested Bars and Rods and also to facilitate despatch of steel by re-roller to Stockists:—

- (a) Vigorous steps should be taken to educate consumers about necessity of accepting larger supplies of 'untested' steel, particularly bars and rods.

(Action—D.C.M.)

- (b) Difference in the price of tested and untested steel should be increased and a category of 'Mill Tested' Steel should be introduced in the price circular.

(Action—P. &—A.O.)

- (c) Present delay in passing Re-rollers' freight bills for supplies made to Stockists should be minimised by introducing a system of examination of the relevant accounts by the Regional Offices.

(Action—P. & A.O.)

2. *Distribution of barter Imports:*

Discussions took place on the basis of Secretary's D.O. No. SC(B)-4(348) dated 6th April, 1960 to the Controller. The following decisions were taken:—

- (a) To achieve the object of wider distribution of barter imports and supply of as much quantity as possible to consumers *ex-jetty*, the assistance of the imports themselves should be taken in the selection of consumers who should be willing to accept supplies at unsubsidised price in *full* adjustment of their quotas.
- (b) 50 per cent of each consignment may be released to consumers nominated by the importers against their outstanding orders on Producers or Stockists. It will be necessary for the customer to submit a letter from the producer on whom the order was booked to the effect that no supply has been made against the

particular order and that it has been suspended pending cancellation on receipt of a copy of the release order from Steel Control. If release orders are requested against orders booked with a Stockists, a 'no objection certificate' from him should be submitted indicating *inter alia* the producers' Works Order reference against which the supply has to be adjusted in case of release.

- (c) 30 per cent of each consignment may be released to consumers nominated by the importers in adjustment of valid unplanned quota certificates, subject to usual verification of the genuineness of the documents.
- (d) 20 per cent of each consignment should be reserved for release by the Steel Control to Government Depts. and other essential quota-holders who might approach Steel Control direct. If release orders are not issued against this stock within 60 days from date of arrival of materials, the importers should be allowed to nominate quota-holding consumers against such uncovered stocks either from outstanding orders or unplanned quota certificates.
- (e) Release Orders may be issued soon after the import licence has been issued to enable importers to complete financial arrangements with the allottees before the arrival of the goods so that the materials could be despatched *ex-jetty*. By this method, the importers' godown will not get congested and the consumers would get materials cheaper.
- (f) Importers should be required to take *prior* permission for removal of consignments to their godown after giving adequate justification therefor.
- (g) Steel Control should prepare a comprehensive list of genuine quota-holders, particularly Central SPI and well known Small Scale and State SPI factories and use it for checking the nominations of the importers. There would be no objection to the list of such factories being given to the importers informally for their guidance. It should be ensured that any single consumer does not get unduly large quantity to the exclusion of other likely and willing consumers of such materials.
- (h) In case of special type of materials, *e.g.*—Drum Sheets, Ship Plates, Wire Roads, etc., the importers will be required to nominate only such consumers as are entitled to receive such materials against quota certificates.
- (i) Before releasing materials to customers nominated by the importers, Steel Control should check that the purpose for which the materials are to be used in terms of the Quota Certificate is not violated, *e.g.*, 8G or 20G wire could not be used for making barbed wire. Annealed Wire is not used for making wire nails, 32G G.P. Sheets is not used for making buckets, etc.

(Action—ACS)

3. Supply position of billets:

Availability of billets as ascertained from the Producers' representatives at the Liaison Committee Meeting was given as follows:—

	Tatas	Iisco	Bhilai	Durgapur	Total
April 1960 . . .	40,000	30,000	30,000	..	100,000
May 1960 . . .	40,000	30,000	30,000	..	100,000
June 1960 . . .	30,000	30,000	30,000	15,000	105,000
July 1960 . . .	20,000	30,000	35,000	15,000	100,000
Aug. 1960 . . .	20,000	20,000	35,000	20,000	95,000
Sept. 1960 . . .	20,000	20,000	35,000	20,000	95,000
Oct. 1960 . . .	20,000	20,000	35,000	20,000	95,000
November 1960 . . .	20,000	20,000	35,000	20,000	95,000
December 1960 . . .	20,000	20,000	35,000	20,000	95,000
January 1961 . . .	20,000	20,000	35,000	20,000	95,000
February 1961 . . .	20,000	20,000	35,000	20,000	95,000
March 1961 . . .	20,000	20,000	35,000	20,000	95,000
	290,000	280,000	405,000	190,000	1165,000

It was felt that the Re-rollers would not be able to consume more than 80,000 tons per month. About 15/20,000 tons would therefore be available for export every month. It was high time that Steel Control and Hindustan Steel took energetic steps to finalise more deals for export.

(Action—DCM)

4. Procedure for finalising Barter Deals:

Secretary stated that the idea of finalising barter deals through tenders has to be given up as it is difficult to compare offers on the basis of ratio of exportable and importable stores and we may sometimes have to pay for imports at comparatively higher rates. Secretary stated that the Ministry of Finance have already agreed to our utilising the foreign exchange earned by cash export of pig iron, ingots, slabs, etc. against imports of steel. A complete record of such cash exports should therefore be maintained. As sufficient foreign exchange against cash exports of pig iron (about 40,000 tons) has already been earned, Steel Control should immediately issue a tender for about 10,000 tons of steel of representative categories and specification to gauge the present competitive world market prices. Thereafter fresh barter deals may be

negotiated on the basis of the prices revealed by the tender. Meanwhile, Hindustan Steel Ltd. should be encouraged to finalise as many cash export deals as possible.

(Action—DCM & P&AO)

5. Additional staff for collecting consignee receipts:

In furtherance of the recommendation of the Public Accounts Committee and further correspondence exchanged between Steel Control and the Director of Audit, about 1200 consignee receipts will have to be collected from consignees by sending our officers. For this purpose at least two officers of the lowest grade viz. Dy. Asstt. Iron & Steel Controllers, are immediately needed, D. D. (Admn.) examined the relevant regulations and stated that the Controller had no power to create such posts at present as there had been a ban imposed by the Ministry of Home Affairs on creation of new posts. Government sanction was therefore necessary for the creation of those two posts.

Secretary stated that he would take necessary action in the matter and that a formal proposal for the creation of two posts of Dy. Asstt. Iron & Steel Controller should be forwarded to the Ministry immediately.

(Action—DDA)

Sd./- S. C. MUKHERJEE,

Dy. Iron and Steel Controller.

No. C/1(3)-(2)/59 dt. 28-4-60.

Copy to:—

- | | |
|---|-----------|
| 1. The Secretary, Deptt. of Iron & Steel, New Delhi | |
| 2. Price & Accounts Officer (Shri Ramachandran) | 3 copies. |
| 3. Dy. Iron & Steel Controller (Shri Dorasany) | 5 copies. |
| 4. Dy. Iron & Steel Controller (Shri Dorasamy) | 5 copies. |
| 5. Dy. Director (Administration) (Shri Mathur) | 2 copies. |
| 6. Officer on Special Duty (Shri Taneja) | |
| 7. Asstt. Iron & Steel Controller (Shri Swami) | 3 copies. |

APPENDIX LII

GOVERNMENT OF INDIA
MINISTRY OF STEEL, MINES & FUEL
Iron & Steel Control

33, Netaji Subhas Road,

Calcutta-1

Dated, the 11th May, 1960

21st Vaisaka, 1882

PUBLIC NOTICE

The existing procedure regarding distribution of materials arriving under barter Deals has been revised and the same will be as follows:—

- (1) 50 per cent of the each consignment will be released to consumers nominated by the importers against their outstanding orders on producers or stockists. In case of outstanding orders on producers consumers will have to obtain a letter from the producers concerned to the effect that no supply has been made against the particular order to the extent of the quantity to be released and that supplies have been suspended pending receipt of intimation from Steel Control for cancellation. In case of outstanding orders on the stockists a "no objection" certificate in the prescribed form already approved by the Steel Control and which is now in vogue will have to be obtained by the consumers from the concerned stockists and submitted to the Steel Control while applying for the Release Order.
- (2) 30 per cent of the each consignment will be released to consumers nominated by the importers against valid unplanned quota certificates subject to the usual verification of the genuineness of the documents.
- (3) 20 per cent of the each consignment will be reserved for release by this office to Government, Semi Government, departments, Projects, etc., who might approach this office direct. If release orders are not issued against this 20 per cent stock within 60 days from the date of arrival of materials the importers will be entitled to nominate quota holding consumers against such uncovered stock either against outstanding orders or unplanned quota certificates.
- (4) The importers will have to intimate this office the break up of the materials to be imported as soon as possible after the licence is issued. This will enable this office to issue release

orders and also to enable the importers to complete the financial arrangements with the allottees well in advance of the arrival of the materials so that despatches could be made *ex-jetty*.

- (5) The importers will be required to take prior permission for removal of consignment to their godown with full justification therefor. As a general rule, all releases should be made *ex-jetty* and only when there are justifiable reasons for removal of the materials to their godown, permission for the same will be considered.
- (6) The importers while nominating consumers should ensure that quota holders concerned are entitled to receive the particular materials in terms of the purpose of the quota certificates.

Sd./- S. C. MUKHERJEE,
Dy. Iron & Steel Controller.

Copy to:—

1. The Ministry of Steel, Mines and Fuel, (Deptt. of Iron and Steel), New Delhi.
2. All Chambers of Commerce.
3. All Engineering Associations.
4. Regional Office—Bombay and Madras (5 spare copies) with the request that this notice should be displayed on their respective Notice Boards.
5. Notice Board of Iron and Steel Control's Office.
6. Indian Trade Journal for Publication.

APPENDIX . LIII

List of C. C. Ps. Examined.

No.	C.C. P. No. and Date	Name of the Party
1	2	3
1	SIC/CP/BR/D/1050. Dt. 21-10-1960 . . .	M/s. Aminchand Payarelal.
2	SIC/CP/BR/D/1229. Dt. 17-12-1960 . . .	Do.
3	SIC/CP/BR/D/1001/1194. Dt. 30-11-1960 . . .	Do.
4	SIC/CP/BR/D/1123. Dt. 10-11-60 . . .	Do.
5	SIC/CP/BR/D/1002/886. Dt. 7-9-1960 . . .	Do.
6	SIC/CP/BR/D/1001/999. Dt. 10-10-1960 . . .	M/s. Ramkrishan. - Kulwantrai, Calcutta
7	SIC/CP/BR/D/1001/1096. Dt. 3-11-1960 . . .	Do.
8	SIC/CP/BR/D/1001/1180. Dt. 29-11-60 . . .	Do.
9	SIC/CP/BR/D/1002/1203. Dt. 3-12-1960 . . .	Do.
10	SIC/CP/BR/D/1001/1154. Dt. 21-11-60 . . .	Do.
11	SIC/CP/BR/D/1001/1092. Dt. 4-11-60 . . .	Do.
12	SIC/CP/BR/D/1001/1131. Dt. 16-11-60 . . .	Do.
13	SIC/CP/BR/D/1001/1063. Dt. 24-10-60 . . .	Do.
14	SIC/CP/BR/D/1001/1064. Dt. 24-10-60 . . .	Do.
15	SIC/CP/BR/D/1001/1094. Dt. 3-11-1960 . . .	Do.
16	SIC/CP/BR/1/1201/503. Dt. 2-6-1960 . . .	M/s. J. S. Cohen & Co., Calcutta.
17	SIC/CP/BR/1/1201/671. Dt. 7-7-1960 . . .	Do.
18	SIC/CP/BR/1/1211/745. Dt. 26-7-1960 . . .	Do.

APPENDIX LIV

Statement on details of Bank Guarantees submitted by the Exporting Firms.

Sl. No.	Name of the Party	Contract No. and Date	Original Bank Guarantee			Renewed/Extended Bank Guarantee		
			Value (Rs.)	Date of submission	Date of expiry.	Value (Rs.)	Date of submission	Date of expiry
1	2	3	4	5	6	7	8	9
1	M/s. Amin chand Payarelal	7 dated 8-4-1960	3,12,000 6,25,000 5,74,700	21-6-60 22-6-60 29-6-60	20-12-60 21-12-60 1-1-61	17,000 3,29,800 2,16,140	12-1-61 12-1-61 12-1-61	19-6-61 20-6-61 30-6-61
2	M/s. Apeejay (P) Ltd.	8 dated 8-4-1960	12,96,000	*Prior to 14-3-60	28-2-61	..	..	..
3	M/s. Amin chand Payarelal	13 dated 9-5-60 16 dated 20-5-60	13,24,800	*Prior to 14-3-60	28-2-61	..	..	..
4	M/s. Ramkrishan Kulwantra	14 dated 16-5-60	3,20,000	10-6-60	31-12-60	3,20,000	9-1-61	30-6-61
5	M/s. J. S. Cohen and Company.	17 dated 24-5-60	5,05,350	*9-2-60	8-6-60	2,26,434	28-6-61	31-12-61
6	M/s. Khemchand Rajkumar	18 dated 15-6-60	266763.32	30-8-60	29-11-60	266763.32	22-12-60	28-2-61
7	M/s. Ramkrishan Kulwantra	28 dated 18-1-61	15,15,000	1-6-60	30-12-60	15,15,000	9-1-61	30-6-61

*In these cases, the Bank Guarantees were subsequently replaced by Bank Guarantees on revised form drafted in consultation with the Government Solicitor.

APPENDIX LV
MINISTRY OF COMMERCE AND INDUSTRY
PUBLIC NOTICE

New Delhi, the 22nd April, 1952

SUBJECT : *Policy regarding licensing of import of controlled categories of Iron and Steel—Part I of I.T.C. Schedule (Items licensed by the Steel Import Control, Calcutta)—Instructions regarding price fixation and distribution of imported steel.*

No. SC(B)-16(9)|52-I, Import Licensing Policy—(1) Licences for import of all controlled categories of steel (except prime tin plates from the U.K. and the U.S.A.) will be granted freely subject to the following conditions:—

- (a) The Iron and Steel Controller should be satisfied that the category of steel desired to be imported is in demand in the country and the price quoted by foreign suppliers is reasonable.
- (b) Licences will be granted as provisional in the first instance. On the strength of these provisional licences orders can be placed and importers will be able to open Letters of Credit in favour of their foreign suppliers. Licences will be confirmed on importers producing to the licensing authority along with the licence a copy of the order placed on the foreign suppliers together with the original acceptances of the order by the suppliers offering definite delivery of the goods. For this purpose original documents such as original contracts, cables, letters along with the envelope should be produced. Proforma invoices will not be accepted.
- (c) Licences not confirmed within two months from the date of issue, will be treated as cancelled.
- (d) Clearance of goods will not be permitted against provisional licences which have not been confirmed.

2. Licences for import of prime tin-plates from the U.K. and the U.S.A., will be issued quarterly (to the extent of country quotas allocated to India by these two countries) from time to time to selected actual consumers and controlled stockists. Licences for imports in addition to country quotas will be issued freely as indicated in para 1 above.

3. Applications should be made in the prescribed form and manner along with treasury receipt for the requisite licence fee to the Iron and Steel Controller (Steel Import Control), 33, Netaji Subhas Road, Calcutta. It is emphasized that all the information in the prescribed application form should be accurately furnished; in particular, the Registration Number allotted to the applicant's Income-tax Verification Certificate or Exemption therefrom should be indicated. Failure to furnish all the requisite information at the time of applying will render the application liable to be rejected.

4. While making applications, actual consumers shall have to give an undertaking that the materials will not be resold on arrival. Licences will normally be granted to meet six months' consumption. The licensing authority may, however, make such alteration in the quantity as he may think fit after taking into account the stocks already held by the applicant, level of indigenous production and quantum of imports allowed through trade channels.

5. Commercial importers shall have to give an undertaking to sell the materials imported by them in accordance with the instructions of the Iron and Steel Controller.

II. Distribution of imported steel.—(1) All arrival of pipes, tubes and prime tin-plates against licences issued to commercial importers will remain frozen for release by the Iron and Steel Controller, Calcutta, for a period of sixty days from the date on which goods are landed in the country.

2. If the Iron and Steel Controller considers that any steel other than that covered by sub-rule (1) is required for release to essential consumers, he shall issue an order to that effect at the time of the issue of Customs Clearance Permits. Such materials shall remain frozen for a period of sixty days from the date of issue of Customs Clearance Permits and released by the Iron and Steel Controller within the said period at Indian controlled rates the importer being subsidised from the Iron and Steel Equalisation Fund.

3. The Iron and Steel Controller may, in respect of any steel not covered by sub-rule (1) or (2), direct any commercial importer, within a period of thirty days from the date of issue of the Customs Clearance Permit, to sell the material to such party as he may nominate for this purpose.

4. The Iron and Steel Controller will direct the allottee of imported steel to pay for the material within twenty-one days from the date of issue of release orders.

5. On the expiry of the period of freezing or a period of thirty days in the case of materials referred to in sub-rule (3) the commercial importers will be free to dispose of any tonnage not covered by release orders of the Iron and Steel Controller but at prices not exceeding those fixed by him, *vide* Part III of this Public Notice.

6. The Iron and Steel Controller will publish weekly statements in the Indian Trade Journal showing the following details of all arrivals of iron and steel which are not frozen by him:—

- (1) Numbers and dates of the Customs Clearance Permits;
- (2) Categories of quantities of iron and steel involved;
- (3) Import Licence Numbers and dates;
- (4) Names and full addresses of the importers;
- (5) C.I.F. Value per tonne.

Consumers should contact the importers direct and purchase their requirements at prices not exceeding those fixed by the Iron and Steel Controller.

III. Prices of imported Steel.—(1) Unless directed otherwise by the Iron and Steel Controller, the importers shall sell the materials at prices not exceeding the landed cost plus the following scales of remuneration:—

Category	Scales of remuneration.	
	For ex-jetty deliveries.	For ex-godown deliveries.
(a) Pipes and Tubes (black or Galvanised).	4% of the landed cost.	11½% of the landed cost.
(b) Pipe fittings (black or galvanised).‡	6½% of the landed cost.	10% of the landed cost.
(c) Cast Iron Pipes and Specials. . . .	4% of the landed cost.	11½% of the landed cost.
(d) All other categories (except Tool & Alloy Steel, Wheels, Tyres, Axles, Rails fittings and Shaftings).	4% of the landed cost.	5½% of the landed cost.

N.B.—There will be no price control over the excepted categories mentioned at item (4) above.

Explanation.—The landed cost comprises the following:—

- (i) c.i.f. cost of the material i.e., invoice value comprising cost of material delivered at ports of shipment, insurance and ocean freight;
- (ii) Customs Duty and Town Duty, where applicable.
- (iii) The following amounts to cover Port Commissioner's charges and landing and clearing charges (including agency commission):—

Port of Landing	Amount per ton
	Rs. a. p
1. Calcutta.	12 8 0
2. Bombay.	9 8 0
3. Madras.	11 0 0

(iv) The following transport charges from the jetty to the importers godowns:—

Port of landing	Amount per ton
	Rs. a. p.
1. Calcutta.	10 0 0
2. Bombay.	10 0 0
3. Madras.	6 8 0

N.B.—1. The above transport charges are not applicable in the case of ex-jetty delivery.

2. Bank charges for opening letters of credit or bank interest charges will not be taken into account in determining the cost of the materials.

(2) In the case of subsidised imports the importers shall sell the materials at such statutory controlled rates as are fixed by the Iron and Steel Controller and the difference between their retention prices as per Part III (a) above and the selling prices shall be paid from or to the Iron and Steel Equalisation Fund, as the case may be. Such importers, however, will be paid the actual expenses incurred on account of Port Commissioner's charges, landing and clearing charges (including agency commission and transport charges subject to the maximum limits prescribed in Part III (a) above).

(3) While issuing the Custom Clearance Permits the Iron and Steel Controller shall in addition to indicating the C.I.F. prices of the material, issue an order under the proviso to clause IIB(2) of the Iron and Steel Control of production and Distribution Order 1941, to the effect that the importer shall sell the materials at the prices fixed as per part III(a) of this Public Notice and that he should mention the number and date of the said order in every cash Memo., Bill or other document evidencing the sale or disposal of the material in question. It shall be the responsibility of the commercial importer to satisfy the buyer that the price charged by him is in accordance with sub-rule III(1) above.

IV. All previous Public Notice on this subject are hereby superceded.

Sd/- C. R. NATESAN.
Deputy Secy.

APPENDIX LVI

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES & METALS
COMMITTEE OF INQUIRY
(STEEL TRANSACTIONS)

C/o IRON AND STEEL CONTROL,
33, Netaji Subhas Road, Calcutta-1.

Dated,

To

Dear Sir,

A Committee of Inquiry with Shri A. K. Sarkar, former Chief Justice of India, as Chairman, has been appointed to enquire into the several steel transaction referred to in the 50th Report of the Public Accounts Committee of Parliament, 1965-66. This Committee has been invested with necessary powers under the provisions of the Commissions of Inquiry Act, 1952, so as to enable it to summon persons and to require production of documents and other information relevant to the investigation.

In the statement that has been received by the Committee from

, it is understood that certain quantities and categories of steel as mentioned overleaf were delivered to you. I am directed to request you to let the Committee know:

- (i) the category, quantity, size and specification of the steel material actually received by you;
- (ii) the price charged by the importers and the amount paid by you;
- (iii) whether any amount was paid by you over and above what is mentioned by the importers.

Your reply should reach the Committee by 3-7-67.

Yours faithfully,

Under Secretary.

Name and full address of the allottee.	I & SC's release orders against which allotments made.	Sizes & Category released as per I. & S.C. allocations letters as mentioned in Col. 2.	Size & category delivered L/T.	Price charged for such allotments L/T.	Whether ex-Jetty or ex-Godown
1	2	3	4	5	6

APPENDIX LVII

No. C/AP/(35)/60

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES & FUEL

(Department of Iron & Steel)

IRON & STEEL CONTROL

33, Netaji Subhas Road,
Calcutta, the 4th/5th May, 1960.

M/s. Amin Chand Payare Lal,
135, Canning Street,
Calcutta.

SUBJECT:—*Export of Billets in exchange of import of Steel materials.*

Dear Sirs,

Please refer to your letter No. JP/SEC/HSL/Billets dated 11th April, 1960 on the above subject.

It is confirmed that the prices indicated in this office letter No. C/AP/(35)/60 of 8th March, 1960 are based on ocean freight of \$ 11.20 per metric ton. Any variation in the ocean freight incurred by you will be taken into account in fixing the sale price of the materials. Any increase in ocean freight, however, will be subject to a maximum of the difference between the conference rate at the time of shipment and \$11.20 per metric ton.

Yours faithfully,

Sd./- S. C. MUKHERJEE.

Dy. Iron & Steel Controller.

APPENDIX LVIII

FORM OF LETTER ORDER

GOVERNMENT OF INDIA
MINISTRY OF STEEL & MINES

(Department of Iron & Steel)

Iron and Steel Controller,
33, Netaji Subhas Road,
CALCUTTA-1.

No.....

Dated, the

M/s.

SUBJECT:—*Export of in exchange of import of Steel materials.*

Dear Sirs,

Please refer to the correspondence ending with letter Nos..... both dated addressed to you by Hindustan Steel Co. (Transport & Shipping Officer), Calcutta.

Your proposal for export of and import of steel in exchange thereof is approved by this office subject to the following terms and conditions:—

- (a) You will be permitted to export the specifications, price and delivery of which is to be mutually agreed upon by you with
- (b) Against the total foreign exchange earning amounting to you will have to import prime quality steel of the following categories and sizes of CIF Indian Port price per ton as indicated below:

Category	Size & Specification	Quantity in tons	C & F price per M/ton (Basis)
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The prices indicated above are inclusive of quality extra but exclusive of extras for sizes and thicknesses for which the extras laid down in the Benelux extras list will be applicable.

The above prices are applicable for materials shipped upto..... For materials shipped for during the period to reduction in price, if any, on the basis of price quoted on Metal Bulletin published in the will be applicable. For shipments made during the period reduction in price on the basis of price quoted in Metal Bulletin published in the will be applicable.

(c) Export ofwill normally have to precede import of steel in exchange. Proposals for pre-import of steel may also be considered if satisfactory irrevocable Letters of Credit for exports are produced and suitable Bank Guarantees are furnished.

(d) Manufacturing Mills Certificate in proof of specification of imported steel, where applicable, must be furnished along with each consignment of imported steel.

(e) If the statutory controlled price of steel to be imported is in excess of the landed cost of the same at the Indian Port plus your remuneration as fixed by the Iron & Steel Controller in terms of Public Notice No. SC(B)-10(9)/dated 22nd April, 1952 as amended, the difference between statutory controlled price and landed cost plus remuneration in respect of such steel will have to be paid by you to the Iron & Steel Equalisation Fund. You may either pay such amount in cash or furnish a Bank Guarantee in the required proforma for the amount before Customs Clearance Permit is allowed to be issued for the steel imported by you.

(f) The steel to be imported in exchange must be subject to distribution control of the Iron and Steel Controller.

(g) The export of and import of Steel in exchange as mentioned above will have to be completed within.....

Your acceptance of the above terms and conditions should be communicated to this office within 7 days from the date of issue of this letter, failing which this letter will be treated as cancelled without any further reference to you. You are also requested to submit a formal indent in form ISC-42 for for planning on the Steel Works. You may also submit your application for export and import licences to this office in the prescribed forms.

Yours faithfully,

Dy. Iron and Steel Controller.

Copy to:—

- (1) Shri B. N. Berry, Hindustan Steel Ltd., 2 Fairlie Place, Calcutta.
- (2) Ministry of Steel, Mines (Deptt. of Iron & Steel), New Delhi.
- (3) S. I. C. Section for issue of Import Licence on application.
- (4) Industries 'B' Section for issue of export licences on application.
- (5) P. & A. O.

Dy. Iron and Steel Controller.

APPENDIX LIX

Copy of notes in file No. CP/RKK/(32)|60, at pages 19-22|N
and Page 24/N.

IMMEDIATE

I have so far been permitting Shri Gopen Sen of the CDN Section to submit all cases regarding barter direct to me without routing the cases through the Superintendent and the Section Officer. I am finding it more and more difficult, due to heavy pressure of other work to deal with such cases without the help of some other Officer.

With immediate effect, therefore, Shri Gopen Sen should submit all his cases through the Superintendent/Section Officer viz. A. C. (T).

Sd./- S. C. MUKHERJEE,
26-10-60.

AC(T)

Supdt. (CDN).
Shri G. N. Sen.

IMMEDIATE AND CONFIDENTIAL

No import licence or Custom Clearance Permit should be issued to M/s. Ram Krishan Kulwant Rai without my specific approval on each individual case.

Sd./- S. C. MUKHERJEE,
26-10-60.

A.C.(Sen)

D.A.C. (BASU).

Shri Rao of Hindustan Steel rang me up yesterday to say that we have sanctioned some barter deals in favour of M/s. Ram Krishan Kulwant Rai against which they have not finalised the export side as yet. He also stated that the firm has been pressing them for finalising the export side on the plea that they have already been permitted to import the materials on submission of the requisite Bank Guarantee. Issue of an import licence even on submission of a Bank Guarantee would not be in order if the export side had not been finalised by Hindustan Steel. I, therefore, immediately looked up our papers to see if

any such irregularity has been committed by us. I extremely regret to point out that the statement made by Shri Rao is substantially correct and that there has been a rather serious lapse on our part in this particular case. The facts of the case are briefly related below:—

M/s Ram Krishan Kulwant Rai submitted on 28th March, 1960 (Sl. No. 18) a barter proposal for export of 25,000 tons of slabs, ingots and blooms and wanted to import only stainless steel sheets. According to our prescribed formula, they were told that import of stainless steel sheets would be granted only to the extent of 1 ton for every 100 tons of slabs and ingots exported. The firm accepted this proposal *vide* Sl. No. 20. Thereupon a letter indicating the terms and conditions under which their barter deal may be approved was issued to them as usual on 5th May, 1960 (Sl. No. 21). One of the conditions indicated in the letter was that the delivery, specification and price of the materials to be exported will have to be mutually agreed upon by the firm with Hindustan Steel Ltd. On 6th May, 1960 (Sl. No. 24) the firm accepted the terms and conditions and requested us to confirm that they would be permitted to import materials prior to export on submission of a Bank Guarantee for 15% of the total value of goods to be imported. We thereupon made a reference to Hindustan Steel (Sl. No. 25) asking them to confirm that the export side of the barter deal has been finalised by them and also whether an import licence could be issued. Without finalising the export side of the deal with Hindustan Steel Ltd., the firm submitted a bank Guarantee for 15% of the import value on 1st June, 1960 and also submitted import licence applications and the Bank Guarantee with the earlier correspondence and S.I.C. Section was authorised S.26 to issue import licences to the firm on the presumption that the export side of the deal has been duly finalised by them. This was indeed a serious lapse on the part of my assistant as well as on my part. It appears that the firm has already imported some materials against these import licences and I am checking up the exact position separately.

Although we are no doubt responsible for having failed to check the firm's proposal for issue of import licences with the relevant previous papers, the primary responsibility for this irregularity must lie on the firm itself. It was made quite clear in our letter of 5th May, 1960 in which the terms and conditions of the proposed deal was laid down that they must finalise the export side of the deal with Hindustan Steel. They should not have, therefore, applied for import licence with Bank Guarantee before finalising the export side of the deal with Hindustan Steel Ltd. Further the import licence already issued to the firm clearly indicates that the licence has been issued as per terms and conditions set forth in our letter of 5th May, 1960. They should not have, therefore imported any material against this licence before finalising the export side of the deal with Hindustan Steel Ltd. In the Bank Guarantee which the firm has furnished they have clearly given an undertaking to export materials and we can easily forfeit their Bank Guarantee for their failure to export the materials for whatever reasons there may be. We are not bound to request Hindustan Steel to supply the requisite exporting material to them and it is for them to get the exportable materials from Hindustan Steel by mutual agreement. If they fail to do so, we can even blacklist the firm.

From the talk I had with Shri Rao it is quite clear that Hindustan Steel is not going to supply 25,000 tons of slabs to this party to enable them to fulfil their commitment against this particular barter deal. We have therefore to find ways and means to adjust the imports already made against other foreign exchange earnings of the firm. Unfortunately Shri Kulwant Rai or Shri Mallik of the firm who was handling this affair could not be contacted. Shri Kulwant Rai is expected to be back in Calcutta tomorrow. I have, however, told a representative of the firm that they must stop all further imports against this licence and they should submit proposals for adjustment of the foreign exchange which they have already spent on the imports made against this licence. I am also issuing instructions to S.I.C. to stop issue of C.C.Ps. to this firm against all their import licences until they have given a complete account of their pending import licences and have submitted acceptable proposals for adjustment of the foreign exchange spent by them on the imports against these licences. I may add that the firm has got a number of other barter deals as also import licences as an established importer against which the foreign exchange spent by them on the import of materials against this licence can be adjusted. If they do so we may let them off for this time with a severe warning. As regards my barter assistant and myself, we extremely regret that this lapse has taken place due to heavy rush of work and we beg to be condoned for this lapse. I shall take immediate steps to ensure that such lapses do not occur again. At present I have been dealing with these barter cases with the help of only one Lower Division Clerk so as to avoid delays. In future I shall have all these files sent up to me through the Supdt. and Section Officer so that there is sufficient check exercised.

-Controller.

Sd./- S. C. MUKHERJEE,
26-10-60.

It is most unfortunate that such a serious lapse should have taken place in the office. We must immediately explore all avenues to see that the damage is repaired. As Shri Kulwantrai is arriving in Calcutta in a day or two, we should prevail upon him to surrender his other unutilised import licences of the equivalent value. In the meantime, I find that DC(M) has already taken other precautionary measures.

After we get a clearer picture, we may submit a detailed report to the Ministry.

Sd/- A. S. BAM,
26-10-60.

DC (M)

APPENDIX LX

This matter was discussed by the Controller with Secretary on 2nd November, 1960 at New Delhi. Shri K. N. Subbaraman of Hindustan Steel was also present. The circumstances under which the import licence was issued to M/s. Ram Krishan Kulwant Rai against 15% Bank Guarantee before they had finalised the export deal with Hindustan Steel was explained. Secretary felt that there was no reason why Hindustan Steel should not agree to sell the requisite quantity of slabs required by the firm for earning the foreign exchange spent on the import of steel. It was also explained to the Secretary that the firm was willing to take slabs and ingots available in stock at Rourkela irrespective of the specification and analysis of this material. As Rourkela had large stocks of slabs and ingots which do not conform to any standard specification, Secretary felt that they should welcome the proposal of the firm to accept materials from stock. He asked Shri Subbaraman to issue immediate instructions to Hindustan Steel's Calcutta Office to finalise the barter deal which was initiated by the Iron & Steel Controller as far back as March 1960. Secretary also desired that a suitable letter should be addressed to the Head Office of Hindustan Steel to give necessary instructions to their Calcutta Office for making an all out effort to sell the unwanted stocks of slabs and ingots at Rourkela on barter basis if cash sales were not possible.

On 13th November again this matter was mentioned by Secretary to Shri Srinagesh, Chairman, Hindustan Steel and Controller also discussed the matter with Shri Srinagesh in detail on the same day. The circumstances leading to the sanction to the barter deal by Iron & Steel Control and import of steel materials by the firm was explained to Shri Srinagesh and he agreed to take up the matter immediately on his return to Head Quarters. In confirmation of this discussion the letter to Shri Srinagesh at SI. 79 was issued with copy to the Secretary.

Sd/- (S. C. MUKHERJEE)

17-11-1960

APPENDIX LXI

~~CONFIDENTIAL~~

November 14, 1960

D. O. No. C/RKR/(32)/60.

Dear Shri Srinagesh,

This has reference to the discussions we had at the Dum Dum Air Port yesterday about sale of slabs and ingots by Hindustan Steel against barter deals. The particular case about which some difficulty has arisen relates to a barter deal sanctioned by us in favour of M/s. Ram Krishan Kulwant Rai, one of our established importers and exporters of steel. Briefly the facts of the case are as follows:—

M/s. Ram Krishan Kulwant Rai submitted on 28th March, 1960 a barter proposal for export of 25,000 tons of slabs, ingots and blooms. We examined this proposal and in May 1960 we communicated to them the terms and conditions under which their barter deal could be approved. I enclose a copy of this letter for your ready reference. You will see that one of the conditions laid down by us in this letter is that the delivery, specification and price of the slabs, ingots and blooms to be exported will have to be actually agreed upon by the firm with Hindustan Steel Ltd. On 6th of May, 1960 the firm accepted the terms and conditions laid down by us.

On 1st of June the firm applied for an import licence for the materials to be imported under this barter deal and also furnished a Bank Guarantee for 15 per cent of the value of stores to be imported because they wanted to import steel before export. According to the instructions of the Ministry, we are authorised to allow import before export against 15% Bank Guarantee, provided we are satisfied that the firm have made suitable arrangements for export. Normally, therefore, before issue of an import licence we should have got it confirmed by Hindustan Steel Ltd. that they have no difficulty in supplying the slabs, ingots and blooms which the firm wants to export. Unfortunately in this particular case this was not done and an import licence was issued to the firm. The firm has also already imported substantial quantities of steel against the import licence granted to them. The question of allowing exports against this barter deal has therefore assumed some importance. We have now been informed by Hindustan Steel that they have not agreed to supply any slabs, ingots or blooms to this party against this particular deal. We are not aware of the reasons for the inability of Hindustan Steel to supply the requisite quantities of slabs, ingots or blooms to this party. In fact we have been repeatedly told that the Rourkela Plant has accumulated large quantities of slabs and ingots which they are unable to dispose of as these slabs and ingots do not conform to any standard specification and have to be sold as untested. I understand there is a proposal to roll these ingots and slabs into untested plates of heavier sizes. This proposal is not a sound one as there is very little demand for heavy untested plates in the country. I strongly feel, therefore, that Hindustan Steel should rather welcome proposals for

export of slabs and ingots lying in their stocks. We had actually contacted M/s. Ram Krishan Kulwant Rai to find out whether they would be prepared to accept slabs and ingots which are lying in stock at Rourkela irrespective of the quality and analysis of those materials. I enclose a copy of a letter which has been sent by the firms to us confirming that they would be willing to accept these materials from stock. In view of this categorical acceptance by the firm I am sure you will readily agree to make available 25,000 tons of slabs and/or ingots as may be found convenient by Rourkela for export by the firm against this particular barter deal. I shall be grateful if you will kindly issue suitable instructions immediately to Bery of your Calcutta Office to review the matter and to offer 25,000 tons of slabs and ingots from stock to this party and to sign the contract as early as possible.

On the general question of disposal of slabs and ingots lying in stock at Rourkela also, I feel that a similar approach should be made, *i.e.* if Hindustan Steel is not in a position to sell them for export on cash basis they might offer these materials to us for sale on barter basis. This would no doubt give us valuable foreign exchange for import of steel but also enable the Rourkela Steel Plant to get rid of the large accumulation of slabs and ingots which they would not be able to dispose of otherwise by rolling them down to unpopular sections.

I shall be grateful if you will kindly issue immediate instructions in the matter to all concerned. I am sending a copy of this letter to Shri Bhoothalingam whom I have already apprised of the position and who also spoke to you about it yesterday.

Yours sincerely,

Sd./- A. S. BAM.

Enclo:

Shri J. M. Shrinagesh,
Chairman,
Hindustan Steel Ltd.
Camp New Delhi.

Copy to:

Shri S. Bhoothalingam, Secy. to the Government of India,
Ministry of Steel, Mines & Fuel, Department of Iron & Steel,
New Delhi.

Sd./- A. S. BAM.

APPENDIX LXII

From

J. M. Shrinagesh,
Chairman,
Hindustan Steel Ltd.,
P.O. Hinoo, Ranchi.

November 26, 1960.

My Dear Bam,

Please refer to your letter No. C/RKR/32(60), dated November 14, regarding the sale of slabs and ingots by HSL against barter deals, which we have now re-examined.

We have noted that M/s. Ram Krishan Kulwant Rai have already been allowed to import finished products through oversight. As a commitment has been made by your office, which you have to keep, we are prepared to offer whatever ingots/slabs we have in stock at Rourkela of different grades, analysis and dimensions, on the clear understanding that the materials will have to be accepted as they are, without further rejection of the quantity offered.

The price for these ingots and slabs would be the same as offered to M/s. Ram Krishan Kulwant Rai, against their existing barter deal for 5,000 tons, namely 84 Dollars nett. FOB per metric tonne for slabs and 72 Dollars nett per metric tonne FOB for ingots. I would, however, point out that, offering material for export to this party at this stage, could result in considerable criticism.

Materials lying in stock at our plants, including Rourkela, can now be sold to us on a cash basis. In fact, deals have already been concluded for export on cash sale basis, for all the materials that our plants have been able to offer. Of course, you will appreciate that whatever is shown as stock figures in the plants is not all for sale, as the plants themselves would like to keep substantial quantities as reserve during any possible emergency. Some stocks have also not been offered for sale either because the plants would require more time for classifying them according to grades analysis, etc., or they feel they could roll them into untested materials in due course which would give us a better return.

I find we had previously written to you, suggesting that our surplus ingots and slabs be rolled into untested plates. Subsequent discussion between your office and Rourkela would indicate that there is hardly any demand in India for untested plates in the heavier thickness over 12 mm. In the circumstances, instead of selling the ingots and slabs as such, it would be preferable to roll them into untested plates, against export

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orders which we might be able to procure on a cash basis. This would also keep our Plant Mill fed with minimum quantum of orders, to keep it running at an economical rate. The export of finished products like plates would certainly give us a better return, as compared to the export of our steel in the shape of ingots and slabs.

I am, therefore, advising my Export Sales Office to contact you for increasing the quantity allotted for export from the present figure of about 5,000 tons of untested plates to about 30,000 tons or more as may be found necessary for our Rourkela Works.

Yours sincerely,

Sd./-

J. M. SHRINAGESH

Shri A. S. Bam,
Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta.

APPENDIX LXIII

D.O. No. CP/RKK/(32)/60

Dated the 13th January, 1961.

A. S. Bam,
Iron and Steel Controller.

My dear Shri Shrinagesh,

Many thanks for your D.O. No. 173-CH/60, dated 26th November, 1960, about the sale of slabs and ingots by HSL against barter deals. I purposely delayed a reply to your letter as I was awaiting further communications from your Export Sales Office at Calcutta regarding the particular deal which has to be finalised in favour of Ram Krishan Kulwant Rai. I am sorry to report that we have not received any further communication from them as to whether this particular deal has since been finalised or not. Meanwhile, we have received copies of some of the letters written by the firm to your Calcutta Office. But your Calcutta Office do not seem to have taken any action in the matter so far.

I am little puzzled at your statement to the effect that offering materials for export to Ram Krishan Kulwant Rai "could result in considerable criticism." I wish you had made it a little more clear as to how your proposal to offer slabs for export to this firm against the deal which was sanctioned by the Iron and Steel Control as far back as March, 1960, and duly communicated to your office could be criticised by anybody particularly when Rourkela Steel Plant is having very large stocks of slabs and ingots. These I saw myself at the time of my visit to Rourkela for Ecafe session. This accumulation I believe cannot be utilised except for making heavy sized untested plates for which there is little demand in the country, and for which export demands are also doubtful. I would also like to point out that the rate offered by you to the firm is very attractive and you cannot possibly get a better offer either against a barter deal or cash export. In fact, I find from the statement of export deals already finalised by your Calcutta Office that HSL has already agreed to sell on cash basis 9,000 tons of slabs and 8,550 tons of blooms to M/s. United Metal & Ore Corporation, Calcutta at \$62 f.o.b. Calcutta/Vizag and 5,266 tons of ingots to Surendra Overseas on barter basis at \$53 f.o.b. The price offered to Ram Krishan Kulwant Rai viz. \$84 f.o.b. per metric ton, which I understand the firm is prepared to accept is, therefore, certainly very much more attractive to cause any criticism to HSL.

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In any case, I would request you to finalise this particular barter deal as early as possible as the prices of steel in the World Market have been showing a considerable down-ward trend in recent months and further delay may only complicate matters.

Yours Sincerely,

Sd./- A. S. BAM.

Shri J. M. Shrinagesh, Chairman,
Hindustan Steel Ltd.,
P. O. Hinoo, Ranchi.

Copy to.—Shri S. Bhoothalingma, Secretary to the Govt of India, Ministry of Steel & Fuel, Department of Iron & Steel, New Delhi.

Sd/- A. S. BAM,
Iron & Steel Controller.

APPENDIX LXIII A.

D.O. No. PIE/4

September 8/9, 1959

Dear Shri Ramanathan,

This is in connection with the barter deal sanctioned in favour of Metal Import (Private) Ltd., for the import of M.S. Plates against export of 20,000 tons of Pig Iron.

The firm desires to import the plates before exporting pig iron by submitting a Bank Guarantee for 20 per cent of the value of the deal. This procedure of importing steel materials before export of the materials to be bartered for has already been approved by the Ministry in connection with the barter transactions involving export of Steel Scrap. I shall be grateful for your immediate instructions as to whether the same procedure can be made applicable to the barter deals involving export of Pig Iron.

Meanwhile the firm has already shipped some steel plates (about 1000 tons out of a total quantity of 8500 tons). On the assumption that the procedure about import prior to export by giving a Bank Guarantee for 20 per cent of C.I.F. value of the deal would be applicable to this particular deal, we have, as a very special case, and after giving a warning to the firm, issued a C.C.P. for this material in order to avoid any demurrage. The import licence, however has not been amended to enable them to remit foreign exchange before export of pig iron.

Another point which has been raised in this connection is whether the firm will be entitled to any remuneration on this barter transaction. In case of barter deals involving export of Steel Scrap, we are treating the imports as commercial and allowing a remuneration of 4 per cent for supplies ex-Jetty and 7½ per cent ex-Godown in accordance with the Public Notice of 1952. It may be mentioned in this connection that unlike in the case of Steel Scrap barter, the firm is likely to make some profit in the export deal. In case of Steel Scrap barter, generally speaking, the export entails some loss to the party and this they usually make up on the import prices and also on the remuneration allowed to them on imports. In Pig Iron, however, we have reason to believe that the firm has actually sold the pig iron at a price higher than what was sanctioned by us. In fact they have already made a proposal for the import of some industrial scrap against the surplus foreign exchange they hope to earn on the export of Pig Iron. We have turned down this proposal and have asked them to specify exactly the amount of surplus foreign exchange they are likely to earn on the export of 20,000 tons of Pig Iron. Taking this factor into consideration, we should not perhaps allow them any remuneration on the import. In

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quoting their C.I.F. price the firm might have themselves kept a margin for their remuneration. For the present, therefore, it is suggested that we may not allow any remuneration. If, however, the firm represents with some justification for allowing remuneration, we might reconsider.

I shall be grateful for your instruction in the matter.

Yours sincerely,

Sd/- S. C. MUKHERJEE.

Sri G. Ramanathan, I.A.S., Dy. Secy. to the Government of India
Ministry of Steel, Mines & Fuel, Department of Iron and Steel, New
Delhi.

APPENDIX LXIV

C.A. Nair, -

Under Secretary.

D.O. No. SC(B)-12(48)/59

**GOVERNMENT OF INDIA MINISTRY OF STEEL, MINES
AND FUEL**

(Department of Iron and Steel)

Dated, New Delhi 18th September 1959

Dear Shri Mukherjee

Please refer to your D.O. letter No. PIE/4 dated the 9th September, 1959. It is only in exceptional cases that imports of steel can precede exports. This applies to imports in respect of scrap barbers also. In all cases where imports precede exports, we will have to approach the Ministry of Finance (E.A. Deptt) and get their concurrence. The main ground for such an approach would be that the item of steel sought to be imported in advance is urgently required for some priority projects or other. In this particular instance, no such case has been made out and I would, therefore, suggest that you insist on exports preceding imports.

As regards remuneration, when our import Notification permits 4 per cent and 7½ per cent on the landed cost on ex-jetty and ex-godown sales respectively, I do not see how we can discriminate against M/s Metal Import (P) Ltd., merely on the account that they have made some extra profit on the deal. The remuneration allowed under the 52 Notification, would be applicable in this case as well.

**Yours sincerely,
Sd/- C. A. NAIR.**

**Shri S. C. Mukherjee, Deputy Iron and Steel Controller, 33-Netaji
Subhas Road, Calcutta.**

in full. In terms of para 96 p. 36 of 110 Hand book 1961, it is necessary that sufficient cover is left in the I/L to cover Freight and Insurance. When either the freight or insurance is paid in Rupees in India, the amounts are to be marked off the licence by the authorised Dealer in Foreign Exchange. Obviously therefore this will not leave any balance in the Exchange Control copy of the I/L or to be more exact, the balances indicated by the Bankers must agree with those shown in para 4 above. It is observed that the firm has produced certificate from Bank of Tokyo regarding the remittances, for I/L 60, 97 and 98. In respect of I/Ls 97 and 98, the Freight has been marked off @ \$ 11:20 and not the actual freight incurred, while in respect of I/L 60, no freight charges have been marked off, while issuing the certificate. This is highly irregular.

6. It appears that in regard to the licences against which the firm has claimed the clearances are under investigations of the Bombay C.I.D. The details are not known to SIC, CDN Section may be able to throw some light on this aspect of the case.

7. In order to stop such malpractices, we may reject the CCP applications. Regarding para 6 above, CDN Section may offer their comments.

Sd/- Y. D. KELKAR,
27-10-1961.

DCD

AC(T) Sd/-V. DORASWAMY
28/10

Bombay Police are investigating into a complaint regarding excess-price charged by M/s. Aminchand Payarelal and Associate Concerns in respect of supply of imported Drum sheets to M/s. Bharat Barrels against this office Memo. orders. Recently the Police have called for certain documents which are being furnished by Barter Section.

A.C.(T)

It is found from the records with CDN Section that the materials in respect of which investigation is being carried out by the Bombay Police are ex-s. s. "Akash" and S. S. "Sushama", whereas the materials for which C.C.P. is required by the above firm relate to S. S. "Indian Security".

Sd/- P. C. Tiwari,
28-10-61.

D.C.(M)

The Police investigations are not connected with the remittance aspect mentioned in AD(K)'s note. These are about charging of price in excess of the price indicated in the Release Orders.

Sd/- S. C. Mukherjee,
28-10-61.

DCD

Please examine the case now.

Sd/- V. Doraswamy,
28-10-61.

AD(K)

The note on p. I/V gives a complete picture of the entire case.

2. With reference to para 5 of the aforesaid note, I would like to add that there can be no two opinions on the fact that the Ocean Freight from U.S. port will be much more than the freight from a continental port. There can be no negotiation about the freight. If there has been any on account of the fact that the shipping Company is a sister concern of the importing firm, such transaction cannot be viewed as *bona-fide* one. It is nothing else but manipulation to suit the convenience of the importing firm.

3. As regards para 6 of the note on p. IV/N and subsequent comments of the CDN Section, I would suggest that the Police Investigations refer to the goods cleared under the licences in question and also that the freight under dispute is a factor deciding the price of the materials.

4. Finally, since the present consignments are not covered by any valid Import Licence the CCP applications may be summarily rejected.

Sd./- Y. D. KELKAR,
30-10-61.

DCD

I am not clear as regards 'A' at page III. Please come and explain to me.

Sd./- V. DORAISWAMI,
30-10-61.

1. It appears that the firm have imported without possessing a valid import licence.

2. Import Licences against which they claim the present shipments do not appear to have balance left as the licences have been utilised against earlier shipments.

3. It is also not understood how they state freight as \$ 11-20 for imports from U.S. Ports and thereby try to make out that there has been a saving freight against earlier shipments, which they meant to utilise against the present shipments.

It is therefore clear that the firm have again attempted to import without possessing valid licence.

We may reject the case.

Controller may kindly see for orders.

Sd./- V. DORAISWAMI.

CONTROLLER

DCD

The materials should be taken back from the country.

Sd./- A. N. BANERJI,

30-10-61.

Kindly see Controller's orders on p. VIII/N. Since the material has already arrived and that we object to its clearance for Home consumption, the final adjudication proceedings will be with the Collr. of Customs in terms of paras 24 and 25, p. 69-110 Hand book, 1961.

2. The question of issue of CCP does not arise at all at this stage since it will defeat the very object of pending the firm.

3. We may inform the firm of the Controller's decision and also endorse a copy to Collector of Customs for information and necessary action. Draft put up for approval.

Sd./- Y. D. KELKAR,
31-10-61.

DC(M) may also please see.

.....

Sd./- V. DORAISWAMI,
31-10-61.

DCD

Sd./- S. C. MUKHERJI.
31-10-61

Fair copy of the rejection letter put up for signature please. We may issue separate letter to Customs later instead of endorsing a copy at present.

Sd./- Y. D. KELKAR,
1-11-61.

DCD

Sd./- V. DORAISWAMI,
1-11-61.

AD(K)

Sd./- Y. D. KELKAR,
1-11-61.

Rejection letter has been issued to firm.

Resubmitted regarding above.

Intld. Illegible.
1-11-61.

PUC refers to our letter dated 1-11-61 (F/H).

AD(K) may kindly see the portion marked in PUC and direct the course of action to be taken.

Intld. Illegible
2-11-61

The party's requests tentamounts to issue of CCP for the present which in fact appears to have been desired by the Controller in his note dated 30th October, 1961 at p. 8 *ante*.

Intld. Illegible
2-11-61

Kindly see my note on p. IX/N where the question of issue of CCP has been examined.

2. To allow clearance of unauthorised importation will be in contra-vention of Import Trade Control Regulations. Even if the firm undertakes to reshipe the material we cannot keep a watch on the unauthorised goods, once they are cleared in their godowns. Secondly, with regard to clearance of the goods, it is, advisable that the Customs are apprised of the position of the unauthorised importation since they are the final arbiters in the matter.

3. In these circumstances, we should not issue CCPs. Draft to the firm and the Controller of Customs put up for approval pl.

Sd./- Y. D. KELKAR,
2-11-61.

DCD

They can store the material in a bonded ware-house. I am not clear how issue of CCP arises in the case of unauthorised imports. For action before putting to Controller.

Sd./- Y. D. KELKAR,
2-11-61.

DC(M)

The cases of the following three consignments were discussed with the Controller on 4th November, 1961 when DCM and DCD were also present.

Counter Slip No	Vessel	Tonnage	CCP ap- plied for Rs.	Port of landing
(i) 33426/12-10-61 B/L No. 18 & 19 26-8-61 (M/s.) Apeejay (P) Ltd.	Indian Security	294.501 M/T	2,15,684	Calcutta.
(ii) 33427/12-10-61 B/L No. 13, 14, 15, 16 & 17/ 26-8-61 (M/s.) Apeejay (P) Ltd.	Do.	999.625 M/T	7,32,165	Calcutta.
(iii) 33425/12-10-61 B/L No. SX 17A to E/18-8-61 (M/s. Aminchand Payarelal)	City of Stafford.	998.292 M/T	7,31,156	Bombay.

2. In respect of the consignments at (i) and (ii) above, the Controller has already passed orders for reshipment on VIII/N. Controller. desired that similar action should be taken in respect of consignment at (iii) above.

3. The orders for reshipment have been passed in this case, so that the no option would be with the importers to clear the goods in question for home consumption on payment of penalty or otherwise. Secondly there has been some delay in taking a decision in this case and therefore by this time heavy demurrage must have accrued. The penalty of freight charges bothways and the demurrage was considered as adequate for the offence by the controller.

4. In order to implement the decision it was considered advisable to issue Customs Copy of the Import Licence without exchange control copy provided the firm gives a Bank Guarantee for 10 per cent of the C & F value of the goods and that they bind themselves to reship the material on or before 31-12-1961.

5. I have tried to prepare a draft bond for the purpose on the basis of the draft appearing as Appendix 6 on p. 191 of ITC Hand Book, 1961. From the wording of the bond it would appear that the importers would escape reshipment if the amount indicated in the Bond is paid by them or their sureties. As per verbal orders of DCD, the draft bond was taken personally to Shri Sen, Central Government Solicitors at Calcutta on 6-11-61. Under which clause/Section or the Iron and Steel Control Order/Import Trade Control Order, the Orders regarding the reshipment have been passed could not be clarified. I feel that probably this may be the reason why we find it difficult to implement the decision.

6. Once the importation is authorised, the firm may apply for recommending the Customs Authorities for remission of demurrage on account of Import Trade Control formalities. I am afraid we may have to grant their request if we authorise the clearance and the entire penalty contemplated by us will run down to a very meagre amount covering the freight element only.

7. The matter was further discussed by DCD and DCM with the solicitors. As directed by DCD, draft to the firm and the draft bond is submitted herewith for approval. These 3 drafts may be vetted by the Solicitors.

Sd/- Y. D. KELKAR,
8-11-61.

DCD

Solicitor to Central Government at Calcutta may kindly vet the drafts placed below.

Sd./- V. DORAISWAMI,
9-11-61.

The drafts were personally taken to Shri Sen for vetting them as desired by DCD.

In the discussion Shri Sen wanted to know under what Section/Clause of the Import Trade/Control Act/Iron & Steel Control Order, has the order for reshipment passed. He was of the opinion that the Collector of Customs has the powers under the Sea Customs Act. The powers of the Iron and Steel Controller are restricted to the Iron and Steel Control Order and Import Trade Control Act only.

The matter was also discussed with DCD on phone.

Shri Sen stated that since only the drafts have been sent to him for the purpose of vetting, he would comply with the request. If however, any legal opinion is required, the case may be referred to him formally for opinion.

Sd./- Y. D. KELKAR,

9-11-61.

DCD

Controller may kindly portion A from page VIII.

While I was in the meeting in the Controller's room today government Solicitor called me in and said on the telephone and explained that the Iron and Steel Controller does not appear to have powers to order reshipment for unauthorised import. He felt that this power was vested in the Collector for Customs under the Sea Customs Act. However, he has vetted the draft Bond. This is brought to the notice. It is for orders whether we should call for a final opinion of the Solicitor on the point or proceed as already decided by Controller.

Resubmitted.

Sd./- V. DORAISWAMI,

9-11-61.

DC(M) may pl. see.

It is perhaps not necessary to consult the Solicitor finally.

Sd/- S. C. MUKHERJI,
9-11-61.

CONTROLLER

Sd/- A. N. BANERJI,
10-11-61.

DCD

Sd./- V. DORAISWAMI,
10-11-61.

Please take further action immediately.

AD(K)

Fair drafts as approved are put up for signature please.

Sd./- Illegible,
10-11-61.

DCD

.... ..

Sd./- V. DORAISWAMI,
10-11-61.

Controller

Sd./- A. N. BANERJI,
10-11-61.

DCD

Please issue today.

Sd/- V. DORAISWAMI,
13-11-61.

Kindly see the letter from C.G. Solicitor, dated 9-11-61.

We have already issued the letters. As regards the authority of the Controller, the issue was brought out in my note at p. XIV (portion side-lined 'A') and also at p. XV|XVI. I believe the matter was discussed with Controller by DCD.

On receipt of the draft bond from the party, the same will be shown to the solicitors.

For orders please.

Sd/- Y. D. KELKAR,
13-11-61.

DCD

Please see my note P/XVII/N which was seen by Controller.

B. As proposed.

Sd/- V. DORAISWAMI,

AD(K)

Sd/- Y. D. KELKAR,
15-11-61.

Kindly see the letter from the firm dated 15-11-61 enclosing the bond. The firm has requested in para 2 that the bond may be accepted without awaiting for the concurrence from the Reserve Bank of India.

2. We have written clearly to the firm in our letter, dated 13th November, 1961, that the bond will be accepted only on receipt of the confirmation from the Reserve Bank of India.

3. The issue was discussed with DCD who opined that the concurrence is not automatic. The Bank concerned has to approach the Reserve Bank for the purpose. Secondly, it is absolutely necessary that Government Department must await for concurrence before accepting the bond.

4. In these circumstances we may await for the confirmation from the Reserve Bank.

@ DCM

Sd/- Y. D. KELKAR,
Sd/- S. C. MUKHERJI,
Sd/- A. N. BANERJI.

Controller

R/L is put for signature.

Intld.

17-11.

Sd/- Y. D. KELKAR,
17-11-61.

Kindly see the letter from the firm enclosing a copy of the advice to Reserve Bank of India by the Punjab National Bank. It will be interesting to note that the Bank executed the Bond on 13th November, but intimated on 18th instant.

For orders pl.

DCD

Sd/- Y. D. KELKAR,
20-11-61.

Obviously, the Bank has applied to the R.B.I. after our refusal to accept the Bond on 17-11-61.

However, pending receipt of the R.B.I. concurrence or orders if we may issue CCP.

DCM

Sd/- V. DORAISWAMI,
20-11-61.

%Please inform the importer that without RBI concurrence the S. G. is not acceptable and no CCP will be issued.

Sd/ V. DORAISWAMI, 17-11-61

DC(K)

Sd/- Y. D. KELKAR.

*We have such instructions from RBI. Sd/- V. Doraiswami 16-11-61

@Confirmation of RBI will take a few days, if at least, the Punjab National Bank gives us a copy of their instruction to RBI, we may take a decision.

Sd/- V. DORAISWAMI.

Have they accepted the terms of our letter of 13-11-1961 in writing. I cannot see it on the file.

Sd./- S. C. MUKHERJI,
20-11-61.

Spoken to DCD| The bond may be shown to the Solicitor first.

Sd./- Y. D. KELKAR,
21-11-61.

Have we received the acceptance? Please put up.

Sd/- V. WORAIKWAMI,
21-11-61.

AD(K)

The firm's letter dated 13-11-1961 has been received now along with copy of the firm's letter dated 21-11-1961 and is placed below.

Sd/- Y. D. KELKAR,
21-11-61.

DCD

Spoken to DCD. As desired by the Solicitors, the bond may be shown to them personally before the case is put up to Controller.

Sd./- Y. D. KELKAR,
21-11-61.

Controller may kindly see the letter from the Solicitors dated 22nd Nov., 1961. The issue was already brought out in the notes at p.XDIV/XVIII

N

In terms of para 3 & 4 of the Solicitor's letter under reference, it is unlawful to accept the bond and issue CCP. We should revise the decision.

Sd/- Y. D. KELKAR,
22-11-61.

DCD

According to Solicitor's letter at P|39 the Bond accepted by the firm was sent for him perusal. Solicitor's letter placed below may kindly be seen, in particular para 4 of his letter.

For instructions.

Sd/- V. DORASWAMY.

DC(M)

I&B of Solicitor's letter is contradicting. I do not agree with him that CCP cannot be issued without a licence. CCP is also a form of licence. We have issued CCPs in such circumstances in the past and may do so in this case also, as already desired by the Controller.

Sd/- S. C. MUKHERJI,
23-11-61.

Controller

Probably it was not explained to Solicitor what a CCP meant.

Issue the Customs Clearance Copy only of the import licences-there has been hundred of cases of import for re-export purposes with only to customs clearance copy of the import licence, as in the case of materials coming to be exhibited for exhibition implements that ISCON brought to Durgapur work which was to be re-exported etc.

Sd./- A. N. BANERJI,
23-11-61.

APPENDIX LXVI

EXTRACT OF NOTES FROM FILE NO. S.C. (B) 23(35)/60

I&S Controller approved certain barter deals for export of pig iron, billets and slabs by M/s. Aminchand Payarelal. Against the export earnings, steel of approved categories mainly drum sheets were to be imported. In approving C&F prices at which imports were to be made I&S had taken into account a freight element of \$ 11:20 per ton. The firm enquired from I&S whether any variation of this freight will be allowed. They were informed by the I&S, that to selling prices of imported material will be fixed on the basis of actual freight incurred by them subject to a maximum of the conference rate at the time of shipment. U.S.A. prices are generally higher than continental prices. The idea was, that the firm would import the steel from the continent and any variation in the freight rate over \$ 11:20 will be allowed by the Steel Control. The firm, however, imported steel in their own vessels from U.S.A. and claimed a freight of \$ 23:24. The question whether this increased freight should be allowed or not, was referred to us by the I&S. Notes at pages 5-8/ante may kindly be seen in this connection. We had decided, that the extra freight claimed by the firm should not be allowed.

M/s. Aminchand Payarelal has appealed against this decision. In this connection, I may point out, that as the import has actually been made in the Company's own vessels, no extra foreign exchange expenditure has been incurred. The firm had already sold some quantities of drum sheets with the extra freight to M/s. Bharat Barrel. The I&S had directed them to pay back to the Bharat Barrel the extra freight which they had claimed and received from Bharat Barrel. So far Aminchand Payarelal have not paid the amount back. The question of M/s. Bharat Barrel lifting balance quantity of about 7,000 tons drum sheets has also been under correspondence for long. I don't think, we should go back on our earlier decision and allow increased freight.

The firm had, however, now pointed out that while allowing for only a freight of \$ 11:20 the I&S has not agreed to their import of steel for the balance value representing the freight difference from continent, and U.S.A. Briefly the firm's contention is, that if, from barter exports, they have earned Rs. 100 and if I&S is willing to allow Rs. 90 for import already made (Rs. 80 price of steel plus Rs. 10 freight) then they have got a right to import steel for the balance of Rs. 10. As they hold valid licences for import of the steel items, they have imported the steel. ISC after considerable correspondence, has now, it is stated, allowed the goods to be cleared with the stipulation that the steel should be re-exported. The firm has represented against this. I don't think, we can have it both ways. If we allow a lower freight to the firm, then naturally we should allow them to import steel for the freight element not allowed. On the other hand, if we feel, that the firm is entitled to the full freight from U.S.A., then we should

allow them to recover the freight from the allottees. We have decided, not to do so. Therefore, should not have any objection to the imports made by the party being released. If the firm is willing to abide by the decision of the I&SC and pay back to M/s. Bharat Barrel and other allottees the extra freight received, then we should permit the release of the goods imported. The goods in question *i.e.* cold rolled sheets, are badly required in the country. We may inform the I&SC, that as soon as the party has paid back to the allottees the extra freight received by them, he may release steel.

Sd/- C. A. Nair,

23-12-1961.

DS(P)

I agree. Secretary may also please see.

Secretary

Sd/- Prasad.

23-12-'60

US(N) & DS(P) to discuss.

Sd/- N. N. Wanchoo,

25-12-'61.

DS(P)

Discussed.

I agree that a settlement on the above basis may be made, but the court cases should also be withdrawn by both parties, otherwise the question will become more complicated still.

Sd/- N. N. Wanchoo,

1-1-'62

Issue d.o. below.

Sd/- C. A. Nair,

2-1-'62.

APPENDIX LXVII

Extract of notes at pages 1-3/N of file No. SC(B)-19(18)/62-Vol. I.

While Minister was at Calcutta, it was brought to his notice that considerable quantities of steel from HSL are lying at Vizagapatam Port. It was also mentioned that there was a file in this Ministry with regard to this matter concerning Shri Aminchand Payarelal. Minister wished to see this file.

Sd/- S. VENKITARAMANAN,
1.10.1962.

DS(M).

The file dealing with the suggestion of I&SC, Calcutta that certain firms like M/s. Aminchand Payarelal who have made pre-import of steel under different barter deals may be allowed to export manganese ore/ferro-manganese instead of billets, slabs etc. as per the original barter deals has been referred to the Ministry of Commerce and Industry for their comments in our F. No. SC(B)-22(51)/62 as that Ministry is concerned with export of manganese ore/ferro-manganese. After the return of the file from that Ministry, the papers may be put up to Minister.

Itd/-
5.10.62.
OSD.

I have reminded C&I Ministry to return file. P.S. to Minister may kindly see for interim information.

P. S. to Minister,

Sd/- C. A. NAIR,

11.10.62.

Sd/-

11.10.62.

Please send an Official reminder too. I have spoken on phone.

Itd/-
11.10.62
US(N).
SC(B).

In the staff meeting on the 9th October, Minister referred to a report in the HINDU, sometime ago, about steel materials lying at the Vizag port for disposal.

2. Chairman H.S.L. who was present at the meeting mentioned that some slabs were to be supplied to a Welsh Company. As they were not up to the specification, they could not be lifted. Hindustan Steel have negotiated with the foreign Company and the matter was discussed in a meeting of the Committee of Management.

3. Chairman also stated that these slabs could be utilised and could be sold only as scrap after they have been cut to smaller sizes. The

cost of cutting these slabs to smaller sizes was standing in the way of disposal of the material. As far as I am aware, Shri Cleetus has been writing to Secretary about the disposal of steel which was meant for export and could not be exported for one thing or another. Recently, we have written to Mr. Cleetus that in view of the concessional prices agreed for export of certain categories of steel, this lot should be disposed off. Chairman was not aware of this correspondence and thought that no prime quality steel was lying at the Vizag port.

4. Will OSD kindly look into the papers and let me have the information that is available with us.

OSD.

Sd/- M. C. MISRA,
11.10.62.

A brief summary explaining the position with regard to the steel lying at the ports of Vizagapatam and Calcutta is put up as desired by DS(M).

Itd/-

15.10.62.

US(N).

Sd/- C. A. NAIR,
16.10.62.

DS(M).

Reply to our T.P.M. has since been received from H.S.L. and as desired by DS(M) a comparative statement showing the position indicated by H.S.L. from time to time has been prepared and placed below at F/T. The note has also been revised suitably and placed below.

Sd/-

20.10.62.

DS(M)

* * * * *

CONFIDENTIAL

MINISTRY OF STEEL AND HEAVY INDUSTRIES

The reported accumulation of stocks of steel at Vizagapatnam was discussed in the meeting of the officers of the Steel Department held in the room of Minister on the 9th October, 1962. Minister mentioned that the File on the subject concerning Shri Amin Chand Payarelal may be put up to him as earlier as possible. Secretary, Iron and Steel, may kindly see.

Secretary, Iron and Steel.
2/29/MPS/62.

Sd/- S. VENKITARAMANAN,
P.S. to Minister

Please obtain details of what is lying at Vizag and Calcutta and put up.

Sd/- N. N. WANCHOO,
12/10

DS(B)

DS(M)

P. N. BHALLA,
12-10-62

Since the position about stocks of iron and steel lying at the ports for disposal was not quite clear a teleprinter message was sent to Director (Commercial) and the reply received from him is at page 7/ cor. A comparative statement showing the position of stocks as revealed from various sources is placed below. It will be observed that there is difference in figures. We may, however, accept the latest figures furnished in the TPM as correct. In short, it means that a

total of 58,505 tonnes of iron and steel are lying at Vishakapatnam and 19,150 tonnes at Calcutta ports. These stocks include ingots, slabs, billets and pig iron.

2. INGOTS AND SLABS :

As regards disposal, the matter was examined by the Committee of Management of Hindustan Steel in their meeting held on the 13th August 1962 and it has been decided to have a settlement with M/s. Aminchand Pyarelal and tested ingots and slabs found suitable for export would only be exported. Detailed draft contracts in this regard have been given to the party for their consideration and are expected to be signed shortly. From the TPM of the 19th October it is not clear what quantities are likely to be exported under this arrangement, presumably because they have yet to be inspected. It has also been decided by Hindustan Steel that a Committee consisting of Sarvashri Indrajit Singh, Kutar and Subramanian should investigate fully the circumstances leading to the supply of sub-standard materials under this contract and fix the responsibility. It is also not very clear from the papers as to what would happen to the ingots and slabs which are not suitable for export. This matter was also raised in the Co-ordination meeting and there the Chairman had suggested that they should be cut up and sold as scrap. The Chairman had also mentioned that cutting them into smaller sizes at the ports would entail heavy expenditure. The point for consideration is whether they should be removed to the Steelworks for being cut to sizes. In that case, extra freight has also to be taken into account.

3. PIG IRON :

Although originally a stock of 30,000 tonnes of pig iron was shown in the statement furnished to Minister, the stocks now reported are only 26,234 tonnes. Out of this, 20,000 tonnes have been earmarked for export under the Indo-Hungarian Trade Agreement for 1962, and 11,000 tonnes are likely to be moved by November and the balance shipped by 1963. Whatever is left over from exports will be disposed off internally in consultation with the Iron and Steel Controller. In so far as pig iron is concerned, there should be no difficulty in the disposal either through exports or indigenously.

4. BILLETS :

The quantity indicated is about 4,000 tonnes which is probably earmarked for exports on barter basis and probably connected with the case in which M/s. Aminchand Pyarelal have been allowed to import steel and export billets in turn. This firm were allowed to import steel worth Rs. 98,72,919 and were required to export billets of the same value. Actually they have exported billets of the value of Rs. 59,94,309 and have an export obligation for Rs. 26,37,685. From the report received from the Steel Control it is understood that Hindustan Steel failed to supply the billets in time with the result that the firm could not honour their commitments with

If this is to be sold as scrap probably the best course would be for HSL to auction it where it lies, instead of incurring extra freight on movement.
Sd/- N. N. WANCHOO,
26-10-62.

I agree, but they should dispose of quickly instead of letting the stores accumulate. If there is any other export commitment, the barter over 20,000 tonnes could be utilised to meet it. This is basic pig iron.
Sd/- WANCHOO,
26-10-62.

A the foreign producer and the contract has since been cancelled. Hindustan Steel, on the other hand, maintain that the billets were supplied to the firm in time and were of standard quality. However, they were not taken delivery of in time. Hindustan Steel have also brought this to the notice of Steel Control. In the meantime, world market prices have fallen and the customer has not been able to export at prices stipulated in the original contract with HSL. Although they have been trying to negotiate with Hindustan Steel for reduction in price, they have not been successful. As an alternative, Steel Control has suggested that instead of billets the firm may be allowed to export manganese ore/ferro-manganese. As it is a barter deal with new commodity, the matter has been referred to the Ministry of Commerce and Industry. I should see no difficulty in disposing off this small quantity of billets as they are very much in demand in the country. Their export at the stipulated price appears to be difficult. Moreover, it will not be advisable to export billets now as there is a shortage as compared to two years earlier. The suggestion is therefore that the barter deal with manganese ore/ferro-manganese may be pushed through instead of billets.

5. Minister is anxious that whatever stocks are lying at the ports should be quickly disposed off. Except pig iron for which there is a commitment and some quantities of ingots and slabs which Messrs Aminchand Pyarelal have agreed to export, other stocks will require to be disposed off immediately. Since Chairman and Directors HSL and Steel Controller are here, Secretary may like to discuss with them as to how best we can clear these stocks.

Sd/- M. C. MISRA,
24-10-1962

Secretary

For discussion with HSL.

Sd/- N. N. WANCHOO,
25-10-62.

I have discussed with the HSL. HSL may be asked to take immediate action. Certain suggestions may be communicated to them as indicated above, but the main emphasis must be on quick disposal by HSL.

After disposal has been attended to, we should have a further report into the circumstances in which these stocks were allowed to accumulate, but disposal must be attended to first.

Sd/- N. N. WANCHOO,
26-10-62.

Minister

Shri Cleetus gave M. (HSD) certain papers. M (SHI) desired that the file may be put up alongwith them.*

Sd/- S. VENKETARAMANAN,
29-10-62

A. I agree that this is probably the best solution in the circumstances.

Sd/- N. N. WANCHOO,
26-10-62.

This has reference to Minister's discussion today with Shri Cleetus.

*Papers now given to M(SHI)

Itd. S. VENKATARAMANAN.

Deputy Secretary (Shri Misra).

MINISTRY OF STEEL AND HEAVY INDUSTRIES
(Department of Iron and Steel)

The question that has arisen here is whether the 'ingots' as mentioned in Contracts 28 and 29 were actually meant for rolling. In the contracts, it has not been specified anywhere that the ingots are required for rolling; but that is the normal purpose for which they are required. We do not have the American Society for Metals Handbook—'Ingot', in our Library. However, the Exporters have taken the plea that the ingots supplied by Hindustan Steel Limited were not up to the specification required for rolling.

2. The contracts entered into by Hindustan Steel with the two Exporters viz., Messrs. Ram Krishan Kulwant Rai and Messrs. Surrendra (Overseas) Private Ltd., are placed below. The opinion of the Solicitors is at slip 'P'.

3. Ministry of Law are requested to advise whether the plea of the Exporters is justifiable when viewed strictly in the light of the Contracts that they had entered into with Hindustan Steel Limited. If any clarification is requested, I am prepared to discuss the matter. It will be appreciated if the comments of the Ministry of Law are sent to us by tomorrow evening as desired by the Minister of Steel and Heavy Industries.

Sd/- M. C. MISRA,
Deputy Secretary.
Tel. No. 34049
8-12-1962.

Ministry of Law (Shri R. L. Mehta).

Deptt. of I.&S. U.O. No. SC(B)19(18)/62, dated, 8th November, 1962,

MINISTRY OF LAW
(Department of Legal Affairs)

Advice (B) Section.

The buyers have rejected the ingots on the ground that the said ingots were not suitable for rolling and have refused to take delivery unless the Hindustan Steel Ltd. certified that the materials are fit for rolling. The question for consideration is whether under the terms of the contract the buyers can be held for damages for wrongful refusal to accept and pay for the goods.

2. Under clause I of the Contract of Sale, the buyers have contracted to buy a certain quantity of "10-ton size ingots in the same condition as they are lying in stock at the sellers' works." Under clause VI the seller is not obliged to give any test certificate to the buyers in respect of the materials contracted to be sold and the buyers have to accept the materials in the same condition as they are lying in stock without any testing or inspection. This means therefore that the buyers were not entitled as of right to insist upon a test certificate from the sellers; nor

could they demand any actual testing or inspection of the goods before acceptance. Under the relevant clauses, they had to accept the goods as they are lying in stock at the sellers' works." Under clause VI the that the buyers had agreed to purchase the goods irrespective of their quality or that there was no representation on the part of the sellers as regards the quality. Under the Indian Sale of Goods act of 1930, the buyers can avoid a contract for sale of goods if there is a breach of a condition which gives them a right to repudiate the contract.

3. Now section 12(2) of the sale of Goods Act defines a "condition" as a stipulation essential to the main purpose of the contract the breach of which gives rise to a right to treat the contract as repudiated. The breach of the condition which is alleged by the buyers in this case is that the ingots were not suitable for rolling. Under s. 16 of the Sale of goods Act 1930, the general purpose is that there is no implied warranty or condition as to the quality or fitness for any particular purpose of goods supplied under a contract of sale. But this general rule is subject to certain exceptions, one of which is that where the buyer expressly or by implication makes known to the seller the particular purpose for which the goods are required, so as to show that the buyer relies on the seller's skill or judgment, and the goods are of a description which it is in the course of the seller's business to supply (whether he is a manufacturer, producer or not), there is an implied condition that the goods shall be reasonably fit for such purpose. A "particular purpose" is not some purpose necessarily distinct from a general purpose; for example, the general purpose for which all food is bought is to be eaten, and this would be the particular purpose in any specific instance. A particular purpose is in fact a purpose expressly or impliedly communicated to the seller for which a buyer buys the goods and it may appear from the very description of the article. For instance, if a person who has no special skill or knowledge as regards hot-water bottles went to a dealer who sold such articles and asked for a hot-water bottle, it could be justly inferred that the goods were bought and sold for the purpose of being used as a hot-water bottle. (Benjamin on Sale, 8th Ed. page 630; Priest v. Last, 1903 2 K.B. 148). Can it therefore, be said that in this case the purpose for which the goods were purchased by the buyer was conveyed expressly or impliedly to the seller? The subject-matter of the contract has been called ingots. An "ingot", according to the dictionary meaning is a mass of metal casting. The buyers rely upon the definition of "ingot" given in the American Society for Metals Handbook as meaning a casting intended for subsequent rolling or forging. It has been said in the administrative Ministry's note of reference dated 8.11.1962 that the normal purpose for which an ingot is required is for rolling. I presume, it will not be disputed that it is the business of the Hindustan Steel, to supply such ingots as manufacturers thereof. Therefore, if the general purpose for which all ingots are required is rolling, it would also be the particular purpose in this instance, and it may appear to be so from the very description of the articles. That being so, section 16(1) would apply and if it is proved that the ingots were not suitable for rolling, the buyers would be within their rights in rejecting the goods.

4. Whether the material was fit for rolling or not is a question of fact on which we are not in a position to advise at present. If this allegation is not correct, and the material supplied by Hindustan Steel Ltd.,

is fit for the purpose for which it was required, the buyers would not be entitled to repudiate the contract or reject the goods.

Sd./-

R. M. Mehta,
Joint Secretary.

Department of Iron and Steel.

Ministry of Law U.O. No. 4829/Advice (B)D/13-11-

Notes from page 8/ante refer. Minister desired to have a second legal opinion about honouring of the conditions of Contract Nos. 28 and 29. The first legal opinion of the Solicitors of Hindustan Steel is at slip 'P'. The advice of the Ministry of Law is at pages 11-13/ante.

2. Briefly, their opinion is that if the 'ingots' manufactured by Hindustan Steel are fit for rolling the Contractors have an obligation to lift them. But if they are unfit, as maintained by the Contractors, they would be within their rights not to accept the ingots. The best course would be to have these ingots assessed by an independent authority as regards their suitability for rolling.

(The papers left by Shri Cleetus for Minister are placed below).

Sd./-

M. C. MISRA.
14-11-62.

Sd./-

N. N. WANCHOO.
16-11-62.

Secretary

P. S. to Minister

I do not think we should negotiate with Aminchand Payareal group on the basis indicated in the report of Cleetus. Other offers may be negotiated with different parties. If Aminchand Payareal should demand damages on any account that may be dealt with separately.

We may claim damages in respect of Contract No. 28 as no performance has been attempted by the party.

Till this matter with Aminchand Payarlal group is finally settled no contract of any sort should be entered into with them either by HSL or Iron and Steel Controller.

Expeditious action should be taken for the disposal of the materials lying in the ports.

Sd./- C. SUBRAMANIAM
16-11-1962.

APPENDIX LXVIII

SECRET

No. SC(B)-19(18)/62.

MINISTRY OF STEEL AND HEAVY INDUSTRIES

(Department of Iron and Steel)

NEW DELHI.

Dated, the 16th November, 1962

My dear Shrinagesh,

Reference a note dated 22nd of October, 1962 handed over by Cleetus to the Minister regarding the disposal of stocks of iron and steel material lying at the ports of Calcutta and Vizag. I reproduce below the orders passed by the Minister:

"I do not think we should negotiate with Aminchand Payarelal group on the basis indicated in the report of Cleetus. Other Offers may be negotiated with different parties. If Aminchand Payarelal should demand damages on any account, that may be dealt with separately.

We may claim damages in respect of Contract No. 28 as no performance has been attempted by the party.

Till this matter with Aminchand Payarelal group is finally settled no contract of any sort should be entered into with them either by HSL or Iron and Steel Controller.

Expeditious action should be taken for the disposal of the materials lying in the ports."

2. I would be grateful if you would please see that immediate action is taken in accordance with the instructions of Minister. I am sending a copy of this letter to Cleetus and also to the Iron and Steel Controller.

Yours sincerely,

Sd./- N. N. WANCHOO

Shri J. M. Shrinagesh,
Chairman, Hindustan Steel Ltd., Ranchi.

Copy forwarded to:—

1. Iron and Steel Controller (Shri Banerji by name), 33-Netaji Subash Road, Calcutta. He is particularly requested to take note of the orders of the Minister, with reference to the Aminchand Payarelal firms.

2. Shri K. J. Cleetus, Director (Commercial), Hindustan Steel Ltd., Calcutta, for information and necessary action.

Sd/- N. N. WANCHOO.

APPENDIX LXIX

STANDARDISED CODE

REGISTRATION :

It is desirable that every department which makes regular purchases should maintain an up-to-date list of approved suppliers, after taking into consideration the financial standing of the firms, their capacity, past performance etc. As recommended by the Stores Purchase Committee, it is desirable that there should be co-ordination between the Directorate General of Supplies & Disposals and other departments of Government of India with a view to the preparation of a common list of suppliers.

2. REMOVAL

Removal from the list of approved firms implies that on account of its performance or other disabilities, the firm concerned is no longer considered fit to remain on the approved list.

Removal from the list of approved suppliers may at the discretion of competent authority be ordered if a firm—

- (a) fails or neglects to quote in response to 4 consecutive invitations to Tenders;
- (b) fails to secure contracts after twelve successive Tenders or during a period of three years whichever is less;
- (c) fails to execute a contract or fails to execute it satisfactorily;
- (d) no longer has the technical staff or equipment considered necessary;
- (e) fails to furnish Income Tax Clearance Certificate as required under the rules; and
- (f) is declared bankrupt or insolvent.

During the period his name has been removed from the list of the supplier will be treated as an unregistered supplier.

Orders removing a firm from the list of approved suppliers should be communicated to it, together with the reasons therefor. It shall not, however, be necessary to give the firm an opportunity of showing cause against the proposed action.

Orders regarding removal of a firm from the list of approved suppliers may be passed by the Head of the Office with which it is registered or such authority as may have been nominated for this purpose. Such orders will normally not be endorsed to other Government Departments which will in any case be at liberty to decide whether to pass similar orders or not.

In respect of a firm which is registered for more than one item, orders regarding removal may apply to the one item and not to others.

Once removed the name of a firm may not be restored on the approved list unless it satisfied the normal registration requirements and the Head of the Departments or such authority as may have been empowered to register firms, has satisfied himself that the firm should be registered.

Tenders received from a firm whose name has been removed from the list of approved suppliers may be given the same consideration as is given to tenders from unregistered parties.

3. BLACKLISTING:

An order of blacklisting implies that all departments of Government of India are forbidden from dealing with the firm. The grounds on which blacklisting may be ordered are:—

- (i) If the proprietor of the firm, its employees, partner or representative is convicted by A Court of Law, following prosecution by the Special Police Establishment or under normal process of Law for offences involving moral turpitude in relations to business dealings;
- (ii) If security considerations including Question of loyalty to the State so warrant;
- (iii) If there is strong justification for believing that the proprietor or employee, or representative of the firm has been guilty of malpractices such as bribery, corruption, fraud, substitution of tenders interpolations etc.;
- (iv) If the firm continuously refused to return Government dues without showing adequate cause, and Government are satisfied that this is not due to a reasonable dispute which would attract proceedings in arbitration or Court of Law;
- (v) If the firm employs a Government servant, dismissed/removed on account of corruption, in a position where he could corrupt Government servants, or employs a non-official convicted for an offence involving corruption or abetment of such an offence (before doing so, senior officer in the Administrative Ministry concerned may orally inform the firm about the character of the particular person employed by them without indicating its consequences). Blacklisting for reasons (i), (iii), (iv) and (v) and revocation thereof shall not be ordered except by the Administrative Ministry under instruction from or with the approval of the Central Vigilance Commission and for reason (ii) except under instructions from or with the approval of Ministry of Home Affairs.

3. Action for blacklisting a firm may be taken where the competent authority is satisfied that the offence was not committed to secure advantage to the persons concerned personally.

4. Blacklisting orders issued by one Ministry shall be endorsed to and automatically implemented by all other Ministries.

5. The fact of blacklisting or the reasons thereof should not normally be communicated to the firm.

6. Issue of such orders shall normally involve immediately cessation of all future business with the firm by all departments under the Government of India. While intimating the issue of such orders to other Ministries the authority issuing the blacklisting orders shall specify.

- (i) the reasons due to which blacklisting has been decided upon;
- (ii) the period (whether indefinite or specific) for which they will be effective; and
- (iii) the names of all the partners of the firm and its allied concerns to whom also such orders would apply.

Note.—Allied firms would normally mean all firms which come within the effective influence of the blacklisted.

Particular care should be taken to see that the same firm does not appear in a different name to transact business with Government.

Once issued, blacklisting orders should ordinarily not be revoked unless.

- (i) the period specified therein has expired, or
- (ii) on a review, the administrative Ministry concerned is of the opinion that the punishment already meted out is adequate in the circumstances of the case, or
- (iii) in respect of the same facts, the accused has been honourably acquitted by a Court of Law.

N.B. I.—Applications for export/import licences will be dealt with in accordance with the provisions of the Export Import Act and will not be affected by blacklisting orders issued pursuant to these rules. It will, however, be open to the Ministry of Commerce and Industry themselves as distinct from the Chief Controller of Imports and Exports to blacklist a firm which has been guilty of malpractices, indicative of moral turpitude in connection with its export/import activities.

N.B. II.—The supply of controlled raw-materials like iron and Steel will not be denied to a blacklisted firm. However, in granting the quota to a blacklisted firm, it should be borne in mind that because of the firm's not getting any Government business, their requirements of raw materials would be less.

4. SUSPENSION OF BUSINESS:

Suspension of business may be ordered where pending full enquiry into the allegations, the competent authority is of the view that it is not desirable that business with the firm should continue. Such an order may be passed;

- (i) If firm is suspected to be of doubtful loyalty to India;
- (ii) If the Special Police Establishment recommended such a course in respect of a case under investigation; and
- (iii) If the competent authority is *prima facie* of the view that the firm is guilty of an offence involving moral turpitude in relation to business dealings which, if established would result in its blacklisting.

Orders regarding (i) and (ii) above shall be passed on the recommendation of the Ministry of Home Affairs, and will be given effect to by all other Ministries. Orders regarding (iii) above may be issued by the Head of the Office or other competent officer.

The fact of and the reasons for suspension of business shall not be communicated to the firm concerned.

5. BANNING:

An order banning business with a particular firm and for specific period may be passed by the Head of the Office or other competent officer in cases where the offence or the unsatisfactory execution of the contract is not considered serious enough to merit a blacklisting order and at the same time an order removing the name of the firm from the list of approved contractors is not considered adequate punishment. All such cases shall be reported to the administrative Ministry concerned who would decide whether (i) other attached/subordinate offices under its control should follow suit and (ii) the facts should be reported to other Ministries also for such action as they may consider necessary. It is also left to the discretion of the Head of the Office and other competent authority to decide whether in the circumstances of particular case the firm concerned should be informed of the orders and the reasons therefor.

The administrative Ministry may review the orders passed by the Head of the Office under it on an appeal filed by the firm.

6. Copies of all orders for blacklisting, shall be forwarded by the Administrative Ministry concerned to all other Ministries. The Ministry of Works, Housing and Supply shall be responsible for keeping an up-to-date list of blacklisted etc. etc. firm and circulate every quarter a list of additions and revocations during the previous quarter to all other Ministries.

7. The Ministries concerned will review blacklisting orders from time to time. Doubtful/marginal cases may be referred by them for advice to the Ministry of Works, Housing and Supply who will act as the Co-ordinating Ministry for this purpose. That Ministry may seek the assistance of other concerned Ministries in making the review.

8. Blacklisting orders issued by the Central Government Deptt. and State Governments will be given effect to by both on a reciprocal basis provided an undertaking is forthcoming from the State Governments that the provisions of this Code will be observed by them. Blacklisting orders issued by the State Government will be vetted by the Ministry of Works, Housing and Supply and circulated to other Central Government Deptts.

9. While the security classification of each case of blacklisting of firms should be decided on its merits, cases of blacklisting on grounds of fraud and/or corruption should normally, be classified as 'confidential' where as cases of blacklisting on grounds of suspected loyalty and/or participation in subversive activities should be classified as Secret. Similar procedure in marking the classification of the suspension orders may be followed. All Banning Orders should be marked 'Confidential.'

10. The Orders of suspension/banning passed in respect of a firm should be extended to its allied concerns also as is the practice in respect of the blacklisted firms.

APPENDIX LXX

Copy of Notes at pages 20-22/N in Ministry of Iron and Steel file No. VIG-1(12)/57/

Notes at pages 16-17/ante will recall the case. The question of disposal of 7714 tons of imported rounds by M/s. Surrendra Overseas was investigated through one of the Inspectors of the Steel Control Organisation. Shri Mukerjee's letter of the 4th January, 1963, summarises this aspect of the case. His conclusion was that M/s. Surrendra Overseas had managed to dispose of the imported stocks and were now trying to build it up in order to justify that no un-authorized disposal had taken place. The Report of the Inspector indicates that the firm had identified only 334 tons to him. Even in this lot part of the material looked fresh although it is said to have been imported in 1957 *i.e.*, after almost 5 years. Besides, in the absence of the shipping marks or Case No., etc., there is no definite indication that it is the same material which was imported.

2. On receipt of this report, Steel Control were asked to examine whether the firm could be proceeded against either under the Iron and Steel Control Order or the Import Control Order. The Deputy Legal Adviser at Calcutta has opined that action under neither of these two Orders is feasible. He has, however, suggested extra legal steps to penalise the party. Steel Control have also asked for instructions on the subject.

3. There can be only two ways in which M/s. Surrendra Overseas can be penalised. They can either be blacklisted or business dealings with them suspended. Both actions can either be of permanent nature or for a particular period. It is fairly established from the Inspector's Report that the firm have not been able to account for this imported material. They are also trying to hoodwink by collecting material which obviously was not imported. Keeping in view the merits of the case, blacklisting may appear to be too severe a punishment. On the other hand, suspension of business dealings with M/s. Surrendra Overseas is already operative under the orders of the Minister. If however a general order is issued, it would mean that other Departments/Organisations of the Government of India would also suspend dealings with this firm. It may be mentioned that so far the embargo on dealings with this firm has not been communicated to other Departments/Organisations. It has been imposed only in respect of Hindustan Steel and Iron and Steel Control Organisation. It is, therefore, for consideration:—

- (a) Whether the firm should be blacklisted or further business dealings suspended; and
- (b) For what period—Two years is suggested. Shri Mukherjee, Dy. Iron & Steel Controller with whom I have discussed feels that

the decision should be in respect of not only Surendra Overseas but also for all their allied concerns.

Sd/- M. C. MISRA.
27-6-1963.

Secretary

Suspension of business dealings with the firm (and its allied and associated concerns) by the Iron and Steel Control for a period of two years will, I think, meet the requirements of the case.

Sd/- N. N. WANCHOO.
28-6-60.

Minister

It should be a general order so that other Government Departments and Govt. institutions also do not deal with these firms.

Sd/- C. SUBRAMANIAM.
28-6-63.

* * * * *

DS(M). (Notes at page 22/ante refers.)

In compliance with the Minister's orders, the Steel Control have sent a draft of the suspension order. The point raised by Shri Mukherjee in his letter of the 6th July, 1963, is whether the suspension order should deal with all the allied firms. The offence has been committed by one of the trading concerns. I would, therefore, suggest that the suspension should apply to those concerns which deal primarily in trade and commerce. In other words, we may omit re-rolling mills mentioned at S. No. 4 and 5 of the draft.

Sd/- M. C. MISRA.
9-7-1963.

Secretary

Sd/- N. N. WANCHOO.
9-7-63.

Minister:

Sd/- C. SUBRAMANIAM.
12-7-63.

Issue letter as dictated.

Sd/- M. C. MISRA.
12-7-1963.

Vig. Section

Sl. No. 63 (Issue).

Sl. No. 64 (Receipt).

Secretary may kindly see the letter of Controller regarding proposed issue of suspension order against Aminchand Payarelal Group. Controller has now raised the question of exclusion of M/s. Apeejay Lines which is a shipping concern. In this connection I had a word with Mr.

Nagendra Singh, Additional Secretary, Ministry of T & C. He said that so far as the Shipping Co. was concerned, his Ministry has had no reason for complaint. In fact this company had come to rescue of the Government of India in lifting the Burma rice when other companies had refused. He, therefore, felt that as the irregularity was committed by the firm in connection with the iron and steel distribution, it would not be desirable to include the shipping line in the proposed order. The name of M/s. Apeejay Lines may, therefore, be deleted from the order, draft of which is at pages 130-131/cor.

(Action under para 5 of the code will be taken after the issue of the order by the I. & S. C.).

Sd/- M. C. MISRA,
22-7-1963.

Secretary.

Discussed with the Minister. He said it was not his intention to include transport lines such as Apeejay within the scope of his order. After reconsideration, he has decided that it would be enough if our orders were for the *suspension of business dealings with M/s. Surendra Overseas and allied concerns for a period of two years only*. These orders apply only to the Iron and Steel Controller. This means that on the list at page 130-131/cor, items 4, 5, and 7 will be omitted.

DS(M).

Sd/- N. N. WANCHIOO.
23-7-1963.

S. No. 65(Receipt).

Spoken to Secretary.

Letter received from Surendra Overseas is placed on the file. Issue letter as dictated.

Sd/- M. C. MISRA.
25-7-1963.

APPENDIX LXXI

SECRET/REGISTERED

VIG. 1(12)/57.

M. C. MISRA,
Deputy Secretary.

My dear Mukherjee,

Please refer to correspondence resting with your letter No. C/23 (15)-26 dated 17-6-63, regarding further action to be taken in respect of the rounds imported by M/s. Surendra Overseas. The matter has been examined and it has been decided that business dealings should be suspended with M/s. Surendra Overseas and all its allied concerns for a period of two years with immediate effect. A general order may please be issued immediately under the black-listing code so that other Government Departments and Governmental institutions may also not deal with these firms for the period specified above. A copy of the order may please be sent to me as soon as it is issued.

Yours Sincerely,

Sd./- M. C. MISRA.

Shri S. C. Mukherjee,
Deputy Iron and Steel Controller,
33-Netaji Subhas Road,
Calcutta-1.

Please issue in sealed cover.

Sd/-
29-6-63.

Sent through Registered.
It'd./-
29-6-63.

APPENDIX LXXII

APPENDIX LXXIII

SECRET/REGISTERED

IRON AND STEEL CONTROL

33-Netaji Subhas Road, Calcutta-1.

D. O. No. C/23(15)-(2)

6th July. 1963.

My dear Misra,

Please refer to your secret D.O. No. VIG. 1(12)57, dated 29-5-1962 about suspension of business dealings with M/s. Surendra Overseas and all its allied associated concerns for a period of two years. A copy of the draft suspension order is sent herewith for your approval. It may be pointed out in this connection that out of the list of allied and associated firms indicated therein, serial No. 4 and 5 are Re-rolling Mills, Serial No. 7 is a shipping concern. M/s. Aminchand Payarelal are importers as well as controlled stockists and M/s. Metal Import and Apeejay are importers. As the business of the allied concerns are of varied nature it may kindly be considered if the draft suspension order sent herewith is in order.

I shall be grateful for an early instruction in the matter.

Yours sincerely

Sd/- S. C. MUKHERJEE,

Encl:

Shri M. C. Misra,
Deputy Secretary to the Govt. of India,
Ministry of Steel and Heavy Industries,
(Department of Iron and Steel),
New Delhi.

APPENDIX LXXIII

SECRET/REGISTERED

C/23(15)-(2).

MEMORANDUM

Subject:-*Suspension of Business dealings.*

The undersigned is directed to say that the Government of India have decided that business dealings with the undernoted firm and all its allied and associated concerns should be suspended for a period of two years with immediate effect:

Name and address of the firm. *Period of suspension.*

M/s. Surendra (Overseas) Private Ltd.,
now changed to Surendra Overseas Ltd.,
435, Canning Street, Calcutta and its branches. Two years.

Directors of the firm :

1. Shri Satya Paul.
2. Shri Jit Paul.
3. Shri Swraj Paul.
4. Shri Kesho Ram.

Allied and associated concerns.

1. M/s. Aminchand Payarelal,
135, Canning Street, Calcutta
and all its branches.

Partners: (i) Shri Jit Paul.
(ii) Shri Satya Paul.
(iii) Shri Swraj Paul.
(iv) Surendra Paul.

2. M/s. Apeejay Private Ltd.,
135, Canning Street, Calcutta
and its branches.

Directors: (i) Shri A. K. Halder.
(ii) Shri G. S. Raghavan.
(iii) Shri M. Srinivasan.
(iv) Shri J. M. Sehgal.
(v) Shri S. P. Sharma.

3. M/s. Aminchand Payarelal
(Tin containers unit) Tanda Road,
Jullundur,

Partners: (i) Shri Satya Paul.
(ii) Shri Jit Paul.
(iii) Shri Swraj Paul.
(iv) Surendra Paul.

M/s. Steel Rolling Mills of Hindustan (P) Ltd.,
47, Hide Road, Extn. Calcutta-27,
Office at 135, Canning Street,
Calcutta-1.

Directors : (i) Shri Styra Paul.
(ii) Shri Jit Paul.
(iii) Shri N. K. Sanghi.

5. M/s. Aeron Steel Rolling Mills,
Tanda Road,
Jullundur City.

Directors : (i) Shri Styra Paul.
(ii) Shri Jit Paul.
(iii) Shri Swraj Paul.
(iv) Shri Surrendra Paul.

6. M/s. Metal Import (P) Ltd.,
18-D, Sukeas Lane,
Calcutta-1 and its branches.

Directors : (i) Shri L. B. Tikmany.
(ii) Shri N. K. Sanghi.

7. M/s. Apeejay Lines,
47, Hide Road,
Calcutta-7 and its branches.

Directors : (i) Shri Styra Paul.
(ii) Shri Jit Paul.
(iii) Shri Swraj Paul.
(iv) Shri Surrendra Paul.
(v) Shri Keshoran Chadda.
(vi) Shri R. G. Abhi.

The fact of suspension should not be communicated to the firm.

(S. C. MUKHERJEE)

Deputy Iron & Steel Controller,

To

All Ministries to the Govt. of India. }

All Chief Secretaries of the State
Governmentses }

The D.G.S. & D., New Delhi. }

The C.C.I. & E., New Delhi. }

The D.G.P. & T., New Delhi. }

Copy to:

With a request to circulate to
their attached and subordinate
offices.

1. All Officers of Iron and Steel Control, Calcutta.
2. The Dy. Iron & Steel Controller, Bombay.
3. The Asstt. Iron & Steel Controller, Madras.
4. The Asstt. Iron & Steel Controller, New Delhi.
5. Shri M. C. Misra, Dy. Secretary to the Govt. of India,
Department of Iron & Steel, New Delhi with reference to
D.O. No. VIG-1(12)/57 dated 29-6-1963.

(S. C. MUKHERJEE)

Deputy Iron & Steel Controller.

APPENDIX LXXIV

Secret

M. C. Misra,
Deputy Secretary.

Vig-1(12)/57

12th July, 1963.

My dear Mukherjee,

Will you please refer to your letter No. C/23(15)-(2), dated the 6th July, 1963, enclosing a draft memorandum regarding suspension of business dealings with M/s. Surrendra Overseas and their allied and associated concerns. Since the irregularity was committed by one of their trading concerns, it has been decided that the suspension should apply to those allied and associated concerns which primarily deal in trade and commerce. In the circumstances, you may delete the re-rolling mills mentioned at S. No. 4 and 5 of the draft. It is requested that the order may kindly be issued immediately and copy sent to us for record.

Yours sincerely,

Sd/-

Sd/- M. C. MISRA,

Shri S. C. Mukherjee,
Deputy Iron & Steel Controller,
33, Netaji Subhas Road, Calcutta-1.

APPENDIX LXXV

SECRET

Iron and Steel Control,
33, Netaji Subhas Road,
Calcutta-1.

D.O. No. C/23(15)(2).

July 17, 1963.

My dear Misra,

Please refer to the correspondence resting with your D.O. letter No. Vig-1(12)/57, dated 12th July, 1963.

It appears that you propose that suspension should also apply to M/s. Apeejay Lines. This is not a trading concern but a transport concern and, as such, in view of the principles enunciated in your letter under reference, perhaps, suspension order should not apply to this concern. Moreover, before any suspension order is passed in regard to an international shipping line, perhaps, the Ministry of Transport should be consulted. I would like to have Ministry's orders in this regard.

It appears to me that the orders are proposed to be passed under para 5 of the Standardised Code of blacklisting. If so, we shall have to report the fact to other Ministries for such action as they may consider necessary. It may please be confirmed if action is being taken under the said para 5.

On receipt of your reply I shall take further action in this matter.

Yours sincerely,

Sd/-

A. N. BANERJI.

Shri M. C. Misra,
Dy. Secretary to the Govt. of India,
Department of Iron and Steel,
Maulana Azad Road,
New Delhi.

APPENDIX LXXVI
SURRENDRA OVERSEAS LIMITED .

JEEVAN VIHAR, PARLIAMENT STREET.
NEW DELHI-1.

July 22, 1963.

Shri C. Subramaniam,
Hon'ble Minister of Steel
and Heavy Industries,
Government of India,
New Delhi.

Dear Sir,

I am extremely grateful to you for the kind hearing you gave me on the 20th instant.

I am glad and grateful for your kind assurance of support to us in our future industrial undertakings.

While we fully appreciate the advice you very kindly gave us that we should concentrate our activities more on industry than on trade, we wish to inform you that we have already taken some steps towards the same and we would be further adding to it as suggested by you. For example, the following industries have been completed by us within the last 1/2 years, besides what have been in existence:

1. Kashmir Ceramics Ltd., a project in collaboration with Kashmir Government, will be in full production within two months.
2. Apeejay Structural at Rajbandh is already in production.
3. The Electric Furnaces in Calcutta and Jullundur are already working and at Bombay will be working within approximately three months.
4. Re-rolling Mill at Kumhari.
5. The new Re-rolling Mill at Calcutta instead of the old one.
6. The new Re-rolling Mill at Jullundur instead of the old one.
7. Other Steel Fabricating and Steel Industries in Jullundur.

The following Industries are in the process of working :

1. Oriental Spun Pipe Co. Ltd.
2. Electric Signalling Equipment at Madras in collaboration with Messrs. L. M. Eriossos of Sweden.

I also beg to submit, Sir, that I appreciate your remark that some of my transactions in the Trade in the past have not been to your satisfaction. I admit that there have been certain mistakes on my part but they were mostly due to the circumstances then prevailing and in view of the day to day negotiations which took place during those days. If any such case came up to your notice, I request that I may be given a chance to explain my position, so that you may have a fuller picture of such cases.

Nevertheless, I express my deep regret at whatever mistakes might have occurred in my transactions in the past and for any annoyance I may have given you. I again give this assurance to you, Sir, that all my future transactions shall strictly conform to the high standards you have fixed and I shall not give any cause for complaint

I again make this request to you,

1. that the Iron and Steel Controller may be permitted to deal with us in the usual manner as before

and

2. That orders may be issued to settle our claim with the Hindustan Steel Ltd., against the claim filed on us by the Steel Company of Wales Ltd.

Thanking you,

Yours faithfully,

FOR SURRENDRA OVERSEAS LIMITED.
Sd/- JIT PAUL.

M(SHI) has seen. Itd.

Secy. I&S may kindly see.

M(SHI) told me that he has discussed this with Secretary.

Sd/-

Secy. (I&S).

5196/Secy.

Itd/-

DS(M)

APPENDIX LXXVII

REGD/A.D.

SECRET

No. Vig. 1(12)/57-

M. C. MISRA,
Deputy Secretary.

Dated the 25th July, 1963.

Dear Shri Banerji,

Kindly refer to your letter No. CI/23(15)-2(2), dated the 17th July, 1963, regarding the suspension of business dealings with Surendra Overseas. On re-consideration it has been decided that it would be enough if the orders for suspension of business dealings apply to the Iron and Steel Control Organisation for a period of two years only. The name of M/s. Apeejay Lines may be omitted. An office order may therefore be issued by you omitting the names of the firms mentioned at S. No. 4, 5 and 7 of the draft sent by Mukherjee under his D.O. letter No. C/23(15)-(2), dated the 6th July, 1963. It need not be circulated to other Departments/Ministries but it should be brought to the notice of all your officers as well as your Regional Offices.

Yours sincerely,

Sd/- (M. C. MISRA)

Shri A. N. Banerji,
Iron and Steel Controller,
33-Netaji Subhas Road,
CALCUTTA-1.

APPENDIX LXXVIII

SECRET

No. SC(B)-18(35)/63.

GOVERNMENT OF INDIA
Ministry of Steel, and Heavy Industries,
(Deptt. of Iron and Steel)

New Delhi, the 14th August, 1963

A copy of the undermentioned paper is forwarded for information and guidance to :—

1. Private Sector/S.C.(A) Sections.
2. O. & M. (Vij.) Section with reference to their D.O. No. Vig-1(12)/57, dated 25-7-1963.

Sd./- (T. J. VERGHESE),

Under Secretary to the Government of India.

Iron and Steel Controller Office Order No. C/23(15)-(2), dated 31-7-1963.

Copy of Office Order No. C/23(15)-(2) dated 31-7-1963 from Iron and Steel Control (CDN Section) 33, Netaji Subhas Road, Calcutta-1.

It has been decided that business dealings with the undernoted firm and all the allied and associated concerns indicated below should be suspended for a period of two years with immediate effect. It may be noted that planning of idents of the firm who are controlled stockists or fabricators are not to be stopped as also supplies from Producers against plannings. All business dealings like entering into contracts, grant of handling agencies, approval of barter deals will be suspended.

Name and Address of the firm

Period of Suspension
Two years

M/s. Surrendra (Overseas)/Private Ltd.,
Now changed to Surrendra Overseas Ltd.,
135, Canning Street, Calcutta and its
branches.

Directors of the firm :

1. Shri Styra Paul
2. Shri Jit Paul
3. Shri Swraj Paul
4. Shri Kesho Ram.

Allied and Associated concerns

(1) M/s. Aminchand Payarelal, 135, Canning Street. Calcutta and all its branches.

Partners:

- (i) Shri Jit Paul
- (ii) Shri Stya Paul
- (iii) Shri Swraj Paul
- (iv) Shri Surendra Paul.

(2) M/s. Apeejay Private Ltd., 135 Canning Street, Calcutta and branches :

- (i) Shri A. K. Halder
- (ii) Shri G. S. Raghavan
- (iii) Shri M. Srinivasan
- (iv) Shri J. M. Sehgal
- (v) Shri S. P. Sharma.

(3) M/s. Aminchand Payarelal (Tin Containers Unit) Tanda Road, Jullunder.

Partners :

- (i) Shri Stya Paul
- (ii) Shri Jit Paul
- (iii) Shri Swraj Paul
- (iv) Shri Surrendra Paul.

(4) M/s. Metal Import (P) Ltd., 18/D, Sukeas Lane. Calcutta-1 and its branches.

Directors:

- (1) Shri L. N. Tikmany
- (2) Shri N. K. Sanghi.

The fact of suspensions should be communicated to the firm.

Sd./- (S. C. MUKHERJEE),
Dy. Iron and Steel Controller.

To

All Officers.

APPENDIX LXXIX
GOVERNMENT OF INDIA
Ministry of Heavy Industries,
Iron and Steel Control
33, Netaji Subhas Road, Calcutta.

AI/1/1/56/II

CIRCULAR

Dated the 7th December, 1956

TO ALL IMPORTERS.

SUB: *Payment of Transport charge from Jetty to your godown.*

It has been observed that in many cases in order to avoid demurrage and wharfage charges at the jetties the Importers on their own initiative arrange for removal of imported materials from jetty to their own godown and claim the transport charges either from the consignees or claim reimbursement of the same from the Equalisation Fund.

As it will be difficult to get such claims admitted by Government Audit before reimbursement from the Eq. Fund, the Importers are requested to strictly observe the following procedure. When the Importers apprehend that some quantity of imported materials will incur heavy demurrage due to non-availability of wagon or allottees not having made proper financial arrangement in time and for other reasons, such cases should be brought immediately to the notice of the following officers :

1. In Calcutta : Shri G. K. Ghosh, Assistant Iron and Steel Controller, 33, Netaji, Subhas Road, Calcutta-1.
2. In Bombay : Sri P. N. Iyer, Assistant Iron and Steel Controller Everest Buildings, 100, Netaji Subhas Road, Bombay-2.
3. In Madras : Sri K. Senthappan Assistant Iron and Steel Controller, 45, Evening Bazar Road, Madras-2.

In cases where the materials cannot be removed within the free period the Importers with the prior written permission of these officers should remove the materials to their godown. The materials should be sold normally at Col. I rate ex-godown to the allottees, unless otherwise instructed. Removal charges based on actuals but not exceeding Rs. 12/8 per ton should be forwarded to this office by importers along with their subsidy bills.

In order to enable this office to get the claims admitted by Government Audit all such claims should be supported by original vouchers and the written Authority from the officer concerned as noted above.

Sd./- S. K. SEN,

Price and Accounts Officer,
For Iron and Steel Controller.

APPENDIX LXXX

No. I&S(C)-22(169)/56/SC(B)

GOVERNMENT OF INDIA
MINISTRY OF STEEL, MINES AND FUEL
(Department of Iron and Steel)

New Delhi, the 17th January, 1958

FROM : Shri G. V. Ramakrishna, I.A.S.,
Under Secretary to the Government of India.

To : The Iron & Steel Controller,
33, Netaji Subhas Road,
Calcutta-1.

SUBJECT.—*Payment of subsidy to Imports for supply of imported steel to Quota Holders against the Iron and Steel Controllers Acceptance of Tender.*

Sir,

In partial modification of the late Ministry of Heavy Industries letter No. I&S(C)-22(169)/56 dated the 21st February, 1957, conveying sanction of the President to the payment of removal and delivery charges to the Importers for removal of steel materials to their own Godowns or to Port Trust/Port Commissioners Dumps, I am directed to request that the following amendments may kindly be carried out in Clauses (i) and (ii) of the above quoted sanction letter:—

Under (i)

In the last sentence, *delete* the words—“and copies of Railway Receipt.”

Under (ii)

In the first sentence, between the eighth and ninth lines, *delete* the words “subject to a maximum of Rs. 12/- per ton”.

2. All other terms and conditions of the late Ministry of Heavy Industries letter referred to above, remain unaltered.

Yours faithfully,

Sd/- G. V. RAMAKRISHNA,

Under Secretary to the Government of India.

APPENDIX LXXXI

STEEL, MINES AND FUEL

(Department of Steel)

P.B. No. 1764, 11/12, First Line Beach.

New Delhi, 19th/21st December, 1957.

DISC/ALLOT/P.A.56/57.

Dear Shri Bam,

You would recollect that during my visit to Calcutta in July last, while discussing the irregularities committed by Messrs. Surendra Overseas Private Ltd., I casually mentioned about certain complaints that were being received against M/s. Ram Krishan Kulwant Rai also, on which I could not at that stage give any decisive opinion. You would also recollect that during your last visit to Madras and Pondicherry, you received a few complaints from the Director of Electricity, Pondicherry and others and you had to call Shri Jaswantraï and warn him about the termination of appointment as Controlled Stockholders in case any subsequent complaint arose. You would be very much interested to know that even in the particular case in which you administered a verbal warning (*viz.*, delay in the supply of 140 × 80 mm. joists to the Director of Electricity, Pondicherry), the Firm did not supply the material to the allottee in spite of the fact that subsequently we had allotted to their controlled stocks the same material with a view to enabling them to honour their earlier commitment in favour of the Director of Electricity, Pondicherry.

I am enclosing a relevant extract from an U.O. Note that I am sending to Doraiswamy, setting forth the irregularities committed by this Firm as Controlled Stockholders. I am enclosing also for your information copies of a few representative complaints about the dilatory tactics adopted by this Firm in evading supplies to various allottees in spite of repeated reminders from them and from this office. These are only a few out of a large number of complaints received orally as well as in writing which will throw a lurid light on the utter callousness and desparado exhibited by the Firm in not making supplies of materials actually taken in their stock against specific orders of allotment. In quite a number of cases where supplies were outstanding from the Firm in spite of constant reminders and threats, alternative arrangements have had to be made as the allottees required the materials urgently against certain projects etc. As stated in my U.O. of date, I recommend that the Firm may be removed from the list of Controlled Stockholders for imported/TCA/Subsidised materials.

As importers of subsidised materials, their performance has been no better. You would observe that one of the irregularities pointed out in my U.O. to Doraiswamy relates to the supply of some 600 tons of materials to the Additional Chief Engineer for Electricity, Kurnool, without any Quota Certificate or an allotment order or release order either from the Head Office or from this Office. This material has not also been shown in any of the stock statement of subsidised or commercial imports. The only reasonable conclusion, therefore, is that either these are materials that have not been supplied to the allottees against earlier allotment orders or were imported by them on their private account and passed on as subsidised imports. When the Firm's explanation was called for, they have not, as is usually the case with them, cared to send a reply despite reminders, even though a target date and an ultimatum was given. I enclose for your perusal copies of my letter No. Allot/63-GT/57, dated 30th August, 1957 and Disc./Allot-63/Govt./57, dated 11th October, 1957.

In respect of certain consignments of subsidised imports that arrived per s.s. SUKHCNA and s.s. IRUKUTSK in March, last, provisional permission for their removal to plot was accorded owing to congestion at the Port and the acute wagon position that prevailed then, and they were asked to despatch as much as possible by wagons and approach this office with facts and figures for the grant of firm permission for the exact quantity removed to the plot.

In their letters of 30th October and 1st November, 1957, the Firm reported having actually removed to their plot 3210 tons of materials arrived per s.s. SUKHONA and 1076 tons of materials arrived per s.s. IRUKUTSK. When the books of the Port Trust authorities were examined informally by a member of the staff of this office, it was found that they have actually removed to their plot only about 400 tons of materials arrived per s.s. IRUKUTSK. In other words they have exaggerated the figures of actually removed by *eight times* in one case and *three times* in another. I enclose a copy of my letter No. Disc/Movt(2) (21)/56(Vol. II) dated 3rd December, 1957, which remains, and obviously will ever remain, unanswered.

Irregular and incomplete submission of stock statements is also a common feature in respect of their commercial imports.

Considering all aspects I feel that we may be justified in debarring this Firm from participating in public tender in respect of iron and steel materials, so that they may not have any chance of getting Acceptance of Tenders in future. I shall be grateful for further instructions in the matter.

With regards,

Yours sincerely,

Sd./- K. SENTHIAPPAN.

Encl: Letters.

Shri A. S. Bam, I.C.S.,
Iron and Steel Controller,
33 Netaji Subhas Road,
Calcutta-1.

APPENDIX IXXXII

REF : No. PS(1)/8(1273-58).

Dated the 17th October, 1958/25th Asvin, 1880 (Saka)

M/s. Ram Krishan Kulwant Rai,
33, Sembudoss Street,
Madras-1.

SUB : Inspection of your Controlled Stocks of Imported as well as indigenous steel.

Dear Sirs,

As a result of inspection of your Stockyards and records pertaining to the controlled stocks of imported as well as indigenous steel, various discrepancies have come to light which require your immediate attention and rectification.

2. According to your statement you have removed 4,286 tons of steel from the Madras Port to your Stockyards whereas the Deputy Iron and Steel Controller, Madras has ascertained from the Madras Port Authorities that the records of removal of only 724 tons are available with the Port Trust ex. s.s. "SUKHONA" and "IRKUTSK". It is noticed that you are still in correspondence with the Madras Port Trust Authorities in this connection. It has been decided to give you another month's time to get the matter properly sorted out and clarified. If you are unable to give satisfactory evidence to prove the removal of 4,286 tons and if the Madras Port Authorities do not certify to that effect before 15th November, 1958, a serious view will be taken of the matter and suitable disciplinary action taken which may even lead to termination of your Stockholdership. Meanwhile no payment of transport charges or additional remuneration will be paid even in respect of 724 tons the removal of which has been certified by the Port Authorities.

3. With regard to the supply of 212 tons from A/T imports to the Andhra Electricity Department at Col. II rate without valid release orders or quota certificates, it has been decided that no subsidy will be paid to you *i.e.*, in other words, this quantity will be treated as your commercial imports. Similarly no recoupment or subsidy will be allowed for supplies made from your commercial imports at Col. II rate without our prior approval.

4. You are further warned to be prompt in attending to your correspondence with the Iron and Steel Control and the different allottees. You are also directed to be more prompt in effecting deliveries against release orders issued by the Steel Control.

5. You are also hereby directed to ensure that in future—

- (i) there is no over-writings or corrections in the entries of your Stock Ledgers and excess or shortage in quantity received or supplied is adjusted by a fresh entry explaining the position in the remarks column of the Ledger;
- (ii) the premises of the Stockyard meant for storing controlled stocks are separated;
- (iii) deliveries are effected only against quota certificates or release orders and not in anticipation of official orders; and

and

- (iv) deliveries are effected strictly in sequence of the orders booked, unless otherwise instructed by the Iron and Steel Controller.

Yours faithfully,

Sd/- S. C. MUKHERJEE,
Dy. Iron and Steel Controller.

N.T.F.

c.c. to :

1. Dy. Iron and Steel Controller, 11/12, First Line Beach, Madras, with a request to depute some responsible Officer from his office to Madras Port Trust and to try to get proper clarification with regard to the materials removed by the firm from the docks. With regard to the finished steel produced by the Unregd.-Re-Rolling Mills of the firm, the State Controller, Madras may be requested to take up the matter directly with the firm.
2. P. & A. Division.
3. I D. Section.

Sd/- S. C. MUKHERJEE,
Deputy Iron and Steel Controller.

APPENDIX LXXXIII

GOVERNMENT OF INDIA

OFFICE OF THE DEPUTY IRON AND STEEL CONTROLLER,
MINISTRY OF STEEL, MINES AND FUEL

(Department of Steel)

P.B. No. 1764, 11/12, First Line Beach, Madras-1

D.O. No. Disc/Allot/PA-57.

Dated 19th Dec. 1957.

CONFIDENTIAL

Dear Shri Bam,

Kindly refer to my D.O. No. Disc/PA-25/57, dated 27th May, 1957 (copy enclosed for ready reference) regarding the dilatory tactics adopted by M/s. Surrendra Overseas (Private) Ltd., Madras, in the matter of supply of materials to allottees for considerable periods of time. The matter was also subsequently discussed with you during my visit to Calcutta in July last.

In their letters of 11th May, 1957, the Firm stated that a total quantity of 5623 tons (imported against A/Ts. No. CS/USSR(2)/Surrendra, dated 30th April, 1956, (2) A/T No. CS/48/Surrendra, dated 24-9/5-10-56 and (3) A/T No. CS/Germany/Surrendra, dated 29-5/5-6-56, were lying in their Godown for alleged "want of wagons for despatch which are not available, and partly for want of allotment and other difficulties", and requested allotment of these materials for their "controlled stocks". When they were asked to give details of break-up, they reduced this quantity to 3482 tons. Thereafter, they were asked to substantiate the "difficulties" mentioned by them and they have not been able to give any satisfactory explanation. The question of non-availability of wagons was a myth, as I have written complaints from one or two allottees where wagons had, in fact, been allotted but cancelled by the importers. This argument is also thoroughly untenable in view of the fact that thousands of tons of these materials had been allotted in favour of local parties which too were unsupplied. As regards non-receipt of allotment letters, the Firm have not been able to cite even one instance. Normally, the only "other difficulties" can be failure on the part of allottees to make financial arrangements. This excuse is totally untenable as several allottees have written to say that the importers themselves had asked them to cancel the Letters of Credit opened by them earlier. There are instances where in spite of Letters of Credit having been opened and extended more than once, the materials were not only not despatched but the allottees were specifically asked to cancel the Letters of Credit. This settles the question of fictitious reasons that have been argued in support of their request for the materials being allowed to be taken to their "controlled stocks". These materials, in respect of which allottees have been sending frantic

appeals, have, in fact, been sought to be permitted to be "liquidated" (which obviously was the intention behind the request for allotment to their "controlled stocks").

As the figures furnished by this Firm varied from time to time, I thought that the only feasible way of assessing the overall deficiency in supply of the allotted materials was to address the various allottees, after getting complete particulars in respect of the various allotment letters issued by the Head Office against the three A/Ts., pertaining to this Firm prior to the transfer of the allotment work to this office, and taking into account the various allotment letters that had been issued by this office, for a factual report about the quantities supplied and the quantities that remained to be supplied. The data were received from the Head Office in the middle of August and shortly thereafter the necessary particulars were being called for from the various allottees. When the Firm came to know that all the relevant particulars were being directly collected from the allottees concerned and that an uncompromising attitude was proposed to be taken, they started supplying materials to some of the local allottees,—supplies which had been pending for months for no tangible reason whatever. They also submitted daily reports of supplies so made. During the period from 16th July, 1957 to 17th October, 1957, they have been able to supply about 3384 tons in all. When the supply of the material ceased after 17th October, 1957, a circular letter was again issued to the various allottees to assess the up-to-date position of outstanding allotments against these three A/Ts., and the following is the position as assessed on the basis of the replies from the allottees received last month:—

No. and date of the A.T.	Qty. covered by allotment orders	Qty. specifically reported by the allottees as having been supplied
1. CS/GER/Surrendra dated 23-5-56-66.	T: 7527-10-0-0	T: 1511-8-0-15
2. CS/USSR/(2)/Surrendra dt. 30-5-56.	9855-0-0-0	7167-10-0-15
3. CS(48)/USSR/Surrendra dt. 24-9/5-10-56.	2321-0-0-0	518-0-0-0
TOTAL	T: 19073-10-0-0	9197-1-1-2

It will be seen that against a total quantity of 19703 tons allotted, only 9197 tons (including the 3384 tons supplied during 16th July, 1957 to 17th October 1957) are specifically reported by the allottees to have been supplied leaving a balance of 10506 tons to be supplied. This quantity comprises 6503 tons which are specifically reported by the allottees as outstanding, and a quantity of 4003 tons in respect of which no replies have so far been received from the allottees concerned indicating whether supplies have been received or not. Even if it is assumed—it is a big assumption which is likely to be far from correct—that this entire quantity of 4003 tons have actually been supplied, it is

undeniable that there is a further quantity of 6503 tons to be supplied to the allottees in any case.

Out of the quantity of 4003 tons in respect of which replies have not been received from the allottees concerned, 2977 tons represent the allotments made in favour of M/s. Ram Krishan Kulwant Rai only, a separate report about whose activities is being sent. It is significant that M/s. Ram Krishan Kulwant Rai have, as usual, tightened their lips as to whether or not supplies have been received, in spite of the circulars, it appears to me that this inaction on the part of M/s. Ram Krishan Kulwant Rai lends reasonable room for doubt whether both these Firms are not colluding in the matter of manipulating the stock of imported materials.

I am enclosing a detailed statement indicating the supply position given above. A/T-wise. I also enclose extracts from a few representative complaints received from Government Departments and other allottees, which will throw light on the activities of this Firm as importers.

I am again pressing the Firm to honour the commitments in respect of the entire outstanding quantity (*vide* copy of my letter of date enclosed), but I am extremely doubtful of any favourable results. The obvious question that will now arise is how to meet these unhonoured commitments in favour of various allottees to the tune of several thousands of tons. The Quota Certificates in all these cases would have become obsolete now, and mere cancellations of these outstanding quantities without making any alternative arrangements would, apart from depriving the quota-holders of their much-needed quota for no fault of theirs, involve us in litigation.

After a careful review of all the above facts, I feel that the following courses of action are called for :—

- (1) Iron and Steel Controller's Letter No. PI/I/19/57, dated 3rd May, 1957, relating to the provisional appointment of the Firm as Controlled Stock-holders for imported materials at Madras will have to be revoked;
- (2) The Firm may be debarred from participating in Public Tender for iron and steel materials:
and
- (3) Subsidy bill, if any, that might have been or may be submitted by this Firm, may be subjected to scrutiny taking into account the facts set forth above.

I shall be grateful for further instructions in the matter.

With kindest regards.

Yours faithfully,

Sd/- K. SANTHIAPPAN.

Shri A. S. Bam,
Iron and Steel Controller,
Calcutta.

APPENDIX LXXXIV

CONFIDENTIAL

BY REGISTERED POST

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES AND FUEL

(Department of Iron and Steel)

Office of the Deputy Iron and Steel Controller,

P.B. No. 1764, 11/12, First Lines Beach, Madras-1

No. D.O. No. Disc/Allot/Com-1/58.

27/28th September 1958

5/6th अश्विन 1880.

Dear Shri Dhingra,

You would recall our telephonic conversation of 20th inst., when you told me that for the finalising of the cases of Messrs. Surrendra Overseas Private Ltd., and Messrs. Ram Krishna Kulwant Rai, you were expecting my comments on the Inspector's report regarding the physical verification of the Registers and Stocks. I received the Inspector's report on the 17th instant, the date of the arrival of the Controller in Madras and could not find time to go through it till now.

The charge against the Firm (M/s. Surrendra Overseas) in short is as follows:—

The M/s. Surrendra Overseas Private Ltd., who were importing Government subsidised materials against A/Ts had "pre-planned" not to supply a sizeable portion of the materials (5,623 tons) imported on Government account to the rightful allottees holding Release Orders from Iron and Steel Control and to take those materials under some flimsy and untenable pretext to their "controlled" stocks by somehow getting themselves appointed as Controlled Stockholders and thereafter disposing of the materials at Col. 11 rate. The Firm succeeded in getting themselves appointed as Controlled Stockholders by the Iron and Steel Controller (*vide* his letter No. PI/1/19/57, dated 3/4-5-57) by suppressing the fact of their having applied to this Office earlier and their application having been rejected. In respect of some of these materials planned to be taken to their "controlled" stocks, the firm had also obtained removal permission on the basis of wagons not being available etc., thus attempting to get an undue benefit by distortion of facts. It was only June-July, 1957 when this Office probed into the matter and particularly after addressing various allottees direct that the importers (M/s. Surrendra Overseas Private Ltd.) began showing signs of despatch of small quantities. Again it was not till the submission of my subsequent report to the Iron and Steel Controller in December last (my D.O. letter No. Disc/Allot/PA-57/57, dated 19/21-12-57) addressed to Shri A. S. Bam, I.C.S., I&SC, and 1. & S.C's

calling for explanation from the Firm 'Iron and Steel Controller's letter No. PS(1)/Con., dated 18/20-1-1958', that the Firm seriously thought of supplying whatever materials they could lay their hands on. They have, however, utilised subsidised imported materials for purposes other than that for which they were intended. They began making frantic attempts to supply materials of sizes different from those imported against the A/Ts. to such of the allottees as were prepared to take them, under the make-belief that the Iron and Steel Control had accorded permission for the supply of such alternative sizes. It was only when one of the allottees (M/s. Madras Circle Registered Stock-holders' Association Ltd., Madras) approached this Office for confirmation of the action taken by the importers that we came to know of their *modus operandi*. According to the records and the information available in this Office at various times, the materials that were outstanding to be supplied varied, the figures outstanding to be accounted for slowly diminishing with the passage of time. The fact remains that it was only due to pressure from all around—from the Iron and Steel Control with the imminent disciplinary action, and the allottees' possibility of further complaints to the Iron and Steel Control,—that the Firm thought it prudent to honour their commitments bit by bit. Even on date the Firm have not been able to account for the materials that have not been supplied to some of the allottees and for those materials in whose place different sizes to the tune of 433 tons had been supplied. They still have sizeable quantities of materials to account for, materials which are not physically available in stock. For example, according to the present report of the Inspector, the Firm have to account for 807 tons, in addition to 433 tons of materials of correct sizes and sections imported against the A/Ts in whose place materials of alternative sizes had been supplied to some of the allottees. The supply of 807 tons referred to above cannot physically be made by the Firm because there are no stocks of these materials, the materials imported having certainly been utilised otherwise. This quantity of 807 tons has been arrived at by the Inspector after excluding 245 tons of materials which are lying in their stock. Most of these materials are very old and consist of odd sizes and sections not covered by the A/T and some of which are bent and twisted. Obviously this cannot be set off against the materials to be supplied to the allottees. In fact, if these are materials that can be supplied to the allottees against the A/Ts, there is no special reason why even at this critical juncture the Firm should not have effected supplies. Thus the total quantity for which the Firm have to account for still amounts to $807 + 245 + 433$, totalling in all 1485 tons. When the Manager of the Firm was questioned by the Inspector in the presence of two members of the Staff of this Office the Manager Shri Ranbir Singh had no explanation to offer and he virtually admitted that they had every hope of being appointed as Controlled Stockholders and then get these materials allotted in their favour.

This quantity of 1485 tons itself is bound to be much smaller than the "actual" quantity to be accounted for, as this figure is subject to the following benefits of doubt in favour of the Firm :—

(i) The figures furnished by the Firm themselves regarding imports made and supplies effected have been taken as correct. The exact quantity imported can be known only if all the C.C.Ps. issued by the Head Office from time to time subject to the amendments, if any, are verified. Likewise the last supply position can be verified only if a further is now made to the various allottees.

(ii) The Firm's records prior to 31st March, 1958 by verification of which only can the Firm's full extent of the tactics could be gauged, have conveniently been withheld by the Firm from the inspector under the plea that they had all been transferred to the Firm's Head Office in Calcutta. Thus the correctness of the opening entries in the present book which starts from 1st April, 1958 cannot be verified at all. In case these verifications were undertaken, it may very well be that the quantity will swell much more than what has been indicated above. Such verifications, however, may be taken up separately and need not stand in the way of necessary disciplinary action being taken against the Firm on the basis of material so far available as the offence, viz., attempting to withhold supplies of materials from the lawful allottees with a view to disposing them in some other manner, is proved beyond doubt, the actual quantity of the materials involved being merely contributing to determine the extent and degree of the offence. So far as the gravity of the offence is concerned, however, it remains unaffected by the actual quantity misappropriated.

That even when correct sizes and sections of materials were available, the necessity for the supply of alternative sizes was a creation on the part of the Firm by diverting materials of correct sizes and sections to non-quota-holders, will be proved by the fact that materials of alternative sizes have had to be supplied to the tune of 402 tons, whereas a quantity of 561 tons of materials of correct sections and sizes required by the allottees had been despatched by M/s. Surrendra Overseas Private Ltd., through their sister concern M/s. Amin Chand Payarelal to the Executive Engineer, Ambala Construction Division,—a non-quota holder. A copy of the statement showing particulars of such materials is enclosed. That the Firm despatched a major portion of the materials to the allottees after pressure had been brought about all around will be borne out by the fact that (a) various allottees were complaining to this Office of non-supply of materials till August, 1957 and (b) that in most of the consignee receipts obtained by the importers, the column regarding the date of delivery had been managed to be left blank, the attestations also being undated. Consignee receipts were also not forthcoming except in a small percentage of the cases. Copies of bills were not also attested in most of the cases. The only other check regarding the date of delivery would have been by verification from the R/R. The R/Rs. were not produced by the Manager of the Firm and he merely stated that these were available in the Firm's Head Office. The only reasonable conclusion to be arrived at in the circumstances is that the poor hard-pressed allottees thought it worthwhile to "co-operate" with the importer by desisting from putting the dates and thereby obtained some materials or other, at a very late stage rather than having the bleak prospect of losing those materials.

To sum up, it is clear case where the Firm attempted and partially succeeded in disposing of controlled categories of materials to non-quota holders at world price as in the case of Ambala Construction Division, with a view to furthering their own selfish ends of securing unauthorised additional remuneration and thereby setting at nought the very fundamental principles of the Iron and Steel Control.

From what one would have expected and from what the Inspector was all along telling me, his report was to contain an account of the physical verification of the books as well as the stocks of the Firm with reference to the various complaints that had been reported to

the Iron and Steel Controller, in all the three D.O. letters addressed by me to the Controller. With this end in view, the entire background of the case was explained to him and he was given the facility of going through all the records of this office pertaining to this case. He took well over two days for acquainting himself with the facts of the case, but it is a pity that he has confined his report to a mere recording of diary without, in any way, attempting to co-relate the facts and figures secured by him to the various charges which had his vociferous assent. Any way, this bald report itself established all the charges that had been mentioned in my various D.O. letters referred to above. The Inspector's report should accordingly be taken as an appendix to my various report and dealt with as such.

In conclusion, I would reiterate that the courses of action suggested in my D.O. Nos. Disc/Allot/PA-57/57, dated 19/21-12-57 and No. Disc/Allot/PA-57/57, dated 4-7-57 addressed to the Controller be taken forthwith. In addition—

- (i) the Firm should be black listed; and
- (ii) besides the subsidy, removal and other incidental charges in respect of 1240 tons (807 + 433) being refused, the Firm should be asked to refund to the Iron and Steel Control the difference between world Price and subsidised Col. I rate.

Action is being taken by this Office for the disposal of the 245 tons available in their stock as on 24th July, 1968.

Yours sincerely.

Sd/- K. SENTHIAPPAN.

Shri O. D. Dhingra,
Price & Accounts Officer,
Office of the I&SC,
Calcutta.

APPENDIX—LXXXV

Statement showing the quantities actually removed from the Wharf to the Plot as from 9th March, 1957 to 6th April, 1957

Your Office Letter No. and Date	Details of materials actually removed Category.	Qty. Tons.	Period of Removal	Remarks
DISC/STS/2 (21)/56, dated 9-3-57 (SUKHHONA)	M.S. Rounds.	169-5-0-0	From 9th to 12th March 1957	The entire quantity have been removed to the plot from where the despatches are being made.
		317-15-0-0	From 13th March to 16th March, 57.	
		362-6-2-0	From 17th to 24th March 1957.	
		764-13-2-0	From 23nd to 30 th March 1957.	
		<u>1,614-0-0-0</u>		
	M.S. Angles	91-0-0-0	From 9th to 12th March, 1957.	
		69-4-0-0	From 13th to 16th March, 1957.	
		87-11-0-0	From 17th to 23rd March, 1957.	
		140-11-0-0	From 24th to 30th March. 1957.	
		60-6-0-0	From 31st to 6th April, 1957.	
	<u>448-12-0-0</u>			

M.S. Channels

15-0-0-0 From 13th March to 16th
March, 1957
13-0-0-0 From 17th to 23rd March,
1957.
18-16-0-0 From 24th to 30th March,
1957
51-4-2-0 From 31st to 6th April,
1957.

238-0-2-0

Tons: 3-13-2-0 is not trace-
able and the balance qty.
has been removed to the
plot from where despatches
are being made.

Wire Rods.

501-0-0-0 From 13th to 16th March,
1957.
316-0-0-0 From 13th to 23rd March,
195.
92-0-0-0 From 24th to 30th March,
1957.

909-0-0-0

The entire qty. has been re-
moved to the plot from
where despatches are being
made.

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Madras, D-15-4-57. Forwarded to the Dy. Iron and Steel Controller, 11/12, First Line Beach, Madras.

For Ramkrishan Kulwantrai.

(Sd/-) Jaswantrai.

APPENDIX LXXXVI

Statement showing the quantities actually removed from Wharf to our Plot as from 9th March, 1957 to 6th April, 1957

Your Office Letter No. and date.	Details of Materills actually removed.	Period of Removal,	Remarks.
	Category	Qty.	
		T. C. Q.lbs	
DISC/STS/2 (21/56) dated 15-3-57 (IRKUTSK).	M.S. Angles 65×65×6	189-0-0-0	From 16th to 23rd March, 1957. } The entire quantity have been removed to the plot from where the despatches are being made.
		284-4-0-0	
		46-16-0-0	
		520-0-0-0	
DISC/STS/2 (21)-56, dated 15-3-57 (KRKUTSK).	M.S. Rounds. (32mm.)	316-14-0-0	From 24th March to 30th, 1957. } —do—
		162-0-0-0	
		478-14-0-0	
	Wire Rods 6.5.mm.	77-4-0-0	From 24th March to 30th, 1957. } —do—

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For Ram Krishan Kulwant Raj
Sd:-

APPENDIX LXXXVII

CONFIDENTIAL

MADRAS PORT TRUST

No. SC3/C/388522.

Madras-1, 9th March, 1959.

The Asstt. Iron and Steel Controller,
Madras-1.

Sir,

SUBJECT :—*Iron and Steel Materials landed ex s.s. 'Sukhona' arrived on 1st March, 1957 and ex s.s. 'IRKUTSK' arrived on 25th February, 1967 imported by M/s. Ram Krishan Kulwant Rai and sons.*

Reference :—Your D.O. No. Disc/Allot/Com. 2/58, dated 26th February, 1959.

The statements from M/s. Ram Krishan Kulwant Rai and Sons were confirmed by my office on a misunderstanding that they only showed details of cargo removed by the firm ex the above two vessels.

On receipt of your letter, the relevant records were called for. The consignments landed on behalf of the Firm are covered by seven Import Applications. Of these only 3 import applications are available. The particulars of the materials cleared by Road and by Rail gathered from these 3 Import Applications are given in the attached statements. It is not possible to say how much has been moved to the Firm(s) rented plot, as we do not keep any record in this regard.

Yours faithfully,

Sd/-

Traffic Manager.

Enclosures: Three.

Annexure to

Madras Port Trusts letter dated 9-3-59

I.A. No. 829/1d/22-2-57-s.s., 'SUKHONA' arrived on 1-3-57.

Import Application Quantity 9,156 Coils wire rods.
 Delivered 9,156 " "
 I.A. Quantity in Tons 909½ Tons.

Delivery particulars:

Date	No. of coils delivered		Remarks
	By Road	By Rail	
13-3-57	..	1,880	
14-3-57	240	960	
15-3-57	779	664	
16-3-57	..	2,080	
17-3-57	..	1,930	
18-3-57	..	310	
20-3-57	80	..	
21-3-57	120	..	
23-3-57	80	..	
25-3-57	35	..	
29-3-57	52	..	
	<u>1,386</u>	<u>7,770</u>	

I.A. No. 829/2d/23-2-57-s.s. 'SUKHONA' arrived on 1-3-57.

Import Application Quantity 1,071 Pieces Channels.
 Delivered " 1,071 " "
 I.A. Quantity in tons] 241-3/4 Tons

Delivery particulars

Date]	No. of coils delivered		Remarks
	By Road	By Rail	
15-3-57 . . . .	..	68	
17-3-57 . . . .	..	52	
23-3-57	19	..	
25-3-57	142 1,3	..	
26-3-57	35	..	
27-3-57	201	150	
28-3-57 . . . .	..	160	
30-3-57	1	..	
4-4-57	135	..	
5-4-57	15	..	
6-4-57 . . . .	..	..	57 } Delivered from 16 } Dump
14-6-57 . . . .	..	..
	568	+430	+73=1,071

I.A.No. 829/3 dated 23-2-57 S.S. ' SUKHONA' arrived on 1-3-57.

Import Application quantity 1,679 Bundles Rounds.

Delivered 1,679 " "

I.A. Quantity in tons 1,640 Tons

Delivery details

Date	No. of Bundles delivered		Remarks
	Road	Rail	
9-3-57	26	..	
10-3-57	..	99	
11-3-57	..	22	
12-3-57	..	26	
13-3-57	70	179	
14-3-57	64	124	
15-3-57	..	91	
16-3-57	34	43	
17-3-57	..	94	
18-3-57	..	44	
19-3-57	46	44	
20-3-57	31	79	
21-3-57	38	113	
23-3-57	..	83	
24-3-57	..	42	
26-3-57	..	120	
27-3-57	..	34	
28-3-57	..	85	
29-3-57	28	20	
	337	1,342	

APPENDIX LXXXVIII

CONFIDENTIAL

B. Tiwari,
Assistant Iron and Steel
Controller.

IRON AND STEEL CONTROL

33, Netaji Subhas Road,
Calcutta-1.

D.O. No. PS/8(127)/59.

April 30, 1959.

My dear Senthappan,

SUB:—*Irregularities committed by M/s. Ram Krishan Kulwantra, Madras
as Controlled Stockholders and as Importers.*

Please refer to the correspondence relating to the above resting with your D.O. No. ALLOT/Com-2/58, dated 20/21st March, 1959 to Col. Eapan. I am directed to inform you that it is rather unfortunate that the Madras Port Trust having once given a certificate of the removal of the quantity to the Importer's godown from Docks have subsequently backed out saying that previous certificate was given on a misunderstanding and that they do not maintain records of quantities removed to the Importer's godown. For this we cannot fasten the blame on the Importer. It has, therefore, been decided that the gravity of the offence is not such as to warrant cancellation of their Controlled Stockholdership. It has also been decided to allow subsidy and removal charges in respect of the quantity for which the Importer can produce conclusive proof.

Yours sincerely,

Sd/- B. TIWARI,
30-4-59.

Shri K. Senthappan,
Assistant Iron and Steel Controller,
11/12, First Line Beach,
Madras.

APPENDIX LXXXIX

Licence No. L/I.A. (7)/N-288/63.

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY.

New Delhi, the 28th March, 1963,
Chaitra, 1885.

An application dated the 9th May, 1962 for a licence having been received from M/s. Khemchand Raj Kumar, Calcutta for the establishment of a new industrial undertaking at Calcutta (West Bengal) for the manufacture of Hot Dipped Tinplates under Rule 7 of the Registration and Licensing of Industrial Undertakings Rules, 1952, the Central Government, in exercise of the powers conferred by Rule 15(2) of the said Rules, hereby grant this licence for the establishment of a new industrial undertaking subject to the conditions mentioned below and in the attached sheet:—

1. The industrial undertaking shall have *subject to the availability of black sheets that can be spared from Rourkela*, an installed capacity as mentioned below. No section of the industrial undertaking should have, except with the prior approval of the Government of India, capacity substantially in excess of that specified below:—

<i>Item.</i>	<i>Capacity per annum.</i>
Hot Dipped Tinplates	20,000 (Twenty thousand) M. Tonnes.

2. The new industrial undertaking shall be located at Calcutta (West Bengal).

Sd/- S. P. KRISHNAMURTHY

Under Secretary to the Government of India.

(Signature of the Officer)

SEAL OF THE MINISTRY.

APPENDIX XC

Registered A.D.

No. IA(7)(859)L.C-/62.

GOVERNMENT OF INDIA
MINISTRY OF INDUSTRY

New Delhi, the 2nd January, 1964.

From:

Shri S. P. Krishnamurthy,
Under Secretary to the Government of India.

To:

M/s. Khemchand Rajkumar,
33, Netaji Subhas Road,
Calcutta-1.

SUBJECT:—*Licensing of Industrial Undertakings under the Industrial (Dev. & Reg.) Act, 1951—Licence No. L/14(7)/N-288/63, dated the 28th March, 1963 granted for the manufacture of Hot Dipped Tinplates—Amendment of—*

Gentlemen,

I am directed to refer to your letter No. MC/CAL/101/2435, dated the 4th June, 1963 on the subject mentioned above, and to say that in the circumstances stated therein, the Licence No. L/14(7)/N-288/63, dated the 28th March, 1963, already issued to you has been amended to read as follows:—

In condition (1) of the said Licence.

For the words "Hot Dipped Tinplates—20,000 (Twenty thousand) M. Tonnes."

Read the words "Tinplates by electrolytic/hot dip process—60.000 (Sixty thousand) M. Tonnes."

2. The other conditions of the licence will remain the same.
3. This letter should be kept attached to the licence, already issued to you.
4. Please acknowledge receipt of this letter.

Yours faithfully,

Sd/- S. P. KRISHNAMURTHY,

Under Secretary to the Government of India.

SEAL OF THE MINISTRY

No. IAI(7)(598)L.C./58.

Copy forwarded for information to:—

1. Director of Industries, West Bengal, Calcutta.
2. Iron and Steel Controller, Calcutta.
3. Ministry of Steel, Mines and Heavy Engineering (Department of Iron and Steel), New Delhi.
4. Ministry of Finance (DEA), New Delhi.
5. Chief Controller of Imports and Exports, New Delhi.
6. Licensing, Progress Section, *vide* item No. 31, of the Licensing Committee meeting held on 27th November, 1963.

Sd/- A. B. SEN GUPTA,

for Under Secretary to the Government of India.

APPENDIX XCI

Statement showing implementation of barter deals concluded for the import of Steel - as on 31-12-65.

(Value in Rs. Lakhs.)

Sl. No.	Name of the bartering party	Date of approval	Validity period	Item export	Value of barter deal	Value of shipment effected	Value of import licences	Remarks
1	2	3	4	5	6	7	8	9
1.	M/s Satyanarain, Khaitan Calcutta.	4-12-62	31-12-64	Manganese Ore.	206.00	104.72	73.82	
2.	M/s East End (I) Ltd., Calcutta	22-1-63	31-12-64	Manganese Ore 30.00 & Tea 7.59	37.59	30.42	37.59	
3.	M/s Chase Bright Steel Ltd., Bombay.	3-1-63	31-12-64	Mn. Ore & Fr. Mn.	31.68	30.35	31.68	
4.	M/s Khemchand Raj Kumar, Delhi.	1-4-63	31-12-64	Mn. Ore & Chrome Ore.	100.00	93.05	85.89	

1	2	3	4	5	6	7	8	9
5.	M/s Ramkrishan Kulwant- rai, N. Delhi.	30-7-63	31-12-64	Mn. Ore.	100.00	91.26	76.89	
6.	M/s Shantilal Khushaldas, Marmagao (Goa)	10-6-63	31-12-64	do	62.00	30.66	19.11	
7.	M/s Hindustan Wires Ltd, Calcutta.	25-9-63	30-12-64	do.	4.02	3.68	3.46	
8.	M/s Natwarlal, Shamaldas, Bombay.	15-6-63	31-12-64	do.	20.00	20.72	15.12	
9.	M/s P. Singh, Calcutta	28-9-63	31-12-64	do.	47.40	..	11.90	Letter of authori- ty transferred to M/s Raikumar (I) Ltd, at item. No. 16 below since no exports were generated by this party.
10.	M/s Jan-de-Poorter, Calcutta.	30-11-63	31-12-64	do.	15.00	13.11	10.93	
11.	M/s Chase Bright Steel, Ltd.	27-11-63	31-12-64	Mn. Ore. & Fe Mn	30.00	20.50	30.00	
12.	Do	6-12-63	6-6-64	Mn. Ore.	7.50	6.00	6.00	
13.	M/s Inden Biselers, Madras	8-11-63	31-12-64	do.	10.00	10.00	8.98	

14.	M/s. Hindustan Wires Ltd., Calcutta.	31-12-63	31-12-64	Mn. Ore.	6.75	4.85	3.24	
15.	M/s. Ramkrishan Kulwant- rai, New Delhi.	13-11-63	31-12-64	Do.	35.00	31.73	22.31	
16.	M/s. Rajkumar(I) Ltd., Delhi	10-1-64	31-12-64 31-12-65	Mn. Ore & Chrome Ore.	200.00	143.16	67.95	
17.	M/s. M. Golodtz & Co. Inc. New York.	10-1-64	31-12-64	Mn. Ore.	170.00	162.25	169.37	
18.	M/s. Meteor Pvt. Ltd., New Delhi.	16-1-64	31-12-64	Mn. Ore & Chrome Ore.	20.00	11.57	11.57	
19.	M/s. Jaggi Bros., Calcutta .	10-6-63	31-12-64	Do.	7.50	4.11	..	
20.	M/s. Sanvikens, Sweden .	5-2-64	30-9-64	Mn. Ore	10.50	9.86	9.70	
21.	M/s. Rambahadur Thakur, Bombay.	..	..	Do.	40.40	40.40	40.40	Foreign Exchange earned under Manganese Ore/ Paper Barter No. STC/BNT /PP-208(40-60) dated 29-8-60, which was utilised for import of steel, vide Min. of Commerce U.O. No. 83/62/60- ST, dated 22-6-64.
22.	M/s. Khandelwal Bros. (P) Ltd., Bombay.	10-1-64	31-12-65	Fe. Mn. Slag.	50.00	1.34	1.20	
23.	M/s. Agencia Figueiredo, Goa.	18-9-64	31-3-66	Iron Ore fines/ Blue Dust.	80.00	13.47	74.34	

1	2	3	4	5	6	7	8	9
24.	M/s. B.R. Herman and Mohatta, Calcutta.	7-10-64	31-12-65	Chrome Ore/- Concentrates.	70.00	19.22	..	
25.	M/s. Rajkumar (I) Ltd., Delhi.	17-4-65	31-12-65	Do.	50.00	..	..
26.	M/s. Aminchand Payarelal, New Delhi.	10-9-65	31-12-65	Do.	25.00	..	..
27.	M/s. Indian Biselers, Madras.	20-4-65	31-3-66	Do.	15.00	..	..
28.	M/s. Jaggi Bros., Calcutta .	18-4-65	30-9-65	Chrome Ore/ Concentrates.	7.50	..	..
29.	M/s. Inden Biselers, Madras.	20-4-65	31-12-65	Fe. Mn.	10.00	..	..
30.	M/s. Kamani Bros. (P) Ltd., New Delhi.	18-5-65	31-3-66	Blue Dust.	67.00	..	..
31.	M/s. M.T. Talaulicar, New Delhi.	18-5-65	31-3-66	Do.	10.00	..	..
32.	M/s. Natwarlal Shamaldas, Bombay.	18-5-65	31-3-66	Do.]	50.00	..	..
33.	M/s. Chase Bright Steel Ltd., Bombay.	18-5-65	31-3-66	Do.	50.00	4.94	0.50	
34.	M/s. Shantilal Khushaldas, Margao (Goa).	18-5-65	31-3-66	Do.	40.00	..	..

35 .	M/s. Industrial Engg. Co. Bombay.	18-5-65	31-3-66	Blue Dust	26.00	16.06	..
36.	M/s. Ramkrishan Kulwa- ntra, New Delhi.	18-5-65	31-3-66	Do.	90.00	13.96	..
37.	M/s. Enterprise & Manage- ment P. Limited, Bombay.	18-5-65	31-3-66	Do.	25.00	..	..
38.	M/s. Inden Biselers, Mad- ras.	18-5-65	31-3-66	Do.	12.70	1.65	..
39.	M/s. Electrolytic Plates Ltd., Bombay.	21-5-65	31-3-66	Do.	45.00	..	..
40.	M/s. Indian Flexible Tubes Mfg. Co., Bombay.	30-6-65	31-3-66	Palmyra Fibre.	3.00	0.25	..
41.	M/s. Ashok Metal Pressing Works, Hubli.	30-6-65	30-9-65	Permissi- ble Ores.	5.00	..	..
42.	M/s. New Iron and Metal Industries, Kanpur.	30-6-65	30-9-65	Do.	3.20	..	..
43.	M/s. National Metal Indus- tries, Bombay.	7-7-65	30-9-65	Do.	5.00	..	..
44.	M/s. Standard Wires ducts, Bombay.	2-7-65	30-9-65	Permis- sible Ores.	4.00	..	..
45.	M/s. Delhi Trading Cor- poration, Calcutta.	1-9-62	30-6-64	Mill Scale Scrap.	12,000 M/T	4.14	4.14
46.	M/s. Grand Smithy Works, Howrah.	1-9-62	30-6-64	Mill Scale Scrap.	12,000 M/T	5.92	3.28
47.	M/s. Indian Steel Corp., Calcutta.	17-9-62	30-6-64	Do.	12,000 M/T	4.42	4.49

1	2	3	4	5	6	7	8	9
48.	M/s. Indian Steel Eqpt., Calcutta.	17-9-62	30-6-64	Do.	12,000 M/T	5.33	5.33	
49.	M/s. Jai Trading Corpn., Calcutta.	10-9-62	30-6-64	Do.	12,000 M/T	3.36	3.32	
50.	M/s. Delhi Trading Cor- poration, Calcutta.	30-4-63	30-6-65	Do.	30,000 M/T	4.23	1.83	
51.	M/s. Grand Smithy Works, Howrah.	29-4-63	30-6-65	Do.	30,000 M/T	8.62	0.19	
52.	M/s. Harbanslal Malhotra, Calcutta.	31-7-63	31-3-65	Do.	26,000 M/T	8.44	7.66	
53.	M/s. N. Vrajlal & Co., Bombay.	16-1-64	30-6-65	Do.	5,000 M/T	1.33	..	
54.	M/s. Indian Steel Corpora- tion, Calcutta.	3-11-63	31-3-65	Do.	15,000 M/T	6.32	..	
55.	M/s. Indian Steel Equip- ment, Calcutta.	29-5-64	30-6-65	Do.	20,000 M/T	6.03	..	
56.	M/s. Indian Steel Corpora- tion.	23-1-65	30-6-65	Do.	25,000 M/T	4.67	..	
						1006.09	842.10	

N.B.—Statement showing barter deals approved prior to 1961 is at Appendix VII.

APPENDIX—XCII

List of irregularities observed.

I. In the following cases, CCPS in excess of licensed value were issued

Name of the firm	I/Licence No.	Excess Amount
		Rs.
1. M/s. Milkheram (I) Pvt. Ltd.	STC/BR/1001/101, dated 27-11-59.	8,865
2. " "	STC/BR/1001/103, dated 27-11-59.	13,578
3. " "	STC/BR/1002/102 dated 27-11-59.	17,494
4. " "	STC/BR/1501/104 dated 27-11-59.	18,259
5. M/s. Steel Rolling Mills of Hindustan.	BR/STC/1001/63 dated 2-3-60.	8,499
6. M/s. Milkheram (I) Pvt. Ltd.	BR/STC/1001/128, dated 14-6-60.	8,451

II. Change of categories noticed in the following cases :—

Name of the firm and file No.	Categories changed
1. M/s. Ramkrishan Kulwantrai, file No. CP/151/Kulwantrai/59.	M.S. Plate to G.I. Wire.
2. M/s. Oscar Engg. Works Pvt. Ltd., file, No. CP/152/Oscar.	G.I. Wire to G.P. Sheets.
3. M/s. Surrendra Overseas file No. CP/152/SO.	Wire Rods to G.P. Sheets and from G.P. Sheets to Telegraph channels and M.S. Plates.
4. M/s. V.D. Swami & Co. (P) Ltd., file No. CP/152/VDS/59.	Wire Rods to G.P. Sheets.
5. M/s. Satyanarayan Khaitain, file No. CP/152/SK.	B.P. Sheets to G.P. Sheets.
6. M/s. Surrendra Overseas file No. CP/152/59	G.I. Wire to M.S. Plates.

Statement showing import licences issued to Actual users by Iron and Steel Control Organisation.

APPENDIX—XCIII.

Licensing period	Regarding Aminchand Payarelal Group		Regarding Ramkrishan Kulwant- rai Group		Regarding J.S. Cohen & Co.		Regarding V.D. Swamy		
	No. of Licences issued	No. of Licences looked into	No. of Licences issued	No. of Licences looked into	No. of Licences issued	No. of Licences looked into	No. of Licences issued	No. of Licences looked into	
I	2	3	4	5	6	7	8	9	
1962—63	.	30	6	14	..	6	..	15	..
1963—64	.	11	2	83	8	13	..	27	..
1964—65	.	13	13	78	72	3	3	11	5
1965—66	.	4	3	61	20	..	..	14	4

Regarding
Non-A.U. Licences
over Rs. 5 lakhs ex-
cluding A.U. Cases

Regarding
A.U. Licences over
Rs. 5 lakhs.

Regarding
supplementary list of
A.U. Licences of
Delhi and Bombay
Office

Regarding
Khemchand Rajkumar

Total of
licenced
issued

Total of
licenced
looked into

No. of Li-
cences
issued

No. of Li-
cences
looked into

No. of Li-
cences
issued

No. of Li-
cences
looked into

No. of Li-
cences
issued

No. of Li-
cences
looked into

No. of Li-
cences
issued

No. of Li-
cences
looked into

10

11

12

13

14

15

16

17

18

19

31

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54

12

60

19

13

..

223

37

49

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75

62

84

65

11

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283

137

72

21

93

89

101

96

18

8

389

307

122

27

64

60

34

30

28

10

317

154

1212

635

APPENDIX XCIV

Ref. No. OS/94/1/N/61.

Dated the 2nd June, 1961.

Jaistha, 13th 1883 Saka

M/s. Aminchand Payarelal,
135, Canning Street,
Calcutta-1.

Dear Sirs,

SUBJECT:—*Enquiry No. CP/94/N/61 dated 22nd April, 1961.*

With reference to your offer contained in your letter No. MS/ACPL/CS/94 dated 6th May, 1961 as amended by your letter No. MS/ACPL/CS/94 dated 23rd May, 1961 and MS/CS/94/Tender/1774, dated 1st June, 1961, I am to inform you that your offer is hereby accepted for the items and quantities as per schedule attached. You are requested to furnish a Performance Bond or Bank Guarantee in the requisite proforma to this office for 3 per cent. of the total C.I.F. value of this order valid upto 12 months from the date of the stipulated shipment period, within seven days from the date of receipt of this letter order, failing which this acceptance is likely to be cancelled. In the event of such cancellation you will be liable to pay to the purchaser any sum representing the loss that the purchaser may have to incur for re-purchase of materials from the next higher tenderer or by negotiation or by re-tender. Formal A/T will be issued on receipt of the Performance Bond/Bank Guarantee mentioned above.

The total quantity for which your offer is accepted is (approximately) 1,372.31 tons and the grand total cost thereof is Rs. 8,85,431.41 C.I.F. Calcutta Port.

The above materials are to be manufactured by M/s. Round Oak Steel Works Ltd. P.O. Box No. 3, Brierley Hills, Staffs England.

Shipment:—The entire quantity on order is to be completely shipped by 20th August, 1961, as agreed to by you *vide* your letter No. MS/ACPL/CS/94 dated 23rd May, 1961. No extension of shipment period will be allowed on any account except under force majeure condition. Any materials shipped beyond the stipulated date will be subject to a reduction in price by Rs. 20 per ton or the difference between the A/T price and market price ruling on the date of breach whichever is higher.

The Iron & Steel Controller will also be competent to cancel the quantities not shipped within the stipulated date without prejudice to

the aforesaid clauses. Shipment shall be made by Indian vessel as far as practicable.

Price:—The C.I.F. prices per ton as indicated against respective items in the attached schedule are inclusive of all extras for quality, size, packing etc., and your remuneration.

Freight:—The C.I.F. prices are based on the ocean freight rate of sh. 90 less $9\frac{1}{2}$ per cent. per long ton. Any variation in the above freight rate at the time of actual shipment will be on buyer's account.

Quality:—The materials must be manufactured by Open Hearth Siemens Martin process according to the specification as mentioned in the schedule attached.

Cast number:—Cast number must be stamped on each piece. The materials must be free from surface defects of any kind free from cracks and conform to the section specified and finished in a workman-like manner. Manufacturer's Test Certificate certifying the physical and Chemical properties as per specification incorporated in the schedule must accompany each consignment.

Inspection:—The materials are to be inspected by the inspector nominated by the D.G., I.S.D., London, during the process of manufacture.

Defects:—Materials found to be defective are to be replaced free of cost to the buyer. Discrepancies, if any, between this order and your quotations may please be brought to the notice of this office immediately.

This letter order is placed subject to the terms and conditions of the enquiry under mentioned and Appendix "B" thereof.

Please acknowledge receipt of this letter order by returning the duplicate copy only signed under cover of the specimen letter enclosed.

Yours faithfully,

Sd/- P. R. NAYAR,

Dy. Iron & Steel Controller,

Encl:—

for and on behalf of the President of India.

c.c. (1) DG, ISD, London (2 copies).

(2) SIC Section (3) Statistical Section.

(4) J.D.(S)

Sd/- P. R. NAYAR,

Dy. Iron & Steel Controller,

for and on behalf of the President of India.

SCHEDULE TO L/O. No. CS/94/IN/61

Dated 3rd June, 1961

Item No.	Materials & Size	Specification	Tonnage	C. I. F. Price per (L & T) including all remns for Indian Port, Calcutta
1	2	3	4	5
M. S. FLATS				
8	80MM×12MM×4.50M	ISS-226 GR.ASW	40	Rs. P. 611.00
9	80MM×20MM×4.25M	Siemens Martin Open Hearth	2.31	611.00
10	100MM×25MM×5.25M		40	621.00
7	80 MM×28MM×4.85M	ISS-226 Gr. AS WC	150	646.00
9	80MM×8MM×4.25M	Siemens Martin Open Hearth	100	646.00
10	100MM×20MM×5M		100	636.00
11	100MM×16MM×5M		40	636.00
12	100MM×10MM×5.20M		40	636.00
13	125MM×12MM×5M		40	646.00
15	3"×1"×4.50M		20	646.00
1	125MM×25MM×5.50MM	IRSM-M-IV-CL IV Siemens Martin Open Hearth	800	650.00
			1,372.31	

Total cost Rupees Eight Lakhs Eighty-five Thousands four hundred thirty-one and forty one paise

APPENDIX XCV

GOVERNMENT OF INDIA

Ministry of Steel, Mines and Fuel
(Department of Iron and Steel)

IRON AND STEEL CONTROL

33, Netaji Subhas Road, Calcutta-I.

Ref. CS/94/1/N/61/1092:

Dated the 5th September, 1961.

Bhadra, 14th 1883 (Saka).

M/s. Aminchand Payarelal,
135, Canning Street,
Calcutta-I.

Dear Sirs,

RE:—Import of 1,372·31 tons of M.S. Flats from U. K.

With reference to the offer contained in your letter No. MS/ACPL/CS/94 dated 6th May, 1961 as amended by letter No. MS/ACPL/CS/94 dated 23rd May, 1961 and MS/CS/94/Tender/1774 dated 1st June, 1961 respectively against this office Enquiry No. CP/94/N/61 dated 22nd April, 1961 and further to this office letter order No. CS/94/1/N/61 dated 3rd June, 1961 and letters dated 13th July, 1961 and 20th July, 1961 respectively, I am to convey the acceptance of your offer for supply of 1,372·31 tons of M.S. Flats as per schedule attached herewith, subject to the following terms and conditions and also the general conditions of Contract as mentioned in Appendix "B" to the above A/T.

2. *Specification:—As in the attached schedule.*

3. *Quality:—The materials must be manufactured by the process as stipulated in the specifications as mentioned against each size in the schedule and M/s. Round Oak Steel Works, Ltd., Brierley Hills, Staffs, England.*

Cast number may be given on the metal tags attached to each bundle. The materials shall be free from surface defects of any kind, free from cracks and conform to the section specified and finished in a workmanlike manner. Inspection Test Certificate must accompany each consignment.

4. *Replacement*:—The Contractor may, at his option, replace products proved to be defective or refund full landed value of the goods as per contract. If the contractor so desires, the defective materials can be taken over by him for disposals as he deems fit within a period of three months from the date of receipt of the replaced materials. At the expiry of this period no claim whatsoever shall lie on the purchaser. The contractor shall not be liable for any claims for labour or consequential damages.

5. *Price*:—Your C.I.F. price per long ton for Calcutta Port will be indicated in the attached schedule.

The prices are inclusive of all extras for quality, size, packing etc., and your remuneration and are based on ocean freight of sh. 90 less 9½ per cent. per long ton. Any variation in the above ocean freight at the time of actual shipment will be on Government account.

6. *Shipment*:—Shipment of the entire tonnage must be completed by 20/8. Any material shipped beyond the stipulated date will be subject to a reduction in price by Rs. 20 per tonne or the difference between the A/T price and market price ruling on the date of breach whichever is higher. The Government of India also reserves the right to purchase elsewhere without notice to you, on your account and at your risk and cost, such materials as has not been shipped within the above date and you will be liable for any loss which the Government of India may sustain on this account but in any event you will not be entitled to any gain on purchase made against such default. The Government of India will, however, appreciate shipment of the entire quantity will before the completion period indicated above. Shipment shall be made by Indian vessel as far as practicable.

With a view to enabling the Iron and Steel Control to plan properly for the distribution of the steel in question immediately on arrival of consignment you must submit to the Iron and Steel Control advance information of all expected shipments of steel against the A/T indicating the name of the vessel, the port of arrival and the categories and quantities of steel. Such information should reach this office at least 30 days before the date of arrival of a Steamer at the Port and for shipments for the Ports of Bombay and Madras, copies of the required information should be repeated to the Regional Offices of the Iron and Steel Control concerned.

7. *Removal*:—While in your custody, you will be responsible for all loss of or damage to the material arising from any cause.

8. *Exceptions*:—If at any time during the continuance of this contract the performance in whole or part by either party of any obligations under this contract shall be prevented or delayed by reason of any war, hostility, acts of public enemy, civil commotion, sabotage, exceptional epidemics, quarantine, restrictions or other acts of God (hereinafter referred to as "eventuality") then, provided notice of the happening of any such eventuality is given by either party to the other within 15 days from the date of occurrence thereof, neither party shall by reason of such eventuality be entitled to terminate this contract nor shall either party have any claim for demurrages against the other in

respect of such non-performance or delay in performance deliveries under this contract shall be resumed as soon as practicable after such eventuality has come to an end. The decision of the Iron and Steel Controller as to whether deliveries have been resumed shall be final and conclusive.

Provided that if the performance in the whole or part of any obligations under this contract is delayed by reason of any such eventuality for exceeding 60 days either party may at his option terminate the contract.

9. *Delivery*:—The materials as soon as received in the jetty should forthwith be delivered ex-jetty to the party or parties nominated by the Iron and Steel Controller and no demurrage if incurred at the Port will be reimbursed by the Government. When the consignee wishes that the steel should be booked by rail, the steel should be booked (1) for Col. 1 rate this should be "freight prepaid" (2) for landed cost freight to pay.

10. *Inspection and its Charges*:—The materials are to be surface inspected and passed by the Hill Inspector before despatch. Each despatch should be accompanied by a certificate issued by the Mills Inspector mentioning that the said materials conform to the required specification. Such inspection will be free of charge to the buyers. The materials are to be inspected by the D.G., I.S.D., London or his nominee.

The Iron and Steel Controller retains the right to appoint an inspecting officer and the officer shall have the right to be present during all stages of manufacture and shall be afforded all reasonable facilities for satisfying himself that the materials are being manufactured in accordance with the specification laid down in the Schedule attached. If you are asked to pay any inspection charges for the inspector nominated by the Iron and Steel Controller, such charges shall be paid by you in the first instance and be reimbursed to you later either by the consignee or by this office. Such charges which will be approved by the Iron and Steel Controller shall not be taken into account, to build up the C.I.F. cost.

11. *Payment*:—(a) For supplies to Railway Fabricators: On completion of delivery of each consignment, you shall submit your 100 per cent bill to the consignees nominated by this office for immediate payment against proof of despatch at Col. 1 Price of the Indian Price schedule ruling on the date of despatch from Indian Ports, plus the admissible extras as per Extra List plus Sales Tax, if any wherever applicable. You will be entitled to recover from the Iron and Steel Equalisation Fund, the difference between the landed cost as defined in the Gazette Notification No. SC(B)-4(436)/60, dated 4th October, 1960 and the price you have recovered from the consignee. For this purpose you will submit a bill to the Iron and Steel Controller for payment of the difference between the Col. 1 price and the landed cost based on C.I.F. Price mentioned above together with the relevant shipping documents and consignees' receipt. In the event of the contract price being less than Col. 1 rate, the difference will have to be paid by you to the Equalisation Fund, a Bank Guarantee to that effect may be furnished to this office immediately.

(b) For supplies direct to Railways: On completion of delivery of each consignment, you shall submit your 100 per cent. bill at full landed cost as defined in the Gazette Notification No. SC(B)-4(436)/60 dated 4th October, 1960 published in Part I Section I of the Gazette of India dated 8th October 1960 based on the C.I.F. price indicated in this letter to the consignees nominated by this office for payment.

12. Please acknowledge receipt of this letter by returning duly signed the duplicate copy of this order to this office within seven days under cover of the specimen letter attached. In case of your failure to supply the materials 3 per cent. C.I.F. value of the A/T will be recovered either from your Performance Bond or from your pending claims of import subsidy in this office.

Yours faithfully,

Sd/- V. DORASWAMY,

Dy. Iron and Steel Controller,
For and on behalf of the President of India.

Copy to:—

1. D.G. I.S.D., Government Buildings, Bromyard venue, Acton, W:3.
London—For arranging inspection of the materials (2 copies).
2. S.I.C. Section
3. Rly. Section, I&SC, Calcutta.
4. Import Subsidy Sec. (Genl.)
5. Import Subsidy Sec. (Bills).
6. Purchase Audit-II.
7. DDA, F.R.S., C.S. & M.,
Calcutta.
8. Concurrent Audit-I.

Financial concurrence has been obtained.

Through authentication channel.

9. Statistical Section.
10. J.D. (S)—2 copies**.
11. Ministry of Steel, Mines and Fuel (Department of Iron and Steel), New Delhi.
12. Guard File.
13. Allottees (6 in number) on 8th September, 1961.

Yours faithfully,

Sd/- V. DORASWAMY,

Dy. Iron and Steel Controller,
For and on behalf of the President of India.

**The subsidy involved in this case will be initially paid by the Iron and Steel Control Equalisation Fund subject to overall adjustment between the Rly. revenues and the Equalisation Fund.

SCHEDULE TO A/T NO. CS/94/1/N/61

Dated the

September 1961

Item No.	Material and Size	Specification	Tonnage	C. I. F. Price per L/T including all remunerations for Indian Port Calcutta
M. S. FLATS :				
8	80MM x 12MM x 4.50M	ISS-226 Gr. AS W Siemens Martin	40.00	611.00
9	80MM x 20MM x 4.25M	Open Hearth and/or Electric Steel Preferably Electric Steel.	2.31	611.00
10	100MM x 25MM x 5.25M		40.00	621.00
7	80MM x 28MM x 4.85M	ISS-226 ASWC Siemens Martin Open Hearth and/or Electric Steel preferably Electric Steel	150.00	646.00
9	80MM x 28MM x 4.25M		100.00	646.00
10	100MM x 20MM x 5M		100.00	636.00
11	100MM x 16MM x 5M		40.00	636.00
12	100MM x 10MM x 5.20M		40.00	636.00
13	125MM x 12MM x 5M		40.00	636.00
15	3" x 1" x 4.50M		20.00	646.00
1	125MM x 25MM x 5.50M	IRSM.M-IV-CI IV Siemens Martin Open Hearth and/or Electric Steel preferably Elec- tric Steel.	600.00	
			1372.31	

Total C.I.F. Value Rs. 8,85,431.41 nP. (Rupees eight lakhs eighty five thousand for hundred thirty one forty one Naya Paise) only.

APPENDIX XCVI

PERFORMANCE BOND

Date Bond executed. (The date of this bond must not be prior to the date of the instrument in connection with which it is given.)

Principal.
Surety

KNOW ALL MEN BY THESE PRESENTS, That we, the PRINCIPAL and SURETY above named, are held and firmly bound unto the President of India hereinafter called the Government in the penal sum of the amount stated above, for payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, and successors jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH that, whereas the Principal entered into a certain contract with the Government, numbered and dated as shown above and hereto attached;

NOW THEREFORE, if the Principal shall well and truly perform and fulfil all the undertakings, covenants, terms, conditions, and agreements of said contract during the original terms of said contract and any extensions thereof that may be granted by the Government, with or without notice to the surety, and during the life of any guarantee required under the contract and shall also well and truly perform and fulfil all the undertakings, covenants, terms, conditions, and agreements of any and all duly authorized notifications of said contract that may hereafter be made, notice of which modifications to the surety being hereby waived, then, this obligation to be void; otherwise to remain full force and virtue.

IN WITNESS WHEREOF, the above-bounden parties have executed this instruments under their several seals on the date indicated above, the name and corporate seal of each corporate party being hereto affixed and those presents, duly signed by its undersigned representative, pursuant to Authority of its Governing Body.

In presence of :
WITNESS

INDIVIDUAL PRINCIPAL

- I. as to(Seal)
2. as to(Seal)
3. as to(Seal)
4. as to(Seal)

WITNESS	INDIVIDUAL SURETY
1. as to.....(Seal)	
2. as to.....(Seal)	

Attest :	Corporate Principle
	Business Address
	BY AFFIX
	CORPORATE

	Title SEAL
--	---

Attest :	Corporate Surety
	Business Address
	By AFFIX
	CORPORATE

	Title SEAL
--	---

CERTIFICATE AS TO CORPORATE PRINCIPAL

I,....., certify that I am the Secretary of the Corporation names as principal in the within bond, thatwho signed the said bond on behalf of the principal, was then.....of said corporation; that I know his signature, and his signature there to is genuine; and that said bond was duly signed, sealed, and attested for and in behalf of said corporation by Authority of its Governing Body.

.....(Corporate Seal)

APPENDIX XCVII

Government of India

MINISTRY OF STEEL, MINES AND FUEL

(Department of Steel)

Iron & Steel Control

33, Netaji Subhas Road, Calcutta-1.

No. AI/I/29/59/8

Dated, 5-12-1959

SECTION ORDER

There seems to be some confusion in the Sections regarding issue of surcharge bills, etc. The following instructions may be kept in view for strict compliance:—

1. Action on receipt of L/O.

- (i) Letter to the importer asking him to furnish the bank guarantee should issue on the day the L/O is received or on the next working day.
- (ii) The fact of non receipt of bank guarantee within 3 days (as required by L/O) should be reported to Purchase Section on the 4th day promptly.

11. Action on receipt of bank guarantees.

- (i) The bank guarantee should be diarised under the direct supervision of the Superintendent of the day of its receipt and entries made in the register the same day and in any case, not later than the next working day.
- (ii) A letter should issue inviting the attention of the importers to the provision of circular AI/I/1/59/7 dated 11-3-59 after the entries are made in the register.

80 days time is allowed to enable the Importer to sell the materials and realise the value thereof.

- (iii) If the statement of account is not received within 80 days, together with remittance for the amount of surcharge provisional bill for estimated surcharge should issue on the 81st day.
- (iv) If payment and/of statement is still not received, on the 91st day, letter as per Section Order No. AI/I/24/59/3, dated 4-9-59 should issue calling upon the importer to pay 75 per cent of the estimated surcharge.

(v) If payment against (iv) is not received by the 98th day, bank guarantee should be invoked for the full amount of estimated surcharge as per Section Order No. AI/I/24/59/3 dated 4th September 1959.

If payment against (iv) is received the importer should be asked immediately to extend within 7 days the bank guarantee for a further period of 4 months for the reduced amount.

(vi) If the extension as sought in para 2 of (v) is not received, bank guarantee should be invoked on the 105th day for the required amount.

Since the above adjustments are all provisional, the importer should be reminded to submit the statement of account.

If in any case the bank guarantee is furnished only for 3 months instead of the usual period of 4 months, steps as envisaged above will commence from the 60th day.

The statement of account as and when received should be dealt with promptly. The disposal in any case should be completed within 3 days in the case of smaller ones and 7 days in the case of larger ones.

Representation, if any, received from the importer should be dealt with, without in any way deviating from the steps prescribed above.

Reminders wherever necessary are to be issued once a week.

Lists of defaulters in submitting statement of account, making payment of surcharge bill etc., are to be prepared every week and submitted to the officer on the Monday of each week, to the D.P. & A.O. on alternate Mondays and P. & A.O. in the first week of the month.

Standard drafts have already been approved in the case of two items. Specimen Drafts for the remaining items are also given below.

Sd/- K. N. MURTHI,

Dy. Price & Accounts Officer for Iron & Steel Controller.

(1)

Messrs.....
Dear Sirs,

Ref: This office L/O No.
Dated.

As envisaged in para of the Letter Order quoted above, you are required to furnish a bank guarantee for valid for a period not less than 4 months by

Yours faithfully,

Copy to:-The purchase Section.

(2)

Attention of the Purchase Section is invited to this Section endorsement No. _____ dated _____ The bank guarantee as called for therein, has not yet been received. Necessary action may kindly be taken.

Purchase Section

U.O. No.

(3)

Messrs.....

Dear Sirs,

Ref: This office L/O No. _____

Dated _____

Attention is invited to this office circular No. _____ dt. _____ the provisions of which may carefully be noted for strict compliance.

Yours faithfully,

()

(4)

Messrs.....

Dear Sirs,

Ref. (i) This Office L/O No.

Dated.

(ii) This Office Circular No.

Dated.

(iii) Your letter No.

Dated. and

(iv) Bank Guarantee No.

Dated.

Since the statement of account as envisaged in item (ii) above, has not yet been received, please find enclosed herewith bill No. Payment of the same may kindly be made within 14 days from the date of the bill, failing which the bank guarantee will have to be invoked. The amount of this bill is to be considered as provisional, subject to readjustment after receiving the statement of account with the full set of documents, submission of which may please be expedited.

Yours faithfully,

Copy to: The Bank.

(5)

Messrs.....

Dear Sirs,

Ref: This Office L/O No.

Dated. and

(ii) Your letter No.

Dated.

You are hereby requested to extend the bank guarantee for Rs. _____ for a further period of 4 months. This extension letter should reach this office by.

Yours faithfully,

APPENDIX XCVIII

IRON AND STEEL CONTROL (BULK AND GENERAL PURCHASE SECTION)

OFFICE NOTE No. BGP/P(7)/63

DATED THE 21ST NOVEMBER 63

It has been decided that henceforth the following procedure will be followed in respect of issue of Letter Orders/Acceptance of Tender by the Sections concerned.

1. Before the L.O/A.T. is issued the draft will be sent to the Import Subsidy Section for calculation of surcharge if any. The Import Subsidy Section will calculate the approximate amount of surcharge plus 10 per cent and return the file to the Purchase Section within two days.

2. The L.O/A.T. will then be issued with the specific stipulation that the Handling Agents will not be allowed to clear the materials unless the Bank Guarantee is furnished by them and that they will be solely responsible for any demurrage, rental, wharfage, damage or loss that may be incurred due to delay in furnishing the Bank Guarantee resulting in delay in issuing the Customs Clearance Permits.

3. The Handling Agents will return within two days from the date of its receipt, the duplicate copy of the L.O/A.T. duly signed by them along with an application for Import Licence showing the value for which the licence is to be issued to the Purchase Section who will forward the application to the Steel Import Control Section/Regional Office of the Iron and Steel Controller at Bombay/Madras as the case may be immediately.

4. S.I.C. Section/Reg. Offices at Bombay/Madras will issue the Exchange Control Copy only of the Import Licence with-holding the CCP. Copy pending receipt of the Bank Guarantee.

5. On receipt of intimation of shipping but at least ten days before arrival of the vessel in India or earlier, the Handling Agents must submit an application for the Customs Clearance Permit indicating the details of the consignment shipped along with the required Bank Guarantee for—

- (i) the full amount of surcharge as indicated in the L.O.A./T. in case of import from Russia or in case where Handling Contracts are placed on receipt of shipment advice.
- (ii) such amount as may be calculated proportionately for the tonnage shipped at the rate of total surcharge indicated in the L.O/A.T. divided by total tonnage of the L.O/A.T. per tonne in all other cases

Such application along with the Bank Guarantee must be addressed to the Import Subsidy Section of the Iron & Steel Control at Calcutta who will verify the B. G. and retain the B. G. with them. A clearance certificate will forthwith be sent by the Import Subsidy Section along with the application for CCP to the S.I.C. Section /Reg. Offices at Bombay/Madras with a copy endorsed to the Bulk & General Purchase Section and on receipt of the same, the Customs Clearance copy of the Import Licence will be issued to the Handling Agents immediately with a copy endorsed to the Bulk & General Purchase Section, so that this is received by the Handling Agents before the vessel starts unloading of cargo at the port.

Sd/- S. C. MUKHERJI,
Iron & Steel Controller.

Distribution:

- (1) Regional Offices at Bombay/Madras (5 copies each).
- (2) Import Subsidy Section (10 copies) For necessary action.
- (3) S.I.C. Section (5 copies).
- (4) Regional Office at New Delhi. For information.
- (5) Ministry of Steel & Heavy Industries, Department of Iron and Steel, New Delhi.

APPENDIX XCIX

Serial No.	Names of Successful Tenderers.	Letter Order No. & Date	A/T No. & Date	Import No. & Date	Licences Value (Rs.)	Position of Surchage recovery	Names of Officers/Assistants concerned.												
1	2	3	4	5	6	7	8												
1	M/s Chaliha Rolling Mills, (I) Ltd., Calcutta.	CS/92/N/51, dt. 25-4-61.	CS/92/N/61, dt. 19-9-61	SIC/IL/TD/1501/93, dt. 31-8-61	7,16,489	Provisional bill No. (i) EF/8882 dated 2-5-62 for Rs. 30,770 and (ii) EF/11165 dated 1-2-66 for Rs. 20,786.85 reduced by Credit Note for Rs. 11,392.25—net Rs. 40,164.60. Adjusted/paid as follows:—	(1) Shri V. Doraswamy Deputy Iron and Steel Controller (since retired). (2) Shri S. Bannerjee Assistant.												
						<table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">Rs.</td> </tr> <tr> <td>19-3-66</td> <td style="text-align: right;">30,770.00</td> </tr> <tr> <td></td> <td style="text-align: right;">3,080.00</td> </tr> <tr> <td>C.N. on</td> <td style="text-align: right;">11,392.25</td> </tr> <tr> <td>3-6-66</td> <td style="text-align: right;">6,314.60</td> </tr> <tr> <td>29-6-66</td> <td style="text-align: right;"><u>51,556.85</u></td> </tr> </table>		Rs.	19-3-66	30,770.00		3,080.00	C.N. on	11,392.25	3-6-66	6,314.60	29-6-66	<u>51,556.85</u>	
	Rs.																		
19-3-66	30,770.00																		
	3,080.00																		
C.N. on	11,392.25																		
3-6-66	6,314.60																		
29-6-66	<u>51,556.85</u>																		

1	2	3	4	5	6	7	8
2.	M/s Industrial Importers (P) Ltd., Calcutta	CS/93/N/61 dt. 20-5-61,	CS/93/N/61/ 1096, dt. 8-9-61.	SIC/IL/TD/ 1201/107, dt. 12-6-61	1,38,970	A/T provide supply at full landed cost.	
3.	M/s Mahindra & Mahindra Ltd. Calcutta.	CS/94/2/N 61, dated 3-6-61.	CS/94/2/N 61/1093 dt. 5-9-61.	SIC/IL/TD/ 1401/114 dt. 22-6-61.	20,35,865	Bill No. EF/9248, dated 12-9-62 for Rs. 68,501.25/- fully adjusted on 28-3-63.	(1) Shri P.R. Nair, Dy. I & SC. (2) Shri V. Doraiswamy, Dy. I & SC (since retired). (3) Shri S. Ghosh, Assistant-in-Charge. (4) Shri Rathindra Dey, U.D.C.
4.	M/s Amin Chand Payare Lal, Calcutta.	CS/94/1/N/ 61, dated 3-6-61.	CS/94/1/N/ C1/1092, dated 5-9-61.	SIC/IL/TD/ 1401/112, dt. 20-6-61.	8,85,431	Provisional bill No. EF/9229, dated 27-8-62, for Rs. 112,809.90 drawn and fully adjusted on 30-12-65. Final amount determined as Rs. 99,103.30 i.e. it is a case of refund subject to pre audit.	(1) Shri V. Doraiswamy, Dy. I & SC (since retired). (2) Shri P. R. Nair, Dy. I & SC. (3) Shri S. Ghosh, Asst.-in-charge. (4) Shri S. Banerjee, Assistant

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|---|-------------------------------|-----------------------------------|----------------------------------|----------|--|--|
| 5. M/s V.D. Swamy & Co. (P) Ltd., Calcutta. | CS/95/1/N/ 61 dated 28-7-61. | CS/95/1/N 61/1097, dated 14-9-61. | SIC/IL/TD 1401/162, dt. 30-9-61. | 39,526 | Prov. bill drawn under No. EF/9349 dated 1-12-62 for Rs. 249·03 which has been fully adjusted on 13-12-62. | (1) Shri V. Doraiswamy, Dy. I&SC (since retired).
(2) Shri S. Banerjee, Asstt.
(3) Shri Rathindra Dey, U.D.C. |
| 6. M/s Amin Chand Payare Lal, Calcutta. | CS/95/2/N/ 61, dated 29-7-61. | CS/95/2/N/ 61/1094, dated 5-9-61. | SIC/IL/TD 1401/163, dt. 24-8-61. | 37,883 | Prov. bill No. EF/9470, dt. 16-2-63 for Rs. 5,566·86 drawn and fully adjusted on 19-12-63. | (1) Sh. V. Doraiswamy, Dy. I & SC (since retired).
(2) Shri S. Banerjee, Asstt.
(3) Shri Rathindra Dey, U.D.C. |
| | | | | | Further bill drawn No. EF/11315 dt. 5-1-67 for Rs. 886·30 the case has been referred to arbitration. | |
| 7. M/s Mahindra & Mahindra Ltd., Calcutta. | CS/95/3/N/ 61, dated 31-7-61. | CS/95/3/N/ 61/1095, dt. 8-9-61. | SIC/IL/TD 1401/164, dt. 24-8-61. | 2,31,243 | Bill drawn under No. EF/9700/110, dated 17-7-63 for Rs. 29,204·92 Adjusted. | (1) Shri V. Doraiswamy, Dy. I&SC (since retired).
(2) Shri S. Banerjee, Asstt. |

Rs.
22-7-63 18,541·26
26-7-63 10,663·66

29,204·92

APPENDIX C

Confidential

IRON & STEEL CONTROL
33, NETAJI SUBHAS ROAD, CALCUTTA-1

D.O. No. C/Progress/(90)/60

July 18th 1960

Dear Shri Bhoothalingam,

Recently one or two firms, who have been granted barter deals for export of Hindustan Steel pig iron and semis against import of steel, have reported to me that Hindustan Steel are lagging considerably behind the promised delivery schedule. They fear that if deliveries are long delayed by Hindustan Steel Ltd., the letters of credit, opened in their favour by the foreign purchasers, might be cancelled. This might create a very serious situation as we have, in many cases, permitted the firms to import steel, before export, against 15 per cent Bank Guarantee. Although the form of the Bank Guarantee (copy enclosed) has been so drafted by us in consultation with the Solicitor to the Central Government at Calcutta that the parties cannot go back on their commitment for export simply on the plea that supplies have been delayed by Hindustan Steel, we may find it difficult to force them to export the materials, particularly in cases where the prices of exportable goods go down considerably. It may also so happen that the foreign exchange, which they might actually earn through the exports, might be much less than what they were supposed to earn. In such cases we may ultimately be faced with a situation where foreign exchange for these imports might have to be found from other resources. As a measure of precaution, therefore, I have discontinued issue of import licences against 15 per cent Bank Guarantee until the supply position of exportable materials becomes a little clearer. I have also requested Bery to keep a close watch over the supplies of exportable materials by Hindustan Steel Ltd., and to send us a monthly return of actual performance so that corrective action may be taken as soon as we find that supplies are not in line with the promised schedule.

Yours faithfully,

Sd/- A. S. BAM,

Shri S. Bhoothalingam, ICS, Secretary to Govt. of India, Department of Iron & Steel, Maulana Azad Road, New Delhi.

APPENDIX NO. C I

Confidential

D.O. No. 7/2/66-CI(ST), Government of India, Department of Iron and Steel Committee of Inquiry, Steel Transactions, New Delhi, 7th June, 1967.

P. Sabanayagam,
Secretary, CI(ST).

Dear Shri,

I am directed by the Committee of Inquiry to forward to you a note recorded by them and to request you to examine the points raised therein and let us have comprehensive information on the questions raised with your comments. The Committee have also directed me to inform you that after receipt of your comments they might like to discuss the matter with you. I shall be grateful if you could send comments by the end of the month.

Yours faithfully,

Sd./- P. SABANAYAGAM.

Shri S. Jagannathan, Secretary, M/Finance.

Shri K. B. Lal, Secretary, Commerce Ministry.

Shri H. Lal, Secretary, Steel Mines & Metals Ministry.

Shri B. N. Adarkar, Dy. Governor, Reserve Bank, Bombay.

Shri S. Ranganathan, C.A.G., New Delhi.

"The Committee have come across instances where the value shown in the Customs Clearance Permit was in excess of the amount shown in the Import Licence. The Committee are informed that there is at present no machinery which would be expected to bring to light such a patent anomaly. This may have been so because there is no single authority or common link between the various controlling authorities.

2. The Committee understand that on account of foreign exchange shortage controls had to be imposed on imports and exports and on foreign exchange. In the situation of general shortages and controls it is natural that some individuals and firms would try to profit at the expense of the community by exploiting any loophole, laxity or other deficiency that might exist in any office charged with the duty of enforcing and administering the controls.

3. In connection with the scheme for financing certain imports of steel materials entirely with the help of the foreign exchange earned by exporting specified quantity of semi-finished steel, the Committee observed that the scheme failed in that the foreign exchange used up on the imports was substantially in excess of the exchange earned from the exports. While it is true no scheme or system however well devised,

could altogether obviate the failure of the human elements, the more serious aspect is that there is at present no machinery by which such failures could be expected to be brought to the notice of Government or of Parliament to which the Government is ultimately responsible. The Committee is considering a suggestion that the system of control devised by the Controlling Offices should be periodically reviewed by an independent authority to ensure that the system itself is adequate and efficient and that it is being duly implemented.

4. The Committee understand that the Auditor General audits the accounts of expenses and receipts of the Centre. He also audits the stores accounts of Government. But he does not at present audit the accounts of foreign exchange earnings and outgoings. The Committee would like to understand why so important a matter as the foreign exchange accounts of the nation, on which depends the international solvency and creditworthiness of Government, should continue to be excluded from the Auditor General's purview.

The Committee would be glad to discuss this question at meeting with the Comptroller and Auditor General, Deputy Governor, Reserve Bank of India and the Secretaries of the Ministries of Finance (Economic Affairs), Commerce and Iron and Steel."

No. CAG/175.

COMPTROLLER AND AUDITOR-GENERAL OF INDIA,
NEW DELHI

July 5, 1967.

My dear Sabanayagam,

This is with reference to your Confidential D.O. No. 7/2/66-CI(ST), dated the 7th/8th June, 1967.

2. I received this letter only on the 14th of June and soon thereafter, I left on a somewhat extended tour and came back only last night. This explains the time that has lapsed in my replying to you.

3. So far as I know, in the licensing that is under the control of the establishment of the Chief Controller of Imports and Exports, any attempt to import in excess of the amount of value authorised would come to the notice of the Customs authorities. I say this only on the basis of what I knew when I was working as Secretary to Government and not on the basis of any thing within the knowledge of the Audit Department. If, on the Iron and Steel side, instances have come to notice where the value shown in the Customs Clearance Permit was in excess of the amount shown in the Import Licence, I should infer that this is possible only because of some administrative lapse in the special method adopted by the Iron and Steel Controller to issue the import licence in the first instance and Customs Clearance Permits subsequently, merely to enable the handling agents to clear consignments on arrival at the Ports. I am only inferring this because there has been no audit of these administrative actions so far. It may not be a bad thing, if Government were to require that procedures like this, whenever they are worked out, should be cleared with Audit to ensure that the procedure is fool-proof. If such procedures are cleared through Audit at inception, Audit could also apply a test-check to see whether procedure is being effectively implemented. I feel that without any undue stretching of his existing powers, the Comptroller and Auditor General could undertake the work involved in this.

4. As regards the Comptroller and Auditor General not auditing the accounts of Foreign Exchange earnings and outgoings, I see no reason why it should continue to be excluded, as has been recorded in the note enclosed with your letter, from the Auditor General's purview. In terms of Article 149 of the Constitution and paragraph 13 of the Audit and Accounts Order, 1936, he cannot at the moment take up for audit the Foreign Exchange transactions which are outside the Government Accounts and are carried on by the Reserve Bank of India. If Government exercises the powers it has under section 51 of the Reserve Bank of India Act, such an audit could be made feasible. Should it be felt that Section 51 does not strictly provide for a regular or continuing audit by the Comptroller and Auditor General, provision for this could be made if required in the Bill that is at present under consideration by Government to define the duties and powers of the Comptroller & Auditor General and he may be required by Parliament to audit the accounts of the Reserve Bank or any other body or authority wholly owned by Government.

5. If Government were to accept the position stated in paragraphs 3 and 4 above, details would, of course have to be worked out by my officers with the officers of the Ministry, Department or Body concerned.

Yours sincerely,

Sd./- S. RANGANATHANH.

Shri P. Sabanayagam,
Jt. Secy. and Secretary (ST)
Committee of Inquiry (ST).

D. O. No. SC(II)-14(18)/66
MINISTRY OF IRON & STEEL
July 17, 1967

Confidential

My dear Sabanayagam,

Please refer to your D. O. letter No. 7/2/66-CI(ST), dated nil June, 1967, forwarding a note recorded by the Committee, for my comments.

2. I enclose a note giving our comments on paragraphs 1-3 of the Committee's note. We have not given any comments on paragraph 4 as this primarily the concern of the Ministry of Finance and the Comptroller and Auditor General whom, I understand, you have separately addressed.

Yours faithfully,
H. LAL.

Shri P. Sabanayagam,
Secretary,
Inquiry Committee (ST),
L-II Block, New Delhi.

It has been stated that the Committee have come across some instances where the value shown in the customs clearance permit was in excess of the amount shown in the Exchange Control copy of the import licence.

2. According to the procedure followed by the Iron & Steel Controller and his Regional offices, the Exchange Control copy and the customs clearance permits of a particular import licence are issued from the same file. Every time a CCP is issued against a licence, the value thereof is noted on the fly-sheet and deducted from the value of the licence. A running account is thus maintained in the file of the total value of CCPs issued. It gives readily the balance amount available under the licence at any particular time for issue of further Customs Clearance Permits. This procedure rules out any possibility of Customs Clearance Permits being issued by mistake for a total value exceeding the value of the licence.

3. Steel Controller who was consulted in the matter has informed that from enquiries made from the officers dealing with these cases, it is revealed that in a few cases, it was noticed while examining the applications received from the importers for issue of Customs Clearance Permits, the rates quoted thereof by the overseas suppliers in their invoices were higher than the rates on which the licences were based (though the materials shipped were according to specifications required). The importers had no time to take up the matter with the suppliers to get the invoices revised.

In such cases the choice before the Controller was either to issue the CCPs at the higher rates shown in the invoices or to refuse to issue the CCPs at all. In the case of refusal to issue the CCPs the materials might have to be shipped back to the countries of origin. Since the materials were according to the required specification and were required to be shipped back to the countries of origin, it was decided by the Controller to issue CCPs in these cases for higher value on the basis of invoices. While doing so, it was intended neither to allow the importers to remit additional amount of foreign exchange to the overseas suppliers nor to permit them to charge the price of the materials from the allottees at a rate higher than that stipulated in the licence. This was sought to be ensured by not making any amendment in the Exchange Control Copy of the licence. As remittance of foreign exchange is not authorised on the basis of CCPs, the issue of CCPs for higher value did not affect the position in that regard. In order to ensure that the importers did not charge higher price for materials from the allottees, an undertaking was taken from them to that effect in those cases.

4. Whether or not it was correct to issue CCPs for higher value is a matter for the Committee to judge in the circumstances and facts of each case. It will, however, appear from what has been stated above that the issue of CCPs for higher value had not occurred because of any loophole in the system or because of any laxity or inefficiency in implementation and that it had taken place as a result of deliberate decision. It will appear further that while doing so, care was taken by the Controller to ensure that it did not create any additional liability in the matter of remittance of foreign exchange.

5. In barter cases in general, imports are allowed only after the necessary amount of foreign exchange has already been earned. In such cases, the import licences are issued only after production of proof regarding the earning of foreign exchange. There is thus no risk of imports being made in such cases in excess of the foreign exchange earned from exports.

6. In the pre-import barter cases, however, the stipulation regarding the exports did not materialise to the full extent, leading to imports being made in excess of the foreign exchange earned through exports. The factors on account of which the stipulation regarding the exports did not materialise fully were many. These are already being looked into by the Committee. While it is a fact that no regular machinery existed to review the progress of the exports in these cases, efforts were made by the Iron and Steel Controller, to keep watch on the progress made in that behalf and to keep Government informed of the position.

7. Licences for import of materials are no longer issued in advance of the earning of foreign exchange through exports. There is thus no likelihood of the aforesaid situation arising again. To safeguard against such a likelihood, the Committee's suggestion regarding periodical review by an independent authority, of the system of control devised by controlling officers in such matters and the implementation thereof could usefully be tried.

Confidential

D.O. No. 333/S(C)/67

July 26, 1967

My dear Sabanayagam,

Please refer to the correspondence resting with your d.o. letter No. 7/2/66-CI(ST)/1038, dated the 19th June 1967, regarding the information on the questions raised by the Committee of Inquiry. My comments on the points raised will be found in the enclosure.

2. I regret the delay in attending to your enquiry.

Your sincerely,

Sd/- K. B. Lal.

Shri P. Sabanayagam,
Joint Secretary & Secretary, CI(ST),
Department of Iron & Steel, New Delhi.

Para No. 1

The reference is presumably to the practice which prevailed in the I&S Controllers Organisation to issue in the first instance the EC copy of a licence and thereafter to issue CCPs, as and when asked for, in lieu of the customs copy of the licence. Ordinarily the total value of the CCPs should not exceed the value indicated in the EC copy of the licence. If there have been cases of the aggregate value of the CCPs exceeding the value indicated in the EC copy, it can only be through inadvertence, or on the basis accepted by the licensing authority, that the value likely to be adopted by the Customs is 'loaded'

i.e., more than the cost actually incurred. The practice of issuing CCPs later instead of issuing the custom copy of the licences simultaneously with the E.C. copy, may have had certain advantages, but its chief demerit was that the function of checking that a licensee did not import more goods than was intended at the time of granting the licence, got transferred from the Customs to the licensing authority. This practice does not obtain in the CCI&E's organisation. It is understood that it has been discontinued in the I&S Controller's Organisation also from 1962.

Para No. 2

No comments.

Para No. 3

In the CCI&E's Organisation, if an import licence is granted subject to export obligation, there is usually the stipulation among the conditions of the licence that the licensee will execute a bond or give an undertaking regarding the export obligation, before he is in a position to operate on the licence. The work connected with the acceptance of the bond or undertaking and the certification regarding the acceptance is generally handled by a Section other than the licensing Section. The follow-up on such bonds/undertaking is also the responsibility of that Section which maintains an upto-date register of all such bonds/undertakings. This ensures that export obligations are not overlooked. There is an Inspection Unit in the organisation at the Headquarters which examines from time to time, whether this system of internal control is operating satisfactorily.

Para No. 4

The licences issued by the various licensing authorities can be grouped into two broad categories,

- (i) those issued for the value recommended by a sponsoring authority; and
- (ii) those issued by the licensing authorities on the basis of their own calculations.

So far as the first category is concerned, the sponsoring authority concerned is given an intimation of the particulars of the licence issued. That authority can therefore check whether the licences have been correctly issued. In the case of the second category of licences, the check is exercised on a sample basis in the inspection carried out by a superior officer. The Headquarters Inspection Unit also carry out a test check. Thus there is already a system of internal control.

The Auditor General is constitutionally concerned with the Consolidated Fund of India, and not with the nations foreign exchange earnings and expenditure. The foreign exchange account is maintained by the Reserve Bank of India. It is for them to consider whether their system of inspection and control needs to be strengthened. Perhaps, greater coordination between the Reserve Bank of India and the governmental authorities concerned with those individuals and enterprises which earn and spend foreign exchange could help to identify the points at which control/inspection needs to be tightened with a view to preventing possible leakages/losses.

Confidential

ECONOMIC SECRETARY

Ministry of Finance

New Delhi, 9th January 1968

D.O. No. 2132-SSEA/67

My dear Sabanayagam,

Please refer to your Confidential letter No. 7/2/66-CI(ST) dated the 8th June 1967 inviting my comments on the points raised in a note sent with the letter which referred to (a) the possibility of a periodical review by an independent authority of the adequacy of the system of control of foreign exchange expenditure and (b) the possibility of including within the Auditor General's purview the "foreign exchange accounts of the nation". When I appeared before the Committee this matter was gone into in oral testimony. As promised at that time I am setting out my views in more specific terms. I am sorry I have not been able to do this earlier owing to my absence from the country and other pre-occupations which you may be aware of.

2. The following background may serve to place the matter in perspective. First of all, although Government has power to regulate the disposal of all foreign exchange earned by the residents of the country, the foreign exchange or most of it does not belong to Government. Consequently not all of it is reflected in Government accounts as a receipt or expenditure of Government. To the extent that it does constitute such receipt or expenditure, as in the case of foreign loans to Government for its projects (or the repayment of it or interest payment thereon), it is fully reflected in the budget and is already subject to the purview of the Auditor General and of Parliament. In other words Government does not account for, (and is not accountable in a financial sense), in respect of all the foreign exchange transactions within the country. Secondly, in so far as the foreign exchange transactions outside Government accounts are concerned, it is not as if there is no review or scrutiny of such transactions. In the system of foreign exchange, who in turn have to report such transactions with full particulars to the Reserve Bank. The Reserve Bank, therefore, is the agency through which the foreign exchange transactions are brought to account and kept under scrutiny. In this respect the Reserve Bank performs functions similar to those which it does in respect of other banking transactions in India but in a much more direct sense. The Reserve Bank itself is the controller, examiner, etc., of all private transactions in foreign exchange and there is no basis to suggest that this work in turn should be examined as a matter of routine by someone else. The Bank scrutinises that payments in foreign exchange for imported goods or services have been duly authorised by the Government or by the Bank itself by general or special order. It follows up and ensures that due payment is received in foreign exchange for all exports and within the time prescribed. Finally, it may be pointed out that,

since foreign exchange transactions take place both on private and Government account in innumerable places they are not capable of being booked by a single paymaster who can also periodically "close the books" and strike a balance. It would not, therefore, be possible to compile anything which could be called "the foreign exchange accounts of the nation". Incidentally it would hardly be correct to say that the international solvency and credit-worthiness of Government depend on our having an audited statement of foreign exchange accounts. The cash foreign exchange balances are always known precisely and are published weekly. The foreign debt position as well as the import/export statistics are also available from time to time. These, and an assessment of the economic policies of Government, are the determinants of credit-worthiness and solvency as far as the external account is concerned.

3. Government's power regarding the control of foreign exchange is really the power to allocate or re-allocate something earned or produced by numerous individuals, using the Reserve Bank of India to effect this re-allocation. There is some analogy to Government's powers for the distribution of iron and steel or sugar or cement or other commodities which are manufactured by some large producers but which are distributed under the orders of Government. In these instances, there is no misapprehension that all the steel or the cement or the sugar produced in the entire country belong to the Government. They are merely under the control of Government. It has not been suggested that the Government's functions of regulation in these matters should be subjected to audit. It may also be mentioned that no country such as any of the Commonwealth countries or the United States that has a system of independent audit, such as we have, of all the financial transactions of Government, has any system or practice of auditing financial and monetary controls or the control of foreign exchange. They clearly would not lend themselves to any such review by an independent authority. The Government and the executive authorities of the Government are only performing executive functions and the idea by an independent authority seems hardly sustainable within the framework of our Constitution. Various executive functions of Government, besides for example, foreign exchange control, are regulatory in nature. For instance, the law and order function is regulatory in nature. Management of monetary policy, efforts to curb inflammatory increases in prices, the degree of credit expansion to be permitted to the banking system etc. are regulatory in nature. Whether or not these functions have been performed satisfactorily by Government can be the matter of judgment, only in the ordinary way namely by voters who have an opportunity at the time of election to consider the performance of Government. It is of course quite a different matter if Government itself were to commission a review by an outside agency when it felt the need for such independent review and advice.

4. There is an area in which there is some scope for an internal review so as to ensure that the concerned agencies have used the foreign exchange allotted to them in accordance with the terms on which it was allotted. For example, when another Ministry of Government or any other body is vested with delegated powers to incur foreign exchange expenditure, subject to certain terms and conditions, it may be feasible

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to conduct periodic checks, on behalf, of the Ministry of Finance, to verify that the powers have in fact been utilised by the entity concerned as per terms and conditions laid down for the purpose. To facilitate this, a cell has been created in the Ministry of Finance some time back and the work entrusted to the cell is reviewed and determined periodically to assist the Ministry of Finance to satisfy itself that the delegated authority has been correctly used. Beyond this it is not my view that anything else would be appropriate or feasible.

Yours sincerely,

Sd/- S. JAGANNATHAN,

Shri P. Sabanayagam, Secretary, CI(ST) Department of Iron & Steel,
L-II Block, Brassey Avenue, New Delhi.

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APPENDIX-CII

MEMORANDA ISSUED AND REPLIES THERE TO

Memoranda issued to:—

1. Shri S. Bhoothalingam
2. Shri G. Ramanathan.
3. Shri A. S. Bam.
4. Shri A. N. Banerji.
5. Shri S. Jangannathan.
6. Shri S. C. Mukherjee.
7. Shri V. Dorasami.
8. Shri C. V. Ramachandra
9. Shri L. K. Bose.
10. Shri S. B. Basu.
11. Shri K. Senthappan.
12. Shri B. B. Mukherjee.
13. Shri S. Gupta.
14. Shri S. N. Banerjee.
15. Shri B. B. Phatak.
16. Shri D. P. Mitra.
17. Shri. G. N. Sen.
18. Shri A. K. Sen.

**GOVERNMENT OF INDIA MINISTRY OF STEEL, MINES
AND METALS**

(Department of Iron and Steel)

COMMITTEE OF INQUIRY, STEEL TRANSACTIONS.

New Delhi-1.

May 26th 1967

MEMORANDUM

The Government of India (Ministry of Iron and Steel) vide Resolution No. SC(II)-14(19)/65, dated 12th September, 1966, appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transaction referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri S. Bhoothalingam, while working as Secretary, Department of Iron and Steel, had taken the following decisions/or failed to take action in the undermentioned cases which do not appear to be in accordance with the relevant decisions of Government which were in force at the relevant time and which would require his clarification to enable the Committee to consider whether such decisions taken by him constituted any irregularity/lapse in his part.

- (i) Iron and Steel Controller's file No. CP/SO/65/60-MM/S Surendra Overseas (P) Ltd., Calcutta-Contract No. 29 dated 1st February 1961 with Hindustan Steel Ltd. for export of 11,000 tons of steel ingots and import of finished steel for equivalent value.

On 27th March 1961, Hindustan Steel Ltd., submitted an application for the grant of a pre-import licence for 5,000 M/tons of steel strips against this particular barter deal. Shri S. C. Mukherjee, Deputy Iron and Steel Controller, while submitting the papers to Iron and Steel Controller recorded a note on 30th March 1961 in F. No. 1/10/BR/HSL which is reproduced below:

"This was discussed with Secretary when he was in Calcutta. He ordered that an import licence may be issued prior to export to HSL without any Bank Guarantee. Controller may kindly see."

A pre-import licence No. SIC/IL/C/1901/71, dated 5th April 1961 for Rs. 33,40,100/- was issued to HSL with a letter of authority without taking the Bank Guarantees. The policy in regard to the issue of pre-import licences in respects of barter deals involving export of semis was laid down by the former Ministry of Iron and Steel in their letter No. SC(C)-5(5)/60 dated 2nd February 1960 (copy enclosed) which provided that pre-import licences may be issued either on production of an irrevocable letter of credit assigned in favour of the exporter for the value of the entire export quantity or where exporter is not able to procure an irrevocable letter of credit for the entire quantity of export, then he may be asked to furnish a irrevocable Bank Guarantee equivalent to 15 per cent of the value of the import licence issued.

He is requested to:—

- (a) confirm whether the note recorded by Shri S. C. Mukherjee on 30th March 1961 is factually correct, and
- (b) to explain the reasons for exempting HSL from fulfilling the condition laid down in letter No. SC(C)-5(5)/60, dated 2nd February 1960 which conveyed the policy regarding pre-import licences as approved by the Ministry of Iron and Steel in consultation with the Ministry of Finance.
- (ii) Iron and Steel Control File Nos. CP/RKK/32/60 and 1/10/BR/RKK/60-M/s. Ram Krishan Kulwant Rai—Contract No. 28 dated 18th January 1961 with Hindustan Steel for export of 25,000 tons of ingots and slabs and import of finished steel.

It is observed that 5 pre-import licences Nos. SIC/IL/BR/1001/190, 193, 1993 2814/191 and 1002/192 for a total value of Rs. 1,00,72,596/- were granted to M/s. Ram Krishan Kulwant Rai under the order of Shri S. C. Mukherjee, Deputy Iron and Steel Controller, without ensuring that the firm had definite commitments with foreign parties to purchase the materials proposed to be exported. On 26th October 1960 Shri S. C. Mukherjee recorded a note in file No. CP/RKK/32/60 (copy enclosed) admitting his lapse in having issued the pre-import licence without verifying the existence of export commitments by the party. This note was seen by Shri A. S. Bam, then Iron and Steel Controller on the same day where he recorded that the report may be sent to the Ministry at a later date. There is no indication in records to show that this was at all done. From a note dated 17th November 1960 recorded by Shri S. C. Mukherjee in F. No. CP/RKK/32/60 (extract enclosed), it appears that this matter was discussed by the Iron and Steel Controller on 2nd November 1960 with the then Secretary of the Steel Ministry in his office at New Delhi.

He is requested to explain the reasons for the omission to exercise his authority as head of the Ministry of Iron and Steel of which Iron and Steel Control was a part, in not keeping a watch on the subsequent action by the Iron and Steel Controller to initiate a preliminary enquiry to assess the magnitude of the lapse of Shri S. C. Mukherjee, Deputy Controller, and to report to him as the disciplinary authority, so as to enable him to consider the question of appropriate disciplinary action against the erring officials.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime, his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd/- P. SABANAYAGAM,

Secretary to the Committee of Inquiry (S.T.).

Encl: 5 (Five).

Shri S. Bhoothalingam, 25, Tughlak Road, New Delhi.

D.O. No. 22(1)/66-CI(ST)

GOVERNMENT OF INDIA MINISTRY OF STEEL, MINES
AND METALS

(Department of Iron and Steel)

COMMITTEE OF INQUIRY, STEEL TRANSACTIONS,

New Delhi, the June 3rd 1967

Dear Shri Bhoothalingam,

I am desired to invite your attention to letter No. SC(B)-12/92/59, dated 14th January 1960 addressed by you to Shri A. S. Bam, the then Iron and Steel Controller. In the first sentence of para 3 of the said letter it has been mentioned that the Ministry of Finance had agreed to the barter for imports of essential steel items. The Committee would like to know if the term "essential" was used with reference to high priority projects or with reference to the economy of the country. It is also not known what were the essential steel items and what were the quantities of each of them. On a reading of the file it is observed that the Ministry of Finance had stated that the Ministry of Steel should draw up a list of essential items and their quantities and should indicate this to the Steel Controller who was to confine the imports against the barter deals to the said list and if he felt any variations were called for, to get approval of the Ministry of Steel. All this does not seem to have been done. You are requested to explain the omission.

2. In the last sentence of para 3 it has been stated that the categories arranged for import under barter should not be those which are available at lower prices against cash licences. This was the condition which had been incorporated at the instance of the Ministry of Finance (Department of Economic Affairs). It is not known how it would have been possible to arrange for the import of categories of steel under barter at prices lower than what would be available against cash licences. However, you are requested to explain whrh was the real intention and what steps were taken to ensure implementation.

3. It has also been stated by you as follows: "I think you could also indicate to a few select firms the procedure outlined above." The Committee would like to know why you felt that only a few select firms should be informed of the procedure and why you did not think of putting out the policy in the form of a public notice.

4. The last sentence of a para 4 of your letter reads as follows: "It should be possible to close deals within a week of the receipt of the offer." You are requested to explain how you felt that a week's time was sufficient for the Steel Control to ensure compliance with various aspects of the procedure laid down in this behalf satisfactorily; the time limit as fixed by you could have led the subordinates to take quick decisions without ensuring that all aspects of the barter policy are complied with.

Yours sincerely,

Sd./- P. SABANAYAGAM.

Shri S. Bhoothalingam, 25, Tughlak Road, New Delhi.

D.O. No. 22(1)/66-CI(ST)

**GOVERNMENT OF INDIA MINISTRY OF STEEL, MINES
AND METALS**

(Department of Iron and Steel)

New Delhi June 5 1967

Dear Shri Bhoothalingam,

I am herewith enclosing a copy of Shri A. S. Bam's D.O. letter No. C/3/59 dated the 26th February, 1960. In the last paragraph of the said letter it is mentioned that Bam was awaiting instructions about tendering in the matter of steel barterers. In the file of the Ministry we find that there was no examination of this question, nor was a decision conveyed in writing to Shri Bam. There is, however, a letter of Shri S. C. Mukherjee dated the 26th April, 1960 to Shri B. N. Bery of HSL (copy enclosed) a copy of which was endorsed to Shri G. Ramanathan, Deputy Secretary, Ministry of Iron and Steel, stating that they had discussed this matter with you when you were in Calcutta and that you had decided that steel barterers would not lend themselves to tendering and that the best method was no negotiate. The Committee would like to know if the decision recorded by Shri Mukherjee is correct and why you felt that steel barterers could not be decided on the basis of tenders. In this connection it may be mentioned that in the case of pig iron martars, they were decided in some cases on the basis of tender.

Yours sincerely,

Sd./- P. SABANAYAGAM.

Shri S. Bhoothalingam, 25, Tughlak Road, New Delhi
Encl: (Two).

S. BHOOHALINGAM.

13-A, Link Road,
Jangpura Extension,
New Delhi-14.

My dear Sabanayagam,

In continuation of my letter of the 3rd July, I herewith enclose my replies to your Memorandum No. 22(1)/66-CI(ST)/846, dated 26th May, 1967, D.O. No. 22(1)/66-CI(ST), dated 3rd June, 1967 and D.O. No. 22(1)/66-CI(ST), dated June, 1967.

Yours sincerely,
Sd/- S. Bhoothalingam.

Shri P. Sabanayagam,

Joint Secretary to Government, and Secretary, CI(ST), Department of Iron and Steel, LII Block, Brassey Avenue, New Delhi.

Memorandum No. 22(1)/66-CI(ST)/846, dated 26th May, 1967—
Point I—Issue of pre-import licence to Hindustan Steel Ltd., without taking a bank guarantee.

It is stated that the Deputy Iron and Steel Controller has recorded a note dated 30th March, 1961, as follows:—

“This was discussed with Secretary when he was in Calcutta. He ordered that an import licence may be issued prior to export to HSL without any bank guarantee. Controller may kindly see”.

At this distance of time I have no definite recollection of the discussion referred to. At the same time, I have no reason to think that the Deputy Iron and Steel Controller has made an incorrect record. Hindustan Steel is a wholly owned Government undertaking whose borrowings from commercial banks are guaranteed by the Government of India. Government would, therefore, in effect be guaranteeing any bank guarantee given to Hindustan Steel. Because of this situation, I might well have said that there is no point in insisting on Hindustan Steel giving a bank guarantee.

Point 2—Question of disciplinary action.

The mistake having been evidently committed in permitting import without adequately assuring the export, the officer concerned had admitted it and had in fact brought the matter himself to the notice of the Iron and Steel Controller. At the stage at which it was brought

to my notice. I was naturally more concerned with the ways of rectifying the consequences of the mistake, namely, to facilitate and expedite the export. Had the mistake arisen due to real or alleged ambiguity in policy or procedures, I would have been equally concerned with immediate action to prevent repetition of these mistakes. But in this case there was hardly any doubt about what ought to have been done.

It was the question of rectifying the consequences of the mistake which was discussed at the meeting on 2nd November, 1960, regarding which Shri S. C. Mukherjee recorded a note on 17th November, 1960. It is hardly likely that the question of disciplinary action against Shri S. C. Mukherjee was discussed at a meeting at which he was present, and of which he recorded the minutes. I cannot in fact recall any discussion on the specific question of disciplinary action. I was under the *bona fide* belief that further action in this regard would be initiated, if necessary, by the Iron and Steel Controller, who was fully apprised of the facts in this case and who in addition had the direct knowledge of surrounding circumstances and the quality, capacity and work of the officer. I had no reason to believe that this matter would not be pursued in the normal manner by the officers concerned.

D.O. letter No. 22(1)/66-CI(ST), dated 3rd June, 1967.

(a) *Meaning of essential imports.*

The expression "essential items of steel" refers both to the requirements of high priority projects as well as the requirements of a large number of consumers for essential categories. The basic policy instrument for determining essentiality was the grant of quota certificates. The various sponsoring authorities were permitted to issue quota certificates within specified limits—the limits being set on the basis of the likely quantum of available supplies from indigenous production and imports—to specified users. These specified users could be either large projects or small users with essential requirements. All imports were planned with reference to outstanding quota certificates and requirements against quota certificates proposed to be issued. The fact that delivery would be effected only against a quota certificate assured that only essential requirements were met. The process of providing supplies against quota certificates from indigenous production and imports under various financing arrangements was a continuous one. As imports under barter were to meet requirements against quota certificates, the essential purpose indicated by the Finance Ministry was fully served. In short, the legitimate concern for ensuring that only essential imports were made was met at the stage of issuing the quota certificates. That being the case, there was no advantage—and perhaps some disadvantage—in making further lists from out of outstanding quota certificates, particularly as they would have had to be revised frequently, in the light of progress of deliveries. Perhaps it would have been better if for those reasons the Finance Ministry had been asked to make the necessary formal amendment of the terms of their concurrence. But, as has been explained, this made no real difference at all.

(b) *Prices of imported steel under barter.*

Under a barter deal the price which the foreign supplier would accept will obviously depend upon the price charged for exports from India. It would, therefore, be possible to secure a higher or a lower

price for imports by corresponding changes in the export price. Thus, willingness to pay a higher price for imports would enable securing a higher price for exports. In the case of steel, the distribution and price of imported steel was also controlled and a good part of the supplies made from imports to priority indentors had to be made at internal statutorily controlled prices, the difference being met by a subsidy from or an accrual to an Equalisation Fund. In the case of steel, therefore, it was desirable that the prices of imports under barter should be in parity with the price of normal imports. This is my understanding of the real intention of the Finance Ministry. It was, therefore, that the Iron and Steel Controller and first to approve the import price in consultation with his Financial Adviser, thus ensuring that the prices are in parity with those of normal imports.

(c) *Indication of procedure to select firms.*

Because of the time lag between the commissioning of the steel melting plant and the slabbing mill and the finishing mill plate and strip mill, it was common knowledge that Hindustan Steel would have sizeable quantities of semi-finished steel for export as indeed they had. In the latter half of 1959 numerous offers were received from various firms, Indian and foreign, for export of semi-finished steel against the import of finished steel. Such exports stand on a somewhat different footing from normal international trade. The market for semi-finished steel is naturally confined to steel producing firms abroad. They could be better induced to import from India if they could also develop their export business. Export and Import business in this context, therefore, can normally be successfully done only by firms with experience of the trade and business relations with buying firms abroad. Further, the quantity to be exported was very large and the target could not be achieved by a large number of small transactions. It was in view of the urgency of the matter that it was considered that the policy and procedure should be explained in the first instance to select firms who are likely to evince serious interests in the business and which could be expected from previous experience to be reasonably capable of carrying it out. It was certainly not my intention to suggest that either the explanation of the policy or the opportunity to get import licences under it should be confined to select firms. The fact was that all parties interested in the import of steel were in continuous touch with the Iron and Steel Controller and were keenly following all developments in this regard. Once the policy was explained to some parties more likely to take advantage of the scheme, it was bound to be known to others and further inquiries would come from some of them in the normal course of things. In any case, it was obviously not my intention to debar the Iron and Steel Controller from explaining the policy to any firm who might have shown the slightest interest in this matter.

(d) *Decisions on deal.*

The reason why I said that it would be possible to close deals within a week of the receipt of offers was to emphasize the need for carrying out exports in a brisk business like manner. It is not correct

to infer from this nor was it in practice construed in that manner, that a rigid time limit of a week was fixed. In this context closing a deal obviously means the approval of the substance of the offers subject to the fulfilment of various contractual specifications. Settlement of these issues would of course take longer. This is fairly well understood and I do not think that an injunction to be quick could be misinterpreted to mean that relevant aspects should not be carefully considered.

D.O. letter No. 22(1)/66-CI(ST), dated June 5, 1967— Negotiations for barter deals.

Shri Mukherjee has stated in his letter dated April 26, 1960, to Shri Bery that in a discussion I told him that finalisation of barter deals through tenders would be rather difficult and the best method was to negotiate. While I do not clearly remember whether I used the exact expressions put down by Shri Mukherjee, confirm that in substance he had correctly recorded my view. I still feel even in retrospect that in the circumstances then prevailing, particularly, the urgency of exporting large quantities of semi-finished steel which would otherwise accumulate and the fact that semi-finished steel is by no means an easy item to sell, the conventional method of tender would not yield the desired results. For one thing the method of tender involves a more time consuming process. In the last analysis decisions would still have to be made on the basis of judgment of the experience and competence of the exporting firms and not merely on price comparisons. Often offers which could result in sound business are accompanied by time limits. Even for securing extension of time some negotiation is necessary. In the case of offers against tender if the time limit has to be extended for good reasons at the request of one party, the time limits of every body have to be correspondingly extended and during this interval some other potentially good offer might fall. As regards competition, one cannot dogmatically say that tenders alone create the maximum competitive conditions. Often in the case of open tenders there is in fact little competition. On the other hand, dealing with several offers by negotiation would itself create conditions of competition. The real point is whether there are in fact conditions of competition. If there are, they do get substantially reflected even in the course of negotiations.

It has been mentioned that in some of the cases of pig iron barter decisions were made by tender. The market for pig iron is however relatively easier than the market for semi-finished steel. I do not mean or suggest that tender is wholly and totally unsuitable. The real point is that in my view the tender method was unlikely to yield the kind of results desired in a reasonable time in the case of semi-finished products.

Sd/- S. BHOOTHALINGAM.

P. SABANAYAGAM,
Secretary, CI(ST).

22(1)/66-CI(ST).

August 5, 1967.

My Dear Ramanathan,

Please refer to your D.O. letter dated 23rd June, 1967, clarifying certain points raised by the Committee of Inquiry. In para 5 of your letter, you have stated that "We in the Steel Ministry, and later, the Finance Ministry at that time thought.....as compared to the values involved in scrap barbers, were large. I do not recollect that the Steel Controller considered that 20 per cent. of the value itself was too low". When you say, "We in the Steel Ministry and later the Finance Ministry....." the Committee would like to know if you had discussed this matter with any of the officers in the said two Ministries and, if so, who they were and what were the views expressed by such officers, and why you did not make a record specifically of such discussion?

As for the Iron & Steel Controller, considering that 20 per cent. of the value was itself too low, I enclose a copy (Annexure I) of para 4.61 of the 50th Report of the Public Accounts Committee (1965-66) on the basis of which the points in question had been raised by the Committee of Inquiry. I am also enclosing extracts of the relevant notes (Annexures II to V) and correspondence from the file of the Department of Iron & Steel. It will be observed that the remarks of the Public Accounts Committee that "almost at the same time, opinion was held that even 20 per cent. bank guarantee was not an adequate safeguard" and "the Iron & Steel Controller wanted that a higher amount of bank guarantee may be prescribed" are based on Nair's letter dated 30th November, 1959 and Mukherjee's letter dated 14th December, 1959. Anything further that you would like to say on this point in continuation of para 5 of your letter dated 23rd June, 1967 may be included in your reply, which, I would request, may be sent in a week's time.

Yours sincerely,

Sd/- S. BHOTHALINGAM.

Shri G. Ramanathan,
Director General,
Indian Supply Mission,
Government Building,
Bromyard Avenue,
London W. 3.

(Confidential)

India Supply Mission
Government Building
Bromyard Avenue
London W. 3.

GR/DG

August 18, 1967.

My dear Sabanayagam.

Thank you for your D.O. No. 22(1)/66-CI(ST) dated August 5, 1967.

2. I am sorry that I do not recollect the names of the officers with whom I specifically discussed this matter. In retrospect, I agree I could have made a more detailed record of the discussions.

3. As for the quantum of the guarantee, I see that Mr. C. A. Nair's note of November 25, 1959 and his letter of November 26/30, 1959, both speak of each case being considered on its merits in consultation with the Economic Affairs Department, of the inadequacy of a 20 per cent. Bank Guarantee and of the need to insist on irrevocable letters of credit. Mr. Mukherjee, in his letter of December 11/14, 1959 has, I find, asked for concurrence to the re-import of sheets on a 20 per cent. guarantee and added: "if you think that the guarantee should be for a larger amount, you may kindly specify the amount for which bank guarantee should be taken." I do not know what the reply to this request was. I can only say what I have said in my earlier letter, that a bank guarantee, unless it covered the entire import value, was, at best, a partial remedy and that the Controller had at all times powers to compel compliance with his order.

With regards,

Yours sincerely,

Sd/- G. RAMANATHAN.

Shri P. Sabanayagam,
Secretary, CI(ST),
Government of India,
Deptt. of Iron & Steel,
Committee of Inquiry (Steel Transactions),
L-II Block, Brassey Avenue,
New Delhi.

P. SABANAYAGAM,

22(1)/66-CI(ST)/V/931

Joint Secretary

and

Secretary CI(ST).

7th June, 1967.

My dear Ramanathan,

In continuation of my D.O. letter No. 22(1)/66-CI(ST)/V/930, dated 7th June, 1967, I am enclosing herewith copies of:—

(i) D.O. letter No. C/3/59, dated 10th March, 1960, from Shri S. C. Mukherjee, Deputy Iron and Steel Controller, addressed to you (as the then Deputy Secretary, Department of Iron & Steel), and your reply D.O. letter No. SC(C) 5(5)/60, dated 17th March, 1960, defining what was a "firm contract for export", and,

(ii) D.O. letter No. B&E/37/PAC/66/3903, dated 8th June, 1966 from Shri S. C. Mukherjee to Shri P. P. Caprihan.

2. The Iron & Steel Controller, in actual practice, only insisted on a firm contract to purchase semis by the party from Hindustan Steel, Ltd., as meaning a "firm contract for export". The Committee desire to know what you understood a "firm contract for export" to be ...
i.e.

(a) a contract from a foreign buyer to purchase semis from the Indian party whose proposal for barter was to be approved by the Iron and Steel Controller.

or

(b) a contract between the Indian party and Hindustan Steel, Ltd. to purchase semis for export.

3. While on the subject of "firm contract for export", in case the view is held by you that by "firm contract for export" you meant (a) in paragraph 2 above then, the position would be that such a contract could be of help only to the contracting parties in so far as the Iron and Steel Controller was concerned, such a contract would not be one which would have helped him in compelling exports; on the other hand, if such "firm contract for export" is deemed to be (b) in paragraph 2 above, then, at least Hindustan Steel, Ltd., would be in a position to claim damages, etc. as per the terms of the contract and, to that extent, could compel the Indian party to export as per the

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terms of the barter approved by the Iron & Steel Controller. Hence, what is sought to be stated is that, if the "firm contract for export" is interpreted to mean as at (a) above, then, the omission to see that such a contract was in force would have made no difference in so far as having a hold on the party for fulfilment of the conditions of pre-import is concerned.

4. With reference to the several points raised above, I am directed to get your clarification.

5. Please acknowledge receipt.

Yours sincerely,

Sd/- P. SABANAYAGAM,

Shri G. Ramanathan,
Director-General,
India Supply Mission,
London.

P. SABANAYAGAM,

Jt. Secretary & Secretary, CI(ST)

22(1)/66-CI(ST)/V/930

7th June, 1967.

My dear Ramanathan,

The Government of India (Ministry of Iron & Steel) *vide* Resolution No. SC(II)-14(19)/66 dated September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the inquiry. Copies of the Resolution and the Notification are enclosed.

2. I am herewith enclosing the notings in file No. SC(B)-15(70)/59 relating to the issue of the pre-import licence in the matter of ferrous scrap barter on the production of bank guarantee for 20 per cent. of the value of the import. I am also enclosing herewith similar noting in respect of semi steel barter involving the export of semis wherein you had proposed that pre-import licences may be given on the firm producing bank guarantee for 15 per cent. of the value of the import licence. The point that has arisen is why when the Steel Controller himself considered that the 20 per cent. of the value of the import was itself much low, you should have in the case of the steel barter transaction proposed a percentage lower viz., 15 per cent.

The point has also been raised why in your note to the Ministry of Finance the fact on such reduction was not specifically brought to their notice. You are requested to let us have your explanation within a fortnight on the receipt of this letter which is being forwarded to you through the Deputy High Commissioner for India in London.

Yours sincerely,

Sd/- P. SABANAYAGAM,

Shri G. Ramanathan, IAS
Director General,
India Supply Mission c/o
Deputy High Commissioner for India,
London.

(Confidential)

India Supply Mission
Government Building
Bromyard Avenue
London,
June 23, 1967.

GR/DG.

My dear Sabanayagam,

I have, on June 14, 1967 acknowledged receipt of your D.O. letters No. 22(1)/66-CI(ST)/V/930 dated nil of June, 1967 and No. 22(1)/66-CI(ST)/V/931 dated June 7, 1967.

2. In this letter I am submitting my explanation/clarifications to the questions raised in your two letters.

3. The questions raised are in a sense linked. Both relate to pre-import. The first question is: "Why did I suggest in my note of January 18, 1960, that a bank guarantee of 15 per cent. of the value of import would do in the case of pre-import of steel against the export of semis, while in scrap barbers 20 per cent. of the value was considered necessary? The second is: "What did I mean by a 'firm contract for export?'"

4. Before I deal with the 2 points at issue, I would like to submit 2 points:

- (i) The questions raised relate to the period 1959-60, and it is difficult, seven years later, to recall precisely the processes of thinking, and of discussion, which invariably preceded any noting of policy matters.
- (ii) The years were peculiar. We needed large steel imports. But the resources to import were limited. Thus, we were led to imports against exports of scrap and, later, semis. During 1959-60 we were faced with large surpluses of semis (ingots and slabs etc.) which we were anxious to dispose of. Semis are not easily saleable, and we thought that if we could sell them, and get the steel by pre-import, it would serve the economy well.

5. I shall deal first with the 15 per cent. guarantee stipulated for semis. I can, at this distance of time, think of only one explanation. We in the Steel Ministry and later the Finance Ministry, at that time thought that 15 per cent. of the value would do for the reason that the values involved in import of steel against export of semis, as compared

to the values involved in scrap 'barbers', were large. I do not recollect that the Steel Controller considered that 20 per cent. of the value itself was too low.

I would like also to submit that the crux of the problem was that imports should be enabled by export. A bank guarantee, unless it covered the entire value of import, was at best a partial remedy. The Iron & Steel Controller had, at all times, other administrative powers to compel compliance with his orders.

6. The second problem raised is the interpretation of "a firm commitment for export". I have, in this connection, read the Controller's note. This in substance contradicts my D.O. letter of March 17, 1960 to Mr. Mukherjee. I said in that letter in unambiguous terms, I think, that pre-import should be preceded by "satisfactory evidence" that there was a "definite commitment" by a foreign party to buy. This was the Finance view; and ours. This view was based on the fact that in a market where absorption of semis was difficult, it was important that the Indian importer had a buyer abroad. The commitment to buy could be a firm contract or a letter offer from the Indian exporter, and an acceptance to buy from the foreign importer. We left the exact form of evidence on the commitment to buy from abroad to the Controller. It is obvious that a commitment to buy from a foreign importer could not, in ordinary business, be obtained unless the Indian exporter could offer his foreign buyer specifications of the export material, prices and delivery. These, in turn, have to be based on an arrangement with the Indian producer. It would also have been risky to permit pre-import on the basis of a contract with HSL or Tatas alone. In this event HSL could have, if they delivered on schedule, claimed damages; but there would have been loss of exchange by a failure to export. The presumption in the minds of Finance and ours then was that the Controller would permit pre-import only to a party who had stocks to sell and a firm buyer abroad.

With regards,

Yours sincerely,

Sd/- G. RAMANATHAN

Shri P. Sabanayagam,
Joint Secretary & Secretary, CI(ST),
Ministry of Steel, Mines & Metals,
Committee of Inquiry (Steel Transactions),
L-II Block, Brassey Avenue,
New Delhi.

Copy of Memorandum No. 22(1)/66 dated May 26, 1967 from Secretary to the Committee of Inquiry (Steel Transactions) Ministry of Steel, Mines and Metals, New Delhi to Shri A. S. Bam, Chairman. Indian Airlines Corporation.

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(11)-14(19)/66 dated 12th September, 1966, appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. by Notification No. SC(11)-14(19)/66 dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri A. S. Bam, while working as Iron & Steel Controller, Calcutta, had taken the following decisions/or failed to take action in the undermentioned cases which do not appear to be in accordance with the relevant decisions of Government which were in force at the relevant time and which would require his classification to enable the Committee to consider whether such decisions taken by him were irregular/lapse on the part.

(i) *Iron and Steel Controller's file No. CP/50/65/60, 1/10/BR/Surrendra-M/s. Surrendra Overseas (P) Ltd., Calcutta—Export contract No. 21 dated 22nd October, 1960 with Hindustan Steel Ltd., for export of 2,400 tons of steel billets and import of finished steel of equivalent value.*

In the case of steel barter transactions, the Government policy regarding the issue of pre-import licences was laid down in the Ministry of Iron and Steel letter No. SC(C)/5(5)/60 dated 2nd February, 1960, (copy enclosed). According to the said policy, one of the conditions that had to be fulfilled by an applicant for a pre-import licence was that he should produce either an irrevocable letter of credit for the entire quantity of export or Bank Guarantee of the value of 15 per cent of the value of the import licence applied for. On the basis of an application by M/s. Surrendra Overseas (P) Ltd., the proposal to issue a pre-import licence without ensuring that the above condition was fulfilled was submitted and which was approved by him and the import licence No. SIC/IL/BR/D/1901/264 dated 5th April, 1961 for Rs. 10 lakhs (Rupees ten lakhs) was issued to M/s. Surrendra Overseas (P) Ltd., Calcutta. He is requested to explain in writing the reasons, if any, for approving the proposal which was in contravention of the policy laid down.

(ii) *Iron and Steel Controller's file No. CP/SC/38/60, 1/10/BR/Cohen/60—M/s. J. S. Cohen and Co. Ltd., Calcutta—Export contract*

No. 17 dated 24th May, 1960 with Hindustan Steel Ltd., for export of 7,620 M/tons of billets and import of finished steel in exchange.

For the issue of a pre-import licence one of the conditions stipulated in the Ministry of Iron and Steel letter No. SC(C)/5(5)/60 dated 2nd February, 1960 referred to in (i) above was that the steel Controller should ensure that there was a firm contract for export. Supposing that a firm contract for export was interpreted by him to mean a contract with HSL, M/s. J. S. Cohen & Co. applied for a pre-import licence, but they did not either have a firm contract for export or a contract with HSL. He, as Steel Controller, took the decision to issue the pre-import licence No. SIC/IL/BR/1201/50 dated 10th February, 1960 for Rs. 33,12,000/-. He is, therefore, requested to explain in writing the reasons, if any, for taking the decision to issue the pre-import licence when there was neither a firm contract for export nor a contract with HSL.

(iii) *Iron & Steel Controller file No. CP/RKK/32/60, 1/10/BR/D/RKK/60-M/s. Ram Krishan Kulwant Rai regarding contract No. 28 dated 18-1-61 with Hindustan Steel Ltd. for export of 25,000 tonnes of ingots and slabs and import of finished steel in exchange.*

It appears that 5 pre-import licences (numbers SIC/II/BR/1001/190, 194, 2814/191 and 1002/192) for a total value of Rs. 1,00,72,596/- were granted to M/s. Ram Krishan Kulwant Rai on 5-5-1960, under the orders of Shri S. C. Mukerjee, Deputy Iron & Steel Controller, Calcutta, without ensuring that the firm had had definite commitments from foreign parties to purchase the material proposed to be exported. On 26-10-1960, Shri S. C. Mukerjee recorded a note in file No. CP/RKK/32/60 (copy enclosed) admitting his lapse in having issued the pre-import licences without verifying the existence of either a firm contract for export or a contract with HSL. This note was seen by him on the same day and he recorded *inter alia* that a detailed report may be submitted to the Ministry later. There is no indication in the file to show that this was done. It further appears that no formal enquiry either to assess the magnitude of the lapse or to fix responsibility was made by him as immediate supervisory authority/head of the Department and to submit a report to the disciplinary authority with such recommendation as may be considered necessary.

He is requested to explain in writing the reasons for the omission to have made an enquiry to assess the magnitude of the lapse and to recommend suitable action to the disciplinary authority against Shri S. C. Mukerjee and Shri G. N. Sen, Clerk, for their lapses.

(iv) *Iron and Steel Controller files No. CIMJ/(4)/59, 1/10/MI/BR(59) M/s. Metal Import Pvt. Ltd. Export of 20,000 tons of pig iron and import of Plates of equivalent value. . .*

On 22-9-1959 the firm wrote to the Iron and Steel Controller requesting that the condition in the licence restricting its utilisation of the foreign exchange earned by export, should be deleted. On the said letter Deputy Iron & Steel Controller passed an order as follows :

“Discussed with Controller and later on with Mr. Nair, Under Secretary, who rang up in this connection. On the basis of

irrevocable Letter of credit for export, we may amend the stipulation regarding validity of the licence in the same way as we are doing in the STC barterers."

He is requested to explain whether this was indeed discussed by Shri Mukherjee with him and if so, why he did not obtain a written confirmation of Shri Nair's orders since it was at variance with the earlier order's of the Ministry who maintained that pre-import procedure would not be applicable and that exports should precede import and in very special cases pre-imports could be thought of after getting the concurrence of Finance.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime, his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Explanatory Note on Memorandum No. 22(1)/66-CI(ST)/847 dated 26th May, 1967 by Shri A. S. Bam

- (i) Iron and Steel Controller's File No. CP/50/65/60-1/10/BR-Surendra—M/s. Surendra Overseas (P) Ltd., Calcutta—Export contract No. 21 dated 22-10-1960 with Hindustan Steel Ltd., for export of 2400 tons of steel billets and import of finished steel of equivalent value.

This transaction refers to import Licence No. CIS/IL/BR/D/1901/71 issued on 5th April, 1961. It does not pertain to the period when I was the Iron and Steel Controller, as I laid down my office in that capacity on 21st February, 1961. In view of this I need not say anything at all regarding this transaction.

2. At the same time I consider it my duty to inform the Committee of Inquiry that while perusing the records, which I had desired to see, for the purpose of submitting this reply I have come across a similar case which occurred when I was the Iron and Steel Controller, I am setting out facts and circumstances of that case below:

3. An Import Licence was given to M/s. Surendra Overseas (P) Ltd., on 5-8-1960 at the specific request of the Hindustan Steel Ltd., and on the directive received from the Ministry of Iron and Steel. The Appendices would reveal that the Ministry of Steel treated this matter on a special basis and that it was done on a very emergent footing. The transaction was completed directly by the Hindustan Steel Ltd., themselves with the Importer under the instructions from the Ministry of Iron and Steel. The Iron and Steel Controller was not at all in the picture and the normal drill he used to observe such as, receiving proposals from the intending barterers, issuing of conditional approval indicating, their prices and stipulating *inter alia* that barterer

should settle categories, prices and delivery of exportable material with Hindustan Steel, was not done because of this. It was, however, only after the Hindustan Steel had negotiated with the barterer direct and had concluded an export contract in regard to tonnage and price of the exportable material, that the Hindustan Steel approached the Iron and Steel Controller with a request for immediate issue of an Import Licence.

4. This import was in connection with strips, for the Pipe Plant at Rourkela which had already been erected but could not go into production for want of these strips which was the raw material. The request for pre-import was pressed by Hindustan Steel, who wanted this imported raw material for their use and the Ministry who had issued special instructions to Iron and Steel Controller in this regard. The case was, therefore, considered to be on special footing and outside the normal barter deal procedure.

5. In view of the urgency of import, the validity of the Import Licence was also confined to three months as against the normal period of six months.

- (ii) Iron and Steel Controllers File No. CP/JSC/38/60, 1/10/BR/Cohen/60—M/s. J. S. Cohen and Co. Ltd., Calcutta—Export contract No. 17 dated 24-5-1960 with Hindustan Steel Ltd., for export of 7,620 M. tons of billets and import of finished steel in exchange.

1. In this case the Firm had made a direct approach to Hindustan Steel vide their letters dated 27th January, 1960 and 2nd February, 1960 for purchase of HSL Semis for export. The Hindustan Steel Ltd., in their turn had made a direct offer to this firm on the 3rd February, 1960. Simultaneously, the Hindustan Steel Ltd., had also written to the Iron and Steel Controller about this transaction putting him in the picture. The firm formally accepted the offer of Hindustan steel Limited, by their letter dated the 5th February, 1960, with a copy to the Iron and Steel Controller and on the 9th February 1960 Import Licence was granted against a bank guarantee. It was only after the offer of Hindustan Steel Limited had been accepted by the firm that a Licence was granted on the usual condition of taking 15 per cent bank guarantee for pre-import. The contract was completed in this case by exchange of correspondence and in view of the fact that the Iron and Steel Controller had definite instructions from the Ministry that these transactions had to be dealt with in a business like manner as quickly as possible, the licence was issued as soon as the contract was entered into by correspondence without waiting for the formal contract between Hindustan Steel and the exporter, as this was merely a matter of formality. In this case such a contract was also actually executed in May, 1960.

- (iii) Iron and Steel Controller file No. CP/RKK/32/60, 1/BR/D/RKK/60— M/s. Ram Krishan Kulwant Rai regarding contract No. 28 dated 18-1-1961 with Hindustan Steel Ltd., for export of 25,000 tons of ingots and slabs and import of finished steel in exchange.

1. The point here is why action was not taken against Shri S. C. Mukherjee, Dy. Iron and Steel Controller for the oversight on his part for having issued pre-Import Licence without verifying the existence of a firm contract for export or contract with HSL and why not detailed report was submitted to the Ministry later, and similarly why no action against Shri G. N. Sen, clerk concerned was taken and also why no inquiry either to assess the magnitude of the lapse or the fix responsibility was made.

2. The note recorded by Shri S. C. Mukherjee on 26-10-1960 sets out full circumstances of the case. My order on his note were also specific. Immediate action was taken, as indicated by Shri Mukherjee in his note to repair the damage by asking the representative to stop all further imports against these Licences and submit proposals for adjustment of foreign exchange, which they had already spent on imports against these licences. Instructions were also issued to Steel Import Control Section to stop issue of C.C.Ps against all their Import Licences concerning commercial imports and other barter deals until they had given a complete account of the pending Import Licences and had submitted acceptable proposals for adjustment of foreign exchange spent by them on the imports against these licences. The firm also undertook to earn the requisite foreign exchange by export of all other permissible items like manganese ore, ferrous scrap, etc., in their letter of 29-10-1960. Simultaneously the possibility of supply of exportable semis by Hindustan Steel was further explored, as Hindustan Steel—particularly Rourkela Plant, were known to be having substantial quantity of semi finished steel which they were finding it difficult to dispose of because of their not conforming to any standard specifications. This was also the view taken by Secretary, Department of Iron and Steel with whom I discussed the matter in Delhi on 2-11-1960. The HSL did subsequently agree to supply the material to the firm who accepted HSL's offer in regard to price and categories of semi finished steel, as can be seen from the letter dated 19-1-1961 to the Iron and Steel Controller.

3. I myself came over to Delhi on 1st November 1960 and at the first available opportunity i.e., on 2nd November, 1960 met Shri Bhoothalingam, Secretary, Ministry of Iron and Steel and showed him the note recorded by Shri Mukherjee, in which he had owned up the lapse, and my comments thereon and fully apprised him of the matter. This in fact amounted to giving a detailed report to the Ministry.

4. Shri S. C. Mukherjee also had come with me to Delhi and he was called in by the Secretary, Ministry of Iron and Steel into his room and was severely reprimanded for the lapse and was told to be more careful in future. While Shri Mukherjee and I were with Secretary, Shri K. N. Subbaraman, Director, Hindustan Steel was also sent for by him and Secretary asked him to issue immediate instructions to Calcutta Office of H.S.L. to finalise the barter deal which was forwarded by the Office of the Iron and Steel Controller as far back as March, 1960. He also, inter alia, desired that suitable letter should be addressed to the Head Office of Hindustan Steel to give necessary instructions to their Calcutta Office to make an all out effort to sell unwanted stocks of slabs, and ingots at Rourkela on barter basis, if cash sales were not possible.

5. The subject matter of this discussion was recorded by Shri S. C. Mukherjee under my instructions in his note dated 17-11-1960. The Public Accounts Committee in its 56th Report—Para 2.11 pages 7-8 have also accepted this in an unequivocal manner.

6. As far as disciplinary action against Shri Mukherjee for the lapse committed by him was concerned I was of the view that since the matter had been brought by me personally to the notice of the Secretary of the Ministry of Iron and Steel, it was not for me to take any other action. The Secretary in my presence sent for the officer and reprimanded him severely. I did not, therefore, feel that anything further was necessary to be done.

7. As regards action against Shri G. N. Sen, Shri S. C. Mukherjee had admitted in his note of 26th October, 1960 that the lapse took place due to heavy rush of work and, therefore, no further action was considered necessary.

8. It will not be out of place for me to mention that out of innumerable barter deals against pig iron, semi finished steel, ferrous scrap, etc., which were handled by the Iron and Steel Controller, this was the solitary instance where such oversight came to be committed.

9. It would also be pertinent to point out that copies of all correspondence were regularly sent to Hindustan Steel and they were, therefore, aware whether imports against any barter deal had been allowed or not. In these circumstances, this mistake could also have been brought to light by Hindustan Steel who knew which of the export contracts were yet to be concluded by them. In fact Hindustan Steel did notice this; but only rather late. If they had checked this, in time, when a copy of the Iron and Steel Controller's letter dated 6th June, 1960 authorising issue of Import Licence, was received by them, the unfortunate episode could have been avoided.

10. I would like to explain the functions of the Iron and Steel Controller to complete the picture.

Barter deals, though important in themselves, formed a very small portion of the other various equally or more important functions which the office of the Iron and Steel Controller was called upon to perform. The functions of the organisation of the Iron and Steel Control were to be directly incharge of planning, production, import, export, pricing and distribution of steel, the volume of which was nearly three million tons of the value of roughly Rs. 250 crores every year. The Iron and Steel Controller was also a statutory authority for issuing import and export licences for steel items. The import licensing, therefore, was only a small part of the duties of the Steel Control Organisation.

11. You have asked me whether I desire a personal appearance before the Committee to elucidate my comments. I feel confident that my written comments will give a clear picture of what happened. If the Committee is of the opinion that any further personal explanation is necessary, I shall be happy to appear before the Committee.

Explanatory Note on addition No. 2(iv) to the Memorandum No. 22 (1)/66-CI(ST)/847 dated 26th May, 1967 by Shri A. S. Bam.

The facts relating to the above transaction are as follows :—

2. On 23rd June, 1959 the Iron and Steel Controller conveyed approval for export of 20,000 tons of Pig Iron and import of M.S. Plates against the same. This approval was granted on a specific condition that a letter of Credit in favour of the Works, meaning the particular plant of Hindustan Steel Ltd., supplying the Pig Iron had to be opened to ensure earning of foreign exchange. A Letter of Credit for steel to be imported had to be opened thereafter.

3. On the 13th July, 1959 a further condition was added relating to the utilisation of Import Licence, as will be seen from Appendix 'B'. In the meantime, the DGS&D started pressing the Importer for expediting the import of M.S. Plates as they were required for top priority projects.

4. A communication was addressed to the Ministry of Steel, Mines and Fuel by Dy. Iron and Steel Controller, Shri S. C. Mukherjee on 8th/9th September, 1959 seeking approval for pre-import of material on 20 per cent Bank Guarantee. In their reply dated 18th September, 1959 sent under the signature of Shri C. A. Nair, Under Secretary, the Ministry of Iron and Steel pointed out that exception could only be made in terms of the priority projects and which would be the main ground for approaching the Finance Ministry.

5. The Controller's Office was aware of the fact that the Government had already given permission for pre-imports wherever an irrevocable Letter of Credit was available in case of the STC barter. Therefore, when the Iron and Steel Controller received the letter dated 22nd September, 1959 from the Importer pointing out that the introduction of the new clause about utilisation of the licence stood in their way for opening the Letter of Credit, Shri Mukherjee. Dy. Iron and Steel Controller after a telephonic conversation with Shri Nair, Under Secretary, Steel Ministry, permitted the deletion of the clause. Normally, in matters involving policy or principle Shri Mukherjee had to discuss them with me and it is very likely that in this case also he did discuss the matter and I must have told him to contact the Iron and Steel Ministry for clearance.

6. It must be pointed out here that no departure has been made in this case in any of the principles established for such transactions because the Government had already given permission for pre-imports in STC barter where irrevocable Letter of Credit had been opened. In this case Letter of Credit had been opened in favour of Bhilai Steel Plant of Hindustan Steel Ltd., as far back as 27th June, 1959 for the full quantity of the Pig Iron to be exported. No foreign exchange utilization was also allowed for imports except in terms of actual exports and as a matter of fact foreign exchange remittance was permitted only after the full exports had taken place and this involved retention of foreign exchange for considerable period. Thus, not only had actual exports taken place in this case but there was no loss and could be no loss of foreign exchange in adopting the procedure for importing top priority material, because of the existence of an irrevocable Letter of Credit opened by foreign importer, in favour of the actual producer, namely Bhilai Steel Plant.

Copy of letter No. 22(1)/66-CI(ST) dated 3rd June, 1967 from Secretary, Committee of Inquiry (ST), Ministry of Steel, Mines and Metals, New Delhi to Shri A. S. Bam, Chairman, Indian Airlines Corporation, New Delhi.

I am desired to refer to letter No. SC(B)-12/92/59 dated 14th January, 1960 addressed by Shri S. Bhoothalingam, the then Secretary, Iron and Steel, to you. In para 3 of the said letter it has been stated that Ministry of Finance have agreed to export of semis on barter basis for import of essential steel items. The Committee would like to know if the term "essential" was used with reference to high priority projects or with reference to the economy of the country. On enquiries made it is learnt that there was no register of demands maintained by Steel Control out of which essential steel item had been picked out, nor was there a quantitative assessment of the various demands. In the absence of such data it is not known how categories and quantities of steel were decided for import under the steel barter transactions.

2. It has also been stated in para 3 of the said letter that the categories of steel to be arranged for import should not be those which are available at lower prices against cash licences. There is no indication whatsoever that such an examination was done before categories of steel were stipulated in the import licences. You are, therefore, requested to explain why this was not done. You are also requested to explain whether it would have been possible to arrange for import of categories of steel under barter at lower prices than under cash licences.

Copy of D.O. letter dated June 15, 1967 from Shri A. S. Bam, Indian Airlines Corporation, Airlines House, New Delhi to Shri P. Sabanayagam, Secretary, Committee of Inquiry (ST), Ministry of Steel, Mines and Metals, New Delhi.

Please refer to your D.O. No. 22(1)/66-CI(ST) dated June 3, 1967.

3. You have referred in your letter to the problem determining word "essential" used by Mr. Bhoothalingam in his letter of 14th January, 1960 in connection with the import of essential steel items on barter basis, I am to say that we understood the word to have been used with reference to the "general economy of the country".

3. You have referred in your letter to the problem of determining what categories and quantities of steel were to be imported under barter transactions in the absence of a "Register of Demands" and also in the absence of a quantitative assessment of the various demands. While it is true that there was no Register of Demands it is not quite correct to say that no quantitative assesment of the various demands was made by the

Iron and Steel Controller. The Iron and Steel Controller did have to make periodical assessment of the demand and supply position of steel (of all categories) in connection with (a) quarterly (later on bi-annual) allocation of steel to Sponsoring Authorities; (b) a declaration of periodical import policy by the Iron and Steel Controller with the approval of the Ministry of Steel; (c) preparation of a periodical rolling programme for the producers in the light of outstanding orders and expected production; and (d) placing of orders on the producers against quota certificates issued by the Sponsoring Authorities.

4. With regard to the question of maintaining a Register of Demands "out of which essential steel items had been picked out", I may point out that it was not really necessary for the Controller to maintain such a Register. The import requirements of Steel, as you will appreciate, were determined by two factors first, essential demands for any category of steel during a particular period and, secondly, availability of steel of that category during the relevant period either from indigenous production or from imports against outstanding orders. So far the assessment of demands is concerned, the Iron and Steel Controller did not really play a very important role. There were various "Sponsoring Authorities" who were required to submit category-wise demands of steel for purposes that were considered essential for the economy of the country. These sponsoring, Authorities were for instance, Ministries of Defence, Railways, Food and Agriculture, Rehabilitation, Transport and Scientific Research, External Affairs, all the State Governments and the following organisations, viz., the Indian Jute Mills Association, Coal Controller, Textile Commissioner, Indian Central Cotton Committee, Tea Board, Coir Balers' Association, CPWD, DGS&D, DGTD, CW&PC, etc. It was for these Sponsoring Authorities to scrutinise the demands for various categories of steel. The Iron and Steel Controller was merely the authority to allocate the steel to the demands sanctioned by the Sponsoring Authorities according to available supplies. It will be clear, therefore, that since the Iron and Steel Controller was not the authority to appraise the essentiality of demands it was not necessary for his organisation to maintain a Special Register of Demands.

5. It is important to remember that the Iron and Steel Controller was regularly receiving periodical statements of figures of production, despatches, outstanding orders from producers as well as rates of production of different categories of steel. Posted with these latest statistics concerning the supply position, the Iron and Steel Controller's Organisation had no difficulty in matching the supplies against the "sponsored" demands and thus assessing the quantities of any particular category of steel which had to be imported on barter basis.

6. It may not be inappropriate in this connection to mention that at any given moment the Iron and Steel Controller has a clear picture of the outstanding demand on various producers and also of the timing which would be involved in meeting these demands. I may mention here that, ordinarily, between the recommendation of the demand of a consumer by the Sponsoring Authority and the receipt of supplies by the consumer there was roughly a time-lag of one to two years: this was specially true in the case of critical categories like plates, sheets, wire etc. During this period fresh demands were also being presented every six months. With all these data in their hands it could not be-

difficult for the Iron and Steel Controller's organisation to select the essential categories of steel which had to be imported on a barter basis.

7. With reference to your query as to whether we had examined the question of availability or non-availability of materials imported under barter deals at lower prices than under cash licences, I doubt whether this question would arise at all. Generally speaking, it was not possible to arrange for import under barter at lower prices than under cash licence. In any case, you will notice from Shri S. C. Mukherjee, Dy. Iron and Steel Controller's letter No. C/17(3)/59 dated 20th January, 1960 which he had written to the Ministry with my approval (Appendix—1) pointing out the practical impossibility of implementing the Ministry's decision and seeking clarification in clear cut terms. In reply the Ministry communicated their clear and positive instructions in Shri G. Ramanathan's D.O. letter No. SC(B)-12(92)/59 dated 1st February, 1960 (Appendix-2) stating firstly that imports on barter basis were to be allowed in categories which were in short supply (sheets, thin plates, wire, etc.) and that barter should be confined as far as possible to those items which are more advantageously available and secondly the prices for steel to be imported under barter deal, should be on the basis of the guide provided by the market and for this purpose quotations in the Metal Bulletin could be considered as a safe guide.

8. The Metal Bulletin is a weekly publication of London Metal Exchange. It is considered as an authoritative guide of ruling steel prices in Britain, Continent and many other countries in the world. The metal Bulletin was referred to and utilized by the Steel Controller's Office in fixing prices of steel items.

9. I am sure this will clarify all the points raised in your letter.

Copy of D.O. letter No. 22(1)/66-CI(ST)-II/1292, dated 28th July, 1967 from Shri P. Sabanayagam, Secretary to the Committee of Inquiry (ST), Department of Iron and Steel, New Delhi to Shri A. S. Bam.

I am directed to enclose herewith copies of the following letters from the Iron and Steel Controller's file No. CP/RKK(32)/60:

- (i) D.O. No. RKK(32)/60, dated November, 14, 1960 from you to Shri J. M. Shrinagesh.
- (ii) D.O. dated November 26, 1960 from Shri J. M. Shrinagesh to you, and
- (iii) D.O. No. CP/RKK(32)/60, dated 13th January, 1961, from you to Shri J. M. Shrinagesh,

together with a list of the questions to which the Committee would like to have your answers.

Questions to be asked of Shri A. S. Bam :

- (1) Under what circumstances was the meeting on the 13th November, 1960, at the Dum Dum Airport with Secretary, Iron and Steel Chairman H.S.L., and yourself, convened? Was it you who asked the Chairman H.S.L., to attend the meeting? Did you inform Chairman, H.S.L., the subject for discussion and the fact that a mistake had occurred in the issue of the pre-import licence.
- (2) At the time of the discussion, did the Chairman, H.S.L., object to the proposal that H.S.L., should supply semis to Ramkishan Kulwantrai for export?
- (3) Did the Chairman ask for time to examine and give his final decision?

Copy of D.O. letter No. 22(1)/66-CI(ST).II/1293, dated 28th July, 1967 from Shri P. Sabanayagam, Secretary, Committee of Inquiry (ST), Ministry of Steel, Mines and Metals, New Delhi to Shri A. S. Bam, Resident Representative, United Nations Development Programme, United Nations Office, Belgrade (Yugoslavia).

With reference to the Bank Guarantee Form which was employed in the case of semi-steel barbers, I am directed to enclose the following papers :

- (i) The complete noting in F. No. F.C/3/59/Pt, relating to the revision of the Bank Guarantee Form and the orders passed by the Solicitor, the Deputy Controller and yourself.
- (ii) A copy of the Bank Guarantee Form as it was finally adopted.
- (iii) The letter of the Government No. SC(C)5(5)/60, dated 2nd February, 1960 wherein was contained the policy regarding the issue of pre-import licences.

The Committee have made the following observations :

"According to the Government's order No. SC(C)5(5)/60, dated 2nd February, 1960 the Bank Guarantee was to be forfeitable in case of failure to earn foreign exchange by export *whatever the reasons therefor*".

The form of Bank Guarantee, as drawn by the Solicitor and accepted for adoption by you, however, makes the guarantee amount forfeitable only if the barterer fails to arrange the export within three months from the date of delivery of the material by Hindustan Steel Ltd., or within such time as Government may permit. It seems, therefore, that the form of Bank Guarantee, as accepted by you, makes the forfeiture dependent on the supply of materials by Hindustan Steel Limited. The failure to earn foreign exchange on the ground that Hindustan Steel Ltd., did not supply materials would not be covered by the Bank Guarantee, as accepted by you. It seems, therefore, that you did not exercise sufficient care to see that the guarantee bond form was not such as to enable you to forfeit in case of failure to earn foreign exchange "whatever the reasons therefor". The Committee would like to have your comments.

Copy of D.O. letter No. 22(1)/66-CI(ST)-II/1794 dated 28th July, 1967 from Shri P. Sabanayagam, Secretary, Committee of Inquiry, Ministry of Steel, Mines and Metals, New Delhi to Shri A. S. Bam, Resident Representative, United Nations Development Programme, United Nations Office, Belgrade (Yugoslavia).

The Committee considered the explanation submitted by you with reference to the Memorandum No. 22(1)/66-CI(ST)/847 dated the 26th May, 1967 and your D.O. dated 15th June, 1967. The following are the points which I am directed to forward to you for further clarification/information :

(1) Appendix 'C' is the letter of M/s. Hindustan Steel Ltd., No. CTO/24/Part/SE/59/561 dated the 3rd February, 1960 to M/s. J. S. Cohen and Company containing their offer to sell billets subject to the final confirmation and receiving a firm acceptance from M/s. J. S. Cohen and Co., *vide* para 1 of page 2 of Appendix 'C'. Appendix 'E' the letter of M/s. J. S. Cohen and Company containing their offer to sell billets subject to the final confirmation and receiving a firm acceptance from M/s. J. S. Cohen and Co., *vide* para 1 of page 2 of Appendix 'C'. Appendix 'E' the letter of M/s. J. S. Cohen and Co. dated the 5th February, 1960, not only mentions the acceptance of the offer referred to in Appendix 'C', but also refers to an option to stipulate what the specifications of the billets were to be. Hence it would appear that the offer and acceptance between M/s. Hindustan Steel Ltd. and M/s. J. S. Cohen and Co. was conditional and hence it cannot be construed that a contract had been entered into. You are requested to explain.

(2) It has also been pointed out that there is not sufficient conclusive evidence to show that the so called offer of acceptance by M/s. J. S. Cohen and Co., in Appendix 'E' was indeed despatched by M/s. J. S. Cohen and Co., and received by M/s. Hindustan Steel Ltd. It would not be right from the copy of the letter of Appendix 'E', endorsed to Iron and Steel Controller that the Controller should presume that the original, *viz.*, Appendix 'E' was despatched by M/s. J. S. Cohen and Co. Hence, although the contract was ultimately entered into, at the time that the pre-import licence was issued, *viz.*, 10th February, 1960, there was no concluded contract.

(3) On the note recorded on 26th October, 1960 by Shri S. C. Mukherjee, Deputy Iron and Steel Controller, admitting the lapse on his part in having issued the pre-import licence to M/s. Ram, Krishan Kulwant Rai without ensuring that there was a contract between the party and the Hindustan Steel Ltd., you have stated as follows :

"It is most unfortunate that such a serious lapse should have taken place in the office. We must immediately explore all avenues to see that the damage is repaired. As Shri Kulwant Rai is arriving in Calcutta in a day or two, we should prevail upon him to surrender his other un-utilised import licences of the equivalent value. In the meantime, I find that D.C.(M) has already taken other precautionary measures.

After we get the clearer picture, we may submit a detailed report to the Ministry".

- (i) What are the various points regarding which you expected to collect information so as to have a clearer picture and thereafter to submit a report to the Ministry. Whether you got all this information before the meeting that you had with the Secretary on the 22nd November, 1960 and whether you mentioned them to the Secretary.
- (ii) Regarding the irregularity No. 3 in the Memorandum No. 22 (1)/66-CI(ST) dated 26th May, 1967 issued by this Committee, you have in para 6 of your reply dated 16th June, 1967 stated that Shri S. C. Mukherjee was 'reprimanded' by the Secretary. If so, why did you not record this fact of such 'reprimand' in continuation of your note dated 26th October, 1960 in the relevant Iron and Steel Controller's file, viz., F. No. CP/RKK-(32)/60 and that no further action or report was necessary. On perusing the character roll of Shri S. C. Mukherjee it is noticed that the fact that Shri S. C. Mukherjee was reprimanded by the Secretary, has not been incorporated by you. Hence the position is that there is no record whatsoever to the effect that Shri Mukherjee was reprimanded by the Secretary. Please explain.
- (iii) Another point arising from the note dated 26th October, 1960 is whether apart from the assurance given by Shri S. C. Mukherjee that he would ensure that similar lapses would not occur in future, did you ascertain yourself that there was a regular prescribed procedure in the office laying down the manner in which the applications for barter and for import licences were to be processed to ensuring:
- (a) that import licences were allowed only against concluded contracts for exports;
 - (b) that pre-import licences were supported by adequate Bank Guarantee, if not, by Letter of Credit;
 - (c) that the period of validity of the Bank Guarantee did not fall short of the period of validity of the pre-import licences or the period within which the party was allowed to complete an export commitment;
 - (d) that the total value of COPs issued from time to time did not exceed the overall value of the pre-import licences; and
 - (e) to watch the amount of foreign exchange actually earned by export from time to time in each case.

The Committee would like to know whether there was a procedure laying down responsibility of each official in regard to the various matters concerning the barter deals including the custody of bank guarantees and other valuable documents taken in that connection. (The Iron and Steel Controller who were asked if there was any drill in 1960 in this

regard to implementation of semi-steel barter policy, has given his reply. Copies of letters are enclosed for your reference).

(4) With reference to your explanation to irregularity No. 2 contained in our Memorandum No. 22(1)/66-CI(ST) dated 26th May, 1967, the Committee would like to know from you whether there was any specific authority given to you to dispose with Bank Guarantee in that case.

(5) With reference to your explanation in connection with the issue of import licence to M/s. Surrendra Overseas to import Steel strips for Hindustan Steel Ltd. you have submitted Appendix A-VI (TPM from S. Bhoothalingam to Shri J. M. Shrinagesh) which would appear to relate the contract No. 29. The Committee would like to know the relevancy of this information.

(6) I am enclosing a complete set of the Memorandum and the D.O. letter addressed to you and the replies furnished by you earlier with the Appendices for your information, as I am not sure if you would be having the papers readily available.

The Committee would like to know if it would be convenient for you to come to Delhi in the near future.

Copy of D.O. letter dated 15th September, 1967 from Shri A. S. Bam, Representative, United Nations Development Programme, Belgrade to Shri P. Sabanayagam, Secretary, Committee of Inquiry (ST), Dept. of Iron and Steel, New Delhi.

CONFIDENTIAL

In continuation of my letter dated August 29, 1967, I herewith enclose my comments on the following letter sent to me.

! 22(I)/66-CI(ST), 1292. (Meeting with Chairman H.S.L.)
Page: 1.

I am grateful to you for enclosing the necessary appendices, which were not in my possession here, and which have been of great value to me in framing my replies.

I shall be grateful for the acknowledgement of the receipt.

MEETING WITH CHAIRMAN H.S.L.

1. The meeting on 13th November, 1960 at Dum Dum Airport was not convened at my instance, nor had I asked Chairman H.S.L. to attend the meeting. The circumstances in which the meeting took place were as follows.

It was my normal practice to meet the Minister and Secretary of the Ministry, at the airport or railway station, whenever they happened to be passing through or visiting Calcutta. Hence on this occasion also, I went to Dum Dum to meet Mr. Bhoothalingam. It so happened that Mr. Shrinagesh was also there. When we all met it was Mr. Bhoothalingam who spoke to Mr. Shrinagesh about this matter and asked me to explain the circumstances in detail to him, which I did.

2. At the time of the discussion, Chairman. HSL did not object to the proposal that HSL should supply semis to Ramakrishan Kulwantraï for export.

3. The Chairman, HSL agreed to take up the matter immediately on his return to Headquarters.

The above will be corroborated by the note recorded by Mr. S. C. Mookerji under my instructions on 17-11-1960, which can be seen at para 2 on P. 24, Appendix-K of my explanation dated the 15th June, 1967.

Copy of D.O. letter dated 15th September, 1967 from Shri A. S. Bam, Representative, United Nations Development Programme, Belgrade to Shri P. Sabanayagam, Secretary, Committee of Inquiry (Steel Transactions) Deptt. of Iron and Steel, New Delhi.

CONFIDENTIAL

In continuation of my letter dated August 29, 1967, I herewith enclose my comments on the following letter sent to me.

I. 22(1)/66-CI(ST)/II-1294.

1 and 2. M/s. J. S. Cohen and Co.

Pages: 1, 2.

3. M/s. Ram Krishan Kulwant Rai:—

(I)—Page: 3.

(II)—Page: 4.

(III)—Pages: 5, 6.

4. Dispensing with Bank Guarantee.

Page: 7.

5. Relevancy of Appendix A-VI.

(Surrendra Overseas)/

Page: 8.

I am grateful to you for enclosing the necessary appendices, which were not in my possession here, and which have been of great value to me in framing my replies.

I shall be grateful for the acknowledgment of the receipt.

With kind regards.

BANK GUARANTEE

22(I)/66-CI(ST)/II-1293

The whole system of barter deals against Hindustan Steel's Semi-finished steel, came into existence, because of the fact that the Hindustan Steel's finishing mills were not ready, and this semi-finished steel could not be properly utilized within the country. At the same time, steel was urgently needed for use by various essential consumers within the country and had to be imported. Since the supply of semis by H. S. was likely to be spread over a fairly long period, the procedure of pre-imports on bank guarantee basis was evolved by the Ministry of Iron and Steel, and communicated to the Iron and Steel Controller. I remember in this connection, that Secretary Iron and Steel had written to me emphasising that these barter deals should be dealt with in a business-like manner.

Shri S. C. Mookerji, in his note to the Central Government Solicitor at Calcutta, dated 9th March, 1960, Annexure I of your letter, explains in detail the drill followed in dealing with barter deals, and also categorically brings out the Government stipulation of forfeiture of bank guarantee in case of failure to earn foreign exchange by export, whatever be the reasons therefor. A copy of Ministry's letter of 2nd February, 1960 was also placed on the file sent to the Solicitor. It was the Government of India Solicitor who devised bank guarantee form according to his knowledge of legal and commercial practices.

We did not prepare any draft bank guarantee ourselves and the draft was drawn up by the Central Government Solicitor himself. We only forwarded to him the various forms which were in use in our office at that time for ready reference.

After that in a highly legal and technical matter like this, the Iron and Steel Controller was bound to go by the advice of Government's representative in matters of law. Therefore, the Iron and Steel Controller cannot be held responsible, and I feel that the Central Government Solicitor, Calcutta, would be the person to throw better light on the matter.

 III. 22(i)/65-CI(STII)1294

Nos. 1 and 2. J. S. COHEN and COMPANY No. 1

A copy of the letter No. CTO/24/Part/SE/59/561. dated. 3rd February, 1960 (Appendix C) from Chief Commercial and Transport Manager, H. S. Ltd. to Messrs. J. S. Cohen and Co. was endorsed to Iron and Steel Controller, for information, and *necessary action*. Further on 5th February, 1960, H. S. Ltd., wrote to Iron and Steel Controller giving reference to the above letter in reply to the Iron and

Steel Controller's letter No. PIE/38 of 3rd January, 1960 regarding the acceptance of the proposal from Messrs. J. S. Cohen and Co. and informing him that they were only awaiting formal acceptance of their offer by Messrs. J. S. Cohen and Co. to finalise the *conclusion* of the contract. A copy of this letter was also endorsed to Messrs. J. S. Cohen and Co., Appendix D, Page 19 of my explanation of 15th June, 1967.

The obvious conclusion from the above letters is that Hindustan Steel Ltd. had agreed to finalise the contract and were only awaiting a formal acceptance of their offer by Messrs. J. S. Cohen and Co.. The acceptance of this offer by Messrs. J. S. Cohen and Co. was conveyed to H. S. Ltd. in their letter of 5th February, 1960, a copy of which was also marked to the Iron and Steel Controller, Appendix E. Further in this letter there was an agreement between H. S. Ltd. and J. S. Cohen and Co. on the specifications of the billets also, as would be seen from the wording "*as agreed*", in Para 4 of this letter, which also gives specifications of billets SAF 1051. Specifications of billets B.S.S. 15 also appear in the preceding paragraph of the same letter.

Thus the offer and acceptance have nothing conditional about them. Moreover, the last sentence of the letter is also very significant in that it mentions as desired by HSL, Messrs. J. S. Cohen and Co., were proceeding with other formalities which, *inter-alia*, would mean to include approaching the Iron and Steel Controller for the issue of the necessary pre-import licence on a bank guarantee basis as indicated by the letter of HSL dated 3rd February, 1960 (Appendix-C). Therefore, as far as the Iron and Steel Controller was concerned, in this matter the contract had been positively concluded.

J. S. COHEN & Co.

(No. 2).

I am unable to comment on the remark expressing doubt that the letter containing the offer of acceptance by Messrs. J. S. Cohen (Appendix E) was indeed despatched by them and received by Messrs H. S. Ltd. As far as the I. and S. Controller was concerned both the H. S. Ltd. and J. S. C. were regularly keeping him in the picture by endorsing copies of relevant correspondence.

In fact H. S. Ltd. as mentioned in the explanation to the earlier paragraph. (P. 1) had also been corresponding directly with Iron and Steel Controller in this matter. Hence there could not possibly have been any reason for Iron and Steel Controller to doubt that only this particular letter was not received in HSL's office when a copy was received by the Iron and Steel Controller. Therefore, there seems no reason why a *bona fide* action of the Iron and Steel Controller could be called into question because as far as he was concerned he had no reason whatsoever to doubt anything otherwise.

III. 22(i)/66-CI(ST)II-1294

No. 3 RAMKRISHNA KULWANRAI

(i)

1. By clearer picture I meant the result of exploring of avenues to see that the damage was repaired. Efforts in this direction led to a letter from Ramkrishna Kulwantraï giving an undertaking to earn foreign exchange for the full value of imports by exporting other permissible items like managanese ore, ferrous scrap, etc., dated 29th October, 1960. (Appendix-G) P. 21.

2. Messrs. Ramkrishna Kulwantraï also conveyed their willingness to take slabs and ingots available in stock at Rourkela, irrespective of specification and analysis of the material.

All this information was obtained before my departure for Delhi on 1st November, 1960 and mentioned to Secretary at my meeting with him on the 2nd November, 1960, I should like to point out that this meeting took place on the 2nd November, 1960, and not on 22nd November, 1960 as mentioned in your letter. The fact of my having discussed and apprised Secretary of the willingness of the firm to take slabs and ingots from Rourkela, not conforming to any standard specifications, was recorded by Shri S. C. Mookerji under my instructions in his note of 17th November, 1967, (Appendix-K) P. 24.

 (No. 4)

III. 22(i)/66-CI(ST)II-1294

No. 3. RAMKRISHNA KULWANRAI

(ii)

Regarding the question of my not keeping any record of the reprimand to Shri S. C. Mookerji, I would like to repeat what I had already said before in my explanation of 15th June, 1960 at para 6, item 3, on this subject. The matter had been brought by me before my higher authority, the Secretary, and he himself had reprimanded Shri S. C. Mookerji. This fact of reprimand has also been positively corroborated in the PAC's 56th report in Shri Mookerji's deposition before it.

As there were no instructions from Secretary for any further action, I concluded the matter to be at an end. I may incidentally point out that Shri Mookerji was an officer of the Central Secretariat Service, on deputation to the Steel Control Organisation and as far as I remember his character roll, after it was written by me, had to be reviewed in the Ministry.

No. 3. RAMKRISHNA KULWANTRAI

(iii)

As far as I remember there were hardly any barter deals concerning HSL's semis after October 1960. In fact I had written to Shri Bhoothalingam myself sometime in July, 1960 informing him that I was discontinuing issue of pre-import licences on Bank Guarantee, on HSL's material, as the exporters had complained that HSL was lagging behind in its delivery schedules. Copy of this letter will be available in the files of Iron and Steel Controllers office. I had also mentioned that this was being done to avoid a situation whereby we would be landed with imports, without corresponding exports taking place, resulting in loss of foreign exchange to the country. The only pre-import licences issued after that date are those against barter deals concluded by HSL with the approval of Department of Iron and Steel.

Apparently what the Committee has in mind is whether there was any codified manual of office procedure of its own for any item of work. Steel Control was set up in 1941 and it had not prepared any codified manual of office procedure of its own, for any item of work. There was therefore no attempt to prepare a manual for barter deals alone. As an attached office of the Central Government its officers and staff were to follow the manual of office procedure published by the O. and M. Division of the Central Government and regulated its working through files. There was hardly any need for laying down a procedure or drill in black and white after 26th October, 1960 with regard to the pre-imports against barter deals involving HSL's semis. As is evident from para 3 of Shri Sahay's letter of 2nd June, 1967 that in November 1960, that is soon after Shri Mookerji's note of 26th October, 1960 was recorded, necessary action was taken to form a fullfledged barter section, to deal with all types of barter. However as stated earlier, issue of pre-import licence involving HSL's semis was stopped as far back as July, 1960 by the Iron and Steel Controller of his own accord. Later on, in October, 1960, the Dept. of Iron and Steel also issued instructions that the pre-import licences should not be issued against export of HSL semis.

As regards CCP value not exceeding the licence value no special instructions were necessary with particular reference to pre-import licences. It is incumbent on the licencing authorities to ensure that CCP's are issued only to the extent of the amount indicated in the exchange control copy.

As has been pointed out in Shri Sahay's letter, barter deals involved handling in various sections, and it was the primary responsibility of the officer manning a particular section to ensure its proper working in all respects.

III. 22(i)/66-CI(ST)II-1294

No. 4 DISPENSING WITH BANK GUARANTEE

As far as I remember there was no specific authority given to the Iron and Steel Controller to dispense with a bank guarantee in that case. But the circumstances which have already been explained in item 1 of my previous letter of 15th June, 1967 were such, that the Iron and Steel Controller was led to believe that this transaction was to be treated as outside the normal barter deal procedure communicated to him by the department of Iron and Steel. However, I would like to state by way of further elucidation that the Department of Iron and Steel letter dated 2nd February 1960 which provided for allowing pre-import against Bank Guarantee was apparently applicable to barter deals processed and approved by the Iron and Steel Controller because the letter was addressed to the Iron and Steel Controller. The particular barter deal against which a pre-import licence was given to Surendra Overseas was not processed and approved by the Iron and Steel Controller. This barter deal was concluded by Hindustan Steel Ltd., direct, and Iron and Steel Controller was only informed about its conclusion by Deptt. of Iron and Steel with a directive to issue import and export licences on application. As instructions of the Deptt. of Iron and Steel did not indicate that a Bank Guarantee was to be taken before issue of import licences or that this transaction was to be in accordance with the policy laid down by the Ministry in their letter dated 2nd February, 1960, action of the Iron and Steel Controller in not insisting upon a Bank Guarantee from Surendra Overseas was not irregular. It may be added that Hindustan Steel Ltd. who requested the Iron and Steel Controller to issue Import Licence in this case pursuant to the instructions of the Deptt. of Iron and Steel did not ask the Importer to submit a Bank and the firm also did not submit any Bank Guarantee because the proposal to import before export was made by Hindustan Steel Ltd., and not by the firm. In actual fact import was made by the firm on behalf of Hindustan Steel Ltd. and if any Bank Guarantee was to be taken it might have been taken only from Hindustan Steel Ltd. on whose behalf the firm was importing the materials. Due safeguard was taken by the Iron and Steel Controller in issuing an import licence in which a condition was stipulated that "the material imported against the licence is to be supplied to M/s. Hindustan Steel Ltd. on barter basis against export of billets." I believe the consignment also was actually cleared by Hindustan Steel Ltd. and not by Surendra Overseas.

III. 22(i)/66-CI(ST)II-1294

No. 5 RELEVANCY OF APPENDIX A-IV (SURENDRA OVERSEAS)

I regret that Appendix A-VI has been mistakenly put in as it has no relevancy to the contract in question. Similarly there is an obvious misprint in my explanation dated 15th June, 1967 at the end of Para 4 of item I, where Appendix A-VI has been mentioned for Appendix A-I.

Copy of Memo No. 22(1)/66-CI(ST)/916, dated 18th June, 1967 from Shri P. Sabanayagam, Secretary to the Committee of Inquiry (ST), Ministry of Iron and Steel, New Delhi to Shri A. N. Banerjee, General Manager, Rourkela Steel Plant (through) Chairman, Hindustan Steel Ltd., Ranchi, Hinoo.

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(II)-14(19)/66, dated 12th September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66, dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with a necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the Inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri A. N. Banerjee, while acting as Iron and Steel Controller, had taken the following decisions/or failed to take action, in the undermentioned cases which do not appear to be in accordance with the relevant decisions of the Government which were in force at the relevant time and which would required his clarification to enable the Committee to consider whether such decision taken by him constituted any irregularity/lapse on his part.

I. *Iron and Steel Controller file No. 1/10/BR/D/AP-M/s. Aminchand Peyarelal—unauthorised imports—issue of CCPs.*

M/s. Aminchand Payarelal imported 998:292 M/tons of M. S. C. R. Plates ex. SS. "City of Stafford" on 18th August, 1961 without any valid import licence to cover the consignment in question. After importation, the firm applied to Iron and Steel Controller for issue of Customs Clearance permit for the aforesaid consignment. Thereupon he *vide* his letter No. 1/10/BR/D/AP, dated 13th November, 1961 addressed to the firm (Copy enclosed) agreed to issue Customs Clearance permit as sought for by the firm on the conditions, *inter alia* that the firm should execute a bond in a prescribed proforma on adequately stamped paper for 10 per cent of the C & F value of the consignment binding them to re-ship the material out of India within a stipulated period. On the firm furnishing the required bond, a licence No. SIC/10/BR/D/1001/247 dated 5th December, 1961 (C.C.P. copy only) for a value of Rs. 6,64,372/- was issued in their favour as per his orders.

It appears that the Government Solicitor in Calcutta had advised that the Controller did not have any authority to issue CCP after the importation of goods and that it should be dealt with under Section 5 of the Imports and Exports (Control) Act, 1947 and the Sea Customs Act. He disagreed with that view. Pending further investigation into the question of powers to issue CCP, the question would

also arise whether it was a fit case to exercise his powers. The Committee would like to know the reasons for exercising his powers to issue CCP in this case.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sh. A. N. Banerjee's reply dated 28th July 1967 to the Memoranda.

Iron and Steel Controller file No. 1/10/BR/D/AP-M/s. Aminchand Payarelal—unauthorised imports—issue of CCPs.

It has been stated in Memorandum No. 22(1)/66-CI(ST)/910, dated 12th June, 1967, from Secretary to the Committee of Inquiry (Steel Transactions) that decision taken in the case does not appear to be in accordance with the relevant decisions of the Government which were in force at the relevant time.

Government decision in force can be in one or more of the following forms:—

- (a) Statute;
- (b) Order published in the prescribed manner as laid down in a Statute;
- (c) Executive instructions issued by the Government to officers.

In so far as export and import control is concerned, the only Statute in existence is the Imports & Exports (Control) Act 1947. This Act does not lay down any procedure but only lays down certain basic principles relating to control of imports and exports and gives the Government powers to issue orders for prohibiting, restricting or otherwise controlling import, export etc. In fact this Act does not go beyond stating that "the Central Government may, by order published in the Official Gazette, make provisions for prohibiting, restricting or otherwise controlling in all cases or in specified classes of cases, and subject to such exceptions, if any, as may be made by or under the orders:—

- (a) the import, export carriage coast-wise or shipment as ships stores of goods of any specified descriptions;
- (b) the bringing into any port or place in India of goods of any specified description intended to be taken out of India without being removed from the ship or conveyance in which they are being carried."

In the circumstances, my decision in the present case was not in any way at variance with the provisions of only Statute in existence on the subject.

Coming to the question of Government order issued on the subject, the only Government order issued under Section 3(1) of the said Act for control of imports is the Imports (Control) Order 1955 which lays down rules regarding control of imports. A perusal of these rules would go to show that these rules do not regulate or control the powers given to licensing authorities. It would further appear that my orders in the case do not in any way contravene any of the provisions of the Imports (Control) Order 1955. The position would be further discussed in subsequent portions of this note.

Coming to the question of Government instructions, I am not aware of any Government instructions which put any restrictions on my using the powers given to me by the Government order mentioned above. Executive instructions in respect of exports and imports were usually issued in the form of Public Notices, which in the case of rolled steel materials were issued not by the Ministry of Commerce, nor by the Ministry of Iron & Steel nor even by the CCI & E but by the Iron & Steel Controller. My orders in the present case were not hit even by the provisions of any such public notice issued by me as Iron & Steel Controller.

I may point out here that Import Trade Control—Handbook of Rules and Procedure, 1961 is not an executive instruction issued by the Government; it is a handbook of rules and procedures published by the CCI&E for guidance of the officers working in his organisation and for exporters and importers dealing with his organisation. Iron and Steel Controller is not an officer belonging to CCI&E's organisation or a licensing authority subordinate to CCI&E; he is an independent and parallel licensing authority in respect of certain specified items in respect of which he works completely independently of the CCI&E. This Handbook in its foreword also makes it clear that the Handbook is not of a statutory character. In the circumstances, it can not be said that this Handbook has the force of an executive instruction from the Government.

I may, however, add here that the decision taken in this case did not in any way conflict with the principles CCI&E had been following in regard to imports being handled in his organisation, even though, even if there had been any such conflict that would not have amounted to contravention of a Government instruction.

It has been stated in the Memorandum quoted above that Government solicitor had given advice to me that I did not have any authority to issue a CCP in this particular case and that I disagreed with the view. This advice of the Government solicitor was given in his letter No. 2998/61, dated 22nd November, 1961. I may mention here that this letter of the solicitor was issued after the Government solicitor had a discussion with the Assistant Director of Shipping of the Iron & Steel Controller's organisation (who was an Ex-officio Deputy Asstt. Iron & Steel Controller) who took the relevant papers to him and explained the case to him. I may add that this officer was a very junior and subordinate officer in the Steel Control organisation (whose position was very much lower than even that of a Superintendent in the Central Secretariat). His experience in steel Control was for a very short period and he was not well-conversant with the procedures established in the Steel Control. This was perhaps the reason why he could not explain the case properly to the Solicitor. The solicitor, after such discussion, in his letter gave a contradictory opinion. He himself mentioned in the letter that under Clause 3 of the Imports (Control) Order 1955, no person shall import any goods of the description specified in Schedule I except under or in accordance with a licence or a customs clearance permit granted by the Central Government or by any officer specified in Schedule II. In other words, he himself pointed out that Clause 3 permits the issue of a licence or of a customs clearance permit. The word "or" makes it perfectly clear that customs clearance permit is not in any way linked with a licence but is a separate entity in itself. It also makes it clear that imports can be made either against a licence or against a customs clearance permit and that it is not obligatory that both the documents should be issued in all cases. However, later in the same letter, the Government solicitor opined that the Controller did not appear

to have any authority to issue customs clearance permit after importation of the goods in question in the absence of a proper import licence. In other words, he completely ignored the words as occurring in Clause 3 of the Imports (Control) Order which he had himself quoted in his letter and made the clause virtually to read as "no person shall import any goods of the description specified in Schedule I except under and in accordance with a licence and a customs clearance permit granted to by the Central Government or by any officer specified in Schedule II." He did not mention any particular provision of law, Government rule or Government instruction in support of the view expressed by him. This opinion of the solicitor was disagreed to by the senior most Dy. Iron & Steel Controller in the organisation who had been dealing with all legal matters over a considerable number of years and who had considerable experience of such cases. This officer pointed out that CCPs had been issued in such circumstances in the past without import licences and might be issued in this particular case also. I also had some personal knowledge of certain cases where importation had taken place only on the basis of CCPs without import licences where, as in the present case, the question of foreign exchange remittances did not arise and where the goods were to be re-exported. It would thus appear that the opinion of the solicitor was fully considered by my organisation and by me and was given its due weight after judging it against the legal provisions on the subject as well as the practice that had been followed earlier.

On this particular case the Government solicitor had earlier given another opinion. This opinion was given verbally by him to the Assistant Director of Shipping and was recorded by the latter in file No. 1/10/BR/D/API/61-AP on 9th November, 1961. According to this opinion, the powers of the Iron and Steel Controller were restricted to the Iron & Steel Control Order and the Import Trade Control Act only. The Iron & Steel Control Order does not deal with export/import cases; there is also no such Act in existence as the 'Import Trade Control Act'. The only Act dealing with imports and exports in the Imports and Exports (Control) Act 1947 which does not define or regulate powers of licensing authorities but deals with certain basic principles. This Act does not go beyond stating that 'the Central Government may, by order published in the Official Gazette, make provisions for prohibiting, restricting or otherwise controlling in all cases or in specified classes of cases, and subject to such exceptions, if any, as may be made by or under the orders:—

- (a) the import, export carriage coast-wise or shipment as ships stores of goods of any specified description;
- (b) the bringing into any port or place in India of goods of any specified description intended to be taken out of India without being removed from the ship or conveyance in which they are being carried.'

It would thus appear that if the note of the Assistant Director of Shipping was to be taken as correct, either the Government solicitor quoted an Act which was not in existence or misquoted the Act. Even if it is assumed that he meant that Iron and Steel Controller's powers were restricted to the Imports and Exports (Control) Act 1947, since this Act did not define or regulate any powers of licensing authorities, not much reliance could have been placed on such opinions given by the Central Government solicitor in this case.

I have already mentioned that my decision in this case was not in any way in conflict with the principles followed by CCI & E's organisation as embodied in the Handbook of Rules and Procedure. In the present case, the order was to ship back the materials in question. This did not make the import as authorised; the import still remain unauthorised. It was because the import was considered by me as unauthorised that the materials were ordered to be re-exported. There was no bar to the customs authorities taking action against the importer under the Sea Customs Act and inflicting punishments under that Act. As a matter of fact, in the bond that was taken from the importer it was made clear that the Government reserved the right to take any action they might think fit to take against the importer. Whether or not the customs authorities took any action against the firm is not known to me but it was certainly open to them to take such action.

Coming to the question of the issue of CCP, I have already stated that under the law I had the powers to issue CCPs in such cases. In the present case the CCP was ordered not for regularising the import; otherwise the import would have been allowed and the materials released for consumption within the country and a licence including foreign exchange remittance would have been issued. The CCP was ordered only to facilitate re-export, and was only an order incidental to the main order asking the importers to ship back the materials; the materials had to be rebundled before such re-export as the original bundles had broken and re-export would not have been possible without rebundling and the importer had to be given facilities to rebundle the materials and make them ready for re-export. Stringent conditions were imposed regarding freezing, inspection, etc. to ensure that no malpractices take place.

It would thus be seen that there has been no question on regularising any unauthorised import. The import remained unauthorised and the order to re-export was made without prejudice to Government rules to take other penal action against the importer. I may add here that at a later stage, on appeal, the Government took a different view and felt that the import should have been considered as authorised. In fact Government reversed my finding in this case and modified my order substantially. This matter will be dealt with at a later stage of this note.

I would now give the reasons why re-export was ordered in this case. As I have already stated, the order to issue CCP was purely incidental to facilitate the re-export as otherwise re-export would have been difficult, if not impossible—the basic and primary order in this case was for the re-export of the materials in question.

After I had given order that the materials should be taken back from India, the proprietor of the firm had asked for an interview with me. During the interview he mentioned that if I was not prepared to release the materials for consumption within the country, or, in other words, if I was not prepared to regularise the import, I should not give an order to re-export the materials but should leave the entire matter of allowing the entry of the materials to the customs authorities. I have already stated that so far as penal action was concerned, the customs authorities were entirely free to deal with the matter. However, I was not inclined to let the customs authorities deal with the entire matter in this particular case. under Section 182 of the Sea Customs Act 1878, read with Section 183 of the same Act, it was obligatory on the part of the customs authorities to give the owner of the goods an option to pay in lieu of confiscation such

fine as the customs authorities would think fit. In other words, if the matter was to be dealt with entirely by the customs authorities, the importer would pay a fine and would be allowed to bring the materials into the country for consumption within the country; there was no alternative on the part of the customs authorities and they had to give such an option to the owner of the goods in such a case. However, entry of such materials for consumption within the country would have given rise to several complications. The question of foreign exchange remittance would have arisen because if the materials were used within the country the original suppliers of the materials would have to be paid for such materials. It was not at all clear that, in the event of such materials entering the country for purposes of consumption, how such foreign exchange remittance could be made. Perhaps, foreign exchange would have to be made available from general reserves. Secondly, even though theoretically even after payment of fine such materials would have remained within the purview of the Iron & Steel Control Order, it would have been extremely difficult to keep track of such materials once Iron & Steel Control had lost such track. These materials at that time were in extreme short supply and were selling in the market at a very high premium. In the circumstances even if a very heavy fine was imposed on the owner of the goods by the customs authorities, perhaps a major part of the fine, if not the entire amount, could have been recovered by the owner from the premium he would have realised at the time of the sale of the goods. In other words, there would have been virtually no punishment financially apart from something of a very minor nature that the importer would have had to suffer. On the other hand, in the case of re-export, the importer would not get an option to clear the materials on payment of fine; there would be no question of any foreign exchange remittance to the original suppliers of the materials and the importer would be properly punished as he would have to pay sea-freight both for the inward and outward transport of the materials, he would have to pay heavy demurrage and wharfage charges at the port, he would have to pay interest on the blocked capital and he would perhaps have to pay some discount to the original suppliers in persuading the original suppliers to take back the materials. All these would amount to something very substantial and in return he would not get any premium at the time of the sale of the materials. The order for re-export and the consequential order for orders for the issue of a CCP to facilitate re-export were considered the most suitable order in the case in view of what has been stated above.

The importer was totally dissatisfied with my order (which would not have been the case if any favour had been shown to him) and preferred an appeal to the Government against my order. The Government considered this appeal within a few weeks of my having passed the order in question. Government views on the case were made very clear in notes recorded in Government of India, Ministry of Steel, Mines and Fuels Department of Iron & Steel file No. SC(B)-23(35)/60 extracts from which were sent to the Iron & Steel Controller with O.S.D., Department of Iron & Steel d.o. letter No. SC(B)-23(35)/60, dated 4th January 1962 (copy enclosed). It would be abundantly clear from the noting and the Government was that Government would not have any objection to the imports rised and that Iron & Steel Controller was "having it both ways" in asking the importer to re-export the materials. The clear finding of the Government order that Government felt that the imports were not at all unautho-made by the party being released. In actual fact, Government modified my order and agreed to release the imported steel for consumption within

the country. However, at that time there was a dispute going on between this importer and another party, viz., M/s. Bharat Barrel, and the Iron & Steel Controller had passed certain orders in regard to the dispute. Government wanted to take advantage of my decision and ordered that if the importer would be willing to abide by the decision of the Iron & Steel Controller in the other case of dispute with M/s. Bharat Barrel and pay back to M/s. Bharat Barrel and other allottees the extra freight received, then the Government would permit the release of the goods imported. The Government also wanted that the Court cases filed by the two parties against each other should also be withdrawn. The Government indicated that when the extra freight received by the party were paid back by him and when the Court cases mentioned above were mutually withdrawn, the steel in question would be released for consumption within the country. In other words, Government allowed the appeal and subject to certain conditions, which were extraneous to the merits of the present case, reversed my orders. The fact that a CCP had been issued for temporary storage and rebundling the materials was known to the Government as would be evident from the notes in the Government file mentioned above. If the issue of the CCP was contrary to any Government decision prevalent at that time, Government would have found my order wrong. However, Government did not find anything wrong with the order as the order followed was not contrary to any Government decision.

I understand that in the import licences mentioned in the notes in the Government file, remittances were permitted only to the extent allowed by the Iron & Steel Controller's organisation and not on the basis of invoices. In other words, remittances in respect of freight were allowed to the extent permitted by the Iron & Steel Controller's organisation and not to the extent mentioned in the invoices.

Copy of D.O. letter No. Nil, dated 22/23rd August 1967 from Shri P. Sahanavagam, Secretary, Committee of Inquiry (ST) to Shri A. N. Banerjee, General Manager, Hindustan Steel Limited, Rourkela Steel Plant, Rourkela (Orissa).

Please refer to the correspondence resting with your letter No. G.M. I, dated 28th July, 1967.

The Committee of Inquiry would like to know if, during your tenure of the office of Iron and Steel Controller, you had ascertained whether there was a regular prescribed procedure in the office laying down the manner in which applications for barter and for import licences were to be processed, which ensured:

- (a) that import licences were allowed only against concluded contracts for exports;
- (b) that pre-import licences were supported by adequate Bank Guarantee, if not by Letters of Credit;
- (c) that the period of validity of Bank Guarantee did not fall short of the period of validity of pre-import licence, or period within which party was allowed to complete an export commitment;
- (d) that the total value of CCPs issued from time to time did not exceed the over-all value of pre-import licences; and
- (e) to watch the amount of foreign exchange actually earned by export from time to time in each case.

The Committee would also like to know whether there was a procedure laying down responsibility of each official in regard to the various matters concerning the barter deals, including custody of Bank Guarantees and other valuable documents taken in this connection.

Copy of D.O. letter No. G.M/1, dated 24th September 1967 from Shri A. N. Banerji, General Manager, Hindustan Steel Limited, Rourkela (Orissa) to Shri P. Sabanayagam, Secretary, CI(ST), Committee of Inquiry (Steel Transactions), Department of Iron & Steel, New Delhi.

Please refer to your letter No. 13/3/66-CI(ST), dated 22/23rd August, 1967. I enclose herewith a note on the points raised.

It is extremely difficult for me to remember after so many years of leaving the Iron and Steel Control as to the procedures in vogue during the period I was the Iron & Steel Controller. However, I am trying to indicate the position to the best of my memory and recollection.

The office of the Iron & Steel Controller was established in 1941 and has been functioning since then. It was an established office with established procedures and established ways of work. I joined 20 years after the office had been established.

The system of barter was in force from 1957 onwards. Barter in respect of pig iron started in full scale in 1959 and that in respect of finished steel in 1960. In other words, all these barterers started before my joining the Iron and Steel Control. During my tenure, as far as I remember, there were virtually no barter transactions (except scrap barter) which came up for consideration.

After I joined the Iron and Steel Control. I found that for each type of barter, a definite policy had been laid down by the Government and as and when any special points arose, references used to be made to Ministry, directions obtained and action taken. There were no set of rules in the form of a manual or otherwise for guidance of staff and subordinate officers—in all probability this was so because barter transactions were not going to be permanent feature.

(a) General rule in regard to issue of import licences was that the import licences were to be issued on the earnings of foreign exchange. Import licences would be issued in such cases on evidence of Bank statements. So far as cases of pre-import were concerned, these pre-imports were allowed before I took over and bulk of the imports had already been made under the licences that were issued. As such, there was no occasion for me to make any special study on the manner in which such import licences were issued.

(b) According to the rules, either a Bank Guarantee or a Letter of Credit should be in force in respect of every pre-import licence where export earnings were still to be accounted for. Since the number of the barter cases were only about half a dozen, it would appear that checking had been left to the Dealing Assistant and to the Officer incharge of the Department. It was for the Officer incharge of the Department to ensure that timely action was taken to get renewals whenever such renewals became necessary. If the number of cases had been much larger then the Head of the Department before my time and I myself would have thought of prescribing a drill to be followed by the Officer incharge and the office so that no case would get lost by oversight. With such a small number of cases, such dangers were not there.

(c) This is a matter for detailed checking and would normally be left to the Dealing Assistant and to the Officer incharge. Such matter would not normally come to the Iron & Steel Controller unless there were any particular difficulties. It was for the Dealing Assistant and for the Officer incharge to bring up any case of special difficulty to the notice of the Dy. Iron & Steel Controller and if the Dy. Iron & Steel Controller would consider it necessary, he would bring the matter to Iron and Steel Controller's notice.

(d) This also is a matter of detailed checking and would not normally come up to the Iron and Steel Controller unless there were specific special difficulties. The Dealing Assistant and the Officer incharge would normally deal with such a matter.

(e) Statements were received each month from HSL showing quantities delivered for export and two such statements were received. Watch was maintained about the progress of foreign exchange earning. Apart from this monthly statements there were periodical meetings with HSL and other producers where matter was to be discussed and progress verified.

Regarding responsibilities of officials relating to custody of documents, no special orders were issued before I joined. The general orders governing Government servants and Service Regulations (Government Service Conduct Rules) about duties and responsibilities of the Government servants relating to valuable documents were applicable and were considered adequate for the purpose which in fact they were.

It had always been the practice in Steel Control that the custody of documents would be with the Section to which the documents belonged to and that the Head of the Section would be responsible for them. In an organization like Steel Control, apart from Bank Guarantees and such other documents relating to imports and exports, there were various other valuable documents and owing to severe space limitations it was not possible to have a centralised system of keeping documents. Since the number of valuable documents were large, any centralisation might also have affected smooth and normal working of the organization.

I may add that the Iron & Steel Control in my time had to deal with not merely import licensing but also with planning of production of steel, distribution of steel, bulk purchases of steel, development of steel industry and supply and movement of raw materials and spares etc. for steel industry, import licensing and barter deals only formed a part of Iron & Steel Control's duties. As such it was not possible for the Iron & Steel Controller to devote the bulk of his attention to import licensing and to barter deals. Between 1961 and 1963, steel position in the country was extremely critical and major projects and priority industries were suffering owing to acute steel shortage. The Iron and Steel Controller used to be busy most of the time in ensuring that major projects were not held up high priority industries including Defence industries did not get into difficulties owing to shortage of steel. I, of course, tried to do justice to other aspects of my work including import licensing but it was not always possible for me to look into every detail of work because of the very heavy duties imposed on me particularly owing to steel shortage.

P. SABANAYAGAM

Joint Secretary
and

Secretary CI(ST)

22(1)/66-CI(ST)

7th June, 1967

Dear Shri Jagannathan,

I am enclosing herewith copies of—

- (i) Relevant notings in Department of Iron & Steel File Nos. SC(B)-15(70)/59 and SC(B)23(5)/60, wherein the question of allowing pre-imports in the case of ferrous scrap and steel barbers was examined and agreed to;
- (ii) Letter No. SC(C) 5(5)/60, dated 2nd February 1960, issued by Shri C. A. Nair to the Iron & Steel Controller;
- (iii) D.O. Letter No. C/3/59, dated 10th March 1960, from Shri S. C. Mukherjee, Deputy Iron & Steel Controller to Shri G. Ramanathan, and the reply D.O. letter No. SC(C) 5(5)/60, dated 17th March 1960, defining that was a "firm contract for export"; and
- (iv) D.O. letter No. B&E/37/PAC/66/3908, dated 3rd June 1966 form Shri S. C. Mukherjee to Shri P. P. Caprihan.

2. The Iron & Steel Controller, in actual practice, only insisted on a firm contract to purchase semis by the party from Hindustan Steel Ltd., as meaning a "firm contract for export". The Committee desire to know what you understood a "firm contract for export" to be i.e.

- (a) a contract from a foreign buyer to purchase semis from the Indian party whose proposal for barter was to be approved by the Iron & Steel Controller.

OR

- (b) a contract between the Indian party and Hindustan Steel Ltd., to purchase semis for export.

3. While on the subject of "firm contract for export", in case the view is held by you that by "firm contract for export" you meant (a) in paragraph 2 above, then the position would be that such a contract could be of help only to the contracting parties in so far as the sale and purchase is concerned, but, so far as the Iron & Steel Controller was concerned, such a contract would not be one which would have helped him in compelling export on the other hand. if such "firm contract for export" is deemed to be (b) in paragraph 2 above, then, at least Hindustan Steel Ltd., would be in a position to claim damages, etc. as per the

terms of the contract and, to that extent, could compel the Indian party to export as per the terms of the barter approved by the Iron & Steel Controller. Hence, what is sought to be stated is that, if the "firm contract for export" is interpreted to mean as at (a) above, then, the omission to see that such a contract was in force would have made no difference in so far as having a hold on the party for fulfilment of the conditions of pre-import is concerned.

4. The value of bank guarantee fixed was 15 per cent of the value of the import applied for. The question had been raised by the Public Accounts Committee as to why it was reduced from 20 per cent which was the figure in force in the case of pre-imports under ferrous scrap barbers. The reply given was that the Ministry of Iron & Steel omitted to mention specifically the fact of such reduction in their note to the Economic Affairs Department. The point really is, apart from such omission, what should be the value of the bank guarantee in the case of pre-import licences is it enough if it was taken for 15 per cent of the value of the import, or, should it have been a higher figure? If indeed it was felt that the figure of 15 per cent was low, it was open to the Economic Affairs Department to fix a higher percentage.

5. With reference to the several points raised above, I am directed to get your clarification and advice.

6. Please acknowledge receipt.

Yours sincerely,

Sd/- P. SABANAYAGAM,

Shri S. Jagannathan, Secretary, Ministry of Finance, New Delhi. Department of Economic Affairs,

CONFIDENTIAL

D.O. No. 2115-SSEA/67, Economic Secretary, Ministry of Finance,
New Delhi.

August 25th 1967

My dear Sabanayagam,

Kindly refer to your D.O. No. 7/2/66-CI(ST) dated June 1967. The question relates to discussions and some noting in files of the year 1959-60, more than seven years ago. Except in regard to principal developments in the Indian economy, one's recollection after this long interval is inevitably not sharp and precise. The reply given is therefore necessarily based on study of the papers given by you, assisted by such recollection as is possible after this interval.

2. I would first like to stress a very important fact. In the year 1959-60, the assessment of the Ministry of Iron & Steel was that a very substantial volume of imports of iron and steel was essentially required for the economy of the country and its industrial development; this was also the assessment of the Department of Economic Affairs. The amount of free foreign exchange that could be made available to finance the import of the required iron and steel fell very substantially short of the estimates of the Deptt. of Iron & Steel as to what imports were necessary. It was in these circumstances that the policy of barter was evolved, through which one could hope for the export of scrap, ore etc., financing the import of iron & steel. There was another factor pertaining to the then state of the development/commissioning of Hindustan Steel which was relevant in this context. The capacity for finished steel, that was under installation, had not been completed and brought into commission and some delay was expected on this account. It was suggested by the Deptt. of I & S and fully accepted by the Deptt. of E.A. that instead of storing for a fairly prolonged period, the "semis" produced by HSL, such semis could be exported, in order to finance import of essentially required iron and steel. This was a further development of the barter policy. The basic requirement was that of imports which were needed immediately for the economy—to be financed by such exports. After this policy was approved, a subsequent development was that for coping with the specific circumstances a proposal was evolved and brought to the notice of the Deptt. of E.A. in January 1960. The Department of Iron & Steel wrote:- "The procedure we have been adopting in barter is to issue an import licence for steel for export. This has worked so far. But in future this procedure will require change. In barter, the size of the export commodity is large and deliveries can be made only over a period of time. If we wait till the exports have taken place to issue the import licence for steel, we might get the steel after our pressing needs are over; it may even come when we have our own production. We have, therefore, to think of a new

procedure where we can get the steel right now, allowing exports to follow, if necessary". (Shri G. Ramanathan's note of 18th January 1960).

3. The above procedure, subject to certain safeguards indicated by the Department of Iron & Steel (subsequently added to, as recorded in the note of Shri Y. T. Shah dated 27th January 1960) thus came to be approved. It is important to stress that it was the need for imports of iron & steel that led to the imports being approved—and the need for the country to acquire foreign exchange to the utmost extent possible to finance such imports, which led to the insistence on exports being a condition on which the import licence could be issued. The imports of steel that were clearly necessary were utilised to constitute an incentive to the importers to work for and arrange the exports.

4. In ensuring that exports did take place, even though they followed the imports (instead of preceding them), one had to take the best possible judgment as to the maximum safeguards that would be feasible and that would facilitate the exports, without making the whole arrangement unworkable. Apart from the safeguard that the firm which had undertaken to arrange the import and the export was required to give a bank guarantee—the Department of Iron & Steel proposed a bank guarantee of the value of 15 per cent of the deal—the Department of Economic Affairs recorded the fact (on 27th January 1960) that they understood "that there would always be a firm contract for exports which should be a condition precedent apart from other conditions mentioned in Shri Ramanathan's note before any import licence is granted." The letter that was issued by the Dept. of I&S on the 2nd February 1960 to the I&S Controller contained the following sentence "Import licence should be issued only in case where a firm contract for export exists." This particular sentence was clarified through the subsequent correspondence. On a query by the Department, *vide* I&S Controller's letter of the 10th March 1960. The Dept. of I&S replied in Shri Ramanathan's letter of 17th March 1960 "I have consulted the Economic Affairs Department. Government's intention is that at the time you allow import on a bank guarantee, you should have satisfactory evidence that the exporter in India has a definite commitment from a foreign party to purchase the tonnage proposed to be exported. We would leave the form of evidence to you."

5. The intention of the Government was to make it humanly certain that the expected export would materialise. One of the steps therefore was that the I&S Controller should scrutinise the evidence and proceed only on the basis that there was "a definite commitment from a foreign party to purchase the tonnage proposed to be exported". This then was the condition that the Government definitely stipulated. The I&S Controller could thereby be certain that the would be exporter had explored the market and negotiated a price which was feasible for him and would be acceptable to a specific importer abroad. In judging what was the best method of ensuring desired result one had to have in mind the circumstances of the time. The exporter, to put through the deal, had to have not only a buyer but he should have a definite assurance of being able to provide the goods to be exported. For this, he had to have a binding commitment from Hindustan Steel, a contract of supply. Under the conditions of I&S Control, such a product supplied by HSL to him could only be used for the purpose of export and not any other purpose.

6. Coming to the specific question, what the Department of Economic Affairs had in their mind at the initial stage, when the note of 27th January 1960 was recorded by Shri Y. T. Shah was primarily that there would be a firm commitment by a foreign buyer, to buy the Indian steel. It is the same aspect which was brought out in the letter of the Deptt. of I&S dated 17th March 1960, that has been quoted already. These were the final instructions of Government clarifying Shri Y. T. Shah's note of 27th January, 1960.

7. It was really for the I&S Controller, while approving the prior import arrangements, to take care of the necessary safeguards to ensure exports. As the letter of March 1960 from the Department of I&S shows, considerable discretion was left to him. It should not be forgotten that as stressed in Shri G. Ramanathan's note of 18th January 1960 and Shri Nair's letter of the 2nd February 1960, the I&S Controller had other "sanctions". There was the bank guarantee and, in addition Shri Ramanathan's note of 18th January states "We should make it clear to the firms that in case they fail, we would have no further dealings with them. We have adopted this procedure in two or three scrap steel barter and there has been no failure". Accordingly in Shri Nar's letter this aspect too was stressed, that failure to export would carry other consequences besides the forfeiture of the bank guarantee.

8. The above covers the question of what the Department of Economic Affairs had in mind at that time. I have, however, carefully considered your letter, para 3 of which has very, considerable force. As Shri Ramanathan pointed out, exports had to take place over a length of time. A foreign buyer can be expected to make a firm commitment for purchase of a definite quantity at a definite price and at a definite time in the fairly near future. But the position would be very different if the time of supply was uncertain. Further, there are substantial difficulties, as is well-known, in enforcing a contract with a foreign buyer. The export contract between the Indian party and HSL to purchase semis for export gave HSL, and through them the Government, a very considerable weight of assurance, which went to reinforce the bank guarantee etc. too.

9. As for your paragraph 4 regarding the value of the bank guarantee, you have yourself referred to the Office Memorandum dated the 18th March 1966 from this Department to the Lok Sabha Secretariat, on the same subject. This states the position correctly. The extent of the bank guarantee that should be appropriately taken depends on all the circumstances, including in particular the value of the export order and the amount which an exporter could reasonably give as a bank guarantee. Instances are known of contracts between a willing supplier and willing Government agency in which the Government agency has stipulated a very large bank guarantee which in theory should ensure complete safety for the Government but in fact proves so onerous for the other party contracting with Government that the contract runs a serious danger of falling through. I am not aware—you have not mentioned—whether in the series of barter transactions under your study—there is any instance of failure to export that has been brought home to the party giving the bank guarantee and his guarantee forfeited which has left room however for thinking that a 20% bank guarantee instead of a 15% bank guarantee would have made a practical difference. The proposal to fix the bank guarantee at 15% was mentioned by the

Department of I&S but the question of fixing it at this level rather than at any higher level such as 20% was not specifically discussed with or put to the Department of Economic Affairs. The latter Department had no particular reason to think that 15% was too low and needed to be raised. The bank guarantee has to be large enough to give the exporter giving the undertaking a substantial stake and to make him strain himself to ensure performance. (There was also the sanction referred to in para 7 reinforcing the inducement to the exporter to honour his undertaking). A forfeiture of the bank guarantee (whether it is 15% or 20 per cent) obviously cannot be a substitute for exports, its function being as already mentioned. The bank guarantee has to be fixed at such a level that it is practicable for the contractor to give it while the arrangement at the same time gives a large degree of protection to the Government. It must not be overlooked that the Government needed the imports for the economy and the exports also to pay for such imports—and Government had to act in such a way as to ensure and enable the exports. (Today, even after devaluation, a substantial subsidy is being given by the Government in order to assist steel exports). To sum up there was no reason to think that the proposal of the Department of Iron & Steel to fix the bank guarantee at 15% was too low.

10. You had sent a separate communication on the same subject to Y. T. Shah who, unfortunately, had been away from work for about two months, being ill. The above reply which has been seen by Y. T. Shah, covers the answers of both of us. While we are sorry that the reply has become somewhat lengthy, we trust the answers would be of assistance to the Committee.

Yours sincerely,

Sd/- S. JAGANNATHAN.

Shri P. Sabanayagam,

MINISTRY OF STEEL, MINES & METALS

Committee of Inquiry (ST)

L-II Block, Brassey Avenue, New Delhi.

Dated, the 5th June, 1967

MEMORANDUM

The Government of India (Ministry of Iron and Steel *vide* Resolution No. SC(II)-14(19)/66 dated 12th September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66, dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the Inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri S. C. Mukherjee while acting as Deputy Iron & Steel Controller in the Office of the Iron & Steel Control, Calcutta had taken the following decisions or failed to take action, in the undermentioned cases which do not appear to be in accordance with the relevant decisions of the Government which were in force at the relevant time and which would require his clarification to enable the Committee to consider whether such decisions taken by him constituted any irregularity/lapse on his part.

- I. Iron & Steel Controller file No. CP/JSC/38/60 & 1/10/BK/Cohen/60-M/s. J. S. Cohen & Co., Calcutta-export contract No. 17 dt. 24th May, 1960 with Hindustan Steel Limited for export 7620 M/Tons of billets & import of finished steel in exchange.

For the issue of a pre-import licence one of the conditions stipulated in the late Ministry of Iron & Steel letter No. SC(C)/5(5)/60 dt. 2nd February, 1960 (copy enclosed) was that the Steel Controller should ensure that there was a firm contract for export. The firm contract for export was interpreted to mean a contract with H. S. L. When an application was made by M/s. J. S. Cohen & Co. for a pre-import licence, Shri S. C. Mukherjee proposed the issue of a pre-import licence,

on the strength of a bank guarantee without ensuring that a contract with HSL for purchase of the exportable material was entered into by the firm. The then Steel Controller to whom the papers were put up, also agreed to his proposal which resulted in the issue of the pre-import licence No. SIC/IL/BR/1201/50 dt. 10th February, 60 for Rs. 33,12,000. He is, therefore, requested to explain in writing the reasons, if any, for suggesting issue of the pre-import licence to M/s. J. S. Cohen & Company when the firm had no firm contract for export either with any foreign buyer or with HSL.

II. Iron & Steel Controller's file No. CP/RKK/(32)/60-1/10/BR/D/RKK/60—M/s. Ram Krishan Kulwant Raj, Calcutta—export contract No. 28 dated 18th January, 1961 with HSL for export of 25,000 tons of ingots and slabs—import of finished steel of equivalent value.

(a) It has been noticed that in this case five pre-import licences for a total value of Rs. 1,00,72,506/- dated 7th June, 60 were issued to the firm on a barter basis without ensuring that the firm had made export arrangements by entering into a contract with HSL for purchase of the exportable materials. Shri S. C. Mukherjee, Dy. Iron & Steel Controller, vide his note dt. 26th October, 60 (copy enclosed), recorded in file No. CP/RKK/(32)/60, admitted his lapse in issuing the pre-import licences in question, without ensuring that the firm had effected necessary arrangements for exports under the barter deal. It would, however, appear from a letter No. SE/6/CFL/5066 dt. 24-2-1961 (copy enclosed) addressed by Shri H. R. S. Rao, the then Asstt. Sale Manager (Exports) HSL to the Chief Commercial Division, Hindustan Steel Ltd., Ranchi, that Shri S. C. Mukherjee had occasion to know about the lapse even in August 1960 when Shri Rao had a telephonic conversation with him in this regard. He is, therefore, requested to explain in writing the reasons, if any, for not bringing his lapse to the Notice of the Iron and Steel Controller at that time itself.

(b) It would further appear that the telephonic discussion of Shri Rao of H. S. L. with Shri S. C. Mukherjee Dy. Iron & Steel Controller, referred to at (a) above was followed up by a letter dt. 26-8-1960 from H. S. L. to the Iron & Steel Controller. Shri S. C. Mukherjee (copy enclosed) indicating therein that only 5000 tons of slabs for export by the firm would be made available by H. S. L. On that letter Shri Mukherjee remarked on 27-8-1960 "Paper at once". The papers were put up by the Section on 29-8-1960 to Shri S. C. Mukherjee and thereupon Shri S. C. Mukherjee noted on 31-8-1960 that all information relating to the import licences to this firm and the details of corresponding export arrangements should be submitted to him. On this, Shri G. N. Sen, Clerk, made a marginal remark on 6-9-1960 "Mr. Mullick of M/s. Ram Krishan Kulwant Rai has promised to submit the required statement shortly." It appears that no such statement was ever submitted to Shri S. C. Mukherjee and that Shri S. C. Mukherjee also did not pursue the matter further. He is, therefore, requested to explain in writing the reasons, if any for not pursuing the said matter.

At the time viz., in August 1960 that Shri S. C. Mukherjee first came to know of the mistake committed by him, he did not take immediate action to suspend the utilisation of the import licence and to verify

the extent to which commitment to import had been made. He is therefore requested to explain the reasons for not taking the action.

III. Iron & Steel Controller file No. CP/SO/03/60 M/s. Surrendra Overseas (P) Ltd. Calcutta—export contract No. 21 dated 22nd October, 1960 with HSL for export of 24,000 tons of steel billets and import of finished steel of equivalent value.

In case of steel barter transactions, the Government policy regarding the issue of pre-import licences was laid down in the Ministry of Iron & Steel letter No. SC(C)/5(5)/60 dated 2nd February 1960 referred to in (i) above. According to the said policy one of the conditions that had to be fulfilled by an applicant for a pre-import licence was that he should produce either an irrevocable letter of credit for the entire quantity of export or bank guarantee/for an amount equal to 15 per cent of the value of the import licence applied for. On an application made by M/s. Surrendra Overseas (P) Ltd. for a pre-import licence, Shri S. C. Mukherjee, Deputy Iron & Steel Controller suggested the issue of a pre-import licence without taking a bank guarantee in spite of the fact that the firm had not produced any irrevocable letter of credit for the entire quantity of export. The proposal was approved by the then Steel Controller and accordingly the import licence No. SIC/II/BR/D1901/264 dated 6th August, 1960 for Rs. 10 lakhs (Rupees ten lakhs) was issued to the firm. He is requested to explain in writing the reasons, if any, for suggesting the issue of a pre-import licence to M/s. Surrendra Overseas without any bank guarantee which was in contravention of the policy laid down.

IV. Iron & Steel Controller file No. CP/AP/35/60 & 1/10/BR/D/AP/60—M/s. Aminchand Payarelal, Calcutta—export contract Nos. 7 13 & 16 dt. 8-4-1960 9-5-1960 & 20-5-1960 respectively—export of HSL Semis and import of finished steel in exchange.

(a) In the case of their barter deal covered by HSL's export contract Nos. 13 & 16, M/s. Aminchand Payarelal, Calcutta, were granted 4 pre-import licences on 16-3-1960 under the orders of Shri S. C. Mukherjee, Dy. Iron & Steel Controller, when the firm had no formal contract with HSL for purchase of billets to be exported under the barter deal. The said contract were finalised on 9-5-1960 & 20-5-1960 respectively. As has been mentioned in (1) above for the issue of a pre-import licence one of the conditions stipulated in the late Ministry of Iron & Steel letter No. SC(C)/5(5)/60 dated 2-2-1960 was that the Steel Controller should ensure that there was a firm contract for export and hence in this case also issue of pre-import licences was not in conformity with the decisions of the Government. He is, therefore, requested to explain, in writing, the reasons, if any, for issuing the pre-import licences without verifying the existence of a formal contract with H.S.L.

(b) It has been observed that the Bank Guarantees which were obtained from M/s. Aminchand Payarelal, before issue of pre-import licences, were allowed to be reduced in value under his orders on the production of letters of credit opened by the foreign buyers of the ex-

portable material in favour of the bartering firms in the following manner:—

Sl. No.	Name of the firm	Amount of the Original B.G.	Date of reduction	Extent to which value reduced	Validity of the L.C. against which the B.G. amount was reduced
1.	Aminchand Payarelal	3,12,300	27-7-60	2,95,200	12-1-61
2.	„	6,25,000	16-12-60	2,96,000	12-1-61
3.	„	5,74,700	5-1-61	3,58,560	30-12-60
4.	„	13,24,900	9-9-60	1,32,948	23-9-60
5.	„	11,91,952	14-9-60	6,89,644	30-9-60

It was, however, noticed that in none of the cases was any watch kept on the progress of actual export against those letters of credit within their respective periods of validity with the result that the validity of the L/Cs expired without either exports having taken place or fresh L/Cs or B.Gs. being obtained. He is, therefore, requested to explain, in writing, the reasons, if any, for not keeping a watch on the renewal or replacements of L/Cs or B.G. where the letters of credit on the strength of which the bank guarantee amounts were reduced, had expired.

V. *Iron and Steel Controller files No. C/MI/(4)/59 and No. 1/10/MI/BR(59)—M/s. Metal Import Pvt. Ltd.—Export of 20,000 tons of pig iron and import of plates of equivalent value.*

(a) On 20-8-1959 the Metal Import Pvt. Ltd. applied to the Iron and Steel Controller for a custom clearance permit to cover a shipment of 964.88 tons of M.S. Plates which had been actually shipped on 20-7-1959. The firm also furnished a Bank Guarantee for 20 per cent of the total value of imports. Shri S. C. Mukherjee, Deputy Iron & Steel Controller, ordered on 5-9-1959 that CCP may be issued as the goods were due to arrive at Bombay on 6-9-1959. Accordingly a CCP for Rs. 5,86,368 was issued on the same day. The issue of the customs import licence issued in connection with the barter stipulated that the licence was to be utilised only against the equivalent value of foreign exchange earned against export of 20,000 tons of pig iron. He is requested to explain as to why issue of the CCP was ordered by him thereby regularising an unauthorised import?

(b) On 22-9-1959 the firm wrote to the Iron and Steel Controller requesting that the condition on the licence restricting utilisation to the extent of foreign exchange earned by export should be deleted. On the request Deputy Iron and Steel Controller, Shri S. C. Mukherjee, passed an order as follows:—

“Discussed with Controller and later on with Mr. Nair, Under Secretary, who rang me up in this connection. On the basis of irrevocable Letter of Credit for export, we may amend the stipulation regarding validity of the licence in the same way as we are doing in the S.T.C. barfers.”

There is no record to show that the decision of Shri Nair was taken on behalf of the Ministry of Iron and Steel and since this decision was at firmation should have been obtained by Shri S. C. Mukherjee subsequently. He is, therefore, asked to explain this omission.

VI. *Iron and Steel Controller files No. CP/RK(5)/59-Vol. I and CP/RK(5)/59-Val. II—M/s. Ramkrishan Kulwantrai—export of pig iron 20,000 tons and import of sheets for equivalent value.*

In June 1961 the firm requested a fresh licence for the unutilised portion of the original licence issued for Rs. 48,20,000. On 22-9-1961 accordingly the following licences were issued in respect of the goods which had been shipped earlier:—

Sl. No.	Particulars of consignment	Date of shipment	Date of issue of I/L	Date of issue of CCP
1.	2949-183 M/T B.P. Sheets C.I.F. Rs. 20,80,943/-	10-6-61	7-8-61	[9-8-61
2.	1050-817 M/T B.P. Sheets Rs. 7,41,757/-	Do.	Do.	Do.
3.	81-390 M/T C.R. Sheets Rs. 57,428/-	30-6-61	22-9-61	22-9-61

It will be observed therefrom that the goods had been put on board the ship before issue of the import licences. Therefore, the imports of these goods were unauthorised. Shri S. C. Mukherjee is requested to explain why he ordered issue of the import licences and CCP in respect of goods already shipped.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about other various aspects of their inquiry. In the meantime, his explanation, as called for above may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd./- P. SABANAYAGAM.

Secretary to the Committee of Inquiry (ST)

Shri S. C. Mukherjee,

Dy. Iron & Steel Controller,
Calcutta.

No. ISC/SCM/67

August 3, 1967.

To

The Secretary,
Committee of Inquiry (Steel Transactions),
Ministry of Steel, Mines & Metals,
L-II, Block, Brassey Avenue,
New Delhi.

Sir,

I beg to refer to your Memorandum No. 22(1)/66-CI(ST)/911 dated 5th June 1967 and to submit herewith an explanatory note on the various points mentioned in the Memorandum under reference.

2. I am extremely grateful to the Committee for giving me this opportunity to explain the misunderstandings which appear to have been created in connection with the examination of the papers dealt with by me.

3. I have no desire to appear personally before the Committee unless such appearance is considered necessary by the Committee for further clarification of the submission made by me in the enclosed explanatory note.

4. I beg to point out that the delay in submitting this note was due to the fact that the copies of relevant papers, needed by me for preparing my note, were received by me from the Committee only on 24th July 1967 *Vide* D.O. No. 13/66-CI(ST) dated 21-7-1967.

Yours faithfully,

(Sd./- S. C. MUKHERJEE).

Encl: as above.

Notes—27 pages & 48 appendices.

Copy, without enclosure, forwarded to
The Iron & Steel Controller,
Calcutta, for information.

Explanatory note on the points mentioned in Memo No. 22(1)/66-CI(ST)/911, dated 5th June, 1967 from the Committee of Inquiry (Steel Transactions).

- I. *Iron & Steel Controller file No. CP/JSC538/60 & 1/10/BR/Cohen/60-M/s. J. S. Cohen & Cohen & Co., Calcutta—export contract No. 17 dt. 24-5-1960 with Hindustan Steel Limited for export of 7620 M/tons of billets & import of finished steel in exchange.*

Pre-import licence was issued to M/s. J. S. Cohen & Co. on 10th February, 1960. Before that date, the firm had come to an agreement with Hindustan Steel Ltd. with regard to export of billets. They made an offer to Hindustan Steel Ltd. on 27th January, 1960 and again on 2nd February, 1960. Hindustan Steel Ltd. made a counter offer to them on 3rd February, 1960 in which they indicated the price, delivery and inspection arrangements and informed this office on 5th February, 1960. The firm accepted this offer within the validity period stipulated by the Hindustan Steel Ltd. *vide* their letter dated 5th February, 1960. The offer made by Hindustan Steel Ltd. and the acceptance of the offer by the firm within the validity period of the offer no doubt constituted a firm commitment on either side and the signing of a contract was only a formality. An agreement was, therefore, concluded by exchange of correspondence. When, therefore, the firm applied for a pre-import licence with a 15 per cent Bank Guarantee on 9th February 1960 I submitted the application of the firm to the Controller for his orders and approval to the issue of an import licence before export. The materials offered by the firm were mild steel plates of thinner sections which were very much in short supply and mostly needed for priority projects e.g. Steel Plants, Wagon Builders and D.G.S.&D. Contractors. The pre-import licence was issued under orders passed by the Iron & Steel Controller who duly considered the instructions of the Ministry (*vide* their letter No. SC(C)/5/(5)/60, dated 2-2-60) as will be clear from his note on the application to the effect that this is in accordance with recent Government instructions. As it was the desire of the Ministry of Iron & Steel that these barter transactions were to be dealt with in a business like manner within a week of the receipt of an offer *vide* para 4 of D.O. letter No. SC(B)-12/92/59, dated 14-1-60 from Secretary, Iron & Steel, the application for import licence was put up by me for Controller's orders as soon as the negotiations were finalised by exchange of correspondence without waiting for the signature on a formal contract. The agreement through exchange of correspondence was taken as satisfactory evidence of a firm commitment for export by M/s. J. S. Cohen and Hindustan Steel Ltd.

- II. *Iron & Steel Controller's file No. CP/RKK/(32)/60-1/10/BR/D/RKK 60-Ms. Ram Krishan Kulwant Rai, Calcutta—export contract No. 28 dated 18-1-1961 with HSL for export of 25,000 tons of ingots and slabs—imports of finished steel of equivalent value.*

Section II(a) of the Memorandum

2.1. I emphatically deny that I had any knowledge of the lapse about which my note of 26-10-60 was recorded, before 25-10-60 on which date only Shri Rao brought this matter to my notice. I am at a loss to understand how Shri Rao had mentioned in his letter of 25-2-1961 to Hindustan Steel Ltd., Ranchi that he had brought this matter to my notice in August, 1960. Apparently, Shri Rao was having in view the

discussion he had with me on 26th August, 1969, about another case pertaining to the same firm. This discussion was followed up by his office with their letter dated 26th August, 1960. [Copy of this letter has also been enclosed with the Memorandum of the Committee of Inquiry *vide* Section II(b) thereof]. A perusal of the connected correspondence on the file will make it clear that Hindustan Steel Ltd.'s letter dated 26th August, 1960 did not relate to the five import licence about which my note of 26-10-60 was recorded. This letter referred to Hindustan Steel Ltd.'s letter of 9th June, 1960. This letter of 9th June, 1960, had reference to Hindustan Steel Ltd. letter dated 18-1-60, which was about export of 20,000 tons of slabs and import of permissible steel materials. In their letter of 9th June, 1960, Hindustan Steel Ltd. informed us that instead of 20,000 tons of slabs, they had sold only 5,000 tons of slabs to the firm. Accordingly a barter sanction was issued *vide* our letter No. C/RKK/(32)/60, dated 15th June, 1960 for export of 5,000 tons of slabs and import of steel in exchange thereof. It will be seen, therefore, that there was no lapse on our part in the case which was brought to my notice by Shri Rao in course of his discussion with me on 26th August, 1960. Apparently Shri Rao's memory did not serve him right when he wrote the letter, dated 25th February, 1961, to his head office at Ranchi and he mis-linked the case of five-pre-import licences with that of the other case mentioned to above.

2.2. The case of five pre-import licences was quite different. The chain of correspondence leading to the issue of these licences was as follows:—

- (1) Letter No. BART|25 dt. 10-3-60 from Ramkrishan Kulwant Raj.
- (2) Our letter No. CP/RK(32)/60, dt. 6-4-60.
- (3) Firm's letter No. BT|25, dt. 8-4-60.
- (4) Our barter sanction letter No. C|RKK(32)|60, dt. 5-5-60.
- (5) Firm letter No. B|25, dt. 1-6-60.
- (6) Our letter No. C|RKK|(32)|60, dt. 6-6-60.

It will be seen that Hindustan Steel did not refer to this office letter, dated 5-5-60 and 6-6-60, relating to the case of five import licences either in their letter of 9th June, 1960 or 26th April, 1960.

2.3. I must emphatically assert that the mistake committed by our office in issuing the five pre-import licences came to my notice only on 25th October, 1960 and I had taken immediate action thereafter to repair the damage in the best possible manner. In this connection, it may not be out of place to point out that Hindustan Steel could have and perhaps should have detected this lapse on our part long before 25th October, 1960, as copies of our sanction letter were endorsed to them. In particular, the endorsement on our letter No. C/RKK/(32)/60, dated 6-6-60, made it clear that import licences were being issued to the firm on their submission of 15 per cent Bank Guarantee.

Section II(b) of the Memorandum

2.4. As I have explained in reply to the point (a) above, the letter, dated 26th August, 1960, from Hindustan Steel Ltd. did not relate to the case of five import licences, the mistake about which was detected only in October, 1960. When the papers linked with the letter of 26-8-60,

was put up to me I found that no mistake was committed by us in that particular case. As, however, there were other deals concerning this firm, I, to be on the safeside, ordered office *vide* my note dated 31-8-60, to submit a complete account of import licences issued to the firm and details of corresponding export arrangements made by them. This account was unfortunately not put up to me. It will no doubt be appreciated that it was not possible for me to pursue this matter until and unless the case was put up to me by office. At the level of the Deputy Controller, it was impossible for me to chase individual cases. In this connection I may be permitted to state that barer deals constituted only a small fraction of the work assigned to me by the Iron & Steel Controller. The pressure of work on me was extremely heavy and at my level it was not possible for me to keep track of individual cases. The blame for *not* pursuing this matter, therefore, if it is submitted, should lie on the office which failed to put up the case to me in spite of my clear orders to do so. As no *prima facie* lapse was brought to my notice at that stage i.e. on 29-8-60. I did not keep any special note of this matter and so it was not possible for me to pursue it until and unless the case was put up to me by office, as per my orders. I may again emphasise that the volume of the work entrusted to me at the period was very heavy and I had to deal with almost all policy matters, to attend meetings and to see large number of visitors daily. As such I could not possibly keep track of every item of work through memory without depending upon office to put up cases to me in compliance with my orders.

Section II(c) of the Memorandum

2.5. As I have explained above, it is *not* correct that the mistake committed by our office in the issue of five import licences to the firm came to my notice before 25th October, 1960 and as such, I beg to submit, there was no question or possibility of my taking any action in the matter before 25-10-1960.

III. Iron & Steel Controller file No. CP/SO/65/60-M/s. Surrendra Overseas (P) Ltd., Calcutta—export Contract No. 21, dated 22-10-1960, with HSL for export of 2,400 tons of steel billets and import of finished steel of equivalent value.

3.1. It is submitted that the procedure laid down in Ministry of Iron & Steel letter No. SC(C)5(5)60, dated 2-2-60, addressed to the Iron & Steel Controller (copy enclosed with Committees Memorandum) was applicable only to barter deals *processed* and *approved* by the Iron & Steel Controller. The barter deal against which import licence No. SIC|II|BR|D|1901|264, dated 6-8-60 was issued to Surrendra Overseas was *not* one of those processed and approved by the Iron & Steel Controller.

3.2. This barter transaction was concluded by Hindustan Steels themselves and the Iron & Steel Controller was not associated with it at any stage. Strictly speaking, therefore, the applicability of the procedure laid down in Ministry's letter of 2-2-60 in this case was not free from doubt. The first intimation received by Iron & Steel Controller about this barter transaction was through a teleprinter message, dated 8-7-60, from Secretary, Deptt. of Iron & Steel to the Iron & Steel Controller. In this teleprinter message it was clearly stated that Hindustan Steel

Ltd. had "concluded a barter deal for import of strip against export of billets through Surrendra Overseas". Iron & Steel Controller was directed to issue necessary import and export licences on barter basis. On 30-7-1960 HSL wrote to us to say that they anticipated delay in the export of billets and since these strips were required by Rourkela immediately so as to be available in time for commissioning of the pipe Plant, necessary import licences might be issued to Surrendra Overseas pending export of billets. Surrendra Overseas simultaneously submitted an import licence application but any Bank Guarantee. *The firm did not submit any Bank Guarantee in this case* because the proposal to import before export was made by Hindustan Steel and not by them. I, therefore, submitted the request of Hindustan Steel Ltd. to the Iron & Steel Controller for his consideration if we may issue an import licence before export without any bank guarantee from the imported. The final decision in this case was taken by the Controller and I simply submitted the matter for his consideration... I did not make definite suggestion that an import licence may be issued without a bank guarantee. The reason for submitting the case for Controller's consideration without rejecting it straightway was that,

- (1) the material was required urgently by Hindustan Steel Ltd.,
- (2) the firm had not submitted a bank guarantee as they had not proposed making imports before exports.
- (3) the barter deal in question was concluded by Hindustan Steel Ltd. themselves with the approval of the Deptt. of Iron & Steel.
- (4) we were directed by Secretary, Deptt. of Iron & Steel to issue import and export licences in this case on barter basis, and
- (5) although application for import licence was submitted by Surrendra Overseas, the import was actually being made for Hindustan Steel.

3.3. It is respectfully submitted, therefore, that no irregularity or lapse was involved in my action in this case. The final decision was taken at the level of the Iron & Steel Controller to whom I did point out that no Bank Guarantee had been submitted by the applicant for import licence.

3.4. It may be added that in actual fact the import was made by the firm on behalf of Hindustan Steel. Due safeguard was taken in this regard by including a suitable condition in the Import Licence. Copies of correspondence will show that the consignment was actually cleared by Hindustan Steel Ltd.

IV. *Iron & Steel Controller file No. CP/AP/35/60 & 1/10/BR/D/AP/60-M/s. Aminchand Payarelal Calcutta export contract Nos. 7, 13 & 16 dt. 8th April, 1960, 9th May, 1960 & 20th June, 1960 respectively—export of HSL Semis and import of finished steel in exchange—Section IV (a) of the Memorandum.*

4.1. The case is similar to the one mentioned in Section I about M/s. J. S. Cohen & Company. As in that case, export commitment was made by Aminchand Payarelal to Hindustan Steel Ltd. before import licence-

were issued. In accordance with the practice approved by the Controller in the case of J. S. Cohen and Company I ordered issue of import licences to M/s. Aminchand Payarelal Calcutta, on submission of requisite bank guarantee *after I was satisfied that the firm's negotiations with Hindustan Steel with regard to exports had been duly concluded.* In this connection, attention is invited to the following letters from Hindustan Steel Ltd. :

- (1) No. CTO/17A/Billets/SE/160/973 dt. 12th March, 1960.
- (2) No. CTO/17A/Billets/SE/60/970 dated 12th March, 1960.
- (3) No. CTO/17A/SE/60/972 dated 12th March, 1960.

4.2. I may submit that it was the usual practice to issue pre-import licences on the basis of intimations from Hindustan Steel Limited about conclusion of export negotiations and it was not considered necessary to wait for signing of formal contracts which no doubt took some more time. It may be added that in the context of fluctuating world market for steel materials, the offers of barterers had to be dealt with in a businesslike manner and such action was, in fact, in accordance with the instructions of Secretary, Deptt. of Iron & Steel *vide* his letter dated 14th January, 1960.

4.3. *Section IV(b) of the Memorandum.*—I had agreed to the reduction of the Bank Guarantee amount, on presentation of letters of Credit by M/s. Aminchand Payarelal, only after they had given an undertaking in writing that they would submit a bank guarantee before the expiry of the letter of credit if they were unable to complete export within the date of validity of the letter of Credit. In this connection letter No. C/AP/(35)/60 dated 21st July, 1960 to the firm and their reply No. MS/ACPL/BR/5864 dated 22nd July, 1960 may please be seen. This action was also confirmed to be in order by the Ministry. This condition was also stipulated in our letter accepting reduction in Bank Guarantee amount. It was no doubt the responsibility of the Office to watch the expiry of the relevant letters of Credit and progress of exports and to put up the case so that the firm could be asked either to get the letters of credit extended or to submit fresh bank guarantee. In view of the undertaking given by the firm, however, no difficulty was anticipated in getting fresh bank guarantee from the firm in case export did not materialise within the validity of the letters of credit. At the level of Dy. Controller, I could not chase individual cases or remember them. I may be allowed to submit that barter transactions constituted only a small fraction of my work and it was impossible for me to deal with such routine matters unless the cases were put up to me.

4.5. Although a regular system of watching expiry of bank guarantees or letters of credit was not in force, the barterers usually renewed the bank guarantees until their contracts with Hindustan Steel got into difficulty on account of disputes about quality of materials, price reduction, late delivery etc. In this connection D.O. letter No. CP/152/POL/II/62/454 dated 26th April, 1962 from Shri A. N. Banerjee to Shri Wanchoo may please be seen. In this letter the reasons for failure of the barterers to export have been explained. It would also appear from the firm's letter No. EXP/6A dated 24th January, 1962 that their Bankers were not in a position to furnish guarantees until Hindustan Steel agreed to supply materials for export.

V. *Iron and Steel Controller's file No. C/MI/4/59, and No. 1/10/MI/BR/59, M/s. Metal Import Pvt. Ltd. Export of 20,000 tons of pig Iron and Import of Plates.*

5.1. In order that the points raised in this Section may be considered in their proper perspective, it appears necessary to examine a few general questions which are relevant to the issue, viz.—

- (a) Has the Iron and Steel Controller acted beyond his statutory powers in issuing C.C.Ps. to clear consignments,—
 - (i) Shipped *before* issue of Exchange Control copy of the Import licences or;
 - (ii) Shipped before export against Import Licences (Exchange Control Copy) which permitted, remittance only after earning of foreign exchange by export.
- (b) Has the Iron and Steel Controller contravened any administrative or executive instructions issued to him by Government of India in issuing C.C.Ps. in cases mentioned at (a) above?
- (c) What was the justification for issue of C.C.Ps. in the cases mentioned in (a) above in respect of barter imports?

Statutory Powers.

5.2. The only statute in regard to import control of steel materials is the Imports and Exports (Control) Act, 1947 which does not lay down any procedure for the guidance of the Licensing authorities. It empowers the Central Government to issue orders prohibiting/restricting or otherwise controlling import of goods into India. The Government order issued under Section 3(1) of the said Act for Control of imports is the Imports (Control) Order 1955. This Order lays down the rules regarding control of imports. Clause 3 of this Order contains the main operative provisions and says,—

“(1) Save as otherwise provided in this Order, no person shall import any goods of the description specified in the Schedule 1, except under, and in accordance with, a licence or a customs clearance permit granted by the Central Government or by any officer specified in Schedule II.

(2) If, in any case, it is found that the goods imported under a licence do not conform to the description given in the licence or were shipped prior to the date of issue of the licence under which they are claimed to have been imported, then, without prejudice to any action that may be taken against the licensee under the Customs Act, 1962 (52 of 1962), in respect of the said importation, the licence may be treated as having been utilised for importing the said goods.” Iron and Steel materials for which import licences are issued by the Iron and Steel Controller are included in Part I of Schedule I of the Order. Schedule II of the Order includes the names of the officers competent

to issue import licences and includes Iron and Steel Controller and several other officers of his organisation. There is no provision in the Imports (Control) Order, 1955, to the effect that an import licence and/or a Customs Clearance Permit cannot be issued by a licensing officer *after* shipment of the materials. On the other hand clause 3(2) of the Order, clearly envisages that materials might be "shipped prior to the date of issue of the licence under which they are claimed to have been imported." In such cases, "without prejudice to any action that may be taken against the licensee under the Customs Act, 1962, the licence may be treated as having been utilised for importing the said goods. It is submitted, therefore, that the Iron and Steel Controller did not act beyond his statutory powers by issuing Exchange Control copy of licenses or Customs Clearance permits *after* shipment of materials. There was also no legal bar on issue of CCPs against licences (Exchange Control purpose) which permitted remittance only after earning of foreign exchange by export. In this connection, it is significant to note that under Clause 3(1) of the Import (Control) Order, 1955, import can be permitted by a competent authority by issue of "a licence *or* a customs clearance permit". The word "*or*" is very important. It clearly provides that issue of only a customs clearance permit may be deemed a valid document for import. Obviously in such cases, foreign exchange remittance is not permitted until valid Exchange Control purpose licence is issued.

Administrative Instructions.

5.3. The Iron and Steel Controller is under the administrative jurisdiction of the Ministry of Iron and Steel (now Steel, Mines and Metals). Strictly speaking, instructions issued by the Government of India in that Ministry only are binding on him although the Ministry of Commerce is the administrative Ministry concerned with the operation of the Imports (Control) Order, 1955.

5.4. As far as I am aware no standing or *ad hoc* instruction has been issued by the Ministry of Iron and Steel prohibiting the Iron and Steel Controller from issuing CCPs or licences *after* shipment of the materials. No such instruction has also been issued by the Government of India in the Ministry of Commerce. Certain instructions about issue of licences after shipment are contained in the CCIE publication "Handbook of Rules and Procedure on Import Trade Control" *vide* Chapter II para 69 and Chapter IV para 22 of 1961 edition. These instructions are not applicable to import licensing of iron and steel items by the Iron and Steel Control Organisation. This Handbook of Rules and procedure is issued not *by the Government of India* but by the Chief Controller of imports and Exports. It is meant for guidance to the officers and staff working under the Chief Controller of Imports and Exports and to importers and exporters dealing with the C.C.I. & E.s organisation. The Iron and Steel Controller is not an officer belonging to the organisation of the Chief Controller of Imports and Exports nor is he a sub-ordinate licensing authority to the Chief Controller of Imports and Exports. He is an independent and parallel licensing authority in regard to certain specified items for which he works completely independently of the C.C.I. & E.

5.5. The Foreword to this Handbook which is signed by the Chief Controller of Imports and Exports (and not by an officer of the Government on behalf of the Government) makes it clear that it is not of

a statutory character. In other words it has no force of a law or a Government Rule.

5.6 The Handbook (1961 edition) consists of two parts—in first part from Chapter I to Chapter VI of the Handbook deals with procedures as are being followed by the organisation of the Chief Controller of Imports and Exports and advice to importers and exporters dealing with that organisation; the second part (from Chapter VII onwards) gives the Imports and Exports (Control) Act 1947 (as amended upto 31st March 1961), the Imports Control Order 1955 (as amended upto 31st March 1961), another government Order issued in August 1960, various forms in use in the office of the Chief Controller of Imports and Exports and certain other Rules and Public Notices issued by the Government in various departments. It may be interesting to note that even though various Public Notices containing Policy statements are issued by the Government in the Ministry of Iron and Steel, these do not find a place in the Hand Book. As far as the Imports and Exports (Control) Act 1947, the Imports Control Order 1955, the Import Trade Control Order of 1960 and other Public Notices and Government Orders are concerned, these are binding on all concerned including the Iron & Steel Control Organisation, not as a part of the Handbook but as statutory provisions enacted by the legislature or as rules promulgated in the prescribed manner by the Government. However, the first 6 chapters dealing with procedures prevailing in CCIE's organisation and advice to importers and exporters issued by the Chief Controller of Imports and Exports are not in any way binding on Iron & Steel Controller.

5.7. If a reference is made to Chapter V of the Handbook the position is made even clear. Chapter V of the Handbook deals with the appeal procedure in regard to import/export licence applications and about certain other items like grant of quota licences, etc. According to this chapter, second appeals from the first Appellate Authority (which, in the case of controlled categories of iron and steel materials would be the Iron & Steel Controller) can be preferred to the Chief Controller of Import and Exports. In other words, if the provisions of this chapter were applicable to the Iron & Steel Control Organisation, the Chief Controller of Imports and Exports would have been the Appellate authority over the Iron & Steel Controller for import and export licence applications. In actual practice, however, Chief Controller of Imports and Exports is not and never has been the Appellate authority above the Iron and Steel Controller in regard to such import/export licence application cases and there has been no case of any such appeal either having been filed or having been entertained. This, it is clear that the Handbook has no application in regard to the procedure laid down by the C. C. I. & E. for his organisation in so far as the Iron and Steel Control Organisation is concerned. Of course, it is a fact that the Handbook is consulted quite often by the Iron & Steel Control Organisation to find out what the C.C. I. & E. does in a particular set of circumstances. But there is no *ipso facto* application of the Hand Book in so far as the first six chapters are concerned to the Iron & Steel Control Organisation nor is there any order from the Government making the Hand Book applicable to the Iron & Steel Control Organisation. It is submitted that, from what has been stated above, it would be quite clear that the Iron & Steel Controller did not contravene any administrative instruction of any authority competent to give such instructions to him, by issuing C.C.Ps after shipment of materials or against conditions barter import licences before exports had taken place.

Justification for issue of CCPs against barterers before export or after shipment

5.8. It is necessary to explain why the policy followed by C.C.I.E. with regard to non-issue of licences after shipment of materials was not always followed by the Iron & Steel Controller. This policy is perfectly justified in case of licences issued periodically to actual users and established importers. In such cases, the applicants have no idea about the items or the value for which licences may be issued ultimately because it depends upon foreign exchange ceiling to be released by the Ministry of Finance. Shipment of materials in anticipation of import licence is, therefore, appropriately considered an irregularity. Such imports are treated as unauthorised and are not regularised by issue of *ex-post facto* licences. Iron and Steel Controller also follows this policy with regard to licences issued to Actual users and Established Importers (quota licences).

5.9. Iron & Steel Controller, however, is not only a import licensing authority but also an authority responsible for import of steel against barter deals and straight purchase contracts. These imports stand on a somewhat different footing and the Policy in these cases was more flexible. In case of barter deals, first of all i.e. before issue of import or export licences, the barterers either enter into a formal contract with the President or have a letter of approval from Iron & Steel Controller laying down—

- (a) materials to be exported and its price,
- (b) materials to be imported and its price, (detailed specification of steel to be imported is indicated), and
- (c) conditions about disposal and selling prices of imported steel.

Here the details of materials to be imported are known and issue of an import licence automatically follows earning of foreign exchange. In fact, in most cases an Exchange Control copy of the import licence with the stipulation that it should be utilised after earning foreign exchange was issued before actual exports. This conditional import licence helped the barterer to place advance orders for steel to be imported as otherwise foreign suppliers were not interested to quote. Steel prices in the international market fluctuate too often. Under barter contracts/sanctions, the firms were required to import steel at fixed prices. They, therefore, naturally tried to place orders on foreign suppliers as early as possible before the prices escalated, particularly when the prices tended to rise. If in the meantime, exports did not take place, they no doubt tried to defer shipments. In a rising market, extensions of delivery date no doubt were sometimes difficult. In such circumstances shipments were made by foreign suppliers even before opening of letters of credit by the importer. It was perhaps a mistake but the circumstances were no doubt extenuating. Further, import was not, strictly speaking, "unauthorised" because Iron & Steel Controller, who was the licensing authority, had already "sanctioned" the import of the materials by a letter or contract and sometime by issuing a "conditional" licence. So long as remittance was not made before earning of foreign exchange by export, shipment was not "unauthorised" in the sense it would have been so if it had been made on behalf of an applicant foreign actual user or Established Importer licence. It is submitted that the issue of customs clearance permits in such cases was not unjustified because

remittance of foreign exchange was not allowed before earning of foreign exchange by export and the materials shipped were in accordance with the barter Contract/Sanction or the "conditional import licence". The Exchange Control Copy of the licence was not actually "utilised" merely by the issue of CCPS in such cases and there was no misuse of the import licence.

5.10. The particular cases referred to in Section V of the Memorandum may not be examined in the light of the general comments/explanations contained in the foregoing paragraphs.

Section V (a) of the Memorandum.

Issue of CCP for 964.88 tons of M.S. Plates before export of pig iron.

5.11. The sequence of events leading to the issue of Customs Clearance Permits for 964.88 tons of M. S. Plates to M/s. Metal Imports Pvt. Ltd. on 6th September 1959 was as follows:—

- (i) On the basis of a public tender and with the approval of the Ministry of Iron & Steel, New Delhi, a barter contract for export of 20,000 tons of pig iron and imports of about 8,500 tons of M. S. Plates was entered into by the Iron and Steel Controller for and on behalf of the President of India on 23rd June 1959.
- (ii) The firm placed necessary indents for pig iron on 27th June 1957 which was planned by I.&S.C. on HSL who issued Sale Orders in August 1959 after the firm had opened necessary letters of credit in favour of HSL. HSL also started supplying pig iron for export from August 1959.
- (iii) On 9th July 1959, the firm applied for import licence for (ii) 8,500 tons of M. S. Plates as per specification given in the Barter Contract. As exports had not been made, an import licence was issued to them with the following stipulation, in accordance with the usual practice:—
 "This licence is utilisable only against equivalent amount of foreign exchange earned against export of 20,000 tons of pig iron value not exceeding Rs. 42,24,000/- F.O.B. at the rate of Rs. 211.2/- per ton f.o.b. Calcutta/Bombay subject to the conditions as laid down in I.& S.C. letter No. C/17/4/58/CP/203 dated 23/6/59 and C/17/4/58/CP dated 7th July 1959."
- (iv) on 29th August 1959, the firm submitted a Bank Guarantee for 20 per cent of the value of the Import licence and prayed for permission to allow import prior to export. They also applied for a C.C.P. for 964.88 tons which had already been shipped by their suppliers.

5.12. I decided to issue a C.C.P. for the tonnage shipped on the following considerations:—

- (1) The firm pleaded that they had the materials shipped at the instance of D.G.S. & D. who had been pressing them for early

shipment. It was understood that these 964.88 tons of M. S. Plates shipped by the firm's supplier were earmarked for D.G.S. & D. contractors executing some urgent Railway order.

- (2) The firm was under the impression that import before export would be allowed by us on submission of 20 per cent Bank Guarantee, as this was being allowed in case of Scrap barter at that time.
- (3) The firm was bound by a formal contract to export pig iron and HSL had already issued Sale Order and got L/C from the firm. Earning of foreign exchange was therefore almost assured.

5.13. However, the following precautions were taken by me:—

- (1) Order was passed to the effect that the Import Licence should not be amended to permit remittance of foreign exchange before export.
- (2) The firm was duly warned not to make such shipments in future.
- (3) Ministry of Iron & Steel was duly informed about the issue of C.C.P.

5.14. I beg to submit that the action taken by me was not incorrect or irregular for the following reasons:—

- (1) As remittance of foreign exchange was not permitted before export, the Exchange Control Copy of the licence was "not utilised" by the importers by the issue of a C.C.P.
- (2) As the materials shipped by the firm was in accordance with the barter contract, the import was not, strictly speaking, "unauthorised".
- (3) Under the Imports (Control) Order, 1955, Iron & Steel Controller is empowered to issue of Customs Clearance permits irrespective of the date of shipment of materials. In fact, C.C. Ps are always issued after shipment of materials.
- (4) Issue of C.C.P. does not, in any way, regularise an unauthorised import. It was open to the Customs authorities to take action against the firm under Customs Act *vide* Clause 3(2) of the Imports (Control) Order, 1955.
- (5) The fact about issuing C.C.P. was duly reported to the Govt. of India. They would have no doubt objected to our action if any irregularity was involved.

Section V(b) of the Memorandum

Amendment to the Import Licence on submission of L/C for export

5.15. As has been explained earlier, the barter contract concluded with M/s. Metal Import Ltd. for export of 20,000 tons of pig iron and import of tested M. S. Plates in exchange thereof had several special features, viz:—

- (1) It was finalised by issue of a Public Tender and with the approval of Ministry of Iron & Steel.

- (2) The party was bound by a formal contract with the President of India to export pig iron and to import steel in exchange thereof.
- (3) It provided for import of tested M. S. Plates, bulk of which was needed to meet priority demands.

5.16. On the application of the firm an import licence was issued to them on 9th July, 1959 but as export of pig iron had not taken place by that date, the following condition was stipulated in the licence:—

“This licence is utilisable only against equitable amount of foreign exchange earned against export of 20,000 tons of pig iron for value not exceeding Rs. 42,24,00 F.O.B. @ Rs. 211.21 per tonne f.o.b. Calcutta/Bombay subject to conditions as laid down in I. & S.C.'s letter No. C/17(4)/58/CP/203 dated 23rd June, 1959 and C17(4)CP dated 7th July, 1959”

5.17. On 22nd September, 1959 the firm represented, that they had received a letter of credit for pig iron to be exported and that the above-mentioned stipulation may be deleted. The question of allowing import of plates before export of pig iron against this particular deal by taking 20 per cent. bank guarantee from the firm (as was permissible under Scrap barter) was already referred by us to the Deptt. of Iron & Steel on 9th September, 1959. The latest request of the firm was discussed by me with the Controller in the light of their submission that a letter of Credit for export of pig iron had been received by them from Japanese buyers. During the discussion we came to the conclusion that the case of this firm was exactly similar to those of the STC barterers because the firm was bound by a formal contract with the President of India to export pig iron. It was, therefore, decided that the condition of the licence may be amended as in the case of import licences issued STC barterers. The decision was not to delete this stipulation, as requested by the firm, but to amend the condition as in the case of STC barterers.

5.18. Controller, however, desired me to consult Shri C. A. Nair, Under Secretary, Deptt. of Iron & Steel as to whether our view was correct or not. Accordingly, I had discussed with Shri C. A. Nair and Shri Nair agreed with our view that in this case a stipulation as in the case of STC barterers could be made as per the standing procedure. I therefore ordered that the conditions of the licence may be amended to those prescribed for STC barterers. Therefore, in place of the condition as stated above the following revised condition was incorporated in the licence:—

“Foreign Exchange against the Licence is adjustable against L/C No. R-316852 already opened by the buyers M/s. T. Yamamoto & Co. Ltd., Tokyo, in favour of the licensee, representing value of the exportable pig iron and subject to the conditions laid down in I&SC letter No. C/17/4/58/CB/203 dated 23rd June, 1959 and C/17/4/58/CP dated 7th July, 1959.”

5.19. In passing the order, I (with the approval of Iron & Steel Controller) had simply followed a standing procedure and as such there was no need to obtain any written confirmation from the Ministry in this matter. It may be added that the STC also entered into barter deals with private parties and such parties were issued import licence for steel after receipt of letters of credit on the same condition as prescribed in this particular case of Metal Imports Pvt. Ltd.

5.20. It is submitted that in amending the condition of the licence as above no risk of foreign exchange loss was involved because the importer could remit foreign exchange only after earning of foreign exchange against the letter of credit opened by the Japanese buyers of pig iron. They could not make any remittance otherwise. It is also submitted that this decision was in line with the procedure followed for STC barterers and as such was not at a variance with the standing practice about import of steel on barter basis. It was a perfectly legitimate decision to treat this particular barter transaction at par with those put through by the STC as this deal was covered by a formal contract with the barter entered into by I&SC on behalf of President, with the approval of the Government of India. Further, the order was passed by me with approval of Iron & Steel Controller and in consultation with Shri C. A. Nair of Ministry of Iron & Steel. In this connection attention is also drawn to notes on File No. C/MI/4(59) and para 2 of my letter No. PIE/5 dated 11/14-12-59 to Shri Nair from which it will be clear that Shri Nair was aware of the action taken by us.

VI. *Iron & Steel Controller files No. CP/RK/(5)ET-Vol. & CP/RK(5)/59-Vol II M/s. Ramkrishan Kulwant Rqi-Export of Pig Iron 20,000 tons and export of sheets for equivalent value.*

6.1. The question raised in this Section may be examined in two parts, viz.

- (a) Whether issue of import licence *after* shipment of materials amounts to contravention of the provisions of the Imports (Control) Order, 1955 or any other administrative instructions issued by the Govt. of India to the Iron & Steel Controller.
- (b) What the special reasons were for issuing an import licence *after* shipment of materials, in this particular case.

6.2. With regard to the point(a), the question has been examined in great detail in connection with the case mentioned in Section V of this note. For the reasons explained in paragraph 5.1. to 5.9 of the note under Section V, it is submitted that—

- (1) Under Clause 3 of the Imports (Central) Order, 1955, the Iron & Steel Controller had powers to issue import licence or customs clearance permits for iron and steel items and there was no provision in this order which prevented the licensing authority from issuing licences *after* shipment of materials.

[Clause 3(2) of the order, in fact, indirectly supports the view that goods might be "shipped prior to the date of issue of the licence under which they are claimed to have been imported."]

- (2) The decision that import of goods shipped before issue of licence may be treated as unauthorised is contained in the Handbook of Rules & procedure issued by the C CIF for his licensing officers. These instructions are not binding on the Iron & Steel Controller as these have not been issued by the Central Govt. C C I E's Handbook was not *ipso facto* followed by the Iron & Steel Controller but was only consulted for guidance as to how cases were dealt with by C.C.I.&E. in particular set of circumstances. Iron & Steel Controller deviated from the Handbook regulations in many cases.

- (3) Import against barter deals/contracts were invariably covered by *prior* sanctions/contracts of the Iron & Steel Controller and as such shipment of goods before issue of import licence was not, strictly speaking, "unauthorised".

For goods and valid reasons, Iron & Steel Controller often allowed clearance of such cargoes on *ad hoc* basis.

6.3. As regards the special reasons for issuing an import licence after shipment of materials, in this particular case, attention is invited to the notes on the file (Appendix 45) leading to the decision to permit the barterer to ship 4000 tons of sheets before issue of covering import licence. The salient facts are:—

- (a) In June 1959 Messrs. Ram Krishan Kulwant Rai was awarded a barter contract on the basis of a Public tender for export of 20,000 tons of pig iron and import of sheets of equivalent value. Both export and import prices were *fixed* under the contract.
- (b) In September 1959, an import licence for sheets was issued to the firm with the stipulation that it should be utilised against foreign exchange earned by export of pig iron.
- (c) Upto May 1961, the firm was able to export about 7,3000 tons of pig iron as further supplies were not made until then by H.S.L. Against foreign exchange earned, they could import about 2,700 tons of sheets and the balance to be imported was about 4,000 tons.
- (d) As the old licence had expired, the firm applied on 19.6.61 for a fresh import licence for 4,000 tons. In this they stated:

"Our suppliers are holding these materials on our account and they are pressing us hard for the shipment of the same. The supply of pig iron has been delayed for no fault of ours. We have requested our suppliers and they are prepared to agree that the payment of the materials may be made to them after they pay for our pig iron which will be supplied to them."

- (e) The barter contract provided for import at a fixed price. The price applicable for June, 1961 shipment was lower. The firm agreed to the reduction in the prices if June 1961 shipment was allowed.

6.4. In the light of the above circumstances, I submitted the case to the Controller suggesting that the proposal of the firm may be accepted. *This was approved by the Controller*. I beg to submit that as the final decision was taken by the Controller, it is not quite correct, as observed by the Committee that I "*ordered* issue of the import licences and CCP in respect of the goods already shipped." On the basis of Controller's *orders* on the file, I issued instructions to the S.I.C. Branch *vide* letter No. CP/RK/(5)/59/772 dated 30th June, 1961. In this I stated:

"*Import Licence need not be issued at present*. For the time being the firm may be given a customs clearance permit to enable them to clear the goods. *This has been approved by the Controller.*"

6.5. The question of issue of CCP/Licence was actually considered again in the SIC Branch. A copy of the notes on SIC Branch File

may kindly be seen at Appendix 48. I was not the officer in charge of the SIC Branch. Shri P. R. Nair (and later Shri V. Dorasamy) was then the Deputy Controller in charge of SIC Branch. When the file was put up to me on the question as to whether an Import Licence may be issued *before* issue of CCP I gave the following summary:—

“Import Licence cannot be issued before export. Export will take some time. Meanwhile, the firm has been asked to ship the materials in June 1961. In view of the special circumstances, CCP may be issued before issue of I/L after copies of shipping documents are submitted.”

Shri V. Dorasamy submitted my suggestion to the Controller who ordered as follows:—

“Issue I/L with stipulation that remittance will not be permitted to be made till export and *then issue CCP.*” It will be seen, therefore, that issue of both I/L and CCP was ordered in this case *by the Controller and not by me*.”

6.6 In this connection, I may submit that the practice of issuing import licences and CCPs *after* shipment of materials is not unusual in the Steel Control Organisation. In case of imports made against bulk purchase contracts with foreign suppliers (i.e. Rupee payment countries) it has been the usual practice to issue import licences *after* shipment advice is received. On receipt of shipment advice, the Iron & Steel Controller appoints Handling Agents who are asked to apply for import licences. Import Licences are, therefore, invariably issued after shipment of the materials for instance, details of a few import licences obtained at random, are furnished below:—

Number and date of the licence	Date of shipment
(1) G/TG/000859 dt. 3-1-64	9-12-63
(2) G/TG/002334 dt. 30-3-64	15-3-64
(3) G/TG/001352 & G/TG/001353 both dt. 1-2-64	30-12-63
(4) G/TG/8425007 dt. 6-4-64	19-3-64

MINISTRY OF STEEL, MINES AND METALS

(Department of Iron and Steel)

Committee of Inquiry, Steel Transactions

New Delhi, June 3, 1967

My dear Mukherjee,

I am desired to refer to letter No. SC(B)-12/92/59 dated 14th January, 1960 addressed by Shri S. Bhoothalingam, the then Secretary, Iron and Steel, to Shri Bam. In para 3 of the said letter it has been stated that Ministry of Finance had agreed to export of semis on barter basis for import of essential steel items. The Committee would like to know if the term "essential" was used with reference to high priority projects or with reference to the economy of the country. On enquiries made it is learnt that there was no register of demands maintained out of which essential steel items had been picked out, nor was there a quantitative assessment of the various categories and quantities of steel were decided for import under the steel barter transactions.

It has also been stated in para 3 of the said letter that the categories of steel to be arranged for import should not be those which are available at lower prices against cash licences. There is no indication whatsoever that such an examination was done before categories of steel were stipulated in the import licences. You are, therefore, requested to explain why this was not done. You are also requested to explain whether it would have been possible to arrange for import of categories of steel under barter at lower prices than under cash licences.

Yours sincerely,

Sd/- S. BHOOTHALINGAM.

Shri S. C. Mukherjee,
Dy. Iron & Steel Controller,
Calcutta.

S. C. Mukherjee,
Dy. Iron and Steel Controller.

D.O. No. ISC/SCM/67
Iron and Steel Control
33, Netaji Subhas Road, Calcutta-1

July 25, 1967.

Dear Shri Sabanayagam,

Kindly refer to your D.O. No. 22(1)/66-CI(ST), dated 3rd June, 1967, about Policy of barter imports. Yesterday I received copies of the relevant letters required by me in this connection from the Office of the Committee of Inquiry *vide* Rao's D.O. No. 13/66-CI(ST)/dated 21st July, 1967.

2. I enclose an explanatory note prepared by me, which I hope you will find useful.

With kind regards,

Yours sincerely,

Sd/- S. C. MUKHERJEE,

Shri P. Sabanayagam,
Joint Secretary and Secretary, CI(ST),
Ministry of Steel, Mines and Metals,
Department of Iron and Steel,
Committee of Inquiry (Steel Transactions),
L-II Block, Brassey Avenue, New Delhi.

Explanatory Note on the points raised in D.O. No. 22(1)/66-CI(ST), dated 3rd June, 1967 from Shri P. Sabanayagam, Jt. Secretary and Secretary, CI(ST).

Para 1 of the letter—Essential Steel Item:

The term "essential" was not used by the Department of Iron and Steel with reference to demands of high priority Projects. It simply meant that only such items of steel as are in short supply in the country and are required for meeting essential demands should be allowed to be imported. It had, therefore, reference to the general economy of the country.

2. It is rather unfortunate that the enquiries made (by the Analysis perhaps) had given an impression that there was no quantitative assess-

ment of various types of demands by the Iron and Steel Control organisation. Perhaps what was asked for was an indenter-wise register of demands of steel to be imported. Compilation or maintenance of such a register was neither practicable nor possible with the staff at our disposal. However, Iron and Steel Controller had a clear picture of the supply and demand position of the various categories of steel for which a periodical assessment was regularly made in connection with the following:—

(a) Periodical allocation of steel to quota issuing authorities:

These allocations were made category-wise. For this purpose, category-wise bulk demands under various heads were periodically collected by the Iron and Steel Controller from the Sponsoring and Co-ordinating authorities. The authorities were—Ministries of Defence, Railways, Food and Agriculture, Rehabilitation, Transport, Scientific Research and External Affairs and also organisations like the Tea Board, Coal Controller, Textile Commissioner, D.G.T.D., C.W.P.C., D.G.S.&D., D.C.S.S.I., C.P.W.D. and State Governments. These authorities obtained demands from their constituents, screened them and submitted a consolidated demand to the Iron and Steel Controller. The demands so submitted were, therefore, taken as the demands essential for the economy of the country.

(b) Compilation of statistics of production and outstandings:

Periodical statements of production and outstanding orders broken up category-wise were obtained by the Iron and Steel Controller from the Producers. The Producers also were required to submit copies of all their despatch advices to the Iron and Steel Control Organisation. With the help of a Hollerith Machine the Iron and Steel Controller regularly compiled statistics of despatches, production and outstanding orders. These statistics were utilised for the purpose of making periodical allocation proposals to the Ministry of Iron and Steel. Elaborate statistical statement on all aspects of supply and demand position of various categories of steel were, therefore, periodically prepared by the Iron and Steel Controller.

(c) Rolling programme of producers:

The Iron and Steel Controller approved the periodical rolling programme of the Producers and in that connection also he knew the load of outstanding orders on the Producers of various categories of steel and also the break-up of the outstanding orders of priority and non-priority indenters.

(d) Steel Import Policy

For the purpose of formulation of periodical import policy also the supply position of steel of various categories was taken into account by the Iron and Steel Controller.

3. In view of what has been stated above, it would be clearly seen that maintenance of a special register for quantitative assessment of various demands was not at all necessary. The Iron and Steel Controller was fully aware of the load of outstanding orders on various producers category-wise and also the time-lag involved in supplies materialising against those orders. These outstanding orders were only a small

fraction of the demands submitted by the Sponsoring Authorities, particularly for categories like plates, sheets, wire rods and wires. In addition, fresh demands were being presented periodically. It was, therefore, quite easy for the Iron and Steel Controller to pick out different categories of steel required to be imported to meet vetted essential demands of the consumers.

In this connection attention is also invited to D.O. letter No. SC (B) 12(92)/59 dated 1st February, 1960 from Ministry of Steel Mines and Fuel, and extract from which is reproduced below:—

“In regard to clarification sought for in para 2 of your letter, I confirm that the intention is that import on barter should be limited to categories we are short of (e.g. sheets, tinplates, wire etc.) and that barter should be confined as far as possible to those items which are more advantageously so available.”

Para 2 of the letter—Comparison of price of barter imports with that of import against cash licences.

It was obviously not possible to import materials against barter deals at a price lower than what one has to pay against cash licences. We did examine this question as soon as Ministry's letter dated 14th January, 1960 was received and felt that this directive could not be implemented in practice because it was unbelievable that imports on barter basis for any category will be cheaper than import on each basis. A reference on this point was, therefore, made to the Ministry in D.O. No. C/7(3)/59 dated 20th January 1960 a reply thereto was received vide Ministry's letter No. SC(B)-12(92)/59, dated 1st February, 1960. It would be seen from this letter that the Ministry had clarified that in fixing the prices of steel, we were to be guided generally by the Metal Bulletin. This was done. Even before the barter deals involving export of HSL's semis were sanctioned in accordance with the procedure laid down in the letter of 14th January, 1960 from Secretary (Iron & Steel) barter deals were being sanctioned by Iron and Steel Controller against export of ferrous scrap and pig iron. The question of fixation of prices of materials to be imported against these new barter deals was therefore examined by the Price & Accounts Officer in great detail. A copy of a note from File No. CP/152/STC-Part indicating how the prices were fixed for the HSL barter deals is enclosed. It will be seen that these prices were calculated by the Price Accounts Officer and approved by the Iron & Steel Controller and the Local Finance. These prices were also regularly reviewed as will be seen from the copy of a note enclosed.

Memorandum No. 22(1)/66-CI(ST). dated 10th October, 1967, issued to Shri S. C. Mukherjee.

Reference is invited to para (3) of this Office Memorandum of even number dated 5th June, 1967. Further scrutiny of Iron and Steel Controller's record reveal that in the case of Barter Deal with M/s. Aminchand Payarelal involving export of 20,000 L/Tons Billets and import of finished steel in exchange (H.S.L. contract Nos. 13 and 16 dated 9-5-1960 and 20-5-1960 respectively) the F.O.B. per cent value of 20,000

L/T Billets at the rate of U.S. \$92.00 per L/T would work out to Rs. 87,61,791. The total value of import licences issued in this particular deal was, however, Rs. 95,21,650/-. Shri S. C. Mukherjee approved of this barter deal and instructed STC Branch to issue import licences for the aforesaid value. He is, therefore, requested to explain in writing the circumstances under which the total value of import licences were ordered to be issued in excess of the amount of Foreign Exchange earning that were to accrue by export of 20,000 L/Tons of Billets. The relevant notings and correspondence with regard to the approval of this barter deal are enclosed. It is requested that the necessary explanation may be furnished to the Committee of inquiry within 7 days from the receipt of this Memorandum.

Copy of Memo. No. CI(ST)/CAL(A) dated 18th October 1967 from Shri A. K. Deb, Under Secretary to Shri S. C. Mukherjee, Dy. Iron and Steel Controller.

The Government of India (Ministry of Iron and Steel) vide Resolution No. SC(II)-14(19)/66 dated 12th September 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also some other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/60, dated 7th October, 1965, the Central Government have invested the Committee of Inquiry with necessary powers under the relevant provisions of the Commission of Inquiry Act, 1952, to facilitate the Inquiry. Copies of the Resolution and the Notification are enclosed.

It has been noticed that Shri S. C. Mukherjee, while acting as Deputy Iron and Steel Controller had taken the following decisions in the undermentioned case, which do not appear to be in accordance with Iron and Steel Control decisions which were in force at that time and which would require his clarification to enable the Committee to consider whether such decision taken by him constituted any irregularity lapse on his part.

1. (File No. STC/IL/BR/STC/1507/57).

In the matter of import of 10 G. MS B.P. sheets by M/s. Apeejay Private Ltd. (Export contract No. 8 dated 8th April, 1960, L.O. No. C/APJ(34)/60 dated 17th April, 1960) he had ordered issue of C.C.Ps at a rate higher than that prescribed in the L.O./I.L. though the irregularity had been brought to his notice on grounds that are not clear from his order recorded in the file (page 65 of the file No. SIC/IL/BR/STC/1507/57). A statement showing one discrepant CCP is enclosed.

2. The Committee would like to know the reasons why the CCPs were allowed at higher rates.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of this inquiry. In the meantime his explanation, as called for above, may be furnished within 10 days of receipt of this Memorandum.

4. If he so desires, he may consult and examine the relevant files in the office of the Committee of Inquiry, New Delhi during his next visit.

5. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statement.

STATEMENT—IV

Export Contract No. 8 dated 8-4-60, letter Order No. C/APJ (35)/60 dated 17-3-60.

Importers M/s. Apeejay Private Ltd..

Sl. No.	CCP No. & Date	Description of goods	Rate as per L/O/I.L.	Rate in C.C.P.	Diff. between Col. 4& 5	File No. & Date	Reference to Notes
1	2	3	4	5	6	7	8
1	SIC/CP/BR/D/1004/ 450—Dated 24-5-60.	M.S. Sheets 10 G.	\$ 134.79 CIF	\$ 144.76	\$ 8.97	1/10/BR/D/APJ (Part-II) p/54	Page 2 & 3 Case No. 2.

Copy of Memo No. CI(ST)/CAL(A)/Memorandum dated 25th October 1967 from Shri A. K. Deb, Under Secretary to Shri S. C. Mukherjee, Dy. I&SC, Calcutta.

In continuation of this office Memo No. CI(ST)/CAL(A), dated 18th October, 1967. Shri S. C. Mukherjee, Dy. I&SC also is requested to clarify the following also:—

File No. CP/JSC/(38)/60 (P1-2N).

In the matter of import of 4,000 tons of Medium Plates of OSS-15 quality by M/s. J. S. Cohen (Export Contract No. 17 L.O. No. PIE/32 dated 10th February 1960), though a rate of \$ 133 per M/T was fixed on weighted average tons after allowing \$ 5 more specifically in consideration of shipment by March, 1960 only the stipulation was not incorporated in the Letter Order mentioned above which was issued by him. As a result for a quantity of the material as indicated in the statement attached (Appendix-II) shipped after March, 1960, CCPs were issued at enhanced rate for earlier shipment by March 1960.

The circumstances in which the stipulation sanctioned above was not stated in the Letter Order may please be explained.

He may consult and examine the relevant files in the office of the Committee of Inquiry, Calcutta on the 26th and 27th of October, 1967 and may please furnish his written reply on or before the 30th Oct., 1967.

APPENDIX—II

Case No. 5.—Export Contract No. 17 dated 25-5-60 L.O. No. PIE/32 dated 10-2-60

Importer : M/S. J. S. COHEN & CO., CALCUTTA.

C.C.P. No.	Description of material.	Rate fixed for Shipment upto May 60 on 3-2-60 F.O.B.	Rate fixed for shipment earlier by March, 1960.	Rate as per L.O. F.O.B.	Rate as per I.L.	Actual dates of shipment	Rate allowed in CCP F.O.B.	Difference between Column 3 & 8	File No. reference.
1	2	3	4	5	6	7	8	9	10
SiC/CP/BR/D/1201/505 Dated 2-6-60.	M.S. Plates including Commercial BSS-15	\$128.00					15-4-60		1/10/ BR/ Cohen /60.1 P/32
			—\$5.00						
SiC/CP/BR/8/1201/621 dated 7-7-60.	„	„		\$133.00	As in L.P	7-5-60	\$133.00	\$5.00	P/39
SiC/CP/BR/1/1211/745 dated 26-7-60.	„	„							P/44

Explanatory Note on the point raised in Committee of Enquiry, Calcutta, Memorandum No. CI(ST)/CAL(A) dated 25th October, 1967.

I beg to submit that there was no omission or mistake in the issue of the letter No. PIE/32 dated 10th February 1960 (Annexure-1) and that the decision of the Price & Accounts Officer and Controller as per notes dated 2nd February, 1960 and 3rd February, 1960 (Annexure-2) was correctly incorporated in the letter in question.

2. Although in their original offer, the firm proposed to import steel by March 1960, in their subsequent letter No. 5033 dated 3rd February, 1960 (Annexure-3) they stated as follows:—

“We are endeavouring to complete shipment by March 1960 but for this quantity we request you to allow us to complete shipment by April 1960”.

This letter was received by the Price & Accounts Officer on 3rd February 1960 and was taken into account before our letter No. PIE/32 dated 3rd February 1960 (Annexure-4) was issued to Hindustan Steel, with copy to the firm. It will be seen that in this letter it was stated that steel will be imported in March and April 1960. Immediately after issue of this letter by me, the Price & Accounts Officer issued another letter No. PIE/38 dated 4th February 1960 (Annexure-5) clarifying that the price fixed was f.o.b. basis price per m/t. It is clear, therefore, that the decision to allow the weighted average price of Rs. 133 per m/t. f.o.b. basis was for shipment in March and April 1960. There was, therefore, no mistake about price or delivery indicated in the letter of 10th February 1960.

3. In this connection, I would beg to point out that no clear decision was taken to fix any price for shipment of materials after April 1960. The proposal was to ship the materials in March and April 1960 and there was apparently no reason to fix any price for shipment after April 1960. There was, therefore, no mistake or omission in the letter of approval No. PIE/32 dated 10th February 1960 issued by me, a copy of which was endorsed to P&AO.

Sd/- S. C. MUKHERJEE,
2-11-67.

No. 23(1)/66-CI(ST)

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES & METALS

Committee of Inquiry (Steel Transactions), L-II Block, Brasse Avenue,
Dated the 23rd June, 1967

NEW DELHI

MEMORANDUM

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(II)-14(19)/66 dated 12th September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri V. Doraiswamy, while acting as Deputy Iron and Steel Controller in the Office of the Iron and Steel Control, Calcutta had taken the following decisions/or failed to take action in the undermentioned case which do not appear to be in accordance with the relevant decisions of Government which were in force at the relevant time and which would require his clarification to enable the Committee to consider whether such decisions taken by him were irregular/lapse on his part.

- (i) *Iron and Steel Controlled file No. CP/JSC/38/60—M/s. J. S. Cohen and Co., Calcutta—export Contract No. 17 dated 24th May, 1960 with HSL covering export of 7620 M/tons of billets—import of finished Steel in exchange.*

In this particular barter deal the firm had been granted a pre-import licence on the strength of a bank guarantee for 15 per cent of the value of the deal. The said bank guarantee was allowed to be reduced in value on the strength of the bank statements furnished by the firm indicating earning of foreign exchange for a specified value under the orders of Shri V. Doraiswamy, the then Deputy Controller of Iron and Steel without any scrutiny to see whether the earnings of foreign exchange were in respect of exports made under the particular contract (No. 17) relating to this deal. This resulted in the bank guarantee being reduced from Rs. 5,50,350 to Rs. 2,26,434 without any corresponding amount of foreign exchange having been earned through exports under the said transaction.

Shri Doraiswamy, is, therefore, requested to explain, in writing the reasons if any, for not undertaking any scrutiny of the bank statements submitted by the party as referred to above.

3. In addition to the point mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd/- (SUSHIL KUMAR),
Deputy Secretary to the Government of India.

Shri V. Doraiswamy,
66, Lloyd Road,
Royapettah,
Madras-14.

Shri V. Doraiswamy's Reply dated 25th July 1967

With reference to the Ministry's Memorandum No. 23(1)/66/CI (ST) dated 24th June, 1967, it is clear from the Bank Statement enclosed with the firm's letter of 28th June, 1961 that foreign exchange earned by M/s. J. S. Cohen and Co., was in respect of export of H.S.L. steel billets and that the mention of 'Export of pig iron' in the note file was apparently a clerical mistake. It is also clear from the extract of notes that the Bank guarantee and statement were examined and found in order before acceptance of the reduced bank guarantee in respect of export of steel billets. As the concurrence of the Reserve Bank had not been taken to the guarantee the office was asked to apply for it as per procedure.

Sd/- (V. DORAISWAMY).

No. 22(1)/66-CI(ST)

GOVERNMENT OF INDIA

MINISTRY OF MINES AND METALS

(Department of Iron & Steel)

Committee Enquiry (Steel Transaction),

L-II Block, Brasse Avenue

New Delhi, the 17th October, 1967

MEMORANDUM

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(II)-14(19)/66, dated 12th September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee, 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October, 1966, the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provision of the Commission of Inquiry Act, 1952 to facilitate the Inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri C. V. Ramachandran, while acting as the Price and Accounts Officer, had taken the following decision/ or had failed to take action, in the case mentioned hereunder which do not appear to have been as would be most prudent and financially sound and to the best interest of the Government and the economy of the Country and which would require his clarification to enable this Committee to consider whether such decision taken/not taken by him constituted any irregularity/lapse on his part.

I. File No. CP/152/STC :

To arrive at the price of "Drum Sheet" he had allowed addition of an amount of \$8 per M/T as 'Drum Quality Extra' to the rate fixed for Hot Rolled Sheet. One of the imports of the category is appended in the form of a statement enclosed (Statement I). It will be seen that H.R. Sheets of different size and specifications were classified as Drum Sheets and the enhanced rates were allowed therefor though in the list of Extras, there is no mention of any "Drum Quality" or any extra therefor. If this quality, however, mean H.R. Sheet of any particular size and specification, the extra admissible therefor had presumably already been included in the "effective" rate quoted in the letter orders. Further, the list of extras admits an extra of \$4.15 the size imported and specifies "basis" prices for the other sizes imported.

He may please state why and how the extra of \$8 was arrived at and how the actual specification(s) for which the "Drum Quality Extra" could have been admissible, were not specified.

II. No. CP-152/VDS/59.

In his note dated 23rd June 1960 in the file regarding fixation of prices for G.P. Sheets, he had allowed and the decision was applied also in Export Contract No. 14 dated 16th May 1960 and No. 28 dated 18th January 1961 [L. O. No. C/RKK(32)/60, dated 15th June 1960, and dated 5th May 1960—Importer M/s. Ramkrishan Kulwant Rai] an enhanced freight rate of \$ 18;70 per M/T. (instead of \$ 11.20 in other cases) and a packing charge of 24 Shilling *i.e.*, \$4.90. The reasons why this enhancement of the freight rate of \$ 11.20 to \$18.70 was considered necessary and the basis on which the packing charge was fixed may please be stated.

III. As shown in statement III, it is seen that a freight charge of \$21.00 instead of the usual \$11.20 was allowed by him as freight charge for Wire Rod and G.I. Wire. The basis on which the enhanced rate was arrived at may please be stated.

IV. From the illustrative items cited in statement II, enclosed, it appears that rate quoted for Japanese steel in the Metal Bulletin as applicable to the relative periods of shipments, were much lower than the Metal Bulletin rate for the continent which were made applicable for all imports. It is also seen that large quantities of various steel materials were being imported from Japan throughout the period during which the barter policy was operative. The reasons, why with this knowledge, it had not been considered necessary to take into account, the Japanese rates, as quoted in the Metal Bulletins, in fixing prices for imports, may please be intimated.

In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of this inquiry. In the meantime his replies to the queries raised above may be furnished, within 10 days of receipt of this Memorandum.

If he so desires, he may consult and examine the relevant files in the Office of the Committee of Inquiry in New Delhi during office hours.

He is also requested to intimate whether he desires a personal appearance before the Committee of Inquiry to elucidate his written statement.

Sd./- SHUSHIL KUMAR,
Deputy Secretary.

Shri C. V. Ramachandran,
Financial Adviser,
Food Corporation of India,
New Delhi.

STATEMENT—I.

Contract No. 28, dated 18-1-61-L. No. C/RKK(32)/6, dated 5-5-60

Importer—*M/s. Ramakrishan Kulwant Rai*

Sl. No.	CCP No. & Date	Description of goods	Rate per L/O including freight rate of \$11.20 per M/T and \$8 as "Drum Quality Extra"	Rate as per I/L.	Rate which should have been allowed as per lit. of extra (<i>i.e.</i> , after adding \$4.15 per M/T for width of 25½ only	Difference between Cols. 4 & 6	File No. and page	Reference to Note
1	2	3	4	5	6	7	8	9
1	SIC/CI/BR/D/1001/1096 Dated 3-11-60.	M.S. Sheet Hot Rolled— Drum Quality 70½" × 37½" × 18G. 76½" × 25½" × 18G.	\$176.20	\$176.20	\$8 \$168.20			Page 1 and 2 of case No. 8.
			\$176.20	\$176.20	\$172.35	\$3.85		

STATEMENT—II

Case No. 8 Export Contract No. 28 dated 18-1-61 L.O. No. C/RKK/(32)/60 dated 5-5-60

Exporter : M/s. RAMKRISHAN KULWANT RAI

Sl. No.	C.C.P. No. and Date	Description of goods	Rate per L.O./I.L.	Date of shipment	Japanese Metal Bulleting Rate Applicable + Freight of \$11.20	Difference between columns (4) & (6)	File & Page No.	Ref. to Note
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	SIC/CP/BR/D/1001/815 dated 17-8-60.	B.P. Sheet— Cold Rolled Deep Drawing 26G.	\$204.50	15-7-60	(1st work of April 1960) \$189.20 C & F.	\$15.30		Page No. 7 case No. 8
2	SIC/CP/BR/D/1001/831 dated 23-8-60.	Do. 28G	\$207.95	27-7-60	\$194.20 C & F.	\$13.75		Do.
3	SIC/CP/BR/D/1001/1092 dated 4-11-60.	Do. 20G	\$175.00	15-9-60	(From 8-7-60) \$171.20)	\$3.80		Do.
4	SIC/CP/BR/D/1001/1063 dated 24-10-60.	B.P. Sheet— Cold Rolled 28G.	\$180.45 (fixed on <i>ad hoc</i> basis after allowing \$ 5 over tender price).	15-9-60	\$181.20	\$8.25		Do.

STATEMENT—III

Case No. 2 Export Contract No. 8 dated 8-4-60 L.O. No. C/APJ(34)/60 dated 17-3-60

Exporter : M/S. APEEJAY PVT. LTD.

Description of goods	Freight rate allowed per M/T	Normal freight rate per M/T	Difference	File No.
1	2	3	4	5
G. I. WIRE & WIRE FOD	\$28 per M/T	\$11.20 M/T	\$9.80	P. 13 & 94 CP/152—STC.

C. V. RAMACHANDRAN

FINANCIAL ADVISER

Food Corporation of India.

New Delhi, the 19 October, 1967.

With reference to his memorandum dated 17th October 1967, the following remarks are offered in respect of the point raised therein.

Item 1: In a general note recorded on page 17-18 of File No. C/P/152/STC (Part File) regarding the price applicable for various categories of steel. I had suggested an extra of 8\$ for Drum Quality Sheet. In this connection I would like to state that extras over base price vary from country to country and quite often from manufacturer to manufacturer. In such circumstances a common rate had to be evolved for imports from Continent, U.K., Japan, etc. Drum quality sheets were required in large quantities and there was a general reluctance on the part of the importer to import drum quality sheets on the ground that manufacturers charged high rates ranging from 8 to 10\$ for sheets of the sizes required for drum making. This was a specific size extra intended to compensate the extra cost involved. It was therefore, considered that 8\$ would be a reasonable extra to enable the import of this category of sheets in substantial quantities. This is a general decision applicable to all imports of drum quality sheets under the barter scheme for both sizes and not with reference to any specific import.

Item 2: The ocean freight rate varied with reference to f.o.b. value and category of steel. In regard to sheets the rate of 11.2\$ was applicable if the value did not exceed £60. If the value exceeded £60 but below £75 there was a steep rise in the freight rate. In this particular case as the f.o.b. value was more than £60 the higher freight rate of \$18.70 was applicable. My note dated 23rd June 1959 is relevant.

As regards packing extra for sheets I may state that it was noticed that some importers were charging exorbitant rates against earlier imports. With a view to bringing down the rates and securing uniformity it was felt that the extra should be approximately 2.1 per cent of the cost of steel for one ton packing with steel envelopes and wooden skids. The continental practices was ascertained before framing this *ad hoc* rate. I had assumed a ceiling price of £70 and at the rate of 12½ per cent the extra worked out to 23 shillings. This extra was applicable to all imports under the barter scheme.

Item 3: As mentioned in the remarks for item 2, the freight rate depended on the category of steel and value. For wire-rod the freight rate was based on value and measurement. For G.I. wire the freight structure was also different. The rate varied according as the value was below £50, between £50 and £65 and above £65. Hence the higher rate. Packing will be extra. The freight rate included in the c.i.f. price is a ceiling. The landed cost has to be worked out with reference to the actual freight paid and the issue price of imported steel regulated in accordance with the relevant Public Notice.

Item 4: In the context of imports from several countries viz., Continent, U.K., Japan etc., a common price structure had to be worked out so that it may be made applicable to all imports. It was widely recognized that the Metal Bulletin Continental prices represented a consistently fair index of international prices for various categories of steel. As a matter of fact in respect of bulk imports from USSR or Government account the Metal Bulletin Continental prices were kept as a base for negotiation by the steel Ministry. Japanese prices were not considered to be a reliable guide. No acceptable standard extra lists were available. It was held that the Japanese effective prices were generally on a par with the continental prices. We were, therefore, consistently adopting the Metal Bulletin continental prices and in my view this practice was, led by and large, financially sound. This had the approval of the Associate Finance.

It is not clear from the illustration given in Statement II attached to the memorandum whether for Item 1 or 2 the extras applicable in Japan which generally varied from manufacturer to manufacturer was taken into account. The freight rate applicable was \$18.70 and not \$11.20 as the value was more than £50. The basis on which the Japanese price for items 3 and 4 were worked out have not been indicated.

I have attempted to clarify the points raised from what I remember at this distance of time. Should the Committee require any further elucidation I would be glad to appear in person.

Sd./- C. V. RAMACHANDRAN.

Shri Sushil Kumar,
Dy. Secretary,
Committee of Inquiry (ST),
New Delhi.

Copy of the Memorandum No. 22(1)/66-CI(ST) dated 22nd June, 1967 from Secretary Committee of Inquiry (ST), Ministry of steel, Mines and Metals (Deptt of I. and S.) to Shri L. K. Bose, Asstt. Iron and Steel Controller, Calcutta.

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(II)-14(19)66 dated 12th September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri L. K. Bose while working as Assistant Iron and Steel Controller, Calcutta had taken the following decisions/or failed to take action in the undermentioned cases, which do not appear to be in accordance with the relevant decisions of Government which were in force at the relevant period and which would require his clarification to enable the Committee to consider whether such decisions taken by him were irregular/lapse on his part.

- (1) I. & S.C.'s file No. CP/JSC/38/60 and I/10/BR Cohen/60/M/s. J. S. Cohen & Co. Calcutta-Export contract No. 17 dt. 14.6.1960 with H.S.L. for export of 7.620 M/t. of billets—imports of finished steel in exchange.

It has been observed that M/s. J. S. Cohen & Co., furnished certain Bank statements on 28th June 1961 indicating earnings of foreign exchange to the tune of Rs. 18,02,440 with a request to reduce the value of their bank guarantee for Rs. 5,05,350/- which had been furnished by 10th February 1960 in the aforesaid Barter deal. There upon Shri G. N. Sen submitted a note proposing the reduction of the bank guarantee as sought for by the firm, on the strength of the bank statement indicating the foreign exchange earnings without making any scrutiny to see whether the earnings of foreign exchange were in respect of exports made under the particular contract (No. 17) relating to this deal. The proposal was agreed to by Shri L. K. Bose and finally approved by Shri Doraiswamy, the then Dy. I&SC. On the approval of Shri Doraiswamy, the original Bank Guarantee for Rs. 5,05,350 was reduced by Rs. 2,78,916 on 12th July 1961 on the strength of the Bank Statement furnished by the firm, which resulted in the bank guarantee being reduced without any corresponding amount of foreign exchange having been earned through exports under the said transactions. (Extracts of relevant notes enclosed).

Shri L. K. Bose is therefore requested to explain, in writing, the reasons, if any, for not exercising any scrutiny as aforesaid, before agreeing to the proposal of reduction in the Bank Guarantee amount.

- (ii) (a) I&S.C. File No. CP/KR/33/60-M/s. Khemchand Raj Kumar, Calcutta-H.S.L.'s contract No. 18 dt. 15th May 1960 for supply of 5,000 long tons (5080m)/tons of steel billets (tested) and import of finished steel in exchange.

It has been observed that in respect of the above mentioned barter deal, the firm had obtained pre-import licences Nos. SIC/IL/BR/0501/316 and 317 on submission of a Bank Guarantee for a value of Rs. 2,66,764.32 which was originally valid upto 29th November, 1960. The firm was asked to renew the Bank Guarantee on 12th December 1960 which they did on 22nd December 1960. The validity of the renewed Bank Guarantee was up to 28th February 1961 and thereafter they were asked to renew it on 2nd June 1961. The firm did not take steps to renew the Bank Guarantee. Shri L. K. Bose, who was Asstt. Controller incharge of the relevant section during the material period, did not take steps to remind the firm for extension of the Bank Guarantee in due time on the alternative to produce evidence of export before the expiry of the validity period. As it was necessary to keep the Bank Guarantee alive in the case of barter deals where the firms were given pre-imports licences on the strength of Bank Guarantee till exports were effected, he is requested to explain in writing the reasons, if any, for not taking effective steps to keep a watch on the expiry of the Bank Guarantee, and to get it renewed in time, in the above case. (Extracts of relevant notes enclosed).

(b) It has also been observed that Shri L. K. Bose had also advised S.I.C. section to issue import licences and CCPs. which were pending in that section, on 14th December, 1961, inspite of the fact that the firm had not till then furnished a fresh Bank Guarantee, which they had been asked to do on 2nd June 1961 and reminded on 2nd November 1961 and again on 1st December 1961. He is therefore, requested to explain in writing, the reasons, if any, for this tendering the aforesaid advice to S.I.C. Branch. (Extracts of relevant notes enclosed).

- (iii) I&S.C.'s file No. CP/RKK/32/60-M/s. Ram Krishan Kulwant Rai, Calcutta-H.S.L.'s contract No. 28 dt. 18th January 1961 for supply of 25,000 tons of ingots/slabs and import of finished steel for equivalent value.

SIC/IL/BR/D/1001/190 It has been observed that in respect of the SIC/IL/BR/D/2814/191 above mentioned barter deal, the firm had obtained the marginally noted preimport licences SIC/IL/BR/D/1002/192 on the submission of bank guarantee, for a SIC/IL/BR/D/1001/193 value of Rs. 15,15,000/- which was originally valid upto 31st December 1960. The firm was asked to renew it on 6th January, 1961, which they did on 9th January, 1961. The validity of the renewed Bank Guarantee was up to 30th June 1961. The letter to the firm asking them to further renew the Bank Guarantee was issued on 26th

February 1962 Shri L. K. Bose who was Asstt. Controller in charge of the relevant section during the material period, did not take steps to remind the firm for extension of Bank Guarantee in due time or in the alternative, to produce evidence of export, before expiry of the validity period. As it was necessary to keep the Bank Guarantee valid in the case of barter transactions where the firms were given preimport licence on the strength of Bank Guarantee till the exports were effected, he is requested to explain in writing, the reasons, if any, for not taking effective steps to keep a watch in the expiry of the Bank Guarantee and to get it renewed, in time in the above case.

- (iv) I&S.C.'s file No. CP/AP/35/60-M/s. Amichand Payaralal, Calcutta HSL's contract No. 7, 13 and 16 dated 8th April 1960, 9th May 1960 and 20th May 1960 respectively—Export of H.S.L.'s semis and import of finished steel in exchange.

SIC/IL/BR/D/1001/204 In the barter deals covered by HSL's contracts
SIC/IL/BR/D/1001/205 referred to above, the firm was given the margi-
SIC/IL/BR/D/1001/206 nally noted preimport licences on the strength of
SIC/IL/BR/D/1001/221 four bank guarantees which expired and the
SIC/IL/BR/D/1507/77 firm was reminded by the I&S.C., in the
SIC/IL/BR/D/1502/78 following manner :—
SIC/IL/BR/D/1002/79
SIC/IL/BR/D/1502/80

Contract No.	Original validity of the B.G.	Date of asking the party to renew the B.G.	Date of Submission of renewed B.G. by the party	Date of expiry of the renewed B.G.	Date of reminder to the party
13 & 16	28-2-61	25-2-61	—	—	—
7	20-12-60	6-1-61	12-1-61	19-6-61	8-11-61
	21-12-60	do	do	20-6-61	8-11-61
	1-1-61	do	do	30-6-61	do

Since it was necessary to keep the bank guarantees alive till exports were effected, there had been a failure on the part of the Iron and Steel control, to remind the firm in due time for renewal of the bank guarantees. Shri L. K. Bose who was Asstt. Controller in charge of the relevant section when the validity period of the renewed bank guarantees expired did not take any effective steps to keep a watch on the expiry of their validity and to remind the firm in due time for extension of the validity. He is, therefore, requested to explain, in writing the reasons if any, for not taking any effective steps to keep any watch on the expiry of the validity period of the Bank Guarantee and to remind the firm to renew the same in due time.

(v) I&SC's file No. C/APJ/(34)/60 M/s. Apeejay (P) Ltd., Calcutta H.S.L.Ss contract No. 8 dt. 8th October 1960 for export of 25,000 tons of ingots—import of finished steel.

BR/1507/91
 BR/1001/92
 BR/1501/93
 BR/1502/94:95
 BR/1002/96
 BR/1001/91
 BR/1507/98
 BR/2614/249
 BR/1021/300.

It has been observed that in respect of the above mentioned case, firm had obtained the marginally noted pre-import licences on submission of a Bank Guarantee for a value of Rs. 12,96,000 which valid upto 28-2-1961. The firm was asked to renew the Bank Guarantee on 25-2-1961 only. As the firm did not reply, a reminder was sent to them on 8-11-1961 after a lapse of nearly nine months. The firm eventually did not renew the Bank Guarantee. Both letters mentioned above were issued under the signature of Shri L. K. Bose. There is however, no noting on the file pertaining to the issue of the above mentioned letters. Shri L. K. Bose who was Asstt. Iron & Steel Controller during the relevant period, did not take necessary action to ensure watch on the expiry of the Bank Guarantee and to take timely and effective action to get it renewed. He is, therefore, requested to explain in writing, the reasons, if any, for this lapse.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime, his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Copy of letter No. LKB/67, dated 18th August, 1967 from L. K. Bose Asstt. Iron & Steel Controller, to the Secretary to the Committee of Inquiry (ST), Ministry of Iron and Steel, L-II Block Brassery Avenue, New Delhi.

Reg: Memo No. 22(1)/66-CI(ST) dated 22nd June 1967

I acknowledge receipt of the Memo referred to above calling for my explanation in respect of certain cases mentioned therein. This memorandum I received through the Iron & Steel Controller on the 27th June 1967.

2. I beg to make my submissions in the form of a statement.

3. The dates appearing in the sixth and seventh lines of para 2(ii)(a) and sixth line of para. 2(iii) at page 2 of the Memorandum have been taken as 29-11-1960, 22-12-1960 and 6-1-1961, respectively.

The submissions have been made on the basis of the dates taken by me, documents as available and on my understanding of the position after lapse of several years. I trust you will find them satisfactory. If, however, further clarifications and/or explanations are needed I may be given an opportunity for a personal hearing.

4. The delay in submitting my explanations as called for in the Memorandum is due to the necessary documents not being available in time.

5. Lastly, I would express my gratitude for giving me an opportunity to explain my position in respect of a few issues involved in the pre-import barter deals.

Explanatory statement in reply to Committee of Inquiry's Memorandum No. 22(1)/66-CI(ST) dt. 22-6-1967.

1. I crave leave to refer to the three main issues incorporated in the Memorandum No. 22(1)/66-CI(ST) dated 22nd June, 1967, viz,

- (i) For suggesting reduction of Bank Guarantee on the strength of the Bank statement of foreign exchange earning furnished by a firm in another export transaction.
- (ii) for not taking effective steps to keep a watch on the expiry of the Bank Guarantee and to get the same renewed in time.
- (iii) for tendering advice to Steel Import Control Branch to issue pending import licences and CCPs, though the firm had not till then furnished fresh Bank guarantees.

2. Before dealing with the points raised in the Memorandum I propose to indicate briefly the circumstances under which I had to work at the relevant period.

(1) I was Assistant Iron & Steel Controller in our Regional office in Bombay from 1958 to middle of January 1961, during the period when these pre-import deals were allowed. On my transfer to Calcutta from our Regional office in Bombay, I was immediately posted to Barter Section on or about 21-1-1961. I was, therefore, not accustomed to the work relating to barter cases with their special features. Secondly, no fixed procedure regarding opening and maintenance of Registers and adjustment of the amount of Bank guarantee, performance bond and/or the like was available in the Barter Section, and thirdly there was no prescribed proforma for enforcing the bank guarantees in cases of default. These cases were therefore dealt with by me on their merits and according to the best of my judgment after the relevant files were examined and noted upon by the dealing assistants.

(2) There was heavy rush of work in the Barter Section dealing not only with Semis Barter deals but also with Pig Iron, Scrap and STC/MMTC items of barter deals.

(3) Besides, from June 1961, I was also put in charge of Import Distribution Section and subsequently of Bulk and General Purchase Section in July/August 1961. In short, I was put in charge of three live Sections, viz, (i) Barter Purchase including purchases under Link Deals, (ii) Bulk & General Purchase dealing with purchases from all rupee payment countries and under Aids and Loans, and, (iii) Import Distribution Section, without any Officer in the rank of Dy. Asstt. Iron & Steel Controller to assist me in any of these Sections, even though I verbally expressed to the Controller my difficulties in running the three live Sections. The work was at last redistributed in November 1963, when Bulk and General Purchase Section was placed under two officers (and that too when the work relating to the purchase had been reduced to a great extent), Import Distribution Section under one Officer and Barter Purchase Section only to be with the Dy. Asstt. Iron & Steel Controller of Import Distribution Section to assist me. Here again the most important part of work of Import Distribution Section, viz, allotment of imported materials, was given to Barter Purchase Section.

(4) In my own way, I tried to evolve a procedure for solving the problem for realisation of foreign exchange already spent or pre-import as will be evident from my note 19th April, 1962.

3. I now beg to make my submission to the points referred to in the Memorandum as herein below:—

(i) J. S. Cohen & Co.

I. & S.C.'s file No. CP/JSC/38/60, and
1/10/BR/Cohen/60.

The case was seen by me with a note from the Section suggesting the adjustment against the bank statement as furnished by the party. The Bank statement for which there was no prescribed proforma then was duly checked by me with the Punjab National Bank's letter of 28-6-1961 (vide which referred to the Billet Barter deal on 7500 tonnes. Scrutiny of the case on its merits was done by me and I thought fit on the materials available, and to the best of my judgment to accept the suggestion made by the Section in the note. That was foreign exchange

earnings in any case and I thought this could be adjusted against the outstandings in this case. It is to be noted that there was no laid down procedure nor any instructions to guide me in this matter.

I also did not take any final decision on my own relating to the adjustment of the bank guarantee. It was my recommendation that I considered to be correct according to the best of my judgment at that time and was put up to my Dy. Controller for him to take a decision in the matter. He after due consideration decided to adjust the outstandings and to accept a fresh Bank guarantee for a reduced amount.

(ii)(a) Khemchand Rajkumar

I. & S.C.'s file No. CP/KR/33/60.

As already explained in para 2, there was no prescribed procedure for maintaining registers for Bank guarantees, etc., when I took over charge of Barter Section in January 1961. As and when the file was seen by me, necessary action had been taken by me immediately thereafter according to the best of my judgment.

With regard to this bank guarantee, the file was put up by me on 1-2-1961 to the Dy. Controller and I was asked by my Dy. Controller "to speak urgently with the Bank Guarantee". This was discussed on 17-2-1961 on the submission of the file to me on 14-2-1961. Thereafter the note dated 17-2-1961 was recorded by me on the file and the Dy. Controller again wrote on the file 'to discuss' on the same day, viz, 17-2-1961.

From the file it appears that no discussion took place before 12-5-1961. It is very difficult for me to say at this stage why this was not discussed in time. It might be that the file did not reach me in time directly from the Dy. Controller's table. This reached me only on 12-5-61, viz. the Section. But a reference of the note dated 17-2-61 in respect of Sl. No. 60(R) was mentioned in the note against the party's letter under Sl. No. 61(R) and this indicates that the matter was not bypassed. The recommendation in the note was also approved by the Dy. Controller without any remark for non-submission of the file in time. Also from the correspondence beginning with their letter dated 5th January 1961, Khemchand Rajkumar had been mentioning about their disputes and negotiations with HSL. Contract with HSL also expired. So far as my recollection goes, the firm had been expressing their difficulties in getting the Bank guarantee renewed till the contract with HSL was extended. It is on this background that no letter was issued to them for the renewal of Bank guarantee. However, under their letter of 9th May, 1961, Khemchand Rajkumar mentioned that agreement had been reached with HSL and exports would be made shortly, thereby earning requisite foreign exchange for which pre-import were allowed and subsequently it was taken for granted that they would extend the bank guarantee, as per their letter of 5th January, 1961 (para 4). Immediately, thereafter Khemchand Rajkumar was asked to submit a fresh bank guarantee under our letter dated 2-6-61 their Bank guarantee having expired on 28-2-1961. In reply to this letter they in their letter of 9th June 1961 informed us that they had already advised their Bankers for a Bank guarantee to be submitted to us. Then a ban was imposed on the export of billets between July and November 1961.

It may not perhaps be out of place to mention in this connection that the firm once extended the Bank guarantee which expired on 29th November 1960, on our asking them to do so on 12th December 1960 *i.e.*, after the validity had expired, showing thereby that they did not absolve themselves from the responsibility of extending the Bank guarantee.

(b) With regard to the advice given by me to Steel Import Control Branch to issue CCPs, in spite of the fact that the firm had not till then furnished the fresh Bank Guarantee, I would like to make my submission that it was the generally accepted view of the concerned officials of the Iron & Steel Control that once Exchange Control copy of the Import Licence had been given to the party, CCPs could not be withheld as the import was authorised by providing foreign exchange and CCPs were only a follow-up procedure. The action taken by me in instructing Steel Import Control Branch to consult Barter Section prior to issue of CCPs was by way of abundant precaution in order to get them to agree to the extension of bank guarantee. The instruction conveyed to the Section was conceived of as a departmental measure to put some kind of pressure on the party.

In this connection I would like to mention that suspension instructions in respect of licences and/or CCPs to parties who failed to comply with the orders and/or directions issued by various Sections were being frequently issued by these Sections. On the basis of these instructions from various Sections, inter-departmental suspension advices were being issued stopping issue of import licences and CCPs, planning of indents, etc. for a temporary period *viz.* 2/3 months, and were being extended for a further period, if required. The intention of such suspension advices was to enforce compliance of the directions issued by this office to the party. It was subsequently felt that there might be certain risks and legal complications on such suspension advices being issued without this being examined properly. With a view to ensure uniformity, the position was under review and it was decided some time in March 1962 that decisions of this nature should be taken by a Committee of Senior Officers and the Committee known as Reviewing Committee was formed thereafter.

(iii) Ramkrishan Kulwant Rai I & SC's file No. CP/RKK/32/60.

As already explained in para 2, there was no prescribed procedure for maintenance of registers for bank guarantee when I took charge of Barter Section in the 3rd week of January 1961. As and when these cases were seen by me, necessary action had been taken by me immediately thereafter. In this particular case, the Bank guarantee expired on 30-6-1961. But the case took a different turn in the sense that we were more reoccupied in forcing them to take delivery of the materials which Hindustan Steel had been offering but the firm was not accepting the same. On this issue the correspondence was going on, *vide* letter Ref. CP/RRK/32/60/II/669, 910 and 1251, dated 8-6-1961, 22-7-1961 and 29/30-8-1961.

It was against this background that the question regarding renewal of Bank guarantee was not pursued with the firm.

(iv) Aninchand Payarelal

I&SC's file No. CP/AP/35/60.

As already stated in para 2, there was no fixed procedure for maintaining register for Bank Guarantee. As and when files were seen by me, necessary action had been taken by me.

It may be mentioned in this connection that even though no reminder was issued specifically in respect of Bank Guarantee between June and November 1961, the firm did not at any stage absolve themselves from the responsibility of submitting bank guarantee. Besides, the case took a different turn in the sense that we were more pre-occupied in forcing them to take delivery of the materials which Hindustan Steel had been offering but the firm was not accepting them.

It was against this background that the question regarding the renewal of Bank Guarantee was not pursued at the time.

(v) Apeejay (P) Ltd.

I&SC's file No. CP/APJ(34)/60.

As already stated in para 2, there was no fixed procedure for maintaining register for Bank Guarantee. As and when files were seen by me, necessary action had been taken immediately thereafter.

It may be mentioned in this connection that even though no reminder was issued specifically in respect of Bank Guarantee after February 1961, the firm did not at any stage absolve themselves from the responsibility of submitting bank guarantee. Besides, the case took a different turn in the sense that we were more pre-occupied in forcing them to take delivery of the materials which Hindustan Steel had been offering but the firm was not accepting them.

It was against this background that the question regarding renewal of Bank guarantee was not pursued by them.

It has been stated that there is no noting on the file pertaining to the issue of the two letters dated 25-2-1961 and 18-11-1961. It is difficult for me to recollect why there was no noting. I may, however, mention in this connection that reminders were issued to Aminabad Pay recoveries. Apeejay on the same day, i.e., 8-11-1961. It is quite possible that the file in respect of this particular case was not available at the relevant time; as such the letters were issued without any noting in order to avoid any further delay in the matter. The matter was, however, kept alive in any case.

4. It may be noted that the matters were not being dealt with by me alone. The main policy would be laid down by the superior authorities and it would be implemented by myself as well as other Officers over me. In this background if there had been any error of judgment or any lacuna in the policy it may not be attributed only to the steps taken by me.

5. In conclusion I, who have served this Department faithfully for more than twenty-five years in various capacities and is now on the verge of retirement, would like to make this submission that if there had been error of judgment, this was in the normal discharge of my duties and in good faith under heavy pressure of work already explained in para 2, and for which I express my regret, I had also no departmental instructions to guide me in dealing with such cases of default on the part of the barterers in barter transactions which was a new features in the Licensing Policy for Iron & Steel.

No. 23(1)/66-CI(ST)

**GOVERNMENT OF INDIA MINISTRY OF STEEL, MINES
AND METALS**

Committee of Inquiry (Steel Transactions)

L. II Block, Brassey Avenue, New Delhi.

22nd June, 1967.

MEMORANDUM

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(II)-14(19)/66 dated 12th September, 1965 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the Inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri S. B. Basu while working as Deputy Assistant Controller in the office of the Iron and Steel Controller, Calcutta, had taken the following decisions/or failed to take necessary action in the undermentioned cases ' which do not appear to be in accordance with the relevant decisions of the Government which were in force at the relevant time and which would require his clarification to enable the Committee to consider whether such actions taken by him were irregular/lapse on his part.

(i) I&SC's file No. CP/JSC/38/60-Export Contracts No. 17 dated 24th May, 1960 covering export of 7,620 M/t. of billets—Imports or finished steel of equivalent value.

In this transactions, a pre-import licence No. SIC/IL/DBR/1201/50 for Rs. 33,12,000/- was issued to the firm against which they were issued CCPs for Rs. 33,15,785/-. There is no explanation on the file about the issue of CCPs for the excess value. The last CCP No. SIC/CP/BR/D1201/745 dated 26th July 1960 for Rs. 76,625/- which resulted in the issue of CCP for the excess value was issued under the orders of the then D.A.C. (Shri S. B. Basu). He is therefore, requested to explain in writing the reasons, if any, for his aforesaid action.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime, his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd/- P. SABANAYAGAM,
Secretary to the Committee of Inquiry (ST)

Shri S. B. Basu, Asstt. Iron and Steel Controller,
through
Iron and Steel Controller, Calcutta.

Letter dated 27th September 1967 from Shri S. B. Basu to CI(ST), (No. IND/I/RD/1(1)/ST.)

Attention is invited to his Memo. No. 23(1)/66-CI(ST), dated 22nd June 1967 pointing out the defects in the last issue of CCP against licence No. SIC/IL/D/BR/1201/50 for Rs. 33,12,000/- to M/s. J. S. Cohen. The facts of the case are stated below:—

M/s. J. S. Cohen was granted a licence No. SIC/IL/D/BR/1201/60, for 4,682 tons of mild steel plates for Rs. 33,12,000 C&F against which the following CCPs were issued.

Date	Ton	Value CIF	Value C&F
2-5-60	528.72	371,204	3,70,115
2-5-60	1126.59	822,665	8,20,231
23-5-60	1399.73	979,795	
2-6-60	674.46	471,518	4,70,017
7-7-60	840.57	593,973	..
26-7-60	102.27	76,625	..
	4674.225	33,15,765	

Although apparently it appears that there is excess in value of imports but in actual fact there is no excess import. The tonnage in the CCPs was less than the licence. The discrepancy in value has arisen because of the fact that the licence was issued for C&F but debit in the licence was made for C.I.F. The debit in the licence if made at C&F price the amount of insurance will work out to Rs. 8,251 being 1/2 per cent of the value of imports i.e. CCPs. The details of the calculation for the CCPs which were issued on CIF basis are given below:—

Date	Tonnage	Value (CIF)
23-5-60	1399.73	9,79,795.00
7-7-60	840.57	5,93,998.00
26-7-60	102.27	76,625.00
		16,50,398.00

1/2 per cent of the above comes to Rs. 8,251.00.

However explanatory note to this effect should have been given in the CCP application. The error is regretted very much.

No. 23(1)/66-CI(ST)

GOVERNMENT OF INDIA MINISTRY OF STEEL, MINES
AND METALS

Committee of Inquiry (Steel Transactions)

L. II Block, Brassey Avenue New Delhi.

21st July, 1967

MEMORANDUM

Reference is invited to this Office Memorandum of even number dated 22nd June, 1967 regarding the investigation in the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report.

The following may be added as Para 2(ii) and 2(iii) of the above Memorandum.

"2(ii) I&SC File No. 1/10/BR/D/AP/60 Export Contract No. 7 dated 8th April, 1960 covering the export of 15,000 tons of HSL steel slab—Import of finished steel of equivalent value.

In this transaction the following four pre-import licences were granted to the firm.

Licence No. & date	Item	Value (Rs.)
1. SIC/IL/BR/D/1001/204 dt. 22-6-60	M.S. Black Sheets	20,43,200
2. SIC/IL/BR/D/1001/205 dt. 25-6-60	Drum Sheets	27,15,057
3. SIC/IL/BR/D/2814/206 dt. 25-6-60	S.S. Sheets	15,71,800
4. SIC/IL/BR/D/1001/221 dt. 2-7-60	Drum Sheets	38,31,334
	reduced to	37,63,334

It has been observed that against the licence mentioned at (4) above seven CCPs for a total value of Rs. 41,22,080 were issued, thus exceeding the value of foreign exchange copy of the licence by Rs. 4,28,746/-. Scrutiny of the licence file reveals that this excess value issue of CCPs was caused primarily due to the fact that on 17th November, 1960 three CCI's were issued for value of Rs. 19,71,597/-, Rs. 58,917/- and

Rs. 52,127/- but values of these CCPs were not posted correctly on the back of the foreign exchange copy of the licence (counter foil). The value as recorded on the back of the foreign exchange copy of the licence (counter foil) are Rs. 15,40,563/- Rs. 58,135/- and Rs. 51,671/- respectively. The effect of such incorrect posting was that the foreign exchange copy still revealed an unutilised balance as being available for the issue of further CCPs for Rs. 7,21,311. On the other hand, if the correct value of CCPs had been posted, the unutilised balance still available for issue of CCPs would be Rs. 2,98,039. Thereafter two more CCPs were issued, one on 30th November, 1960 for Rs. 3,50,460 and the other on 11th January, 1961 for Rs. 3,67,325, thus resulting in the excess issue of CCPs by Rs. 4,28,746/-.

All the CCPs which had resulted in the issue of CCPs in excess of the licence value were issued under the orders and signature of Shri S. B. Basu, the then Deputy Assistant Iron and Steel Controller and at present, Assistant Iron and Steel Controller, Calcutta.

Shri Basu is, therefore, requested to explain in writing the circumstances under which he failed to notice the discrepancies in the matter of recording the values of the CCPs issued on the back of the foreign exchange copy (counter foil) which had resulted in the issue of CCPs in excess of the value of the licence. The relevant records have been shown to Shri Basu when he visited the office of the Committee of Inquiry, New Delhi, on 6th July 1967.

2 (iii) I&SC File No. 1/10/BR/D/APJ/Part II—M/s. Apeejay Pvt. Ltd., Calcutta—Export of 25,000 tons of ingot—import of finished steel of equivalent value.

In this barter transactions, M/s. Apeejay Pvt. Ltd., Calcutta, were granted ten pre-import licences for import of steel materials. It has been observed that against Licence No. SIC/IL/BR/D/1502/94 dated 19th March 1960, five CCPs have been granted to the firm for a total value of Rs. 7,54,581/- as against the value of Rs. 6,87,176/- for which the foreign exchange copy of the licence was issued. Copies of the five applications for Customs permits from the firm and the notes and orders recorded thereon are enclosed. It is observed from the notes recorded on the applications that upto the issue of the third CCP on 19th August 1960, the balance left in the licence was correctly brought out in the notes leading to the issue of CCPs, but in the case of the fourth and fifth applications, the balance still left in the licence was not correctly mentioned in the notes leading to the issue of CCPs. The CCPs were issued under the orders and signature of Shri S. B. Basu, the then Assistant Iron and Steel Controller. Shri S. B. Basu is, therefore, requested to explain in writing the reasons, if any, for his failure to check up that the correct balance left in the licence was not recorded in the notes particularly when in the case of the fifth application the dealing hand left blank the column for CCPs already issued, quantity and value."

Sd/- P. SABANAYAGAM,
SECRETARY,

Shri S. B. Basu,
Assistant Iron and Steel Controller
(through)
Iron and Steel Controller,
Calcutta.

GOVERNMENT OF INDIA, MINISTRY OF STEEL,
MINES AND METALS

(Deptt. of Iron and Steel)

IRON & STEEL CONTROL

33-Netaji Subhas Road,

CALCUTTA

No. Ind(1)(1)/SB

Dated 7th August, 1967.

MEMORANDUM

Reference is invited to his memo. No. 23(1)/66-CI(ST) of July, 1967, regarding discrepancy in issue of CCPs in the following cases:

Licence No. & date	Item	Value (Rs.)
1. SIC/IL/33/D/1001/204 dt. 22-6-60	M. S Black Sheets	20,43,000
2. SIC/IL/BR/D/1001/205 dt. 25-6-60	Drum Seets	27,15,057
3. SIC/IL/BR/D/2814/206 dt. 25-6-60	S. S. Sheets	15,71,800
4. SIC/IL/33/D/1001/221 dt. 2-7-60	Drum Sheets	38,31,334
	reduced to	37,63,334

The explanation called for from me is given below:

2(ii) I&SC File No. 1/10/BR/D/AP/60—Export Contract No. 7 dated 8th April 1960 covering the exports of 25,000 tons of HSL steel slabs Import of finished steel of equivalent value.

It revealed from the scrutiny of the files that the total value of CCPs issued was in excess of the value of the licences. From further examination of the noting given by the dealing assistant it appears that there has been a lapse on the part of the dealing assistant in not debiting the correct value in the licences which resulted in issue of the CCP for the excess value. It is submitted that the orders given by me were on the basis of the notings of the dealing assistant which is always taken for granted as correct. There was no occasion on any previous case that the dealing assistant concerned gave incorrect notings so as to doubt the *bonafides* of the notings. It will not be out of place

to mention here that during the period there was heavy amount of outstanding work not only relating to barter and allied imports but also relating to issue of back period licences to actual users. There was no augmentation in the strength of the staff nor officers and hence such mistaken were not intentional. Moreover an officer has to depend on the notings of his office. Hence the order found defective was due to the failure of the dealing assistant to give correct noting. It is, therefore, submitted that in the interest of justice it will be agreed that the undersigned is not responsible for the issue of CCP for the excess value.

2(iii) I&SC File No. 1/10/BR/D/APJ/Part II—M/s. Apeejay Pvt. Ltd., Calcutta—export of 25,000 tons of ingots—Import of finished steel of equivalent value.

As regards the above case, it appears that the dealing assistant stated in the notings on the CCP application that "the application is in order". As a consequence thereto, depending on the notings, I had to issue the order for issue of CCP. As a matter of practice, all the officers have to depend on the notings given by the office and on no occasion there has been a departure from his practice. Hence it will be agreed by you that there has not been any lapse on my part as the order given by me was based on the notings of the dealing assistant.

It is requested that the difficulties enumerated by me may be considered very sympathetically as his own and mete out justice to me by not holding me responsible for the lapse.

Sd/- S. B. BASU,

Asstt. Iron & Steel Controller.

The Secretary,
Committee of Inquiry (SI),
Ministry of Steel, Mines & Metals,
L. II Block, Brassey Avenue,
New Delhi.

No. CI(ST)/Cal(2)

Department of Steel & Mines

Committee of Inquiry (Steel Transactions)

33, Netaji Subhas Road, 4th floor,

Calcutta-1

Calcutta, the 18th October, 1967

MEMORANDUM

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(11)-14)193/66 dated 12th September, 1966 appointed the Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the P. A. C. 1965-66 and also such other transactions as recommended by the PAC in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952, to facilitate the Inquiry, copies of the Resolution and Notification are enclosed.

It has been noticed that Shri S. B. Basu, while acting as Deputy Assistant. I & S.C. had taken the decisions as mentioned hereunder which appear to be irregular and improper and which would require his clarification to enable the Committee to consider whether such decisions taken by him constituted any irregularity/lapse on his part.

File No. 1/10/BR/D/RKR/60.

M/s. Ramkrishan Kulwant Rai in the case of the import cited in the statement V enclosed had, in their application for CCP quoted a higher rate that was not admissible under the Letter Order and the Import Licence. This being pointed out to him on 24th November 1960 he had refused issue of CCP. Having reiterated the stand on 28th November, 1960 he changed his decision on 3rd December, 1960 and ordered issue of CCP at higher rates when the case was put up to him for the third time, in spite of the orders of Deputy I&SC (Shri V. Doraswami) to issue the C.C.P. at the licensed rate only.

The circumstances in which Shri Basu issued the CCP at higher rate may please be explained to the Committee.

File No. 1/1/BR/Billets/AP/60 S. No. 48

In the case cited in the statement VI enclosed, importer had claimed inadmissible gauge extra not covered by L.O./I.L., ranging from \$1.5 to \$11.00. The Deputy I&SC. had ordered thereon that the CCPs should be refused unless the invoice was revised. In spite of these orders of the Deputy I&SC and in spite of the fact that the importers had not got the invoice revised, the Deputy Assistant I & S.C. Shri A. K. Sen took the decision to issue the CCPs on the basis of the effective price as shown in the L.O. at the request of the importers, on the

ground that it was "upto the importer to see whether they can get a clearance against the CCPs issued at the above rate" without consulting the Deputy I&SC whereupon Shri S. B. Basu issued the CCP shown in the statement.

The circumstances in which Shri Basu issued the CCPs in violation of the orders of the Deputy I&SC and the reasons for doing the same may please be explained to the Committee.

In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of the Inquiry. In the meantime, his explanation, as called for above, may be furnished, within 10 days of the receipt of this Memo.

If he so desires, he may consult the relevant files in the office of the Committee of Inquiry in New Delhi during office hours.

He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd/- A. K. DEB,

Under Secretary,
18-10-67.

Shri S. B. Basu, Asstt. Iron & Steel Controller, C/O Iron & Steel Controller, 33, Netaji Subhas Road, Calcutta-1.

STATEMENT—VI

Case No. 4, Export Contract No. 14 dt. 16-6-60 u.o. No. C/RKK (32)/60 dt. 15-6-60

Importer—M/S. RAMKRISHAN KULWANT RAI

Sl. No.	CCP No. & date	Description of good	Dt. of shipment.	Rate as per LO/IL effective upto 31-8-60	Rate as per LO/IL effective from 1-9-60	Rate as per CCP.	Difference between cols. (6) & (7).	File No. and page
1	2	3	4	5	6	7	8	9
1	STC/CP/BR/D/1002/1203 dated 3-12-60.	G.P. Sheets 24G 26G	7-9-60	\$213.40 \$221.10	\$202.40 \$210.00	\$213.40 \$221.00	\$11.00 \$11.00	1/10/BR/D-RKR/60 Vol. page 40.

STATEMENT—V

*Case No. 3 Export Contract No. 13 dated 9-5-60 & 16 dated 20-5-60 L.O. No.
C/AP(35)/60 dated 16-3-60.*

Importer—M/s. AMIN CHAND PAYARELAL

Sl. No.	CCP No. & Date	Description of goods	Rate as per LO/IL	Rate allowed in C.C.P.	Difference between col. (4) & (5)	File No. & Page
1	2	3	4	5	6	7
1	STC/CP/BR/D/1507/903.	Wire Rods 6 mm.	\$151 C&F. effective.	\$1552.5 C & F. effective.	\$ 1.5	1/10/BR/Billets/AP/60 (Sl. No. 48) Pages 116-117

Copy of Memo No. RD/1/1/SB/AKS dated 28th October, 1967 from Shri S. B. Basu, Asstt. Iron & Steel Controller to the Under Secy., Committee of Inquiry (ST), Calcutta.

Reference Committee of Inquiry (ST), Calcutta's Memo. No. SC (ST)/Cal.(A) dated 18th October, 1967 regarding the irregularity in the cases mentioned below. The reply is given ad certium:

File No. 1/10/BR/D/RKR/60

(Ramkrishan Kulwant Rai)

This point has been explained to the honourable members of the committee in the sitting held in New Delhi on 22nd October, 1967.

File No. 1/10/BR/Billets/AP/60

Sl. No. 48.

It is noted that a customs permit number as per details mentioned in your memo, was issued under the orders of the undersigned. There was a difference of \$ 1.5 per ton than the licensed rate. It will appear from page 128/c that this discrepancy was pointed out and the then P & AO directed us to issue CCP at the invoice value. In this connection attention is invited to page 128/C of file No. 1/10/BR/Billets/AP/60 dated 21st October, 1960. It is regretted to state that this point could not be pointed out by me personally as I misunderstood the wording of the memo. It appeared to me that Shri A. K. Sen had issued the orders for issue of CCP and accordingly I signed the CCP. That is why I told the Committee that I might have signed the fair copy of the CCP on behalf of Shri A. K. Sen. As I submitted at that time I did not have time to study the files when I had been called before the committee.

It will appear from para-1 that the CCP has been issued correctly as per directive issued by P. & A.O.

Copy of Letter No. RD/1(1)/APEEJEY/25 dated 28th October, 1967 from Shri S. B. Basu, Asstt. Iron & Steel Controller to the Under Secretary, Committee of Inquiry (ST), Calcutta.

Reference Committee of Inquiry (ST), Calcutta's Memo. No. CI (ST)/Cal.(A) Memo. dated 25th October, 1967 regarding issue of customs permits against licence No. SIC/IL/D/BR/1501/94 dated 19th March, 1960 for an excess value of Rs. 67,405.

It appears from examination of the file that there was clerical error in debiting the value of the CCP and due to rush of work it escaped my notice.

I beg to state that I was very much over-worked at that time as I was dealing with actual users' licences which were in arrears. I was transferred to Import Branch from Industries Section as there was a heavy backlog in this Section. I also worked for a brief period, i.e. from middle of 1960 to middle of 1961, in Import Branch.

I beg to request you to excuse me for this lapse. As the CIF value in the licence was not increased it will appear that the mistake was not intentional.

No. CI(ST)/CAL(A)/Memorandum
GOVERNMENT OF INDIA
MIN. OF STEEL, MINES & METALS
(Deptt. of Iron & Steel)
COMMITTEE OF INQUIRY
(STEEL TRANSACTIONS)
33, Netaji Subhas Road, (4th Floor)
CALCUTTA-1.

Dated, the 25th October, 1967

1.5

MEMORANDUM

In continuation of this office Memo. No. CI(ST)/Cal.(A) dated 18th October, 1967, Shri S. B. Basu/B. Pathak is requested to clarify also the following:—

For 1000 M/T of H.B. Wire imported by M/s. Apeejay Private Ltd., in terms of Letter Order No. C/APJ(34)/60 dated 17th March, 1960 and I/L No. SIC/II/D/BR/1501/94 dated 19th March, 1960 with C.I.F. value of Rs. 6,84,900 (subsequently amended to Rs. 6,87,176), C.C.Ps. were issued for Rs. 7-54,581, which exceeded the C.I.F. value of the Import licence by Rs. 67,405.

The circumstances under which the C.C.Ps. were issued for an amount exceeding the C.I.F. value of the Import Licence may please be explained.

He may consult and examine the relevant files containing the C.C.Ps. referred to in the statement, in the office of the Committee of Inquiry, Calcutta on the 26th and 27th instant and may please furnish his written reply on or before the 30th October, 1967.

A. K. DEB,
Under Secretary.

Shri B. PATHAK,
Retired Assistant,
Shri S. B. BASU,
Asstt. Controller,
Iron & Steel Control,
33, Netaji Subhas Road,
CALCUTTA.

STATEMENT—VII.

*Export Contract No. 8 date 3-4-1960 Letter Order No. C/APJ/(34)/60 dated 17-3-1960 I/L No. SIC/IL/D/BR/1501/94
Dated 19-3-1960*

I/L		C.C.P.		Difference	No. & date of C.C.P. which exceeded the CIF value I/L.	File reference	Note Ref.	Remarks
Quantity	Value	Quantity	Value					
1000 M/T/ H.B. Wire.	Rs. 6,84,900 amended to Rs. 6,87,176	1000 M/T	Rs. 7,54,581	Rs. 67,405	SIC/CP/BR/ D/1502/823 dated 20-8-60 and 824.	P/72-77 File 1/10/BR D/APJ.	P/6-7 Case No. 2.	Dy. Asstt. I&SC, Shri S.B. Basu and dealing Assistant B. Pathak.

No. CI(ST)/CAL(A)
GOVERNMENT OF INDIA
MIN. OF STEEL, MINES & METALS
(Deptt. of Iron and Steel)
COMMITTEE OF INQUIRY
(STEEL TRANSACTIONS)
33, Netaji Subhas Road, (4th Floor)

CALCUTTA-1

Dated the 18th October, 1967

MEMORANDUM

The Government of India (Ministry of I & S.) vide Resolution No. SC(II)-14(19)/66 dated 12th September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the P.A.C. 1965-66 and also some other transactions as recommended by the P.A.C. in their 56th Report. By Notifications No. SC(II)-14(19)/66 dated 7th October, 1966 the Central Government has invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the Inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri * while acting as the had acted in violation of the policy/decision of the Government/I&SC and which would require his clarification to enable the Committee to consider whether such action taken by him constituted any irregularity/lapse on his part.

1. The attached appendix illustrate a few cases where C.C.Ps. were allowed to the importers at rates higher than those stipulated in the Letter Orders and Import Licences. The reasons for allowing these higher rates are not available. There appears to be no evidence to indicate, as in the cases illustrated in Appendix I, that there were any grounds or basis for taking into account, any other element of price other than these included in the L.O./I.L., which could have increased the rates as there is no indicator that the condition precedent to allowing any percentage of tare viz., that "the overseas supplier's invoice should clearly indicate, inter alia, the basis of price charged and also the rate" had been fulfilled nor is there any calculation to show that any percentage of tare was taken into account while passing/putting up the C.C.Ps.

2. The C.C.Ps. were passed by him in his capacity/put up by him in his capacity of Dy. Asstt. I. & S.C. of dealing Asstt./Supdt. without exercising any proper check to see that the rates quoted in the application for C.C.Ps. were correct and admissible.

3. The Committee would like to know the reasons why and circumstances in which C.C.Ps. were passed/put up by him without verifying the correctness of price quoted therein.

4. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of this inquiry. In the meantime his explanation, as called for above, may be furnished, within 10 days of receipt of this memo.

5. If he so desires, he may consult and examine the relevant files in the office of the Committee of Inquiry, Calcutta during office hours.

6. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd/- A. K. DEB,

Under Secretary-

- (1) Shri S. B. Basu, Asstt. Iron and Steel Controller, Calcutta.
- (2) Shri A. K. Sen, Research Officer, I. & S. C. Calcutta.
- (3) Shri K. Senthappan, Dy. I. & S. C. Faridabad.
- (4) Shri D. P. Mitra, Assistant, I. & S. C. Calcutta.
- (5) Shri B. B. Pathak (Retd.) I. & S. C. Calcutta.
- (6) Shri S. N. Banerjee, Asstt., I. & S. C. Calcutta.

APPENDIX—I to the Memorandum dt. 18-10-67

Case No. I

Export Contract No. 7 dated 8-4-60

L. O. No. C/AP(35)/60 dated 19-3-60. Importers M/s Amin Chand Payare Lall.

C.C.P. No. and date	Description of goods	Per M/t.				Differ- ence between columns 5 & 6	Differ- ence between Col. 3 & 6	File No. & Page	Reference to notes	Remarks
		Rate as per L.O. includ- ing freight rate \$ 11.20	Rate as per Import Licence	Rate as Worked out taking freight rate as for im- port from U.S. at \$31.50	Rate allowed in C.C.P.					
I	2	3	4	5	6	7	8	9	10	11
		\$	\$	\$	\$	\$	\$			
SIC/CP/BR/D/ 1050 dt. 21-10-60	M.S. Black Sheets HR (IRSM) 16	174.30	174.30	194.60	220.80	26.80	46.50	I/10/BR/ D/AP/60/ Vol. I P 46/C	Page 2 of notes on Case No. I Item 3 of state- ment	Sh. S. B. Basu, Dy. Asstt. I&SC Sh. P. K. Bose, A.I.C. Sh. B. Pathak, Dealing Clerk.

SIC/CP/BR/D/ 1229 dt. 17-12-60	B.P. Sheets H.R.	161.00	161.00	181.30	203.90	22.60	42.90	P. 73/C	Do. Item No. 7	Do.
SIC/CP/BR/D/ 1001/1194 dated 30-11-60	Annealed Drum Sheets	169.00	169.00	189.30	204.11	14.81	35.11	I/10/BR/ D/AP/60- Vol. II.	Do. Item No. 10	Sh. P. K. Bose, A.I.C. Sh. D. P. Mitra, Dealing Clerk.
P. 9										
SIC/CP/BR/D/ 1125/ dt 10-11-60	Do.	169.00	169.00	189.30	206.62	17.32	37.62	P/16.	Do. Item No. 12	Sh. S. B. Basu, Dy. Asstt. I&SC Sh. D. P. Mitra, Dealing Clerk.

Case No. 8—Export Contract No. 28 dt. 18-1-61 L.O. No. C/R KK/ 32/60 dt. 5-5-60

Importers : M/s. Ram Krishan Kulwant Rai.

1. SIC/CP/ BR/D/ 1001/999 dt. 10-10-60	M/s. Sheets H.R. & Drum Quality	176.20	176.20	196.50	207.93	11.43	31.73	I/10/BR/ PKK/60/ Vol. I.	Page 4 of Case No. 8 Item (I) of statement	
2. SIC/CP/ BP/D/ 1001/1096 dt. 3-11-60	Do.	176.20	176.20	196.60	206.40	9.90	30.20	Not avail- able on file I.L. at Page 27. P. 135	Do. Item 2	Shri S. B. Basu, Dy. Asstt. I&SC Sh. P. K. Bose, A.I.C. Sh. D. N. Banerji Asstt. Do.
3. SIC/CP/ BR/D 1001/1180 dt. 29-11-60	Do.	169.00	169.00	189.30	207.43	1.15	38.45	P. 162	Do. Item 3	

APPENDIX—II to the Memorandum dt. 18-10-67

Case No. 5. Export Contract No.17. dated 24-5-60.

Importers : M/s. J. S. Cohen and Co., Calcutta

CCP No. and date	Description of material upto May, 1960 on 3-2-60 F.O.B.	Rate fixed for shipment earlier by March, 1960	Rate fixed for shipment by March, 1960	Rate as per L.O. & F.O.B.	Rate as per I.L.	Actual dates of shipment.	Rate allowed in CCP F.O.B.	Difference between Cols. 3 and 6.	File reference	Note reference	Remarks
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I	2	3	4	5	6	7	8	9	10	11	12
		\$		\$	\$	\$	\$	\$	\$		
1. SIC CP B/RI 1201/505 dt. 2-6-60	M.S. Plates including 1/8; commercial BSS 15	116.50 15.00 as extra for BSS-15 & O.H. Quality	2.50 to 3.00			16.4-60			1/10/BR Cohen 60 632		Sh. S. K. Banerji, Dy. Asstt. I&SC Sh. B. Patkalk, Dealing Clerk.

2. SIC/CP/ BR/I 1201/671 dt. 7-7-60	Do.	Do.	133.00 as in 7.5.60 133.00	2.50 P. 39	P. 3 of case	Sh. A. K. Seth, Dy. Asstt. I & SC
					No. 5.	Sh. B. Pathak, Dealing Clerk
3. SIC/CP/ BR I ■ 1211/745, dt. 26-7-60]	Do.	Do.]	31.5.60	P. 44		Sh. S. B. Basu, Dy. Asstt. I & SC Sh. B. Pathak, Dealing Clerk

Case No. 3.

APPENDIX III—to the Memorandum dated 18-10-67.

Export Contract No. 13 dated 9-5-60 and 16 dated 20-5-60 L.O. No. Cap: (35) 60. Dated 1-3-60

Importers. Messrs. Aminchand Payare Lal.

CCI No. and date	Description of material	Rate as per L.O.		Rate as per I L.	Rate allowed in CCP CIF per M T.	Difference between Columns 3 and 5	Filed Page No.	Reference to notes	Remarks.
		Shipment up to May 1960 (a)	Shipment from June to August 1960(b)						
1	2	3	4	5	6	7	8	9	10
SIC/CP/D/BR 1002/886, dt. 7-9-60 Date of shipment 19-8-60	H.R. Black Sheet annealed for Drum Mfg.	\$ 181.50 P 131	\$ 176.20	As per L.O.	\$ 181.30	\$ 5.30	Page 214 1/10/ BR/D AP/60 state- ment.	Page 6 of Case No. 3 Item 6 of	Sh. K. Sentriappan, Asstt. I.&S.C. Sh. B. Pathak, Deal- ing Clerk.

Case No. 1

APPENDIX IV—to the Memorandum dated 18-10-67.

Export Contract No. 14, dated 16-5-60.

L. O. No. C/RKK (32) 60, dated 15-6-60.

Importers : M/s. Ram Krishan Kulwant Rai.

CCP No. & date	Description of material	Rate per M T. as per L.O.		Date of ship- ment.	Rate as per I.L.	Rate allow- ed in CCP.	Diff- erence between Columns (4) and (7)	File reference	Notes references	Remarks
		Up to 31-8-60 (a)	From 1-9-60 (b)							
1	2	3	4	5	6	7	8	9	10	11
		\$	\$			\$	\$			
1. SIC/CP/ BR/I/1002/ 1203, dated 3-12-60	G. P. Sheets 24G 26G	213.40	202.40	} 7-9-70	As in L.O.	213.40	11.00	110/BR/D/ RKK/60, Vol. II P. 35	P 2 of notes on Case No. 4	Sh. S.B. Basu, Dy. Asstt. I&SC Sh. P.K. Bose, A.I.C. Sh. S. N. Banerji, Asstt.
		221.00	210.00			221.00	11.00			
2. SIC/CP/ BR/D/ 1001 1154, dt. 21-11-60	Cold Rolled Sheets 20G.	193.50	175.00	14.9.60	,,	183.50	18.50	P. 49	P/5 of notes on Case No. 4	Do.

Case No. 8.

APPENDIX V— to the Memorandum dated 18-10-67.

Export Contract No. 28 dated 18-1-61

Importer :— M/s. Ram Krishan Kulwant Rai, Calcutta.

CCP No. and Date	Description of material	Rate as per L.O.		Date of ship- ment	Rate as per Licence	Rate allowed in CCP	Diff- erence Col. 3 (b) and 6	File reference	Note reference	Remarks
		Ship- ment June to August 1960 (a)	Ship- ment Septem- ber to Nov 1960 (b)							
1	2	3	4	5	6	7	8	9	10	
		\$	\$		\$	\$	\$			
1. SIC/CP/ BR/D/1001 1092 dated, 4-11-60	B. P. Sheets Cold Rolled deep dra- wing 20G.	193.40	175.00	15.9.60	193.50	193.50	18.50	1/10/BR/ D RKKR; 60 <hr/> P. 117	P/8	Sh. S. B. Basu Dy. A.I.&S.C. Sh. P. K. Bose, A.I.C. Sh. S.N. Banerjee Asstr.
2. Do. 1121, dt. 16-11-60	Do.20-G	193.50	175.00	15.9.60	193.50	193.50	18.50	P.146	P 8.	Do

3.	Do. 1063, dt. 24-10-60	Do. 28G	207.95	189.45	15.9.60	207.95	207.95	18.50	P/92	P/8	Sh. S. B. Basu, Dy. A. I&SC, Sh. P. K. Bose, A.I.C. Sh. B. Pathak, Clerk
4.	Do. 1064 dt. 24-10-60	Do. 24G	204.40	181.90	14.9.60	204.40	204.40	18.50	P/14	P/8	Do.
5.	Do. 1094 dt. 3-11-60	Do./20G	193.50	175.00	15.9.60	193.50	193.50	18.50	P/119	P/88	Sh. S. B. Basu, Dy. Asstt. I&SC, Sh. P. K. Bose, A.I.C. Sh. S. N. Banerji Asstt.

Copy of letter No. RD/1/1/RPT/SB dated 28th October, 1967 from Shri S. B. Basu, Asstt. Iron & Steel Controller, to the Under Secy., Committee of Inquiry(ST), Calcutta.

Reference Committee of Inquiry (ST)'s Memo. No. CI(ST)/Cal. dated 18th October, 1967 asking the undersigned to explain the difference in rates while issuing C.C.P. than the licensed rates, it is submitted that the cases have been examined and the explanations are given below:—

M/s. Aminchand Payarelal.

SIC/CP/BR/D/1050 dated 20th October, 1960 (204).

SIC/CP/BR/D/1229 dated 17th December, 1960 (205).

SIC/CP/BR/D/1001/1194 dated 30th November, 1960 (221).

SIC/CP/BR/D/1125/1194 dated 11th October, 1960 (221).

The above customs clearance permits appear to have been issued against import licence Nos. SIC/IL/BR/D/204 and 205 & 221. It was directed in Purchase Section letter No. C/AP/35(60) dated 26th September, 1960 that C.C.Ps. in the above licence may be issued as per invoice value. Obviously, therefore, there will be difference in rates if the C.C.Ps. are issued according to invoice value. The C.C.Ps. were, therefore, issued in accordance with the instructions issued.

CCPs issued to M/s. Ramkrishan Kulwant Rai :

- SIC/CP/BR/D/1001/1099 dt. The relevant CCP application is not available
10-10-60. in the file.
- SIC/CP/BR/D/1001/1096 dt. It appears from the notings that orders were
3-11-60 there to issue CCP at a higher rate although
the releases will be made at licensed rate.
- SIC/CP/BR/D/1001/1180 dt. It appears from the notings that there was a
3-11-60 ruling at that time that CCP will be issued
at the invoice value.
- SIC/CP/BR/D/1001/1190 dt. As the CCP has to be issued at the invoice
29-11-60 value the same has been issued correctly.
- SIC/CP/BR/D/1012/1203 dt.
3-11-60.
- SIC/CP/BR/D/1001/1154 dt.
21-11-60

SIC/CP/BR/D/1001/1092 dt. This also is covered by the ruling that the CCP will be issued at the invoice value as the
 4-11-60. Do. /1131 dt. CCP is dated 4-11-60 the notings on
 16-11-60. Do. /1063 dt. CCP application however do not indicate
 24-10-60 Do. /1064 dt. such remarks. As the CCP No. 1180 bears
 24-10-60 Do. /1094 dt. the same remarks it appears that the deal-
 24-10-60 Do. ing assistant forgot to mention the same.

It will appear from the relevant notings that orders were issued by Iron & Steel Controller that C.C.Ps. may be issued with invoice rates. The original orders could not be produced with the exception of one noting sent to SIC by Barter Purchase Section under Dy. No. 2755 dated 5th November, 1960 (copy enclosed).

It will be evident, therefore, that C.C.Ps. were issued at invoice value in accordance with the existing orders.

Export Contract No. 17 dated 24-5-60—L/O No. PIE/32 dated 10-2-60
 M/s. J. S. Cohen.

SIC/CP/BR/1/112/745 dated It appears that the rate fixed for earlier ship-
 26-7-1960 ment by March 1960, viz, \$2.50 to 3.00, was not quoted in the letter order and consequently not in the licence. Therefore, the CCP was issued correctly according to licence.

To

The Under Secretary,
Committee of Inquiry (Steel Transactions),
33, Netaji Subhas Road, (4th Floor),
CALCUTTA-1.

Sir,

In reply to your Memorandum dated the 18th October, 1967 I beg to state that I am concerned with the issue of two C.C.Ps. appearing in Serial No. 3 and 4 against case No. 1 (Appendix I) for which I am explaining here the circumstances under which the C.C.Ps. happened to be issued for rates higher than that were mentioned in the Import Licence.

C.C.P. No. SIC/CP/BR/D/1001/1194 dated 30th November, 1960.

In the case of C.C.P. mentioned above the discrepancy was brought to the notice of DC(D) and who ordered on 29th November 1960 (page No. 18(a) File No. 1/10/BR/D/AP/60-Vol.II) to issue C.C.P. according to invoices as produced by the firm on the understanding that the firm would be allowed to distribute the material to consumers only at the rate mentioned on the Import Licence. The firm was to submit an undertaking to that effect. It will, therefore, be seen that in issuing this C.C.P. I had not used any discretion of my own in the matter of issuing C.C.Ps. for higher unit rate than that was mentioned in the Import Licence.

C.C.P. No. SIC/CP/BR/D/1125 dated 10th November, 1960

In this case also C.C.P. was issued for higher unit price than that was permissible under the import licence. In this case also orders of DC(D) were taken on 17th November, 1960 but unfortunately those papers could not be readily traced. However, extracts of notes taken from File No. 1/10/BR/STC/RKKR/60 is enclosed. It would be seen from the notes and orders passed thereon that issue of C.C.Ps. at invoice rates which indicated unit price higher than that was allowed under the Import Licence was being adopted in similar case also.

The explanations given above may be considered and if you still think it necessary that I should appear before the Committee, I shall be glad to do so.

Yours faithfully,

Sd/- DEBA PROSAD MITRA,

Dated the 20th October, 1967.

The Under Secretary, Government of India,
Ministry of Steel, Mines and Metals.
(Department of Iron and Steel),
Committee of Inquiry
(Steel Transactions)
33, Netaji Subhas Road,
Calcutta-1.

Most respectable Sir,

I beg to invite a reference to your Memorandum Nos. CI(ST)/CAL (A)/Memorandum, dated 24th October, 1967 and 25th October, 1967, served to me, calling me to submit explanations for my action which have been found incorrect as mentioned in your above memoranda:

As permitted by you, I have been able to study the cases in the relevant files on the 27th and the 28th ultimo, in your office.

Most shamefully and remorsefully I beg permission to confess that in the major part of the cases I have genuine mistake, oversight or lapses committed by myself unknowingly through inadvertance and excessive pressure of work. Frankly speaking, I submit to say that since the time when I worked in the files, till the moment when I received your memorandum I was not in the least aware of my mistakes, lapses or oversights which led to an issue of CCPs at rates higher than stipulated rates or which led to an issue of CCPs in excess over the licence value.

Kindly permit me to state that the sole reason of all my mistakes, oversights or lapses that occurred in my work was the excessive pressure of constant overwork which I had to cope with, alone and single-handed, without having been given (in the majority of my cases) any assistance or any supervising staff to have a check or verification of my notings and calculations, during the year 1960, and a constant swiftness and hurry required to be maintained due to the urgency of the cases dealt with by me.

Kindly permit me to be a little more elaborate on my above statement. Though a period of seven years has elapsed already, many things have gone out of my memory by this time, I have tried to recollect as much as I can; and I solemnly declare, what I state below is an absolute truth without any tinge of exaggeration in it.

As far as I can remember, I was directed, towards the end of the year 1959, in doing the work of (i) Issuing and amending Import Licences with all the allied work against Government. Acceptance of Tender and import on Government to Government basis; (ii) Issuing and amending Import Licences and CCPs relating to Barter Import together with all

the allied correspondence; and (iii) Issuing CCPs for Unmanifested Excess and unclaimed Cargo of steel, together with all allied correspondence. I was then a fairly old man, aged about 53 years and was afraid of the terrible volume of work as above. Accordingly, an energetic youngman, Shri B. N. Sen Gupta was placed in my assistance and we together carried on with the work. But with the beginning of the year 1960, the Tender and Barter work began to increase tremendously, as it appeared to me, like a downpour. And, curiously enough at this juncture, my assistant Shri B. N. Sen Gupta, was taken away from me; and I was directed to carry on with the entire work alone. I was extremely nervous, but there was no way out. I had to put forth my total energy, to comply; I stayed buried under the work from 10 A.M. to the closing hour; I did not get time to have any tiffin, sometimes. From connecting and linking papers, making calculation, putting up notes, entering the details of Import Licences and CCPs in the respective registers, comparing the typed work, writing the forwarding letters, putting up fair cases for signature, filing papers after despatch and thereafter maintaining the balance, preparing statements for showing Import figures from time to time, everything was my duty. You have yourself seen, I believe, the amount of work done by me, though, I think, you have seen only a part of my Barter files and none of my work in A/T cases and Unmanifested Cargo cases, and also none of my work in connection with issuing Dealers Quota Import Licences (An additional duty which was thrust upon me later on, over and above which I have already narrated). As far as I remember now, over, thousand of CCP cases and some hundred of I/L cases and lots of correspondence were dealt with by me alone during the year 1960 and earlier parts of 1961.

Kindly permit me to state Sir, that at this stage I remember to have implored the officer more than once that the excessive burden of work was pulling me down and puzzling my understanding and that I might commit mistakes unknowingly and that a man might be given to check up my notings and calculations. But I was told that no assistance would be available. There was the Assistant-in-Charge, Shri P. K. Bose (reported to have been since dead) in our Section, through whom all cases were routed before being sent to the officer for orders. But I was verbally directed to put up files to the officer direct, presumably to avoid delay. I believe Sir, that you may have marked that the majority of my work was passed direct to the officer and very few cases were routed through the Assistant-in-Charge.

Every working day, from noon to the close of office hours, the Directors or Partners of Big Importers used to visit the officers and frequently the respective party files were called upon, which I had to send to the officers amidst my busy work. Moreover, during this time, I was frequently called in by the officers, to be ordered to expedite. I was constantly goaded to hurry up and often threatened that I would be held responsible for delay, if any consignment suffered any demurrage. Most honourable, Sir, kindly permit me to say that the frequent calling, urging, and threatening would cause much disturbance in my work and necessarily a distraction of my attention. Also, this frequent attending robbed me of much of my valuable time. As a result of this loss of time, I strained every nerve to speed up my work as rapidly as possible, and this might have led me to commit mistakes or oversights or lapses unknowingly at this stage.

Often times, applications for issue of CCPs, after my notings and officers' orders, were to be referred to Barter Purchase Section for getting their comments or sanction. Also, Freezing order letters were to be signed by the Deputy Contoller in connection with the issue of a CCP. But then, instead of the cases being sent by routine way, I was often requested by my officers to take the cases personally to the respective Section or to the Deputy Contoller and get the work done, with a view to expediting the issue of CCP's. This caused my physical strain as well as lose of time and energy, and when I came back and sat at my work, which I had left midway, I suffered from a serious distraction of attention, and I do not know if I might have committed mistakes or oversights at this stage unknowingly. I believe, you have already marked that *almost none* of such referred cases in my files were passed on through Diary reference or Record.

In fact, I was so much pulled down with the work, unaided and under constant urgings, and under constant pressure, that I fell a victim of a high blood pressure and often I submitted written representations to the officer either to transfer me to some other work or to give me some assistance because I might commit mistakes or oversights unknowingly, but none of my representations were heeded to; on the other hand, I remember to have been verbally warned against *insubordination*. One of these representations may, I believe, be still available in my personal file in the Iron and Steel Controller's office (Administrative Branch).

Most honourable Sir, with your kind permission. I may now submit my explanations for the individual cases as demanded by you:—

1. Excess issue of CCP against Import Licence No. SIC/IL/D/BR/1502/94, dated 19th March, 1960 issued with CIF value of Rs. 6,84,960 subsequently amended to read as Rs. 6,87,176. In this connection, kindly allow me to state that your Memo. No. CI(ST)/CAL/A3/Memorandum dated 25th October, 1967, which refers to the above licence, appears to contain some discrepancies as under, which I presume, may be errors in typing:—

- (i) The reference to your office Memo. dated 18th October, 1967. This Memo (*i.e.* 18th October, 1967) does not appear to have been received by me.
- (ii) The licence No. SIC/IL/D/BR/1501/94, as mentioned therein may perhaps, be read as SIC/IL/D/BR/1502/94.
- (iii) Original value in the licence (mentioned as Rs. 6,84,900) may perhaps be read as Rs. 6,84,960.

kindly allow me to explain how the mistake in my figure-work might have been caused, which led to the excess issue against the above licence.

From a study of the case, I find that 3 applications for issue of CCP's were of the same date, *i.e.* 18th August, 1960. Presumably, these 3 applications were received by me on the next day, *i.e.* 19th August 1960. As all the three applications referred to the same licence, I kept them together, as I believe, to work upon, all at a time. But I might have been verbally ordered by my officer to put up one particular application (out of the three) immediately, since perhaps that particular

application referred to a steamer which might have arrived already, or its arrival date was near. I complied, and it will be seen that the notings submitted, the issue orders passed, CCP details entered into register and perhaps all other formalities were completed on the same day, among other work, in an extreme hurry, and it appears that, this was the cause, why I committed mistake in my figure-work in this application (No. Imp./APH/SHP/69), I now find, that while calculating the available balance value, I have subtracted in the units place, in the tenth place, hundredth place, thousandth place, tens. of thousandth place, but I have suddenly added up in the last digit. I beg to state that I am very much ashamed and extremely remorseful for my absurd mistake. I beg to state that this was a genuine mistake committed by me unknowingly which might presumably, have occurred due to excessive overwork. Otherwise, as a man of sense, I could never have written like that. Even a simpleton could not have stated in the same breath, that a licence, issued for Rs. 6.84,960 leaves a balance of Rs. 7,77,200 after an import. It was woeful that nobody cast even a glance at my figure-work and pointed out the mistake. Presumably, the fact that occurred which led to the excess issue, was, as I explain below:—

While submitting to my officer the above application (No. Imp/API/SHP/69), with the file, I had perhaps thought that I would put up the remaining two applications shortly after; and since I might not receive the file back by that time. I thought it would be wiser to note down the balance value under the licence in the other two applications beforehand; since the total value in the 3CCP's appeared to be less than the balance (I mean, the erroneous balance worked out by me just before, on the first application) and since the rate was the same in the three applications, there would be no difficulty for me to complete the notings on these two applications, which might be put up along with the file as soon as the same was received back from my officer. I believe, Sir, this was the cause of my wrong recording in the 4th and the 5th applications (Nos. Imp./API/SHP/27 and Imp. AHP/SHP/26), which has led to the excess issue. I beg to state once again that the mistake I committed in this case was committed by me totally unmindfully and unknowingly, due to heavy pressure of work, and constant hurry. You will kindly consider that my burden of work was too heavy for me as I felt. I beg to state that the Barter CCP's with which I was saddled, required a completion of work within a very limited time, sometimes within a few hours, particularly when the steamer had already arrived, to avoid the risk of being responsible for any demurrage suffered by the consignment. I, once more, beg with folded hands to condone my failings and lapses committed by me unknowingly and without intention, due to an excessive pressure of work.

2. Your Memo. No. CI(ST)/CAL(A)/Memorandum dated 24th October, 1967 calling me to explain the reason of putting up CCP cases without verifying the correctness of rates:—

APPENDIX I

Item No. 1 (SIC/CP/BR/D/1001/1050, dated 21st October, 1960).

As far as I can remember, I think that the revised Invoice was submitted at the rate of \$ 174.30 (F.O.B. or C&F, I do not exactly remember) and so I had a mind to calculate the application value at

\$ 174.30 C&F and deduct the application value for an issue of CCP and so I put up notings accordingly. The calculation was done by me on a separate sheet, but due to a heavy rush of work, inadvertently I forget to incorporate the same in the application. I beg to be pardoned for the mistake and oversight committed by me absolutely unknowingly. In this connection, I beg to state that there is a letter from Barter Section in this respect which may kindly be seen at page 38 of the file (letter No. C/AP/35/60, dated 29th September, 1960) with instruction to SIC in the endorsement which reads as under:

"CCP's in respect of the above Import Licences may please be released on the basis of suppliers' original invoice."

Item No. 2 (SIC/CP/BR/D/1001/1299, dated 17th December, 1960).

The CCP application was put up to DC(D) along with all the documents showing size and rate of the materials, with the following comment:—

"Rate cannot be scrutinised, since I/L contains no rate for the imported size" (*vide* page 70 in the file).

DC(D) commented that Barter Section had agreed to the amendment, and it was my ideas that both the size and the rates had been agreed to, and accordingly I put up notings again at the bottom of p. 70 of the file, referring to DC(D)'s approval. My officer agreed to my notings and the CCP was issued. It did not appear to me at all that, while agreeing to the size, the rate was not agreed to, since the documents submitted contained the rate against the size. This was my misake committed in my hurried work and I beg that my shortness of observation and lapse in correct thinking made quite unknowingly may kindly be pardoned. I beg to state once again that the excessive pressure of work with which I was saddled, distracted my attention and pray that I may be pardoned for the lapse I committed unknowingly and without intention. In this connection, I beg permission to state that the endorsement on Barter Section letter No. C/AP/35/60, dated 26th September, 1960 (page 38 of the file) referred to this licence also.

APPENDIX II

Reference to CCP's Nos. 505 dated 2nd June, 1960;

671, dated 7th July, 1960;

745, dated 23rd July, 1960.

Importers: M/s. J. S. Cohen & Co., Calcutta.

Regarding the issue of the above CCP's I beg to state that the extra, viz. \$ 2.50 to \$ 3.00 was not quoted in the Import Licence or in the L/O. The first CCP case was got sanctioned by the Barter Purchase Section and subsequent CCP's were issued at the previous sanctioned rate.

APPENDIX III

Reference to CCP No. SIC/CP/D/BR/1002/886, dated 7th September, 1960.

Importers: M/s. Aminchand Payarelal, Calcutta.

Regarding the issue of the above CCP, I beg to state that, being extremely overpressed by the volume of my work, I had to expedite cases as swiftly as I could and in that hurry, I oversighted to mark that the rate of \$181.50 was limited for shipment up to May, 1960. I beg to state once again, that the excessive pressure of work was the only cause of this oversight of mine, which I committed most unknowingly and without intention. I was quite unaware of the mistake I had made in observing the reduced rate and beg with folded hands to be pardoned for this lapse caused by my unintentional oversight.

APPENDIX V

Items 3 & 4.

Reference to CCP Nos. 1063 dated 24-10-60.

Importers: M/s. Ramkrishan Kulwantrai

Regarding the issue of the above CCP's I beg to state that due to the excessive volume of the work which I had to continue under constant pressure, single-handed, I had to hurry up always to expedite the issue of CCP, and in hurry, I oversighted to none that the shipment/rates originally allowed were limited for shipments up to August, 1960. I beg permission to state that the over-pressure of my work and the extreme hurry in expediting were the only causes for my oversight and therefore, I made a mistake in allowing the original rate in the CCP's. I beg to state that my mistake was more totally unknowingly and without intention. I pray for pardon and beg that your kindness may condone my mistakes and oversights.

Most honourable Sir, I beg permission to declare solemnly that the statements I have made in all my writings in this letter of explanation are true to the very word. I do not know the proper way of address or expression to be made to your honour and beg to be pardoned for all my mistakes, lapse or oversights which I may have committed absolutely, unknowingly and unintentionally which led to the issue of CCP's in excess over licence value, or at rates in excess over stipulated rates.

Yours faithfully,

Sd/- BIBHUT BHUSHAN PATHAK,

23, Girish Bidyaratna Lane,

Calcutta-9.

Dated
2-11-67.

To

The Under Secretary,
Government of India,
Ministry of Steel, Mines and Metals,
(Department of Iron and Steel),
Committee of Inquiry (Steel Transaction).

Sir,

Attention is invited to para 3 of Memo. No. 23(1)/66 CI(ST), dated 23rd October, 1967, I beg to explain that it is very difficult for me to state the circumstances leading to the issue of CCPs as per list attached with the above memo, without specific orders of DC(M) at such a distant date. From the notings dated 28th October, 1960 (file No. 1/10/BR/STC/RKR/60) of Section-in-Charge and the office (copy attached) it will be seen that the DC(M) might have given further orders for issuance of CCPs in favour of M/s. Ramkrishan Kulwantrai as DC(M)'s order was given on 26th December 1960 and Section-in-Charge had noted that CCPs would be issued in view of DC(M)'s recent order. As the Section-in-Charge had not mentioned the relevant file reference in his notes sidelined 'A' office note said above it is not possible to locate the file in which general orders were given by the DC(M) in supersession of his earlier orders prohibiting issue of I/L. and CCPs in favour of M/s. Ram Krishan Kulwant Rai.

It may not be out of place to mention that if DC(M) had not revised his orders the Section Officer in Charge would not have issued orders for issue of C.C.Ps. in favour of the firmans as the DC(M)'s orders were surely made known to him.

In view of my foregoing submission I beg to point out that I had no malafide intention to put up such cases. If any lapse had been committed by me through my ignorance or without my knowledge as a new man temporarily dealing with such cases in addition to other allotted duties, I beg apology for such errors on my part.

Yours faithfully,

Encls.— 2 sheets.

Sd/- S. N. BANERJEE,

Dealing Asstt. (Li-I) office
of the Iron and Steel
Controller, Calcutta.

Dated 30-10-1967.

Copy of MEMO. No. 23(1)/66-CI(ST) dated 22nd June, 1967 from Secretary to the Committee of Inquiry (ST) Ministry of Steel, Mines & Metals, New Delhi to Shri S. Gupta, Superintendent, Office of the I&SC, Calcutta.

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(II)-14(19)/66 dated 12th September, 1965 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14-(19)/66 dated 7th October 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri S. Gupta, while working as Asstt. Incharge of the Barter Section of the Office of the Iron and Steel Control, Calcutta had taken the following actions/or failed to take necessary action in the undermentioned cases, which do not appear to be in accordance with the decisions of the Government which were in force during the relevant time and which would require his clarification to enable the Committee to consider whether such actions taken by him were irregular/lapse on his part.

(i) I&SC's file No. CP/KR/33/60-M/s. Khemchand Rajkumar, Calcutta-HSL's Contract No. 18 dated 15th May 1960 for sale of 5080 M/tons of steel billets-import of finished steel in exchange.

In this particular barter deal the firm were granted 2 pre-import licences No. SIC/IL/BR/D/0501/316 and 317 on the strength of the bank guarantee for Rs. 2,66,764.32 p., being 15 per cent of the value of the deal. The validity period of the bank guarantee expired on 29th November 1960. The firm were asked to renew the bank guarantee only on 12th December 1960. The firm submitted the renewed bank guarantee on 12th December 1960. The validity of the renewed bank guarantee expired on 28th February 1961 and thereafter the firm was asked to renew the same only on 2nd June 1961. Thus it is apparent that the firm was not reminded at the appropriate time to renew the validity of the bank guarantee. Shri S. Gupta Asstt. Incharge who was in charge of the relevant Section at the material period is, therefore, requested to explain, in writing, the reasons, if any, for not taking any step to ensure that the firms were reminded to renew their bank guarantee well in advance of its expiry.

(b) In this particular deal the firm did not furnish the renewed bank guarantee as referred to in (i) (a) above. However, when a reference dated 12th December 1961 was made by the SIC Section seeking advice of the barter Section whether import-licence/CCP may be issued to the party, the dealing Clerk proposed to advise SIC Branch to issue impo-

licence and CCP to the firm in spite of the fact that the firm had not furnished the required bank guarantee. The proposal was agreed to by the Asstt. Controller Shri L. K. Bose. Shri S. Gupta, is therefore, requested to explain, in writing, the reasons, if any, for his agreeing to the proposal of the dealing Clerk for issue of import Licence/CCP without insisting on the production of the required Bank Guarantee.

3. In addition to the point mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime, his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Copy of letter, dated 2nd August 1967 from Shri S. Gupta to the Secretary, Committee of Inquiry (Steel Transactions) in reply to Committee Memorandum No. 23(1)/66-CI(ST) dated 22nd June 1967.

In my letter dated 13th July 1967, I requested for grant of time till 31st July 1967, for submission of my explanation called for in your above. As I do not know when the correspondence portion of this office file No. CP/KR/(33)/60 Vol. I will be available for my perusal, and less delay in submission of my explanation should inconvenience the Committee of Inquiry in any way, I furnish below my explanation in regard to the points raised in your above, on the basis of the notes recorded on the Note portion of the said file.

(i) Regarding Renewal of Bank Guarantee:—

It may be stated at the outset that the work relating to barter deals involving export of Hindustan Steel Ltd. Semis was started in the Co-ordination Section of our Office and was dealt with by Shri G. N. Sen Gupta, L.D.C. It was in November 60 that the work relating to HSL barter was placed under my supervisory charge and Shri G. N. Sen Gupta was transferred to my Section. At that time only Ferrous Scrap barter and manganese Ore barter were handled in my Section. Due to Shortage of Staff I myself had to do much of original noting and drafting in regard to Scrap and Ore barter, so much so that I could hardly pay undivided attention to HSL barter which was an additional item of work entrusted to my Section. It is also a fact that there was no 'drill' or procedure for watching the Bank Guarantees given by the bartering firms. Had there been a procedure, the firm would surely have been reminded, well in time to renew the Bank Guarantee, whatever might have been the work load on me. Thus, partly due to pressure of work and partly due to lack of procedure I failed to keep a vigilant eye on the renewal of the Bank Guarantee in question. In other words, this occurred in circumstances, beyond my control.

(b) Regarding instruction to Steel Import Control Branch for issue of Import Licence/Custom Clearance Permit:—

It may be stated that instruction to steel Import Control Branch not to issue any Import Licence Custom Clearance Permit was issued just with a view to putting indirect pressure on the firm to furnish the Bank Guarantee which was due from it. But it has all along been felt that C.C.P's cannot be denied to a licensee if there is nothing irregular in regard to the import made nor can a firm be denied an Import Licence, which it is otherwise entitled to. Hence, it was difficult to stick to the decision to withhold CCP's/Import licence due to the firm without rendering ourselves vulnerable to legal consequences.

In view of what has been explained above, I trust and hope, Sir, it will not be necessary for me to explain the matter personally before the Committee of Inquiry.

23(1)/66-CI(ST).

21st July, 1967.

MEMORANDUM

The Government of India (Ministry of Iron & Steel) *vide* Resolution No. SC(II)-14(19)/60 dated 12th September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri B. Pathak, while working as a dealing hand in SIC Section in the Office of the Iron and Steel Controller, Calcutta, had taken the following actions/or failed to take necessary action in the under mentioned cases which do not appear to be in accordance with the relevant decisions of the Government which were in force at the relevant time and which would require his clarification to enable the Committee to consider whether such actions taken by him were irregular/lapse on his part.

- (i) I&SC's File No. C/JSC/38/60-Export Contract No. 17 dated 24th July, 1960 covering export of 7,620 M/t of billets—import of finished steel of equivalent value.

In this transaction, pre-import licence No. STC/IL/BR/1201/50 dated 10th February 1960 for Rs. 33,12,000 was issued to the firm against which they were issued six CCPs for a total value of Rs. 33,15,785. There is no explanation on the file about issue of CCPs for excess value. The issue of the last CCP No. SIC/CP/BR/1201/745 dated 26th July 1960 for Rs. 76.625 was for an amount in excess of the unutilised balance of the import licence. This mistake appears to have been committed because of the note dated 26th July 1960 recorded by the dealing clerk, Shri B. Patnaik on the file No. 1/10/BR/Cohen/60 which indicated that the total value of CCPs issued till date was of the order of Rs. 32,32,160 instead of Rs. 32,39,160 as recorded on the back of the foreign exchange copy (counterfoil) of the licence in question. He is, therefore, requested to explain, in writing, the reasons, if any, for his aforesaid action.

- (ii) I&SC File No. 1/10/BR/D/AP/60-Export Contract No. 7 dated 8th April 1960 covering the export of 25,000 tons of HSL steel slabs—import of finished steel of equivalent value.

In this transaction the following 4 Pre-import licences were granted to the firm:—

Licence No. & Date	Item	Value (Rs.)
1. SIC/IL/BR/D/1001/204 dated 22-6-60	M. S. Black Sheets	20,43,200
2. SIC/IL/BR/D/1001/205 dated 25-6-60	Drum Sheets	27,15,957
3. SIC/IL/BR/D/2814/206 dated 25-6-60	S. S. Sheets	15,71,800
4. SIC/IL/BR/D/1001/221 dated 2-7-60	Drum Sheets	38,31,334
	reduce to	37,63,334

It has been observed that against the licence mentioned at (4) above seven CCPs for a total value of Rs. 41,92,080 were issued, thus exceeding the value of the foreign exchange copy of the licence by Rs. 4,28,746. Scrutiny of the licence file reveals that this excess issue of CCPs were caused primarily due to the fact that on 17th November 1960 three CCPs were issued for value of Rs. 19,17,597, Rs. 58,917 and Rs. 52,127 but values of these CCPs were not posted correctly on the back of the foreign exchange copy of the licence (counterfoil). The values as recorded on the back of the foreign exchange copy of the licence (counterfoil) are Rs. 15,40,563, Rs. 58,135 and Rs. 51,617 respectively. The effect of such incorrect posing was that the foreign exchange copy still revealed an unutilised balance as being available for the issue of further CCPs for Rs. 7,21,311. On the other hand, if the correct values of CCPs had been posted, the unutilised balance still available for issue of CCPs would have been Rs. 2,89,039. Thereafter, two more CCPs were issued one on 30th November, 1960 for Rs. 3,50,460 and the other on 11th January, 1960 for Rs. 3,67,325 thus resulting in the excess issue of CCPs by Rs. 428,746.

It has been observed that while notings in respect of the CCPs which were issued on 17th November 1960 and 30th November 1960 were done by Shri D. P. Mishra the last CCPs for Rs. 3,67,352 which was issued on 11th January 1961 was based on the noting done by Shri B. Pathak. Shri Pathak's note dated 10th January 1961 indicated a balance of Rs. 3,70,851 still left in the said licence, to accommodate the value of Rs. 3,67,325 for which a CCPs was then applied for.

Shri B. Pathak is, therefore, requested to explain, in writing the circumstances under which he failed to check up and observe that the values of CCPs issued on 17th November, 1960 were not correctly recorded on the foreign exchange copy of the licence (counterfoil) but proceeded to record his note dated 10th January, 1961 on the basis of incorrect value of CCPs recorded on the foreign exchange copy of the licence (counterfoil) resulting in the issue of CCPs for excess value. The copy of the licence No. SIC/IL/BR/D/1001/221 dated 2nd July, 1960 together with the value of the CCPs issued as, recorded on its

back and a copy of the application for Customs permit dated 5th January, 1961 from M/s. Aminchand Payerelal, Calcutta and the notings recorded thereon are enclosed.

(iii) I&SC File No. 1/10/BR/D/APJ/Part.II-M/s. Apeejay Pvt. Ltd., Calcutta—Export of 25,000 tons of ingots—imports of finished steel of equivalent value.

In this barter transaction M/s. Apeejay Pvt. Ltd., Calcutta were granted ten pre-import licences for import of steel materials. It has been observed that against Licence No. SIC/IL/BR/D/1502/94 dated 19th March 1960 for Rs. 6,87,176, five CCPs were granted to the firm for a total value of Rs. 7,54,581. Copies of the five applications for Customs permits from the firm and the notes and orders recorded thereon are enclosed. It is observed from the notes recorded on the applications that upto the issue of the Third CCP on 19th August 1960, the balance unutilised in the licence was correctly worked out but while dealing with the fourth and fifth applications for CCPs the unutilised balance in the licence was not correctly mentioned in the notes resulting in the issue of CCPs for larger values. Shri B. Pathak, who was the dealing hand in these cases, is therefore, requested to explain, statements in the notes as stated above.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime, his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd./- P. Sabanayagam,
Secretary.

Shri B. Pathak,
Assistant (since retired).
Office of the Iron and Steel Controller,
Calcutta.

through
Iron and Steel Controller, Calcutta.

To

The Secretary,
Committee of Inquiry (Steel Transactions),
L-II Block, Brassey Avenue,
New Delhi.

Most respectable Sir,

I beg permission to submit herewith my explanation for my action in the cases as ordered by you as per your Memorandum No. 23(1)/66. CI(ST) dated 21st July, 1967.

I have looked into the cases and most sorrowfully and remorsefully I do admit that by lapse or oversight or mistakes has been responsible for the excess issue. But, I beg permission to state that the lapses, oversights or mistakes had been committed by me absolutely unknowingly and without intention due to an excessive pressure of overwork with which I was saddled during the year 1960 into the first few months of 1961. The constant pressure and swiftness of my work (consisting of Govt. A/T Import, Barter Import and issuing CCP against Unmanifested and Excess Cargo) under which I struggled at an old age and suffering from a fairly high blood-pressure cannot, I fear, be appreciated, unless described in detail. My repeated representations to my officer, stating that I was being unable to pull on with the excessive burden of work, and that I might commit mistakes unknowingly in my work, of no avail. One of these representations may be, I believe, still available with the Administrative Branch of the Iron and Steel Controller's Office, and medical certificate advising my complete rest and certifying my heavy blood pressure is also, I believe, still there.

Regarding my work which led to the excess issue of CCP against Import Licence No. SIC/IL/BR/D/1001/221 dated 2nd July, 1960, kindly permit me to submit my application as under:

I find that there are 3 applications for issue of CCP which had originally quoted the value of Rs. 15,40,563/-, Rs. 58,135/- and Rs. 51,671/- respectively. I find that these values were revised as Rs. 19,71,587/-, Rs. 58,917/- and Rs. 52,127/- respectively, and that CCPs were issued for the revised values. I find that the original values were posted on the licence and these had not been amended as per amendment on the application. This has been the cause of the excess issue finally.

It is noticed that Shri D. P. Mitra worked for the issue of the 3 CCPs and recorded the original value of the application as was the procedure usually followed by us at that time, I cannot remember everything of the case now, after so many years. But it appears to me that after issue of the CCP I kept the case pending in order to write and issue the Freezing Order letter in connection. As I was very much pressed with over work, I could not find time to write and issue the F.O. letter until a pretty long time also, could not find time to file the papers even after the issue of the F.O. letter. Had I got time to file the papers even

after the despatch of the F.O. letter, I might have amended the value in licence at that time. I beg to state that when the last CCP was issued on 10th January 1961, even at that time the previous papers had not, as I believe, been filed. In this connection, kindly permit me to state a few words about the way in which I had to deal with filing cases at that time. Due to extremely heavy pressure of work, I got no time to file papers in proper time. Heaps of filing papers were accumulating on the table, increasing in bulk daily. But as I was alone and unaided, the filing papers could be put in files long after the issue. The officer knew this. I beg to state that this was the only reason why I made a lapse most unknowingly in not verifying and amending the records in the licence before the issue of the last CCP, and for this lapse which I committed unknowingly, I beg to be condoned by your honour. My lord, kindly allow me to explain how the mistake in my figure work might have been caused which led to the issue of CCP in excess over the value of the Import Licence No. SIC/IL/D/BR/1502/94 dated 19th March 1960. I beg to state that I will try to explain as far as my old age memory enables me to recollect after so many years.

Looking into the cases I find that 3 applications for issue of CCP's were of the same date, i.e., 18th August, 1960. Presumably, these were received by me on the next day, i.e. 19th August 1960. As all the three applications referred to the same Import Licence, kept them together, as I believe, to work upon all of them at a time, because that would save time and labour. But, I believe, that I might have been verbally ordered by my officer to put up one particular application (out of the three) immediately, since perhaps, that particular application referred to a steamer which might have arrived already, or whose arrival date was near. I complied, and it will be seen that the notings submitted, issue orders passed, CCP details entered into register and perhaps all other formalities completed on the same day in an extreme hurry, and it appears that this was the cause why I committed a mistake in my figure work in this application (No. 69). I now find that while calculating in this application, the balance value available under the licence, I have subtracted in the units place in the tenth place, in the hundredth place, in the thousandth place and the tens of thousandth place, I have suddenly added up in the last digit I beg to state that I am very much ashamed and extremely remorseful to find my absurd mistake. I beg to state that this was a genuine mistake committed by me unknowingly, which might presumably have occurred due to an excessive overwork. Otherwise, as a man of sense, I could not have written like that. Even simpleton could not have stated in the same breath, that a licence issued for Rs. 6,34,960 leaves a balance of Rs. 7,77,200 after an import. It was wrongful for me, that nobody cast even a balance at my figure work considering that an overworked only man might commit mistakes. (There was the A.I.C. Sri P. K. Bose, since reported to have been dead, through whom all cases were routed before being put up of officer. But my cases verbally ordered to be put up direct to the officer, unless ordered otherwise). (My lord, I believe, that you have already marked that almost all my cases were not passed through the A.I.C.).

Presumably, the fact which led to the excess issue was, as I explain below:—

While submitting to my officer the above application with the file, I had perhaps thought that I would put up the remaining two applications shortly after, and since I might not receive the file back by that time, it would be wiser to note down the balance value of the licence in the

other two applications beforehand, since the total value of the 3 CCPs appeared to be less than the balance (I mean the erroneous balance) worked out by me on the first application and the rate appeared to be the same in all the 3 applications, there would be no difficulty for me to complete the notings on these two applications which might be put up along with the file as soon as the same was received back. Sir, I believe, that this was the cause of the wrong recording in the 4th and 5th applications (Nos. Imp./APJ/SHP/27 and Imp./APJ/SHP/26) which led to the excess issue. I beg to state once again that the mistake I committed in this case was committed by me totally unmindfully and unknowingly due to a heavy pressure of work and constant hurry. You will kindly consider that my burden of work was too heavy for me, as I felt. I beg to state that, as the barter CCP's with which I was saddled required a completion of work within a very limited time, sometimes within a few hours, particularly when the steamer had already arrived, to avoid the risk of being responsible for any demurrage suffered by the consignment; I beg with folded hands to condone my failings and lapses committed by me unknowingly and without intention due to a heavy pressure of work. My lord, regarding my work which led to excess issue of CCP under Import Licence No. SIC/IL/D/BR/1205/50 dated 10th February 1960, I beg to state as under:—

Sir, kindly permit me to say, that which I feel and which I believe after these long years is that while writing the utilised value against the licence, I put the erroneous figure the cause of which, as it appears to me, was that the first figure '32' had led me unawares to repeat the same figures after it, this being a lapse or oversight due to my hurried work done under an excessive pressure. But my error was detected by me and I changed the figure '2' into the figure '9'. But, I believe, at this time I might have been called upon by my officer to comply some immediate orders and when I resumed my CCP work again, I made a mistake by subtracting '2' instead of '9' in my hurried work. I beg to pray that mistake was an oversight of mine due to a heavy pressure of work and committed unknowingly, and I beg to my lord to be condoned.

Yours faithfully,

Sd/-

(Bibhuti Bhushan Pathak)

Retired Assistant.

Dated 7th November 1967.

No. 23(1)/66-CI (ST)

Dated 22-6-67.

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES & METALS

Committee of Inquiry (Steel Transactions)

L-II Block,
Brassey Avenue,
New Delhi.

MEMORANDUM

The Government of India (Ministry of Iron & Steel) *vide* Resolution No. SC(II)-14(19)/66 dated 12th September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri G. N. Sen Gupta, while working as a Division Clerk in the office of the Iron and Steel Controller, Calcutta had taken the following actions or failed to take necessary action in the under-mentioned cases which do not appear to be in accordance with the relevant decisions of the Government which were in force at the relevant time and which would require his clarification to enable the Committee to consider whether such actions taken by him were irregular/lapse on his part.

- (i) *I&SC file No. CP/KR/33/60 M/s. Khemchand Rajkumar, Calcutta. HSL's Contract No. 18 dated 15-5-60 for supply of 5,000 long tons (5080 m/t) of billets (tested) and import of finished steel in exchange.*

It has been observed that in respect of the above-mentioned transactions, the firm-M/s. Khemchand Rajkumar, had obtained pre-import licences No. SIC/IL/BR/D/0501/316 and 317 on submission of a bank

guarantee for Rs. 2,66,764.32 P. which was originally valid upto 29th November 1960. The firm was asked to renew the bank guarantee on 12th December 1960, which they did on 22nd December 1960. The validity of the renewed bank guarantee was upto 28th February 1961 and thereafter they were asked to renew the bank guarantee on 2nd June 1961. The firm did not eventually renew the bank guarantee. Shri G. N. Sen Gupta, who was the dealing hand in the section dealing with this case did not keep a watch on the date of expiry of the bank guarantee so as to remind the firm in time to renew the bank guarantee and to put up papers to his superior officer for taking necessary action. He is, therefore, requested to explain, in writing, the reasons if any, for this lapse on his part.

(b) It has also been observed that on a reference from SIC section, dated 12th January 1961 enquiring whether the suspension orders against the firm were still in existence, Shri G. N. Sen Gupta recorded a note stating that the matter was under consideration and SIC section might be advised to issue import licence and CCPs in favour of the firm which were pending in that branch. This was done in spite of the fact that the firm had not till then furnished a fresh bank guarantee which it had been asked to do on 2nd June 1961 and reminded on 2nd November 1961 and again on 1st December 1961. He thereafter put up a fair U.O. reply for signature of Asst. Controller, through the Asst. In-charge, Shri S. Gupta, on 12th December 1961, which issued under the signature of Shri L. K. Bose on 14th December 1961. Shri G. N. Sen is requested to explain in writing the reasons if any for the above action, when the firm had not furnished the renewed bank guarantee.

(ii) I&SC file No. C/APJ (34)/60—M/s. Apeejay (P) Ltd., Calcutta—HSL's Contract No. 8 dated 8th April 1960 for export of 25,000 tons of ingots—import of finished steel.

BR/1507/91,
1001/92, 97,
1501/93,
1502/94,
1002/95,
1507/98,
2614/249,
1021/300,
It has been observed that in respect of the above mentioned case, the firm had obtained the marginally noted pre-import licences on submission of a bank guarantee for Rs. 12,96,000, which was valid upto 28th February, 1961. The firm was asked to renew the bank guarantee on 25-2-61 only. As the firm did not reply a reminder was sent to them on 8-11-61 after a lapse of nearly nine months. The firm eventually did not renew the bank guarantee. Both the letters mentioned above issued under the signature of Shri L. K. Bose. Shri G. N. Sen Gupta who was the dealing hand in the section dealing with this case did not keep a watch on the expiry date of the bank guarantee so as to remind the firm sufficiently in advance to renew the bank guarantee and to put up papers to his superior officers for taking necessary action. He is, therefore, requested to explain, in writing the reason, if any, for this lapse.

(iii) I&SC file No. CP/AP/35/60—M/s. Aminchand Payarelal, Calcutta—export contracts No. 13 & 16 dt. 9-5-60 & 20-5-60 respectively for export of 20.0 m/t of billets and import of finished steel of equivalent value.

(a) It has been observed that in respect of the above-mentioned barter deal, the bank guarantee amount furnished by the party was reduced in the following manner :—

Sl. No.	Date of firm's request for reduction of B.G.	Date of opening of L/C	Value of L/C	Tonnage covered	Validity of L/C	Date of reduction of B.G.	Original amount of B.G.	Amount of B.G. after being reduced
1.	7-9-60	27-7-60	4,19,470	945	23-9-60	9-9-60	13,24,900	11,91,952
2.	13-9-60	23-6-60	45,97,637	10,000	30-9-60	14-9-60	11,91,952	5,02,308

H.R.—Reduction in B.G. was effected on the basis of L/C (Rs. 4,19,470) + actual exports (Rs. 4,66,183).

On both the occasions, the bank guarantee amount was reduced and confirmation letters sent to the Bank without obtaining from the firm the necessary undertaking for the submission of fresh bank guarantees in case of their inability to export material within the validity period of the L/Cs in question.

From the information received from the firm it appears that against this particular barter deal they had received two L/Cs. one dated 31st January, 1961 covering 2,583 m/t against which exports effected were of the order of 2,577 tons and other dt. 12th January, 1961 covering 400 m/t against which exports effected were of the order of 393 m/t tons. Therefore, it appears that no exports had taken place against the two L/Cs. which were furnished by the firm on 7th September, 1960 and 13th September, 1960, for reduction of their bank guarantee amounts. Also, there is no mention in the information furnished by the firm to the Committee, about the exports to the tune of Rs. 4,66,188/- which were stated to have been effected in the firm's letter dt. 7th September, 1960 to I&SC and on the basis of which the B.G. was reduced. In this case, the firm had, therefore, submitted incorrect information for the purpose of getting their bank guarantee amount reduced. It transpired that the Office of I&SC had not taken any effective steps to check correctness of the information furnished by the party, before agreeing to reduce the bank guarantee amount. Nor was any step taken to keep a watch on the progress of exports against the said L/Cs. Shri G. N. Sen Gupta, who was the dealing hand in this case also, is requested to explain, in writing, the reasons, if any, for the lapses pointed out above.

(b) The validity of the B. G. submitted by the party was upto 28th February, 1961. The firm was asked to renew the B. G. on 25th February, 1961 and they were again reminded on 8th November, 1961. There was no noting on the file regarding the issue of the above-mentioned letters. Both letters were issued under the signature of Shri L. K. Bose.

The firm did not eventually renew the B. G. to Shri G. N. Sen Gupta, who was dealing with this case did not take necessary action to keep watch on the expiry date of the B. G. so as to remind the firm sufficiently in advance to renew the B. G. and put up papers to his superior officers to take further action. He is therefore, requested to explain in writing, the reasons, if any, for this lapse.

(iv) *I&SC file No. CP/AP/35/60-M/s. Aminchand Payarelal, Calcutta—HSL's Contract No. 7 dt. 8th April, 1960 covering export of 25,000 M/tons of slabs—import of finished steel of equivalent value.*

In this particular barter deal, it had been observed that the firm were granted pre-import Licences No. SIC/IL/BR/D/1001/204, 205, 221, 2814/206 and on the strength of three bank guarantees furnished by them. The bank guarantee amounts were subsequently reduced on production of letters of credit from the foreign buyer covering part quantity of the exportable material. No follow up action was however, taken to ensure the progress of export if any, against the letters of credit within their respective validity periods. Nor was any attempt made to get the validity of those letters of credit extended or in the alternative fresh bank guarantees from the firm. Shri G. N. Sen Gupta, who was dealing with this case, is, therefore, requested to explain in writing, the reasons, if any, for not keeping watch on the progress of export if any, against the letters of credit in question or to get the validity of the letters of credit duly extended from the firm or to obtain fresh bank guarantees in lieu thereof.

ta (b) The validity period of the three bank guarantees furnished by the firm in this particular deal and the action taken by the office of the Iron & Steel Controller to renew the same were as under :—

Sl. No.	Original validity of the B.G.	Date of asking the party to renew the B.G.	Date of submission of the renewed B.G. by the party	Date of expiry of the renewed B.G.	Date of asking the firm to renew the renewed B.G.	Remarks	
1.	20-12-60	. . .	6-1-61	12-1-61	19-6-61	8-11-61	The firm did not renew the BG on the ground that the balance quantity of export could not be effected for reasons beyond their control.
2.	21-12-60	. . .	Do.	Do.	20-6-61	Do.	
3	1-1-61	. . .	Do.	Do.	30-6-61	Do.	

It is therefore, apparent that the firm was not reminded in due time to extend the validity period of the bank guarantee in question. Shri G. N. Sen Gupta, who was dealing with this case is, therefore, requested to explain, in writing, the reasons, if any, for not taking necessary action to renew the bank guarantees at the appropriate time.

(v) *I&SC file No. CP/RKK/32/60. M/s. Ramkishan Kulwantrai Calcutta—HSL's contract No. 28 dt. 18th January, 1961—export of 25,000 M/tons of ingots/slabs and import of finished steel of equivalent value.*

(a) In this particular barter deal the firm was granted pre-import licences without ensuring that the firm had made necessary arrangements to export the materials covered in this barter deal by entering into suitable export contracts with HSL. Since according to Deptt. of Iron & Steel letter No. SC(B)/5(5)/60 dated 2nd February, 1960 pre-import licences were to be granted either on the production of a letter of credit covering the entire quantity of export or on the production of bank guarantee equivalent to 15 per cent of the value of the entire deal subject to a further proviso that a firm contract for export should exist for the exportable materials covered under the barter deal. Shri G. N. Sen Gupta, is, therefore, requested to explain, in writing, the reasons, if any, for not entering on his part the existence of a firm contract for import either with HSL or with any foreign buyer before proposing issue of pre-import licences on the strength of 15 per cent bank guarantee.

(b) It has also been observed that in this particular barter deal Hindustan Steel Ltd. vide their letter dt. 28th May, 1960 (copy enclosed) informed the Iron & Steel Controller that only 5,000 tons of slabs had been sold to the party. This letter was submitted to Shri S. C. Mukherjee by Shri G. N. Sen Gupta, on 29th August, 1960 and thereupon Shri Mukherjee noted on 31st August, 1960 that all information details relating to import licence to this firm and details of corresponding export arrangements should be submitted. On this Shri G. N. Sen Gupta, made the following marginal remarks on 6th September, 1960 "Mr. Malik of M/s. Ramkishan Kulwantrai has promised to submit the required statements shortly." No further action was taken in this regard nor the matter was brought to the notice of Shri S. C. Mukherjee, Shri Sen Gupta, is, therefore, requested to explain, in writing, the reasons, if any, for not pursuing this matter with the firm and also for not bringing the matter to the notice of DC (Shri Mukherjee).

(vi) *I&SC file No. CP/JSC/38/60—M/s. J. S. Cohen & Co., Calcutta, export Contract No. 17, dt. 24th May, 1960 with HSL for export of 7620 mft of billets—import of finished steel in exchange.*

In this barter deal the firm were granted pre-import licence No. SIC/IL/D/BR/1201/50 on the strength of a bank guarantee. The said bank guarantee was allowed to be reduced in value on the firm's submission of bank statements indicating certain foreign exchange earnings. No scrutiny of the bank's statements was, however, made to ensure that the foreign exchange earnings included in the banks statements were in respect of exports under the particular contract covered by this barter deal. Shri G. N. Sen Gupta, while failing to undertake the scrutiny mentioned above proposed reduction of the bank guarantee amount on the strength of foreign exchange earnings indicated in the banks statements.

The proposal was finally approved by the then Dy. I & SC, Shri V. Doraiswamy and accordingly the original bank guarantee for Rs. 5,05,350/- was reduced by Rs. 2,78,960/- Shri G. N. Sen Gupta, is, therefore, requested to explain, in writing, the reasons, if any for not making a scrutiny of the bank's statements with a view to ensuring that the foreign exchange earnings indicated in the bank's statements were in fact in respect of exports under Contract No. 17 with HSL.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime, his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd./- P. SABANAYAGAM

Secretary to the Committee of Inquiry (ST)

Shri G. N. Sen Gupta, L.D.C., Office of the I&S.C., Calcutta.
(through I&S.C., Calcutta).

No. CI(ST)/CAL(A)/Memorandum

Government of India

Ministry of Steel, Mines and Metals

(Department of Iron and Steel)

Committee of Inquiry (Steel Transaction)

33, Netaji, Subhas Rd. (4th floor) Cal. 1.

Dated, the 30th October, 1967

Please refer to para 3 of this office Memorandum of even number dated 22-6-1967. Scrutiny of the records of the Iron and Steel Control Organisation, Calcutta, further revealed the following irregularities.

- (i) I&SC File No. CP/AP/35/60-Contract No. 13 and 16 with HSL-Export of billets and import of finished steel in exchange —M/s. Aminchand Payarelal, Calcutta.

A barter deal was approved *vide* Iron and Steel Control Letter Order No. CP/AP/35/60, dated 8th March, 1960 in favour of M/s. Aminchand Payarelal, Calcutta involving export of 20,000 tons of HSL billets and import of finished steel of equivalent value. In para 2(b) of the said Letter Order, the total foreign exchange earning against export of 20,000 tons of billets was indicated as \$ 18,40,000. It has been observed that the items and quantities that were allowed to be imported against this barter deal at the stipulated price exceeded the expected total foreign exchange earnings. The four licences that were issued by the SIC Section in pursuance of this letter order stated above amounted to Rs. 95,21,650/- which was in excess of the expected export earning to the tune of Rs. 6,89,000/-.

Shri G. N. Sen Gupta, who had put up the draft letter order indicating value of goods to be imported at Rs. 95,21,650/- is therefore, requested to explain in writing, the circumstances under which the firm was allowed to import for a value which was in excess of the corresponding expected export earning.

- (ii) I&SC File No. CP/RKK/32/60-Contract No. 28 with the HSL-export of slabs and import of finished steel in exchange —M/s. Ramkrishan Kulwantrai, Calcutta.

On 26-10-1960, Shri S. C. Mukherjee, Deputy Iron & Steel Controller, ordered the SIC Section not to issue any import licence or CCP to M/s. Ramkrishan Kulwantrai without his specific approval in each individual case as the firm had obtained five pre-import licences without having any corresponding export contract with HSL. On 16-11-1960, Shri G. N. Sen Gupta dealing clerk, proposed that SIC Section should be advised to issue CCP in favour of the firm as usual as the firm had

furnished an extended Bank Guarantee in respect of their other barter deal covered by HSL contract No. 14. While proposing this, he put up a fair letter to M/s. Ramkrishan Kulwantrai with endorsement to SIC Section, containing the above mentioned advice to the then Assistant Controller Shri B. Tiwari who had approved the action suggested by him. The endorsement to the SIC Section was issued under the signature of Shri B. Tiwari. He is, therefore, requested to explain, in writing, the circumstances under which he had proposed resumption of issue of CCP in favour of the firm notwithstanding D. C. (M)'s order dated 26th October, 1960.

(iii) I&SC File No. CP/JSC(38)/60.

In the matter of import of 4000 tons of BSS-15 quality by M/s. J. S. Cohen. (Export Contract No. 17 dt. 24th May, 1960 and Letter Order No. PIE/32 dated 10th February, 1960). The rate \$133 per M/T was fixed on weighted average basis, after allowing \$5 more specifically in consideration of earlier shipment by March 1960. While putting up the letter order he did not incorporate this stipulation in the draft, as a result of which CCPs. as indicated in the statement attached for a quantity of the material shipped after March, 1960 at the enhanced rate were issued.

He may explain the circumstance in which he failed to incorporate the above mentioned stipulation in the draft letter order.

He may see the necessary records in this regard in the office of the Committee of Inquiry (ST) Calcutta on 26th of this month and submit his written explanation by 30th instant to the undersigned.

Sd./- A. K. DEB.

Under Secretary.

Shri G. N. Sen Gupta,
Dealing Assistant,
C/o Iron and Steel Control,
33, Netaji Subhas Road,
Calcutta-1.

CASE No. 5

APPENDIX II

Export Contract No. 17 dt. 24-5-60 L.O. No. PIE/32 dt. 10-2-70

Import : M/s. J. S. Cohen & Co., Calcutta

C.C.P. No.	Description of material	Rate fixed for shipment upto May '60 on F.O.B.	Rate fixed for earlier shipment by Malch, 1960	Rate as per L.O. F.O.B.	Rate as per I.L.	Actual dates of shipment	Rate allowed in C.C.P. (F.O.B.)	Difference between Column 3 & 8	File reference	
1	2	3	4	5	6	7	8	9	10	
SIC/CP/BR/ I/1201/505 dt. 2-6-60	M.S. Plates including 1/8" Commercial BSS-15	\$128.00	} +\$5.00			15-4-60			I/10/BR/ Cohen 60 P/32	
SIC/CP/BR/ I/1201/671 dt. 7-7-60	"	"		\$133.00			7-5-60	\$133.00	\$5.00	P/39
SIC/CP/BR/ I/1211/745 dt. 26-7-60	"	"			As in L.O.		31-5-60			P/44.

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Calcutta, the 31st July, 1967

To,
The Secretary to the Committee of Enquiry (S.T.),
L-II, Block, Brassey Avenue,
New Delhi.
Sir,

With reference to your memorandum No. 23(1)/66-CI(ST) dated 22-6-1967, I have to state as follows:—

Regarding (i)

As there was no system to keep watch on the expiry of Bank Guarantee I as a dealing hand could not remind the Firm to renew the Bank Guarantee in time and for the same reason the file could not be placed before the superior officer for taking necessary action regarding renewal of Bank Guarantee.

Regarding (i)(b).

If an Importer is entitled to get Import Licence and C.C.P. It is difficult to suspend issue of the same. We wanted to give some pressure on the Firm to get the Bank Guarantee due from the Firm. In this connection it may be stated that I could not see the correspondence portion of File No. CP/KR/33/60/Vol. I, when I had been to Delhi for examining the Files. It was however seen from the note portion of the above file that the firm was to be asked to earn foreign exchange by exporting some commodity other than Billets. If this proposal could be finalised, fresh Bank guarantee could have been obtained.

Regarding (ii)

As there was no system to keep watch on the expiry of Bank Guarantee, I as a dealing hand could not remind the Firm to renew the Bank Guarantee well in advance and for the same reason the file could not be placed before the superior officer for taking necessary action in respect of renewal of Bank Guarantee.

Regarding (iii)(a)

There was no system to watch the progress of the Letter of Credit. In this connection it may be stated that it could not be apprehended that the firm might submit incorrect information to the Government for the purpose of getting their Bank Guarantee amount reduced.

Regarding (iii)(b)

As there was no system to keep watch on the expiry of Bank Guarantee, I as a dealing hand could not remind the firm to renew the Bank Guarantee well in advance and for the same reason the file could not be put to the superior officer for taking necessary action regarding renewal of Bank Guarantee.

Regarding (iv)

There was neither any system to keep watch on the progress of export against letters of credits or Bank Guarantee nor was there any direction from the superior officer in the matter. I as a dealing hand did not know that extension of letters of Credit was at all necessary in such cases.

Regarding (iv) (b)

As there was no system existing in the section to keep watch on the expiry of Bank Guarantee, I as a dealing hand could not remind the firm to renew the same at the appropriate time.

Regarding (v) (a)

The party submitted 15 per cent Bank Guarantee for the requisite amount in respect of the Deal. It never occurred to me that the party could furnish the Bank Guarantee, in respect of a Barter Deal without finalising the export side with Hindustan Steel Ltd., as other firms did. It is however regretted that on account of pressure work it could not be checked up properly whether the firm had a firm offer of export from Hindustan Steel Ltd. It may be added all the Hindustan Steel Barter proposals involving export of Pig Iron as well as Semis which were coming to us in large numbers had to be dealt with by me alone without assistance from any other co-worker or the supervising staff.

Regarding (v) (b)

It may be stated that I being a member of non-gazetted staff was not supposed to have a direct talk with Shri Mallick of M/s. Ramkrishan Kulwant Rai in this matter. It might be that Shri Mallick agreed before the D. C. (Shri Mukherjee) to give the required statement shortly which was recorded by me on the bottom of the Note-Sheet. Soon after the file was put up to D.C. in connection with some other correspondence with notings made on the reverse of the particular page of the Note-Sheet. Thereafter all nothings were given by me below the latter notings and I had no occasion to turn over-leaf. Thus the incomplete notings regarding furnishing of statements by Shri Mallick of M/s. Ramkrishan Kulwant Rai, was lost sight of which is regretted.

Regarding (vi)

Export Licence for Export of 7620 M/T of billets was issued in favour of H.S.L. In the Bank statement was indicated that the foreign exchange has been earned against H.S.L.'s own Export Licence and the quantity indicated in the Bank statement was less than the licensed quantity. Neither the export licence number nor the H.S.L. Contract No. was indicated in the Bank Statement. It could not be apprehended that a Barterer would propose to reduce the value of Bank Guarantee by furnishing Bank Statement regarding earning of foreign exchange against some other export licence which has no connection with the export licence or contract for which the Bank Guarantee was furnished.

Yours faithfully,
Sd/-

(Gopindra Nath Sen Gupta)
LOWER DIVISION CLERK
.. Iron & Steel Control, Calcutta,
Import Surcharge Section

No. 23(1)/66-CI(ST)
GOVERNMENT OF INDIA
MINISTRY OF STEEL, MINES AND METALS
Committee of Inquiry (Steel Transactions)

I-II Block, Brassey Avenue,
New Delhi, the 22nd June, 1967.

MEMORANDUM

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(II)-14(19)/66 dated 12th September, 1966 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14/(19)166 dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the Inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri D. P. Mitra while working as L.D.C. in the Office of the Iron and Steel Controller, Calcutta had taken the following action or failed to take necessary action in the undermentioned cases which do not appear to be in accordance with the relevant decisions of the Government which were in force at the relevant time and which would require his clarification to enable the Committee to consider whether such actions taken by him were irregular/lapse on his part.

- (1) I&SC file No. 1110/BR/D/AP/60—Export Contract No. 7 dated 8-4-1960 covering the export of 25,000 tons of H.S.L. Steel slabs—import of finished steel of equivalent value.

In this transaction the following 4 pre-import licences were granted to the firm :

Licence No. and Date	Item	Value (Rs.)
1. SIC/IL/BR/D/1001/204, dated 22-6-60	. M. S. Black Sheets	20,43,200
2. SIC/IL/BR/D/1001/205, dated 25-6-60	. Drum Sheets	27,15,057
3. SIC/IL/BR/D/2814/206, dated 25-6-60	. S. S. Sheets	15,71,800
4. SIC/IL/BR/D/1001/221,	. Drum Sheets	38,31,334
		reduced to 37,63,334

It has been observed that against the licence mentioned at (4) above seven CCPs for a total value of Rs. 41,92,080 were issued, thus exceeding the value of the foreign exchange copy of the licence by Rs. 4,28,746. Scrutiny of the licence file reveals that this excess issue of CCPs was caused primarily due to the fact that on 17th November, 1960 three CCPs were issued for values of Rs. 19,71,597/-, Rs. 58,917/- and Rs. 52,127/- but values of these CCPs were not posted correctly on the back of the foreign exchange copy of the licence (counter foil). The value as recorded on the back of the foreign exchange copy of the Licence (counter foil) are Rs. 15,40,563/-, Rs. 53,135/- and Rs. 51,671/- respectively. The effect of such incorrect posting was that the foreign exchange copy still revealed an unutilised balance as being available for the issue of further CCPs for Rs. 7,21,311. On the other hand, if the correct values of CCPs had been posted, the unutilised balance still available for issue of CCPs would have been Rs. 2,89,039. Therefore, two more CCPs were issued, one on 30th November, 1960 for Rs. 3,50,460 and the other on 11th January, 1961 for Rs. 3,67,325, thus resulting in the excess issue of CCPs by Rs. 4,28,746.

It has been observed that while notings in respect of the CCPs which were issued on 17th November, 1960 and 30th November, 1960 were done by Shri D. P. Mitra, the last CCP for Rs. 3,67,385 which was issued on 11th January, 1961 was based on the noting done by Shri B. Pathak.

Shri D. P. Mitra is, therefore, requested to explain in writing the circumstances under which he failed to record the correct values of the CCPs which were issued by him on 17th November, 1960 on the back of the foreign exchange copy (counterfoil) of the licence. Necessary records have already been shown to Shri Mitra when he visited the office of the Committee of Inquiry, New Delhi on 3rd July, 1967.

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of their Inquiry. In the meantime, his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd/- P. SABANAYAGAM.

Secretary to the Committee of Inquiry (ST).

Shri D. P. Mitra, L.D.C.,
I&SC, Calcutta.
(through) I&SC, Calcutta

MEMORANDUM

Kind reference is invited to the Committee of Inquiry (Steel Transactions) No. 23(1)/60-CI(ST), dated July, 1967 requiring the undersigned to explain the circumstances under which he failed to record the correct values of the CCPs which were issued by him on 17th November, 1960 on the back of the Foreign Exchange copy (Counterfoil) of the licence.

The first point to be noted in reply to the above charge is that the relevant file No. 1/10/BR/D/AP/60 containing the Import Licence No. SIC/IL/BR/D/1001/221 dated 7th February 1960 originally issued for 4,507 tons of Drum Sheets valued at Rs. 38,31,334/-, subsequently reduced to Rs. 37,63,334 (on 24th December, 1960) was under the charge of the dealing Assistant, Shri B. B. Pathak and not under the undersigned. Due to heavy pressure of work the dealing Assistant being unable to cope with the volume, the undersigned was called upto to help him in disposing of CCPs with the approval of the Section Officer. It would thus be understood that, in the interest of office work, the undersigned, over and above his own allotted work, had to help him in reducing the volume as much as practicable.

The practice in vogue in the Steel Import Control Section at that time was as follows:—

- (a) When the CCP application was submitted to the Section Officer (DAC) for issuance of the CP, the actual value and tonnage mentioned in the CP application was noted at the back of the Import Licence. (This the undersigned had correctly done according to the procedure).
- (b) If the higher officer (AC/DC) suggested any increase/decrease of tonnage/value, the amendment was not noted on the back of the Import Licence there and then, because the file containing the relevant Import Licence was usually not readily available. The working practice was that all amendments were noted on the back of the Import Licence after the despatch of the CCPs; that is, when the office copies of the CCPs were finally filed. (As the undersigned was not the dealing Assistant of the subject file, he did not do the final filing work. So the charge of failure to note the amended value of the CCPs on the back of the Import Licence cannot be reasonably laid on his doors).

It is sought to be pointed out here that, the three CCP applications were submitted to the Section Officer for orders on 10th November, 1960. Shri Basu, the Section Officer, issued orders on the same date, that is, 10th November, 1960. But final disposal orders were issued on 17th November, 1960 and the CCPs were finally despatched on—

18th November, 1960 by the dealing Assistant Shri B. B. Pathak. This will be evident from Shri Pathak's remarks "copy to D.I.S.C., Bombay with Invoice" written with his own hand on the o/cs., of the three CCPs mentioned above.

In this connection, it is also pointed out that on and from 18th November, 1960 the o/cs., of the CCPs along with the applications were lying with Shri B. B. Pathak. The subject file containing the Import Licence had been with him from the very date (10th November, 1960) when the undersigned had submitted the CCPs to the Section Officer. This is because of the fact, that, after noting the tonnage/value of the CCPs on the back of the Import Licence, the undersigned had no further business with the file. So the subject file with the o/cs. of the CCPs lay with Shri B. B. Pathak for the issue of the freezing order from 18th November, 1960 onwards. This Freezing order could not actually be issued by Shri B. B. Pathak before 13th December, 1960 due to heavy pressure of work.

Thereafter, on 30th Noember, 1960 the undersigned submitted another CCP to the Section Officer after making due notings on the back of the Import Licence. The o/cs. of the previous CCPs and the CCP applications had not been filed till 30th November, 1960 as they were awaiting the issue of the Freezing Order and as such, when on 30th November, 1960 the undersigned handed the file again he could not find the CP applications and the o/cs., of the previous CCPs there. So he did not get the chance to verify if all the amendments had been properly noted on the back of the Import Licence after issue of the CCPs. Nor was it possible for the undersigned to remember if there had been any such amendments on the previous CCP applications.

The Freezing Order on the CCP for 355.65 tons valued at Rs. 3,50,460/- which was issued on 30th November, 1960 was also issued on 13th December, 1960 by Shri Pathak.

From the facts stated above it will be clear that the undersigned cannot be reasonably made responsible for the lapses noted in the charge.

Sd/- DEBAPROSAD MITRA,

Assistant,

Office of the Iron and Steel Controller,
Calcutta.

4th August, 1967.

To

The Secretary,

(Atten: Shri P. Sabanayagam).

Ministry of Iron and Steel,

Committee of Inquiry (Steel Transactions).

L-II Block, Brassery Avenue.

NEW DELHI

NEW DELHI.

No. 23(1)/66-CI(ST)

GOVERNMENT OF INDIA

Ministry of Steel, Mines and Metals.

Department of Iron and Steel

Committee of Inquiry, Steel Transactions

New Delhi, the 23rd October, 1967

MEMORANDUM

The Government of India, Ministry of Iron and Steel, *Vide* Resolution No. SC(11)-14(19)/66, dated 12th September, 1965 appointed this Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66, dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the Inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri S. N. Banerjee, while working as dealing Assistant in the SIC Section, Office of the Iron and Steel Control, Calcutta, had taken the following decisions/or failed to take necessary action in the under-mentioned cases which do not appear to be in accordance with the relevant decisions of the Government which were in force at the relevant time and which would require his clarification to enable the Committee to consider whether such actions taken by him were irregular/lapse on his part.

Iron and Steel Control File Nos. CP/RKK/32/60-Vol. I and 1/10/BR/D/RK/60—Col I & II—M/s. Ramkrishan Kulwantrai, Calcutta Issue of CCPs.

On 26th October, 1960 Shri S. C. Mukherjee, Deputy Iron and Steel Controller had instructed SIC Section to the effect that no import licence or CCP should be issued to M/s. Ramkrishan Kulwantrai, without his specific approval in each case. It has, however, been observed that the CCPs as per statement enclosed were issued to M/s. Ramkrishan Kulwantrai, between 27th October, 1960 and 19th January, 1961 under the orders of Shri S. B. Basu, the then Deputy Assistant, Iron and Steel Controller, without taking the orders of DC(M) in any of these cases.

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3. Shri S. N. Banerjee is, therefore, requested to explain, in writing, the circumstances under which he had proposed issue of CCPs as per statement enclosed notwithstanding Shri S. C. Mukherjee's order dated 26th October, 1960. He may consult the necessary records in this regard which would be made available to him in the Office of the Committee of Inquiry, Calcutta.

Sd/- (A. K. DEB),

Under Secretary.

Shri S. N. Bannerjee,
Dealing Assistant.

Statement of C.C.P.s. issued during 27-10-60 and 19-1-61 in respect of import of steel on barter basis

M/s. RAMKRISHAN KULWANT RAI

HSL's Contract No. & Date	C.C.P. No. and Date	Item	Quantity	Value	Remarks
				Rs.	
28 dated 18-1-61	SIC/CP/BR/D/1001/1088 dated 1-11-60.	BP. Sheets	72,227 M/Tons	566,668	
	SIC/CP/BRD/1001/1093 dated 3-11-60.	Do.	72·126 "	66,630	
	SIC/CP/BR/D/1001/1094 dt. 3-11-60	Do.	71·942 "	66,405	
	SIC/CP/BR/D/1001/1088 dt. 3-11-60	Do.	90·025 "	83,096	
	SIC/CP/BR/D/2814/1802 dt. 4-11-60	S.S. Sheets	49·968 "	348,716	
	SIC/CP/BR/D/1001/1096 dt. 3-11-60	Drum Sheets	1186·622 "	1181983·17	
	Do. /1131 dt. 16-11-60.	B.P. Sheets	58·224 "	54·078	
	SIC/CP/BR/D/2814/1162 dt. 25-11-60	S.S. Sheets	50·232 "	301608	
	SIC/CP/BR/D/1001/1180 dt. 29-11-60	Drum Sheets	136·042 "	135820	
	SIC/CP/BR/D/2814/1206 dt. 7-12-60	S.S. Sheets	49·678 "	305,208	
14 dated 16-5-60	SICC/P/Br/D/1001/1154 Dt. 21-11-60.	G.P. Sheets	202·926 "	190,157	
	SIC/CP/Br/1002/1203 dt. 3-12-60	Do.	210·780 "	218,386	

To

The Under Secretary,
Government of India,
Ministry of Steel, Mines and Metals,
Department of Iron and Steel,
Committee of Inquiry, Steel Transactions,
Calcutta.

Sir,

Attention is invited to Memo. No. CI(ST)-CAL(A)/Memo. dated 24th October, 1967 of Committee of Inquiry (Steel Transactions), Calcutta directing me to explain the reasons of issuing undernoted Customs Permits at a rate higher than the price-rate mentioned in Letter Order :—

Sl. No.	CCP Nos. and Date	Case No.	Date of shipment
1	SIC/CP/BR/D/1001/1096 dated 3-11-60	No. 8 of Annexure—I.	27-8-60
2	/1001/1180 dt. 29-11-60	Do.	15-9-60
3	/1002/1203 dt. 3-12-60	No. 1 of Appendix—IV.	7-9-60
4	/1001/1154 dt. 21-11-60	Do.	14-9-60
6	/1001/1092 dt. 4-11-60	No. 8 of Appendix—V.	15-9-60
7	/1001/1131 dt. 16-11-60	Do.	15-9-60
8	/1001/1094 dt. 3-11-60	Do.	15-9-60

I have gone through the above Custom Permits numbers from the case files now available with the Inquiry Committee. The above Custom Permits were issued during the year 1960 and it is very difficult for me to commit anything from my memory. These case files were dealt with by me temporarily in the period of absence of other person who was dealing with such Barter cases from the very beginning.

Besides, the question of issue of C.C.Ps was of very urgent nature to avoid consequential demurrage I had dealt with the cases to the best of my knowledge honestly and submitted the cases with my notings to the officer concerned through the Section-in-Charge for obtaining orders for issuance of these CCPs. According to the orders of the officer concerned these CCPs were issued. No attempt was made knowingly or unknowingly to suppress the actual fact of the cases leading to the issue of CCPs. It is observed that the C&F value shown in the CCPs mentioned against case No. 8 of Annexure—I do not tally with that of the relevant L.O. and licensed value.

According to the ruling prevailed at that time the CCPs were issued at the invoiced price. The invoiced price was shown as \$ 174.90 plus ocean freight shown in the shipping documents related to each shipment. 5th November, 1960 copy of which is enclosed for favour of perusal. 5th November, 1960 copy of which is enclosed for favour of perusal. The circumstances leading to the acceptance of higher price than that of the price shown in the licence may kindly be ascertained from Barter Purchase Section.

In regard to CCP numbers shown against case No. 1 & 2 of Appendix IV & V it may be stated that the rates per M/T as allowed in the Letter Orders for shipment within 31st August, 1960 were adopted because the shipment were made within the normal grace period of 15 days from the last date of shipment as per I.T.C. ruling. The dates of shipments were properly indicated in each case of CCP in my notings and according to the verbal instruction of the then Section incharge that the rates were adopted for CCP purposes having allowed normal grace period. Presumably Section Officer had also accepted the contention of allowing grace period and issued orders for granting CCPs at the rates indicated in the L.O. for shipment upto 31st August, 1960. I had no intention to issue the CCPs at higher rates had the officer concerned ordered to accept the revised rate shown in the L.Os for shipment beyond 31st August, 1960.

In view of my forgoing submission I may humbly point out that I had no *mala fide* tendency in dealing with those cases. If any lapse had been committed by me through my ignorance or without my knowledge as a new man dealing with such cases in addition to other allotted duties, I beg apology for such errors on my part.

Yours faithfully,

Sd/-

S. N. BANERJEE,

Dealing Assistant (Li-I)

Office of the Iron & Steel
Controller, Calcutta.

Encl:—1.

Dated 30th October, 1967.

Memorandum No. CI(ST)/CAL(A) dt. 18th October, 1967 to Shri A.K. Sen, Research Officer, L&SC., Calcutta.

The Government of India (Ministry of Iron & Steel) vide Resolution No. SG(11)-14(19)/66 dated 12th September 1966 appointed the Committee of Inquiry to investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the P.A.C. 1965-66 and also such other transactions as recommended by the P.A.C. in their 56th Report. By notification No. SC(11)-14(19)/66 dated 7th October, 1966 the Central Govt. has invested the Committee of Inquiry with necessary powers under the relevant provisions of the Commission of Inquiry Act, 1952, to facilitate the inquiry. Copies of the Resolution and Notification are enclosed.

2. It has been noticed that Shri A. K. Sen, while acting as Dy. Assistant Iron & Steel Controller, had taken the decision mentioned hereunder which appear to have been irregular, improper and in violation of the orders of the Dy. I&SC in this regard which would require his clarification to enable the Committee to consider whether such decision taken by him constituted any irregularity/lapse on his part.

File No. 1/10/BR/Billets/AP/60 Sr. No. 48

In the cases cited in the statement attached the importer had claimed inadmissible gauge extras, not covered by LO/LL, ranging from \$ 1.5 to \$ 11.00. The Dy. I&SC had ordered thereon that the C.C.Ps should be refused unless the invoices were revised. In spite of these orders of the Dy. I&SC and in spite of the fact that the importers had not got the invoices revised, the Dy. Assistant Iron & Steel Controller, Shri A. K. Sen, took the decision to issue the C.C.Ps on the basis of the effective price as shown in the L.O. at the request of the importers, on the ground that it was "upto the importer to see whether they can get a clearance against the C.C.Ps issued at the above rate", and that without consulting the Dy. Iron & Steel Controller, and proceeded to issue C.C.Ps. as illustrated in the statement attached, in the third case without even reducing the C.I.F. value.

The circumstances in which Shri Sen issued the C.C.Ps. in violation of the orders of the Dy. I&SC and the reasons for doing the same may please be explained to the Committee.

In addition to the points mentioned above, the Committee may have occasion to ask him further about various aspects of the inquiry. In the meantime, his explanation, as called for above, may be furnished, within days of receipt of this memo.

If he desires, he may consult the relevant files in the office of the Committee of Inquiry in Calcutta, during office hours.

He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statement.

Annexure to the Memo dated 18-10-67 issued to Shri A.K. Sen, Case No. 3 Export Contract No. 13 dated 9-5-60 & 16 dated 20-5-60 L.O. No. C/AP/(35)/60 dated 8-3-60 IMPORTER—

M/S. AMIN CHAND PYARE LAL

Sl. No.	C.C.P. No. & Date	Description of goods	Rate as per L. O./IL	Rate allowed to C.C.P.	Difference between Cols. 4 & 5.	File & Page No.
1	2	3	4	5	6	7
1	SIC/CP/BR/D/1507/668 Dated 7-7-60.	M.S. Wire Rods 6 mm. |	S 151.00 C & F effective	155.00 CIF. effective.	S 4.00	File No. I/IV/BR/Billets /AP/60 serial No. 48. Pages 70 & 86
2	SIC/CP/BR/D/1057/667 dated 7-7-60.	Do.]	S 151.00 C & F effective effective.	S 162.00 C & F effective.	S 11	Page 60 & 84

Sh. A. K. Sen's reply to Memorandum dt. 18th October, 1967.

Kindly refer to the undersigned's note dated 20th instant which was submitted to Dy. Controller (Vigilance) for onward submission to the Committee of Inquiry (Steel Transaction), Department of Iron and Steel, in regard to the following Memoranda *ad-seriatum*:—

I. 22(1)/66-CI(ST)/212 dated 10-10-1967.

II. CI(ST)/CAL(A) dated 18-10-1967.

III. CI(ST)/CAL(A) dated 18-10-1967.

Comments against each of the above memorandum are submitted as under after the relevant import licensing files have been seen by the undersigned in course of two days during the end of the October, 1967 at the Commission's Calcutta office.

1. Commission's Memorandum No. 22(1)/66-CI(ST)/212 dated 10th October 1967, regarding I. & S.C. File No. I/10/BR/Billets/AP/60—Aminchand Payarelal, Calcutta:

The following four licences relevant to the above case, were issued:—

I/L No.	Materials	Quantity	C & F price per M/T (basis)
1. D/BR/1507/77 dt. 16-3-60	Wire Rods	4000 M/T. (Total \$ 604000)	\$ 151.00
2. D/BR/1002/78 dt. 16-3-60	Drum Sheets	3000 M/T. (Total \$ 544500)	\$ 181.5
3. D/BR/1002/79 dt. 16-3-60	B. P. Sheets	3500 M/T. (Total \$ 607250)	\$ 173.5
4. D/BR/1502/80 dt. 16-3-60	Hard Bright Wire	1600 M/T. (Total \$ 228000)	\$ 142.5

The above licences were issued in accordance with the direction in the sub-paragraph 2(b) of the letter order No. C/AP(35)/60 dated 8th March, 1960 wherein for each of the four categories, respective sizes, specifications quantities & rates were given for issuing licences. The application for import licence from the above importer was received with one enclosure specifying all the four categories and particulars as were mentioned in the sub-paragraph 2(b) of the letter order dated 8-3-60 mentioned above. While issuing the licences the amount in rupees for the respective items were worked out by the tonnage of an item multiplied by the

corresponding rates as per above letter order. Rupee values were worked out for licensing as under for the items mentioned above *ad-serialum*.

1. \$ 604000 . . .	Rs. 2899200/-	} @ \$ 1=Rs. 4.8
2. \$ 544500 . . .	Rs. 2613600/-	
3. \$ 607250 . . .	Rs. 2914800/-	
4. \$ 228000 . . .	Rs 1094400/-	
TOTAL \$ 1983750	Rs. 9522000/-	

The above licences were signed by the undersigned in course of a day as and when they were typed and checked by the Section before putting up to me at different hours of the day.

Licensing Section being mainly concerned with issuing I/Licences according to the sub-paragraph 2(b), of the letter order. Regarding categories and other details for licensing purposes, inconsistency and variations of the amounts in the Letter Order as mentioned at the earlier portion of the Letter Order before the portion where categories quantities and rates etc, that were mentioned amount of Rs. 18,40,000/- as being equal to the total value of the four different categories of specified quantities and rates was not considered as incorrect as such errors could not be envisaged. The above two errors in the Letter Order now found were not corrected and the figures as given for each of the categories quantities and prices in the letter portion of the Letter Order was considered as correct. Copies of those licences (not in prescribed letter order form) were sent to Barter Section for information and necessary action.

It is also submitted that the rupee values in the each of the four import licences as were indicated by the firm in the enclosure to their application for licences were mere coincidence and the same, in line with the sub-paragraph 2(b) of the letter order where particulars were given in the letter order for issuing above licences.

The foregoing would show the anomaly in the total value in Dollars was not questioned and the licences were issued not according to the wishes of the Importer concerned.

II. Re:—Memorandum No. CI(ST)/CAL(A), dt. 18.10.67.
Re:—ISC File No. 1/10-BR/Billets/AP/60.

The following Customs Clearance Permits which have been specified in the enclosures to the above Memo. (No. II) has been along with other papers in the licensing file at the Calcutta Office of the Commission

1. C.C.P. No. SIC/CP/BR/D/1507/668, dt. 7.7.60.
2. C.C.P. No. SIC/CP/BR/D/1507/668, dt. 7.7.60.
3. C.C.P. No. SIC/CP/BR/D/1502/656, dt. 1.7.60.

The above C.C.Ps. were relevant to Import licence No. BR/1507/77 and BR/1502/80 both dated 16.3.60. These licences were issued against the letter order No. C/AP(35)/60, dt. 8.3.60 which has been mentioned in the foregoing notes at page 18p re: Memo No. 1.

These L/O in question permitted sizes extras but excluded quality extras. Subsequently the above I/Ls were amended on different points on a few occasions as a result the original I/L materially stood changed as under (the letter dated 27.5.60 of amendment was not traceable in the I/L file. On enquiry the Committee pointed out this letter in the file of the Barter Section. The effect of the amendment, however, was duly considered for C.C.Ps.

Materials	I/L No. & Date	C&F value per M/T
Wire Rods	BR/1507/77 dt. 16-3-67	\$ 151 per M/T (effective)
H. B. Wire	BR/1502/80 dt. 16-3-67	\$ 142.5 M/T. (basis)

From the licensing Section file the following points were observed that higher authorities prior to issuing of the three relevant C.C.Ps. of the enclosure to Memo (II) give decision for issuing C.C.Ps. for H.B. Wire with permissible gauge extras. Further on 28th June 1960 at page 56/N of Licensing file, it appears, that a reference by Licensing Section was made to the Barter Section in regard to the extras and the Purchase Section in their notes asked for orders for the permissible extra of \$ 1.5 per M/T for Wire Rods \$ 6.20 and \$ 7.4 extras for per M/T for 12 and 13 gauges of wire of the relevant consignment.

Against the foregoing notings DC(M) gave decision mentioning that according to the Price and Accounts Officer's earlier decision, the effective price for wire rod should be \$ 151 per M/T and no extra. As regards wire, the higher authorities did not question the extras as mentioned by the Barter Section and earlier C.C.Ps. had also been issued with the above extras duly approved by the higher authorities. On the basis of the extras taken into consideration the rates for 12 and 13 gauges come to \$ 148.70 (\$ 142.50 plus \$ 6.20) and \$ 149.90. Three C.C.Ps. viz., Nos. 663, 667 for wire rods and C.C.P. Nos. 656 for H.B. Wire were issued at the following rates (duly converted into rupees) as per Dollar rate of the L/Order.

(a) Wire Rods @ \$ 151 per M/T (effective).

(b) Wire @ \$ 148.70 and \$ 149.90 per M/T for 12 & 13 G respectively.

In the context of the above, it is considered that no excess in amounts in rupees was mentioned in any of the above C.C.Ps. which though have been mentioned in the enclosure to the above Memo (II) dated 18.10.67, alleged excess in rupees have been pointed out (but not found from the File).

As regards the orders of the Dy. Controller in respect of asking for revised invoices, it appears from licensing file that the importer had submitted the revised invoices for wire rods under cover of their 2 letters dated 27.6.60 at P. 67/C & 73/C. But the office copy of the letter asking for the revised invoice and any letter from the party in respect of revised invoices for C.C.P. 656 could not be traced in the relevant

Licensing file in course of the examination of the file in the Commissioner office at Calcutta.

From the foregoing it has been observed that the order of the higher authorities were carried out on all points and no excess amount was allowed in the three C.C.Ps. mentioned in the Commission's above Memo. (II) dated 18th October 1967. Neither error nor omission could be detected after examination of the Licensing file.

III. Your Memo. No. CI(ST)/Cal(A), dt. 18.10.67 regarding letter order No. PIE/32, dated 10-2-60 M/s. J. S. Cohen, Calcutta.

The relevant Letter order No. PIE/32, dated 10.2.60 as seen from the Licensing file, was issued from the Barter Section of this office at the base price of \$ 133 exclusive of qualities extra but extra for sizes were permitted. As such amounts involved in the three C.C.Ps. referred to in the enclosure to the above Memo (III) relevant to I/L No. SIC/IL/D/BR/1201/50 (issued by another officer) were issued at different rates because of the size extras permitted in the Letter Order. In regard to the three C.C.Ps. mentioned in the enclosure to the above Memo, the C.C.P. No. 505 and C.C.P. No. 745 were not issued by the undersigned who it appears from the Licensing file for C.C.P. No. 671 at page 39 was concerned the undersigned.

Incidentally, it is submitted that the C.C.Ps. that were issued prior & after to C.C.P. No. 671 issued at base price of \$ 133 F.O.B. plus the sectional extras which could not be determined as none of the relevant invoices could be seen in I/L file. In course of examination, it was noted that decision of the higher authorities as seen at page 9/C and 13/C of the I/L file was to the effect that the rate of \$ 133 F.O.B. per M/T was weighted average plus the extras for sizes permissible in the above L/O.

In view of the above, the C.C.P. No. 671 with which the undersigned was concerned was in order with permissible size extras and no paper was seen regarding the benefit of the tare percentage being given. All the C.C.Ps. were issued in accordance with the conditions and terms of the relevant Letter Order and the I/Licences. The excess & the irregularity as indicated in the enclosure to the above Memo. No. (III) could not be detected in course of the examination of the I/Licence file.

Sd/- A. K. SEN,

Research Officer,

Office of the Iron & Steel Controller, Calcutta.

To

The Committee of Inquiry,
(Steel Transaction)
Deptt. of Iron & Steel,
Min. of Steel, Mines & Metals.
Calcutta.

No. 23(1)/66-CI(ST)
Government of India
Ministry of Steel, Mines and Metals
(Committee of Inquiry (Steel Transactions))

L-II Block, Brasse Avenue,
New Delhi, 22nd June, 1967.

MEMORANDUM

The Government of India (Ministry of Iron and Steel) *vide* Resolution No. SC(II)-14(19)/66, dated 12th September, 1965 appointed this Committee of Inquiry to Investigate into the defaults, lapses and irregularities in respect of the transactions referred to in the 50th Report of the Public Accounts Committee 1965-66 and also such other transactions as recommended by the Public Accounts Committee in their 56th Report. By Notification No. SC(II)-14(19)/66 dated 7th October, 1966 the Central Government have invested this Committee of Inquiry with necessary powers under the relevant provisions of the Commissions of Inquiry Act, 1952 to facilitate the inquiry. Copies of the Resolution and the Notification are enclosed.

2. It has been noticed that Shri B. B. Mukherjee, while working as an Assistant Accounts Officer in the office of the Iron and Steel Controller, Calcutta, had taken the following decisions/or failed to take necessary action in the undermentioned cases, which do not appear to be in accordance with the decisions of the Government, which were in force during the relevant time and which would require his clarification to enable the Committee to consider whether such actions taken by him were irregular/lapse on his part.

(i) I&SC's file No. CP/RKK/32/60-C/s. Ram Krishan Kulwant Rai, Calcutta—Export Contract No. 28, dated 18th January, 1961 for export of 25000 tons of ingots slabs—import of finished steel of equivalent value.

In the aforesaid case the firm were granted five marginally noted pre-import licences for Rs. 1,00,72,506/- on the strength of the bank guarantee for Rs. 15,15,000/-, being 15% of the value of the deal. The validity period of the said bank guarantee was upto 31st December, 1960. On the expiry of the validity of the bank guarantee the firm was asked to renew the same on 6th January, 1961 which they did on 9th January, 1961. The validity period of the renewed bank guarantee expired on 30th June, 1961 but the firm were asked to further renew the same only on 26th February, 1962 after a lapse of about eight months. The firm did not submit any further bank guarantee, Shri B. B. Mukherjee, Assistant Accounts Officer who was in charge of the relevant Section at the material period did not take any step to ensure that the firm are reminded to renew the bank guarantee sufficient in advance of the expiry of the validity period. He is therefore, requested to explain, in writing, the reasons, if any, for not taking suitable action to ensure that the firm were reminded to renew the bank guarantee at the appropriate time.

(ii) I&SC's file No. CP/AP/35/60—M/s. Aminchand Payarelal, Calcutta—Export Contract No. 7 dated 8th April, 1960 for export of slabs—import of finished steel in exchange.

In this deal the firm were granted four marginally noted pre-import licences on the strength of three bank guarantees. The three bank guarantees furnished by the firm were allowed to be reduced in value on the production of L/Cs from foreign buyer in the following manner:—

SIC/IL/BR/D/1001/190, 193 and 194,
SIC/IL/BR/D/2814/191,
SIC/IL/BR/D/1002/192.

Sl. No.	Date of firm's request for reduction of B.G.	Date of opening of L/C.	Value of Letter of Credit	Tonnage covered in M/tons	Validity of L/C	Date of reduction of B.G.	Original Amount of B.G.	Amount of B.G. after being reduced.
1	19-7-60	13-7-60	1968000	5,000		27-7-60	312300	17100
2	8-11-60		1968000	*5,000	12-1-61	26-12-60	625000	329000
3	23-11-60	9-11-60	2390400	6,000	3-12-60	5-1-61	574700	216140

*Quantity and value covered by the L/C were enhanced for another 5,000 M/Tons.

However, no follow up action was taken to ensure the progress of exports against the letters of credit on the basis of which bank guarantee amounts were reduced. Nor was any attempt made to get the validity of those L/Cs extended on alternatively fresh bank guarantee from the firm. Shri B. B. Mukherjee, Assistant Accounts Officer who was in charge of the relevant section at the time of reduction of B.G. in the later two cases, is, therefore, requested to explain in writing, the reasons if any, for not taking action as referred to above.

- (iii) I&SC's file No. CP/KR/33/60—M/s. Khemchand Rajkumar, Calcutta—HSL's Contract No. 18 dated 15.6.60 for sale of 5080 M/Tons of steel billets—import of finished steel in exchange.

In this particular barter deal the firm were granted the pre-import licence Nos. SIC/IL/BR/D/0501/316, & 317 on the strength of bank guarantee for Rs. 2,66,764, 32 F, being 15 per cent of the value of the deal. The validity period of the bank guarantee expired on 29.11.1960. The firm were asked to renew the bank guarantee only on 12.12.60. The firm submitted the renewed bank guarantee on 22-12-60. The validity of the renewed bank guarantee expired on 28.2.61 and thereafter the firm was asked to renew the same only on 2-6-61. The firm did not eventually renew the bank guarantee. Thus it is apparent that the firm was not reminded at the appropriate time to renew the validity of the bank guarantee. Shri B. B. Mukherjee, Assistant Accounts Officer who was in-charge of the relevant Section at the material period is, therefore, requested to explain, in writing, the reasons if any, for not taking any steps to keep watch on the date of expiry of the bank guarantee so as to remind the firm to renew the bank guarantee, well in advance of the expiry of the validity of the bank guarantee (extracts of notes enclosed).

3. In addition to the points mentioned above, the Committee may have occasion to ask him further about various other aspects of their inquiry. In the meantime, his explanation, as called for above, may be furnished as early as possible.

4. He is also requested to intimate whether he desires a personal appearance before the Committee to elucidate his written statements.

Sd/- P. SABANAYAGAM,

Secretary to the Committee of Inquiry (ST).

Shri B. B. Mukherjee,
Assistant Accounts Officer,
c/o A. G. West Bengal,
Calcutta.

SMF. 25

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